



Weekly Investment Update

13th September 2024

News Headlines

Trump v Harris Debate – On Tuesday, the debate between Vice President Kamala Harris and former President Donald Trump took place, drawing significant attention as the first major debate between the two candidates. They discussed key issues such as the US economy, immigration, and abortion, with both candidates taking contrasting positions. Harris emphasised a forward-looking approach, while Trump focused heavily on his previous administration and the 2020 election. Betting odds suggested Harris was the winner of the debate, becoming the narrow favourite the following day. While the debate solidified Harris' position, the race remains tight, with both candidates enjoying strong support bases, and the election outcome still highly uncertain.

US Inflation – This week, US inflation data showed continued cooling but with some persistent pressures. The Consumer Price Index (CPI) for August revealed a 2.5% year-over-year increase, down from 2.9% in July, and a 0.2% rise month-on-month. This decline brings inflation closer to the Federal Reserve's target of 2%. However, core inflation, which excludes food and energy, showed a slight uptick, suggesting underlying price pressures persist. This mixed data has lowered expectations of aggressive interest rate cuts by the Federal Reserve, with markets now predicting a 0.25% cut rather than 0.50%.

ECB Rate Decision – The European Central Bank (ECB) has reduced its deposit rate by 0.25% to 3.5%, marking the second rate cut of the year as inflation trends towards the 2% target. The cut was expected and reflects growing concerns over the weakening Eurozone economy. Despite the rate cut, ECB President Christine Lagarde emphasised the bank's data-dependent approach, stating, "A declining path is not pre-determined." This decision comes as the Eurozone economy slows, with GDP growth projections for 2024 downgraded to 0.8%, reflecting softer demand and weakened manufacturing.

Market Summary

Global Equities – This week, global equities experienced significant volatility; however, most of the major equity indices finished the week in positive territory as of Thursday's close. In the US, the S&P 500 and NASDAQ 100 indices suffered losses early in the week due to concerns over US payroll data, but both rebounded in the following days, driven largely by strong performances in the technology sector. Both indices finished the week with notable gains as of Thursday's close, with the S&P 500 erasing the majority of the losses seen last week. In Europe, the STOXX 600 also fell sharply early in the week, with Germany's DAX index suffering, particularly due to a drop in BMW shares. However, the index recovered following the ECB's rate cut announcement, posting a small gain for the week as of Thursday's close. Asian markets were also volatile, posting losses early in the week due to weaker than expected economic data from Japan and China, alongside a stronger Yen. However, Japan's Nikkei 225 rebounded on Thursday on the back of the global technology rally and ended the week with a gain of +0.48% as of Thursday's close.

Commodities – Commodity prices generally provided positive returns for the week as of Thursday's close, with the Bloomberg Commodity Index posting a gain of 2.07%. Oil prices continued their decline earlier in the week, with Brent Crude closing below \$70 per barrel on Tuesday, for the first time since December 2021. However, oil prices rallied following a tropical storm in the Gulf of Mexico that disrupted production, with both Brent and WTI Crude prices ending the week with sizeable gains. Gold prices also hit record highs this week.

Fixed Income – This week saw US Treasury yields fall, driven by mixed inflation data and uncertainty over a potential 0.25% or 0.50% Federal Reserve rate cut, with the 2-year yield dropping to its lowest level in over two years. In the UK, 10-year gilt yields also fell following weak GDP data, with increasing expectations of Bank of England rate cuts next week. European yields similarly declined following the ECB's 0.25% rate cut.

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Address:

Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY



Enquiries:

0161 886 8000
enquiries@ascenciaim.co.uk



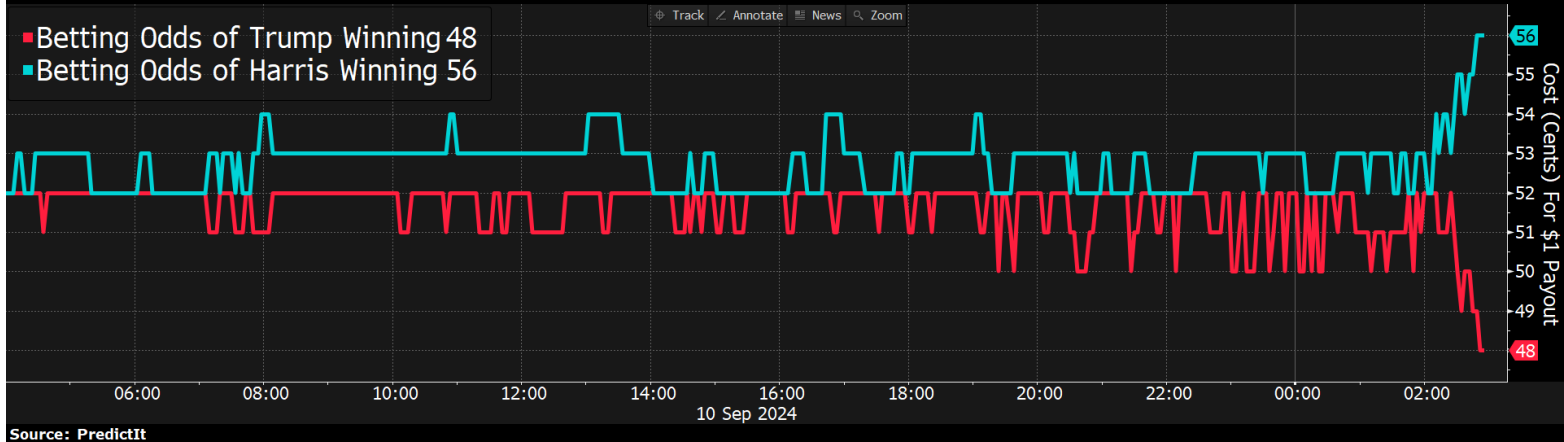
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Chart of the Week

Trump, Harris Betting Odds

Harris more favored following debate



Source: Bloomberg – Trump, Harris Betting Odds

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		<ul style="list-style-type: none"> - UK CPI (YoY) - Eurozone CPI (YoY) - Federal Reserve Interest Rate Decision 	<ul style="list-style-type: none"> - Bank of England Interest Rate Decision - Bank of Japan Interest Rate Decision 	

Market Performance – 13/09/2024

Global Market Indices	2024 YTD %*
FTSE 100	9.77%
S&P 500	18.47%
STOXX 600	10.06%
Nikkei 225	11.10%
Hang Seng	5.34%
Fixed Income	Yield %
UK 10 Yr Gilt	3.76%
US 10 Yr Treasury	3.65%
Commodities	2024 YTD %
Gold	24.54%
Currency	
GBP/USD	1.31 (13/09/2024)
GBP/EUR	1.19 (13/09/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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