Imperius Wealth

Market Commentary

March 2024

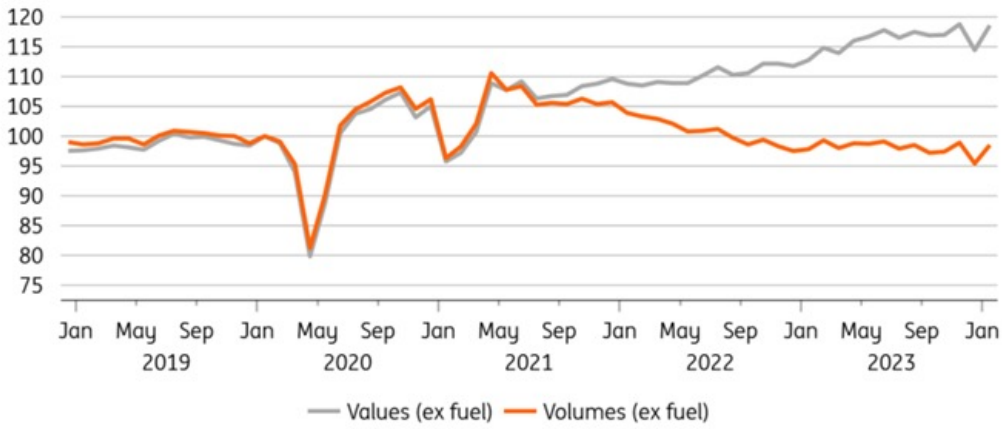
"WITH EXPECTATIONS OF RATE CUTS BEING DAMPENED, GLOBAL BOND AND COMMODITY MARKETS WEAKENED"

STOCK MARKETS RALLY IN FEBRUARY FUELLED BY STRONG NVIDIA REVENUES

Stock markets resumed their upward march in February, with the S&P 500 and Japan Nikkei particularly strong and both registering gains of over 5% for the month. The FTSE 100 declined again but there are signs of economic recovery coming through, which may prove positive for UK investors. China's SSE Composite recovered from the falls of January to end up 8.1% as the long-awaited stimulus measures started to have an impact. However, with expectations of rate cuts being dampened, global bond and commodity markets weakened.

The UK dipped into a technical recession in the fourth quarter, contracting 0.3% and leaving the economy only 0.1% ahead of 2022 for the full year, with output just 1% higher than the pre-Covid level.

UK retail sales fully recovered Decembers dip during January
UK retail sales, excluding fuel



Source: Macrobond

However, some encouraging statistics and surveys suggest that the fortunes of the UK economy are improving.

In January, the UK retail sector bounced back so strongly that it made up for December's shock setback in retail sales. This has raised hopes that GDP will rebound in the first quarter and that an improved consumer backdrop will help the UK economy return to modest growth through 2024.

Declining energy bills on the back of sharp falls in gas prices have alleviated the strain on consumer and business finances. Falling wholesale gas prices saw the UK energy regulator announce a 12% decline in gas charges from the beginning of April, more than offsetting the 5% increase in January.

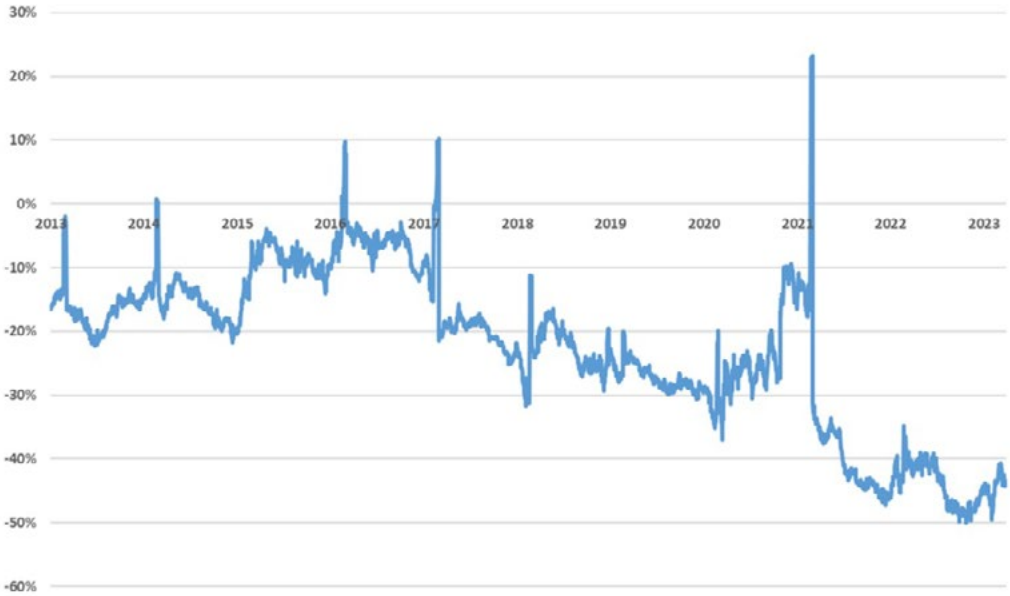
These economic green shoots contribute to a positive outlook for inflation, now expected to fall below 2% by the middle of this year, giving the Bank of England the evidence it needs to then begin cutting rates. Expectations are they will be lowered to around 3% by 2026.

Recent business surveys capture a feeling of emerging optimism. In one survey the percentage of respondents expecting "better" economic outcomes this year increased by 10 percentage points to 47% compared with last year. Interestingly, 77% of business leaders expect to raise prices in 2024, somewhat at odds with inflation forecasts.

UK share ownership data shows that foreign investors own a record high of 60% of UK companies. UK stocks have underperformed US counterparts for over a decade and, more recently, European counterparts too. The London-listed market hosts numerous stocks on valuations around 50% cheaper than US rivals and ripe for takeover with interest seemingly picking up. Shareholders of UK stalwarts Currys and Direct Line have in each case rejected bids at a premium of over 40% to the prevailing share price.

"RECENT BUSINESS SURVEYS CAPTURE A FEELING OF EMERGING OPTIMISM"

PE discount between UK and US stocks



Source: Bloomberg

Research by investment broker Deutsche Numis shows that most FTSE 350 board members believe their companies are at a greater risk of being acquired by buyers overseas in 2024 and that improved market conditions have boosted confidence to act.

Meanwhile, US semiconductor maker Nvidia again astounded in the wake of its latest results, gaining almost 8% on the day and now having added a record-breaking $700 bn to its market capitalisation this year.

Many investors see soaring revenues and profits, much of which comes from the largest tech companies in the world racing to offer cloud computing services to their customers, as justifying these gains. Nvidia's data centre revenues are central to its prospects and these are expected to be $101 billion in 2024, double 2023's figure.

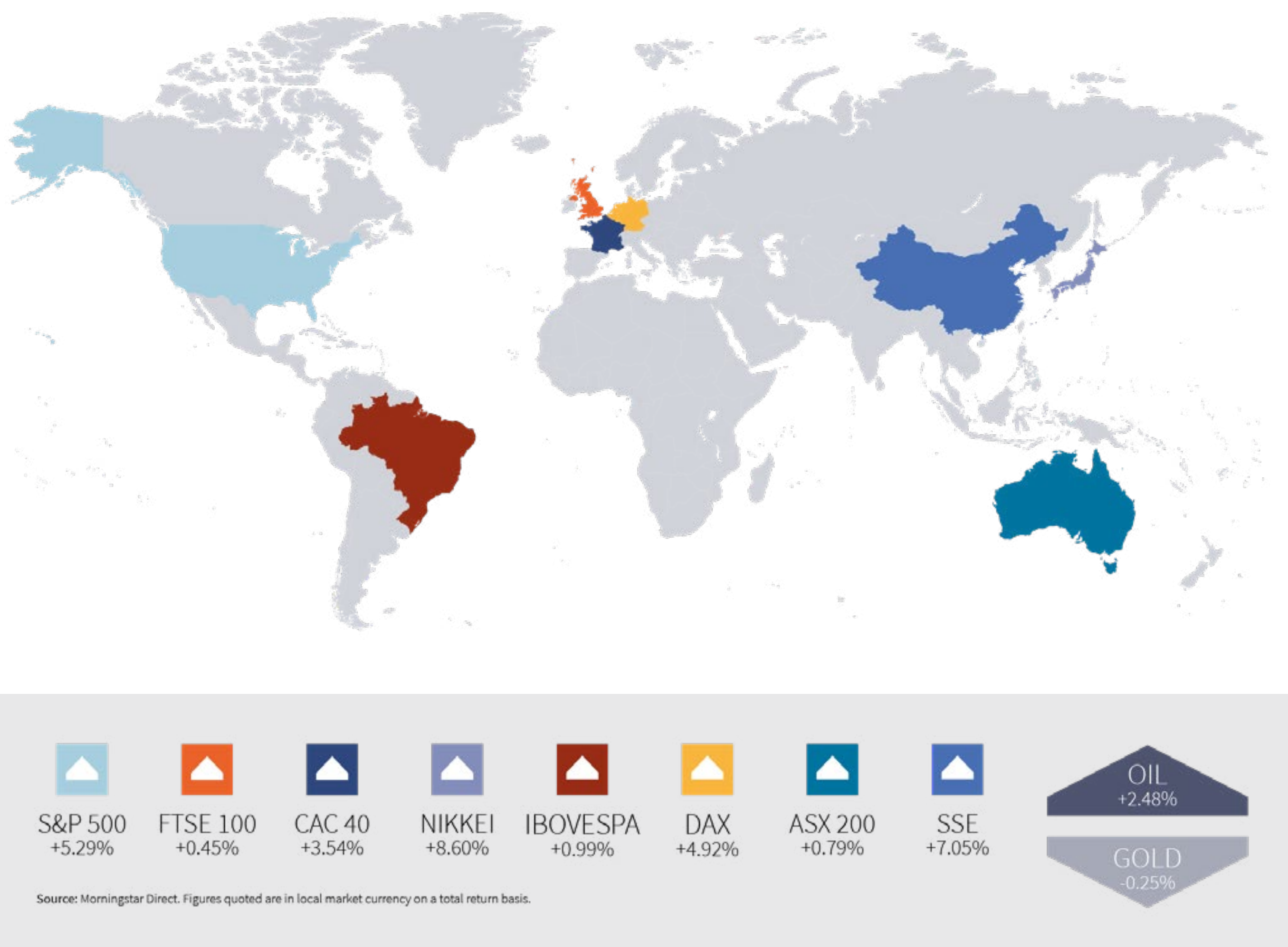
Focus remains on the larger companies benefitting from AI prospects, but there is a strong case that this is just the beginning of what will be a transformative journey that has much more road to run and that exposure to tech stocks that will benefit from AI is a must-have. Many believe smaller and riskier technology stocks can outperform mega-cap technology stocks this year. Beneficiaries may spread from the US with Nvidia citing China's Huawei as a major AI chip competitor.

Small and mid-cap technology sector stocks have been keeping pace with the mega-caps since the end of October and Bloomberg data shows analysts setting an average price target for small-cap tech of +14.4% this year compared with the overall Nasdaq's +7%.

The rally in tech stocks is already broadening, with almost 80% of the stocks within the Nasdaq 100 above their 50-day moving averages, compared with only 13% in October.

"NVIDIA (IS) CITING CHINA'S HUAWEI AS A MAJOR AI CHIP COMPETITOR"

GLOBAL MARKET RETURNS FEBRUARY 2024



Source: Morningstar Direct. Figures quoted are in local market currency on a total return basis.

Imperius
Wealth

Tel: +353 152 410 40
Email: hello@imperiuswealth.com
www.imperiuswealth.com