LOM 1992

Weekly Global Market Commentary

Feb 27, 2024

Beyond Tech: Investing in 2024

by Peter Goodall CFA, FRM, Vice President Investment Research

Equities

There were several key financial results in the week that drove the underlying market performance. The most significant development was the performance of tech stocks, which have powered a robust rally reminiscent of the 1990s. Results from NVIDIA mirrored the encouraging earnings from Microsoft and Amazon earlier in the month, driving continued optimism. Despite concerns about a potential bubble, the current market conditions differ significantly from the dot-com era, with the rally being supported by real earnings growth. This has led to a cautious optimism among investors, with an understanding that while there might be temporary pullbacks, a severe market dive is unlikely at this moment.

Furthermore, the market's reaction to the Federal Reserve's policy decisions has been notably calm. Expectations for Fed interest rate cuts have been adjusted, with the consensus now not expecting cuts to start until later in the year. This adjustment reflects a growing confidence in the broader fundamentals of the underlying economy, despite prior instances when higher expectations for the policy rate led to market pullbacks. The stock market's resilience in the face of rising yields in 2024, unlike in the previous year, indicates a robust outlook for equities.

Lastly, the S&P 500 reaching new all-time highs last week has been seen not as a peak but as a milestone indicating the potential for further gains. Historically, reaching new highs has often led to extended periods of strong performance in the stock market. The sector performance within the S&P 500 has also begun to show more balance, with leadership extending beyond just technology and communication services to include sectors like energy, consumer discretionary, and industrials, suggesting a healthier and more diversified market rally.

Overall, the financial news from last week paints a picture of a market that, while cautious, is optimistic about future growth, supported by strong earnings, a recalibrated outlook on Federal Reserve policies, and a diversified rally across different sectors.

Fixed Income

The expectation of declining inflation could re-establish the historical negative correlation between equity and bond returns, which suggests that government bonds could once again serve as a hedge against equity market downturns. This relationship had been disrupted in periods of high inflation, like in 2023, but is expected to normalize as inflation falls below 3%.

LOM Asset Management Ltd., The LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda
Licensed to conduct Investment Business by the Bermuda Monetary Authority.

The rise in bond yields has been attributed to a combination of factors, including a more resilient economic outlook reducing recession risks, expectations of greater government bond supply, and shifts in central bank policies outside the U.S. These factors have contributed to a demand for a higher real term premium for holding longer-maturity government bonds.

For investors, this environment suggests the opportunity to add longer-duration assets that offer high starting yields and potential for capital gains, while also diversifying portfolios. However, it's important to remain cautious, as higher yields can also tighten financial conditions, potentially weighing on economic growth and inflation in the medium term.

1992 LOM

Weekly Global Market Commentary

Stock Market Performance	2/24/2024	W-o-W	M-o-M	Y-o-Y
DJIA	39.132	1.3%	3.5%	19.2%
S&P 500	5,089	1.7%	4.5%	28.2%
MSCI World	3,334	1.5%	4.1%	23.2%
SP/TSX	21,413	0.7%	1.8%	5.9%
BSX	2,214	-1.2%	3.7%	-12.6%
FTSE100	14,916	0.2%	3.0%	1.6%
DAX	17,419	1.8%	3.1%	14.5%
CAC	7,967	2.6%	6.9%	10.8%
Nikkei	39,099	1.6%	7.9%	42.4%
Hang Seng	16,726	2.4%	5.2%	-16.4%
Shanghai	3,005	4.8%	6.5%	-8.0%

Key Rates and Prices			
Currencies	**2/24/2024**	**Month Ago**	**Year Ago**
EUR	$1.08	$1.09	$1.05
GBP	£1.27	£1.27	£1.19
JPY	¥150.51	¥147.51	¥136.48
CAD	C$0.74	C$0.74	C$0.73
CHF	CHf1.14	CHf1.16	CHf1.06
AUD	A$0.66	A$0.6	A$0.67
Fixed Income			
3M LIBOR	5.59	5.59	4.95
3M Treasury Bill	5.41	5.37	4.81
2Yr Treasury Note	4.69	4.38	4.82
10Yr Treasury Note	4.25	4.18	3.95
Fed Funds Rate	5.50	5.50	4.75
Commodities			
Gold/oz.	2,035.40	2,013.89	1,811.04
Silver/oz.	22.95	22.67	20.76
Copper/lb.	3.89	3.88	3.95
Oil	76.49	75.09	76.32

Global Economic Calendar (Feb 26th - Mar 1st)	
Monday	
Tuesday	
Wednesday	GDP Annualized QoQ (US); Industrial Production MoM (JN)
Thursday	Initial Jobless Claims (US); Jobless Rate (JN)
Friday	HCOB France Manufacturing PMI (FR)

LOM Asset Management Ltd., The LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda