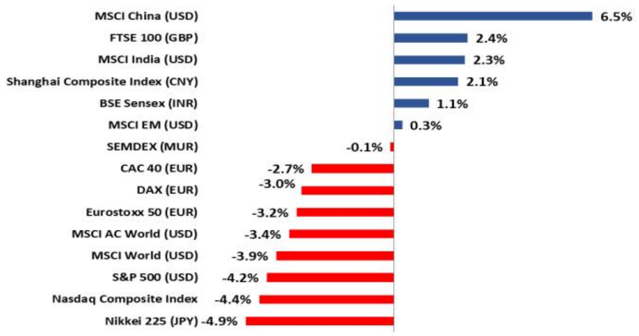
PeaQ News
Vol. 4 No. 4

MARKET SUMMARY

Equities: Apr 24 performance (in Index currency)



- After three months of positive returns, global equity markets posted negative returns over the month of April as investors digested the change in stance of the US Fed, from a dovish perspective to a “higher for longer” stance with regards to interest rates.
- The US economy expanded at an annualized rate of 1.6% in Q1 2024, compared to 3.4% in the previous quarter. Inflation increased by 3.4% in Q1 2024 compared to an increase of 1.8% in Q4 2023.
- Central bank meetings in Europe, Japan, China, India and Mauritius resulted in key interest rates being left unchanged.
- WTI price fell by 1.5% while Brent price rose by +0.5% as markets grappled with supply issues. Gold prices continued to rise mainly due to geopolitical issues.
- In Mauritius, the headline inflation rate for the year ended April 2024 stood at 5.2% (compared to 10.9% for the previous period).
- The number of tourist arrivals increased from 102,865 in February to 116,384 in March. As per BOM’s latest figures, gross tourism earnings stood at Rs7.4Bn in March 2024 (an increase of 0.7% over the previous period).

GLOBAL CENTRAL BANK POLICIES

US

- The FOMC maintained the target range for the federal funds rate between 5.25%-5.50% in May.
- Minutes of the FOMC’s May meeting continued to emphasize that the Q1 inflation data had shown a lack of further progress toward its 2.0% inflation target.
- The committee believed that it will not be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.0%.
- Economic activity continued to expand at a solid pace, consumer spending remained robust over the past several quarters and labor markets remained relatively tight.
- The staff’s economic forecast at the May meeting was similar to the March projection.
- Fed’s economic forecast at the March meeting showed a more robust economic outlook vs December projection. Median GDP growth projection was revised substantially higher for 2024 by +0.7% to 2.1%, by +0.2% to 2.0% for 2025 and by +0.1% to 2.0% for 2026 respectively. Median core inflation forecast was revised slightly higher for 2024 (+0.2% to 2.6%) and were unchanged for 2025 (at 2.2%) and 2026 (at 2.0%). Median unemployment rate projection was lowered modestly for 2024 (-0.1% to 4.0%), unchanged for 2025 (at 4.1%), and lowered for 2026 (-0.1% to 4.0%).

Eurozone

- In April, the Governing Council (GC) kept the three key ECB interest rates unchanged. Interest rates on the main refinancing operations, marginal lending facility and the deposit facility remained at 4.50%, 4.75% and 4.00% respectively.
- The GC strengthened the signal for a cut in June but provided no further clarity on the pace of cuts. Officials stressed that the GC will be data dependent.
- President Lagarde reiterated that the GC will receive a lot of data by the June meeting and suggested that the direction for policy could then possibly be clearer. She also reiterated the ECB’s independence from the Fed but added that US economic data matter to the ECB as they affect the Euro area’s inflation outlook.

UK

- The MPC voted to maintain its bank rate unchanged, for the sixth meeting in a row, at 5.25% at the May meeting.
- The MPC added that it expects inflation to return to close to 2.0% in the near term but to increase slightly in the second half of this year, to around 2.5%. Updated projections for the two and three-years inflation forecasts were downgraded on the back of a higher conditioning path for bank rate.
- The BOE expects inflation to fall to 1.9% in Q2 2026 (0.3% lower than its February projection) before declining further to 1.6% in Q2 2027.

- The tightening cycles by Central Banks are expected to be nearly done and cuts to interest rate should happen by the end of the year. This should be positive for the global equity markets.

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Source: FED, ECB, BOE, BOM, Bloomberg, SEMDEX, Statistics Mauritius, MSCI.