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Monthly Market Review

Review of markets over February 2024

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February was a fairly good month for stock markets, with resilient economic data and relatively strong earnings reports both contributing to year-to-date gains. In contrast, fixed income markets were broadly down, with the Bloomberg Global Aggregate index losing 1.3% over February.

Within equities, emerging markets performed well, up 4.8% over the month thanks primarily to a Chinese rebound. In developed markets, Japan continued to outperform, with the Nikkei 225 Index reaching a new all-time high for the first time in over 30 years. In contrast, UK stocks lagged.

Fixed income markets came under pressure as investors continued to push out interest rate cuts further into 2024, with US Treasuries down 1.3% in February. Less rate-sensitive high yield bond markets outperformed, with euro high yield eking out an 0.4% gain.

Elsewhere, commodities lost ground, with the broad Bloomberg Commodity Index falling 1.5% over February as gas and agricultural prices continued to drop. Real estate investment trusts lost 0.1%, as expectations for slower interest rate cuts outweighed the positive impact of supportive activity data.

Exhibit 1: Asset class and style returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Feb '24
Small cap 32.9%	Global REITS 22.9%	Growth 3.5%	Small cap 13.3%	MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	Growth 37.3%	Growth 8.3%	Growth 6.0%
Value 27.5%	Growth 6.5%	Global REITS 0.6%	Value 13.2%	Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 5.6%	MSCI EM 4.8%
DM Equities 27.4%	DM Equities 5.5%	Small cap 0.1%	Cmdty 11.8%	Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Small cap 16.3%	Value 2.8%	DM Equities 4.3%
Growth 27.2%	Value 4.4%	DM Equities -0.3%	MSCI EM 11.6%	DM Equities 23.1%	DM Equities -8.2%	Global REITs 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	Value 12.4%	Small cap 0.5%	Small cap 3.4%
Global REITS 2.3%	Small cap 2.3%	Global Agg -3.2%	DM Equities 8.2%	Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITs 10.9%	MSCI EM -0.1%	Value 2.5%
MSCI EM -2.3%	Global Agg 0.6%	Value -4.1%	Global REITS 6.5%	Global REITS 8.0%	Cmdty -11.2%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Cmdty -1.1%	Global REITs -0.1%
Global Agg -2.6%	MSCI EM -1.8%	MSCI EM -14.6%	Growth 3.2%	Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Global Agg 5.7%	Global Agg -2.6%	Global Agg -1.3%
Cmdty -9.5%	Cmdty -17.0%	Cmdty -24.7%	Global Agg 2.1%	Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -7.9%	Global REITs -4.2%	Cmdty -1.5%

Source: Bloomberg Barclays, FTSE, LSEG Datastream, MSCI, J.P. Morgan Asset Management. DM Equities: MSCI World; REITs: FTSE NAREIT Global Real Estate Investment Trusts; Cmdty: Bloomberg Commodity Index; Global Agg: Bloomberg Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 29 February 2024.

Equities

Earnings season continued, with five of the 'magnificent seven' US stocks reporting results for the previous quarter. These companies broadly met or exceeded expectations, contributing to a 5.3% gain in the S&P 500 over the month. With over 90% of S&P 500 firms having reported, nearly three quarters have beaten analysts' earnings forecasts. Economic data also proved resilient, with the US composite Purchasing Managers' Index (PMI) suggesting activity continued to expand over February and the US economy adding 353,000 jobs in January.

European stock markets underperformed. MSCI Europe ex-UK rose 2.8% in February, versus 4.3% for the developed market MSCI World Index. This was despite a larger than expected rise in the eurozone composite PMI in February to 48.9, a print that suggested the worst of the continent's growth weakness is likely over.

UK stocks also underperformed and are down 1.1% year to date, following a -0.3% (quarter-on-quarter) fourth quarter GDP print that showed the UK falling into a technical recession last year. Recent earnings data from UK companies also somewhat disappointed, leading analysts to downgrade estimates for 2024 profit growth to 4.7% year on year.

The Japanese TOPIX Index rose 4.9% over the month, despite a weaker than expected fourth quarter GDP print (-0.1% quarter on quarter) which also put the country into technical recession over the second half of 2023. Further currency weakness likely helped given the export-oriented nature of the Japanese stock market: the yen fell 2.3% versus the US dollar in February.

Chinese equity markets had hit five-year lows coming into the month. However, activity data over the Lunar New Year holiday period strengthened, and the Chinese government announced a number of supportive interventions, including a cut to the 5-year loan prime rate (a benchmark for mortgage rates), curbs on short selling, and stock purchases by state-owned investment firms. The MSCI China Index consequently gained 8.6% over February.

Exhibit 2: World stock market returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Feb '24
Japan TOPIX 54.4%	US S&P 500 13.7%	Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	Japan TOPIX 13.1%	MSCI Asia ex-Japan 5.6%
US S&P 500 32.4%	Japan TOPIX 10.3%	MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	US S&P 500 7.1%	US S&P 500 5.3%
MSCI Europe ex-UK 24.2%	MSCI Europe ex-UK 7.4%	US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Europe ex-UK 5.0%	Japan TOPIX 4.9%
UK FTSE All-Share 20.8%	MSCI Asia ex-Japan 5.1%	UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	MSCI EM -0.1%	MSCI EM 4.8%
MSCI Asia ex-Japan 3.3%	UK FTSE All-Share 1.2%	MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Asia ex-Japan -0.1%	MSCI Europe ex-UK 2.8%
MSCI EM -2.3%	MSCI EM -1.8%	MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	UK FTSE All-Share -1.1%	UK FTSE All-Share 0.2%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 29 February 2024.

Fixed income

January inflation numbers were stronger than anticipated in the US, with headline inflation at 3.1% year on year. This reduced investors' expectations for Federal Reserve interest rate cuts over 2024 further. US Treasuries thus came under pressure, falling 1.3% over the month.

Exhibit 3: Fixed income sector returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Feb '24
Euro Gov. 1.6%	US HY 17.5%	EM Debt 9.3%	Euro Gov. 1.0%	EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	Euro HY 1.2%	EM Debt 0.7%
EM Debt 1.2%	EM Debt 10.2%	Global IG 9.1%	US Treas. 0.9%	US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	US HY 0.3%	Euro HY 0.4%
US Treas. 0.8%	Euro HY 10.1%	Global IL 8.7%	US HY -2.3%	Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt -0.5%	US HY 0.3%
Euro HY 0.5%	Global IG 4.3%	US HY 7.5%	Global IG -3.6%	Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	US Treas. -1.6%	Global IL -0.9%
Global IG -3.6%	Global IL 3.9%	Euro HY 6.1%	Euro HY -3.6%	Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	Euro Gov. -1.7%	Euro Gov. -1.2%
US HY -4.6%	Euro Gov. 3.2%	US Treas. 2.3%	Global IL -4.1%	US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -18.5%	Global IL 5.8%	Global IG -1.9%	US Treas. -1.3%
Global IL -5.0%	US Treas. 1.0%	Euro Gov. 0.2%	EM Debt -4.6%	Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -2.9%	Global IG -1.3%

Source: Bloomberg Barclays, BofA/Merrill Lynch, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management. Global IL: Bloomberg Global Inflation-Linked; Euro Gov.: Bloomberg Euro Aggregate - Government; US Treas: Bloomberg US Aggregate Government - Treasury; Global IG: Bloomberg Global Aggregate - Corporate; US HY: BofA/Merrill Lynch US HY Constrained; Euro HY: BofA/Merrill Lynch Euro Non-Financial HY Constrained; EM Debt: J.P. Morgan EMBIG. All indices are total return in local currency, except for EM and global indices, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 29 February 2024.

In the UK, wage growth fell less than expected in December, with total earnings (including bonuses) growing 5.8% year-on-year. This once again pushed investors to pare back their rate cut forecasts for the Bank of England, given stronger wage pressures suggest inflation might prove stickier than anticipated. UK Gilts suffered, and are now down 3.6% year to date.

In the eurozone, government bonds similarly lost ground over the month, with German Bunds down 1.4%. However, signs of green shoots for the eurozone economy helped spreads between Italian and German sovereign debt to tighten.

Exhibit 4: Fixed income government bond returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Feb '24
Italy 4.8%	UK 10.7%	Global 7.5%	Spain 2.5%	Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Japan -0.5%	Japan 0.3%
Spain 1.7%	Spain 4.1%	US 2.3%	Germany 1.9%	Spain 8.3%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Italy -0.5%	Italy -0.6%
Japan 1.2%	Germany 3.4%	UK 2.0%	Japan 1.0%	UK 7.1%	US 8.0%	Germany -2.9%	Global -16.8%	Germany 5.7%	Spain -1.4%	Spain -0.9%
US 0.8%	Japan 3.2%	Spain 1.1%	US 0.9%	US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Global 4.3%	US -1.6%	Global -1.2%
UK 0.5%	Global 1.7%	Italy 0.8%	UK 0.5%	Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	US 4.1%	Germany -2.0%	UK -1.2%
Germany 0.4%	US 1.0%	Japan 0.2%	Global -0.7%	Germany 3.1%	Germany 3.0%	UK -5.3%	Spain -17.5%	UK 3.6%	Global -3.0%	US -1.3%
Global -3.7%	Italy 0.8%	Germany -1.0%	Italy -1.3%	Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	UK -3.6%	Germany -1.4%

Source: Bloomberg Barclays, LSEG Datastream, J.P. Morgan Asset Management. All indices are Bloomberg Barclays benchmark government indices. All indices are total return in local currency, except for global, which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 29 February 2024.

In credit, less rate sensitive high yield indices outperformed investment grade (IG) bonds. The Bloomberg Global Aggregate Corporate index – measuring the performance of developed market IG bonds – is now down 1.9% year to date. In contrast, US high yield has gained 0.3% over the first two months of 2024, and investors in euro high yield debt have made 1.2% over the same period.

Conclusion

Equity markets were supported in February by continued strength in the US economy, combined with signs of an uptick in European activity. This economic resilience, alongside signs that inflationary pressures have not yet entirely dissipated, suggest central banks will likely be on hold for a little while longer. Bond markets therefore suffered given the decreased likelihood of imminent rate cuts. Nonetheless, we think core bonds still offer compelling income, as well as diversification against an economic slowdown. Within equities, a focus on quality companies with strong balance sheets seems prudent given earnings expectations remain elevated.

Exhibit 5: Index returns for February 2024

Index	GBP	USD	JPY	EUR	LOC
Equities (MSCI)					
MSCI World Index	5.0	4.3	6.8	4.7	4.6
MSCI USA	6.1	5.4	7.9	5.8	5.4
MSCI Europe ex-UK	2.7	2.0	4.5	2.4	2.8
MSCI United Kingdom	0.7	0.0	2.4	0.4	0.7
MSCI Japan	3.7	3.0	5.5	3.4	5.5
MSCI AC Asia ex-JP	6.3	5.6	8.1	6.0	5.9
MSCI EM Latin America	0.5	-0.2	2.2	0.2	0.2
MSCI EM (Emerging Markets)	5.5	4.8	7.3	5.2	5.1
Bonds					
Bloomberg Barclays Global Aggregate	-0.6	-1.3	1.1	-0.9	
Bloomberg Barclays US Aggregate	-0.8	-1.4	0.9	-1.0	-1.4
Bloomberg Barclays Japan Aggregate	-1.3	-2.0	0.4	-1.6	0.4
Bloomberg Barclays UK Aggregate	-1.0	-1.6	0.7	-1.3	-1.0
Bloomberg Barclays Euro Aggregate	-0.8	-1.5	0.9	-1.1	-1.1
Currencies					
Sterling		-0.7	1.6	-0.4	
US dollar	0.7		2.4	0.4	
Yen	-1.6	-2.3		-2.0	
Euro	0.4	-0.4	2.0		

Source: Bloomberg Barclays, LSEG Datastream, MSCI, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Data as of 29 February 2024.

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