February 2024:
A summary for investors

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What's happened in February?

- Positive momentum drives stock markets to record highs
- Surprise rise in inflation in the US but declines in Europe & UK
- Bond markets reset as higher-for-longer narrative take hold

Market summary

Interest rate fluctuations have dominated market discussions for years now, with central bank decisions driving stock market shifts. Now we've hit a peak in interest rates, attention turns to when rates will be cut.

There are signals of growing confidence in the US economy: we're unlikely to see rate cuts until June but non-farm payroll numbers (workers in goods, construction, manufacturing businesses, and makes up around 80% of the workforce) are resilient, but there's been a small increase (0.3%) in consumer prices.

It's less positive in the UK. Although our inflation rate was stable at 4.0% (lower than the expected 4.2%), in February, the ONS report shows the UK entered a technical recession in Q4 2023, following a decline in the services sector. Japan also fell into a technical recession – its first in five years. But it's worth noting Japan's Nikkei 225 reached a 30-year peak in February.

In Europe, inflation fell in Germany, France and Spain, contributing to a collective headline Eurozone inflation rate of 2.6% - near the 2% target. With a spluttering economy, rate cuts may be on the horizon from the European Central Bank.

The People's Bank of China made a historic move by cutting the 5-year loan prime rate to 3.85% in an attempt to stimulate the economy. Headline inflation saw a 0.8% year on year decline in January – the biggest fall in more than 14 years, and worse than the 0.5% fall forecast.

February was a particularly good month for stock markets, with several major indices reaching record highs, despite the central bank's u-turn on the prospect of rate cuts.

It's more important than ever to diversify portfolios, especially when the range of outcomes remains so wide.

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