

MARKET COMMENTARY

December 2024

SNAPSHOT

- A broad equity market rally was very much US led
- Bond markets overall were volatile but delivered positive returns
- It was another strong month for the US dollar

All percentages below are monthly returns for November 2024

EQUITIES



BOND MARKETS

BONDS

Economic data drove yields up, then down

	UK GILTS	1.6%
	US TREASURIES	0.8%
	GLOBAL CORPORATE BONDS	1.6%
	GLOBAL HIGH YIELD BONDS	1.8%



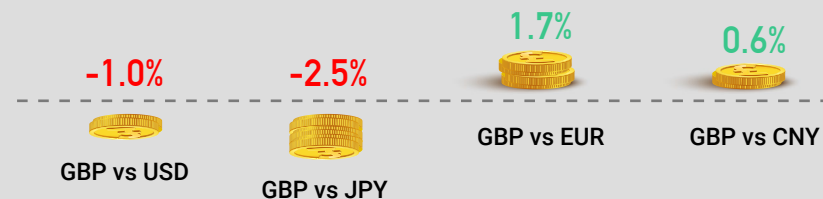
CURRENCIES

CURRENCIES

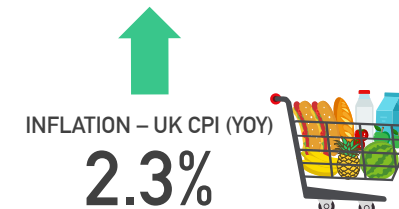
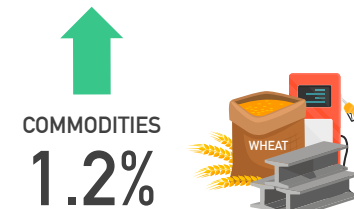
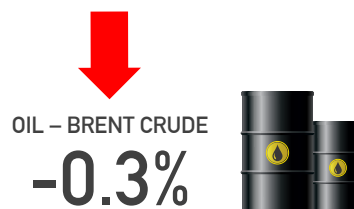
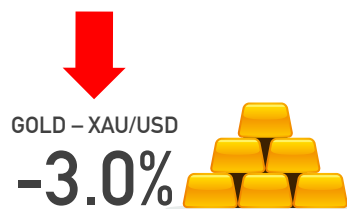
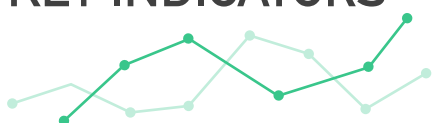
Budget and macro concerns weighed on sterling



Pound vs Other Currencies



KEY INDICATORS



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GLOBAL MARKETS

The scale of Trump's victory drove US markets higher. Europe and Asia were mostly negative, in local currency terms, on weaker macro data.



US MARKETS

A Trump victory propelled the markets

A Donald Trump White House victory, plus the Republicans gaining control of Congress, delivered strong equity market gains, particularly for small caps. On the other side of the 'Trump trade', ESG thematic sectors, such as clean energy, saw negative returns. US business confidence surveys soared on expectations of tax and regulatory cuts. Economic data continued to come in ahead of expectations, and the GDP outlook for 4Q24 looks robust. Underlying 3rd Quarter 2024 GDP ex-inventory data came in at a healthy 3.4%. Inflation remains somewhat sticky, with core inflation across a range of measures closer to 3%, more than the Fed's preferred 2% target.

5.7%

US 500



UK MARKETS

A mixed but positive month overall

UK equities fell in the early part of the month, as post-budget sentiment remained weak. Economic data (GDP, Retail Sales) was generally weaker than expected, and business confidence, in contrast to the US, fell back. Eventually, the strength of the US market, plus solid M&A activity, e.g. Direct Line, saw the markets move into positive territory for the month. AstraZeneca, the UK's biggest stock by market cap, fell sharply at the start of the month over Chinese corruption claims, before clawing back some of those losses.

2.1%

UK All Share



EUROPEAN MARKETS

Generally flat on uncertain political climate

It was another difficult month for European equities as the German government fell, with elections being called for early next year. The French government, which lacks a majority in parliament, faced the prospect of both a no-confidence vote and no budget being passed. Several large European companies issued profit warnings, with weak Chinese demand cited as a common factor. French bonds suffered the ignominy of their yields trading above that of Greece, as attempts to tackle their rising budget deficit hit a parliamentary 'brick wall'. The euro was weaker against other major currencies as a result.

0.0%

Euro 600 Index ex UK



JAPAN MARKETS

Election results contributed to market uncertainty

The Japanese general election (on 27th Oct) saw a sharp reversal for the new Prime Minister and the ruling LDP, which lost its parliamentary majority, leading to further uncertainty over future economic policy. Japanese equity markets initially took part in the 'Trump rally' before those gains were eroded by weaker economic data, as well as weaker sentiment in Asia as the China stimulus rally faded. Value as an investment theme outperformed growth over the month.

-0.5%

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%

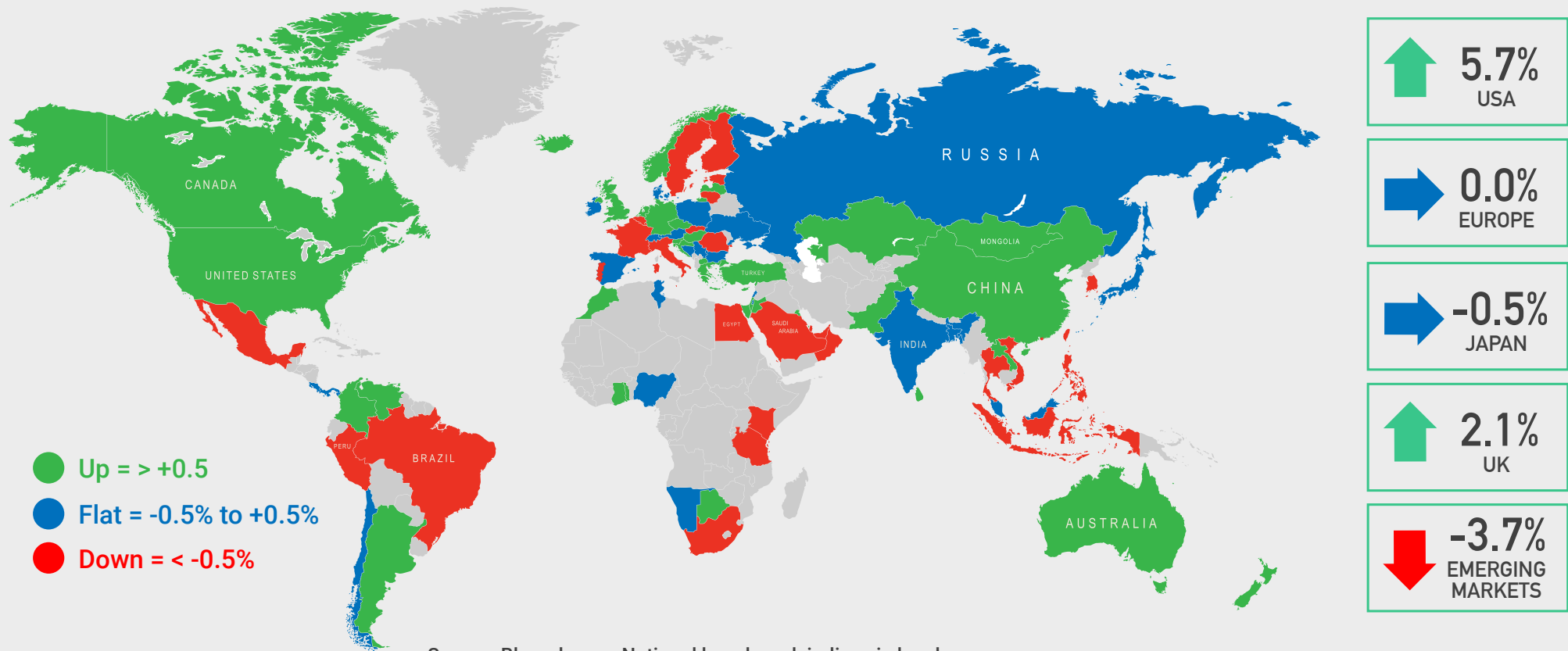
	November 2024	Year to Date
UK CASH	0.4	4.8
US DOLLAR INDEX	1.7	4.3
UK GILTS	1.6	-1.1
US TREASURIES	0.8	2.2
GLOBAL CORPORATE BONDS	1.6	3.1
GLOBAL HIGH YIELD BONDS	1.8	9.8
US 500	5.7	26.5
UK ALL SHARE INDEX	2.1	6.9
EURO 600 INDEX EX UK	0.0	4.9
JAPAN INDEX	-0.5	13.3
ASIA EX JAPAN	-2.6	14.7
EMERGING MARKETS	-3.7	5.4
COMMODITIES	1.2	6.1
GOLD	-3.0	28.0
HEDGE FUNDS	0.7	5.2

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

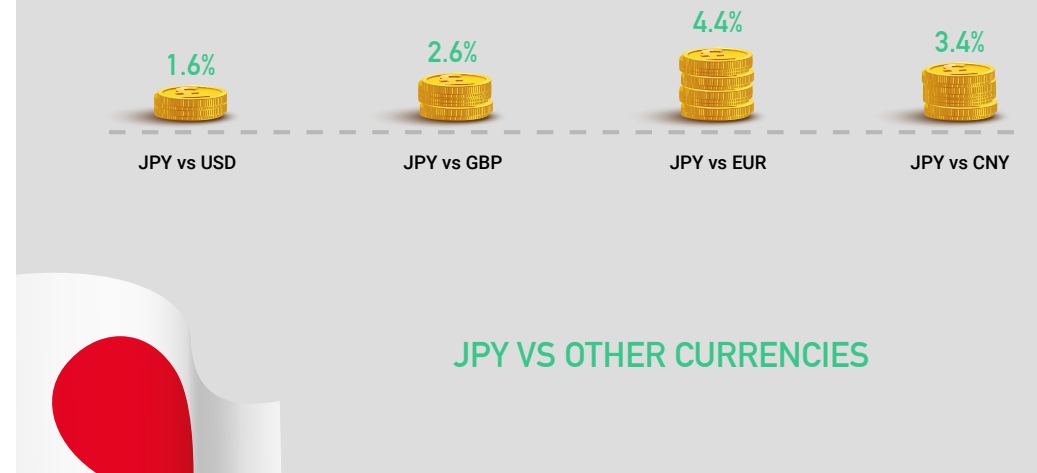
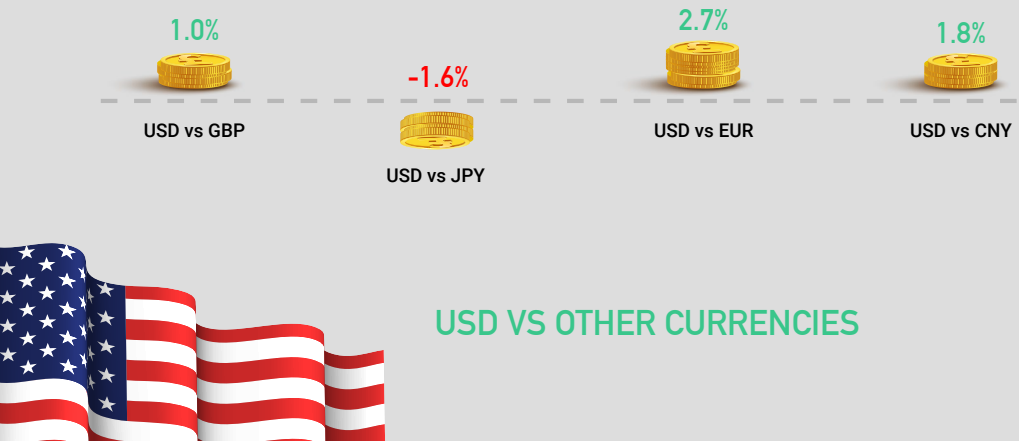
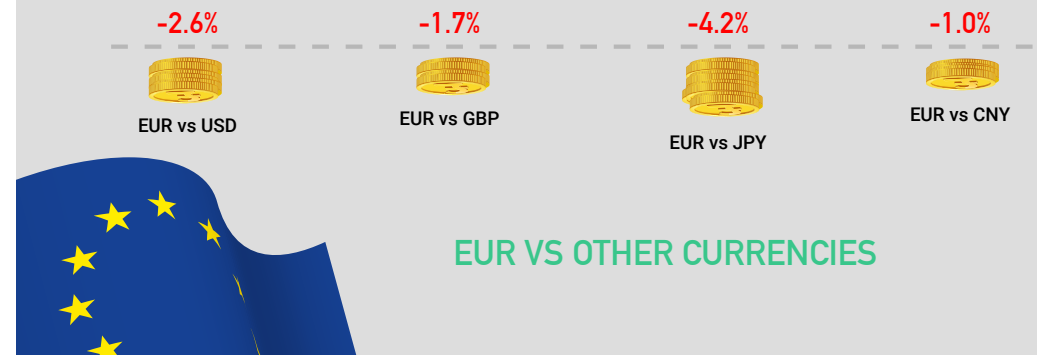
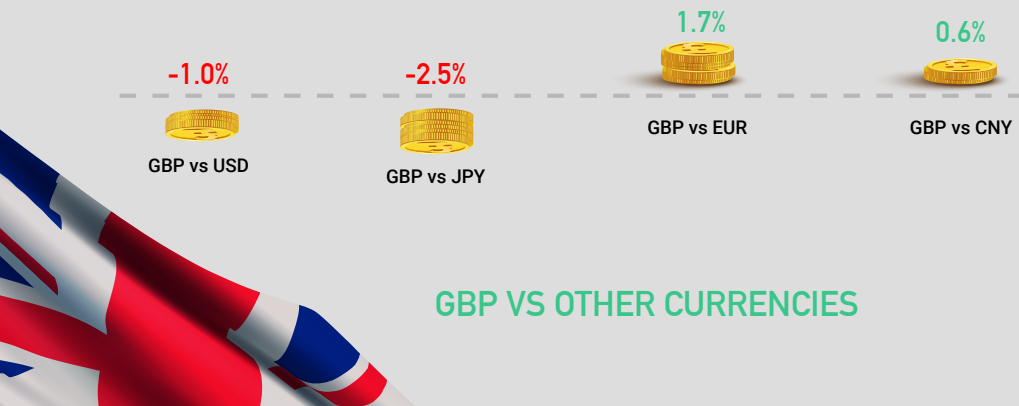


Key Points

- The 'Trump trade' drove a significant rally in US equities. Most other developed markets had negative returns. The scale of US outperformance versus other equity markets was made even more stark for UK investors by the strength of the US dollar.
- In the US, it was small caps that led the way, with the Russell 2000, which had lagged the main market rally, hitting a new all-time high. November also saw new highs for NASDAQ and the S&P500.
- Europe seemed to be in the eye of the storm, with negative political, economic, and company-level headwinds all contributing to negative returns for the month. The UK proved more resilient by comparison.
- The huge rally in Chinese equities witnessed in September continued to ebb away. The Hang Seng fell over 4% as further details on the Chinese government stimulus package underwhelmed, and economic data continued to paint a bleak picture.

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CURRENCIES



Key Points

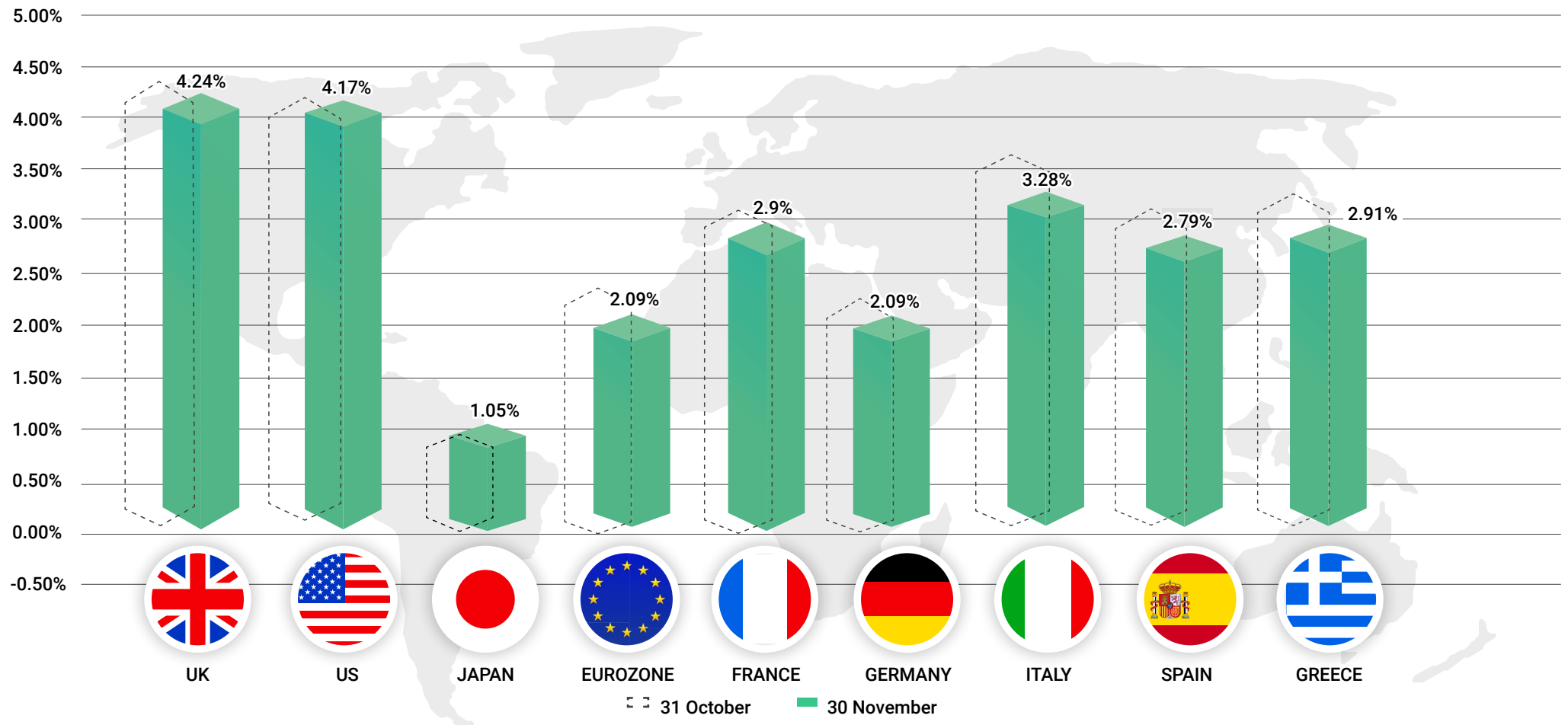
- The US dollar strengthened against major currencies due to strong economic data and a Trump presidency that points towards more limited scope for the Fed to cut rates.
- Sterling weakened against the dollar, as faltering economic momentum and increased government borrowing forecasts dented the prospects for a stronger UK economy.

- The euro was particularly weak, as political, budgetary, and economic headwinds combined to sap support. Trump's support for tariffs against European manufacturers further added to the sense of gloom.
- The yen was relatively strong, managing to eke out modest gains against a strong US dollar, while achieving significant gains against sterling and the euro.

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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

- Bond returns were positive after a difficult October, with 'In-line' US inflation data the catalyst for a 2nd half rally in November. Yet again, it was High Yield that provided the best risk adjusted returns.
- A strong underlying US economy, and the prospect of a Trump presidency, saw US rate cut expectations moderate even further. Market expectations on the scale of rate cuts over the next 12 months have fallen significantly recently.
- Bond yields fell across Europe as a weaker economy opened the prospect of more ECB rate cuts.
- French yields fell by less, as worries about their ability to tackle the rising budget deficit saw French borrowing costs exceed those of Greece. The premium on French debt to Germany rose to the highest level since the Eurozone crisis.
- Gilts rallied towards the end of the month as domestic concerns over the level of issuance were outweighed by the tailwind from falling US Treasury yields.

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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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