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Investment Management

Weekly Investment Update

27th September 2024

News Headlines

China Stimulus Package – China has announced a sweeping stimulus package to revive its slowing economy, focusing on monetary and fiscal measures. The People's Bank of China (PBOC) has implemented interest rate cuts and reduced the reserve requirement ratio (RRR) for banks to the lowest level in six years. This move, designed to inject liquidity, is aimed at stimulating growth, supporting the troubled property market, and boosting investor confidence. Other key measures include lowering the seven-day reverse repurchase rate to 1.5% and reducing mortgage down-payment requirements for second-home buyers from 25% to 15%. These steps are part of a broader effort to stabilise China's real estate market, which has faced severe challenges in recent years.

Additionally, one-off cash handouts have been announced for those in extreme poverty, signalling a shift in the government's approach. A significant 154.7 billion yuan (£17 billion) has been allocated to help disadvantaged groups. China is also looking to issue 2 trillion Yuan (£212.6 billion) of sovereign debt to help revive the economy. While these measures offer short-term relief, there are still concerns over long-term growth prospects, especially with falling property prices and low consumer confidence.

US Jobless Claims – US jobless claims unexpectedly dropped to a four month low last week, with initial claims for unemployment benefits decreasing by 4,000, reaching 218,000. This decline surprised economists, who had forecasted an increase to 225,000. The lower jobless claims, paired with a decline in continuing claims, suggest resilience in the US labour market. The four week moving average also fell, indicating a broader trend of stability.

Market Summary

Global Equities – This week, global equities saw overall positive returns, reflected by a weekly gain of +1.20% for the MSCI World index, as of Thursday's close. In the US, the S&P 500 hit multiple all-time highs, buoyed by Federal Reserve rate cut last week and optimism about a soft landing for the global economy. Technology stocks were amongst the strongest performers, meaning the technology heavy NASDAQ 100 index posted a sizeable gain of +1.65% for the week as of Thursday's close. Asian markets were also strong, with Chinese equities in particular rallying on the back of the government stimulus package detailed above. Both the Hong Kong Hang Seng and the CSI 300 index (Shanghai/Shenzhen) saw returns of over 9% for the week, as of Thursday's close. The European STOXX 600 and the UK's FTSE 100 indices also posted healthy gains for the week.

Commodities – Commodity prices generally saw positive returns for the week, with the Bloomberg Commodity index posting a gain as of Thursday's close, driven by central bank rate cuts and China's stimulus measures. Precious metals led the gains, with gold prices rising significantly, reaching a new all-time high versus the US dollar in the week. Copper prices also rallied against the dollar, with global demand increasing following the Chinese government announcements. However, oil prices were more volatile, with Brent Crude prices declining sharply, driven by improved Libyan supply and reports that Saudi Arabia is ready to abandon its unofficial $100 per barrel price target and increase production by the end of the year.

Fixed Income – This week, the overriding theme was steepening yield curves in government bond markets and increased expectations for continued interest rate cuts across major economies, particularly the US and Europe. In the US Treasury market, the yield curve steepened notably throughout the week, with the US 2s10s (short/longer dated) yield curve closing at its steepest level in over two years on Wednesday. In Europe, sovereign bonds also saw a steepening of yield curves, with expectations of quicker rate cuts by the European Central Bank (ECB) growing throughout the week. In the UK, Gilt yields also increased, however the upward pressure on yields was milder compared to the US and Europe.

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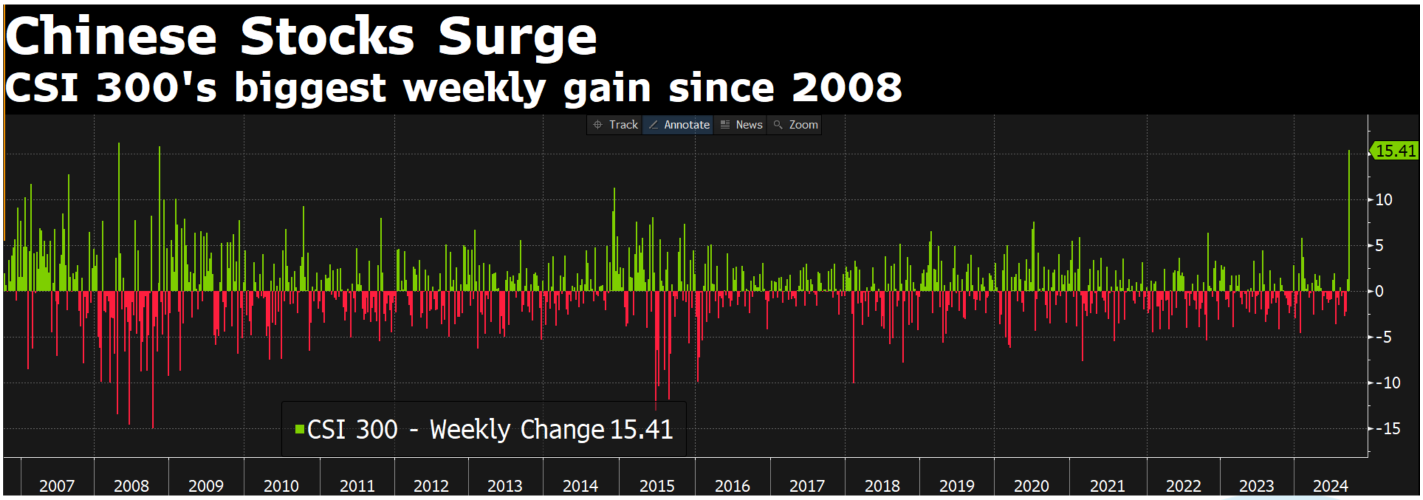
Chart of the Week



Source: Bloomberg – Chinese Equities Surge

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- UK GDP - German CPI	- Eurozone CPI - US Manufacturing PMI		- US Initial Jobless Claims - US Services PMI	- US Nonfarm Payrolls

Market Performance – 27/09/2024

Global Market Indices	2024 YTD %*	2023 %*	2022 %*	2021 %*	2020 %*	2019 %*
FTSE 100	10.43%	7.93%	4.70%	18.44%	-11.55%	17.32%
S&P 500	21.70%	25.67%	-18.51%	28.16%	17.75%	30.70%
STOXX 600	13.05%	16.51%	-10.14%	25.52%	-1.49%	27.62%
Nikkei 225	17.41%	28.24%	-9.37%	4.91%	16.01%	18.20%
Hang Seng	21.82%	-8.38%	-14.52%	-11.83%	-0.29%	13.04%
Fixed Income	**Yield %**					
UK 10 Yr Gilt	3.99%					
US 10 Yr Treasury	3.78%					
Commodities	2024 YTD %**	2023 %**	2022 %**	2021 %**	2020 %**	2019 %**
Gold	29.26%	13.10%	-0.28%	-3.64%	25.12%	18.31%
Currency						
GBP/USD	1.34 (27/09/2024)					
GBP/EUR	1.20 (27/09/2024)					

Source: FE Analytics/ Bloomberg **Total Return/Local currency **Spot Return USD*
Past Performance is no guide to future performance and the value of investment and income from them can fall as well as rise

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