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1992

Weekly Global Market Commentary

April 4, 2023

Market Recap by Peter Goodall, CFA FRM Associate Portfolio Manager

Global markets rallied last week as inflation indicators came in under expectations and risks of banking contagion abated. The S&P 500 regained 4.09% with the Nasdaq and Dow closely following at 3.70% and 3.64%, respectively. The Euro Stoxx 50 rallied 2.67%, Japan's Nikkei Index rose 3.14%, and China's Hang Seng gained 1.75%. Real Estate (+8.05%), Energy +(6.52%) and Utilities (+6.30%) were the strongest performing sectors. Telecommunications (+1.73%), Health Care (+3.11%) and Information Technology (+3.66%) were the weakest performers.

The White House pushed regulators to roll back deregulation that contributed to the collapse of several mid-sized banks in recent weeks. The proposed regulatory rollback would impact mid-sized banks with between $100 to $250 billion in assets. If implemented, it would resume stress testing for regional banks and require "living wills" to handle asset wind downs in the case of failure. The deregulation during the prior administration was in response to requests from regional banks (including Silicon Valley Bank) and passed with bipartisan support.

There were multiple signs that global inflation is slowing faster than expected. US Personal Consumption Expenditures fell to 5.0% year-over-year, versus the expected 5.1%. The Eurozone saw March's annual price grow drop from 8.5% to 6.9%. We anticipate inflation will continue to drop throughout the year but is unlikely to reach the 2% target this year (more likely falling to around the 4% range). At least one Federal Open Market Committee member indicated at least one more interest rate hike before the year end.

In Florida, Disney appears to have outmaneuvered presidential hopeful, Ron DeSantis. As part of a public spat about the "Don't Say Gay" bill, state Republicans stripped Disney of its special tax district. The outgoing board of directors signed a long-lasting development agreement that drastically limits the board's control over the company and district. Disney no longer needs board approval to build high-density projects or buildings of any height and can sell or assign development rights. It also bans the board from using Disney's name or any of its characters. While this appears to be legal, it will likely be challenged in court, and serves as a distraction for one of the perceived front runners in the 2024 Republican bid for the presidency but a net positive for Disney stock.

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The other Republican front runner, former President Donald Trump, has been indicted on more than 30 counts related to business fraud. The indictment only means the grand jury believes the prosecution's case is strong enough to warrant moving towards a trial. There are still several possible off ramps and securing a conviction would not prevent Donald Trump from running for president. Weakness in the Republican front runners, does not bode well for Republicans winning in the upcoming election cycle, although it is still early days.

Conclusion

Much of the 2022 market uncertainty revolved around political risks and sticky inflation. While we continue to see some cracks in the economy (e.g., Silicon Valley Bank), monetary policy appears to be winning out. Global inflation, while choppy, has been drifting downwards. Higher interest rates are resulting in higher unemployment (off of multidecade lows), and consumer spending appears to be slowing, too. While this is painful, it may be the least worst option and the progress we are seeing on inflation suggests an end to high inflation is in sight: probably over the next 1-2 years. While it is too soon to determine a trend, we are seeing more appetite for growth-oriented business that were shunned during the aggressive rate hikes.

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Stock Market Performance	3/31/2023	W-o-W	M-o-M	Y-o-Y
DJIA	33,274	3.2%	1.9%	-4.0%
S&P 500	4,109	3.5%	3.5%	-9.3%
MSCI World	2,791	3.7%	2.8%	-8.6%
SP/TSX	20,100	3.1%	-0.6%	-8.2%
BSX	2,079	-5.0%	-17.9%	-15.7%
FTSE100	14,265	3.0%	-2.7%	5.6%
DAX	15,629	4.5%	1.7%	8.4%
CAC	7,322	4.4%	0.7%	9.9%
Nikkei	28,041	2.4%	2.2%	0.8%
Hang Seng	20,400	2.4%	3.1%	-7.3%
Shanghai	3,273	0.2%	-0.2%	0.6%

Key Rates and Prices			
Currencies	3/31/2023	Month Ago	Year Ago
EUR	$1.08	$1.06	$1.11
GBP	£1.23	£1.2	£1.31
JPY	¥132.86	¥136.17	¥121.70
CAD	C$0.74	C$0.73	C$0.80
CHF	CHF1.09	CHF1.06	CHF1.08
AUD	A$0.67	A$0.67	A$0.75
Fixed Income			
3M LIBOR	5.19	4.97	0.96
3M Treasury Bill	4.75	4.81	0.50
2Yr Treasury Note	4.03	4.82	2.34
10Yr Treasury Note	3.47	3.92	2.34
Fed Funds Rate	5.00	4.75	0.50
Commodities			
Gold/oz.	1,969.28	1,826.92	1,937.44
Silver/oz.	24.10	20.91	24.79
Copper/lb.	4.08	4.06	4.71
Oil	75.67	77.05	100.28

Global Economic Calendar (Apr 3rd - Apr 7th)	
Monday	S&P Global France Manufacturing PMI (FR); ISM Manufacturing (US)
Tuesday	
Wednesday	Industrial Production MoM (FR)
Thursday	Initial Jobless Claims (US);
Friday	Change in Nonfarms Payrolls (US); BoP Current Account Balance (JN)

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