Market Insights

May 2024

Equity Market Performance
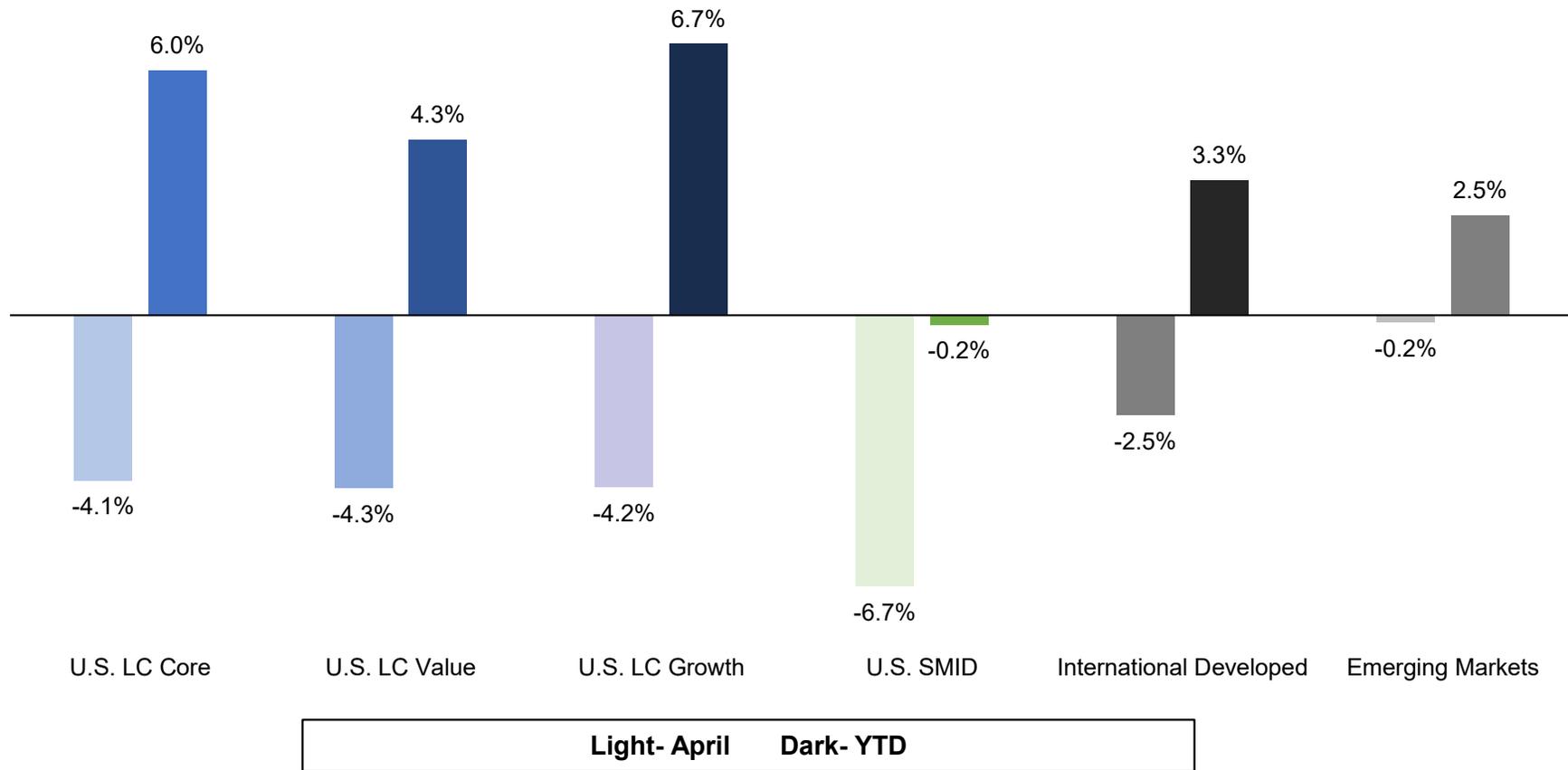
April saw a reversal in market sentiment as stocks came under pressure due to higher-than-expected inflation prints and resilient consumer demand. These trends increased speculation that the Fed would continue with it's higher for longer policy. Emerging markets held up the best this quarter as a sharp increase in commodity prices and rebound in Chinese equites aided performance. Smaller cap companies continued to struggle to break out as rates expectations paused on hopes of imminent cuts.

Adjusted Rate Expectations

Federal funds futures have shifted since the start of the year

Fed funds implied rate

Legend: 1/12/2024 — 4/8/2024
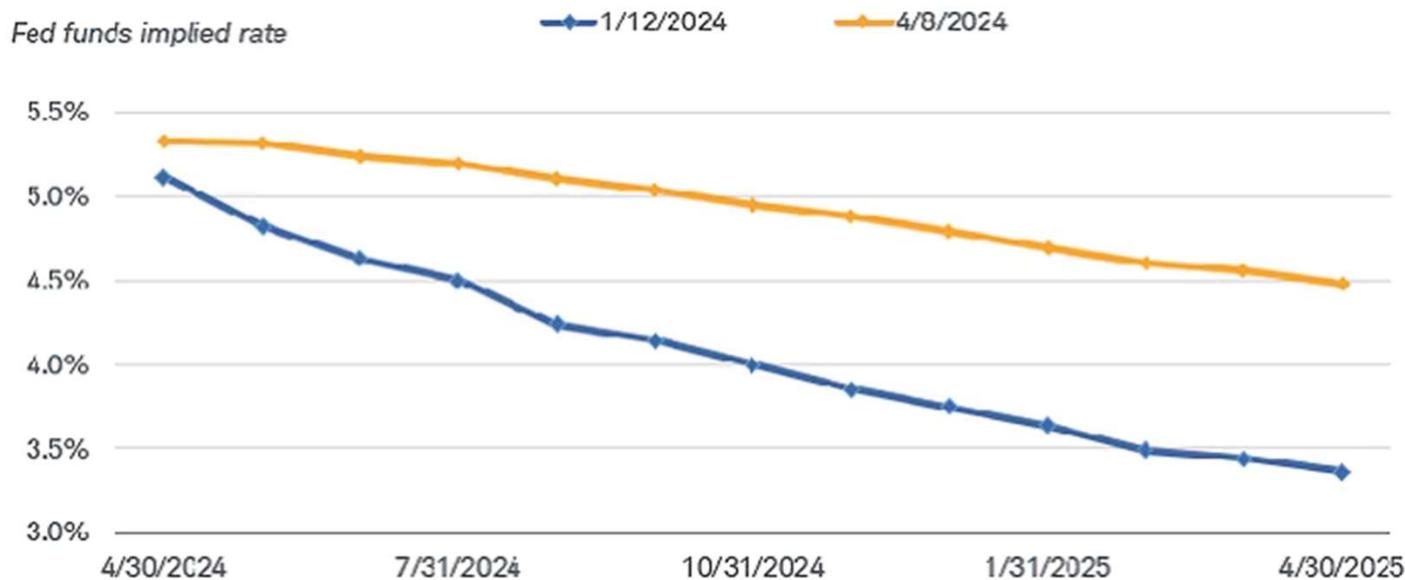
Source: Bloomberg.

Markets have undergone a sizable shift in rate expectations. Market participants predicted as many as seven 7 rate cuts in 2024. That has been dramatically scaled back as inflation has remained sticky and as the economy continues to be strong. The revision of expectations has dampened some market enthusiasm and put more interest rate sensitive under pressure.

Source: Charles Schwab, Bloomberg

Labor Market Dynamics
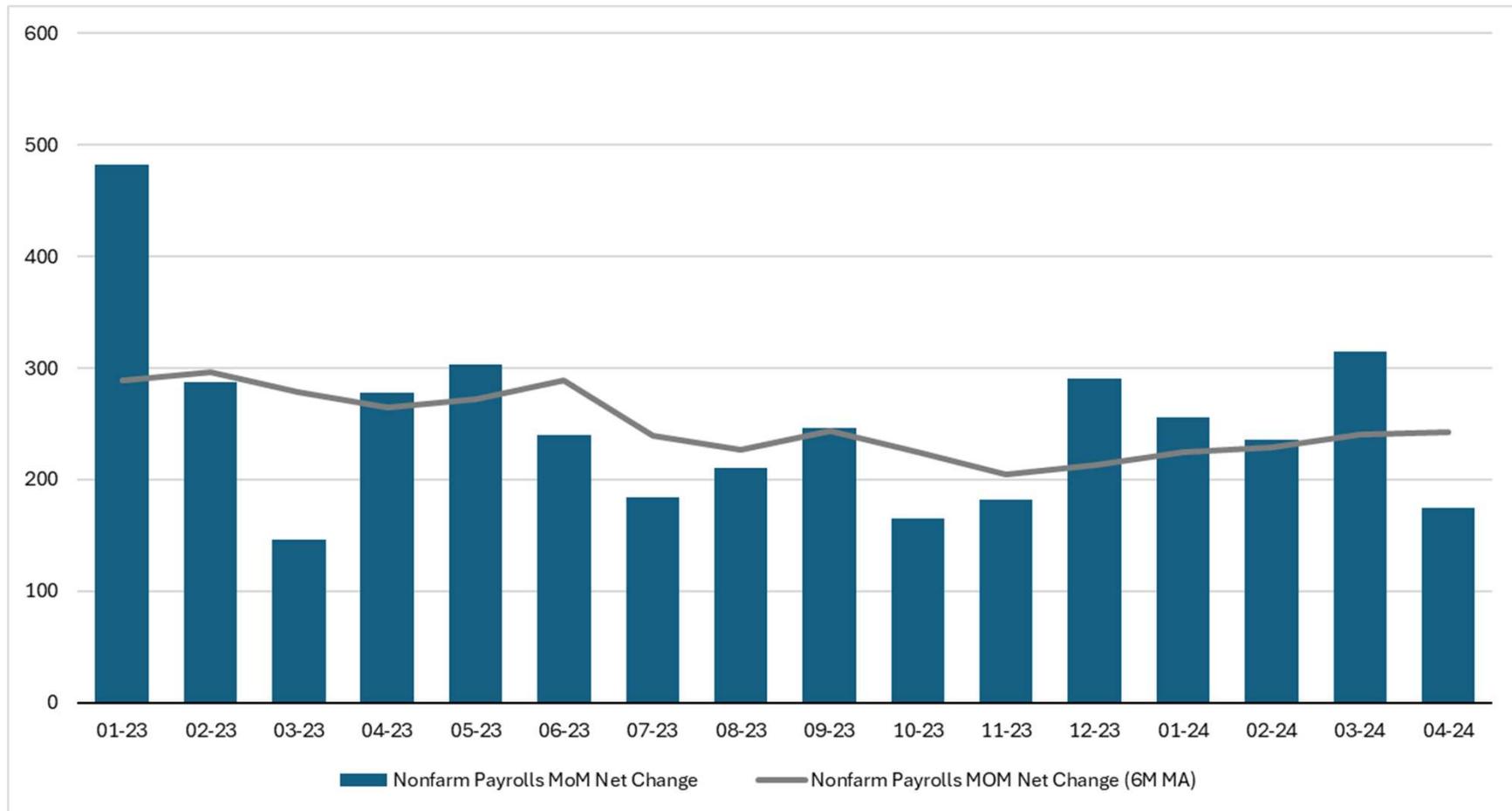
The strong labor market is a sign of economic stability and points towards the U.S. being able to avoid a recession. April did see a bit of a pull back, but the 6-month trend remains positive. While higher rates may begin to weigh on the labor market, the Fed believes there is still room to keep rates elevated to combat inflation.

Source: Federal Reserve Economic Data, U.S. Bureau of Labor Statistics

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Different paths, similar end

Average U.S. stock performance in election and non-election years, 1928-2023

Legend: — Election Years   — Non-Election Years

Historically in election years, we see a slower start in equity markets as the result of the election remains in the balance. As the outcome of the elections and future direction of policy become more certain, stocks tend to rally as uncertainty dissipates.
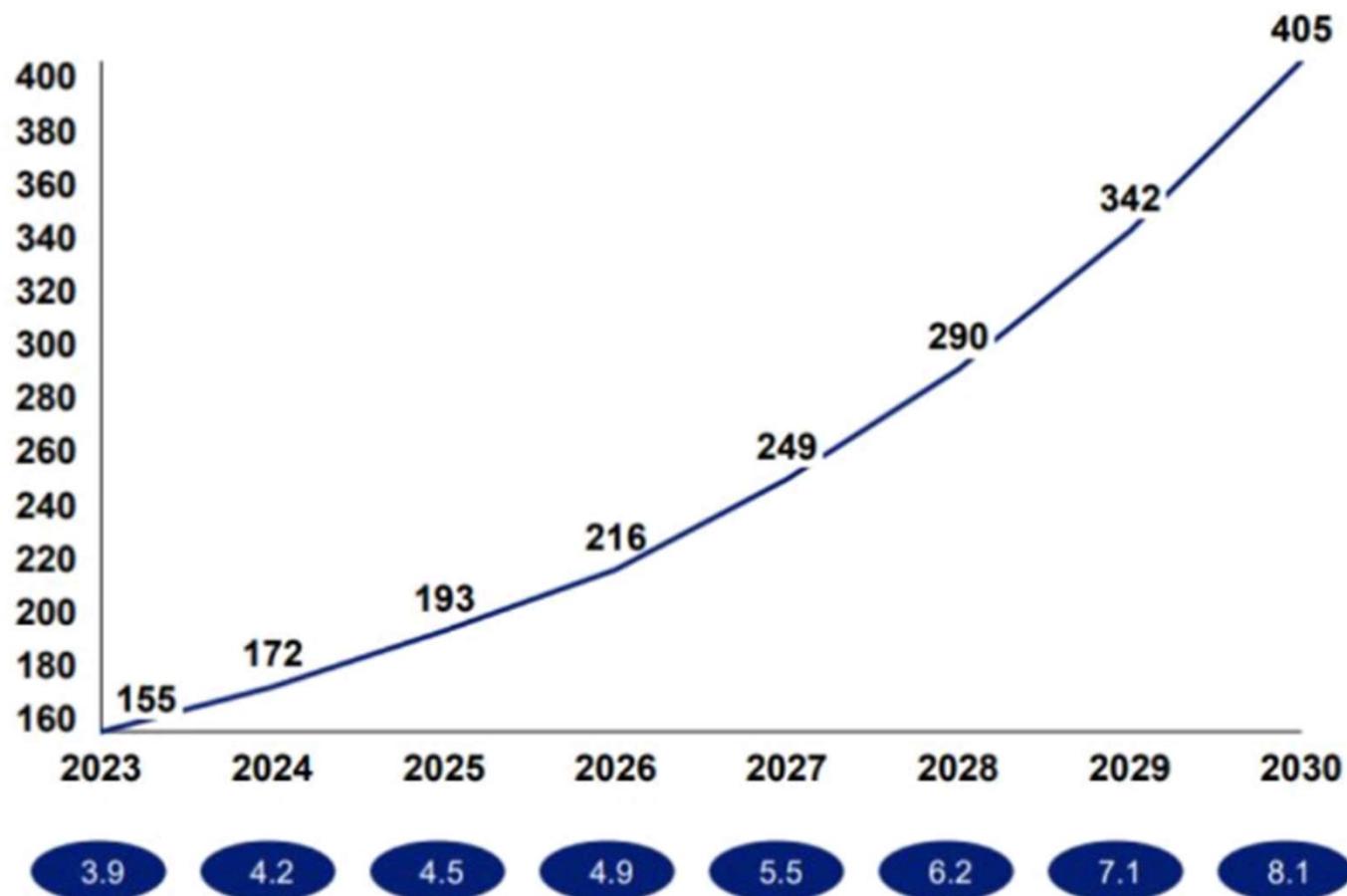
Source: Blackrock

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Increase the Power

Preliminary

US datacenter energy consumption, TWh

xx % of total US power demand

Estimates of datacenter energy consumption will vasty increase throughout the decade. Data center demand to power the AI boom will make up over 8% of total US power demand by 2030.

Year	TWh	% of total US power demand
2023	155	3.9
2024	172	4.2
2025	193	4.5
2026	216	4.9
2027	249	5.5
2028	290	6.2
2029	342	7.1
2030	405	8.1

Source: McKinsey Energy Solutions Global Energy Perspective 2023; McKinsey datacenter demand model

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Disclosure

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