

Multi-Asset Investment Solutions

Weekly Market Review

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Market recap – stock markets mixed, but US hits new highs

US stock markets rose last week, with the **S&P 500 and Nasdaq 100 up by 1.1% and 2.9%** respectively (all in sterling terms) to reach fresh highs. Investors were encouraged by strong results from large technology and semiconductor firms, including companies benefiting from continued investment in artificial intelligence (AI). Elsewhere, the picture was less positive, with the **FTSE 100 down 2.6%** and the **MSCI Europe Index (excluding the UK) down 2.8%**. Investors were balancing easing fears about immediate escalation in the Middle East with concerns over higher energy costs. In Asia, Japanese equities also fell, with the **TOPIX down 1.7%**. The **MSCI China Index was down 1.6%** amid uneven economic data and lingering property-sector concerns. Volatility increased towards the end of the week as oil prices rose again and geopolitical tensions escalated.

Geopolitics – disruption to oil supplies remains a key focus for investors

Geopolitical developments remained a significant **driver** of day-to-day market moves. Investors closely followed events in the Middle East, particularly ongoing tensions involving Iran and the strategic **Strait of Hormuz**, a key shipping route for global oil supplies. While a temporary ceasefire remained in place, the lack of progress toward a lasting agreement kept markets on edge. The continued closure of the strait to all but very limited shipping traffic contributed to higher oil prices, which heightened concerns about inflation and rising costs for consumers and businesses. Energy companies tended to outperform, reflecting investor positioning for prolonged uncertainty, while more interest rate-sensitive sectors experienced greater volatility.

Central banks – US rates likely to remain on hold

Central bank policy remained firmly in focus. In the US, the **Federal Reserve (the Fed) is expected to keep interest rates unchanged** at its meeting this week, as policymakers weigh cooling inflation against geopolitical risks and still-resilient consumer demand. Comments from the man expected to take over as Chair of the Fed, Kevin Warsh, were closely watched, particularly around the US central bank's independence and its commitment to controlling inflation. European Central Bank (ECB) officials signalled a cautious approach, noting that higher energy prices are likely to have an impact on the inflation outlook. Meanwhile, the Middle East conflict is **complicating the Bank of Japan's moves to gradually raise interest rates**. Most investors believe the bank is unlikely to increase rates this week. The overall message from central banks appears to be one of the need for **patience**.

News – AI-related positivity outweighs Middle East uncertainty in US market

The stalling of peace talks between the US and Iran and the stand-off in the Strait of Hormuz continued to be a key focus for investors last week. However, **continuing strength in AI-related companies** and **upbeat earnings results** helped push US stocks to new record highs, despite the geopolitical uncertainty.

Economic data – some causes for optimism, but picture mixed

Economic data released last week painted a picture of a **resilient but uneven global economy**. In the US, retail sales figures showed consumers continuing to spend, helped by solid employment conditions and rising wages. However, consumer sentiment surveys remained subdued, reflecting higher prices at the petrol pump and uncertainty over global events. Business surveys, including purchasing managers' indexes, pointed to modest growth in manufacturing and services, although cost pressures increased due to rising energy and transport expenses. In Europe, the data was weaker, reinforcing expectations of slower growth compared with the US.

Commodities

Oil prices jumped during the week, with Brent crude again pushing past the **\$100 per barrel** mark, driven by fears of supply disruption related to the conflict in the Middle East. Despite recent 'safe-haven' demand, the **gold price fell** because of concerns about higher inflation, which weighed on demand for the precious metal.

Week ahead – what to watch

US: Interest rate decision (Wed); first-quarter economic growth (gross domestic product or GDP) figures (Thu). Earnings reports: Microsoft, Alphabet (Google's parent company), Meta and Amazon (Wed); Apple (Thu).

UK: Interest rate decision (Thu).

Europe: Preliminary Euro area April inflation figures (Thu); ECB interest rate decision (Thu).

Asia: Bank of Japan interest rate decision (Tue).

Source: Marlborough Multi-Asset, Morningstar, Financial Times, PIMCO, T. Rowe Price, Anglia Advisors, Trading Economics

Risk Warnings

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