



Market Commentary
October 2024

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SNAPSHOT

- Equities recovered from early month lows, boosted by central bank action
- Bonds made steady progress, while yield curves steepened
- The Federal Reserve cut rates by 0.5% during the month

All percentages below are monthly returns for September 2024

EQUITIES



BOND MARKETS

BONDS

Short duration outperformed

	UK GILTS	0.0%
	US TREASURIES	1.2%
	GLOBAL CORPORATE BONDS	-0.3%
	GLOBAL HIGH YIELD BONDS	-0.1%



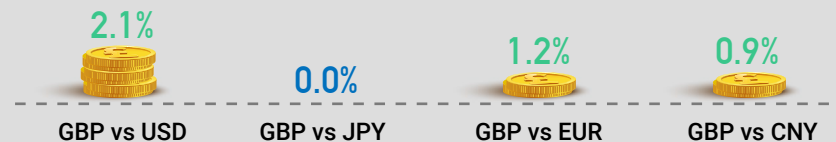
*Values represent bond index returns

CURRENCIES

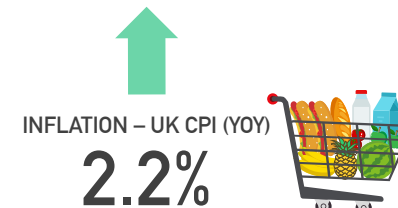
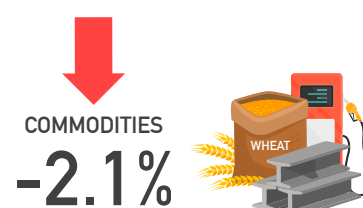
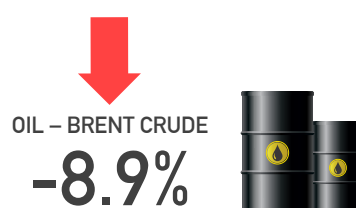
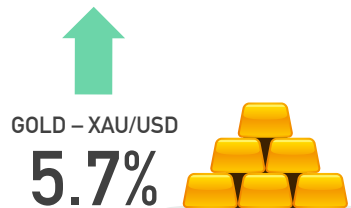
CURRENCIES

Sterling gained

Pound vs Other Currencies



KEY INDICATORS



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GLOBAL MARKETS

After a slow start, amid global growth concerns from weak US jobs data, the markets rebounded, driven by a 0.5% Fed rate cut and a 0.25% ECB reduction.



US MARKETS

First Fed rate cut of the cycle boosted markets

US markets closed higher across the board, led by large-cap growth. Tesla, Amazon, and Meta posted strong gains, with the rate cut boosting optimism. Consumer Discretionary led sector gains (6.9%), followed by Utilities (6.5%). Energy was the laggard, down 2.8%, due to a weaker oil price. The Russell 1000 Growth Index added 2.3%, while the Russell 1000 Value Index gained 0.9%. The domestically focused Russell 2000 Index, comprising the smallest listed US stocks, returned 0.3%.

2.0%

US 500



UK MARKETS

Weaker on energy prices and budget uncertainty

UK mid-cap stocks outperformed a weak FTSE100, with value leading growth. Weaker energy prices, and a softer dollar, weighed on the major oil stocks, while disappointing drug trials sent AstraZeneca, the FTSE's largest stock, down 13%. Economic data was mixed overall, with weaker business and consumer confidence somewhat offset by lower unemployment (4.1%) and positive GDP growth. The pending initial Labour budget added a touch of uncertainty to UK markets.

-1.4%

UK All Share



EUROPEAN MARKETS

Recovered from early month lows

Despite the second rate cut from the ECB during this cycle, European stocks closed the month relatively flat. Data continues to point towards economic softness, with German industry labouring under high energy prices. Profit warnings from several major motor manufacturers, including Mercedes, BMW, and Stellantis (Fiat/Chrysler), citing weak Chinese demand, created a headwind for large cap stocks. Value outperformed growth, while mid-cap outperformed both large and small caps. The market recovered from the early-month lows, which had seen declines of nearly 6%.

-0.4%

Euro 600 Index ex UK



JAPAN MARKETS

The announcement of a new PM roiled the markets

The yen's recovery continued, but at a slower pace after the recent strong bounce. The traditionally more 'export heavy' Nikkei modestly outperformed the TOPIX, as profit taking impacted both into month end. Similar to the US, growth outperformed value. Both major benchmark indices had posted +2% gains by 27th September, but were dragged lower by the announcement of a new – monetary and fiscal hawk – PM. Small cap sold off slightly less, and ended the month as the better performer.

-2.5%

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%

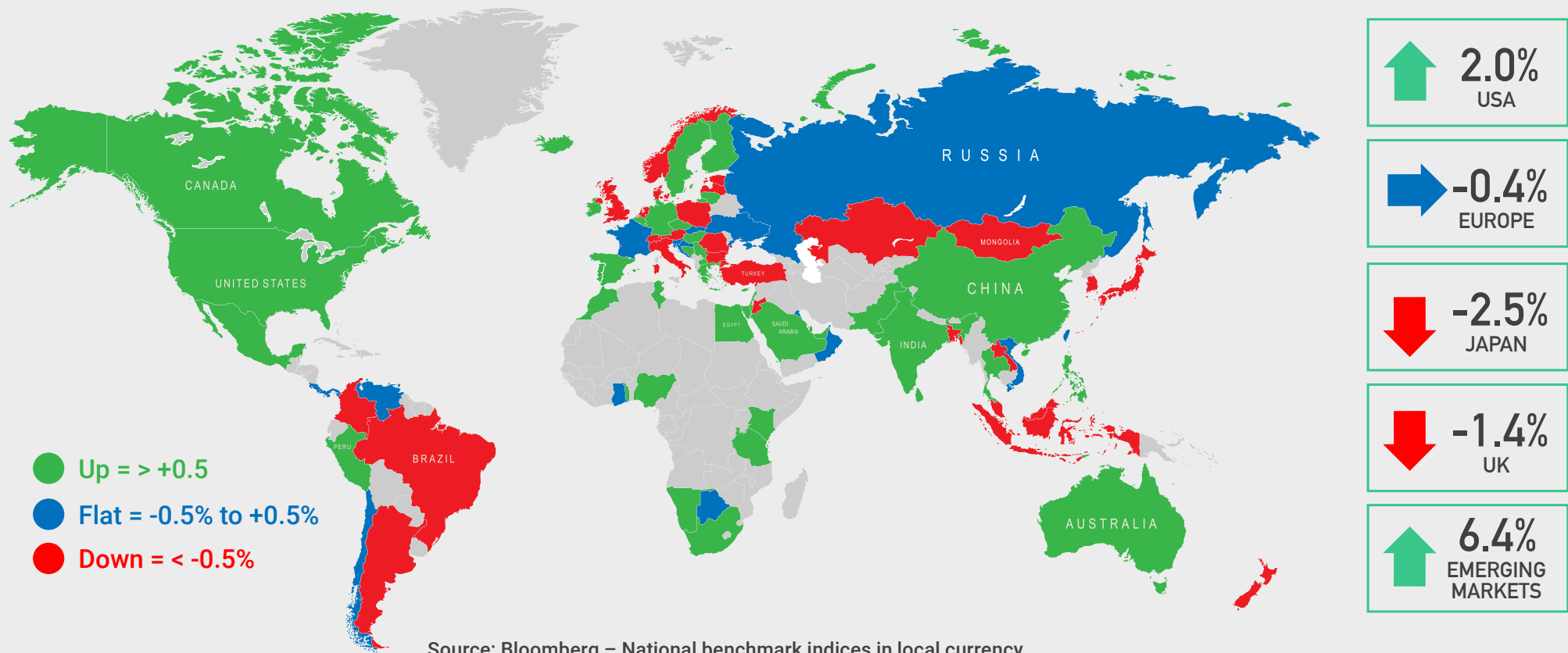
September 2024	Year to Date
0.4	3.9
-0.9	-0.5
0.0	-0.2
1.2	3.8
-0.3	0.1
-0.1	4.1
2.0	20.8
-1.4	6.6
-0.4	8.4
-2.5	11.8
7.4	21.7
6.4	14.4
-2.1	0.0
5.7	27.2
1.0	5.2

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

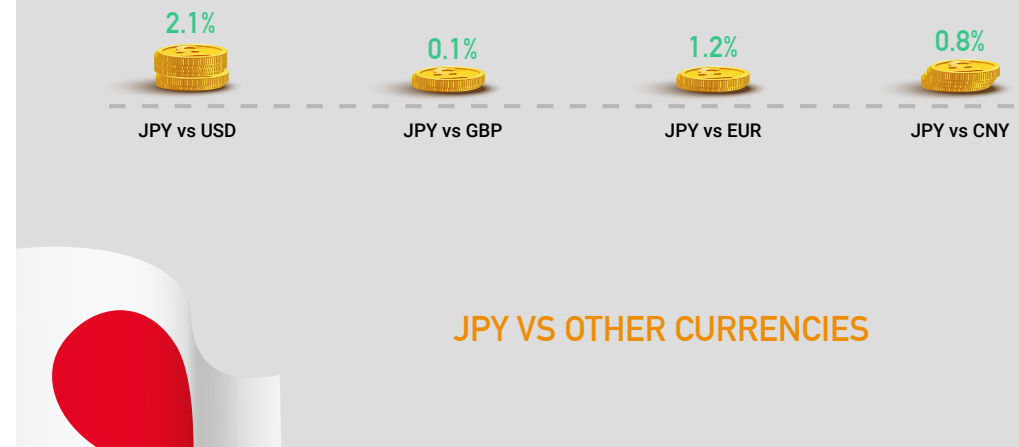
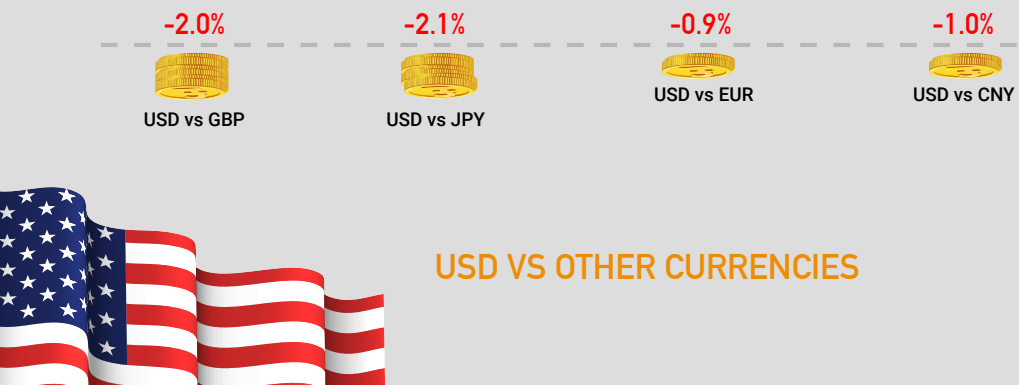
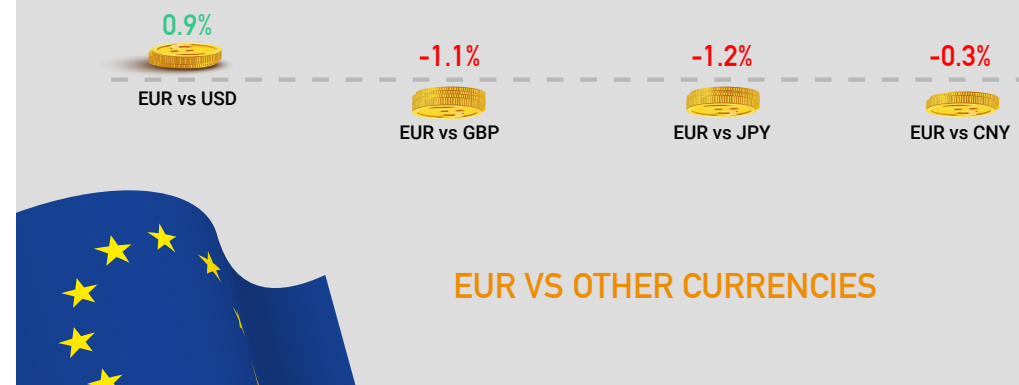
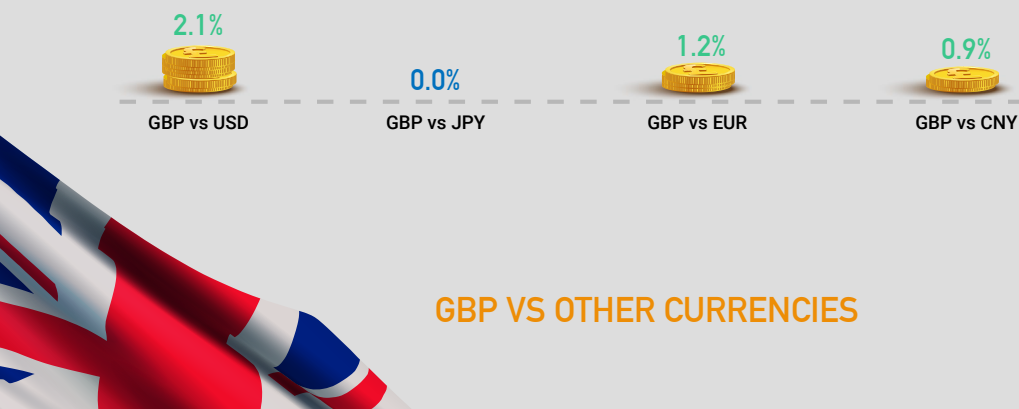


Key Points

- Global stock markets recovered as central banks moved firmly into supportive, rate-cutting mode. Equities traditionally perform well when central banks ease rates.
- China was the standout performer, with a strong rally at month-end, following the broad range of measures authorities took to boost demand. The impact was reflected in Emerging Market benchmarks, which China still dominates in terms of composition.
- In developed markets, the US continued to lead the way despite the uncertainty surrounding the closely contested presidential race, as well as labour strife at East Coast ports, which threatened the lucrative Christmas period.
- Rate cuts have often supported cyclical stocks, making it interesting to see how the Consumer Discretionary and, traditionally defensive, Utilities sectors will perform leading out of September. However, markets are likely to remain choppy as investors begin to reposition.

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CURRENCIES



Key Points

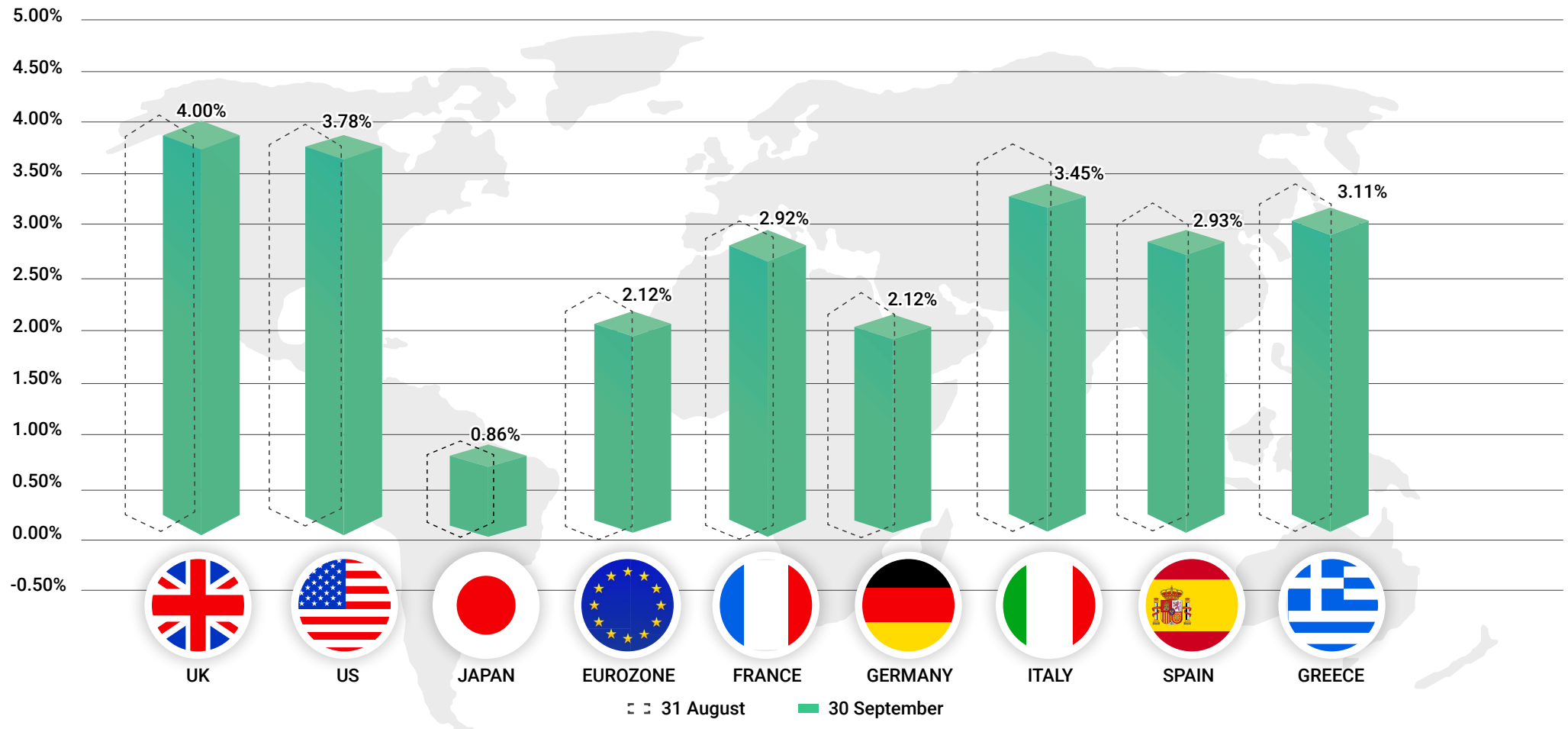
- The Bank of England's decision not to cut rates, unlike the Fed and ECB, boosted the pound to its highest level versus the dollar since Q1 2022. At \$1.34, it remains far from the lows of \$1.08 set in September 2022.
- The Chinese currency has also been making progress versus the dollar - from lows of Yuan7.3/\$ a year ago – to recently trading near Yuan7.01/\$.

- As the interest rate gap between the US and Japan narrows, the Japanese yen is outperforming the US dollar. With the rates gap expected to close further, this trend could continue.
- On a trade-weighted basis, the dollar has declined around 6% over the last 12 months. The dollar index is trading just over 101 from 114 in Q4 2022.

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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

- Despite rate cuts boosting sentiment, bonds had a mixed month, with investment grade credit spreads returning to post-COVID lows.
- High Yield credit spreads are also now near post-COVID lows, but still offer around 3% more yield than equivalent-maturity government bonds.
- Yield curves continued to normalise, with shorter rates falling in response to central bank moves, and some longer rates rising. Index-linked gilts experienced modest declines.
- Italy and Spain have performed well over the past month and year. Concerns over French politics and budget issues have caused French yields to rise, matching Spain's for the first time since 2007.
- Emerging Market debt continues to perform well, posting gains of nearly 17% (in dollar terms) over the past year, as risk aversion has moderated.

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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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