

# MMWealth

Chartered Financial Planners





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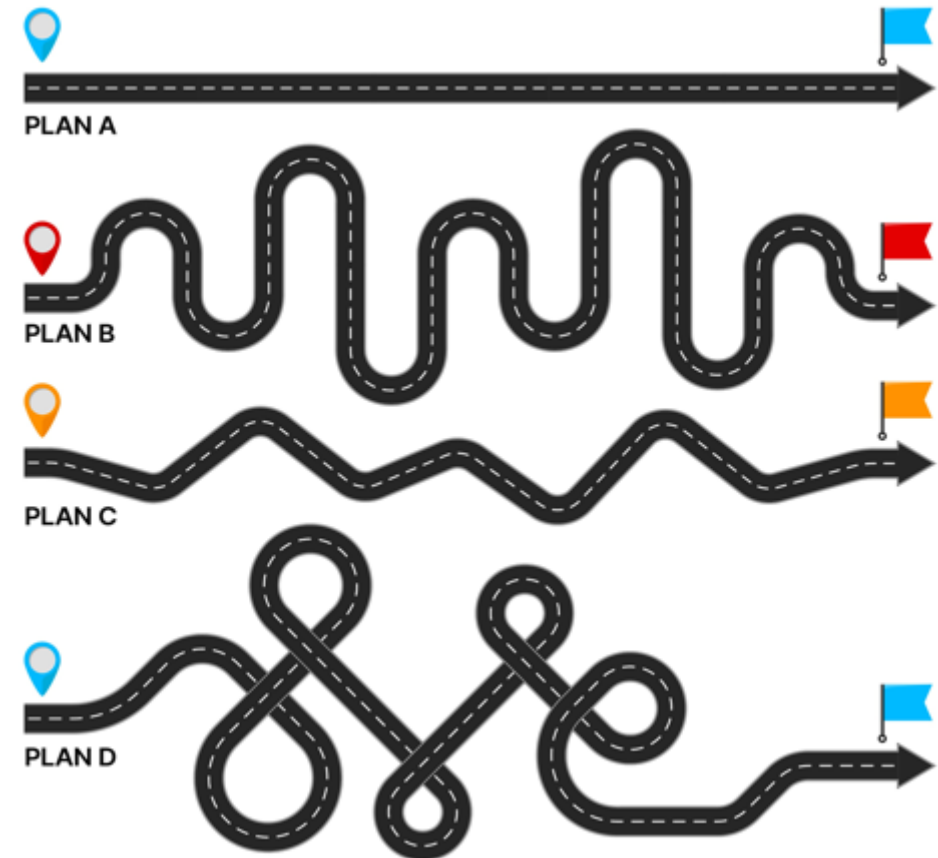
Managing Director  
Chartered Financial Planner

### Q1 Outlook – caution and quality

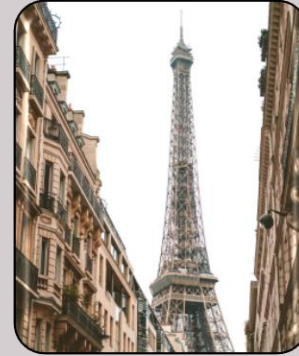
- Equities and bonds still volatile: some competing narratives (e.g. ‘normalisation’ v ‘back to stimulus’) are unlikely to be resolved soon.
- Nerve-wracking geo-politics and lots of ‘interesting’ elections to come.
- Most company trading statements so far suggest corporate resilience....but weeks more of this to go!
- Historical trends suggest Dividends and Low Volatility perform well in election years, our strategies have a focus on companies with high-quality balance sheets and rising dividends.
- Chinese problems better understood now by investors.
- Japan is breaking out, though it doesn’t feel crystal clear as to why now. It has sensibly-priced shares with momentum and a [contested] change story, though...
- Stay well diversified, emphasis on short-dated high-quality bonds, and cheaper high-quality stocks (just look at the UK for example!), alternatives and cash.

“Sometimes the right path is not the easiest one.”

- Central bank policy divergence, rate cuts (or risk of rises), the inflation conundrum.
- Governments find it easier to overspend than control their spending.
- More politics, more war, escalation risks and what to consider for investment strategies.
- Are recent peaks as good as it gets, or can markets break out from here?



## Q1 market drivers



### A.I. performance

- The US tech heavyweights, Alphabet, Amazon, Apple, Meta and Nvidia reported strong earnings driven by A.I. services, helping the S&P 500 index to a record high in February.

### UK recession – past the worst?

- Recession was officially confirmed for the end of 2023, before anaemic growth returns January and February. Bullish forecasts suggest the UK's economic stagnation may be coming to an end.

### The US still out in front

- Politics aside as elections approach, economic data in the quarter remains largely positive, with good growth and strong employment figures, but inflation data more stubborn

### Chinese market – signs of life?

- After a dismal run since 2022, the authorities responded ahead of the Chinese New Year by increasing social lending programs and cutting rates, providing a timely boost to markets.

### European renaissance

- Equity markets continued the positive momentum from the end of 2023 with lower energy prices and strong labour markets. The “sick man of Europe”, Germany, disappoints with manufacturing sector weakness.

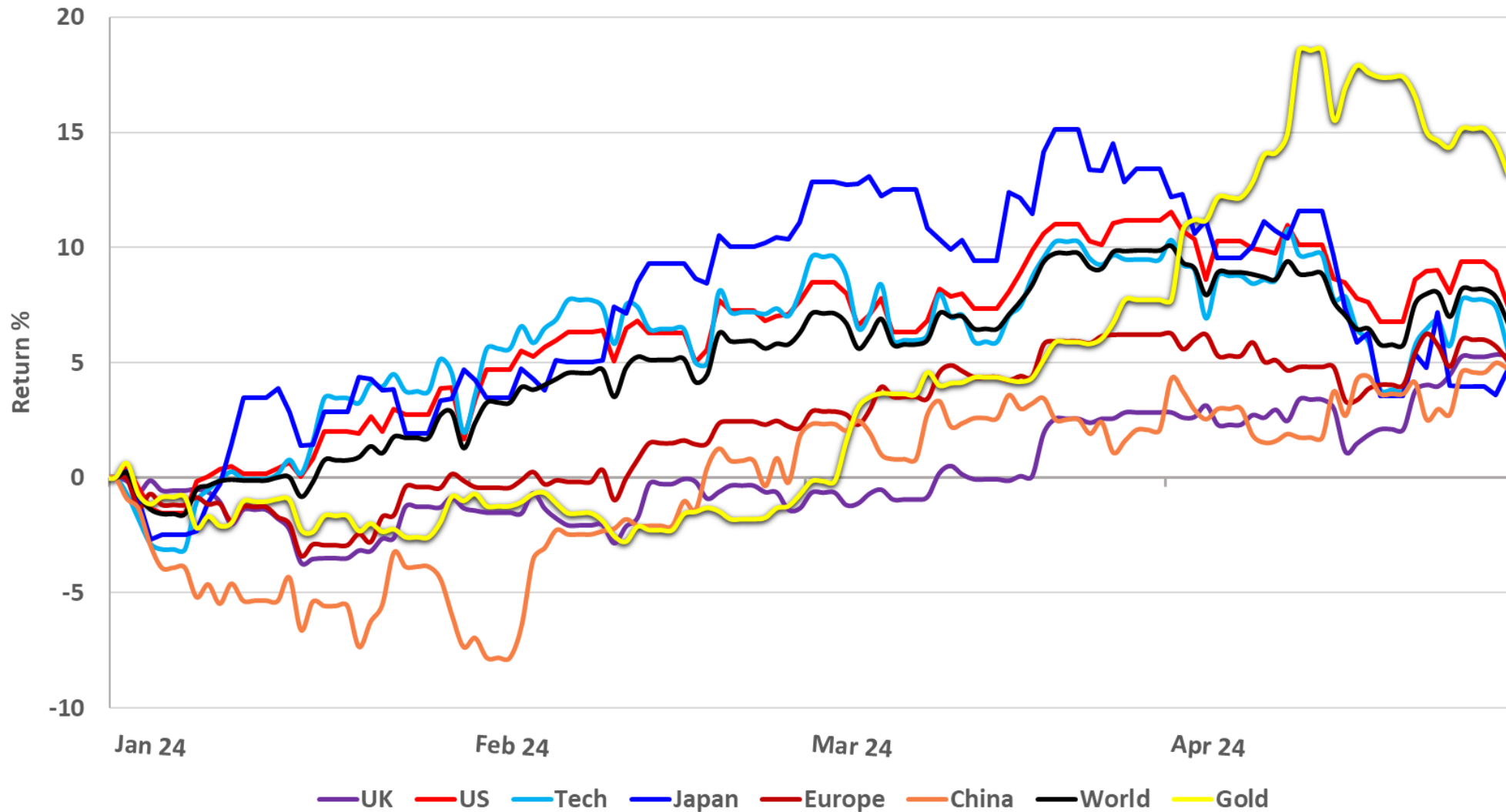
### Commodity prices rise

- Signs of an industrial revival, oil on the rise and gold buoyed by central bank buying.

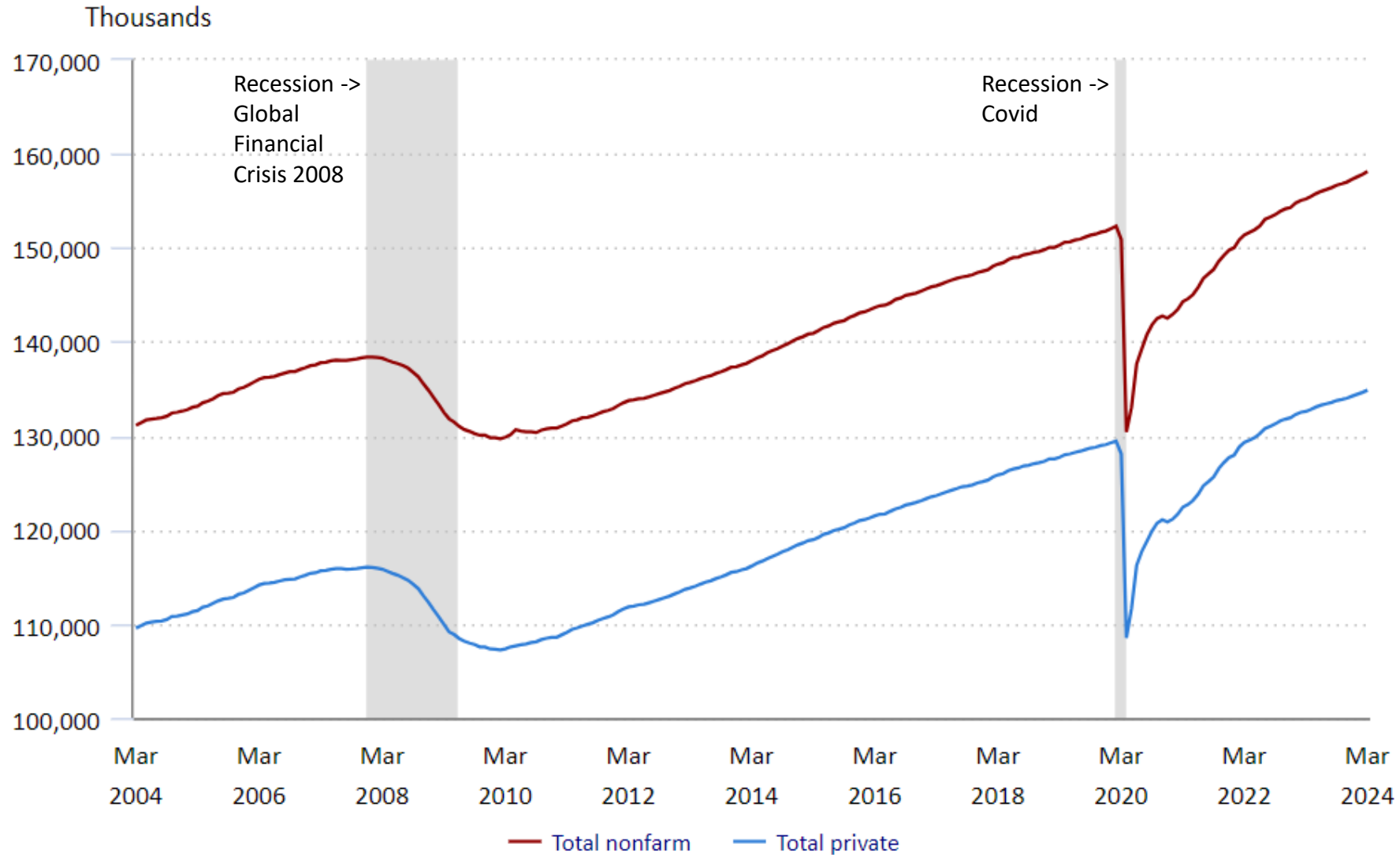
### Japan market revival

- Equity market returns to levels last seen in 1989 as corporate reform gains traction and central bank ends negative interest rate policy era.

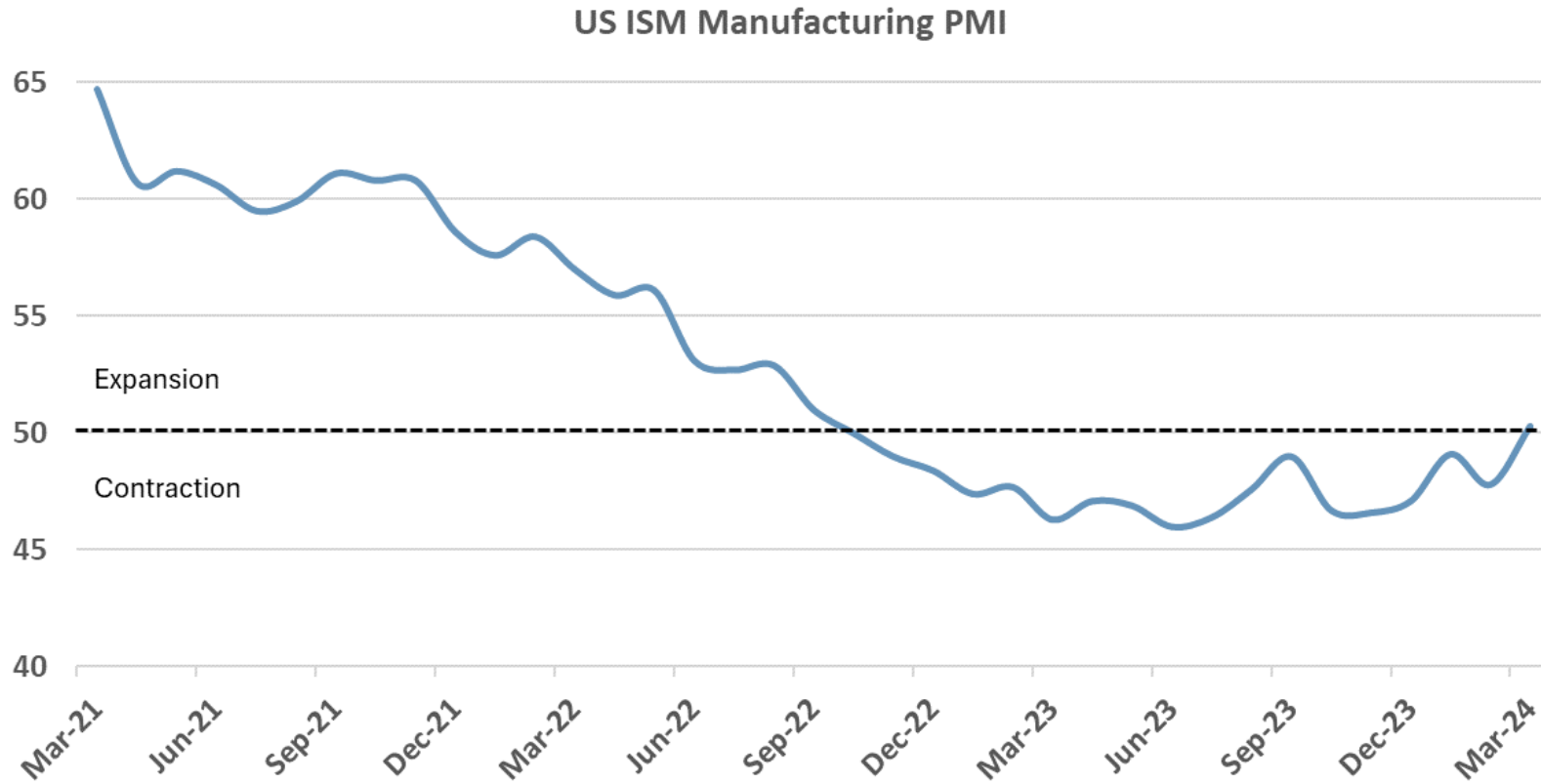
# Q1 market performance



# US employment strong



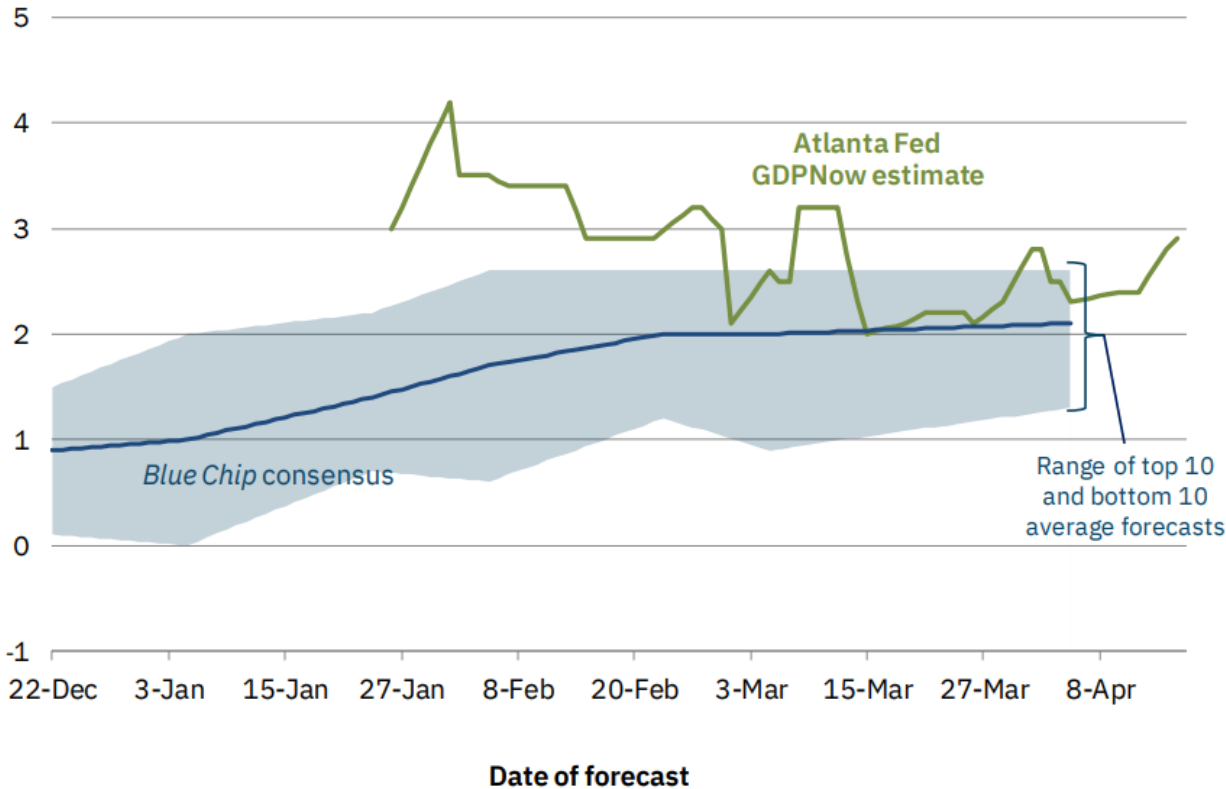
# Manufacturing recovering



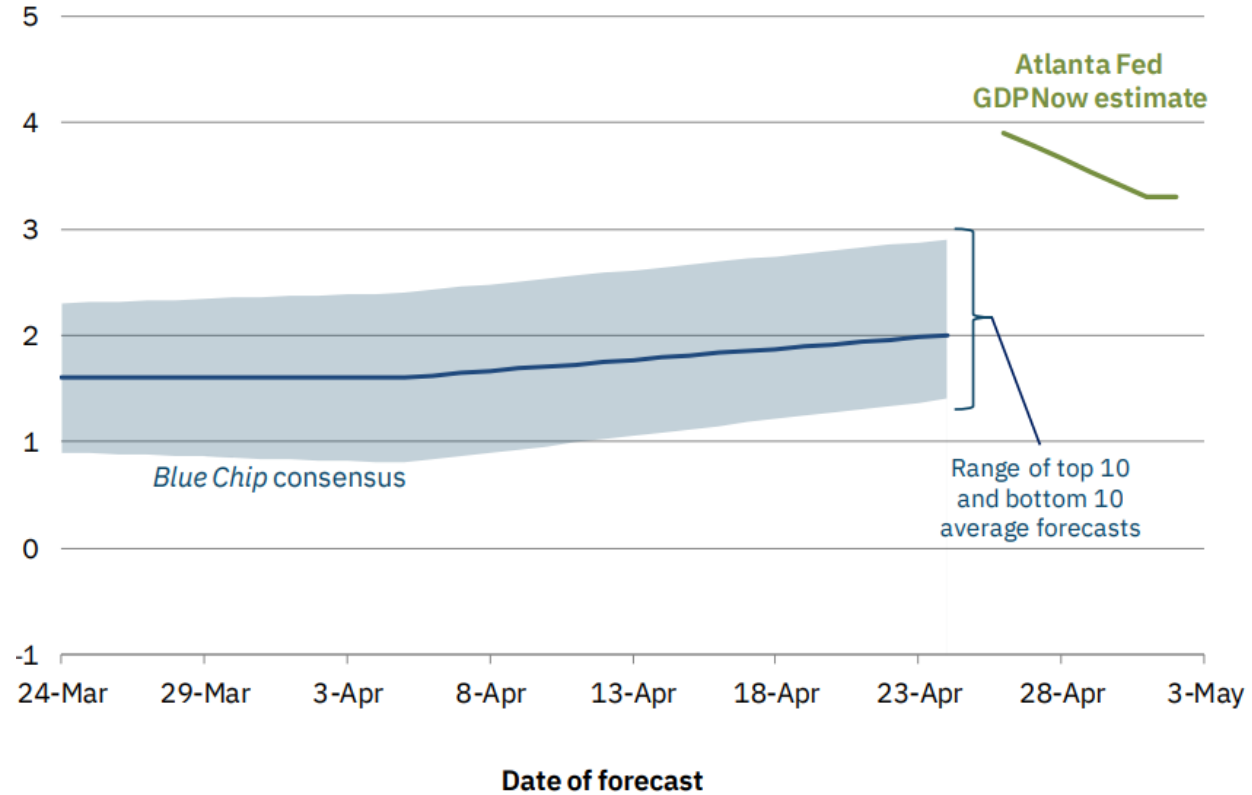


# No sign of a US recession

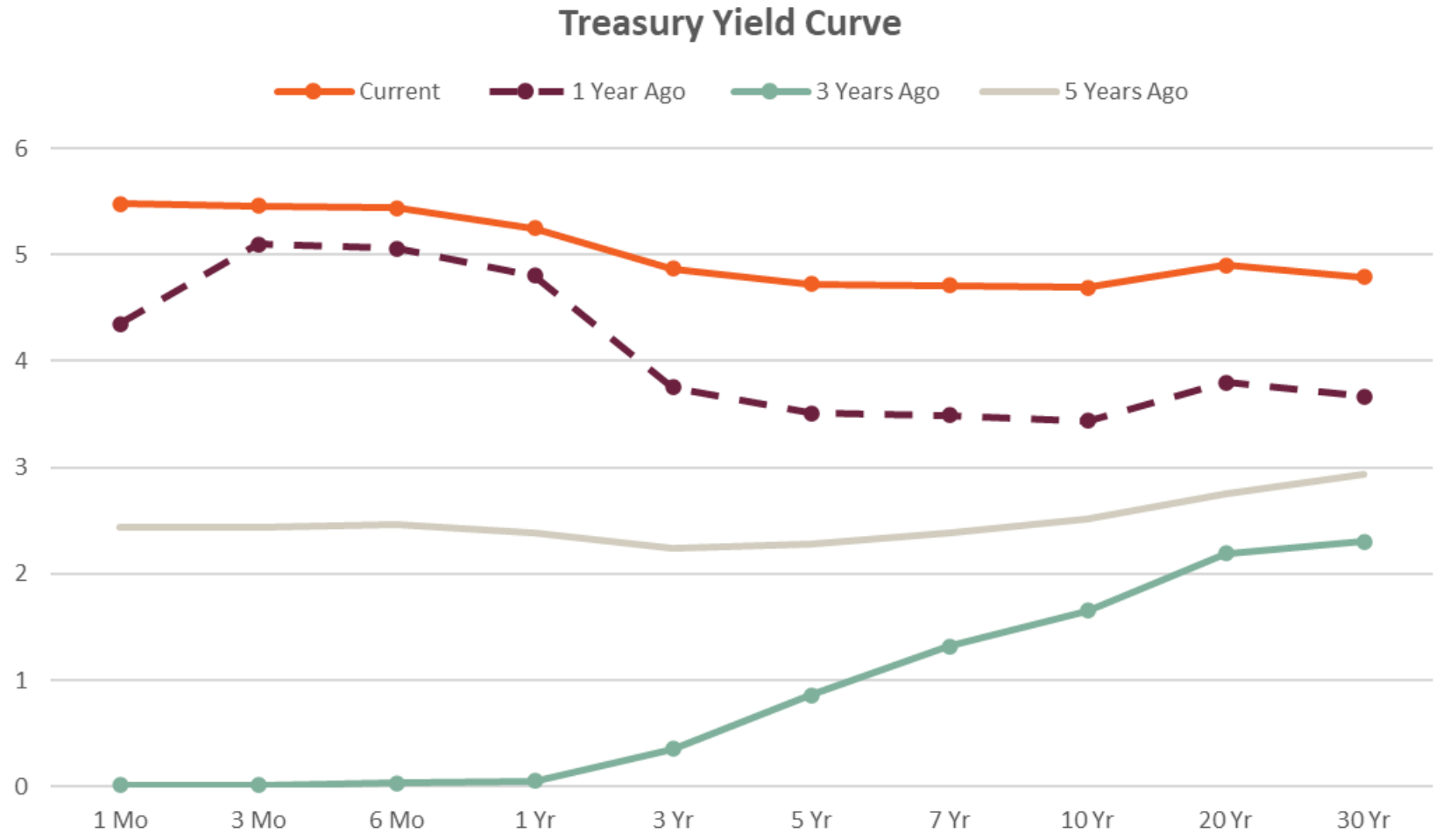
Evolution of Atlanta Fed GDPNow real GDP estimate for 2024:  
Q1 Quarterly percent change (SAAR)



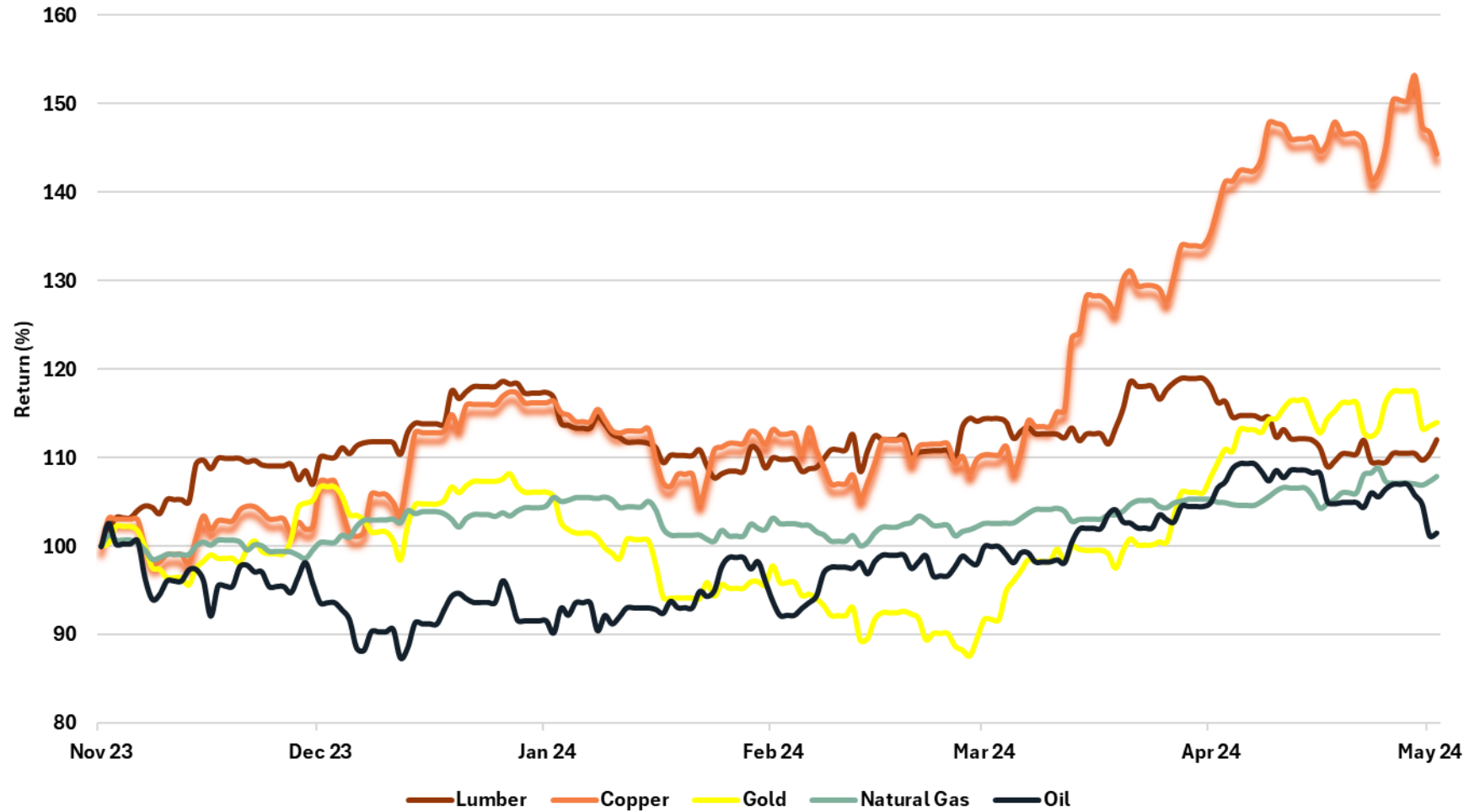
Evolution of Atlanta Fed GDPNow real GDP estimate for 2024:  
Q2 Quarterly percent change (SAAR)



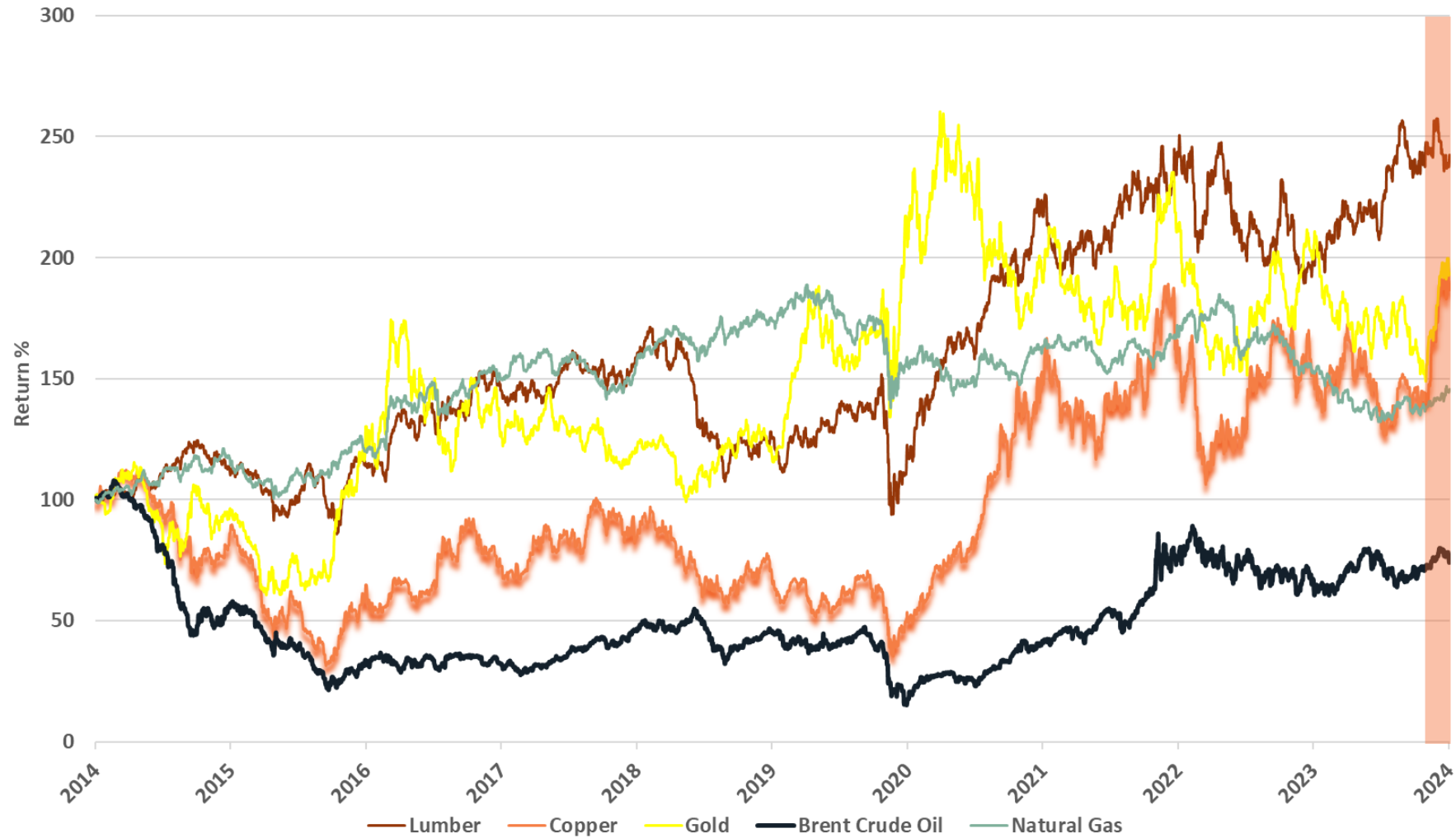
# US government bond yields also say “no imminent recession”



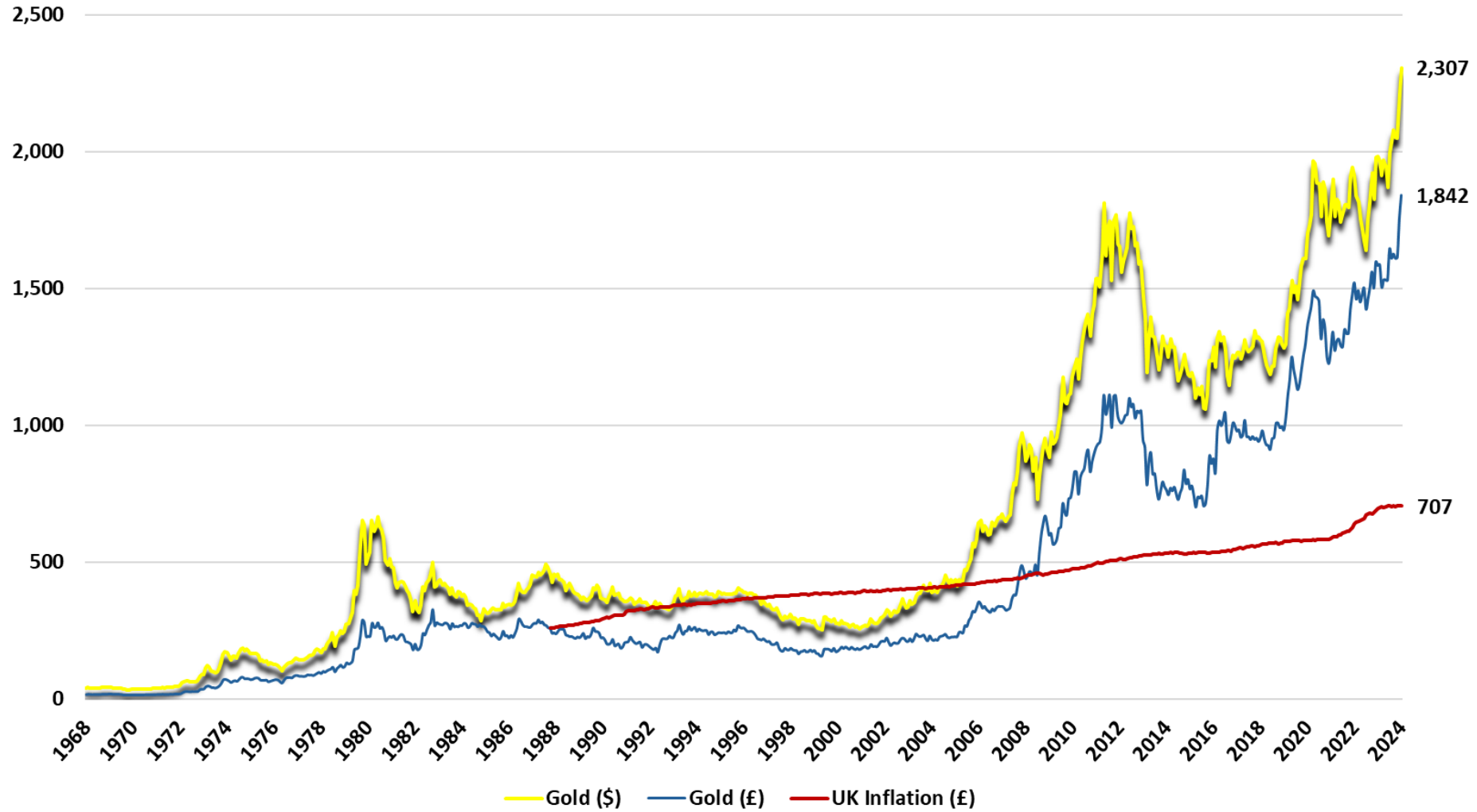
# Commodity price moves since October 2023 trough



# Commodity longer term price volatility

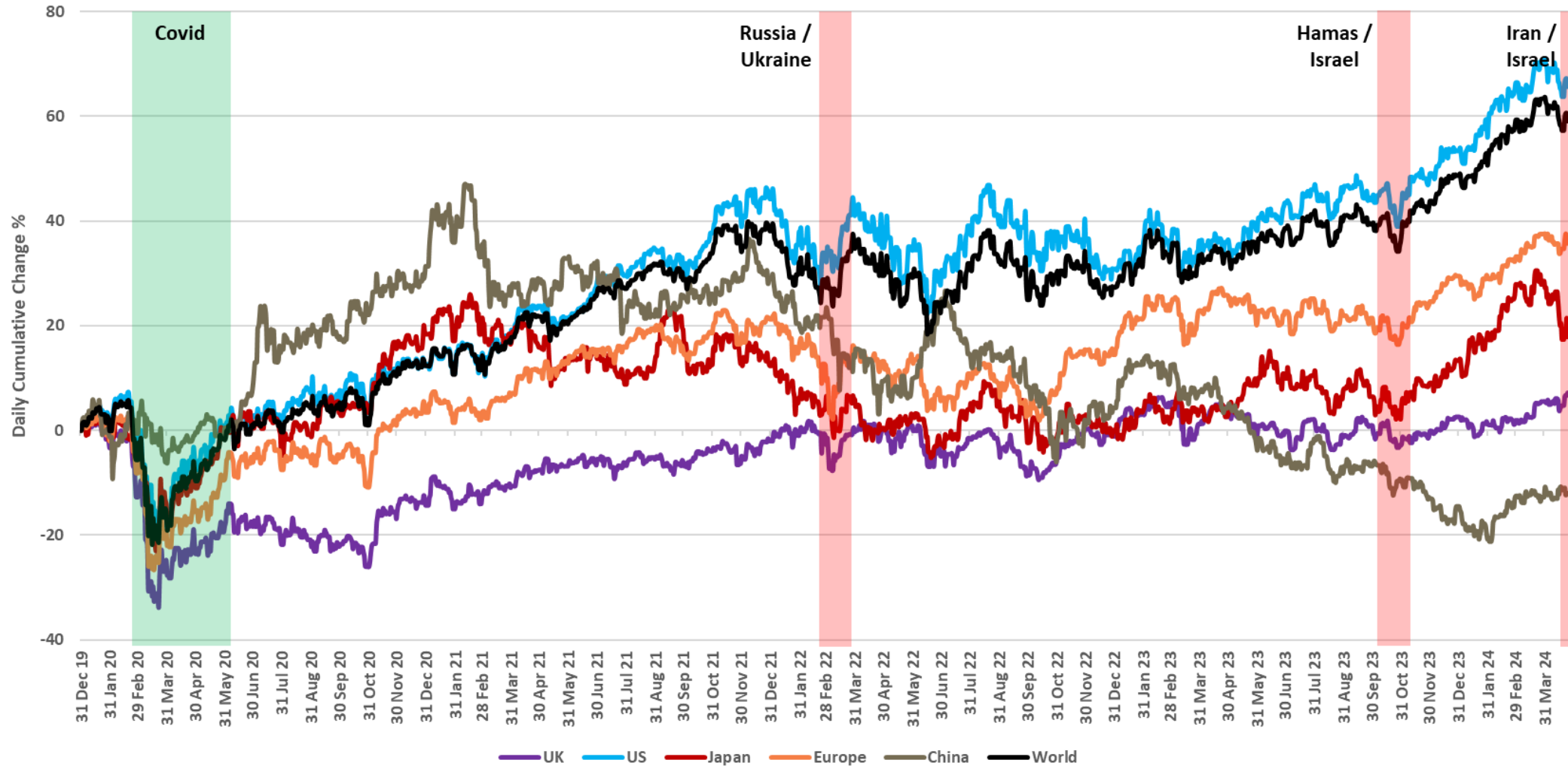


# Gold reaches new highs



# War, what is it good for?

Supply and Demand Disruption More Important For Markets

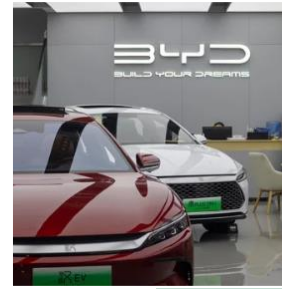


## China fighting for dominance



### Taiwan

- After handovers of Macao and Hong Kong, 'integration' of Taiwan would represent ultimate reunification of China.
- Defence spending large, but not unusual @ c2% of GDP
  - vs 3.5% in USA and 4% in Russia (pre-Ukraine, est c10% today)
- With US sanctions on Russia, China has been selling US Treasuries and buying physical gold
- US remains ambiguous over any response to invasion



### Electric Vehicles

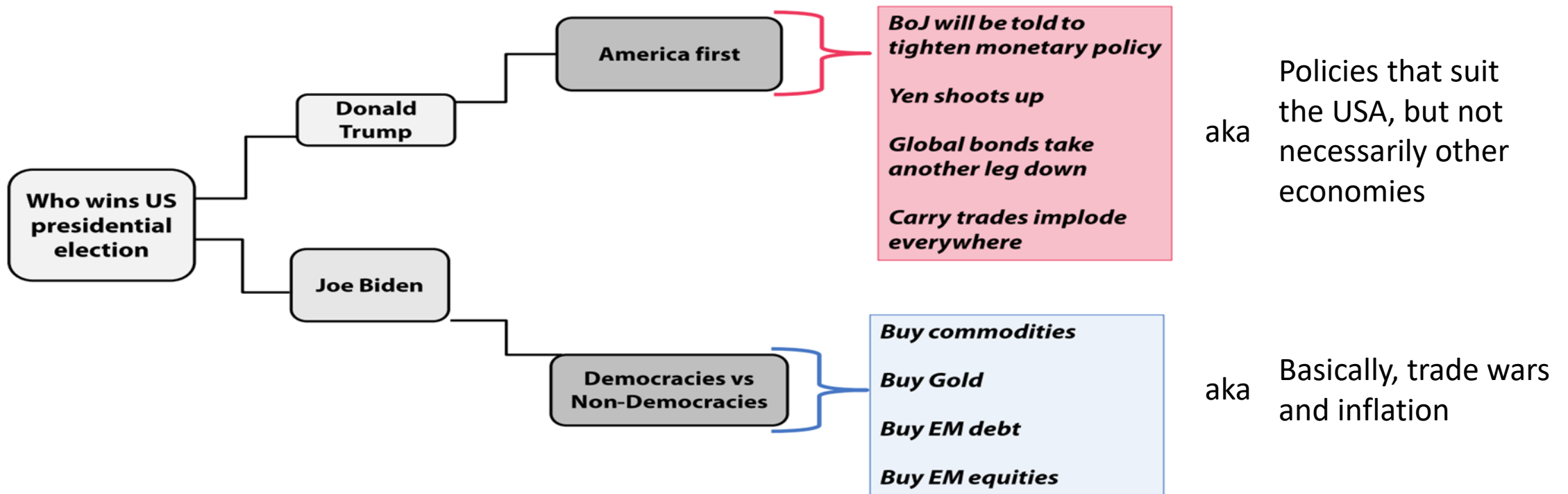
- BYD \* has grown rapidly and is now world #1 EV manufacturer
- All Western and Japanese (any non-Chinese) firms struggling to compete
- The new Xiaomi SU7 sells for RMB 216-300,000 (£24-33k)
- Tesla cancels long-promised inexpensive car investors had been counting on – now reducing workforce by 10%, from executives to graduate intakes

# Outlook – conflict resolution

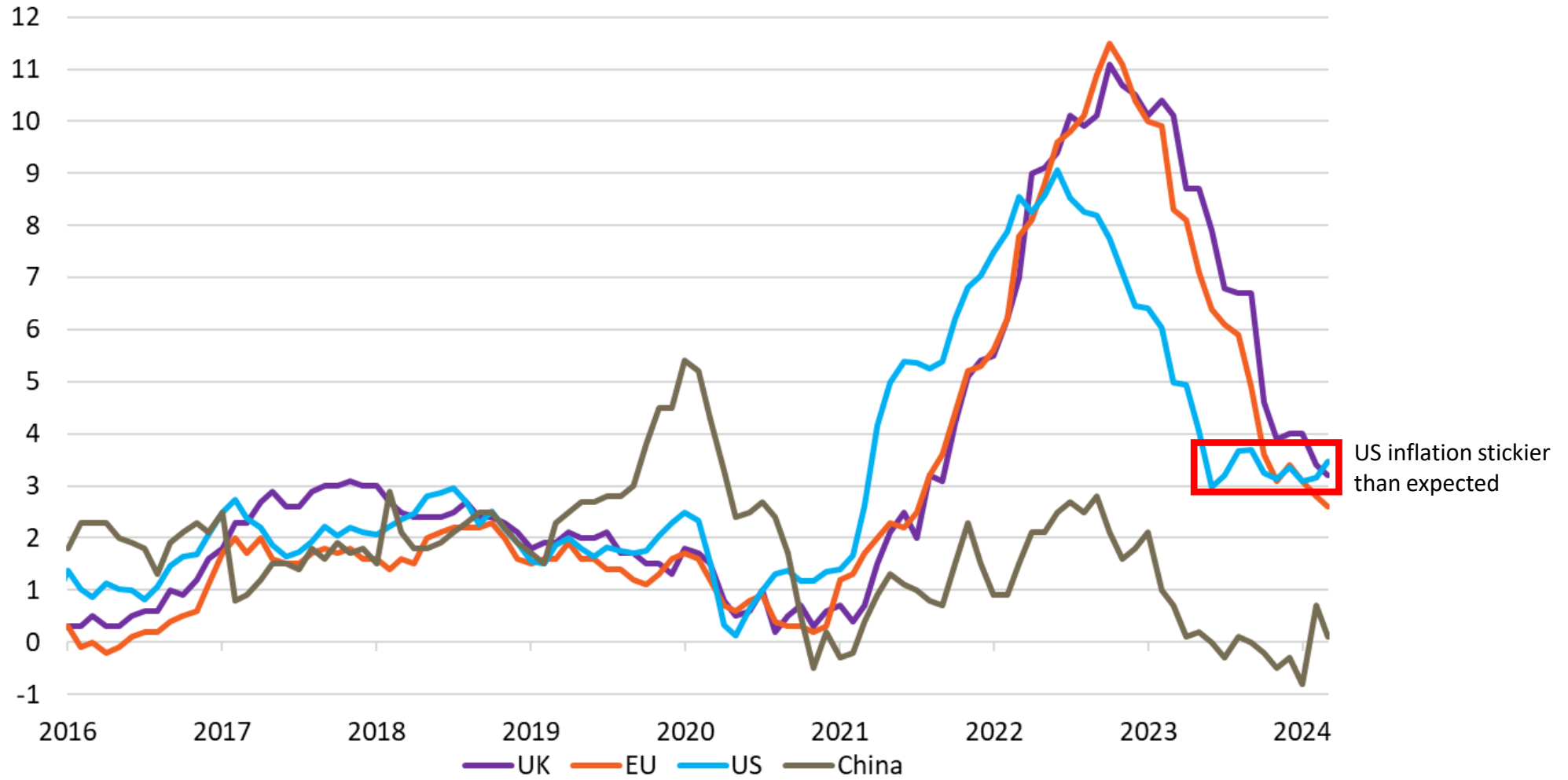




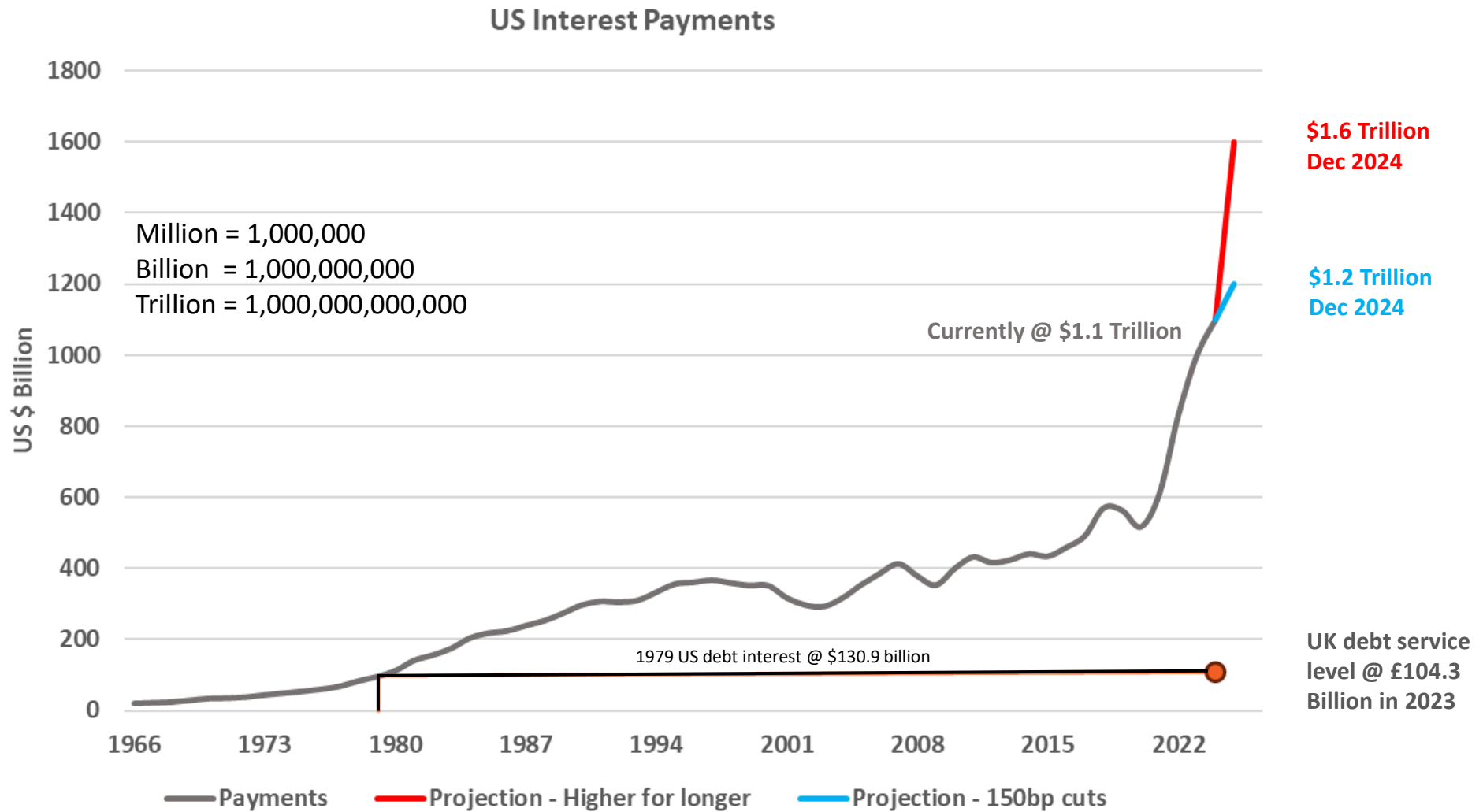
# Make America Great Again, Again – a “fairly binary” outcome



# Inflation direction of travel

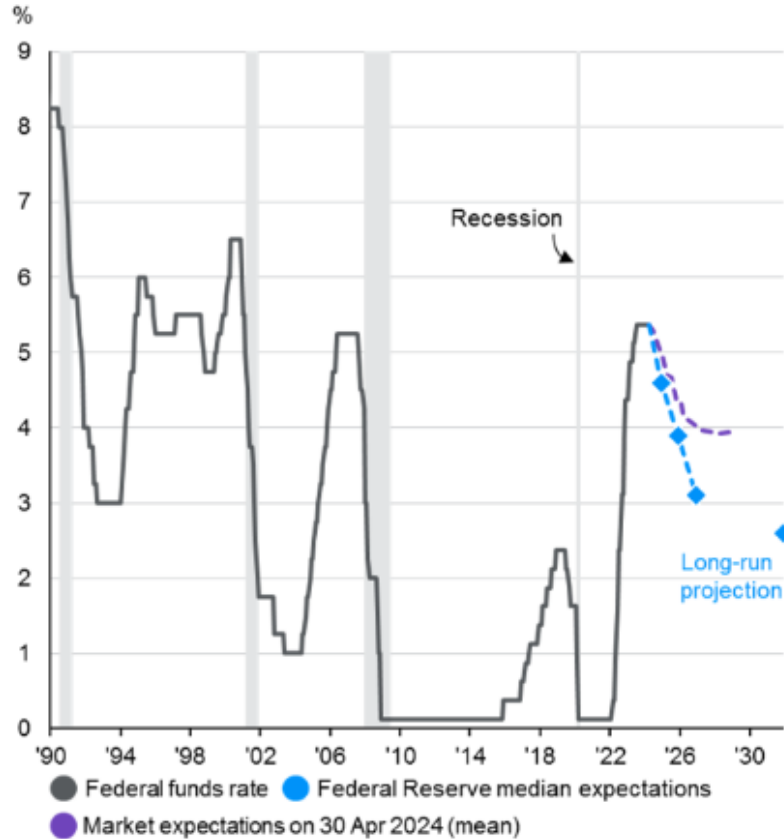


# Will the US cut rates?

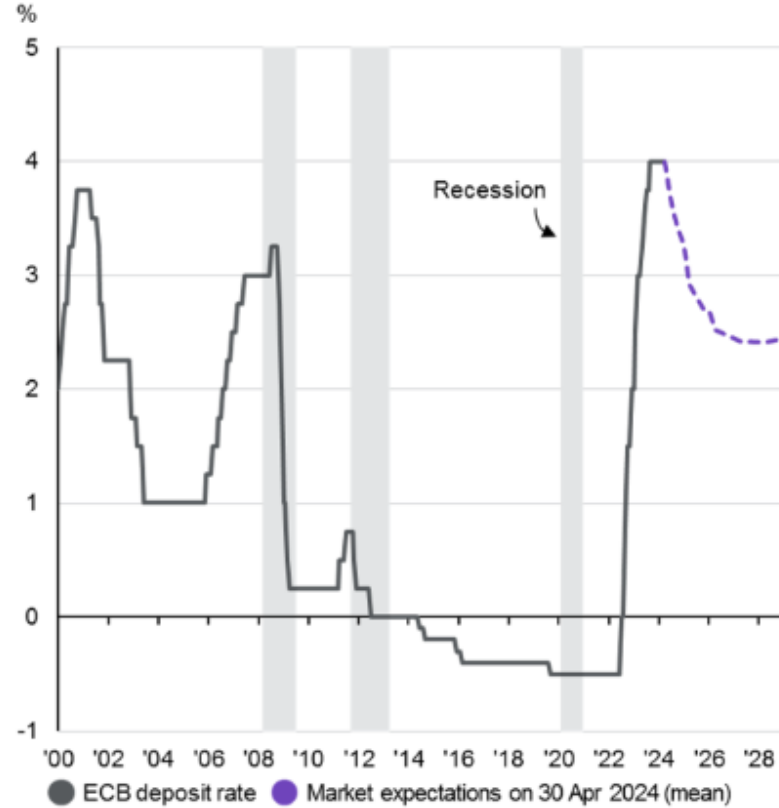


# Interest rate expectations

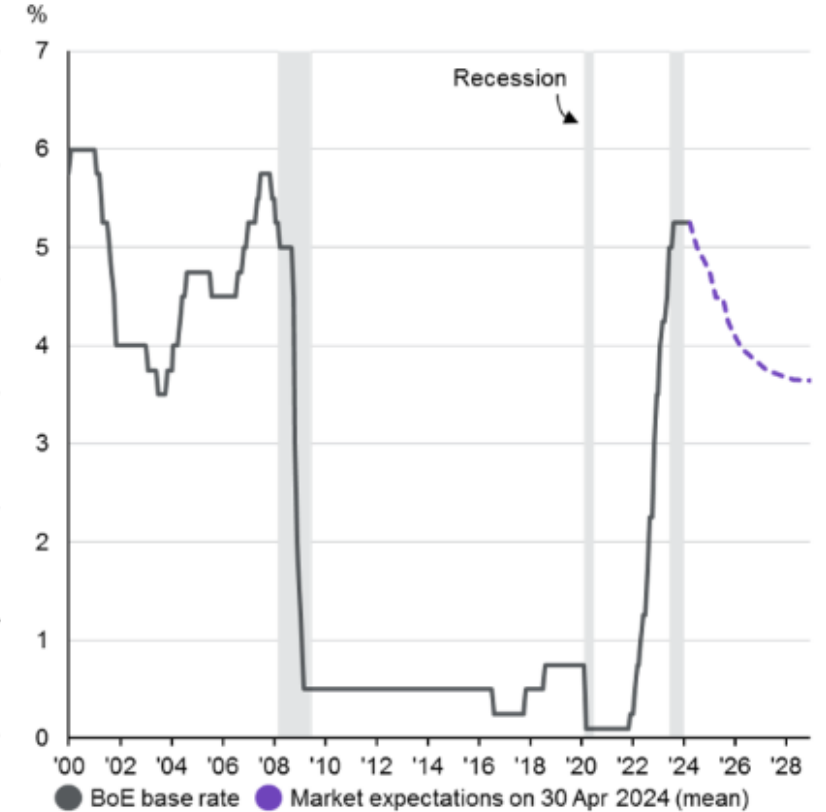
**Federal Reserve policy rate expectations**



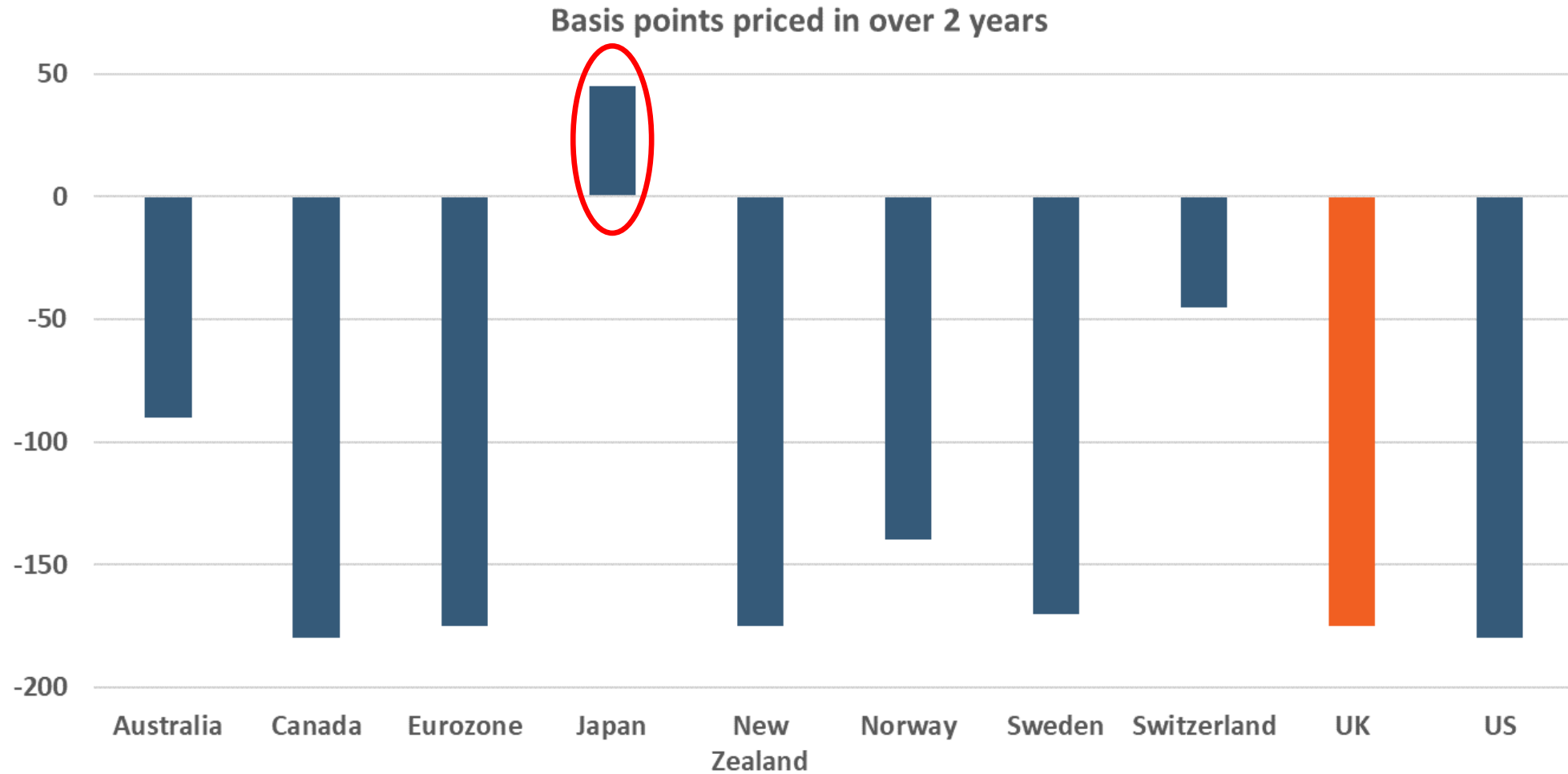
**European Central Bank policy rate expectations**



**Bank of England policy rate expectations**



# Central bank policy divergence



## New peaks, as good as it gets?



### UK market reaches new highs, even while UK investors continue chasing returns, particularly in the US – Magnificent 7

- Between December 2023 and March 2024, UK investors added £6.6bn to North American equity funds
- This is more than the combined £6.3bn invested since the data study began 9 years ago (source: Calastone's Fund Flows Index)
- The £1.7bn of new capital invested in North American funds in March, bringing the first quarter of 2024 to a record £5.7bn, was more than triple the previous best quarter (£1.7bn in Q4 2020)



### In the US, short term 2-year treasury bonds now yield more than the dividend yield of the S&P 500 – an old status quo

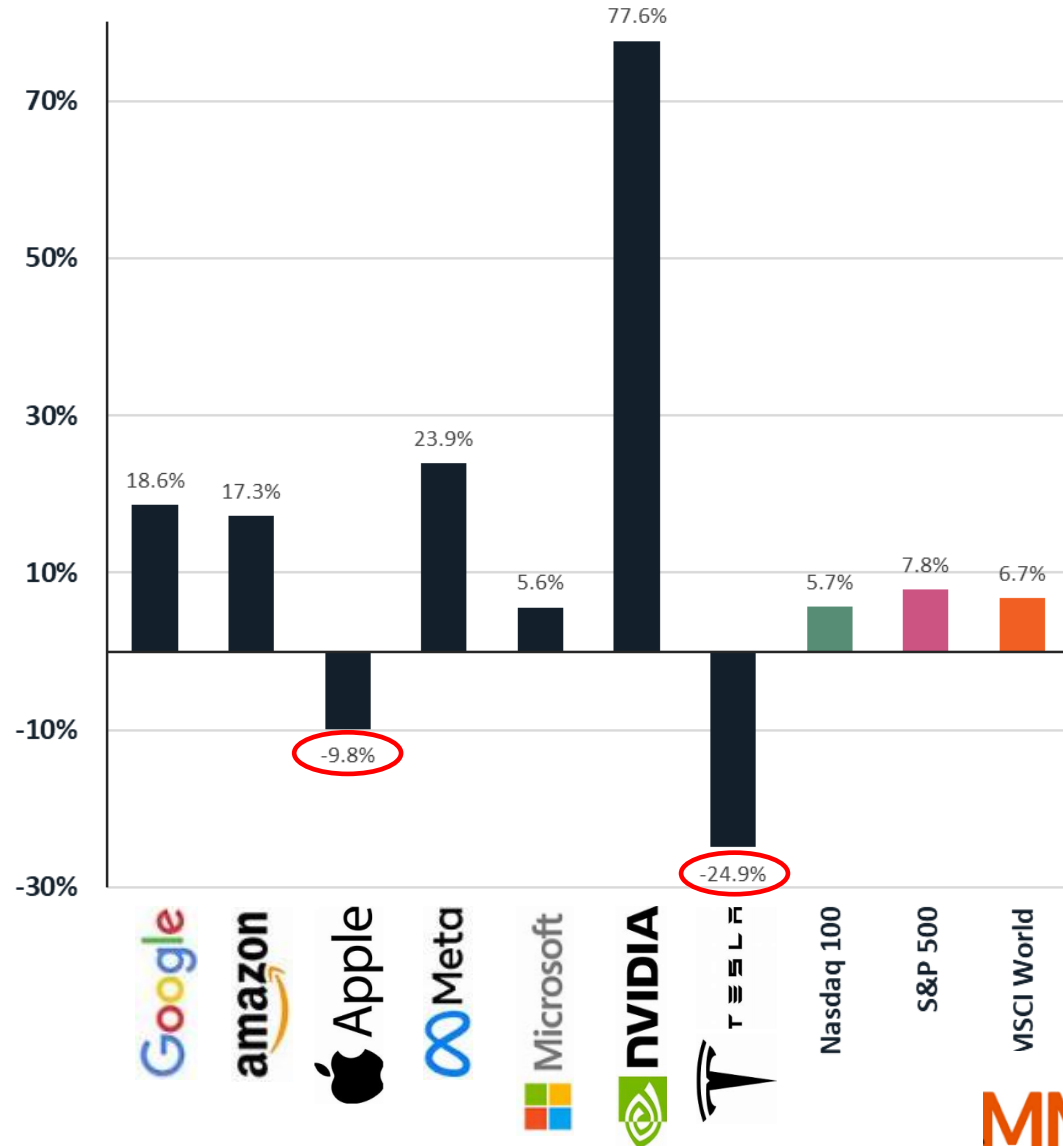
- US corporations reallocate money, increased M&A buying UK companies, e.g. Darktrace, Abcam (Cambridge based)
- While the government must offer attractive rates to fund its deficit, this is unlikely to change for a while
- Does anyone remember TINA? (There Is No Alternative)
- Welcome cousin TINY (There Is No Yield – on stocks)



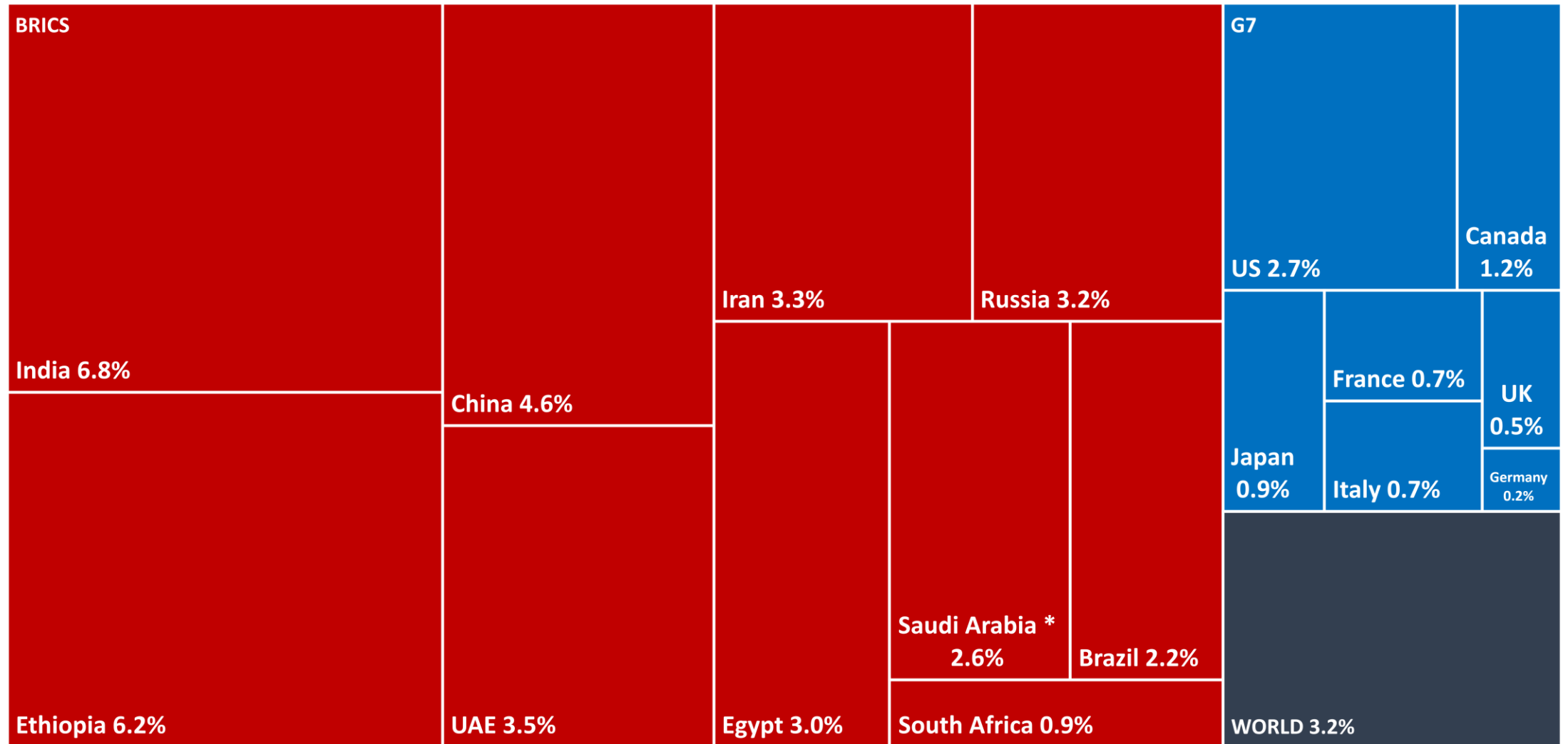
### Is reform momentum in Japan able to sustain itself?

- Bank of Japan ends 7-year experiment with negative interest rates
- No more yield curve control
- Regulatory changes to improve corporate governance continue to encourage management teams to focus more on shareholder returns

Magnificent 7 Fabulous 5?



# Real GDP growth forecasts 2024

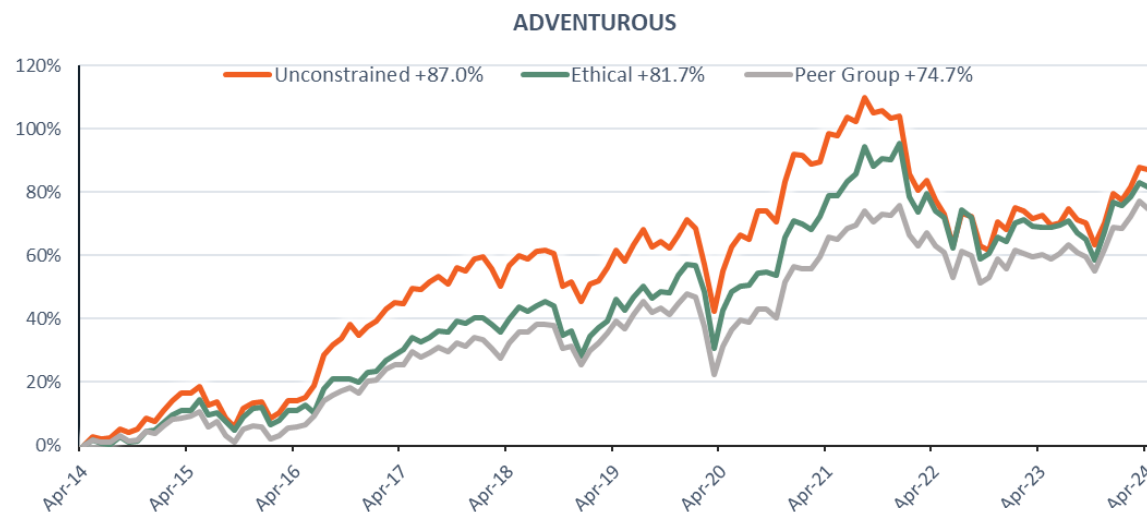
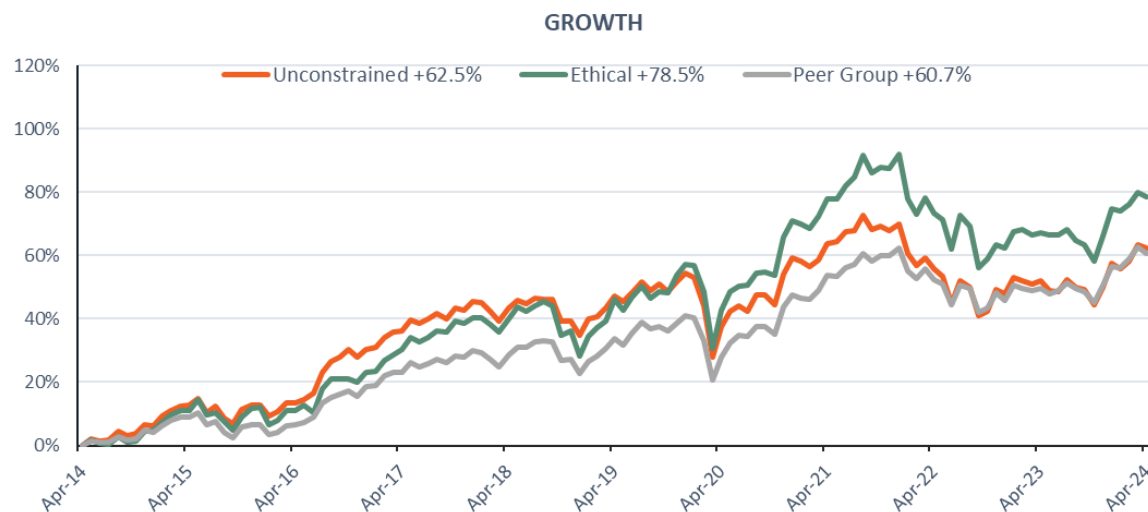
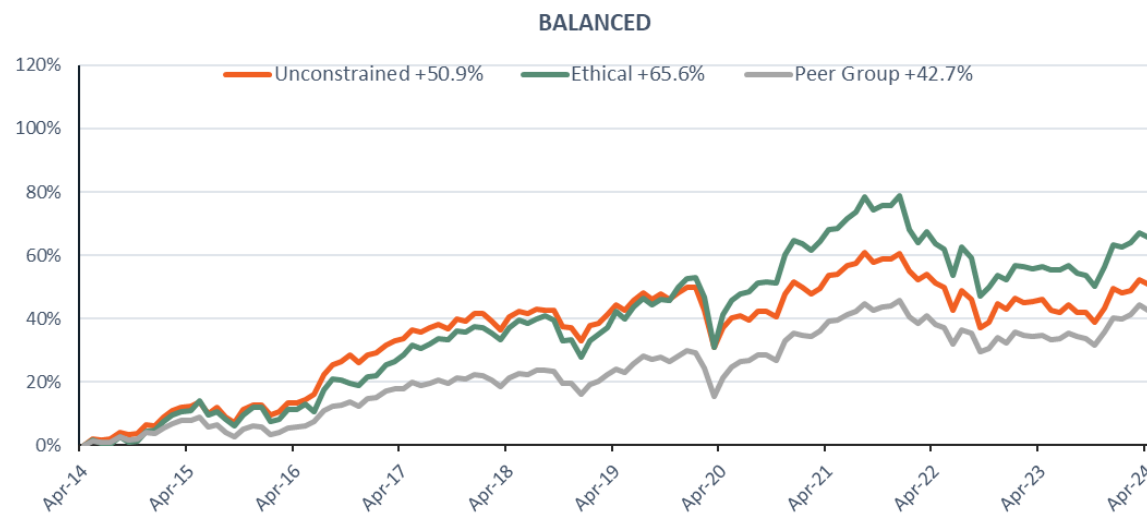
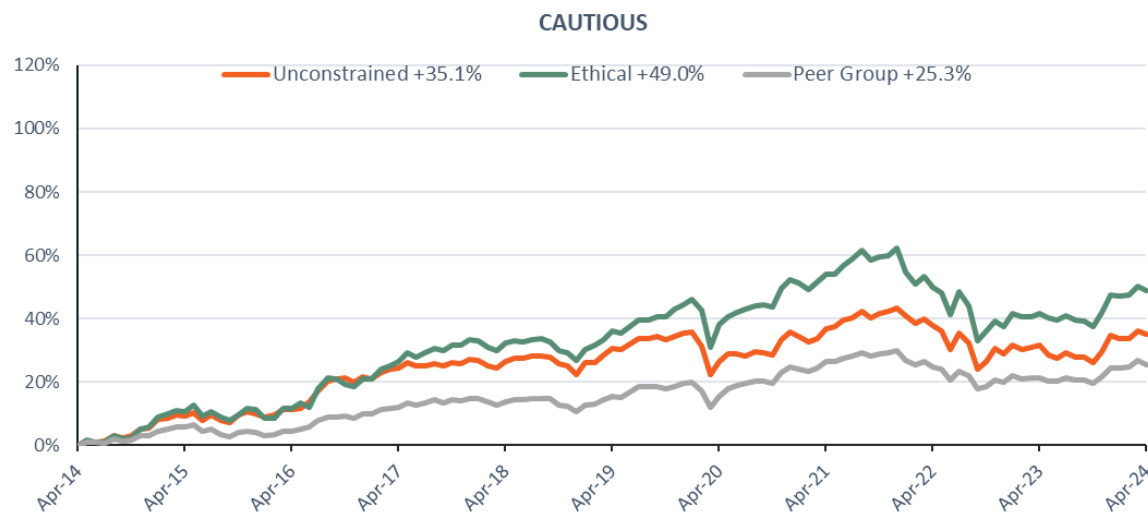




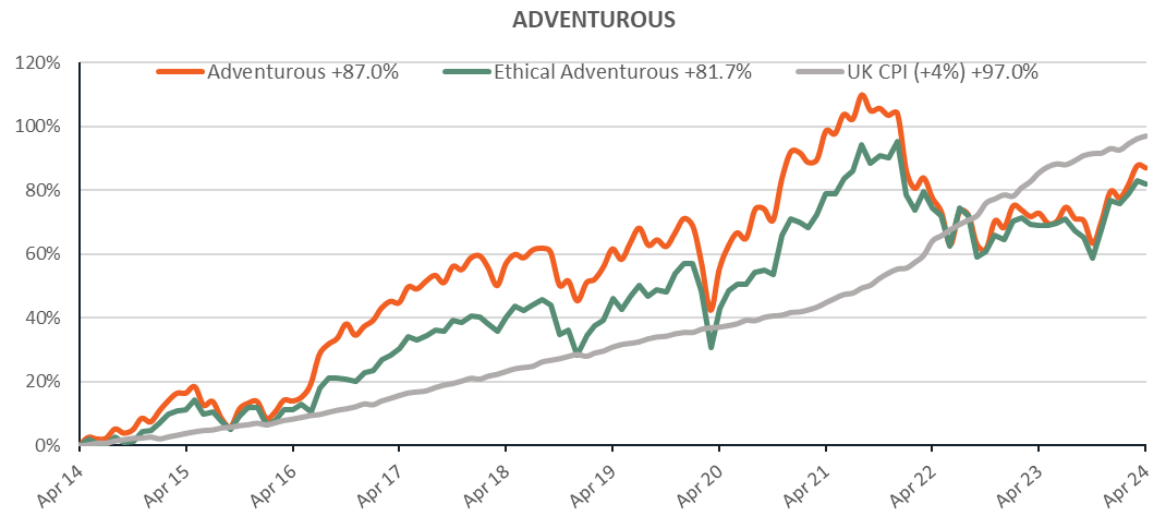
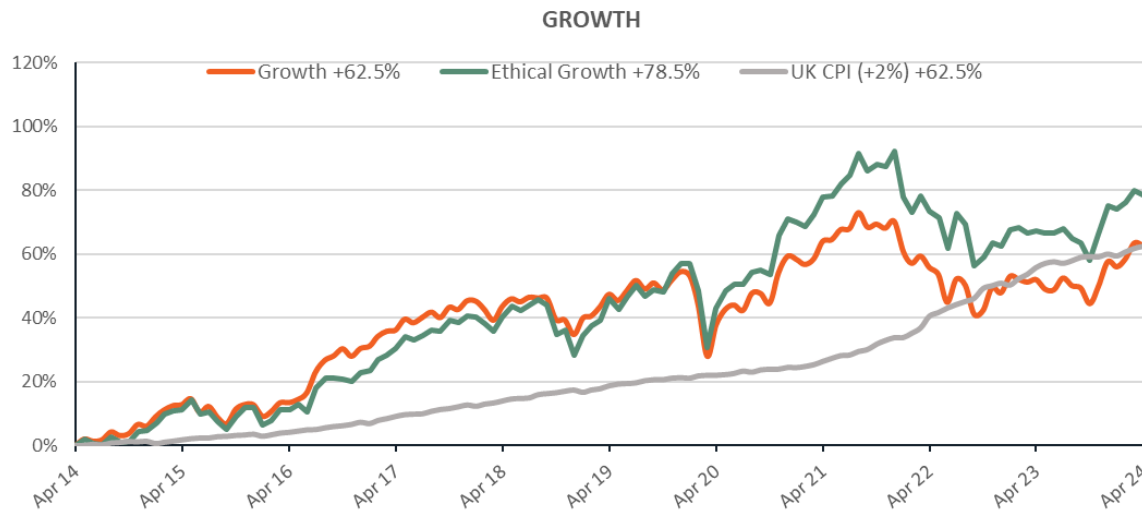
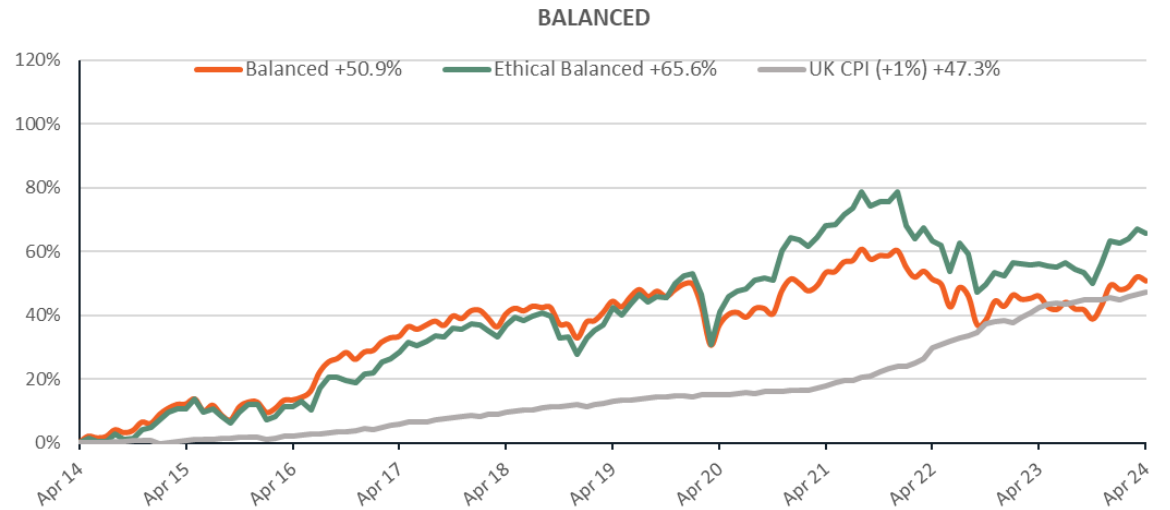
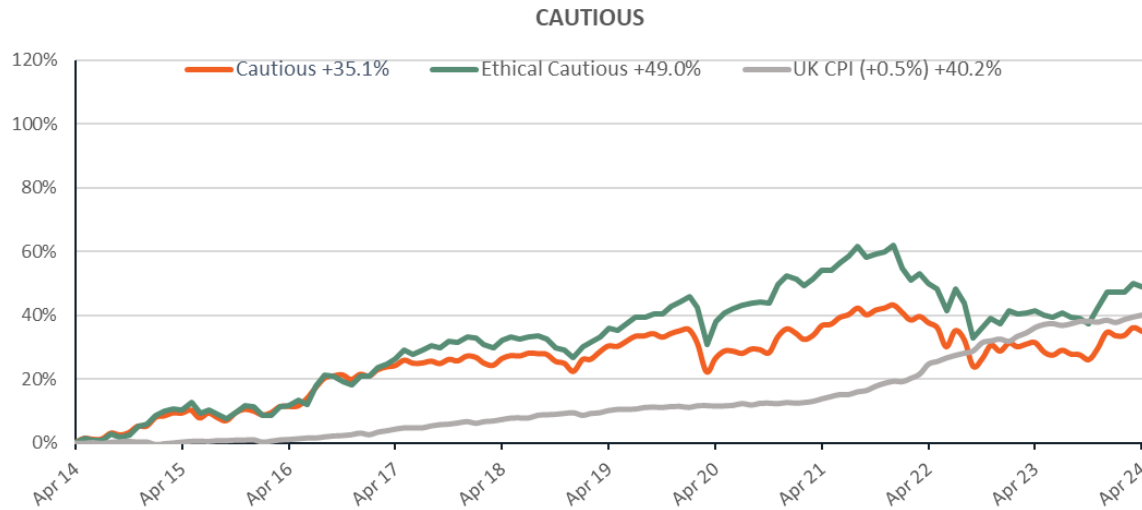
## Outlook scenarios

Scenario	Outcome	Probability
<b>Recovery</b>	<b>Inflation volatile but mostly above target; economic recovery in Europe and Japan. Strength in gold, commodities and some shares; and higher longer-dated bond yields.</b>	<b>70%</b>
<i>Possibility I</i>	<i>Moderate global economic recovery</i>	<i>30%</i>
<i>Possibility II</i>	<i>Stop-start economy with policy uncertainty</i>	<i>20%</i>
<i>Possibility III</i>	<i>Strong economy, led by high global capex</i>	<i>50%</i>
<b>Trade War</b>	<b>Markets move to price-in a global 'trade war'. US and European politicians prepare huge tariffs on many Chinese manufactured goods, including EVs.</b>	<b>20%</b>
<i>Possibility I</i>	<i>Moderate global economic recovery</i>	<i>20%</i>
<i>Possibility II</i>	<i>Stop-start economy with policy uncertainty</i>	<i>30%</i>
<i>Possibility III</i>	<i>Strong economy, led by high global capex</i>	<i>50%</i>
<b>Military War</b>	<b>A 'conflict shock' e.g. serious escalation in the Middle East or Taiwan.</b>	<b>10%</b>
<i>Possibility I</i>	<i>Moderate global economic recovery</i>	<i>20%</i>
<i>Possibility II</i>	<i>Stop-start economy with policy uncertainty</i>	<i>40%</i>
<i>Possibility III</i>	<i>Strong economy, led by government spending and high global capex</i>	<i>40%</i>

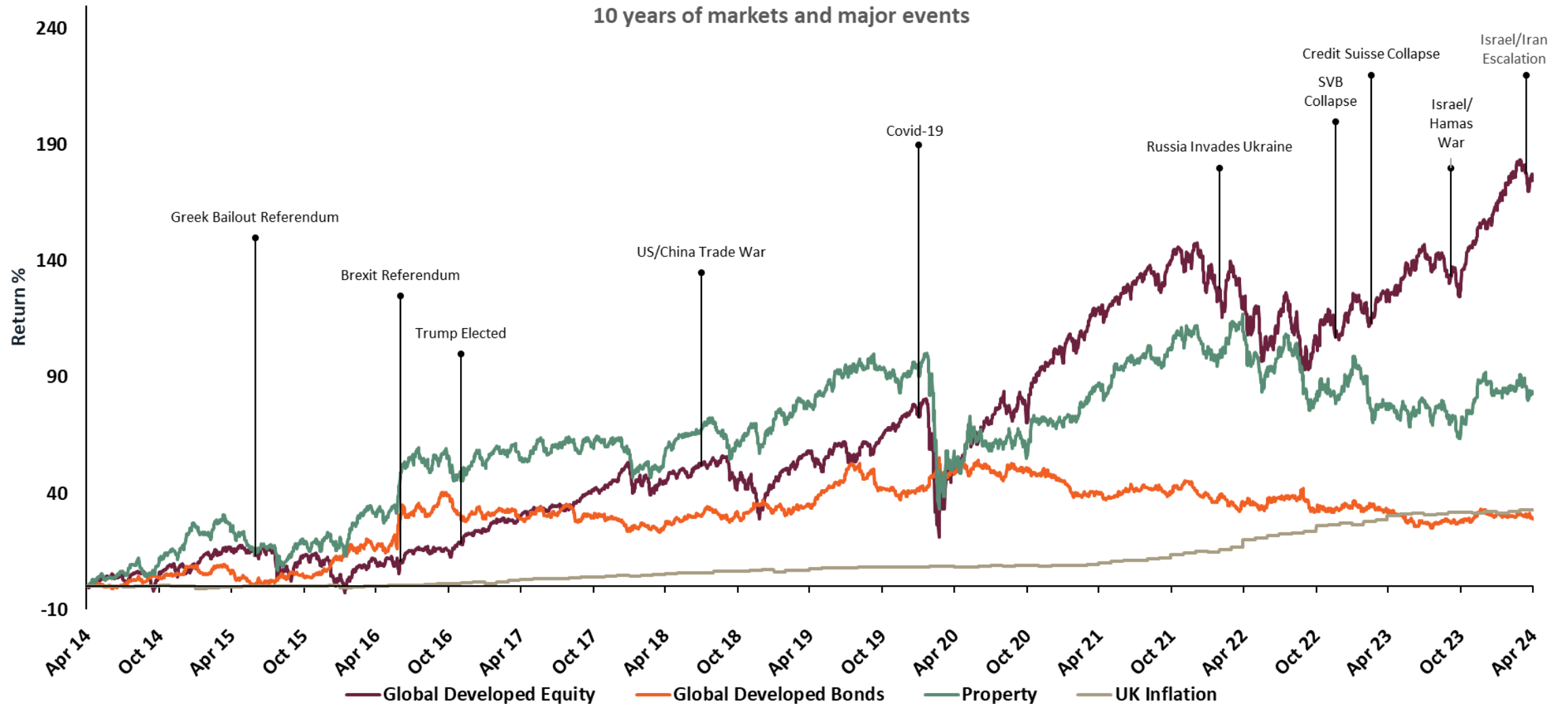
# MM Wealth strategies – 10 year performance vs peer group comparison



# MM Wealth strategies – 10 year performance vs CPI-plus targets



# 10 years of markets and major events



## MM Wealth

# Q2 Outlook

- New scenarios suggest more risk and volatility in inflation and asset markets.
- The risk of war needs to be considered in strategies, affecting short term decision making. But how?
- Commodity price rises could signal an industrial revival. Shares of major commodity producers seem sensibly priced.
- Gold continues to rise...whatever the reason for it, it doesn't feel 'asset market positive'.
- Challenging outlook for all EV manufacturers as competition and new supply grow faster than demand.



# Growing and Preserving Wealth seminar

Arrival from 1.30pm for 2.00pm start - Thursday 4 July 2024

The Jockey Club Rooms - 101 High Street - Newmarket - Suffolk - CB8 8JL





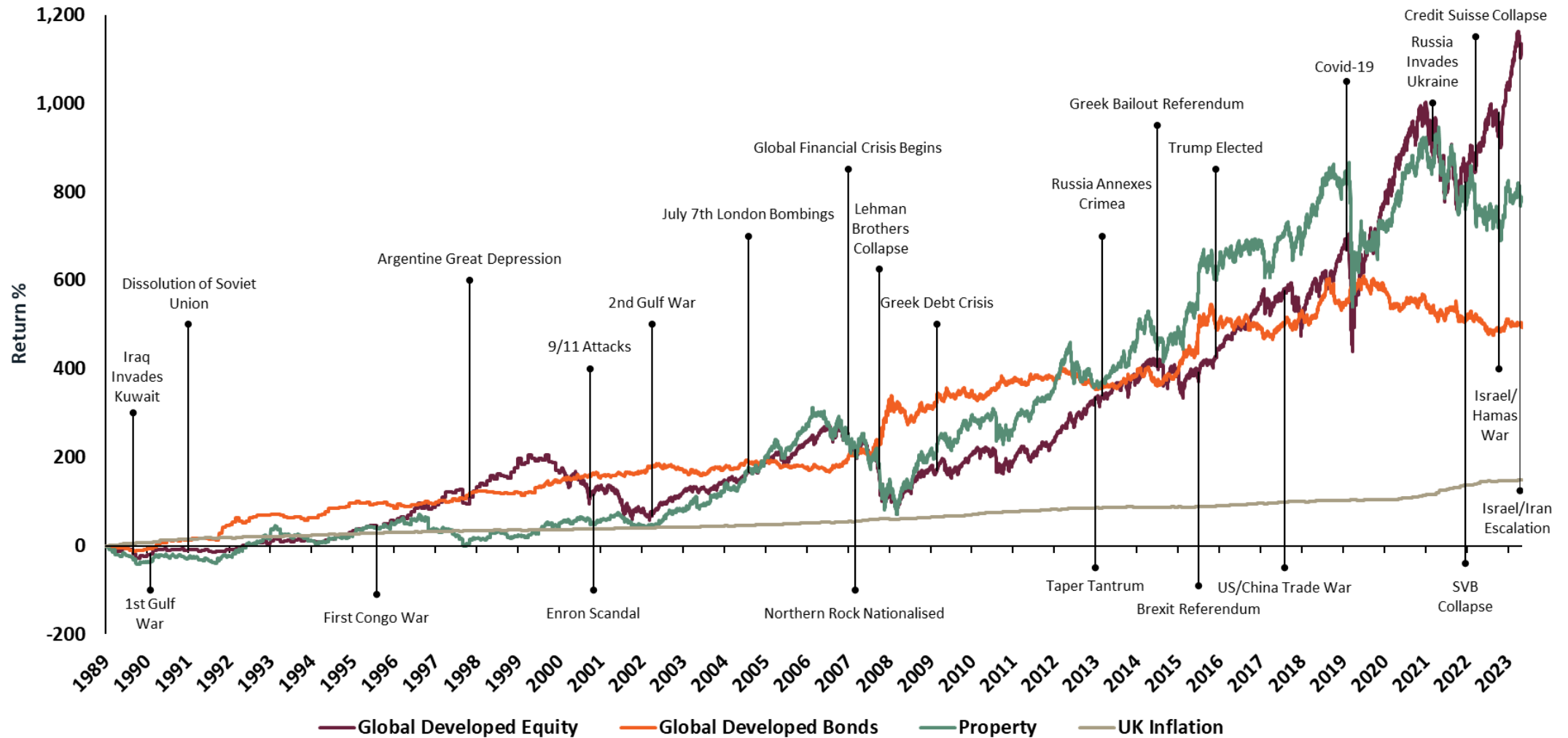
# Appendix



# Global Market Returns in GBP

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Best ↓ Worst	61.54 China	17.04 Japan	33.55 US - S&P 500	30.55 Emerging Markets	6.26 US - NDX	34.07 US - NDX	44.28 US - NDX	29.89 US - S&P 500	0.34 UK	46.38 US - NDX	15.23 Japan
	26.83 US - NDX	16.11 US - NDX	27.96 US - NDX	25.13 Asia Ex Japan	1.56 US - S&P 500	31.89 China	34.08 China	28.68 US - NDX	-5.42 Global Ex US	21.61 Global	7.83 US - S&P 500
	20.76 US - S&P 500	8.37 China	27.34 Asia Ex Japan	21.48 US - NDX	-2.16 Japan	26.43 Europe Ex UK	20.63 Japan	23.53 Europe Ex UK	-7.08 Asia Ex Japan	19.16 US - S&P 500	7.55 Europe Ex UK
	9.32 Global	8.30 Europe Ex UK	25.96 Japan	21.12 China	-7.69 Global	26.41 US - S&P 500	19.12 Emerging Markets	20.90 Global	-7.79 US - S&P 500	16.36 Europe Ex UK	6.17 Global
	9.21 Asia Ex Japan	7.25 US - S&P 500	24.64 Global Ex US	19.77 Global	-8.57 Asia Ex Japan	26.24 Global	18.66 Asia Ex Japan	18.32 UK	-8.94 Japan	15.65 Japan	5.91 Emerging Markets
	6.63 Europe Ex UK	1.27 Global	16.75 UK	16.18 Global Ex US	-8.86 Global Ex US	19.17 UK	14.74 US - S&P 500	8.82 Global Ex US	-12.95 Europe Ex UK	9.85 Emerging Markets	5.85 UK
	5.17 Emerging Markets	0.98 UK	9.69 Emerging Markets	14.75 Japan	-9.47 UK	18.06 Emerging Markets	14.21 Global	-0.08 China	-15.54 Emerging Markets	9.10 Global Ex US	5.18 China
	2.11 Global Ex US	-0.20 Global Ex US	9.04 Global	13.59 Europe Ex UK	-10.08 Emerging Markets	17.17 Japan	7.24 Global Ex US	-0.19 Emerging Markets	-15.98 Global	7.92 UK	4.40 Asia Ex Japan
	1.45 Japan	-4.12 Asia Ex Japan	2.31 Europe Ex UK	13.10 UK	-11.31 Europe Ex UK	16.82 Global Ex US	1.43 Europe Ex UK	-2.00 Asia Ex Japan	-17.25 China	1.31 Asia Ex Japan	3.18 US - NDX
	1.18 UK	-5.76 Emerging Markets	1.14 China	11.29 US - S&P 500	-23.07 China	14.56 Asia Ex Japan	-9.82 UK	-3.49 Japan	-23.86 US - NDX	-15.96 China	2.52 Global Ex US

## Time in the market, not timing the market



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**We hope you found this presentation of interest and useful.**

**If you have any questions, please do not hesitate to contact us.**



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