



Quarterly Investment Update

July - September 2024

QUARTERLY MARKET COMMENTARY

3rd Quarter 2024

SNAPSHOT

- Global equities and bonds moved higher through the quarter
- Asset volatility was elevated overall, amid weaker US economic data and Japan raising interest rates
- Sterling strengthened against most currencies

All percentages below are quarterly returns unless indicated otherwise

EQUITIES



BOND MARKETS

BONDS

Government issues led, outperforming credit

	UK GILTS	2.3%
	US TREASURIES	4.7%
	GLOBAL CORPORATE BONDS	0.3%
	GLOBAL HIGH YIELD BONDS	0.2%



*Values represent bond index returns

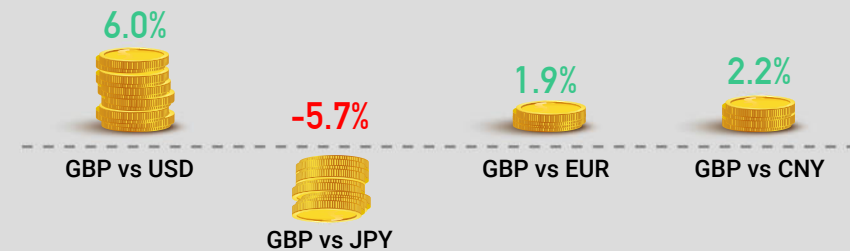
CURRENCIES

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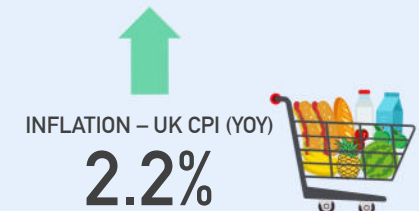
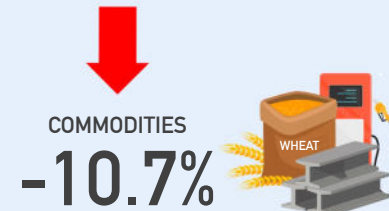
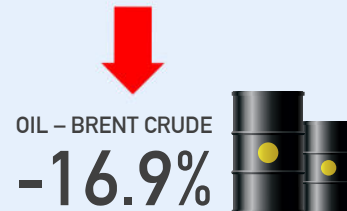
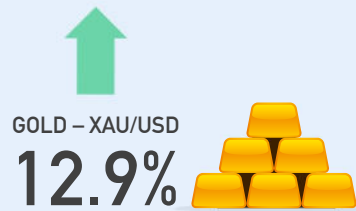
Sterling ahead against most major pairs



Pound vs Other Currencies



KEY INDICATORS



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GLOBAL MARKETS

Despite some volatility from weaker US data, in addition to Japan hiking rates, the third quarter saw solid returns, with a late stock rally driven by a Fed rate cut and numerous government stimulus packages.



US MARKETS

US equity market rallied while the dollar weakened

US equities rallied through the third quarter, led by interest rate sensitive sectors such as utilities (+18.5%), real estate (+16.3%) and financials (+10.2%). With the exception of energy (-3.1%), which fell as the price of crude oil declined, -17%, all equity sectors were positive. The Federal Reserve began its interest rate cutting cycle in September, pointing to souring consumer confidence and unemployment, which had risen to 4.2%, as the reason. This fuelled a rally in treasuries and a weakening of the US dollar. Despite some metrics raising concerns, economic growth, more broadly, remains strong, tracking at around 3% on an annualised basis.

5.5%

US 500



UK MARKETS

Continued to perform well despite a strengthened sterling

UK stocks moved higher (in aggregate terms), driven by the performance of the real estate, industrials, and financials sectors. Through the quarter, more domestically focused mid-caps (+4.7%) and small-caps (+3.2%) outperformed large caps (+1.8%). The Bank of England began its monetary easing programme by lowering interest rates by 0.25% in August, as inflation continues to track lower toward its 2% target. In light of this, risk assets rallied, including domestic bonds and equities. Economic growth remained positive despite lingering government debt concerns, near its highest level (relative to GDP) for 60-years.

1.3%

UK All Share



EUROPEAN MARKETS

Moved higher following a second central bank rate cut

European equity indices traded higher, with mid and small cap stocks outperforming their larger cap counterparts, as the ECB delivered its second rate cut of the year. Across countries, Spain (+7.7%), Ireland (+6.2%) and Germany (+6.0%) were stronger performers, while Denmark (-10.9%) was the chief laggard, weighed down by the poor performance of pharmaceutical giant Novo Nordisk (-21.7%). Inflation looks to have abated, but growth also appears to be weakening, as manufacturing and services PMIs softened through the quarter. European bond yields declined through the quarter, buoying the performance of the asset class. The euro gained against the dollar.

1.8%

Euro 600 Index ex UK



JAPAN MARKETS

Saw sharp declines following a central bank rate hike

Japanese equities fell through the third quarter as the Nikkei 225 relatively outperformed the broader TOPIX index. The Japanese central bank decided to raise interest rates in July, and provided guidance on further rate hikes to come. This led to small and mid-cap stocks outperforming larger caps, as a strengthening yen worked against more internationally trade-related companies. Japanese bonds were marginally higher in local currency terms, but lagged global bond markets. The yen gained versus major pairs, especially against the dollar, as interest rate differentials narrowed – moving from the ¥160 mark toward ¥143 to the dollar by quarter end.

-5.8%

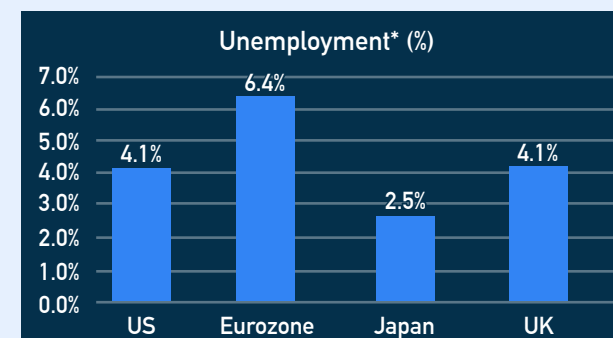
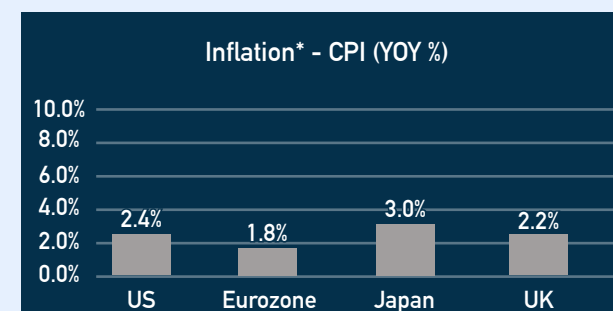
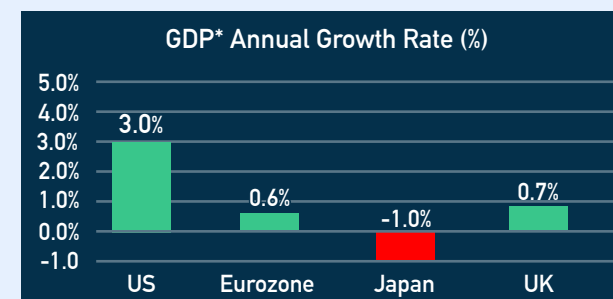
Japan Index



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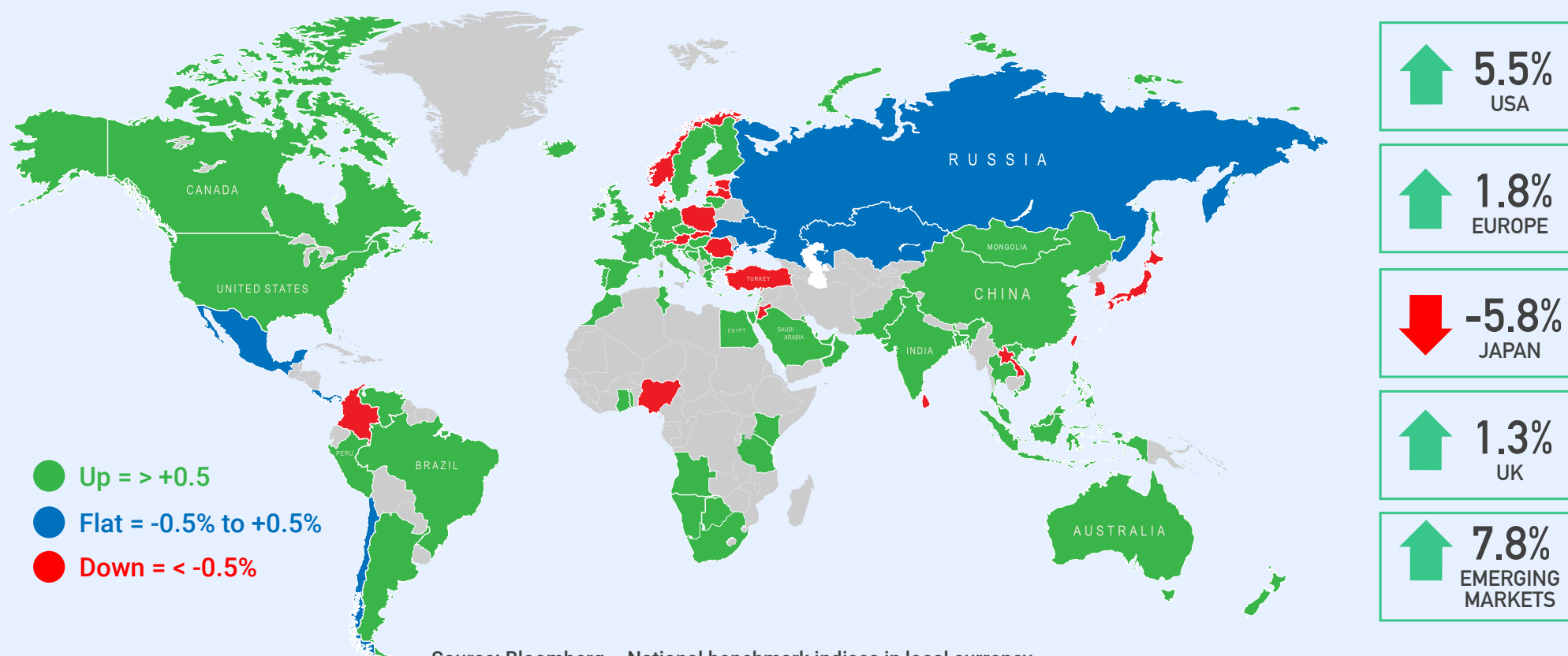
THE WORLD AT A GLANCE

	Yr End Of Last Qtr.	2024 Q3	2023	2022	2021	2020
UK Cash	4.0	1.3	4.7	1.4	0.1	0.2
US Dollar	-0.6	-4.8	-2.1	8.2	6.4	-6.7
UK Gilts	-0.2	2.3	3.7	-23.8	-5.2	8.3
US Treasuries	3.8	4.7	4.1	-12.5	-2.3	8.0
Global Corporate Bonds	0.1	0.3	4.0	-6.8	-1.9	7.1
Global High Yield Bonds	4.1	0.2	8.2	-2.3	2.0	3.8
US 500	20.8	5.5	24.2	-19.4	26.9	16.3
UK ALL SHARES INDEX	6.6	1.3	3.9	-3.2	14.6	-12.5
EURO 600 INDEX EX UK	8.4	1.8	14.8	-14.9	22.4	1.0
JAPAN INDEX	11.8	-5.8	25.1	-5.1	10.4	4.8
Asia Ex Japan	21.7	8.0	6.4	-15.4	-3.1	22.4
Emerging Markets	14.4	7.8	7.0	-22.4	-4.6	15.8
Commodities	0.0	-10.7	-9.7	41.9	41.7	-26.1
Gold	27.2	12.9	12.8	-0.7	-4.3	21.0
Hedge Funds	5.2	2.1	2.7	-4.4	3.0	5.9



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WORLD EQUITY MARKETS

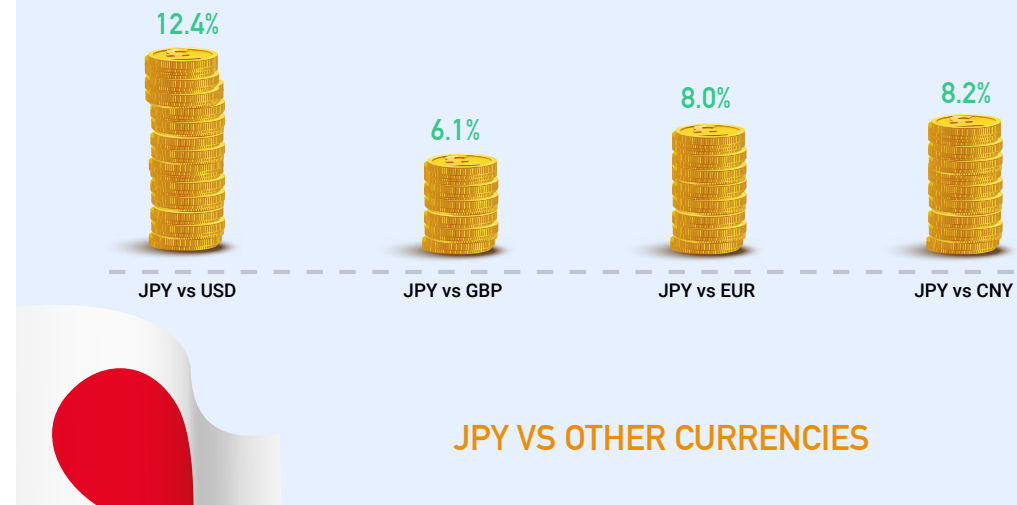
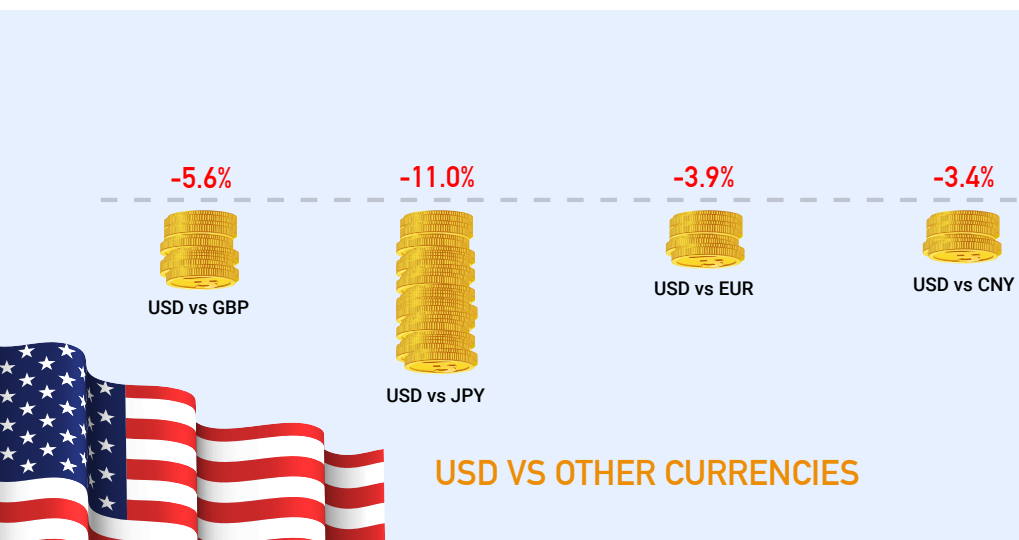
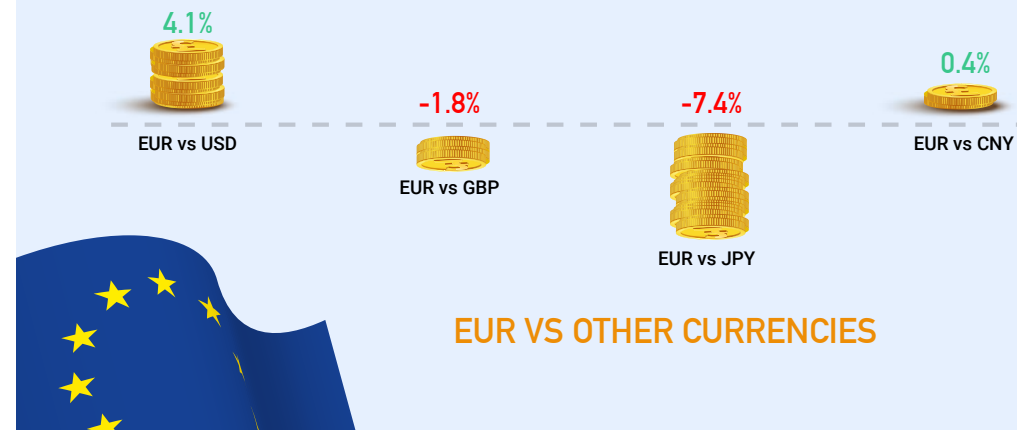
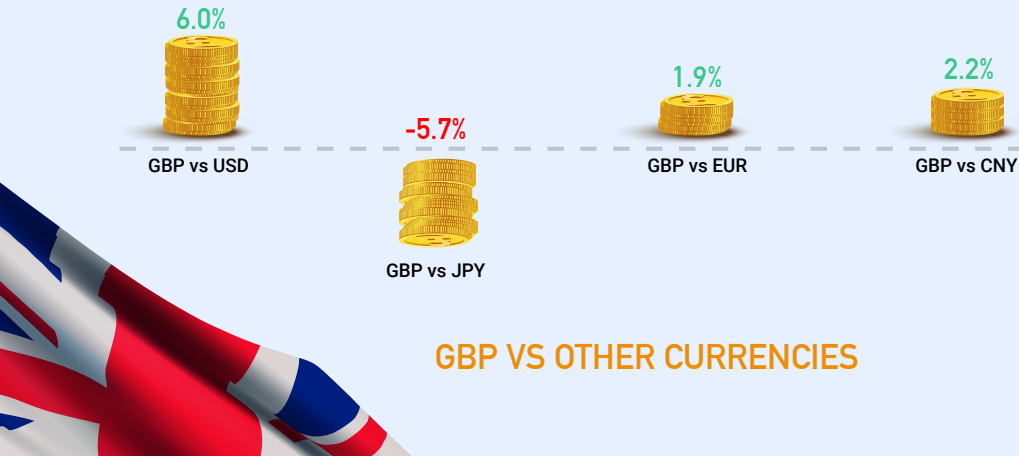


Key Points

- Global equities enjoyed another strong quarter of returns, with emerging market stocks comfortably outperforming their developed market equivalents (+2.5% vs +0.4% in GBP terms).
- From a factor standpoint, 'Size' and 'Value' were the best performing global equity factors. 'Quality' and 'Momentum' factors also scored positively but to a lesser extent.
- Across regions (in local currency terms), Hong Kong (+19.3%), China (+12.4%) and Canada (+9.7%) were strong performers. While the poorest performers were Denmark (-10.9%) and Turkey (-9.2%).
- In terms of market dynamics, small and mid-cap stocks outperformed large caps, while 'Value' as typically defined, outperformed 'Growth'.
- From a sector perspective, the best performing areas were utilities (+17.6%) and real estate (+16.6%), while the poorest were energy (-2.4%) and information technology (+1.5%).

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CURRENCIES



Key Points

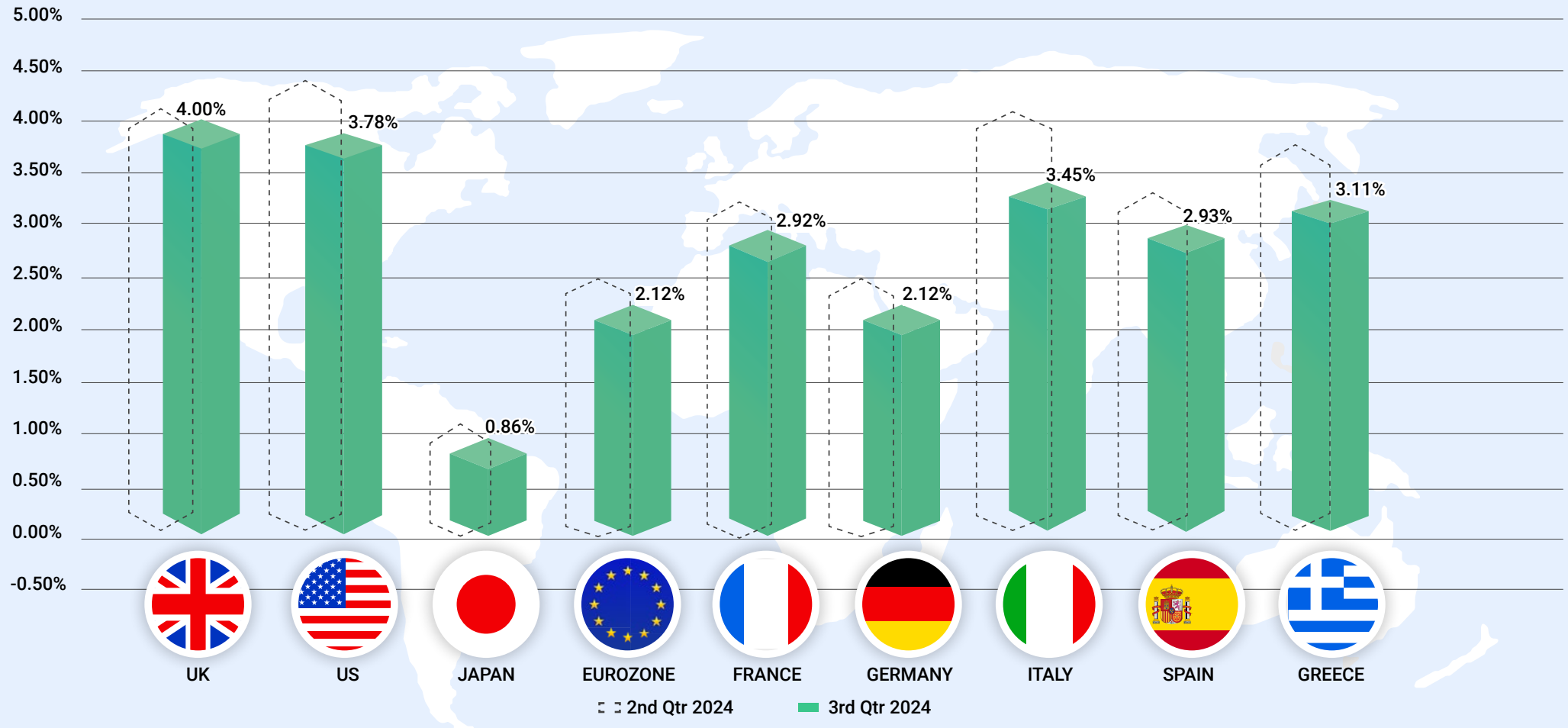
- For the second quarter, the Japanese yen was the best performing major currency, gaining ground against the US dollar, euro, sterling and the Chinese yuan. The dollar/yen cross started the quarter at ¥160 but ended at ¥143.
- Sterling also performed well on the back of the ECB delivering its second rate cut, alongside a sizeable cut from the Fed. The GBP gained against most major pairs with the exception of the Japanese yen.

- The euro had a more mixed quarter, gaining against the Chinese yuan and the dollar, which was the major laggard through this quarter (losing ground to most major currency pairs).
- Emerging market currency performance was fairly mixed - the dollar lost ground versus the Chinese yuan (-3.4%), and Brazilian real (-2.8%), but gained versus the Indian rupee (+0.6%) and the Mexican peso (+7.7%).

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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

- In aggregate terms, global bonds had a strong quarter, rising steadily through the period as yields declined on falling inflation (Bloomberg Global Aggregate TR Index GBP, +4.1%).
- Longer duration fixed income relatively outperformed, especially within the US treasuries and UK gilts markets.
- For 10-year yields across major regions, Greece saw the largest decrease, moving 64 basis points lower, followed by the US and Italy (both saw declines of 62 basis points).
- For corporate bonds, investment grade issues outperformed their high-yield counterparts through the quarter, while emerging market bonds (+6.5%) saw outperformance versus developed market bond indices.

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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