

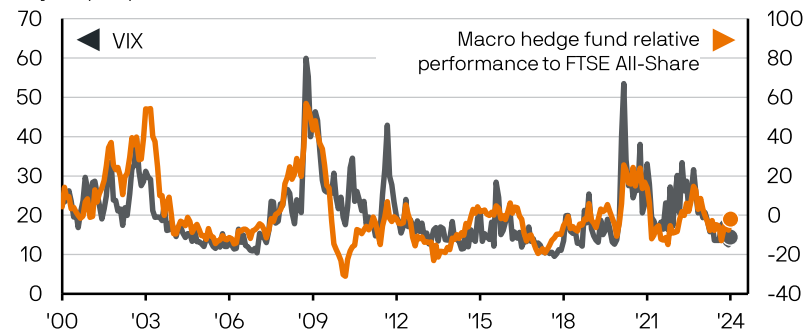
The Weekly Brief

Thought of the week

At the start of the year, both the equity market and the bond market were positioned for an aggressive policy easing cycle. But with core inflation remaining sticky and the US economy so far proving resilient, markets are now reassessing how many rate cuts the central banks will deliver this year. In an environment where markets continue to be buffeted by data surprises, we would expect to see elevated volatility. In such a scenario, it is worth considering the role alternatives can play in protecting a traditional portfolio from such shocks. In particular, macro hedge funds were negatively correlated with a traditional 60/40 portfolio of stocks and bonds in 2022 and have historically provided diversification when equity market volatility increases.

Macro hedge funds have outperformed equities when volatility rises

Volatility & macro hedge fund relative performance: index level (LHS); % change year on year (RHS)



Source: CBOE, FTSE, HFRI, LSEG Datastream, J.P. Morgan Asset Management. Macro hedge fund (total return in USD) performance is calculated relative to the FTSE All-Share (total return in GBP). VIX is the implied volatility of S&P 500 Index based on options pricing. Data as of 1 March 2024.

The week ahead

Day	Country/region	Event	Period	Prior
Tue	China	Caixin composite PMI	Feb	52.5
	US	ISM services PMI	Feb	53.4
Wed	Eurozone	Retail sales (m/m)	Jan	-1.1%
	US	JOLTs job openings	Jan	9.0m
Thu	Eurozone	ECB interest rate decision	Mar	4.0%
	Japan	Household spending (m/m)	Jan	-0.9%
	UK	Halifax house price index (m/m)	Feb	1.3%
Fri	US	Non-farm payrolls	Feb	353k
	US	Unemployment rate	Feb	3.7%
	US	Average hourly earnings (y/y)	Feb	4.5%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	0.2	4.4	10.9
DAX	1.8	5.9	15.9
CAC 40	-0.4	5.3	13.1
IBEX	-0.6	0.1	12.6
FTSE MIB	0.7	9.0	26.5
FTSE 100	-0.2	-0.1	1.0
S&P 500	1.0	8.0	32.1
TOPIX	1.9	14.6	39.1
MSCI EM	-0.3	1.8	8.4
MSCI China	-0.7	-2.1	-16.9
MSCI Brazil	-0.8	-3.4	23.8
MSCI AC World	0.8	6.8	25.0
Energy	1.0	3.8	8.8
Materials	1.0	-1.2	4.4
Industrials	1.0	7.3	24.1
Cons discr.	1.6	6.9	25.5
Cons staples	-1.1	1.7	4.8
Healthcare	-0.7	6.8	15.3
Financials	0.5	6.3	16.0
Technology	2.2	12.0	54.6
Comm serv.	-0.5	8.6	38.4
Utilities	-0.3	-2.7	4.4
Value	0.6	4.2	14.5
Growth	1.1	9.4	35.9

Fund flows (\$bn)	4-week moving avg.		
	w/e 23/02	w/e 16/02	
Equity	1.5	-7.0	-3.6
Fixed income	6.1	8.7	8.4
Money market	-5.3	-4.3	12.2

Note: All index returns are total returns in local currency. Fund flows are for US-domiciled funds only, excluding ETFs. *Term = index duration. †GDP q/q seasonally adjusted annual rate.

Bond spreads	Level	Change (bps)		
	01/03	Week ago	YTD	Year ago
Global IG	108	6	-7	-28
EMBIG (USD)	309	-2	-10	-61
Global High Yld	400	10	-23	-91
Bond yields (10 yr)				
UK	4.19	12	66	38
Germany	2.4	2	40	-30
USA	4.18	-7	31	19
Japan	0.71	-0	10	22
EMD* (local fx)	6.18	-3	-2	-63
Commodities				
Change (%)				
Brent \$/bbl	84	2.4	8.4	-0.9
Gold \$/oz	2050	1.1	-1.4	11.3
Copper \$/lb	3.86	-0.7	-0.7	-7.5
Currency				
Level				
\$ per €	1.08	1.08	1.1	1.07
£ per €	0.86	0.85	0.87	0.89
\$ per £	1.27	1.27	1.27	1.2
¥ per €	163	163	156	145
¥ per \$	150	151	141	136
CHF per €	0.96	0.95	0.93	1.0
Volatility (%)				
VIX	13	14	12	21

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	0.0	2.6	MSCI Europe	13.4
UK	-1.4	4.0	FTSE 100	11.1
US	3.2	3.1	S&P 500	20.5
Japan	-0.4	2.1	MSCI EM	12.0
China	4.1	-0.8	MSCI World	18.2

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