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Investment Management

Weekly Investment Update

18th October 2024

News Headlines

ECB Cuts Rates – The European Central Bank (ECB) has reduced its key deposit rate by 0.25% to 3.25%, marking the third rate cut this year, aimed at addressing weak economic growth across the Eurozone. The decision aligned with expectations and also follows a notable decrease in inflation, which dropped to 1.7% in September - the first time it has fallen below 2% since 2021. During the press conference, ECB President Christine Lagarde emphasised that while they have not fully "broken the neck of inflation," significant progress is being made. She highlighted the importance of the recent data trends, which show inflation cooling faster than anticipated, alongside weakening business sentiment and growth risks arising from conflicts in Ukraine and the Middle East. However, she also stated that a recession is not likely, but noted that the ECB is not pre-committing to a specific future path for rate cuts and will continue to assess the economic outlook on a meeting-by-meeting basis.

UK CPI Inflation – For the first time since April 2021, UK inflation (Consumer Price Index) has dropped below the Bank of England's 2% target. The Office for National Statistics (ONS) release on Wednesday showed that consumer prices rose by 1.7% in September, down from a 2.2% increase last month. The decrease in inflation was influenced by cheaper flight prices, lower petrol prices, and a decrease in services inflation. The Bank of England had forecasted 2.1%, meaning the reading is significantly lower than expected, and increases the likelihood of a further interest rate cut by the Central Bank at the next meeting in early November. Despite this, analysts expect inflation to rise again later in the year, due to factors such as rising energy prices.

China Property Market – This week, the Chinese government announced plans to nearly double the available loans for unfinished housing projects to $562 billion (4 trillion yuan). This expansion aims to address the ongoing crisis in its property sector, which has been a significant drag on the economy. The additional funds will support projects on the "white list," which will help property developers and aims to ensure the completion of millions of sold but unbuilt homes. Despite the financial boost, analysts remain cautious, suggesting that while this may stabilise the market, it is unlikely to drive substantial growth in the near term. The measures also underwhelmed markets, with property stocks falling following the announcement.

Market Summary

Global Equities – Global equity markets experienced mixed performances over the week. In the United States, technology stocks and strong corporate earnings in the banking sector drove equities higher, with indices hitting fresh record highs. Small cap stocks in the US also rallied, likely due to markets pricing in a Donald Trump victory in the upcoming US presidential election. Major equity indices in both the UK and Europe also posted gains for the week as at Thursday's close. However, Asian equities struggled this week, largely driven by a decline in chipmaking stocks and decreasing optimism over Chinese stimulus measures.

Commodities – Commodity prices generally experienced negative movements over the week. Oil prices declined significantly at the start of the week due to concerns about Chinese demand and reduced geopolitical tensions in the Middle East which eased supply concerns. Although prices later stabilised, they still suffered a sizeable decline for the week. However, Gold prices rose this week, reaching new all-time highs versus the US dollar. The increase was driven by investors seeking safe-haven assets amid geopolitical tensions in the Middle East, the upcoming US presidential election and likely future central bank rate cuts.

Fixed Income – Treasury yields rose in the US this week (meaning prices fell) following stronger-than-expected economic data, including robust retail sales and declining jobless claims. In Europe, short-term European bond yields fell in reaction to the European Central Bank's interest rate cut, while longer-term yields saw modest increases. In the UK, gilt yields also declined following the softer-than-expected inflation data detailed above.

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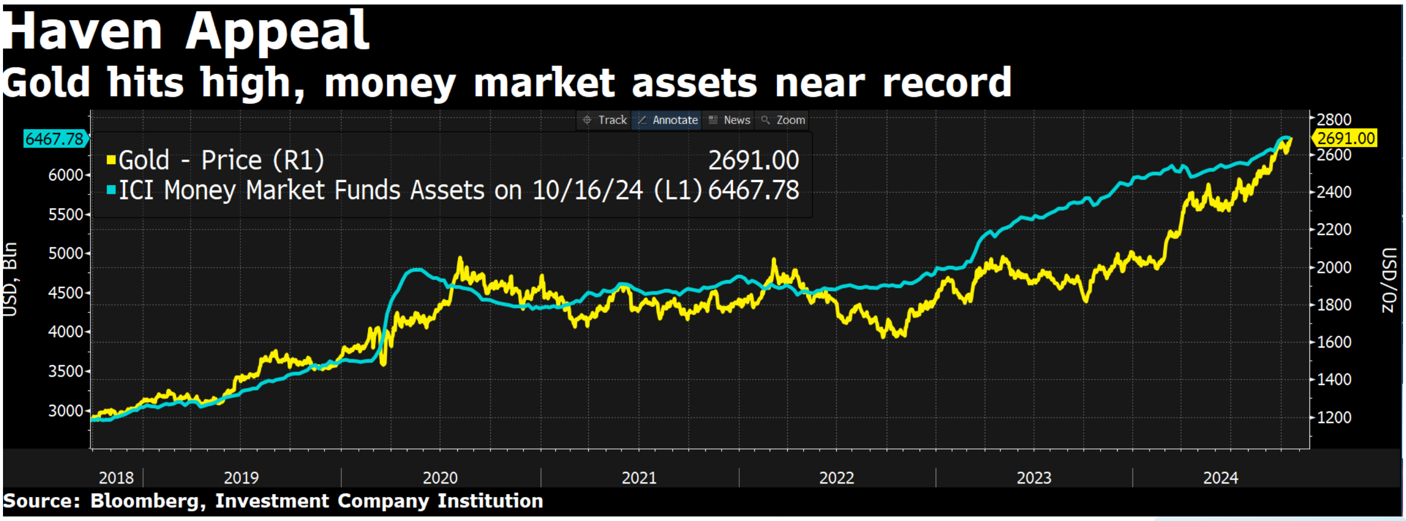
Chart of the Week



Source: Bloomberg – safe haven assets continue to see inflows

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		- Bank of Canada Rate Decision	- US Initial Jobless Claims - US PMI Data	

Market Performance – 18/10/2024

Global Equity Market Indices	2024 YTD %*	2023 %*	2022 %*	2021 %*	2020 %*	2019 %*
FTSE 100	11.84%	7.93%	4.70%	18.44%	-11.55%	17.32%
S&P 500	23.82%	25.67%	-18.51%	28.16%	17.75%	30.70%
STOXX 600	12.76%	16.51%	-10.14%	25.52%	-1.49%	27.62%
Nikkei 225	18.06%	28.24%	-9.37%	4.91%	16.01%	18.20%
Hang Seng	22.76%	-8.38%	-14.52%	-11.83%	-0.29%	13.04%
Fixed Income	**Yield %**					
UK 10 Year Gilt	4.12%					
US 10 Year Treasury	4.09%					
Commodities	**2024 YTD %****	**2023 %****	**2022 %****	**2021 %****	**2020 %****	**2019 %****
Gold	30.53%	13.10%	-0.28%	-3.64%	25.12%	18.31%
Currency						
GBP/USD	1.30 (18/10/2024)					
GBP/EUR	1.20 (18/10/2024)					

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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