Weekly Investment Update

11th October 2024

News Headlines

UK Economy – The latest UK monthly GDP (gross domestic product) reading indicates that the economy grew by 0.2% in August. This marks a return to growth following flat readings in both June and July. The growth in August was primarily driven by the services sector, supported by strong performance in professional, scientific, and technical activities. Additionally, the production sector rebounded with a 0.5 per cent increase after a decline in the prior month. The construction sector also saw a 0.4 per cent boost, driven by new housing and commercial work. This data suggests that while the UK economy is not in contraction, it is moving at a slower pace, which may influence future fiscal and monetary policy decisions.

US Labour Market – Last Friday, the US nonfarm payrolls report showed strong job growth, with 254,000 jobs added in September, significantly higher than the expected figure of 140,000. This increase was led by gains in the leisure, hospitality, and healthcare sectors, suggesting ongoing resilience in the labour market despite previous signs of economic slowing. However, yesterday the Department of Labour reported a sharp rise in initial jobless claims, which increased by 33,000 to a seasonally adjusted 258,000 for the week. This was the highest level seen since August 2023, largely due to the impact of Hurricane Helene and a significant strike at Boeing, which led to temporary layoffs and disruptions in states heavily affected by the storm. These data highlight mixed signals for the U.S. economy, as the strong payrolls data indicates steady job creation, however the spike in jobless claims, if sustained, could point to underlying economic strains.

US CPI Inflation – The latest Consumer Price Index (CPI) inflation readings in the US were higher than expected, sparking concerns among investors. The overall CPI rose by 0.2 per cent, mainly due to increases in housing and food costs. Core CPI, which excludes food and energy prices, increased by 0.3 per cent for the second consecutive month, halting the previous trend of moderating inflation. This higher-than-expected inflation, along with the strong employment figures detailed above, increases expectations of the US Federal Reserve proceeding with a smaller interest rate cut next month or pausing after September's significant reduction. This inflation reading also triggered a negative reaction in financial markets, with major US stock indices, including the S&P 500, declining. Treasury yields rose slightly, reflecting the market's response to persistent inflation risks.

Market Summary

Global Equities – Global equities experienced significant volatility this week. In the US, the stronger-than-expected payrolls report eased recession fears, and the S&P 500 index reached a new all-time high. However, as higher-than-expected inflation data emerged later in the week, concerns about persistent inflation sparked a small decline in equities. Nonetheless, the S&P 500 finished the week with a small gain by Thursday's close. European equities mirrored the US, with the STOXX 600 index also posting a small gain for the week. In Asia, Chinese equities were notably volatile, with major indices such as the Hong Kong Hang Seng suffering substantial losses. The main driver was uncertainties surrounding the Chinese government's economic stimulus package. In contrast, Japan's Nikkei 225 index posted a gain of 1.93 per cent for the week as of Thursday's close, partly due to domestic factors and less exposure to China's economic policies.

Commodities – Commodity prices generally saw negative returns for the week, with the Bloomberg Commodity index posting a -1.5 per cent return as of Thursday's close. Gold prices dropped significantly on Tuesday against the US Dollar, following strong payrolls data, which lowered expectations for a larger rate cut by the US Federal Reserve. Prices rebounded later in the week after higher-than-expected US inflation data, but still ended the week lower. Oil prices also saw significant volatility, with early fears of supply disruptions due to escalating geopolitical tensions in the Middle East pushing prices up, while midweek signs of de-escalation and disappointment over China's economic plans led to a sharp decline. Renewed geopolitical concerns later in the week caused prices to rise again, with both Brent Crude and WTI ending the week positive as of Thursday's close.

Fixed Income – US Treasury yields increased over the week (meaning prices fell), particularly two-year yields, following strong economic data in the US, which eased recession fears and lowered expectations for aggressive Federal Reserve rate cuts. Higher-than-expected inflation data also contributed to a rise in yields. In Europe, sovereign bond yields followed the US, with early-week increases driven by inflation concerns and strong US data. However, expectations of potential ECB rate cuts and declining Eurozone inflation led to slightly lower yields later in the week.

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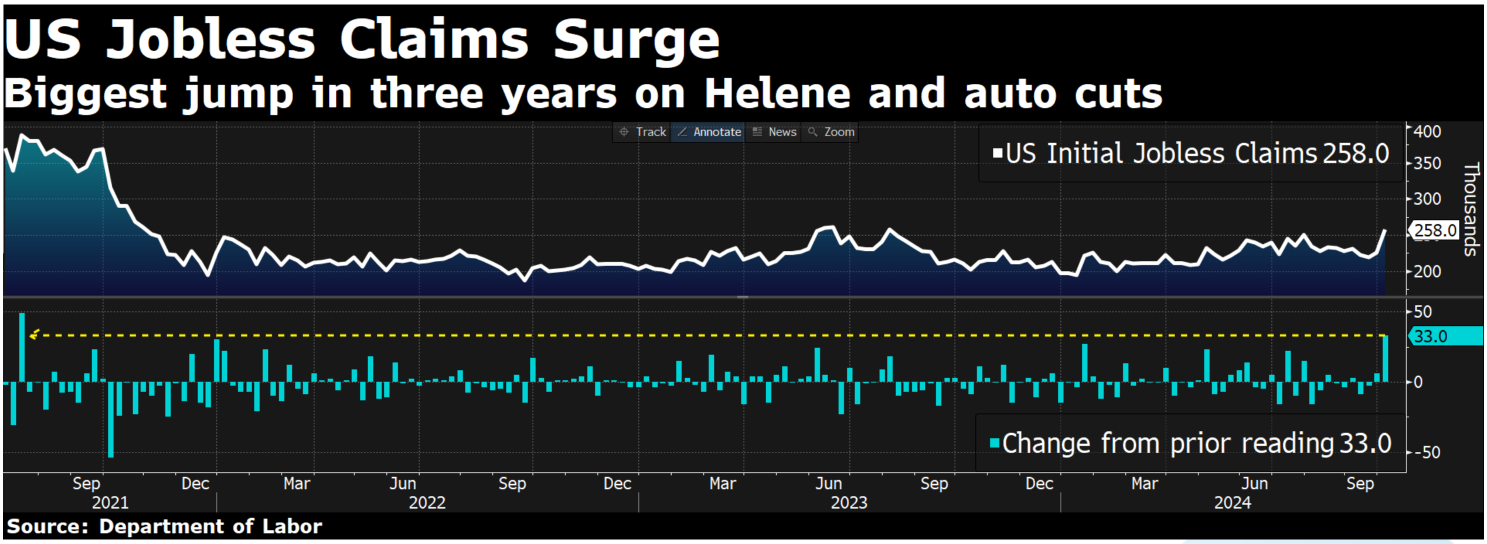
Chart of the Week



Source: Bloomberg – US Jobless Claims Surge

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- UK CPI (YoY)	- Eurozone CPI (YoY) - Eurozone ECB Interest Rate Decision - US Initial Jobless Claims	- China GDP - Japan CPI

Market Performance – 11/10/2024

Global Equity Market Indices	2024 YTD %*	2023 %*	2022 %*	2021 %*	2020 %*	2019 %*
FTSE 100	9.86%	7.93%	4.70%	18.44%	-11.55%	17.32%
S&P 500	22.50%	25.67%	-18.51%	28.16%	17.75%	30.70%
STOXX 600	11.71%	16.51%	-10.14%	25.52%	-1.49%	27.62%
Nikkei 225	19.49%	28.24%	-9.37%	4.91%	16.01%	18.20%
Hang Seng	29.93%	-8.38%	-14.52%	-11.83%	-0.29%	13.04%
Fixed Income	**Yield %**					
UK 10 Year Gilt	4.21%					
US 10 Year Treasury	4.07%					
Commodities	**2024 YTD %****	**2023 %****	**2022 %****	**2021 %****	**2020 %****	**2019 %****
Gold	27.47%	13.10%	-0.28%	-3.64%	25.12%	18.31%
Currency						
GBP/USD	1.31 (11/10/2024)					
GBP/EUR	1.19 (11/10/2024)					

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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