



Market Commentary

September 2024

MARKET COMMENTARY

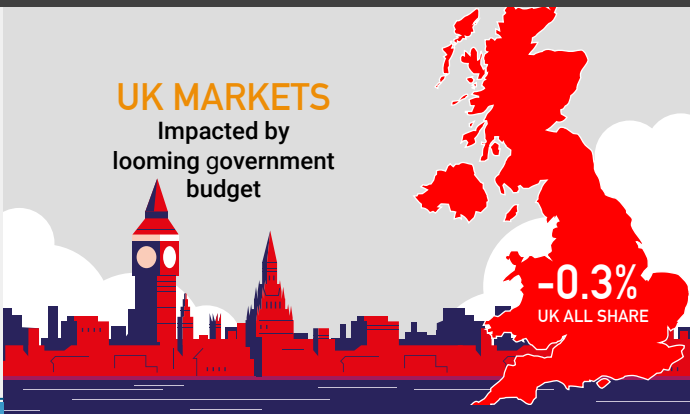
September 2024

SNAPSHOT

- Financial markets saw higher levels of volatility through August.
- Disappointing US data and an interest rate hike in Japan led to an initial sell-off.
- Markets subsequently rebounded, with global equities and bonds finishing the month in positive territory.

All percentages below are monthly returns for August 2024

EQUITIES



BOND MARKETS

BONDS

Government issues outperformed credit

	UK GILTS	0.5%
	US TREASURIES	1.3%
	GLOBAL CORPORATE BONDS	-0.3%
	GLOBAL HIGH YIELD BONDS	-0.1%

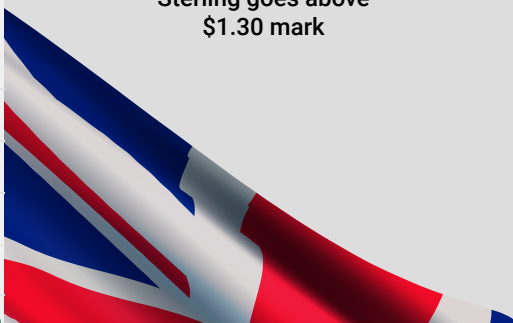


*Values represent bond index returns

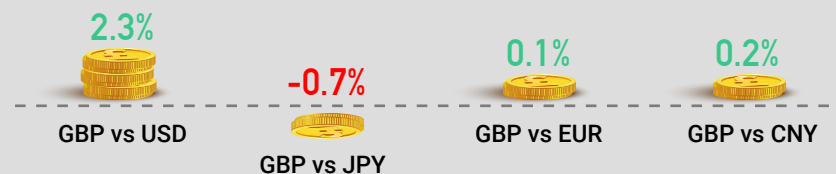
CURRENCIES

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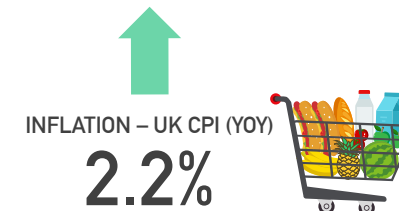
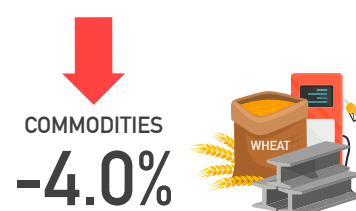
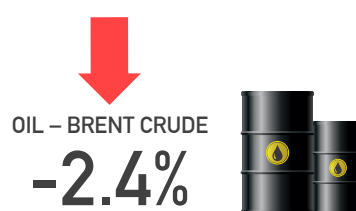
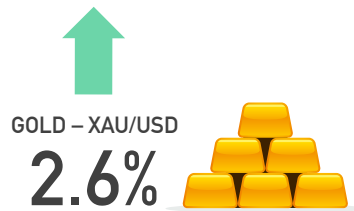
Sterling goes above \$1.30 mark



Pound vs Other Currencies



KEY INDICATORS



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GLOBAL MARKETS

The mood music changed slightly in August - amid weaker US jobs and manufacturing data, and a rate hike in Japan, seeing an initial sell-off across equity markets before a subsequent rebound.



US MARKETS

Moved higher on evolving economic data

US equities moved higher through August, despite selling down earlier in the month following the release of a lacklustre ISM (Institute of Supply Management - who are the organisation responsible for publishing the ISM Manufacturing Index - a key economic indicator for the manufacturing sector in the United States), manufacturing number (46.8 vs 48.8) and a weaker July jobs report. Weaker macro data fuelled concerns about slowing US economic growth, which in turn led investors to price in more aggressive Fed 'easing' to come, reversing the equity market course. The best performing sectors were real estate (+5.6%) and consumer staples (+5.8%). US treasuries were positive as yields declined, and the greenback declined against most major currency pairs.

2.3%

US 500



UK MARKETS

Mixed results during a volatile month

UK stocks saw volatility in line with developed peers. Large caps carried the index return (FTSE 100), while mid and small cap constituents declined. From a sector standpoint, the best performers were in financial services (+6.4%) and industrials (+3.4%), while real estate stocks underperformed. The new UK government is set to announce a tough budget in the coming months, which may introduce further market uncertainty. Gilts were largely positive despite continued concerns over more persistent inflation and issuance. While on the currency front, sterling gained against the euro and dollar.

-0.3%

UK All Share



EUROPEAN MARKETS

Moved ahead despite economic uncertainty

Both European bonds and equities traded higher through the month, but slightly underperformed developed market peers, despite inflation precipitously falling and a tailwind in economic activity resulting from the Olympics in France. The economic landscape remains more uncertain, with economic growth and manufacturing PMI's remaining relatively weak. On the equity front, large cap companies finished ahead of mid and small caps. While within fixed income, corporate credit outperformed government issues. The euro gained against the US dollar but traded lower against sterling and the Japanese yen.

1.7%

Euro 600 Index ex UK



JAPAN MARKETS

Fell on interest rate moves

Japanese stocks and bonds declined in August, following the Bank of Japan's decision to raise interest rates by 0.25%. The market reaction to this news was aggressive, with Japanese banks seeing their largest 1-day decline alongside the biggest 2-day fall for Japanese stocks ever, in aggregate terms. These moves led to a rally in the yen against major currency pairings, and a subsequent unwinding of a global carry trade that was in place (investors borrowing in a low-yielding yen, to invest elsewhere). Inflation remains above the central bank's 2% target and further rate rises may be likely.

-2.9%

Japan Index



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THE WORLD AT A GLANCE

	2019	2020	2021	2022	2023
UK CASH	0.7%	0.2%	0.0%	1.4%	4.7%
US DOLLAR INDEX	0.2%	-6.7%	6.4%	8.2%	-2.1%
UK GILTS	6.9%	8.3%	-5.2%	-23.8%	3.7%
US TREASURIES	6.9%	8.0%	-2.3%	-12.5%	4.1%
GLOBAL CORPORATE BONDS	7.3%	7.1%	-1.9%	-6.8%	4.0%
GLOBAL HIGH YIELD BONDS	8.3%	3.8%	2.0%	-2.3%	8.2%
US 500	28.9%	16.3%	26.9%	-19.4%	24.2%
UK ALL SHARE INDEX	14.2%	-12.5%	14.5%	-3.2%	3.8%
EURO 600 INDEX EX UK	24.2%	1.0%	22.4%	-14.9%	14.8%
JAPAN INDEX	15.2%	4.8%	10.4%	-5.1%	25.1%
ASIA EX JAPAN	17.9%	22.4%	-3.1%	-15.4%	6.4%
EMERGING MARKETS	15.4%	15.8%	-4.6%	-22.4%	7.0%
COMMODITIES	13.1%	-26.1%	41.6%	41.9%	-9.7%
GOLD	18.0%	20.9%	-4.3%	-0.7%	12.8%
HEDGE FUNDS	8.1%	5.8%	3.0%	-4.4%	2.7%

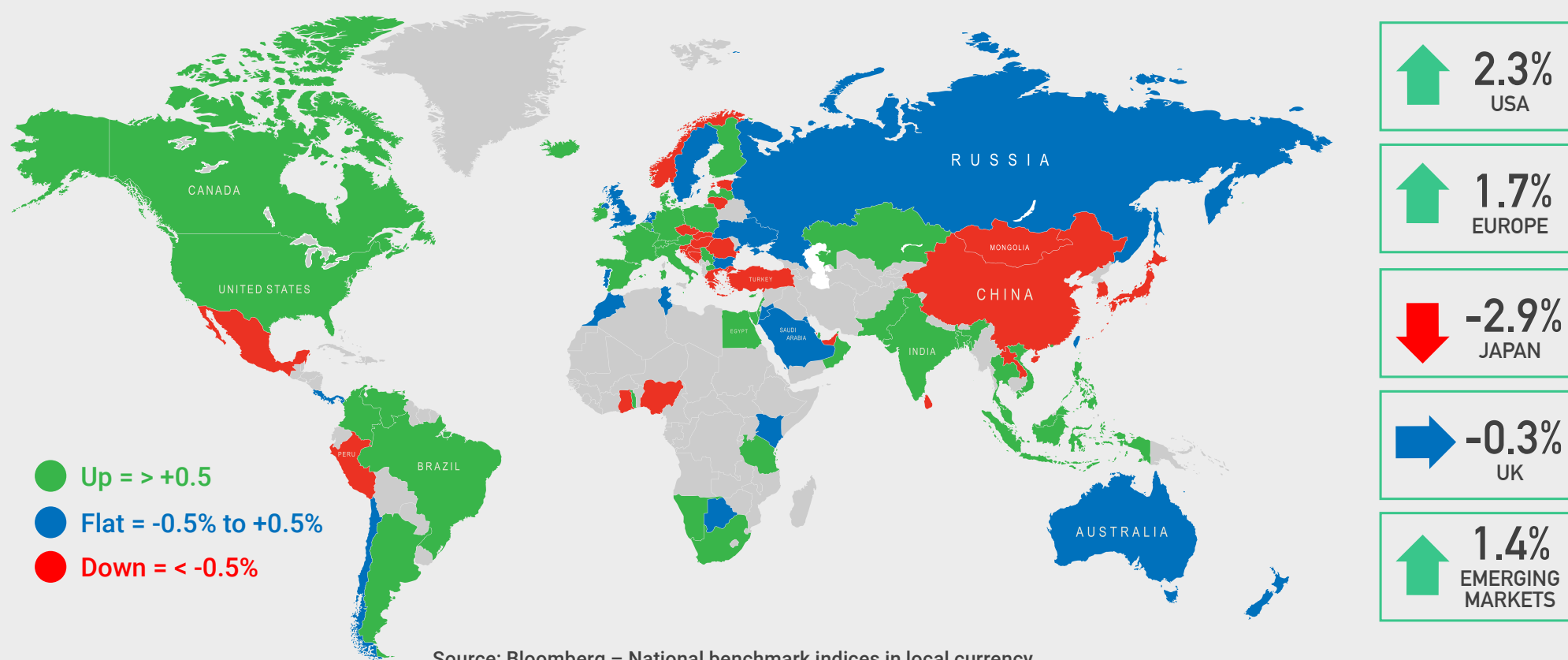
	August 2024	Year to Date
UK CASH	0.4	3.5
US DOLLAR INDEX	-2.3	0.4
UK GILTS	0.5	-0.3
US TREASURIES	1.3	2.6
GLOBAL CORPORATE BONDS	-0.3	0.3
GLOBAL HIGH YIELD BONDS	-0.1	4.2
US 500	2.3	18.4
UK ALL SHARE INDEX	-0.3	8.1
EURO 600 INDEX EX UK	1.7	8.9
JAPAN INDEX	-2.9	14.6
ASIA EX JAPAN	0.5	13.3
EMERGING MARKETS	1.4	7.4
COMMODITIES	-4.0	2.2
GOLD	2.6	20.4
HEDGE FUNDS	0.3	4.1

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

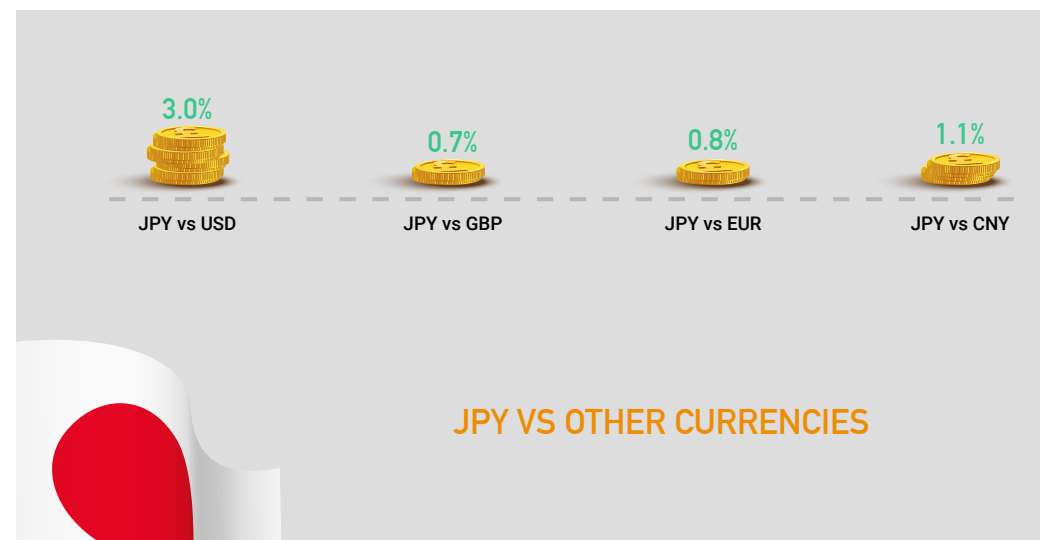
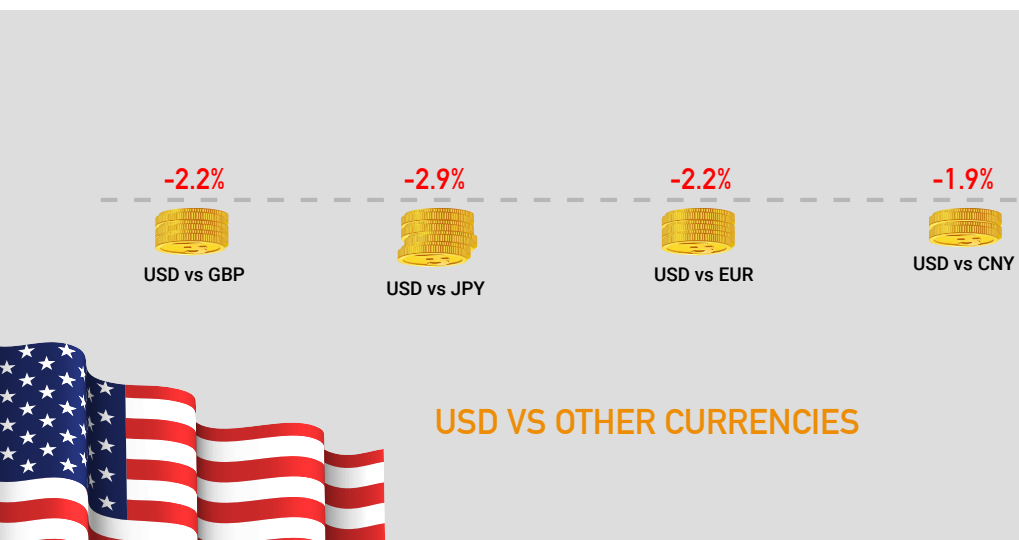
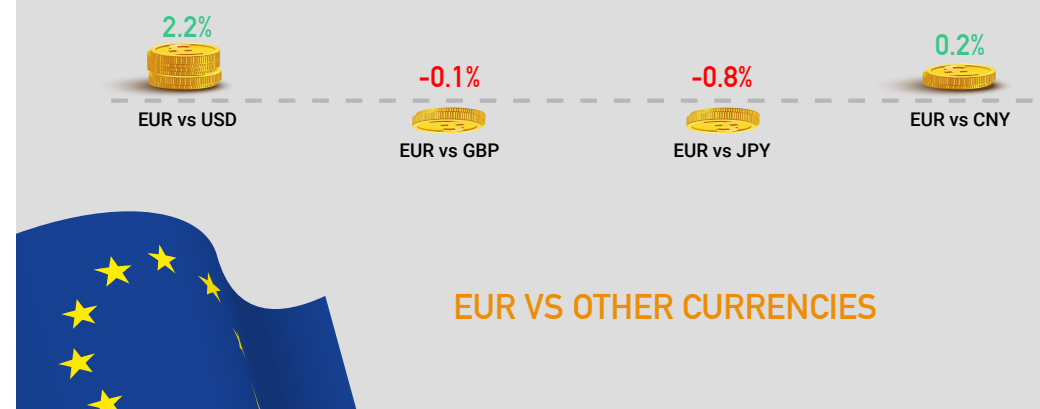
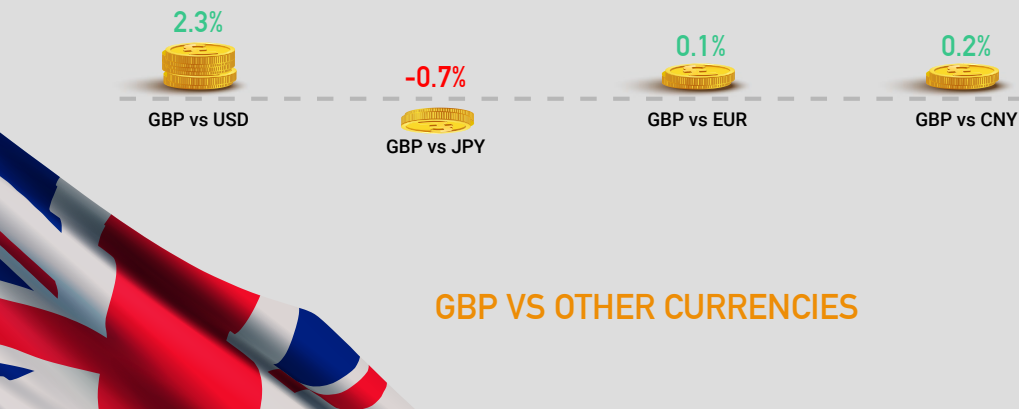


Key Points

- Global equities ticked higher through August, amid elevated volatility relative to previous periods. Developed market equities comfortably outperformed emerging markets stocks (+0.4% vs -0.7% in GBP terms).
- Across developed markets, the best performing sectors were real estate (+6.0%), healthcare (+5.5%), and consumer staples (+5.4%), while energy (-0.9%) was the only sector to post negative returns in aggregate.
- Through a traditional style lens, global value equities (+0.6%) comfortably outperformed global growth equities (+0.1%), while large caps bested small caps (+0.4% vs -1.7%).
- From a geographic perspective, the best performing major equity markets - in local currency terms - were Brazil (+6.5%) and Indonesia (+5.7%), while Turkey (-7.8%) and South Korea (-3.5%) relatively underperformed.

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CURRENCIES



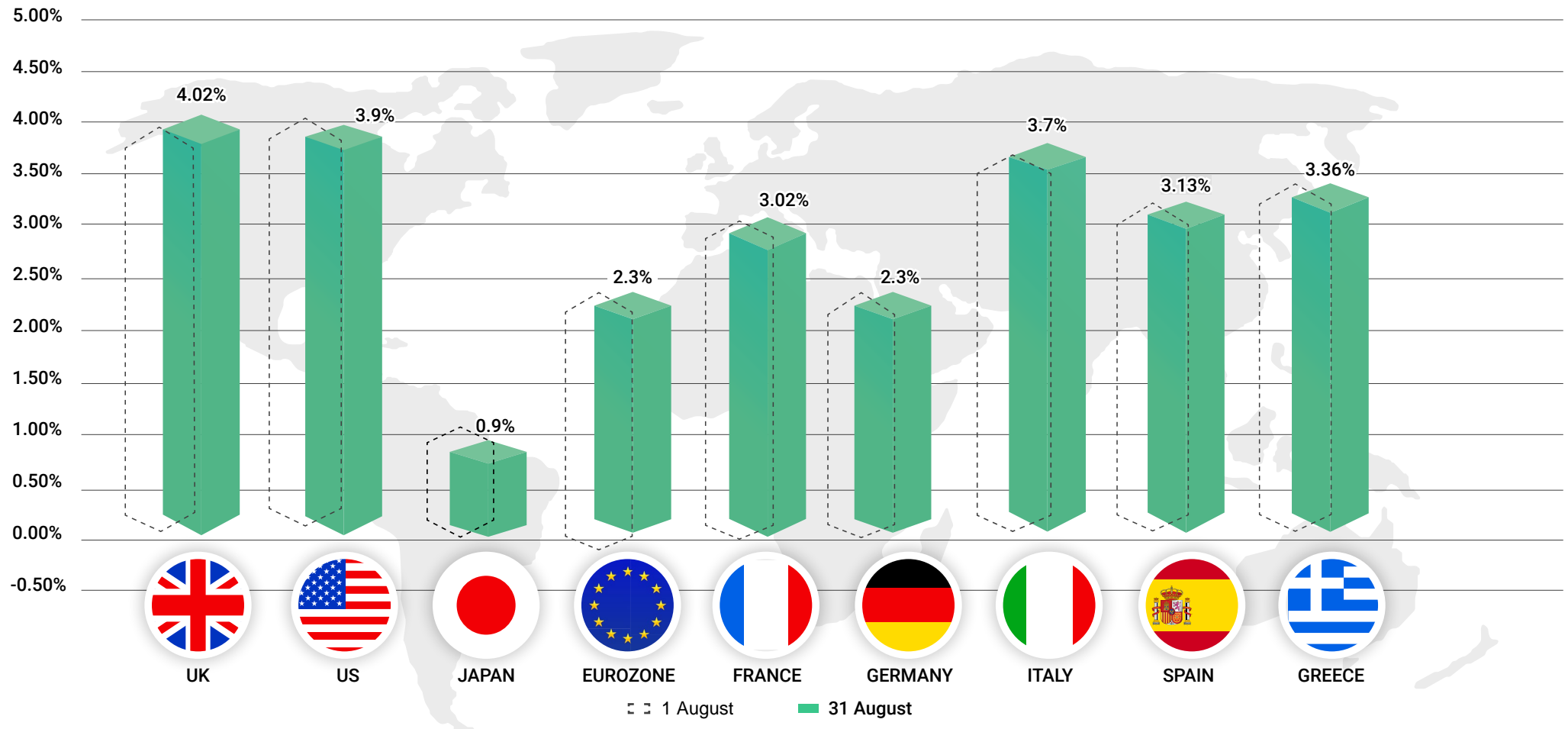
Key Points

- The best performing major currency was the Japanese yen, which rebounded aggressively following weakness earlier in the year. The catalyst for recent currency strength has been the Bank of Japan's decision to raise interest rates by 0.25%.
- Conversely, the US dollar was the poorest performing major currency through August, as investors began to anticipate a more aggressive interest rate cutting approach from the Federal Reserve, following weaker economic data.
- Both sterling and the euro gained ground against the greenback, and declined against yen strength. While the UK pound marginally appreciated versus the euro.
- Most emerging market currencies gained against a falling dollar – including the Brazilian real (+0.9%), Chinese yuan (+1.7%) and South African rand (+2.7%), with the exception being the Indian Rupee (-0.2%).

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- The bond market was broadly positive through August as inflation concerns cooled and credit spreads tightened (Bloomberg Barclays Global Aggregate Index £-Hedged +1.1%).
- The largest movements in 10-year yields were seen in the US, with a move of 13 basis points (4.03% to 3.90%), and Japan which saw a move of 16 basis points (1.06% to 0.90%).
- The best performing area of the fixed income space was emerging market debt (+2.5%), which rallied alongside a falling US dollar. High Yield credit also posted positive returns ahead of investment grade equivalents (+1.7% vs +1.1%).
- UK gilts (+0.5%) posted positive in aggregate terms but performance was more muted, as yields remained higher on the back of concerns over resilient inflation and government debt issuance levels.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People’s Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK notice.