

# Buckle up for May

## Summary

### Bracing for further May volatility

Markets may be set for further tests, but not to be broken, in May. By shifting US rate cut outlook and the typically weaker seasonality. April saw overdue pullback with vice of repricing rate cuts and overbought technicals. May set to see NVIDIA-driven earnings season end, Fed rate cut relief potential, and the ongoing heavy political calendar. But earnings, rate cut, and cash on sidelines bull market pillars remain. [See Page 4](#)

### Big tech drives best week since October

Big tech's GOOG, MSFT, TSLA results drove the best week of S&P 500 index performance since October. Offsetting disappointing META outlook, and poor US Q1 GDP and stickier PCE inflation. Saw a stronger dollar and higher bond yields. BHP bid for AAL in major mining deal. RMS.PA saw luxury sales soar. RBRK continued the IPO market recovery. [See our new Q2 2024 Outlook HERE](#) and twitter [@laidler\\_ben](#). [See Page 2](#)

### Where valuations matter

High US and tech [valuations](#) limit their long-term upside, whilst rest of world, and many cyclicals, have a double earnings and valuation upside and clearer rate cut and growth catalysts. [See Page 2](#)

### IPO thaw a mixed blessing

Gives investors more choice but undermines the supply deficit that supported markets. The [new wave](#) is different with less profits and floats and more foreign co's and dual classes. [See Page 2](#)

### Changes to super-sized US market plumbing

US markets dominate, making next month's [trade settlement change](#) and 24/7 trading proposals important for all, especially the largest listed stock and derivatives exchanges. [See Page 2](#)

### A pricier cup of coffee is coming

The [coffee price surge](#) follows OJ and cocoa and makes ag best performing segment. Consumers set to feel as Starbucks to Nestle continue price rise strategies. @AgriWorldWide. [See Page 2](#)

### Crypto moves on from the Bitcoin halving

Bitcoin resilient after four-yearly halving and in face of global markets volatility and lower ETF inflows. Focus shifts to SEC Ethereum ETF decision due next month, with expectations low. BTC and ETH ETF's set to launch in Hong Kong. Tether to expand beyond USDT. See latest [Weekly Crypto Roundup](#). [See Page 3](#)

### Commodities firm despite macro headwinds

Commodities resilient even US dollar and bond yields rose, as demand for traditional inflation hedges built. Brent rose to \$90/bbl. whilst natgas fell toward 25-yr lows. Copper in the spotlight as prices hit two-year high and BHP takeover bid for big miner Anglo American. Ag outperformed with higher OJ and coffee supply-crises. [See Page 3](#)

### The week ahead: APPL, AMZN, Fed, Jobs, May

1) Q1 earnings halfway point w/ 150 S&P 500 co's reporting this week incl. AAPL (Thu), AMZN (Tue) focus plus KO, MCD, LLY, MA. 80% beats so far. 2) US focus on high-for-longer Fed meet (Wed) and 200k jobs report (Fri). 3) Better EU Q1 GDP and 2.5% April inflation (Tue). 4) End of April (Tue) and look to May. VIK IPO. BRKb AGM. [See Page 3](#)

### Our key views: Outlook for a different 2024

We see a stronger but very different 2024. Lower inflation and coming interest rate cuts as growth slows, and the earnings outlook idiosyncratically accelerates. Will drive an investor rotation from 2023 US and big tech winners to soft landing losers from Europe to cyclicals. [See Page 5](#)

### Top Index Performance

	1 Week	1 Month	YTD
DJ30	0.67%	-3.94%	1.46%
SPX500	2.67%	-2.94%	6.92%
NASDAQ	4.23%	-2.76%	6.11%
UK100	3.09%	2.35%	5.26%
GER40	2.39%	-1.79%	8.41%
JPN225	2.34%	-6.03%	13.36%
HKG50	8.80%	6.71%	3.54%

\*Data accurate as of 29/04/2024

## Market Views

### Big tech drives best week since October

- Big tech's GOOG, MSFT, TSLA results drove the best week of S&P 500 performance since October. Offsetting disappointing META outlook, and poor US Q1 GDP and stickier PCE inflation. Saw a stronger dollar and higher bond yields, Whilst cheaper non-US assets outperformed. BHP bid for AAL in major mining deal. RMS.PA saw luxury sales soar. RBRK continued the IPO market recovery. **See our new Q2 2024 Outlook [HERE](#).** See [Page 6](#) for resources and videos.

### Where valuations matter

- We are positive the resilience of super-sized US stocks. But its combo of already high profitability and valuations limits upside. These are only [two-levers of performance](#). This means the size of this bull market may be lower than the average 150%.
- And the relative upside is increasingly elsewhere. Much of the rest of the world, and many cyclical sectors, still have a double earnings and valuation upside combo, and the clearer rate cuts and growth rebound catalyst. Their wider than average valuation discounts offer upside potential and downside protection. [See Page 2](#)

### The IPO thaw is a mixed blessing

- Initial [public offerings](#) (IPO) are making a tentative comeback after 2 years of depressed activity. The number of US IPOs is up 10% this year even as Renaissance IPO index still struggles. IPOs are a mixed blessing of new investment opportunities. From the recent Reddit (RDDT), Ibotta (IBTA) and Amer Sports (AS) IPO's and GE (GE) spin-offs.

- To upcoming listings from Viking cruises, Puig luxury, and CVC private equity. But it also starts to undermine the stock supply deficit that has helped support markets. The trend is increasingly for more global IPO issues, with smaller free floats, more dual class structures, and less profits. [See Page 2](#)

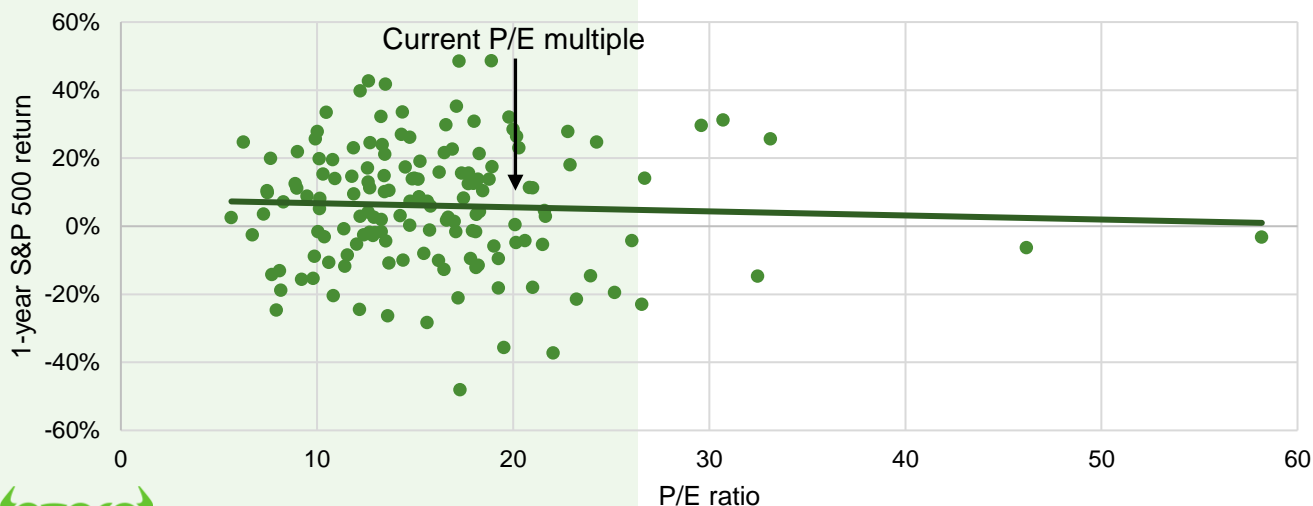
### Changes to super-sized market plumbing

- US markets dominate global stocks, bonds, and currencies. Making any changes to their underlying [market 'plumbing'](#) important. On May 28<sup>th</sup> US stocks move to a quicker T+1 settlement schedule, putting it at odds with Europe. Whilst consultation has opened on a long shot move to 24/7 trading.
- It's a test, and potential win, for NYSE owner Intercontinental Exchange (ICE), NASDAQ (NDAQ), and derivatives juggernauts CME Group (CME) and CBOE Global Markets (CBOE), and wider US broker dealers & exchanges ETF (IAI.US). [See Page 2](#)

### A pricier cup of coffee is coming

- Prices soared 25% this year as [bad weather hit](#) crops in arabica producer Brazil and especially top robusta grower Vietnam. With the typical robusta price discount collapsing. Is latest supply-driven ag price squeeze, after OJ last year and cocoa this. It's made agriculture the best performing commodity segment (DBA) this year.
- By contrast US retail coffee prices have fallen 2% the past year but are likely now set for a renewed catch up. As producers and coffee chains, from Nestle (NESN.ZU) to Starbucks (SBUX), continue their price premiumisation strategies. [See Page 2](#)

'High valuations hinder: S&P 500 P/E ratio and 1-year fwd. equity return



## Market Views

### Crypto moves on from the Bitcoin halving

- Bitcoin (BTC) remained resilient under \$65,000 after the four-yearly halving event, and in the face of a sharp pick up in broader global markets volatility and a slowdown in spot ETF inflows.
- No.2 crypto Ethereum (ETH) rose as the market refocused on the next major asset class catalyst which is the first final deadline for SEC to approve its spot ETF. Expectations are low, with the regulatory context more complicated than BTC.
- Other news saw spot BTC and ETH ETFs ready to launch in Hong Kong on April 30<sup>th</sup>. Whilst Tether announced its crypto plans outside of its world's largest USDT stablecoin. See latest [Weekly Crypto Roundup](#).

### Commodities firm despite macro headwinds

- The asset class was resilient even as the US dollar strengthened and US bond yields rose. Potentially balanced by inflation risks driving demand for traditional commodity 'hedgers'.
- Brent crude held below \$90/bbl. as geopolitical risks eased, whilst US natural gas prices fell back toward 25-year lows on higher output and lower weather-driven demand.
- Copper in the spotlight as prices rose to a two-year high as BHP reignited sector M&A by bidding for major copper producer Anglo American.
- Ag outperformed on OJ and coffee strength.

### US Equity Sectors, Themes, Crypto assets

	1 Week	1 Month	YTD
IT	4.57%	-2.61%	9.28%
Healthcare	0.83%	-4.38%	1.92%
C Cyclical	3.11%	-3.05%	2.09%
Small Caps	2.79%	-3.29%	-1.24%
Value	1.43%	-1.65%	4.65%
Bitcoin	-0.55%	-8.18%	51.84%
Ethereum	1.75%	-11.97%	36.19%

Source: Refinitiv, MSCI, FTSE Russell

### The week ahead: Earnings, Fed, Jobs, May

- Half-way in US **earnings** season with AMZN (Tue) and AAPL (Thu) highlights with KO, MCD, LLY, MA, and Europe's SHEL.L. 80% beaten estimates, and all sectors, but investors focused on guidance.
- Huge US week with **Fed** meeting and conference (Wed) as grapple with markets starting to price tail-risk of more rate hikes. Plus, **jobs** report (Fri) with hope for return to 200k new jobs slowdown.
- A double-bill of important **EU data** Tuesday with Q1 GDP est. to inch positive alongside another c. 2.5% benign inflation report keeping the door open to a first June ECB rate cut, unlike the US.
- End of volatile April (Tue), look to **May** earnings, inflation, seasonality drivers. Viking (VIK) **IPO** and Maersk (MAERSKb.CO) Svitzer spin off. **Berkshire** (BRKb) 'Woodstock for Capitalists' AGM (Sat).

### Our positive key views for 2024

- See a stronger 2024 performance as investors look ahead to the final <3% hard inflation yards, a slowing but not recessionary US economy, and coming mid-year interest rate cut, led by ECB with Fed following. This is set to come alongside an idiosyncratic and broadening AI and profit margin led 10% US earnings growth acceleration.
- Early focus on defensive growth and long duration assets, from healthcare to big tech, and bonds to crypto. With coming big rotation away from the 2023 US and big tech winners to the soft landing sensitive 'losers' from Europe to cyclicals.

### Fixed Income, Commodities, Currencies

	1 Week	1 Month	YTD
Commod*	-0.13%	3.45%	4.33%
Brent Oil	0.77%	1.22%	14.24%
Gold Spot	-2.67%	4.86%	13.29%
DXY USD	-0.06%	1.48%	4.70%
EUR/USD	0.33%	-0.97%	-3.13%
US 10Y Yld*	4.30	46.40	78.81
VIX Vol.	-19.67%	15.53%	20.72%

Source: Refinitiv. \* Broad Bloomberg index. \* Basis points

## Focus of Week: Buckle up for May

### Markets to be tested but not broken by shifting rate cut and seasonality sands

April is on track to be a month to forget, with stocks down 5% in an overdue pullback and the long-running the bond bear market deepening. With the safer-haven dollar and inflation-hedge commodities the rare winners. This puts an uncomfortable added focus on NVIDIA results, yet again, and the US inflation report, to avoid a fourth surprise. All against the backdrop of weaker 'sell in May' seasonality, that may already have been pulled forward. We remain constructive, with the two bull market pillars weakened but still in place, cash on the sidelines, and further weakness offering opportunities, especially in cheaper segments.

### April saw overdue pullback on vice of repricing rate cuts and overbought technicals

April saw the long-awaited market reality check, with a S&P 500 pullback. And a fundamental and technical vice. A third US upside inflation surprise turbo-charged bond yields and the US dollar and saw interest rate futures put a 20% chance on another rate hike. Whilst technicals cracked with stocks up 25% since October without interruption, investor sentiment soared, US valuations above average, and weak mid-year seasonality pulled forward. Bitcoin sold off into its four-yearly halving. Oil briefly broke \$90 on geopolitical risks and inflation protection demand. US earnings season saw 80% beats across all sectors, but investors focused on more mixed guidance. GE surged after its breakup. Semis Super Micro to Intel plunged.

### May to see NVIDIA-driven earnings season end, Fed rate cut relief, and heavy politics

May is set to be driven by the end of a needed strong Q1 earnings season, anchored by Nvidia. And hopes the upcoming Fed meeting and next inflation report don't worsen the already dramatic repricing of rate cut expectations. The peak of [annual AGM proxy vote season](#) will generate stock-specific headlines. And latest hedge fund 13F filings be pored over for investment ideas. The start of weaker '[sell in May](#)' seasonality may also keep the market technically on edge. The 'year of politics' continues with India's election running until June 4<sup>th</sup>, South Africa's ANC potentially to lose its majority, UK local elections a prelude to the national one's later in the year, and the new DPP president taking over in Taiwan.

### Markets may be set for further volatility, but the pillars of this early bull market remain

We believe we remain in the early innings of a bull market and the volatility we may see in coming months will pass and may create opportunities. With the twin pillars of a building earnings recovery. And delayed but still-coming interest rate cuts. Whilst significant cash remains on the sidelines to buy any significant pullback. Risks have certainly risen. Of a potential further Fed rate hike. The [out-of-synch](#) global economy driving higher cross-asset volatility. And super-sized US markets reducing the effectiveness of geographic diversification. We think much of this can be managed with a focus on regions and segments, like Europe and cyclicals, that are nearest to rate cuts and recovering economies and have lower valuation 'insurance'.

### Markets calendar for May 2024

Date	Country	Event
May 01	USA	<b>Fed</b> est. to keep monetary policy rate at 5.50% peak
May 02	UK	Local <b>elections</b> with Conservatives trailing 20pp in polls
May 07	Europe	Early May public <b>holiday</b> in UK, Europe around 'May Day'
May 07	USA	'Let loose' <b>Apple</b> new products announcements, likely iPad
May 15	USA	<b>13F</b> fund holdings reporting deadline, 45 days after Q1
May 15	USA	April <b>inflation</b> after 3 months upside surprise to 3.8%
May 20	Taiwan	<b>Inauguration</b> of President Lai Ching-te of ruling DPP
May 21	USA	JP Morgan <b>annual general meeting (AGM)</b> . Peak month for all
May 22	USA	Semis and AI giant <b>NVIDIA</b> reports Q1 earnings up over 5x
May 23	USA	First final deadline for SEC decision on spot <b>ETH</b> ETF
May 28	USA	Moves to <b>T+1</b> equities settlement versus UK/EU T+2
May 29	South Africa	Election polls show <b>ANC</b> to lose majority held since 1994



# Key Views

## The eToro Market Strategy View

### Global Overview

We see a stronger but very different 2024 rally than in 2023. With lower inflation and coming interest rate cuts as growth slows, and the earnings outlook idiosyncratically accelerates. This should drive an investor rotation from 2023 US and big tech winners to interest rate sensitive losers from Europe to real estate. See our 2024 Outlook [HERE](#).

### Traffic lights\*

### Equity Market Outlook

<b>United States</b>	World's largest equity market (60% of total) seeing strong but slowing GDP growth and <4% inflation, opening door to 4+ rate cuts starting mid-year. Earnings growth accelerating back to 10% with idiosyncratic AI and profit margin drivers. But Valuations already full and dominant big tech performed well. See rotation and leadership change.
<b>Europe &amp; UK</b>	First into the 2023 economic slowdown, with Germany firmly in recession, and inflation plunged to 3%, setting ECB up for 4+ rate cuts this year, starting by mid-year. Against backdrop of already heavily discounted valuations and much more cyclical market, led by financials, and with earnings depressed and set to rebound later in 2024.
<b>Emerging Markets (EM)</b>	China, Korea, Taiwan dominate EM (60% wt), and more tech-centric than US. China a contrarian call with growth stabilising and policy easing, with valuations and sentiment very depressed. Rest of EM to benefit from similarly depressed valuations and poor sentiment, alongside benefits of lower interest rates and a weaker US dollar.
<b>Other International (JP, AUS, CN)</b>	Japan remains in focus with JPY rallying off world's most depressed levels as BoJ moves to slowly tighten policy, and equity performance in world's no3 market rotates from exporters to domestic sectors, alongside stronger growth. Australia and Canada held back by their commodity and financials heavy markets with little tech.

### Traffic lights\*

### Equity Sector & Themes Outlook

<b>Tech</b>	Tech' sectors of IT, communications, consumer discretionary (Amazon, Tesla), dominate US and China. Expect more subdued performance after huge 2023 outperformance, with earnings already growing strongly and valuations full. But are structural stories with good growth, high margins, fortress balance sheets, and AI tailwinds.
<b>Defensives</b>	In focus as economic growth slows along with interest rates and bond yields. Consumer staples, utilities, real estate attractive defensive cash flows, Healthcare most attractive, with cheaper valuations, more growth, and misspriced weight loss drug risks. Real Estate the most leveraged sector and biggest rate cut beneficiary.
<b>Cyclicals</b>	We expect cyclicals - consumer discretionary (autos, apparel, restaurants), industrials, energy, and materials - to be the most positively benefitted by our base case macro view of a 2024 economic soft landing and significant interest rate cuts. Valuations are cheap, and earnings depressed and set to pick up significantly.
<b>Financials</b>	Similarly sensitive to base case of soft landing and rate cuts. Reduces loan loss risks and boost capital markets activity. Lower interest rates boost bond portfolios but trim net interest margins. One of the cheapest sectors, with significant dividend yield. Is biggest sector in Europe and much of EM.
<b>Themes</b>	A better year for high dividend yield, after huge 2023 underperformance, as interest rate competition eases. And for lagging and sensitive small cap, as economic growth bottoms and turns up, and valuation discount to large caps near record. Overweight Value rotation and recovery in 2024 vs Growth.

### Traffic lights\*

### Other Assets

<b>Currencies</b>	USD to gradually be undermined by outlook for 4-6 Fed interest rate cuts during 2024, providing support to other currencies, commodities, EM, and US tech. JPY to benefit from slowly tightening BoJ policy and world's cheapest major FX valuation. EUR to see stronger 2H as leads 2024 growth recovery after ECB starts cutting rates.
<b>Fixed Income</b>	Prices to benefit from outlook for steadily easing inflation and policy rate cuts, after unprecedented three years of poor returns, focused on longer duration assets. Returns moderated by big pull forward of gains with Q4 2023 rally. Credit to benefit from economic soft landing.
<b>Commodities</b>	A better year after leading 2023 asset class losses. As Chinese growth stabilises as policy response builds, the USD weakens modestly as Fed cuts interest rates, and remains heavily under-invested on supply side with carbon transition demand picking up further. But held back by weaker US economic growth and demand.
<b>Crypto</b>	Supported by many 2024 catalysts, from spot ETF's for BTC and ET; the April BTC halving; mid-year Fed interest rate cuts; US accounting and Global bank reg changes to encourage ownership; and eventual central banks BTC ownership. All significant in context of still very small, very young, and very retail dominated asset class.

### \*Methodology:

**Our guide to where we see better risk-adjusted outlook. Not investment advice.**

#### Positive

Overall positive view and expected to outperform the asset class on a 12-month view.

#### Neutral

Overall neutral view, with elements of strength and weakness on a 12-month view.

#### Cautious

Overall cautious view and expected to underperform the asset class on a 12-month view.

# Analyst Team

## Global Analyst Team

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## Research Resources

### Research Library

[eToro Plus](#): In-Depth Analysis. Dive deeper into market insights: Read daily, weekly and quarterly summaries, catch up on the latest market trends and get the most recent, in-depth overview of markets.

### Presentation

Find our twice monthly global markets presentation on the multi-asset investment outlook.

### Webinars

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