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April Monthly Review

A summary of key events and market trends during the month of April

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Global Markets Update

- More than half the S&P 500 companies have reported results with almost all sectors beating sales and earnings expectations, albeit with a low bar.

- In particular, the large cap technology names have fared better than what the bears expected and this has led to some meaningful price rallies. It is worth noting that Apple Inc is yet to report and this announcement is eagerly awaited for this week.

- With the news of First Republic Bank out of the way after the JP Morgan acquisition US regulators will want to see funding and other markets return to normalcy.

- The fallout from the panic that kicked off with Silicon Valley Bank seems contained for now and with US rate unlikely to rise significantly from the current levels we could see some calm pervade.

- This week has the US Federal Reserve and the European Central Bank announce policy rates and markets will be closely watching for the tone that the respective Governors take with regards to future policy.

- Last week the Bank of Japan skewed to the dovish side and this has not surprised us as we see the economy require a weak currency for the moment.

- The Chinese equity markets continue to under-perform this year with investors still seeking clarity on the end of regulatory measures.

- With the Volatility Index trading below 16 we see this as an interesting opportunity to buy cheap protection for portfolios as we run into some event risk with the interest rate meetings

Last US rate hike for now?

The interest rate markets are pricing in a last rate hike by the US Federal Reserve, a short pause and then rates lower by 50 basis points by the end of the year. With inflation not anywhere close to the 2 % mark we do not see rate cuts coming through in a hurry.

Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	2.69	8.76
Hang Seng China Enterprises	-3.83	-0.04
Dax	1.88	14.36
Euro Stoxx 50	1.03	14.91
S&P 500	1.46	8.59
Dow Jones	2.48	2.87
Nasdaq 100	0.49	21.08
US 10 Year Treasury	-0.05	-0.45
Bloomberg Barclays Global Aggregate Index	0.44	3.46
Bloomberg Barclays Global Corporate Bond High Yield Index	0.64	3.80
EUR USD	1.66	2.93
USD JPY	2.59	3.95
Gold	1.05	9.10

- The market awaits the latest policy direction from the Fed and the ECB – Inflation is yet to come under any semblance of control and economic activity is still holding ground. As such we would expect central banks to be on hold for an extended period of time.

- 2 year US Treasuries are currently at around 4 % and we would expect rates at this part of the curve to head higher in the medium term.

- Central Bank balance sheets are being rolled off and the open question is how and whether the market can absorb the residual supply.

SGMC Forward Views

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Asset Class	**Avoid**	**Reduce**	**Hold**	**Add On**	**High Conviction**	**Notes**
Equities						
US Equities						Use the options markets to take advantage of possible upside and create obligations to buy lower into declines
EU Equities						While geopolitical risks have not completely dissipated we note the relative resilience of this space
Chinese Equities						Despite some hiccups the country and economy seems well set on it's path to normalizing and valuations continue to be attractive
Emerging Market Equities						With the weaker US Dollar and improving risk appetite we expect the bid to return to EM equities
Bonds						
High Yield						With the heavy lifting behind us in the US levels continue to be attractive to add
Investment Grade						While we still like this space we note that spreads have tightened a fair bit and further rates could head higher in the short term. Will look to add only at better levels
Government Bonds						Prefer the risk / reward profile of corporate and financial bonds and hence continue to have a "Hold" recommendation for the Government space
FX & Alternative Asset Classes						
US Dollar Index						Have not seen the rally that we expected and given the current negative momentum will wait for better levels to go long
Commodities						Improving risk appetite balanced with deteriorating demand fundamentals
Private Equity / Hedge Funds						We believe the current flush out being seen in this space will likely linger for some further peiod and will be some time before demand picks up again
Real Estate						Rentals will continue rising providing good yields, but prices will come under pressure with increased mortgage rates
Collectibles						Uncorrelated with markets

- We are currently not making any changes to our forward views and asset allocation. Though, this could change as we assess the tone and content that comes through from the monetary policy meetings over the coming weeks.

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