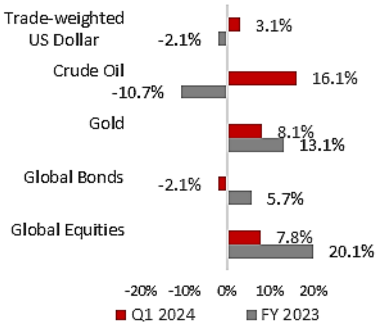
ASSET CLASS OVERVIEW

Markets started 2024 on an optimistic note, largely driven by the anticipation of monetary easing by central banks and the growing prospect of a soft landing scenario in the US. However, as the quarter progressed, better than expected economic data combined with early hints of a sticky inflation toned down investors' expectations of Fed rate cuts from 7 to just 3.

Asset Class Performance



Source: MCB PWM, Bloomberg

Whilst global equity markets largely focused on the improving economic backdrop and rallied 7.8%, bond investors faced a more challenging environment having to dial back their rates cuts forecast. The global aggregate bonds index erased some of last year's gains (+5.7%), with a quarterly decline of 2.1% as yields increased by 23 bps.

In the first quarter, Crude oil rebounded 16.1% to claw back its 2023 losses (-10.7%), on the back of renewed geopolitical tensions and fresh OPEC+ production cuts.

Gold maintained its late 2023 momentum, closing Q1 at a record high with gains of 8.1% on the back of significant central bank purchases and retail investors, mainly in China. The US Dollar was also up 3.1% in Q1 reflecting the improving prospect of the US economy relative to the rest of the world. The US Dollar appreciated by 2.3% against the Euro and 0.8% against the British Pound.

MARKET OUTLOOK/PORTFOLIO POSITIONING

For the rest of 2024, our outlook remains broadly optimistic. We are of the view that the peaking of central bank rates as well as improved earnings growth would continue to provide support to the financial markets. Yet, we remain wary that further signs of stickier inflation and a worsening of the geopolitical landscape could add volatility into the equation.

EQUITIES: We remain positive US equities overall despite the high concentration of returns within the Big Tech companies, especially given the upcoming lawsuits against them. In our view, with a soft landing scenario becoming more likely, corporate earnings expected to improve and rate cuts poised to happen at some point this year, the case for a broadening the market is getting stronger. As such, we are maintaining our stance of limiting our US equities exposure to the Big Tech segment.

On European equities, we are maintaining our underweight. Despite the increasingly attractive valuation both historically and against its peers, continued moderate earnings growth expectations, a slowing Chinese economy and ongoing geopolitical tensions will continue to weigh down on investors' sentiment. Moreover, at country level, Germany, the region's traditional powerhouse, is still grappling with economic challenges arising from weak domestic consumption and anaemic industrial demand.

On the other hand, we believe the Japanese equities rally has further upside, likely to be driven by the still-attractive valuation level, the economic uplift of the recent wages hikes and a promising corporate earnings forecast. Moreover, the short-lived impact of the historic rate hike in March on the Yen has only heightened market expectations for an imminent intervention by the authorities to appreciate the currency following strong verbal cues on their part.

Within emerging markets, we remain Neutral on Chinese equities despite a rebound from its February low. Whilst there have been a recent surge in policy measures aimed at stabilizing the markets, foreign investors are still hoping for the authorities to come up with stimulus of a more significant magnitude.

FIXED INCOME: On the fixed income front, whilst our portfolios were positively impacted thanks to their exposure to high yield bonds, returns on the longer maturities bonds within the Investment Grade space suffered slightly due to an increase in treasuries yields.

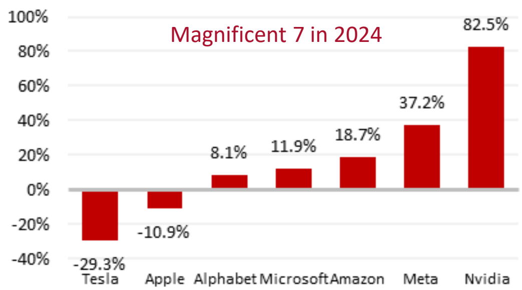
Overall, we remain cautious since default rates on credit cards and auto loans are above pre-pandemic levels whilst commercial real estate delinquencies continue to rise. Moreover, this year's initial optimism of aggressive rate cutting could ultimately prove to be excessive. At central banks' level, although we still expect the ECB to cut four times (100 bps), and both the BoE and Fed cutting by 75 bps each this year, the timing of those cuts currently remain uncertain.

At portfolio level, we continue to gradually increase duration of our Investment Grade bonds (favoring the 5-7 years tenors) as we still expect rates to start falling later this year despite the risks of sticky inflation and further delays in rate cuts. On the high yield front, we remain very selective.

GLOBAL EQUITIES

Over the quarter, developed markets (MSCI World: +7.3%) considerably outperformed their emerging market peers (MSCI EM: +1.9%), as highlighted by the fresh new highs by several developed market indices namely in US, Japan and Europe. Amongst emerging markets, in US dollar terms, China remained a detractor (CSI300: +1.4%) along with Brazil (IBOVESPA: -7.4%), while India (NIFTY: +2.6%) and Taiwan (TAIEX: +8.2%) were the main contributors.

US equities extended their 2023 rally into Q1 on the back of improved corporate earnings and upbeat economic data unfazed by the toned down expectations of Fed rate cuts for 2024. The SP500 index was off to its best start to a year since 2019 with quarterly gains of 10.2%. To note that although the rally is still concentrated to a few large-cap stocks, the group of "Magnificent 7" stocks has narrowed down to just 4 constituents : Nvidia, Microsoft, Amazon and Meta.



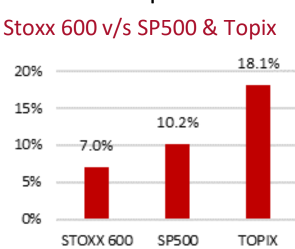
Source: MCB PWM, Bloomberg

SP500 Sectors	Q1 2024	2023
Comm. Services	15.6%	54.4%
Energy	12.7%	-4.8%
Info. Tech	12.5%	56.4%
Financials	12.0%	9.9%
Industrials	10.6%	16.0%
Materials	8.4%	10.2%
Healthcare	8.4%	0.3%
Cons. Staples	6.8%	-2.2%
Cons. Discretionary	4.8%	41.0%
Utilities	3.6%	-10.2%
Real Estate	-1.4%	8.3%

Source: MCB PWM, Bloomberg

In fact, this quarter, the 2 main detractors in the index were former members, Tesla and Apple. Signs of a broadening of the rally was also evident across the SP500 sectors. Not only did most of them post positive returns across the board (except Real Estate), but those gains in Q1 were more evenly distributed when compared to 2023.

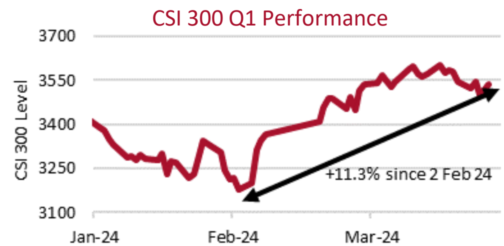
Europe : Despite the Eurozone narrowly escaping a recession in the second half of 2023, European equities, as measured by the STOXX 600, managed to gain 7% in Q1. At company level, main contributors were ASML (+30.9%), Novo Nordisk (+25.0%), SAP (+27.4%) and LVMH (+12.0%), which accounted for almost a third of the index YTD gains.



Source: MCB PWM, Bloomberg

At country indices level , CAC 40 and DAX were the main contributors with both hitting fresh record highs. DAX clocked 10.4% in Q1 as it benefited from the AI-rally thank to its heavyweight SAP whilst the CAC 40 returned 8.8%, driven by its 2 largest sectors, Consumer discretionary (+15.3%) and Industrials (+15.2%) .

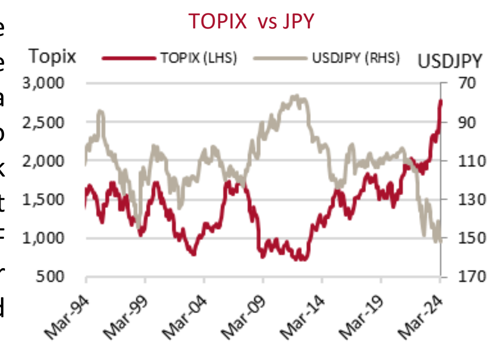
China's policy measures aiming to stabilize the ailing equity market continued in 2024 with several of those coming in late January and early February. These led to the CSI300 rebounding from its 5-year lows in February (+11.3%), to end the quarter with gains of 1.4%. While it is too early to call for a turnaround, there are encouraging signs namely a rebound in business confidence indicators and an improving manufacturing activity that point towards a modest recovery at least.



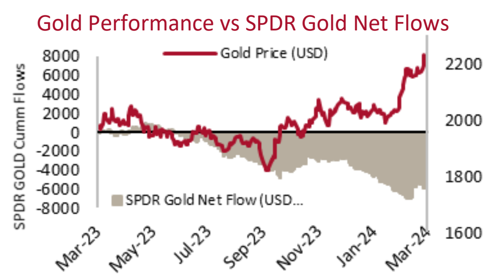
Source: MCB PWM, Bloomberg

However, Chinese equities will continue to face numerous headwinds ahead namely, an ailing property sector, an already fragile relationship with the US that could become more fragmented with the upcoming presidential elections and weak foreign investor sentiment.

Japanese equities continue to outshine other developed markets in Q1, with the Topix surging an impressive 18.1% to hit a 30-year high. The first quarter was also marked by a policy overhaul from the Bank of Japan by scrapping its negative interest rate, yield curve control (YCC) and its ETF purchase programme. This was however insufficient to support the JPY which closed the quarter at a 30-year low of 151.



Source: MCB PWM, Bloomberg



Source: MCB PWM, Bloomberg

Gold managed to record quarterly gains of 8.1% despite sustained net outflows from Gold ETFs. Its rise towards the record levels of $2300/ounce was mainly led by sustained central bank purchases and Chinese retail investors seeking refuge from the turmoil in the local property and stock markets.

FIXED INCOME

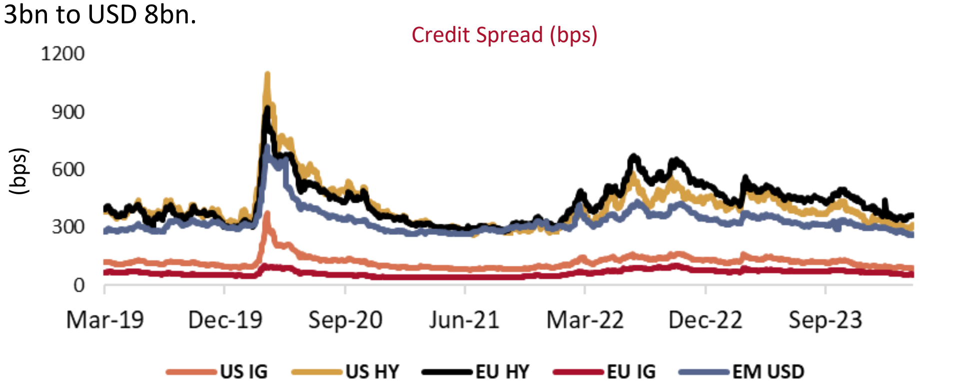
The first quarter of 2024 was not as rosy for bonds as the last quarter of 2023. While inflation continued its downward trend in most major markets, excessive enthusiasm about the timing and quantum of rate cuts by central bankers started to wane away. Central bankers remain focused on the key macroeconomic data before committing to a path for interest rates.

PERFORMANCE OF GLOBAL BOND INDICES	YIELD		TOTAL RETURNS		DURATION
	29 Mar 2024	29 Dec 2023	Q12024	2023	years
Global Aggregate bonds	3.7%	3.5%	-2.1%	5.7%	6.7
U.S Treasury bonds	4.4%	4.1%	-1.0%	4.1%	6.2
U.S Investment Grade Corporate	5.3%	5.1%	-0.4%	8.5%	7.2
U.S High Yield Corporate	7.7%	7.6%	1.5%	13.4%	3.7
Europe Investment Grade Corporate	3.1%	2.9%	-0.3%	7.2%	6.6
Europe High Yield Corporate	7.6%	7.1%	1.5%	12.1%	3.0
Emerging Markets Aggregate	7.0%	7.0%	1.5%	9.1%	6.3

Source: MCB PWM, Bloomberg

Global bonds fell by 2.1% for the quarter as treasury yields rose on the back of strong economic data in the US and tight labor markets. US treasury bonds performed negatively for the period as the market adjusted to the possibility of lower-than-expected rate cuts by the Fed in 2024.

In the corporate space, High yield bonds performed better than Investment grade bonds in both Europe and US. Credit spreads remained tight, close to their 5-year lows for major markets. Emerging Market bonds (in hard currencies) posted 1.5% in Q1, with Egypt sovereign bonds outperforming the markets, after it signed a deal with the UAE to develop a prime stretch of its Mediterranean coast that would bring USD 35bn of investments and expanded its deal with IMF from USD 3bn to USD 8bn.



Source: MCB PWM, Bloomberg

CENTRAL BANK ACTIONS

- Q1 was a period of prudence for the Fed, marked by some progress on inflation and evolving expectations for future interest rates. The Fed maintained rates within a range of 5.25% to 5.5%. Inflation rose slightly in February, to 3.2% but the monthly increase of 0.4% was in line with expectations.
- The ECB held its key interest rate unchanged at 4% during Q1. Annual Inflation slowed down to 2.6% in February, however core inflation remains sticky at 3.1%. The ECB has signaled June is the earliest it is likely to cut rates, arguing that it will have sufficient data to know if inflationary pressures from rising wages continued to ease in Q1 after its next meeting in April.
- In a historic move on March 19, 2024, the Bank of Japan ended its eight-year experiment with negative interest rates by hiking rates to a range of 0% to 0.1%. Further interest rate hikes are a possibility, impacting borrowing costs and potentially dampening economic activity.

Country	Central Bank	Current Rate		Change	Previous Meetings	Next Meeting	Market Projected Policy Rates
United States	**Fed**	5.50%	—	0.00%	*19-Mar-24: 0%* *30-Jan-24: 0%*	*30-Apr-24*	May 2024: 5.31% June 2024: 5.17%
Europe	**ECB**	4.00%	—	0.00%	*07-Mar-24: 0%* *25-Jan-24: 0%*	*11-Apr-24*	Apr 2024: 3.88% Jun 2024: 3.66%
Great Britain	**BoE**	5.25%	—	0.00%	*21-Mar-24: 0%* *01-Feb-24:0%*	*9-May-24*	May 2024: 5.14% June 2024: 4.99%
Japan	**BoJ**	0.10%	▲	0.20%	*19-Mar-24: 0.2%* *23-Jan-24: 0%*	*25-Apr-24*	Apr 2024: 0.075% June 2024: 0.086%
China	**PBoC**	3.45%	—	0.00%	*20-Mar-24: 0%* *18-Feb-24: 0%* *22-Jan-24:0%*	*21-Apr-24*	Apr 2024: 3.45%

Source: MCB PWM, Bloomberg

FED'S PROJECTION

In March 2024, the Fed issued their latest rendition of the dot plot (a chart showing estimates for the federal funds rate). The chart now shows a less dovish stance compared to December 2023. This means that the Fed anticipates a slightly slower pace of rate cuts than previously projected. Below is how the median rate projection has evolved compared to December 2023:

Federal Open Market Committee Median Rate Projection (%)	2023	2024	2025	2026	Longer Term
Dec 13 2023	5.375	4.625	3.625	2.875	2.500
March 20 2024		4.625	3.875	3.125	2.562

Source: MCB PWM, Bloomberg