



Market

Movements

19 FEBRUARY – 20 MAY 2024

Santander Asset Management UK are pleased to share the latest edition of 'Market Movements', which provides a review of financial markets covering the period since your last investment statement.

## Market review

It was a turbulent time for investors in shares over the three months to 20 May 2024. However, global markets ended the period higher than where they began.<sup>1</sup>

For the first six weeks of the review period, global markets enjoyed steady growth, boosted by the hope that central banks like the US Federal Reserve (Fed), the Bank of England (BoE) and the European Central Bank (ECB) would soon begin to cut interest rates. Monthly inflation data from the UK and Europe was initially supportive of domestic rate cuts. However, a tick-up in February inflation data and more significant March US inflation numbers challenged the market consensus.

At the start of 2024, it had been forecast that the Fed could make up to six interest rate cuts over the year ahead.<sup>2</sup> However, by the end of March, investors were anticipating the number of rate cuts for the US would fall to just three,<sup>3</sup> having taken heed of Fed Chair Jerome Powell's signals of a delay.

Meanwhile, the UK's inflation data painted a different picture to the US. UK annual Consumer Price Inflation was 3.2% in March, down from 3.4% in February, marking its lowest rate since September 2021.<sup>4</sup> The 3.2% figure

was slightly higher than expectations of 3.1%. However, this didn't seem to worry BoE Governor Andrew Bailey, who confirmed in mid-April that the latest data showed the UK was 'pretty much on track' with the BoE's forecasts regarding inflation.

Despite tensions in the Middle East unsettling investors, global shares began to rebound in May. Earnings were generally positive, with the majority of the 'Magnificent Seven' (Alphabet, Amazon, Apple, Facebook, Microsoft, Netflix and Tesla) reporting strong results. In addition, semiconductor producer Nvidia (which revealed its new 'super chip' that will be used to power upcoming waves of artificial intelligence technology) was particularly strong.

The supportive comments from BoE Governor Andrew Bailey helped to push the UK market higher, with the FTSE 100 reaching all-time highs for the week ending 10 May.<sup>5</sup> At the BoE's monetary policy meeting during the month, two of the nine Monetary Policy Committee members voted for a rate cut. With the continuation of declining inflation numbers in the UK, it looked increasingly likely that the BoE could cut rates ahead of the Fed.

Given the inflationary environment and a lack of supportive economic data, all three central banks held their rates steady. This leaves the Fed's rate at 5.25-5.50%,<sup>6</sup> the BoE's at 5.25%<sup>7</sup> and the ECB's at 4.50%.<sup>8</sup> By the end of the review period, all the key share indices had posted positive returns, with the S&P 500 Index (US)<sup>9</sup> and the FTSE 100<sup>10</sup> rising markedly. The Eurostoxx 600 (Europe)<sup>11</sup> and the DAX (Germany)<sup>12</sup> indices also rose along with the Topix (Japan).<sup>13</sup>

Unsurprisingly bond investors faced many challenges over the period. By the end of April, government bond markets had weakened significantly over the month, as bond yields rose higher (meaning bond prices fell) due to expectations of higher-for-longer interest rates.<sup>14</sup> Specifically, the yield on 10-year Gilts rose slightly over the period – meaning the price of UK 10-year Gilts fell.<sup>15</sup> The US 10-year Treasury yield<sup>16</sup> and the 10-year Bund (German government bond)<sup>17</sup> yield also rose. Finally, it is worth mentioning that the Bank of Japan raised its key short-term interest rate from -0.1% to 0-0.1% and ended its yield curve control policy for 10-year government bonds in March.<sup>18</sup>

**Note: Data as 20 May 2024.**

<sup>1</sup> Financial Times, 20 May 2024	<sup>10</sup> Financial Times, 20 May 2024
<sup>2</sup> Financial Times, 23 April 2024	<sup>11</sup> Yahoo Finance, 20 May 2024
<sup>3</sup> Reuters, 20 March 2024	<sup>12</sup> Financial Times, 20 May 2024
<sup>4</sup> Financial Times, 17 April 2024	<sup>13</sup> Financial Times, 20 May 2024
<sup>5</sup> Evening Standard, 10 May 2024	<sup>14</sup> Financial Times, 20 May 2024
<sup>6</sup> Federal Reserve, 1 May 2024	<sup>15</sup> Trading Economics, 20 May 2024
<sup>7</sup> Bank of England, 20 May 2024	<sup>16</sup> Trading Economics, 20 May 2024
<sup>8</sup> European Central Bank, 20 May 2024	<sup>17</sup> Trading Economics, 20 May 2024
<sup>9</sup> Financial Times, 20 May 2024	<sup>18</sup> New York Times, 18 March 2024

**Find out more**

Learn more, visit our website [here](#) for more insights into financial markets.

## **Important Information**

For retail distribution.

This document has been approved and issued by Santander Asset Management UK Limited.

This document is for information purposes only and does not constitute an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. Opinions expressed within this document, if any, are current opinions as of the date stated and do not constitute investment or any other advice; the views are subject to change and do not necessarily reflect the views of Santander Asset Management as a whole or any part thereof. While we try and take every care over the information in this document, we cannot accept any responsibility for mistakes and missing information that may be presented.

The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested. Past performance is not a guide to future performance.

All information is sourced, issued and approved by Santander Asset Management UK Limited (Company Registration No. SC106669). Registered in Scotland at 287 St Vincent Street, Glasgow G2 5NB, United Kingdom. Authorised and regulated by the Financial Conduct Authority (FCA). FCA registered number 122491. You can check this on the Financial Services Register by visiting the FCA's website [www.fca.org.uk/register](http://www.fca.org.uk/register).

Santander and the flame logo are registered trademarks. [www.santanderassetmanagement.co.uk](http://www.santanderassetmanagement.co.uk).