# Weekly Investment Update

8th November 2024

## News Headlines

**US Presidential Election –** This week, the United States held its presidential election and Former President Donald Trump, the Republican candidate, defeated Democratic nominee Vice President Kamala Harris. Trump secured a decisive victory by winning a series of swing states, surpassing the 270 electoral votes required to win the presidency. The election results also impacted the composition of Congress. The Republican Party gained control of the Senate, currently leading 52 seats to 44, with 51 seats required for control. While control of the House of Representatives is still undecided, the Republican Party are also currently leading 211 seats to 200, needing 218 seats to win a majority. Equity markets in the US rallied on the back of the election result, with major US equity indices hitting all time highs. However, treasury yields spiked due to concern over increased fiscal spending and increased inflation. The US Dollar also strengthened significantly.

**Federal Reserve Rate Decision –** Yesterday, the Federal Reserve (Fed) concluded its two-day meeting by announcing a 0.25% reduction in the federal funds rate, bringing it to a target range of 4.5% to 4.75%. This decision follows recent economic indicators showing a decline in inflation, with the Personal Consumption Expenditures (PCE) price index rising by 2.1% year-on-year in September, the smallest increase since early 2021, as well as lower CPI inflation in September. Federal Reserve Chair Jerome Powell emphasised the central bank's commitment to supporting maximum employment and returning inflation to its 2% objective. He noted that while inflation has moderated, the Fed remains vigilant and will adjust policy as necessary to sustain economic stability.

**Bank of England Rate Decision –** Also this week, the Bank of England's Monetary Policy Committee (MPC) announced a 0.25% reduction in the Bank Rate, lowering it from 5% to 4.75%. This decision reflects the MPC's response to recent economic indicators, including a decline in inflation to 1.7% in September, below the Bank's 2% target. It also comes on the back of the government's recent budget, which introduced significant tax increases and additional borrowing which are expected to impact inflation and economic growth.

## Market Summary

**Global Equities –** This week, global equities generally saw gains as at Thursday's close, largely driven by the US presidential election result. US equities rallied following the election, with major indices hitting new all-time highs, driven by expectations of a favourable market environment under a Republican-controlled Congress and a Trump victory. Technology stocks, particularly the 'Magnificent 7', and small-cap stocks saw significant gains, propelled by optimism around deregulation and pro-business policies. However, major UK equity indices saw small losses for the week as at Thursday's close, hampered by a stronger pound following the Bank of England rate cut. In Asia, Chinese equities also saw gains following a rebound in services activity and the US election result, despite worries that Trump will impose higher tariffs on Chinese imports. Japanese equities also rallied, driven by a weaker yen and positive US sentiment.

**Commodities –** This week saw a general increase in commodity prices, with the Bloomberg Commodity index posting a gain for the week as at Thursday's close. However, gold, silver and other precious metals saw declines amidst the post-election rally in Treasury yields and the strengthening dollar, which impacted safe-haven assets. Oil prices saw strong weekly gains, largely driven by OPEC+ deciding to delay its planned production increase by one month.

**Fixed Income –** The U.S. Treasury market saw volatility this week following the election and the Federal Reserve rate cut. Both 10 and 2 year Treasury yields surged post-election, reflecting market anticipation of inflationary pressures and fiscal stimulus under a Republican-controlled government. Yields then retreated following the rate cut by the Federal Reserve. UK Gilt yields followed a similar pattern to the US, rising throughout the week on the back of the Autumn budget and increased borrowing expectations, then retreating following the Bank of England rate cut.



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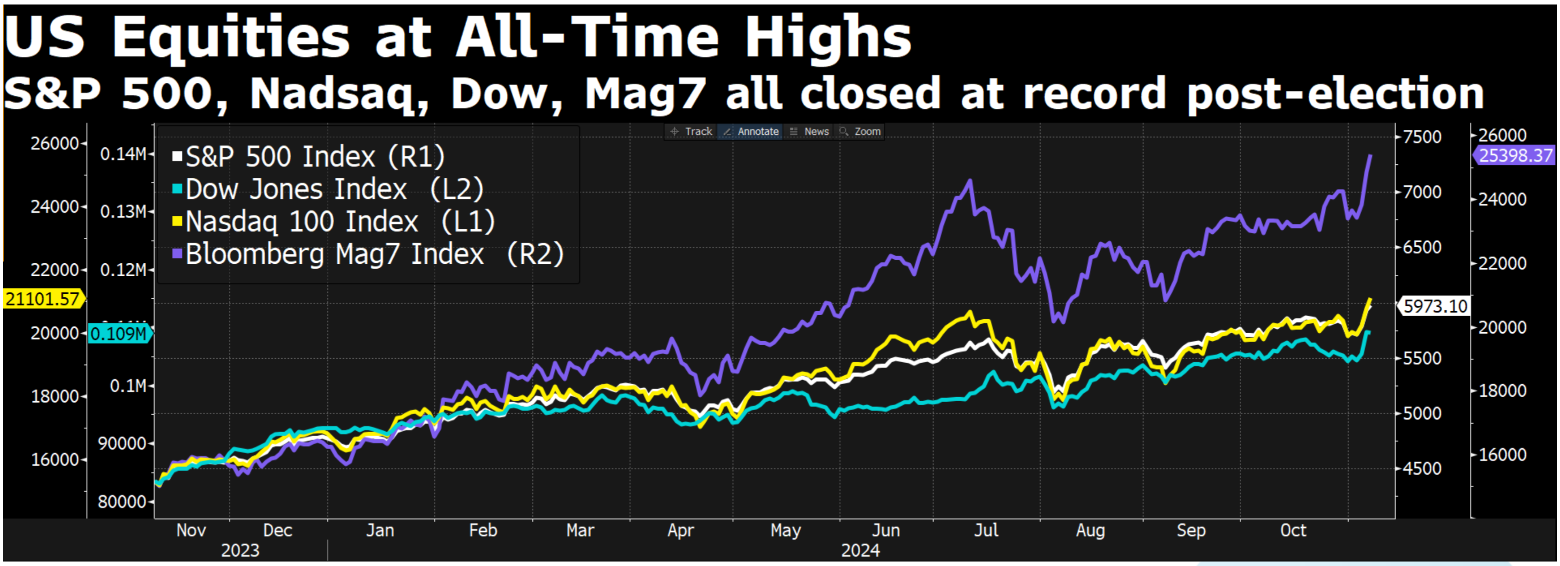
## Chart of the Week




*Source: Bloomberg – US Equities at All-Time Highs*

## Key Economic Releases Next Week

| Monday | Tuesday | Wednesday | Thursday | Friday |
|---|---|---|---|---|
| | - German CPI Inflation | - US CPI Inflation | - UK GDP<br>- Japan GDP<br>- Fed Chair Jerome Powell Speech | |

## Market Performance – 08/11/2024

| Global Equity Market Indices | 2024 YTD %* | 2023 %* | 2022 %* | 2021 %* | 2020 %* | 2019 %* |
|---|---|---|---|---|---|---|
| FTSE 100 | 8.79% | 7.68% | 4.57% | 18.40% | -11.44% | 17.23% |
| S&P 500 | 26.65% | 26.26% | -18.13% | 28.68% | 18.39% | 31.47% |
| STOXX 600 | 9.88% | 16.63% | -9.88% | 25.82% | -1.44% | 27.94% |
| Nikkei 225 | 19.58% | 31.01% | -7.35% | 6.66% | 18.28% | 20.73% |
| Hang Seng | 28.26% | -10.46% | -11.48% | -12.64% | -1.00% | 15.05% |
| **Fixed Income** | **Yield %** | | | | | |
| UK 10 Year Gilt | 4.47% | | | | | |
| US 10 Year Treasury | 4.34% | | | | | |
| Commodities | **2024 YTD %**** | **2023 %**** | **2022 %**** | **2021 %**** | **2020 %**** | **2019 %**** |
| Gold | 30.17% | 13.10% | -0.28% | -3.64% | 25.12% | 18.31% |
| Currency | | | | | | |
| GBP/USD | 1.30 (08/11/2024) | | | | | |
| GBP/EUR | 1.20 (08/11/2024) | | | | | |

*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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