

MARKET CHRONICLES

October 2024



"October's market volatility raised concerns due to uncertainties surrounding the U.S. elections and potential policy changes. The strong dollar challenged emerging markets, while Japan's equity performance revealed selective opportunities. Investor sentiment remained cautious amid growth risks, despite the U.S. economy's resilience. As November began, significant events unfolded, including President Trump's reelection and the Federal Reserve's interest rate cut aimed at balancing growth and inflation. Trump's policies may extend tax cuts and influence key sectors, while geopolitical risks in the Middle East and Taiwan continue to affect market sentiment. In this environment, investors should focus on balanced portfolios and diversification to manage volatility and capitalize on new opportunities. Incorporating alternative investments can protect against inflation, helping achieve long-term financial goals in an uncertain economic landscape."

- Narendra Babu, Senior Director, Financial Marketing Services

Global Markets

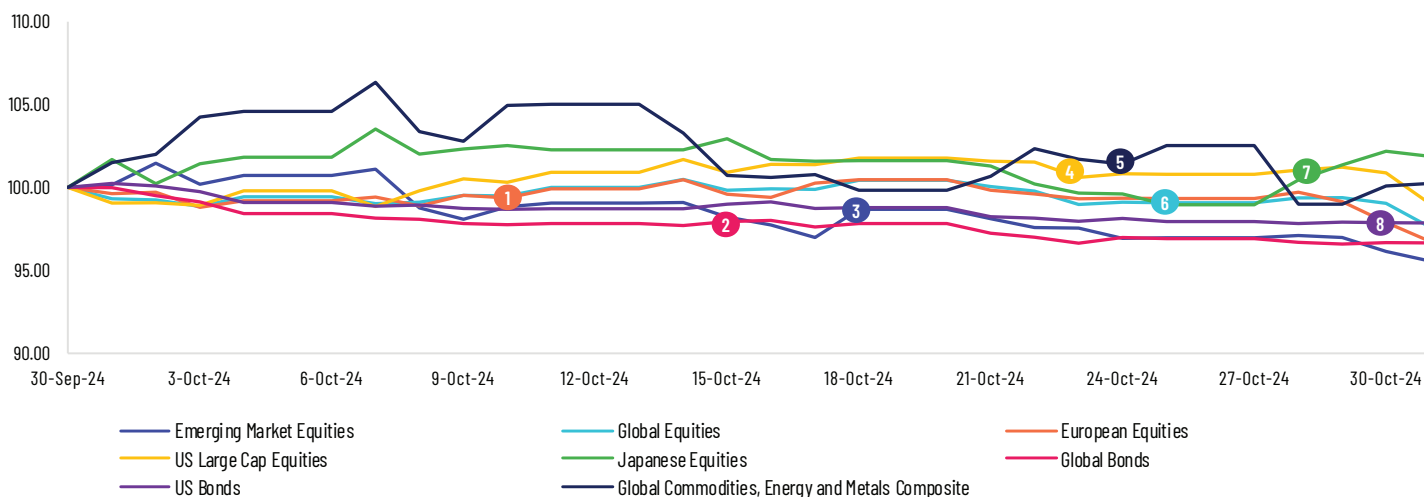
Global Equity Markets -2.4%

US Large Cap Equities -1.0%

Global Bonds -3.4%

*All performances are in USD

Asset Class Performance



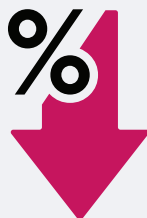
Please note that the chart is intended for illustrative purposes only and should not be used for precise performance measurement. All performance data has been normalized to a baseline value of 100 for comparative ease.

- October 10: European shares slumped, led by defense and industrial stocks, after U.S. inflation data rose and investors grew anxious about France's 2025 budget announcement.
- October 15: Global bonds saw a rapid divergence between euro zone and U.S. government bond markets, as a weakening European economy pressured the European Central Bank to swiftly cut interest rates.
- October 18: Indian equities suffered record foreign outflows in October as fund managers turn to China, hoping Beijing's stimulus will revive its weak economy
- October 23: Wall Street closed lower as rising Treasury yields pressured mega cap stocks and reduced investors' confidence in significant Fed rate cuts, while corporate news hurt McDonald's and Coca-Cola
- October 24: Gold prices surged to record levels, boosting global commodity markets, as ongoing geopolitical tensions increased demand for safe-haven assets
- October 25: Global stock markets struggled amid rising geopolitical instability and an uncertain outlook for international trade.
- October 28: Japan's stock market experiences a significant rise as the yen declines sharply after a coalition loss.
- October 30: U.S. Treasury yields usually align with oil prices, but this correlation has weakened recently, indicating that long-term deficit concerns are now overshadowing near-term inflation worries

Top Performing Asset Class:

Global Commodities +0.2%

Global Commodities (+0.2%): Global commodities experienced a modest uptick in October 2024, with precious metals, and oil prices advancing, despite global demand concerns that negatively affected the energy and industrial metals sectors.



Bottom Performing Asset Class:

Global Property Index -5.1%

Global Property Index (-5.1%): The Global Property Index fell sharply in October due to increased seller activity in the U.S., leading to the highest housing inventory since 2019. Elevated mortgage rates also worsened the market downturn.

Equity

Global equity markets ended lower due to growing tensions in the Middle East and political uncertainty in the U.S. ahead of the elections. Investors remained wary and took shelter in the Asian markets. The US equity markets also fell during the month notwithstanding strong consumer spending and upbeat earnings from technology companies. US retail sales rose in September, driven by increased spending at restaurants and bars. Meanwhile, the annual inflation rate in the US eased to 2.4% - the lowest level since February 2021 and only slightly above the 2% target. In Europe, equity markets declined amid weakening economic growth and softening business activity in the region. The European Central Bank (ECB) lowered its interest rates by 25bps to 3.25%, the third cut this year and the first back-to-back cut in 13 years, mirroring a shift in the ECB's focus from curbing inflation to sustaining economic growth. Meanwhile, ECB President Christine Lagarde's remarks created uncertainty about a potential fourth rate cut in December 2024. Meanwhile, the UK stocks fell during the month despite the consumer price inflation falling sharply to 1.7% in September. In Asia, the Japanese equity market advanced, supported by rising foreign investments and a weakening Yen. Bank of Japan intends to maintain its short-term policy rate at 0.25% to keep its inflation forecast around 2%. However, China's market faced challenges amid falling real estate prices and a government crackdown on wealth management products. The People's Bank of China responded by lowering lending rates by 25 basis points to stimulate the property market and weak consumer demand.

Fixed Income

In October, global bonds experienced a decline, reflecting uncertainty about the future of global interest rate cuts and the impact of a strong US dollar. The robust US economy and uncertainty about post-election policy changes have led to a more gradual adjustment of expected Federal Reserve (Fed) rate cuts. In the US, the September Consumer Price Index (CPI) report showed that inflation eased less than forecasted. However, core inflation remained high at 3.3%, driven by rising costs in medical care, transportation services, and airline fares. Rate cuts were anticipated in November, but a strong labor market and resilient inflation reinforced hopes of a smaller cut. This pushed 2-year, and 10-year Treasury yields above 4.0%. In Europe, the headline inflation increased to 2.0% year-over-year, mainly due to energy base effects. The European Central Bank (ECB) noted weakening economic momentum in Europe, especially in manufacturing, while the service sector also showed softer demand. The ECB announced a third 25 bp rate cut of the year, bringing the deposit facility rate to 3.25%, in line with expectations. President Lagarde expressed confidence in the disinflation process but emphasized that future moves will be data dependent. In the UK, the budget announcement in October put pressure on the UK Gilt market due to higher-than-expected spending plans for 2025. However, the yield on 10-year UK gilt was up 4.3446% by the end of the month.

Commodities

Global commodity markets saw modest gains in October 2024 supported by increase in precious metals and oil prices. Oil prices initially surged amid heightened geopolitical tensions, as Iran launched missile attack on Israel, raising concerns over a broader Middle East conflict and potential supply disruptions. However, these initial gains were partially reversed as OPEC reduced its demand forecast for 2024-25 and China's declining oil imports- driven by slowing economic growth and increased adoption of electric vehicles (EV)- further dampened global demand. Natural gas prices fell, influenced by forecasts of a warmer-than-usual autumn weather in the US and Europe, which reduced demand. While high European gas storage levels and temporary supply disruptions in Norway provided some support. Gold prices reached all-time high due to escalating geopolitical tensions, upcoming US elections, and expectations of further rate cuts, though some of the gains were capped by a stronger US Dollar and rising treasury yields. Similarly, silver rose to a 12-year high, driven by safe-haven demand, stagnant mine output, China's monetary easing and EV push, and increased industrial demand from solar panel production. Copper prices declined amid China's economic uncertainties, a stronger US Dollar, tempered expectations for Federal Reserve rate cuts, and fluctuating supply-demand dynamics. Wheat futures fell due to favorable weather in Russia and the Central US, heightened competition from Russian exports, and higher global supply forecasts from the U.S. Department of Agriculture (USDA).

Central Bank Quotes



Some participants observed that they would have preferred a 25 basis point reduction of the target range at this meeting, and a few others indicated that they could have supported such a decision. Our patient approach over the past year has paid dividends. Inflation is now much closer to our objective, and we have gained greater confidence that inflation is moving sustainably toward 2%.

– Jerome Powell, Chairman, Federal Reserve (9 October 2024)

Although incomes rose in the second quarter, households consumed less, contrary to expectations. The saving rate stood at 15.7% in the second quarter, well above the pre-pandemic average of 12.9%. At the same time, recent survey evidence points to a gradual recovery in household spending. The labour market remains resilient. The unemployment rate stayed at its historic low of 6.4% in August. However, surveys point to slowing employment growth and a further moderation in the demand for labour.”

– Christine Lagarde, President, European Central Bank (17 October 2024)



Market Indices

2018	2019	2020	2021	2022	2023	YTD 2024	October 2024
US Large Cap Equities -6.2%	US Large Cap Equities 28.9%	Asian Equities Ex- Japan 20.2%	US Large Cap Equities 26.9%	UK Equities 7.2%	Japanese Equities 25.1%	US Large Cap Equities 19.6%	Japanese Equities 1.9%
UK Equities -8.8%	European Equities Ex-UK 27.1%	Emerging Market Equities 18.3%	European Equities Ex-UK 24.5%	Japanese Equities -5.1%	US Large Cap Equities 24.2%	Global Equities 14.3%	US Large Cap Equities -1%
European Equities Ex-UK -10.9%	Global Equities 24.0%	US Large Cap Equities 16.3%	UK Equities 19.6%	European Equities Ex-UK -12.6%	Global Equities 19.9%	Japanese Equities 13.9%	UK Equities -1.4%
Global Equities -11.3%	Emerging Market Equities 18.4%	Global Equities 14.1%	Global Equities 16.7%	Asian Equities Ex- Japan -19.0%	European Equities Ex-UK 17.6%	Emerging Market Equities 11.7%	Global Equities -2.4%
Emerging Market Equities -14.6%	UK Equities 16.4%	Japanese Equities 4.8%	Japanese Equities 10.4%	US Large Cap Equities -19.4%	Emerging Market Equities 9.8%	Asian Equities Ex- Japan 11.4%	European Equities Ex-UK -3.4%
Asian Equities Ex- Japan -16.4%	Asian Equities Ex- Japan 15.6%	European Equities Ex-UK 1.8%	Emerging Market Equities -2.5%	Global Equities -19.5%	UK Equities 7.7%	UK Equities 8.1%	Emerging Market Equities -4.5%
Japanese Equities -17.8%	Japanese Equities 15.2%	UK Equities -13.2%	Asian Equities Ex- Japan -3.2%	Emerging Market Equities -20.1%	Asian Equities Ex- Japan 5.3%	European Equities Ex-UK 7.1%	Asian Equities Ex- Japan -5.0%

In case you missed it

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What's ahead

November 14, 2024	UK: GDP YoY
November 15, 2024	US: Fed Balance Sheet
November 20, 2024	Eurozone: ECB Meeting
November 21, 2024	Japan: Foreign Bond Investment
November 25, 2024	Eurozone: EU Bond Auction
November 28, 2024	Italy: Consumer Confidence
December 2, 2024	Australia: Manufacturing PMI
December 3, 2024	Mexico: Unemployment Rate
December 5, 2024	US: Balance of Trade

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