

State of Play

Market update



4 April 2024

It has been a couple of weeks since the US Federal Reserve and the Bank of England announced their latest interest rate decisions, with both central banks choosing to keep interest rates the same (read more [here](#)). The decisions and sentiment from the meetings were well received as they were in line with the broad market consensus for rate cuts. Since then, what has been happening in the UK and global stock markets? Santander Asset Management shares their insights in this week's State of Play.

UK

Following the Easter break, investors in the UK watched the FTSE 100 rise above the 8,000 mark on Tuesday morning.¹ The FTSE 100 index consists of the 100 largest companies listed on the London Stock Exchange (LSE) by market value. The index was created on 3 January 1984, and had a starting value of 1,000 points, meaning that the index has now risen by 7,000 points since its creation.²

Oil and mining companies helped drive those early gains on Tuesday, with BP and Shell both up more than 2% in early trading, while Rio Tinto and Anglo American both gained more than 3%. Commodity trading and mining companies make up more than 10% of the FTSE 100, so commodity price fluctuations can have an impact on the index.² Commodity companies on the FTSE 100 have been aided by the recent rises in crude oil, which rose 1% on Monday to above \$87 a barrel, and gold, which hit a new high of \$2,265 an ounce.¹

Official figures confirmed that the UK economy went into recession at the end of last year, after the latest quarterly estimate of Gross Domestic Product (GDP) found it contracted in the last two quarters of 2023. However, there are already positive signs that this is going to be short-lived. GDP growth in January was, as expected, 0.2%, fuelled by a stronger service sector.³ If this growth was to continue throughout February and March, then the UK would no longer be classed as being in a recession, which is defined as two consecutive quarters of negative growth. Another positive sign for growth was the UK's latest purchasing managers' index (PMI) flash data, PMI is an economic indicator used to monitor the overall health of the manufacturing and services sectors. The latest data showed that manufacturers returned to growth for the first time in well over a year.⁴

There is also encouraging news on the housing market, which can be an important indicator of UK growth, with mortgage approvals in February the highest since September 2022. This increase has been helped by steadily falling mortgage rates, however, those that are renewing their mortgages are likely to face a steep rise in repayments, a fact reflected in a dip in house prices over March, according to Nationwide.¹

Global markets

Eurozone inflation eased more than expected to 2.4% in March, below the consensus expectation of a 2.6% reading.⁵ The core inflation rate, excluding volatile food and energy items, decreased from 3.1% to 2.9%, hitting a two-year low.⁵ Although services inflation was unchanged for a fifth consecutive month at 4%.⁵ With services inflation stubborn and the European Central Bank (ECB) wanting further data on slowing wage growth, a cut at the April meeting is unlikely. But with the disinflationary process continuing, economists are predicting four interest rate cuts by the ECB in 2024 with the first cut expected in June.⁶ The Stoxx Europe 50 index, Europe's leading blue-chip index, covering 50 shares from 8 eurozone countries, was up over 8% during the first quarter of the year.⁷

The US has also received its latest manufacturing PMI data, with US companies also returning to growth last month. Business activity in the US manufacturing sector expanded at a reasonable pace in March, with the ISM Manufacturing PMI rising to 50.3 from 47.8 in February. This reading came in better than the market expectation of 48.4.⁸ Unlike the UK, the US is experiencing positive economic growth. Recently revised US GDP data showed that economic growth had been stronger than expected in the fourth quarter of 2023, with the final reading coming in at 3.4%.⁹ The S&P 500, a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States, has had its best first-quarter performance since 2019.¹⁰

The Bank of Japan finally announced a new short-term interest rate target in the 0% to 0.1% range last month, marking a historic shift in the country's

monetary policy. After years of unconventional monetary easing, the central bank ended negative interest rates.¹¹ The Nikkei 225 index, Japan's leading stock index comprised of the country's top 225 blue-chip stocks, surged to a record high of ¥40,885 over the first quarter, which is around 22% above its January open.¹²

The value of seeking guidance and advice

It is important to seek advice and guidance from a professional financial adviser who can help to explain how to build an appropriate financial plan to match your time horizons, financial ambitions and risk comfort. If you already have a plan in place or have already invested, it is important to allocate time to review this to ensure this remains on track and appropriate for your needs.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing [here](#).

Note: Data as at 4 April 2024.

¹ Fidelity, 2 April 2024

² AXI, 3 April 2024

³ IFA Magazine, 13 March 2024

⁴ Sky News, 2 April 2024

⁵ Oxford Economics, 3 April 2024

⁶ Euronews, 3 April 2024

⁷ Morningstar, 28 March 2024

⁸ FX Street, 1 April 2024

⁹ Financial Times, 28 March 2024

¹⁰ The Wall Street Journal, 28 March 2024

¹¹ Global Finance, 28 March 2024

¹² Investors Observer, 30 March 2024

Important Information

For retail distribution.

This document has been approved and issued by Santander Asset Management UK Limited (SAM UK). This document is for information purposes only and does not constitute an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. Opinions expressed within this document, if any, are current opinions as of the date stated and do not constitute investment or any other advice; the views are subject to change and do not necessarily reflect the views of Santander Asset Management as a whole or any part thereof. While we try and take every care over the information in this document, we cannot accept any responsibility for mistakes and missing information that may be presented.

All information is sourced, issued, and approved by Santander Asset Management UK Limited (Company Registration No. SC106669). Registered in Scotland at 287 St Vincent Street, Glasgow G2 5NB, United Kingdom. Authorised and regulated by the FCA. FCA registered number 122491. You can check this on the Financial Services Register by visiting the FCA's website www.fca.org.uk/register.

Santander and the flame logo are registered trademarks. www.santanderassetmanagement.co.uk.