



## Earnings, Emerging Markets and All-Time Highs

To investors globally, the adage 'sell in May and go away' has stood the test of time, with US equities typically returning a meagre 2% from May to October. This year, the index is up 5% in May alone, and 11% year to date. Will 2024 buck the trend? Possibly – recent company quarterly earnings show the resilience of the consumer and corporate America. However, outside the US might be richer hunting grounds for returns in the remainder of 2024, with valuations looking much more favourable.

The US first quarter corporate earnings season began in mid-April, continuing through May. Coming into earnings season, investor sentiment appeared cautious, with the reality of disappointing economic data, coupled with corporate profit downturns, looming large. As is custom, "financials" stocks started proceedings – with earnings beating expectations across the board. This strong start continued through May, with around 78% of large-cap US listed companies posting earnings above projections - this figure is above the 10-year average of 74%. The positivity around the robustness of corporate earnings filtered through into global markets and has supported several indices through the month, improving the already strong year-to-date (YTD) returns.

Continuing with earnings - NVIDIA, the world's largest AI chip company, reported \$26 billion in revenue on the 22nd of May. This increase represents a staggering 262% year-over-year (YoY) increase. CEO Jensen Huang emphasised that the next industrial revolution, powered by AI, is underway with NVIDIA at the forefront. After reporting, NVIDIA finished positively on that day, up 9.6%, continuing an extraordinary run for the stock.

The broadening of global investment, away from what has perhaps been a US-centric focus, has benefitted both developed and emerging market countries year-to-date. To start closer to home, discussions around the legitimacy of the UK as a sustainable market to invest in are continuing to substantiate. New highs have been reached on UK equities, which will be recognised by overseas investors, looking at the UK. With valuations on UK stocks considerably cheaper than that of the US and other regions – investment in UK plc may be beginning to shake off its post Brexit malaise.

Finally, a note on Emerging Markets (EM). The investment case for EM continues to build, based on: Projected earnings strength this year being larger than any developed market region; valuations across the region remaining attractive (India being the only exception); and capital flow momentum starting to shift in favour of EM.

### Bottom Line

The adage 'sell in May and go away' seems it may have missed the mark this year, as evidenced by impressive gains in global markets YTD. With the first quarter earnings season over-delivering, despite initial apprehensions, investor confidence has been raised for the rest of this year. Furthermore, market trends are suggesting a potential departure from historical seasonal patterns, and a broadening of the global rally reaffirms the importance of a diversified and dynamic investment strategy.

## Month by numbers

Change in various markets over the month:

Asset	Change Value
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### Equities

UK	↑	1.87%
Europe	↑	3.64%
US	↑	4.73%
Emerging Markets	↑	0.48%
Japan	↑	1.20%

### Bonds / Rates

\* Absolute change (%)

UK Base Rates	–	0.00%	5.25
Fed Funds Rate	–	0.00%	5.5
UK 10-Year Yield	↓	-0.03%	4.32
US 10-Year Yield	↓	-0.19%	4.49

### Currencies

GBP / USD	↑	1.69%	1.27
GBP / EUR	↑	0.35%	1.18
DXY (USD Index)	↓	-1.46%	104.67

### Commodities

Gold	↑	1.77%	2326.33
Oil (Brent)	↓	-7.10%	81.62

### Noteworthy

GameStop	↑	112.10%
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## Q&A

### What's on your mind?

#### Have I missed the boat?

With many major markets making all-time highs this year – we answer the question, is an all-time high the right time to invest? The short answer is – yes, as good a time as any really. The average five-year returns of US equities, between 1950 and 2019, when only investing at all-time highs, was 10.3%, compared to 11.3% when investing at all other dates. The one-year and three-year returns saw similar results. To consider investing at an all-time high as an end point, is to say that an investor does not believe the global economy or company revenues will continue to grow.

#### Sunak vs Starmer – The UK go to the polls on July 4th

The upcoming UK election is poised to be a significant event in the nation's political landscape, scheduled for May July 2024. With the Conservative Party, led by Prime Minister Rishi Sunak, seeking to retain power, and the opposition Labour Party under Keir Starmer campaigning vigorously to win over voters disillusioned with the current government. Key issues at the forefront include the economy, the National Health Service, and post-Brexit relations. This election is also notable for its potential to reshape the political dynamics in Scotland and Northern Ireland, with the Scottish National Party and other regional parties playing critical roles. As the campaign heats up, all eyes are on how these factors will influence voter turnout and the overall outcome, which could herald significant changes in UK policy and governance. In terms of markets, neither Labour or Conservative are proposing policies that are set to cause major move.

#### Crypto Milestone: UK's First ETPs Launch on LSE

The UK's first cryptocurrency exchange traded products (ETPs) began trading last week, nearly a decade after Sweden's first. WisdomTree, 21Shares, and Invesco received approval from the Financial Conduct Authority (FCA) to list ETPs investing in spot Bitcoin and Ethereum on the London Stock Exchange from May 28. These products will be available only to professional investors, as the FCA considers cryptocurrency derivatives too risky for retail consumers. To draw comparison, in the US spot bitcoin ETPs launched in January have amassed \$50bn, with 80% held by retail investors. Many other firms have stated their plans to list crypto ETPs post FCA approval too. FCA approval is a major advancement for UK professional investors, offering easier access to crypto ETPs and potentially increasing institutional adoption.

**For more information, please contact your adviser.**

## Disclaimer

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