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MARKET CHRONICLES

September 2024

"The recent shift in policy by the Federal Reserve, in response to low inflation, has boosted confidence in both stock and bond markets, improving the outlook for diversified investment portfolios. However, the upcoming US elections add an element of uncertainty that could unsettle this positive trend. While the central bank's interest rate cuts have created a supportive environment, the possibility of election-related volatility looms, indicating that investors should approach the market with caution. Finding the right balance between the Fed's accommodating stance and the uncertainties surrounding the political outcome will be crucial in shaping the investment landscape. It's a time for strategic flexibility, as the interaction between policy and politics will undoubtedly impact market direction and stability in the near future."

– Narendra Babu, Senior Director, Financial Marketing Services

Global Markets

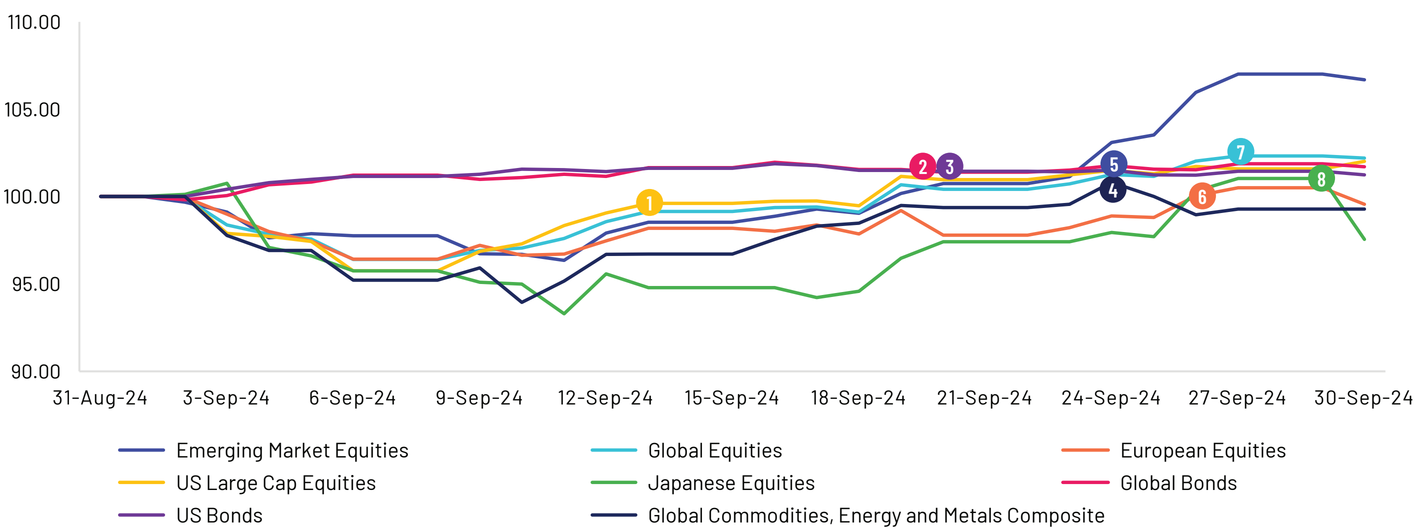
Global Equity Markets	2.2%

US Large Cap Equities	2.0%

Global Bonds	1.7%

**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.

1. September 13: The equity market outperformed, led by rate-sensitive small cap stocks, as hopes of the 50bps Fed rate cut boosted investor sentiment.
2. September 20: Global bond funds continued to attract inflows for the 39th consecutive week, alongside an outperformance in short-term and high-yield bond funds led to moderate investor withdrawals.
3. September 20: Treasury yields rose as the start of the Federal Reserve's first rate-cutting cycle in more than four years whet investors' risk appetite.
4. September 24 - China introduced stimulus measures to support its economy and stock markets, leading to a rise in commodity prices due to anticipated improvements in demand.
5. September 24: China's central bank launched its largest stimulus since the pandemic to combat deflation and meet growth targets.
6. September 26: European stocks, particularly those exposed to China such as luxury and mining stocks, hit a record high after the Chinese government announced stimulus measures to boost its ailing economy.
7. September 27: Global stock indices hit record highs after chipmaker Micron Technology's positive forecast, while interest rate cuts by major central banks lifted investment interest in precious metals.
8. September 29: Japanese stocks tumbled after the governing party chose Shigeru Ishiba, a critic of the country's longstanding ultralow interest rates, as its leader.

Top Performing Asset Class:

Global Property Index +3.4%

Global Property Index (+3.4%): The Global Property Index maintained its momentum, aided by China announcing economic stimulus plans to revamp the economy, and backed up by the rate cuts in the US.

Bottom Performing Asset Class:

Global Commodities -0.7%

Global commodities continued to drop, with crude oil prices falling significantly, amid ongoing conflict in the Middle East and weakening global demand.

Equity

Equity markets rallied following the US Federal Reserve's (Fed's) highly anticipated rate cut after holding steady for more than a year. A cooling labour market and softening inflation encouraged the Fed to cut rates. US equities also advanced because of the Fed's rate cut. Meanwhile, the US's core personal consumption expenditure gauge at 2.2% in August, lower than expected, giving investors hope of a second rate cut in November. In Europe, markets rose on the Fed's rate cut and China's stimulus measures. The European Central Bank (ECB) also eased rates to stimulate growth, while inflation is back close to its 2% target. Inflation in eurozone eased to 1.8%, below its target in September. UK stocks eked out gains following the Bank of England's (BoE's) decision to leave rates unchanged at 5%. The UK's headline inflation remained unchanged at 2.2% in August, lingering only slightly above the BoE's 2% target. In Asia, Japanese stocks weakened amid rising inflation and a strengthening yen. The Bank of Japan left rates unchanged at its September meeting. The apex bank stated that the country's economy was growing in line with expectations while rising wages were boosting domestic consumption, keeping inflation on track to meet its 2% target. In China, markets rallied after the Chinese government announced a slew of stimulus measures to shore up its ailing economy. The People's Bank of China (PBoC) trimmed interest rate by 20bps and its reserve requirement ratio by 50bps to boost loan demand. Another important measure unveiled by the PBoC was a 50bps rate cut for existing mortgages to prop up its property sector.

Fixed Income

In September, the Fed lowered the policy rate by 50bps. Markets had earlier priced in a 25bps rate cut but a slowing job market provided the central bank the stimulus to deliver a larger-than-expected rate cut. Consequently, US Treasury yields declined, with the 10-year yield falling 11bps to 3.81% and the 2-year yield decreasing 25bps to 3.66%. Meanwhile, weak labour market data and falling inflation further widened the spread between 10- and 2-year yields. In Europe, the ECB cut rates by 25bps amid weakening economic growth and slowing inflation in the region. However they remained cautious, stating that it did not intend to pre-commit to a particular 'rate path'. The 10-year German Bund yield fell to c.2.1068% in September, while the 10-year UK gilt yield fell to 3.9861% in the month, as the BoE left rates unchanged, stating that a rate cut might become a possibility in the near term if the economy continued to grow in line with expectations.

Commodities

In September, global commodity markets saw negative returns, as cocoa and oil prices dampened overall gains. Oil prices declined as Saudi Arabia considered moving away from its USD100 per barrel target and signalled a potential increase in production, in line with OPEC+'s plans to boost supply. However, a new stimulus package from China – the top oil importer – helped mitigate further losses. Natural gas prices surged on increased demand for power generation, notably from artificial intelligence datacenters, and the arrival of cold weather in North America and Europe. Gold prices ramped up to an all-time high in September, aided by robust investment demand, a weakening US dollar, geopolitical tensions, falling US real interest rates and central bank purchases. The Fed's rate cut and the looming uncertainty surrounding the US elections further enhanced gold's appeal as a safe haven asset. Silver prices also rallied driven by China's economic stimulus measures, US interest rate cuts, rising demand in the electronic vehicle and green energy sectors, increased festive and jewellery demand and a decline in global production, due to mine closures in Peru and regulatory hurdles in Mexico. Prices of industrial metals, especially copper, surged, supported by China's economic stimulus and US interest rate cuts. Wheat futures rose, due to dry planting conditions in key regions and supply risks from geopolitical tensions, along with reduced export forecasts. Cocoa prices dropped on increased global supply and favourable weather in leading growers Ivory Coast and Ghana. Coffee prices continued to rise because of adverse weather in Brazil and limited production in Vietnam.

Central Bank Quotes

Recent inflation data have come in broadly as expected, and the latest ECB staff projections confirm the previous inflation outlook. Staff see headline inflation averaging 2.5% in 2024, 2.2% in 2025 and 1.9% in 2026, as in the June projections. Inflation is expected to rise again in the latter part of this year, partly because previous sharp falls in energy prices will drop out of the annual rates. Inflation should then decline towards our target over the second half of next year.
– Christine Lagarde, President, European Central Bank (12 September 2024)

Democracies around the world, countries that are like the United States, have independent central banks. And the reason is that people have found over time that insulating the central bank from direct control by political authorities avoids making monetary policy in a way that favors, maybe, people in office as opposed to people who are not in office.
– Jerome Powell, Chairman, Federal Reserve (18 September 2024)

Market Indices

2018	2019	2020	2021	2022	2023	YTD 2024	September 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 20.8%	Asian Equities Ex- Japan 7.7%
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%	Asian Equities Ex- Japan 17.3%	Emerging Market Equities 6.7%
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%	Global Equities 17.1%	Global Equities 2.2%
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 16.9%	US Large Cap Equities 2.0%
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%	Japanese Equities 11.8%	European Equities Ex-UK -0.4%
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%	European Equities Ex-UK 10.9%	UK Equities -1.8%
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%	UK Equities 9.7%	Japanese Equities -2.5%

In case you missed it

1. *Learn how artificial intelligence-powered technologies restructuring the US Insurance sector and bringing sustainable benefits. – June 2024*
2. *Is investing in real assets more beneficial due to its possibility of accumulating net return? Explore further! – June 2024*
3. *Discover how geopolitical tensions coupled with the fed interest rate reverse impacting leveraged lending in the US.*
4. *Is affordable housing for extremely low-income households in the US still a dream? Explore further..*

What's ahead

October 15, 2024	UK: Unemployment Rate
October 17, 2024	Eurozone: ECB Interest Rate Decision
October 18, 2024	India: Forex Reserves
October 23, 2024	Canada: BOC Interest Rate Decision
October 24, 2024	Japan: Manufacturing and Services PMI
October 29, 2024	US: Consumer Confidence
October 30, 2024	Spain: Inflation Rate YoY
November 01, 2024	ISM Manufacturing PMI
November 05, 2024	HSBC Composite PMI Final
November 07, 2024	BoE Interest Rate Decision

For more details scan the QR code or visit
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Acuity was established as a separate business from Moody's Corporation in 2019, following its acquisition by Equistone Partners Europe (Equistone). In January 2023, funds advised by global private equity firm Permira acquired a majority stake in the business from Equistone, which remains invested as a minority shareholder.