ISSUE 40 — SECOND QUARTER 2024

INVESTMENT INSIGHTS

ON THE ROAD TO RECOVERY

With recession risks fading around the world, the investment outlook is turning more positive

RATHBONES

FOREWORD

Investment Insights webinar
16 April 2024 — 12:00 to 12:30
Join experts from across Rathbones as they discuss key themes that are shaping the investment landscape in 2024 and beyond.
To register, please visit www.rathbones.com/about-us/events

Welcome to the 40th issue of *Investment Insights*. We started 10 years ago and many of the themes discussed in our very first issue still resonate today. Back in 2014, we explored interest rate forecasts and developed market equities, along with economic growth in China and Europe. Inflation was another feature in our first issue, although from a very different angle to the concerns that are present today.

In this latest issue, our first article on page 4 explores why we believe the economic backdrop has improved, laying stronger foundations for a broad, sustainable recovery in stock markets.

The next article on page 6 looks at the market's hidden gems. A handful of the largest stocks were the only game in town for much of last year, as a batch of US tech titans raced ahead of the rest. But this seemingly relentless focus on the biggest players alone may have left their far smaller counterparts underappreciated. We look at the investment opportunities among small and mid-sized companies.

On page 8, find out why the so-called Magnificent Seven are not the only stock market stars around. These tech giants captured the headlines in 2023 but other areas of the market have been quietly doing very well. There are still more that appear to hold significant potential.

Can India meet its optimistic growth expectations? On page 10 we take a look at the potential for the world's most populous country to grow much faster than any other large economy over the next decade – and why investors should tread carefully when trying to tap into this growth.

In the final article on page 12, we examine how we can harness the power of artificial intelligence for good – and help mitigate some of the social and governance risks that go along with AI's positive contributions to areas like energy efficiency and bridging cultural divides.

We hope you enjoy this tenth anniversary issue and look forward to updating you in the coming months. We always welcome your questions about what's happening in the world today and how it affects your investments. If you'd like to find out more, please visit rathbones.com or contact your investment manager.

E. Savage.

Liz Savage and Ed Smith
Co-chief investment officers

THE INVESTMENT OUTLOOK IS TURNING MORE POSITIVE

Navigating markets has felt like travelling through terra incognita in the past few years, but we've recently seen landmarks which give us encouragement that we're on the road to lasting recovery. The path ahead isn't completely clear — we discuss some possible pitfalls below — but overall, we've seen enough to turn more positive about what's around the corner.

Back in 2022, having adopted a cautious stance as Russia's invasion of Ukraine sent shockwaves through the global economy, we set out some landmarks we wanted to see to turn less defensive. We identified five, of which we needed to see at least two. The first, the top of the mountain of US interest rate hikes, came into view in July last year. Now we believe we've seen a second — a trough in leading indicators of the global economy.

We track a broad range of data with a track record of giving us a timely indication of the direction of the global economy. And since late last year, there's been a broad improvement in these statistics following a long period of deterioration. Important markers such as trade figures from countries high up global supply chains, consumer confidence readings and businesses' reports of their new order books have improved around the world.

Past the worst

Forward-looking surveys of the housing market have bounced in both the US and the UK too. US initial claims for unemployment insurance have been trending down since mid-2023. Across advanced economies, we've seen more evidence that we're past the worst when it comes to banks tightening their lending standards. In many cases, these measures still aren't particularly strong, but there's been a clear improvement in the rate of change, which is often what matters most to markets.

Taken together, this evidence suggests that the global economy may now be finding its feet again, having slowed significantly since 2021. Although the US economy was far from a downturn last year, it's worth reiterating how weak the global economy was. The eurozone stagnated during the second half of last year, the UK joined 15 other advanced economies that have experienced a technical recession recently, and China faltered after an initial bounce. Global trade volumes contracted and global earnings per share fell in real terms.

A few factors have probably contributed to the improvement we've seen in the past few months. Most significantly, the enormous shocks to food and energy supply caused by the invasion of Ukraine have reversed remarkably quickly. The prices of commodities including wheat and European natural gas have fallen below pre-invasion levels as the world has adapted to life without Russian supply.

That has helped bring inflation down from double digits to low single digits (for example, see euro area inflation in figure 1), both easing the cost-of-living squeeze on consumers and allowing central banks to stop raising interest rates. In the meantime, some of the economic scars caused by the pandemic have continued to fade. And policymakers in China seem to have provided enough support to stabilise growth there, which had been faltering due to the downturn in the country's property sector.

Risks remain

Having laid out the positives, it's important to emphasise that there are still risks on the road ahead. In the unusual economic cycle that has followed the pandemic, many of the leading indicators mentioned above have been a less reliable guide to growth than in the past. We should be cautious of overinterpreting their recovery. And a few risks are still lurking, tempering our optimism and causing us to retain an element of defensiveness even as we move away from our previous very cautious stance. Three are worth briefly highlighting.

First, there's evidence that all bar the wealthiest US consumers have now exhausted the so-called excess savings they accumulated during the pandemic. Perhaps reflecting this,

Figure 1: Euro area inflation

Momentum has stalled on bringing inflation down, although it is now very close to the ECB's 2% target.

Source: Eurostat and Rathbones

default rates on credit card debt and auto loans there have increased significantly. That's concerning, though it's important to remember the broader context. Default rates on consumer debt more generally are very low, aided by student loan forgiveness and the fact that many households locked in 30-year mortgages at ultra-low fixed rates during the pandemic.

Second, there are signs that the US labour market is cooling, with job openings and surveys of firms hiring intentions falling. So far, this hasn't been accompanied by a marked increase in unemployment. But this is a risk we're monitoring, since these signals have usually preceded rising unemployment in the past.

Lastly, there's the possibility of hidden losses in the financial system after the sharp increases in interest rates since 2021, particularly connected to commercial real estate. It's encouraging that the largest financial institutions generally have limited exposure to commercial property, but there may be some more pain to come for small and mid-sized commercial banks.

An improving backdrop

Overall, though, we think the economic backdrop has improved, laying stronger foundations for a broad, sustainable recovery in stock markets. That's why we've turned more positive on equities. In doing so, we've deliberately taken a selective approach. Stocks have generally rallied strongly already since late last year, with major indices including the S&P 500 at all-time highs. That makes us wary of simply adding to areas that have already factored in the improvement in the global economy we've seen, those where prices already incorporate a strong fundamental backdrop.

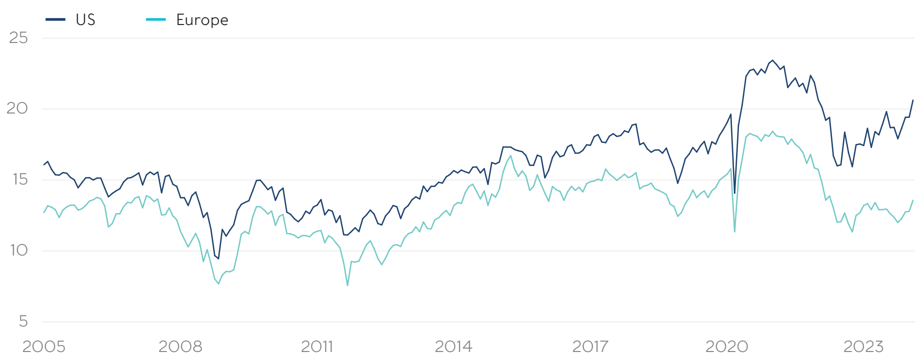
Analysts already anticipate profits of the 500 largest listed companies in the US growing by 10% or more this year and next, even though they fell last year (outside of the Magnificent Seven, which we wrote about last quarter). The scope for positive surprises therefore seems limited compared to other markets, where expectations for profits are more moderate. It's true that the US normally trades at a premium to the rest of the world, but that premium is currently far larger than usual (figure 2).

Instead, looking further afield, smaller stocks and those listed in Europe seem more attractively valued. We make the case for smaller stocks in much more detail in the article on page 6. As far as Europe is concerned, we've recently seen tentative improvement in the economic outlook alongside the brightening global picture. The region initially suffered much more than the US after Russia invaded Ukraine, causing its economy to stagnate for more than a year. And Germany's manufacturing sector is still struggling to adjust. But the region more broadly now seems to be recovering, and crucially less good news is already factored into asset prices there. Expectations for profit growth and valuations are significantly lower than among US large cap stocks (even after accounting for differences in sector composition or using measures such as free cash flow that don't make technology-forward companies that invest a lot in R&D and other intangibles seem more expensive than they are). In short, the bar for success has been set much lower.

Figure 2: Prices relative to earnings (PE ratios)

Prices relative to forecasted earnings over the next 12 months reveal Europe's stock market is cheaper than the US, and the difference between the two is larger than usual.

Source: LSEG and Rathbones



BIG GAINS FOR BIG STOCKS OBSCURE SOME HIDDEN GEMS

A handful of the largest stocks were the only game in town for much of last year, as a batch of tech titans raced ahead of the rest. But this seemingly relentless focus on the biggest players may have left their far smaller counterparts underappreciated. We've been exploring the investment opportunities among oft-overlooked small and mid-sized companies.

The context is that smaller stocks have trailed their larger peers for a while now. With some ups and downs along the way, the S&P 400 Mid Cap Index and S&P 600 Small Cap Index have underperformed the S&P 500 (which comprises only large stocks) by nearly 25% and 35%, respectively, since the start of 2017.

The underperformance of smaller stocks over that period hasn't been driven by a clear difference in fundamental performance, as measured by earnings or sales. Instead, it has been caused by big changes in valuations — the multiples that investors are prepared to pay for every dollar of earnings. On most conventional measures of valuation (such as price relative to earnings, sales, cash flows or the book value of companies' assets) large stocks have become much more expensive in that time, whereas in most cases the opposite has happened to smaller stocks.

The gap is now a gulf

As a result, what was a gap between the valuations of large and small stocks has turned into a gulf. The difference is now about as large as it was at the end of the dotcom era nearly a quarter of a century ago. (Figure 3 shows the US as an example, but the gap between the valuations of large and smaller stocks is very large by past standards in Europe too.)

That comparison is a particularly striking one because the dotcom bust subsequently proved a major turning point for the performance of smaller versus larger stocks. Smaller stocks had lagged for years in the tech boom of the 1990s, just as they have done recently. But the tide turned decisively around 2000. What followed was a decade of strong, sustained outperformance from smaller stocks.

Market history never repeats itself exactly, so we shouldn't take the point too far. We don't believe large technology companies have the markers of a classic financial bubble. But the size of the valuations gap today is still striking. It's enough for us to conclude that a long-term investment opportunity may exist in smaller stocks. Evidence that the global economic cycle is picking up (discussed in our lead article on page 4) also helps, as smaller stocks have historically been more economically sensitive. So does the fact that smaller stocks have kept pace with larger ones since the recent rally in markets began in late October. This is an improvement on their relative performance previously.

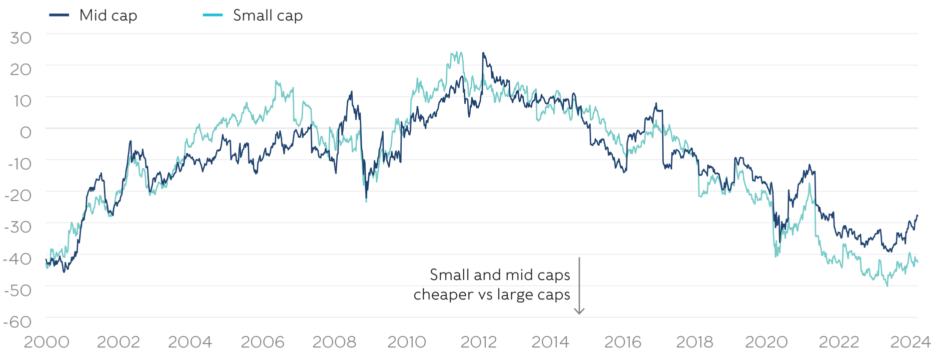
There's no need to compromise

What about the common criticism that investing in smaller stocks means compromising on the quality of our holdings? (When we talk about quality in this context, we're specifically referring to things like firms' ability to service their debts, the size and stability of their margins and how efficiently they invest. We usually favour stocks with markers of high quality in our investments, reflecting the evidence that they tend to perform well through the ups and downs of the market cycle.)

It is certainly true that on average, smaller companies do score worse on these metrics than their larger counterparts. Academic work has also shown the significant difference that the inclusion of some very low-quality firms can make to the long-term returns from investing in smaller stocks.

However, the key thing to emphasise is we don't have to accept the average. This is an area where an active approach — careful selection of funds and/or stocks — can pay off. We don't need to simply buy the broadest indices of smaller stocks. Ample high-quality options exist among smaller companies, so it's a question of avoiding the few highly indebted or unprofitable firms.

Figure 3: Mind the gap
The difference between the share prices of large and small companies relative to their earnings (PE ratios) has widened substantially over the past few years.
Source: Refinitiv and Rathbones



THE MAGNIFICENT SEVEN ARE NOT THE ONLY STOCK MARKET STARS

The American technology giants dubbed the Magnificent Seven captured headlines in 2023 as they drove more than half of last year's 24% gain in the US S&P 500 index. Meanwhile, the focus on this narrow group of companies has detracted attention from a number of other areas of the stock market which have been quietly doing very well. And there are still more that appear to hold significant potential.

Performance of the European stock market was also highly concentrated last year. A narrow band of 11 companies, dubbed the 'Granolas' by investment bank Goldman Sachs, contributed around half of the 13% rise in the Stoxx Europe 600 index in 2023. The Granolas are GSK, Roche, ASML, Nestle, Novartis, Novo Nordisk, L'Oreal, LVMH, AstraZeneca, SAP and Sanofi – a far more eclectic collection than the Magnificent Seven, spanning sectors as diverse as pharmaceuticals, food, beauty and luxury goods as well as technology.

Clearly, the Granolas have even fewer common drivers than the Magnificent Seven, and their correlated rise may be unlikely to persist. However, they are all global leaders in their own right and have exposure to some compelling growth themes, which provide diversification beyond the technology sector.

Healthy improvements

For example, Europe has a strong pharmaceutical industry which is benefiting from improvement in the pipeline of new drugs coming from its heavy spending on research and development. This improvement has been driven by insights from more sophisticated and cost-effective genomics, greater computational power and more sophisticated artificial intelligence (AI) algorithms for analysing clinical data. As a result, and alongside a greater commercial focus, they've made significant advances in treating a host of diseases, including cancers.

Another exciting avenue of growth has emerged in treating obesity through the development of next-generation GLP-1 weight-loss medicines by diabetes-focused companies Novo Nordisk of Denmark and US rival Eli Lilly. These medicines replicate the hormone GLP-1, which occurs naturally in the body, promoting a feeling of fullness and reducing appetite, with impressive reductions in weight. While there are side-effects, the significance of the weight loss and reduction in weight-related cardiac and other problems have opened up a sizeable commercial opportunity. Not to mention potential applications in areas such as treatments for Alzheimers and for addiction.

It's all about the data

Beyond the Granolas, companies offering data and analytics have performed strongly – albeit somewhat under the radar. They typically have rich (and impossible to replicate) proprietary data sets that have been built up over many decades – for example Experian via its credit bureaux, RELX through its risk, legal and scientific information businesses, Wolters Kluwer through its health, tax and regulatory units and Verisk through its insurance risk data. They have increasingly been applying software knowhow and AI in order to use this data to create software-based solutions which significantly improve and automate customer workflow and decision-making.

This has raised their growth rates, made them even more mission-critical to their customers and improved their resilience to broader economic downturns. For these reasons, investors have accorded them higher valuations. All of the above have made some strong gains in short order, and they may be vulnerable to any wider market setback in the short term, while the potential for profit growth needs to be weighed up against the premium you have to pay for it.

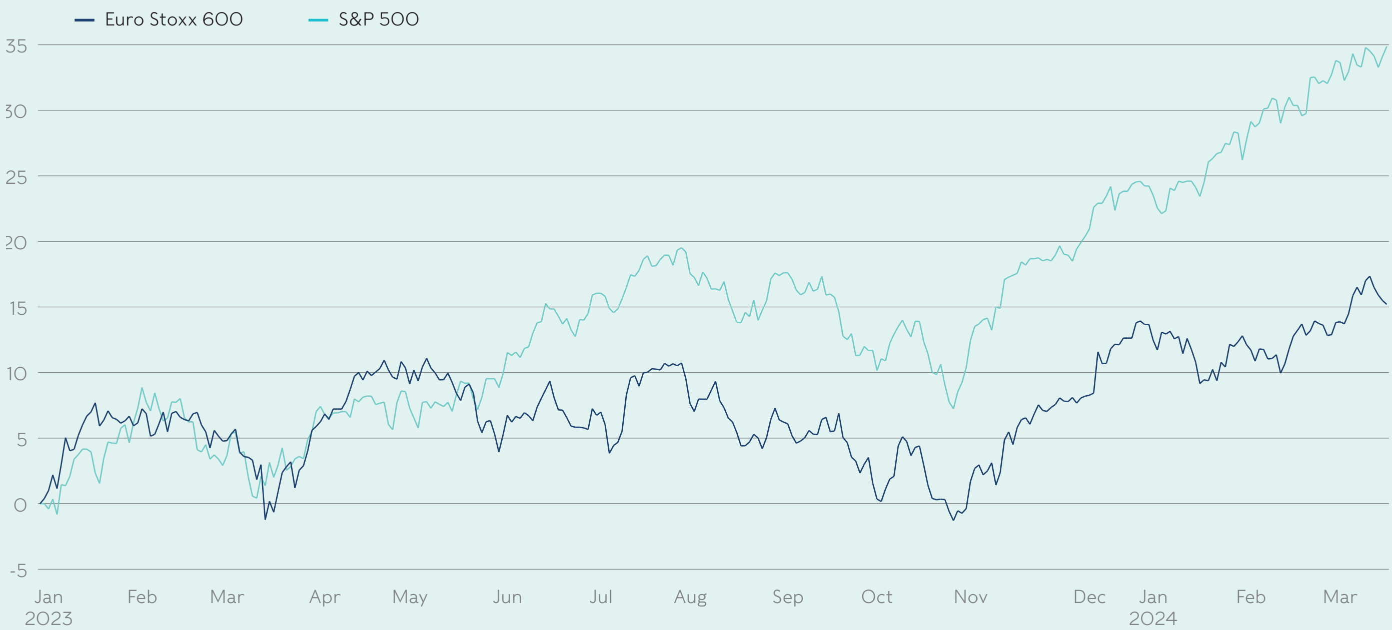
Looking for value

Are there areas of the market offering interesting growth that have been left behind? Clean energy is one area that has lagged over the last couple of years but continues to offer potential. And Europe has some world leading businesses across renewable electricity generation and lower carbon utilities – such as Vestas, the Danish wind turbine manufacturer.

Many of these companies are relatively immature and with lumpy order intake, and their valuations became excessive during the ultra-low interest rate period of 2020 and 2021 when cheap money chased long term growth themes. They then suffered along with the Magnificent Seven and growth stocks in general amid aggressive interest-rate rises from 2022.

Valuations for clean energy stocks haven't stabilised as they have done for less capital-intensive growth areas. But the higher input and financing costs for clean energy stocks appear to be abating, supported by government funding through legislation such as the US Inflation Reduction and Infrastructure, Investment and Jobs Acts. And the transition to clean energy is a global structural shift that could support growth in these companies for many years to come.

Figure 4: Europe vs the US
After US tech giants dominated returns last year, gains are broadening out as recession fears recede further.
Source: Factset and Rathbones



CAN INDIA MEET OPTIMISTIC GROWTH EXPECTATIONS?

Slowing economic growth and rising geopolitical risk have made China an increasingly unattractive destination for investment, as we highlighted in our report on China last year. That shifted the spotlight to India — the most populous nation in the world with a recent track record of strong growth and better relations with the West. But can India live up to the hype and deliver the sustained strong growth many expect?

Our analysis suggests that India may indeed grow much faster than any other large economy over the next decade. Yet investors should tread carefully when trying to tap into this positive story. Strong economic growth is contingent on further progress in some key policy areas. And in aggregate, an awful lot of good news is already priced into India's stock market. Therefore, caution and a more selective approach than simply buying the whole market, are warranted.

Plenty of scope to catch up

Excluding China, India has probably grown faster than any of the world's 20 biggest countries (the G20) over the past 10 years (problematic national accounting data make it hard to be sure), with GDP growth averaging 5.6% between 2012 and 2022, according to official government data. India's growth has propelled it from the world's tenth-largest economy in 2013 to fourth today. Even so, India's development is still in its early stages — about as far behind the US as China in the early 2000s.

As we did for China in last year's report, we've broken down the outlook for India into the three drivers of economic growth over the long run — labour, capital and productivity. All three are likely to be a drag on growth for China, and there's better hope for India across them all. But there are some key risks and areas to monitor along the way.

Some untapped labour potential

Overall GDP growth tends to benefit from the increase in the total number of workers in the economy, and there are now roughly as many working-age people in India as there are in China. What's more, China's working-age population is now in decline, whereas India's is not projected to peak until 2050. That boost is fading, though. The growth rate of India's working age population has already halved from 2.5% per year in the 1980s to around 1.25% today, and is likely to continue to slow for the next 25 years or so.

A second variable determines the contribution of labour to GDP — the share of the working-age population that participates in the labour force (those in or looking for work). In India, that rate for women is particularly low. Prime Minister Narendra Modi has set a goal of 50% female participation by 2047. If realised, that second wind of labour force growth could boost GDP growth by up to 1 percentage point per year relative to a scenario where female participation held steady. The untapped potential is huge, but experience suggests that unlocking it will be challenging.

Investing more in the future

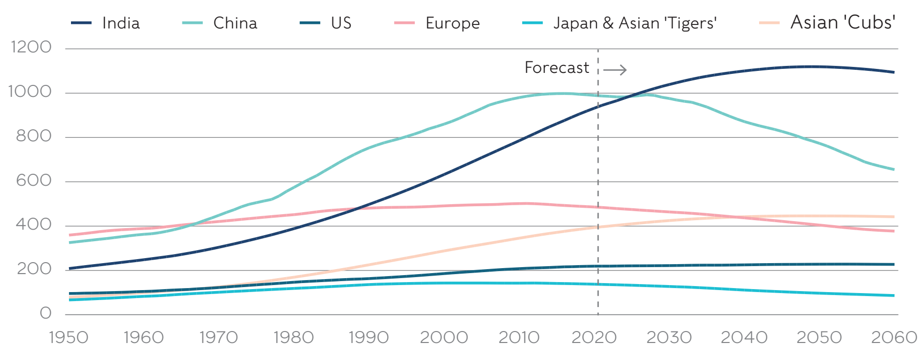
China and India have had opposite problems in recent years — overinvestment versus underinvestment. India's investment rate has never sustainably reached the highs seen in China or other East Asian success stories, and it has fallen over the past 15 years. As a result, there are significant unmet investment needs throughout India.

Fortunately, there have been some encouraging signs on this front recently. We think there are three reasons to be optimistic that India can deliver a turnaround in investment in the next few years. First, the government has finally begun to ramp up public investment. Second, the private sector now seems in a better position than it was a few years ago — banks are more able and willing to lend than in the past, company balance sheets are generally in good shape and earnings growth is strong. Third, at the household level, India has made remarkable progress on financial inclusion in recent years, which should help direct more savings towards firms needing capital.

Figure 5: Working age population (millions)

UN projections for working age-population show India bucking a global trend of a shrinking workforces. This especially contrasts with China's expected steep decline.

Source: UN and Rathbones



A better outlook for productivity

As with investment, we think there are good reasons to be positive on productivity in India. One area where there is significant potential is in the structure of the labour market. India's highly productive services sector accounts for 55% of value added by the economy, but employs only 35% of the workforce.

The agricultural sector is the opposite, employing 40% of workers but accounting for just 15% of value added. Continuing the transition from agriculture to services may help to raise productivity. Meanwhile, policymakers have recently started to address the problems of underemployment and skill mismatches in the labour market, beginning the process of streamlining India's rigid and complex employment laws. But there's a long way to go on this.

Meanwhile, climate change is a key risk to long-term productivity growth in India, with climate modelling highlighting it as the most vulnerable large economy. Quantifying the likely impact precisely is nigh on impossible, but there's already clear academic evidence that rising temperatures have hurt productivity growth in the most exposed emerging economies, so this is worth taking seriously.

Don't ignore India, but tread carefully

India's economic story is too significant to ignore. Despite the risks, there's good reason to think that it will be able to sustain much faster growth rates than any other large economy over the next decade. But investing in India isn't straightforward.

The profits of Indian companies, which are largely earned at home, are likely to grow faster than those of their peers in most other major markets. But currently the price you pay to access them is high relative to history and to the rest of the world (figure 6). India's stock market currently trades at 20.4 times this year's earnings, compared to 12.3 ten years ago and just 11.1 for emerging markets generally.

Headline measures like this can occasionally be misleading, as they don't reflect the underlying composition of a market. Yet in India's case, correcting for this doesn't change the story at all. Even if we adjust for the sectoral composition of the market, and other relevant factors like firms' track records of growth, India's equities still show up as relatively expensive. Firms in the same sector with similar growth records are generally much cheaper in other emerging economies.

In other words, whichever way we cut it, Indian stocks already seem to be discounting a very rosy long-term outlook. Investors in the market are already banking on earnings growth substantially faster than seen over the past decade. So even if the fundamental story remains strong, this may not be a great entry point, at least as far as the broad market is concerned. It's worth remembering the lesson of China's experience in previous decades – fast GDP growth alone doesn't guarantee superior market performance.

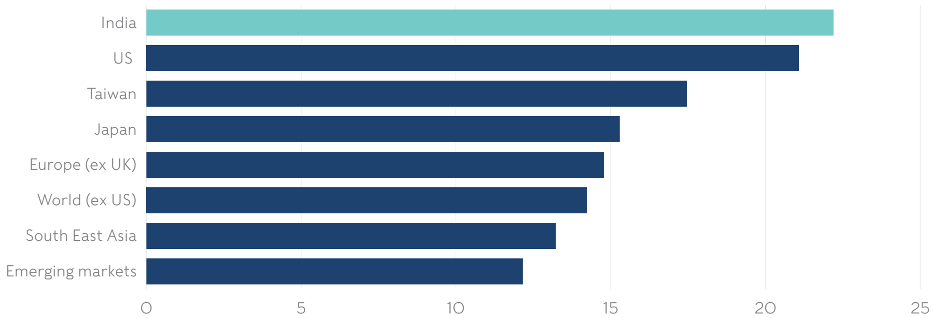
Even so, there may still be more attractive opportunities in certain sectors, which argues for taking an active approach rather than passively investing in the index as a whole. Indian consumer and property stocks are particularly expensive, but the difference to the rest of the world is smaller elsewhere.

Overseas companies benefiting from India's economic growth could be another route for investors to gain exposure at more attractive prices. And even if returns aren't as impressive as over the past decade, Indian stocks may still provide some useful diversification in our view. Compared to other large emerging markets, both stock prices and profits in India have only limited exposure to developments in China, the US and Europe.

Figure 6: Stock market valuations

Share prices in India are more expensive than their peers around the world relative to forecasted earnings over the next 12 months.

Source: LSEG and Rathbones



HOW TO HARNESS THE POWER OF ARTIFICIAL INTELLIGENCE FOR GOOD

We've been writing over the last few quarters about some of the ways that artificial intelligence (AI) is transforming how our lives and economies work. The green shoots of AI's potential for helping to solve existential problems, such as climate change, are already starting to appear.

However, these possibilities don't come without accompanying environmental, social or governance (ESG) risks. The main ESG risks associated with AI fall within the social and governance elements. This is where Rathbones' stewardship team are focusing our efforts as we engage with companies in our clients' portfolios in an effort to guard against these risks.

AI is playing an important role across a range of industries in contributing to energy efficiency gains. While data centres use vast amounts of energy and water (for cooling) to crunch the huge amounts of data AI algorithms run on, we believe the trade-off is worthwhile. In the utilities sector, for example, machine learning is leveraging meteorological data to help grid operators make better predictions about the availability of renewable energy supply, as well as demand from customers.

On the social front, traditional AI tools, such as real-time language translation applications, have for some time been bringing us closer together, by helping to bridge cultural barriers. Existing generative AI tools are now empowering people across the world to get better access to education.

What about the risks?

When asked in an interview at the start of 2023 what the worst-case scenario for AI could be, OpenAI CEO Sam Altman said that it could be "lights out for us all." Other experts in the field, such as Ian Hogarth, Chair of the UK Government's AI Foundation Model Taskforce, have issued similarly catastrophic warnings around the speed of the current arms-race to develop AI — or specifically, artificial general intelligence (AGI), which is a form of AI that is capable of performing many tasks, as well, if not better than any human can. There are clearly social and governance risks for companies developing these new tools of the 21st century. Figure 7 lists the top five risks according to officials from the Group of Seven (G7) major industrialised countries.

In an essay published in the *Financial Times* last year, Hogarth, an entrepreneur and tech investor himself, argued that the speed at which money is pouring into the development of AI tools, whose outputs developers do not yet fully comprehend, is worrying. He also expressed concern over the paucity of resources currently being allocated towards making AI safer. For example, he noted that teams involved in this work made up just 2% and 7% of headcount at two of the major developers, DeepMind and OpenAI, respectively.

On the AGM agenda

Transparency around the risks a company's use of AI poses to both its customers and business, as well as board-level oversight of such risks, is expected to come into sharp focus this year at the annual general meetings (AGMs) of major US technology companies and providers of streaming services, such as Netflix, Walt Disney and Comcast.

As a recent example, Rathbones voted in favour of shareholder resolutions, at their respective AGMs, asking Microsoft and Apple to produce reports assessing the risks generative AI poses to the companies and to public welfare. Both resolutions failed to receive sufficient votes to pass, but garnered enough support to indicate that plenty of other investors share similar concerns around these ESG risks.

By using our votes and influence as shareholders in the companies we own, we hope to be able to play our part in mitigating some of the potential downside that they may be exposed to from AI-related risks.

You can read more about our engagement activity over the past year and plans for the year ahead in our latest responsible investment report due out in early April.

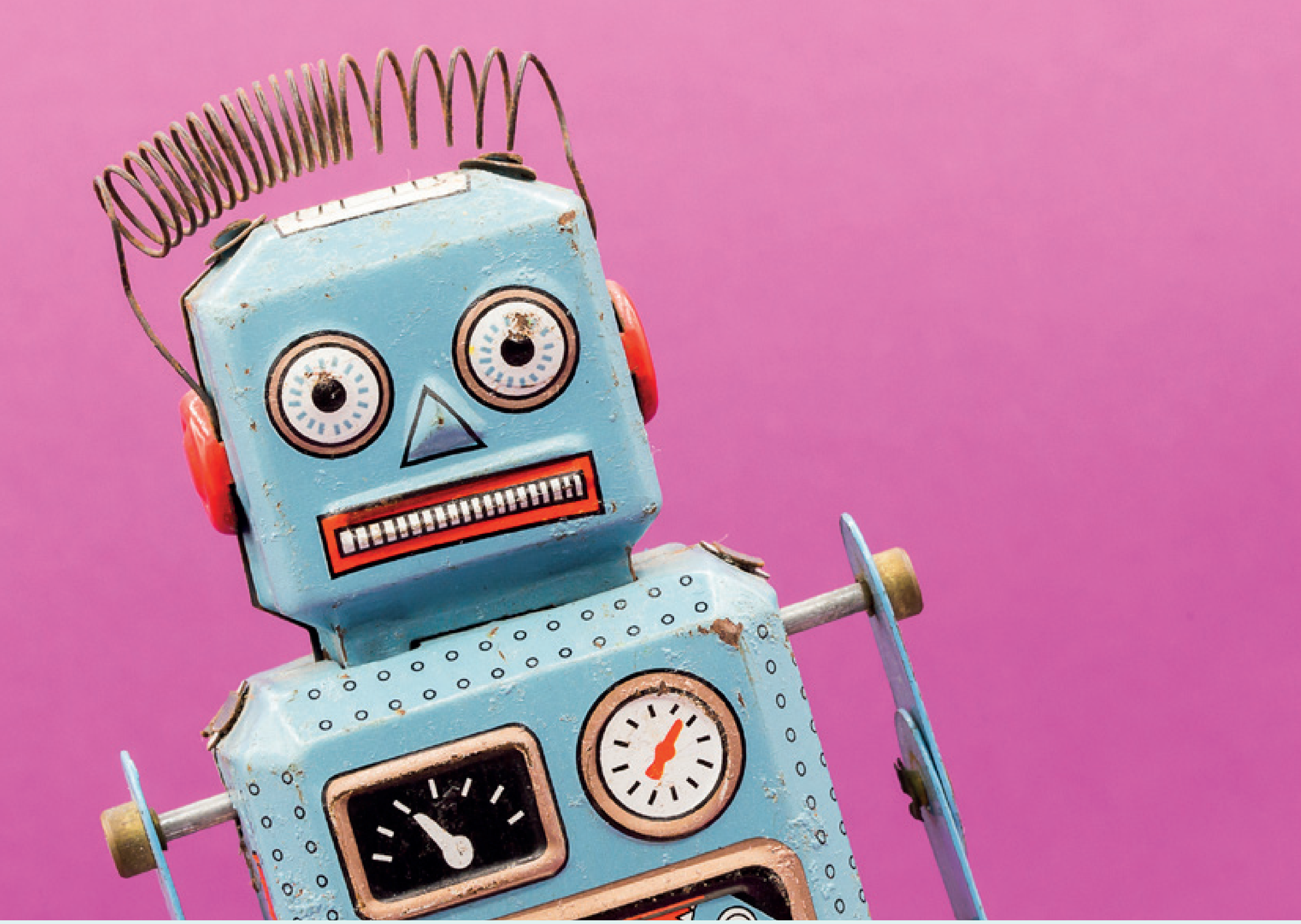
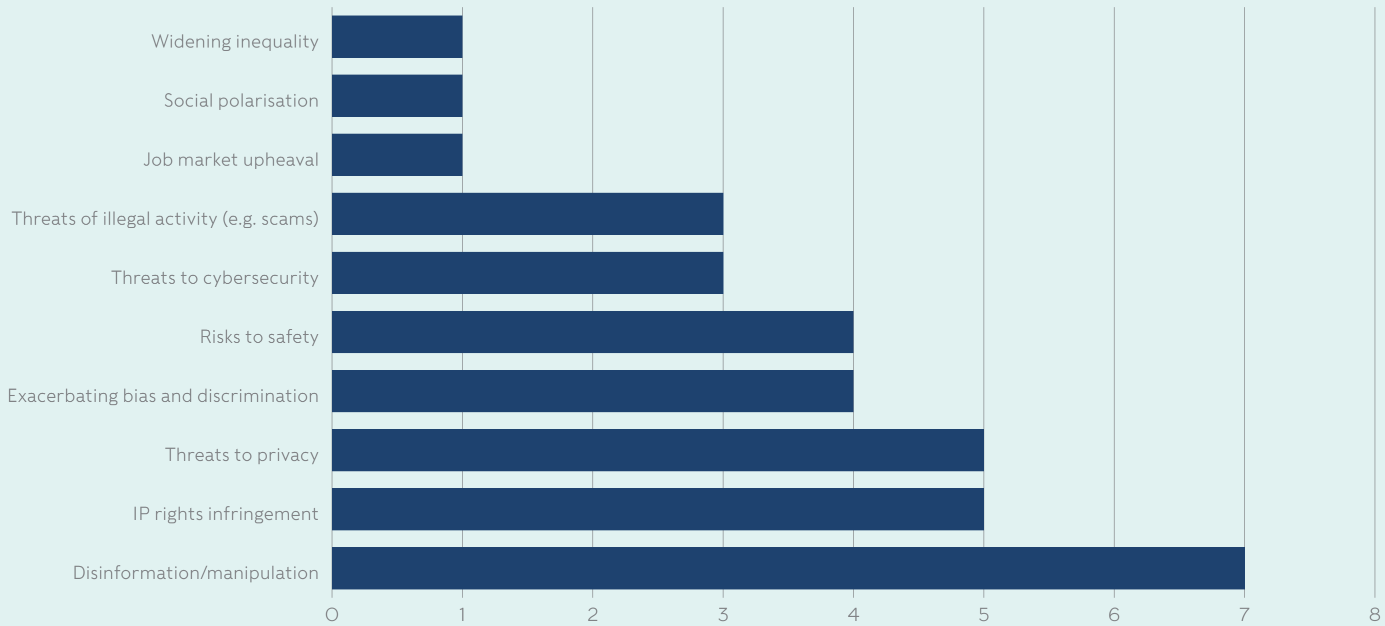


Figure 7: Brave new world
This chart shows the combined responses from the G7 members to the question: "From your country or region's perspective, what are the top five risks generative AI presents to achieving national and regional goals?"
Source: OECD and Rathbones



FINANCIAL MARKETS

The US economy has defied predictions of a downturn after slowing far less than expected towards the end of 2023. With unemployment close to record lows and inflation higher than expected, expectations of interest rate cuts have been pushed back. Markets are now pricing in three cuts for 2024, in line with the most recent forecasts from the US Federal Reserve (Fed). US Treasury yields, which move in the opposite direction to prices, have largely risen as a result.

In China, manufacturing and investment are improving after moves by authorities to boost growth. But the property sector remains in a slump, with investment in real estate falling. Closer to home, the UK economy returned to growth at the start of the year and consumer and business sentiment have been more upbeat. The euro area has avoided a technical recession, by the finest of margins.

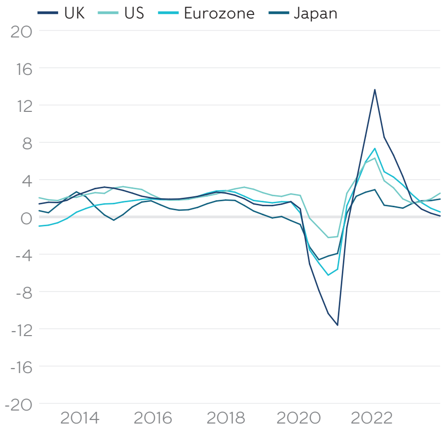
Setting new highs

Developed market equities have continued to do well this year as the likelihood of recession recedes. In contrast to the first 10 months of 2023, when an unusually small number of stocks contributed to the gains of the entire US index and most underperformed, more global companies are participating in this year's rising markets. The performance of the Magnificent Seven technology firms has been much closer to that of other large firms, as well as the returns of smaller and medium-sized companies.

Performance within the Magnificent Seven (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla) has been mixed recently. Three have underperformed so far in 2024. Outside of the US, there is a growing body of evidence suggesting that the worst may have passed. Parts of the equity market more sensitive to these indicators, such as eurozone equities, have been doing particularly well over recent weeks. Yet UK stocks have struggled to gain traction and join the global rally, with the Spring Budget failing to lift the mood.

GDP growth

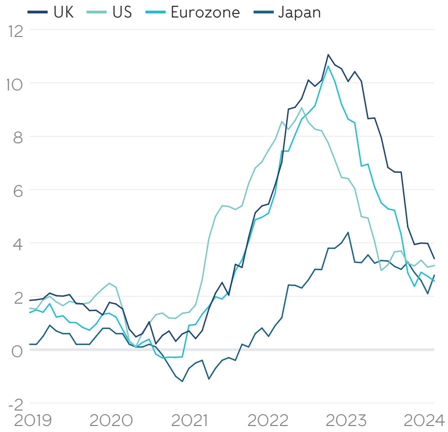
Annual change (%)



Source: Factset and Rathbones

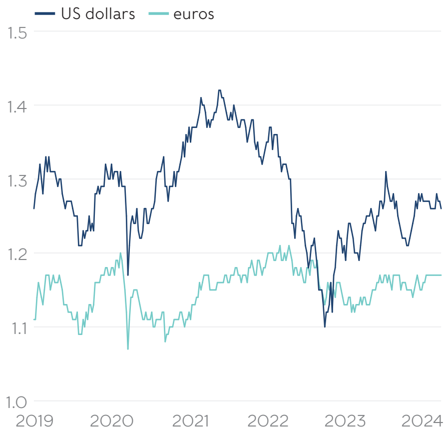
Inflation

Annual change (%)



Source: Factset and Rathbones

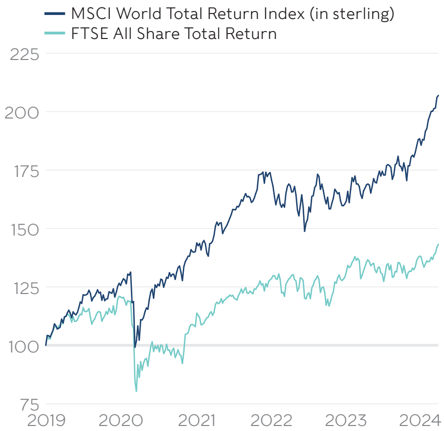
Sterling



Source: Factset and Rathbones

Equities

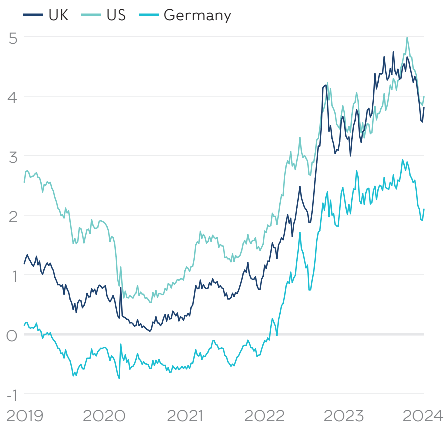
December 2018 = 100



Source: Factset and Rathbones

Government bonds

10-year yields (%)



Source: Factset and Rathbones

Gold

US dollars per troy ounce

Source: Factset and Rathbones

Past performance is not a reliable indicator of future performance.

ADDITIONAL INFORMATION

Information valid at 31 March 2024, unless otherwise indicated. This document and the information within it does not constitute investment research or a research recommendation. The value of investments and the income generated by them can go down as well as up.

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