

MARKET COMMENTARY

November 2024

SNAPSHOT

- Equities moved lower, with developed markets outperforming emerging
- Global bonds declined as yields pushed higher
- The US dollar strengthened against major currencies

All percentages below are monthly returns for October 2024

EQUITIES



BOND MARKETS

BONDS

Rising yields triggered decline

	UK GILTS	-2.5%
	US TREASURIES	-2.4%
	GLOBAL CORPORATE BONDS	1.4%
	GLOBAL HIGH YIELD BONDS	3.6%



*Values represent bond index returns

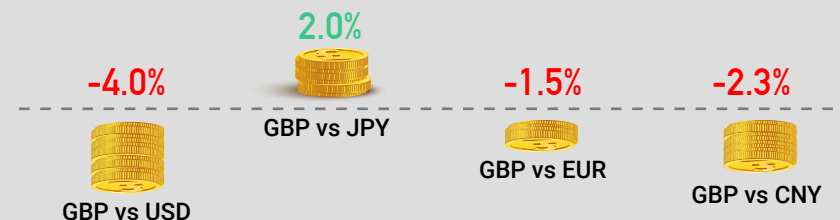
CURRENCIES

CURRENCIES

Budget concerns impacted sterling



Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

3.8%



OIL – BRENT CRUDE

1.9%



COMMODITIES

4.8%



INFLATION – UK CPI (YOY)

1.7%



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GLOBAL MARKETS

Global markets suffered a broad-based downturn, driven by US election-related uncertainty and potential policy shifts. Developed markets outperformed emerging, while growth stocks outpaced value.



US MARKETS

Declined despite positive economic indicators and data

US equities fell despite positive economic indicators. The September labour market report exceeded expectations, revealing an increase of 254,000 nonfarm payrolls and a decrease in the unemployment rate to 4.1%. Additionally, year-over-year wage growth was reported at 4%. The initial estimate for third-quarter GDP growth in the US indicated an annualised rate of 2.8% quarter-on-quarter, suggesting above-trend economic expansion. As the earnings season began, the banking sector reported strong results. However, guidance from technology companies was mixed, especially concerning semiconductor demand, which contributed to general market volatility and a decline in overall earnings momentum.

-1.0%

US 500



UK MARKETS

UK budget finally revealed

UK equities fell, with large-cap stocks outperforming small and mid-caps. The labour market remained tight, with the unemployment rate dropping to 4.0% and pay growth at 4.9% year-on-year in August. Inflation decreased significantly to 1.7%, while core inflation was at 3.2%. The UK budget revealed higher-than-expected borrowing and taxes, as Chancellor Rachel Reeves announced £70 billion in extra spending over five years, funded by £40 billion in tax increases and £32 billion in additional borrowing. She indicated a loosening of fiscal rules to permit this increased borrowing, which the Office for Budget Responsibility warned could hinder long-term growth.

-1.8%

UK All Share



EUROPEAN MARKETS

Declined overall despite mixed constituent economic results

European equities declined in October. The eurozone economy grew by 0.4% in Q3, double the previous quarter's rate and above the 0.2% estimate. Germany's economy expanded by 0.2%, avoiding recession, while France and Spain also saw stronger growth. However, Italy's economy stalled. September inflation was revised down to 1.7% but rose to 2.0% in October, largely due to energy effects. The European Central Bank (ECB) noted weakening momentum, especially in manufacturing, although the service sector remained robust. As a result, the ECB announced a third 25 basis point rate cut this year, lowering the deposit facility rate to 3.25%.

-3.3%

Euro 600 Index ex UK



JAPAN MARKETS

Outperformed most developed market peers

Japanese stocks emerged as the top performers despite concerns regarding the potential impact of tighter monetary policy and a stronger yen on export-oriented companies, along with political uncertainty stemming from recent election results. Core inflation for October was reported at 1.8% year-on-year, bolstered by positive wage growth. In its October meeting, the Bank of Japan (BoJ) maintained its current policy stance, as anticipated, but adopted a generally hawkish tone.

1.9%

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%

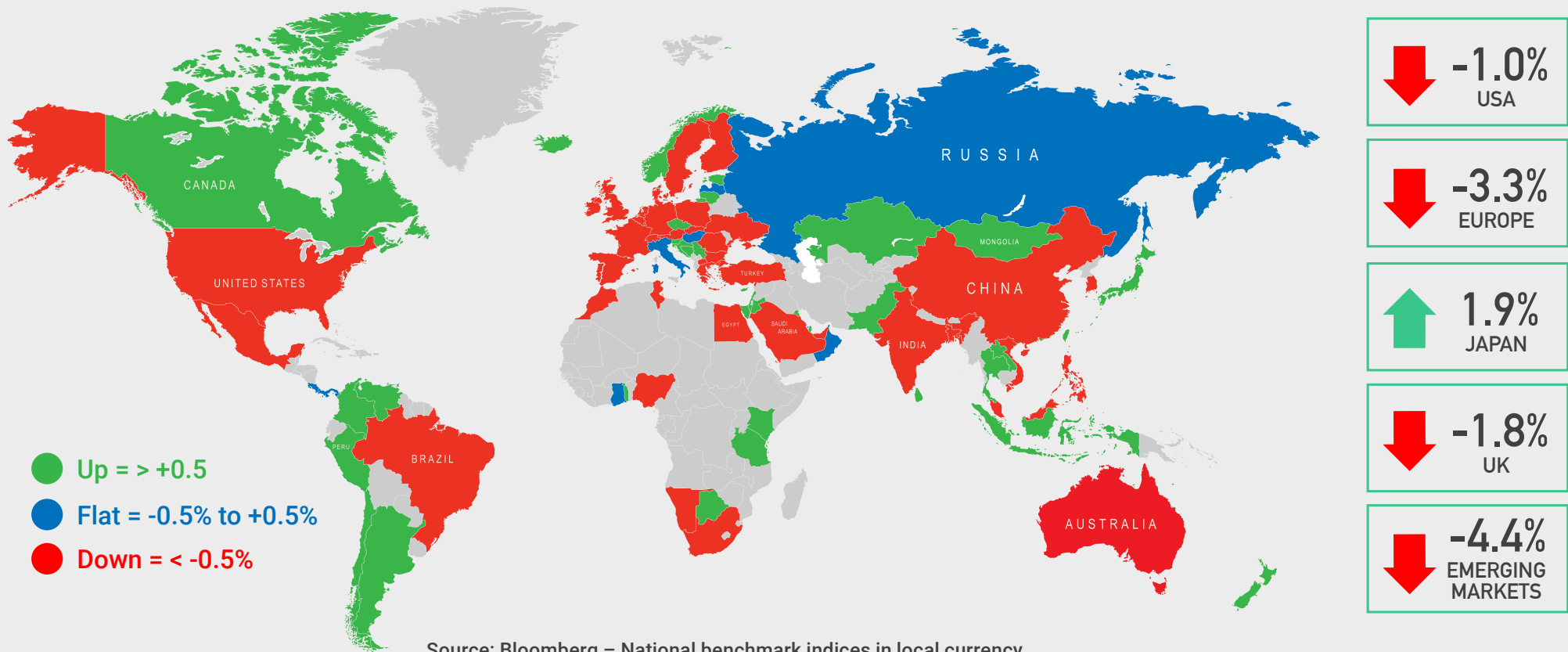
	October 2024	Year to Date
UK CASH	0.4	4.4
US DOLLAR INDEX	3.2	2.6
UK GILTS	-2.5	-2.7
US TREASURIES	-2.4	1.4
GLOBAL CORPORATE BONDS	1.4	1.5
GLOBAL HIGH YIELD BONDS	3.6	7.8
US 500	-1.0	19.6
UK ALL SHARE INDEX	-1.8	4.7
EURO 600 INDEX EX UK	-3.3	4.9
JAPAN INDEX	1.9	13.9
ASIA EX JAPAN	-3.3	17.7
EMERGING MARKETS	-4.4	9.4
COMMODITIES	4.8	4.8
GOLD	3.8	32.0
HEDGE FUNDS	-0.7	4.5

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

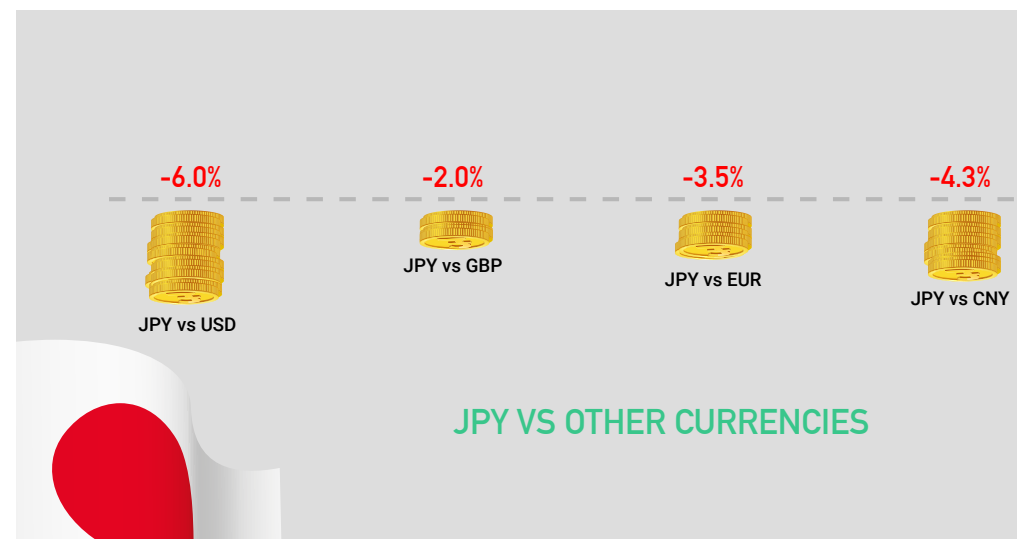
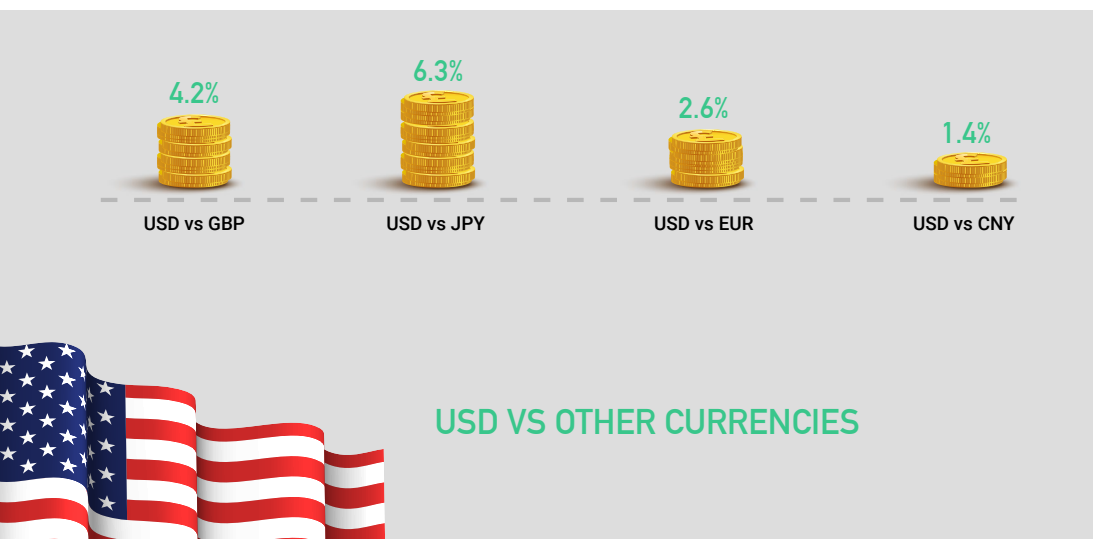
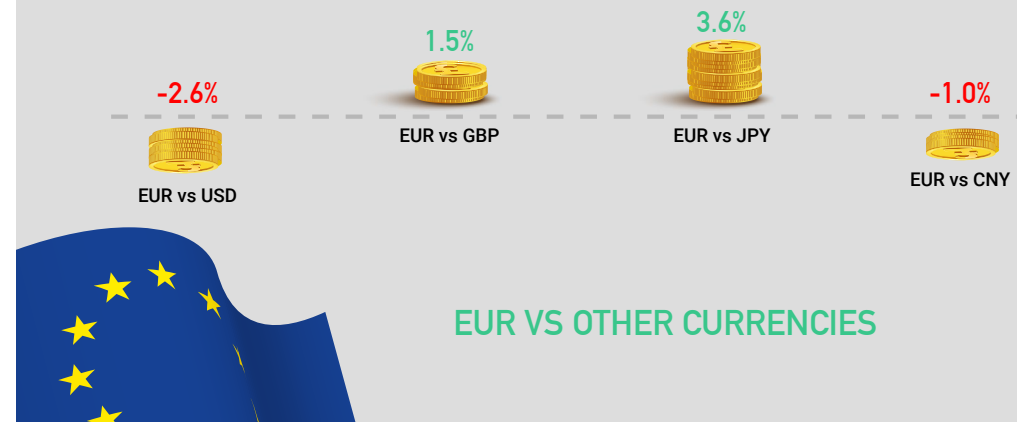
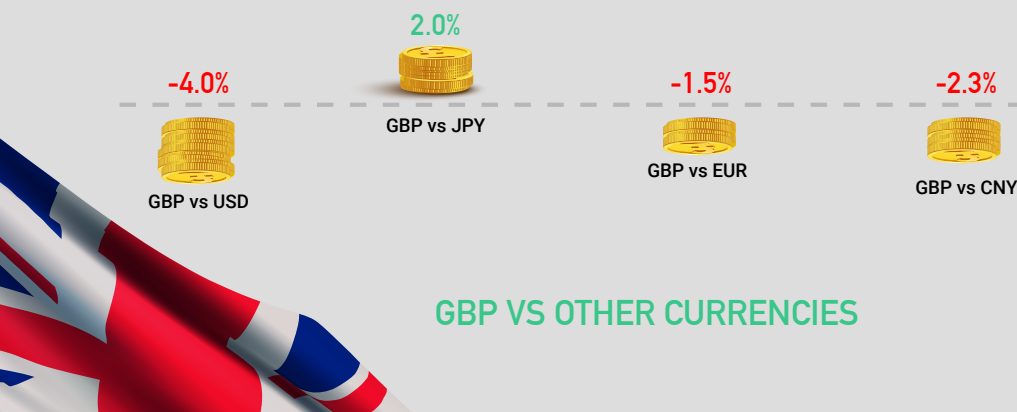


Key Points

- Global equities declined, with developed markets generally outperforming emerging market countries in aggregate.
- US equities declined slightly, with the S&P 500 decreasing by 1.0%. Stocks were positive for most of the month, but on the last day the market experienced a 1.9% sell-off, pushing it into the red for the period.
- UK equities declined as budget concerns weighed on sentiment. Small-cap stocks outperformed large-cap stocks, while the FTSE AIM All Share Index rose sharply on the day following the announcement that the 50% Business Relief would still be available.
- Emerging markets declined due to a stronger dollar, despite China's recent support measures aimed at managing the real estate bubble and boosting consumption. Indian stocks experienced a sharp correction in October, primarily due to weak corporate results.

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CURRENCIES



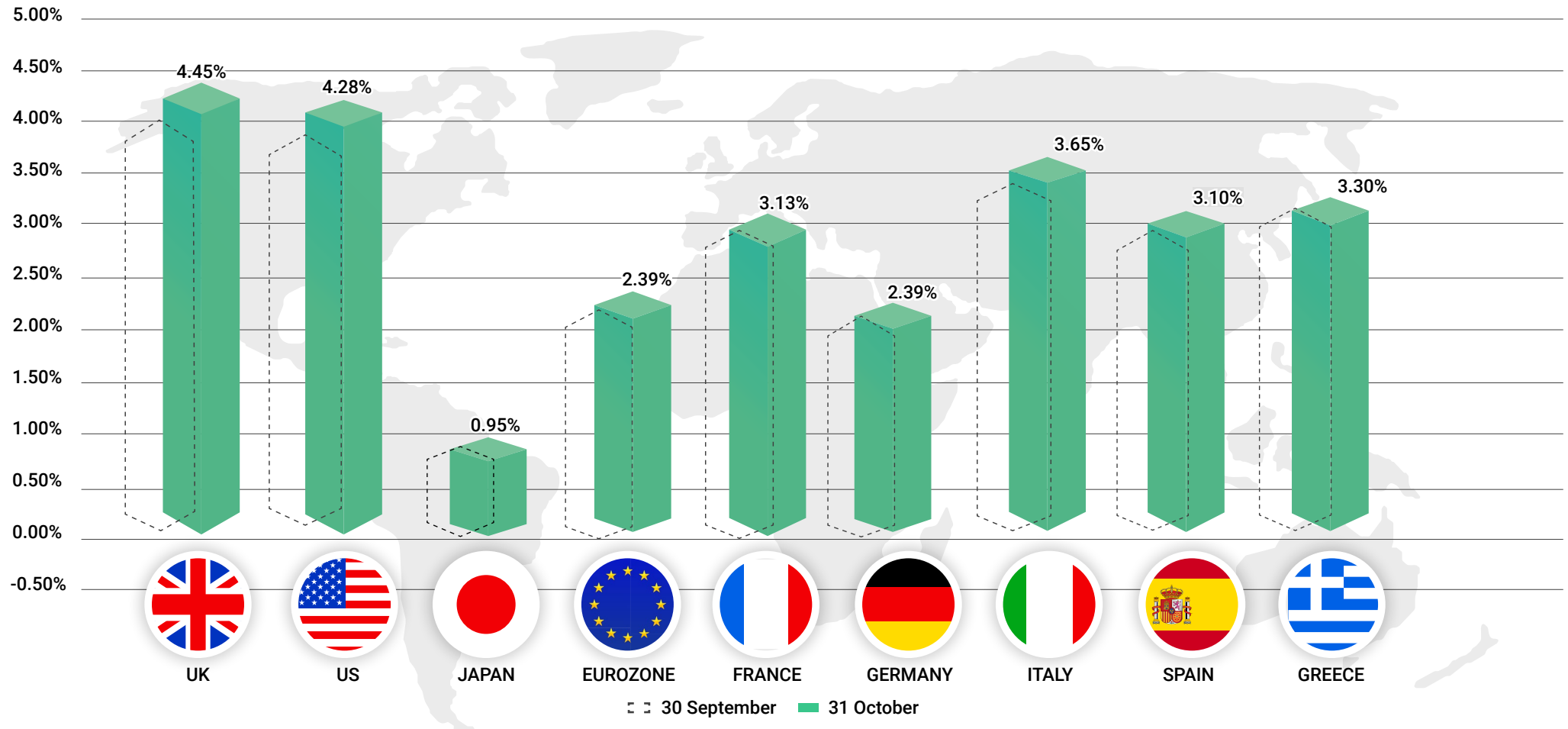
Key Points

- Due to its economic strength and divergence among major global central banks' pace of interest rate cuts, the US dollar strengthened against major currencies. Positive economic data has lowered expectations for Federal Reserve rate cuts, pushing up yields.
- Sterling weakened after the new British finance minister, Rachel Reeves, announced a tax-and-spend budget that raised market concerns about inflation and growth.
- The yen weakened against the dollar and will remain pressured this year, as Japan's ruling coalition's election loss raises political and policy uncertainty. Japan's near-zero rates versus rising U.S. rates continued to weigh on the yen.
- The euro weakened sharply against the dollar on rising speculation of a Trump victory, as his policy proposals hint at a return to US protectionism that could shift global economic dynamics.

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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

- Due to stronger-than-expected borrowing and spending levels now planned, gilt yields rose following the UK budget announcement, which put pressure on the UK gilt market.
- US Treasury yields rose as cooling rate cut expectations, alongside election uncertainty, pushed 2-year and 10-year Treasury yields above 4.0%.
- European sovereign bond yields rose as traders anticipated increased fiscal spending in the US and UK. High Yield bonds outperformed, supported by expectations that the ECB's easing cycle would benefit a range of fixed-income assets.
- Currency helped credit register positive sterling returns, outperforming gilts.

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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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