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$61K+ Bitcoin price	Bitcoin price at the end of February near the all-time highs last seen in November 2021
6.4% Unemployment rate	Eurozone unemployment rate revised to record low
12 March 2024	February US CPI is being released which will determine Fed's stance

February 2024

Market Spotlight

Around the world

- Nvidia reported earnings, beating expectations on earnings and sales. The company reported revenues of $22.10 billion, a 265% increase from a year ago, reconfirming its position as the primary beneficiary of the recent AI boom.
- South Korean exports grew 4.8% in February YoY with semiconductor exports gaining momentum with an increase of 11% MoM. Coupled with the Taiwanese export gains, this points to the possible increase in the global manufacturing cycle.
- US Core PCE, the Fed's preferred inflation measure, rose 2.8% YoY, in line with expectations. Both headline and core PCE figures remain ahead of Fed's goal for 2% annual inflation.
- UK GDP for Q4 declined by 0.3% following a 0.1% decline in Q3, leading the UK into a technical recession. Recent economic data suggests that the UK economy is in stagnation with a potential bounce back on the horizon.
- US consumer confidence declined in February after three consecutive months of increases. The responses revealed that consumers are less worried about food and gas prices, but they are more concerned about the labour market and the US political environment.
- The People's Bank of China continues its targeted stimulus with a larger than expected cut of the 5Y loan rate, a good benchmark for mortgage rates.

Market snapshot

The Chinese market finally rebounded after efforts from the government to boost sentiment with domestic activity data strengthening over the month. The global manufacturing recovery across neighbouring regions helped Japan to continue its strong performance as a manufacturing-oriented economy. The earnings season drove the US market to new highs mainly driven by the tech sector. The hotter than expected inflation prints has led to some weakness in the bond market. Gas prices continue to fall driving the commodities index lower.

Performance of global asset classes

	1 Month	YTD
Chinese Equities	9.4%	2.5%
Japanese Equities	8.0%	17.1%
US Equities	5.3%	7.1%
US Tech	5.3%	7.2%
Emerging Market Equities	4.8%	-0.1%
World Equities	4.3%	4.9%
European Equities	3.0%	4.9%
Global High Yield Bonds	0.8%	0.6%
UK Equities	0.5%	-0.8%
Precious Metals	-1.0%	-2.7%
Global Government Bonds	-1.3%	-2.6%
Global Corporate Bonds	-1.3%	-1.9%
Commodities	-1.9%	-2.0%

Source: Bloomberg, returns are in local currency, as at 29 February 2024.

What is the data telling us?

The recovery of the manufacturing sector has continued through February in the EU and UK. The Caixin Manufacturing PMI in China was released at 50.9, now firmly in expansion territory with greater new order volumes. The US manufacturing sector contracted with demand slowing. Overall, global manufacturing data appears to be bottoming.

The global service sector across regions grew at its fastest pace in five months. EU services PMI was revised higher with activity levels increasing. UK Services continued to report solid output growth, despite the Services PMI being lower than previous month.

Purchasing Managers Index

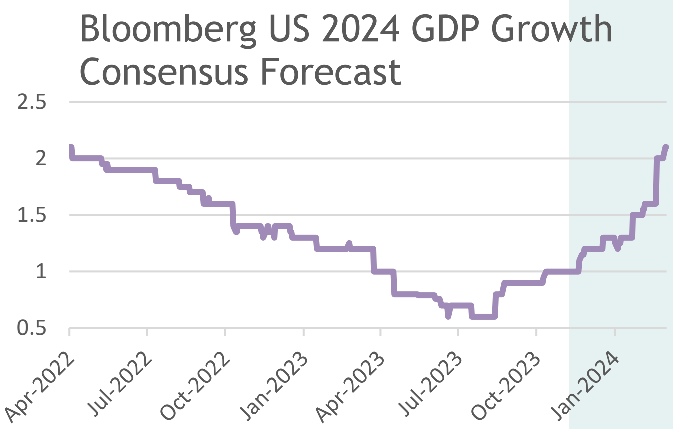
Manufacturing

	2023										2024	
	3	4	5	6	7	8	9	10	11	12	1	2
Global	49.6	49.6	49.6	48.8	48.7	49	49.1	48.8	49.3	49	50	50.3
US	46.3	47.1	46.9	46	46.4	47.6	49	46.7	46.7	47.4	49.1	47.8
EU	47.3	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5
UK	47.9	47.8	47.1	46.5	45.3	43	44.3	44.8	47.2	46.2	47	47.5
China	50	49.5	50.9	50.5	49.2	51	50.6	49.5	50.7	50.8	50.8	50.9
Japan	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.7	48	47.2

Service

	2023										2024	
	3	4	5	6	7	8	9	10	11	12	1	2
Global	54.4	55.4	55.5	53.9	52.7	51.1	50.8	50.4	50.6	51.6	52.3	52.4
US	51.2	51.9	50.3	53.9	52.7	54.5	53.6	51.8	52.7	50.6	53.4	52.6
EU	55	56.2	55.1	52	50.9	47.9	48.7	47.8	48.7	48.8	48.4	50
UK	52.9	55.9	55.2	53.7	51.5	49.5	49.3	49.5	50.9	53.4	54.3	53.8
China	57.8	56.4	57.1	53.9	54.1	51.8	50.2	50.4	51.5	52.9	52.7	52.5
Japan	55	55.4	55.9	54	53.8	54.3	53.8	51.6	50.8	51.5	53.1	52.9

Source: JP Morgan, ISM Institute, HCOB, S&P Global/CIPS, Caixin, au Jibun Bank, from 1 August 2022 to 29 February 2024.



Source: Bloomberg. Data rebased.
As at 29 February 2024.

Chart of the month

Equity markets reached record highs, despite yields trending higher. We believe this is due to strong economic data indicating growth ahead. This is evidenced by US GDP growth consensus forecast trending higher.

The strong labour market, the consumer resilience, and strong business activity are key drivers for economic resilience. Given the data, it is looking increasingly likely that there might be “no landing” for the US economy rather than a “soft landing”. The US economy is not the only one with better data, we are seeing a number of other countries with strong economic data in the past few months.

Looking ahead

Markets continue to climb as global economic data remains strong, while inflation maintains a downward trajectory. For the time being, strong data has led central bank officials to push out interest rate cuts to avoid a second wave of inflation. This has led to firming of bond yields at the start of this year.

The key question will be whether improving economic growth leads to higher inflation in the second half of the year. We believe that there is enough of a disinflationary impulse both within the US (lower shelter inflation) and Europe (lower energy costs) that should keep inflation contained in these key regions. This remains a favourable back drop for bonds and equities.

As a second wave of inflation is a risk to client portfolios in 2024, we expect an allocation to diversifying assets such as hedge funds, commodities, and other alternatives is appropriate.

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