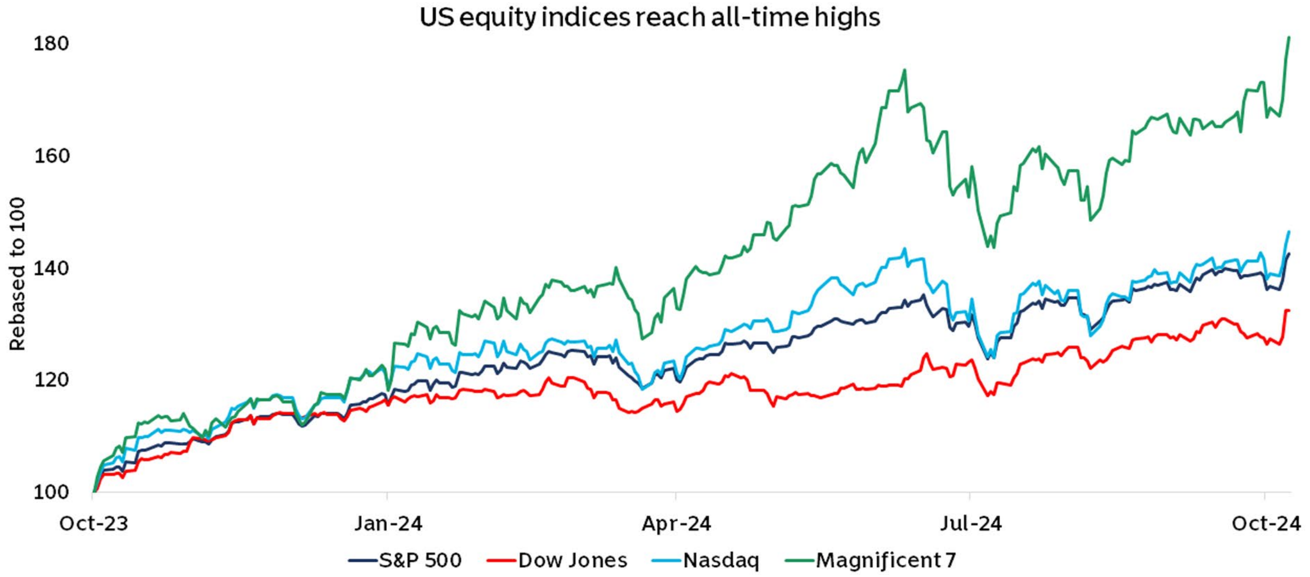
Chart of the Week
11 November 2024



Sources: Momentum Global Investment Management, Bloomberg Finance L.P., data to 7 November 2024.

Stars, stripes & spikes

Gabby Byron
Investment Services Executive

What this chart shows

This week's chart shows the returns of the S&P 500, Dow Jones, Nasdaq and an equal-weighted index of the Magnificent 7 since end October 2023. All of these indices have reached all-time highs following the US election, with the S&P 500 climbing 2.5%, the Dow Jones gaining 3.5% and the Nasdaq up 3%. Investor optimism around anticipated policy changes, particularly regarding trade tariffs, tax reforms and reduced regulation in sectors like banking, has driven much of this rally. The Russell 2000 index, often viewed as a gauge for US small caps and broader economic confidence, rose by 5.8% as investors anticipated broader economic growth potentially benefitting a wide range of sectors beyond just tech.

Why this is important

Many investors embraced "Trump trades", anticipating policies that might favour specific sectors such as finance and energy. The surge has extended to small cap stocks, often seen as a measure of broader economic sentiment, indicating investor confidence beyond large-cap tech and growth sectors. Though this enthusiasm also comes with potential risks, especially as the Fed's monetary policy stance could have an impact the rally's sustainability. With inflation showing resilience and recent economic data generally exceeding expectations, the Fed opted for a modest 25-basis-point rate cut at its November meeting. This decision has sparked questions about growth projections for 2025, especially given the administration's pro-growth policies and potential inflationary pressures. The Fed's cautious approach seems to highlight a need to balance support for growth but with vigilance over inflation, underscoring the uncertainty ahead.

For now, US equity markets appear resilient, rallying to fresh highs on policy optimism. However, with potential shifts in Fed policy on the horizon, a diversified and balanced approach remains prudent as markets navigate towards the end of 2024.

Weekly market update
week ending 8 November 2024

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This week highlighted cautious optimism across global markets, driven by US Presidential election, corporate earnings, economic data, and central bank policies.

US

- The US presidential election spurred market volatility, but equities rose overall, reflecting investor anticipation of potential policy changes.
- The Federal Reserve reduced interest rates by 0.25%.
- The US trade deficit increased more than anticipated in September, marking another pressure point for the dollar amid election uncertainties. Additionally, initial jobless claims showed slight upticks, adding to concerns about slowing economic momentum.
- Trump's return to the White House is boosting the America First trade, a strategy that favours US assets over international ones.

UK

- The Bank of England reduced interest rates by 0.25 percentage points to 4.75%, aiming to support economic growth amid fiscal policy adjustments.
- UK retailers were weak last week driven by concern over staff costing, post the Autumn budget.
- Sterling weakened against major currencies due to monetary easing and global risk aversion.

Rest of the World/Asia

- Chinese markets showed resilience despite weak manufacturing data, supported by hopes for policy easing.
- The Chinese yuan experienced fluctuations against the dollar, influenced by trade data and global economic developments.
- The Bank of Japan indicated that rising minimum wages could drive inflation, particularly in the services sector, influencing future policy decisions.
- Countries like Mexico and Brazil faced currency pressures and adjusted monetary policies in response to global economic shifts and domestic challenges.

Europe

- The Eurozone's October PMIs signalled ongoing challenges, with manufacturing coming in at 46.0 and services at 51.6, yielding a composite PMI of 50.0 amid weak demand and low confidence.
- The Producer Price Index (PPI) fell by -3.4% year-on-year, continuing a deflationary trend in the region's manufacturing costs due to lower energy and intermediate goods prices.
- France is hoping to persuade Poland into joining forces to block a trade deal between the EU and Latin America's Mercosur bloc that has been a quarter of a century in the making.

Weekly market data

week ending 8 November 2024

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Asset Class / Region	Currency	Cumulative returns: Week ending 8 November	Month to date	YTD 2024	12 months
Developed Markets Equities					
United States	USD	4.7%	5.1%	26.7%	38.2%
United Kingdom	GBP	-1.2%	-0.4%	7.7%	13.2%
Continental Europe	EUR	-1.0%	-0.1%	7.0%	16.1%
Japan	JPY	3.7%	1.7%	18.4%	21.7%
Asia Pacific (ex Japan)	USD	1.6%	1.9%	16.2%	25.2%
Australia	AUD	2.3%	1.8%	12.8%	23.2%
Global	USD	3.6%	4.0%	21.1%	33.2%
Emerging Markets Equities					
Emerging Europe	USD	3.4%	3.5%	6.6%	15.2%
Emerging Asia	USD	1.3%	1.6%	17.9%	25.4%
Emerging Latin America	USD	1.3%	-0.2%	-17.2%	-5.0%
BRICs	USD	0.8%	1.3%	15.7%	19.8%
China	USD	1.8%	2.9%	25.2%	21.4%
MENA countries	USD	0.8%	0.9%	1.4%	8.7%
South Africa	USD	-1.2%	0.4%	18.8%	28.2%
India	USD	-1.0%	-0.6%	10.9%	23.9%
Global emerging markets	USD	1.2%	1.5%	13.3%	21.4%
Bonds					
US Treasuries	USD	1.0%	0.0%	1.4%	6.1%
US Treasuries (inflation protected)	USD	0.8%	0.3%	3.3%	6.7%
US Corporate (investment grade)	USD	1.2%	0.6%	4.1%	11.1%
US High Yield	USD	0.7%	0.8%	8.3%	14.8%
UK Gilts	GBP	0.2%	0.0%	-2.8%	3.0%
UK Corporate (investment grade)	GBP	0.3%	0.5%	1.5%	8.0%
Euro Government Bonds	EUR	0.3%	0.2%	1.1%	6.3%
Euro Corporate (investment grade)	EUR	0.5%	0.6%	4.0%	8.5%
Euro High Yield	EUR	0.2%	0.2%	7.6%	12.8%
Global Government Bonds	USD	0.1%	-0.2%	-1.1%	5.4%
Global Bonds	USD	0.2%	-0.1%	0.3%	7.1%
Global Convertible Bonds	USD	1.6%	1.4%	6.7%	15.7%
Emerging Market Bonds	USD	1.3%	0.7%	6.5%	15.8%

Asset Class / Region	Currency	Cumulative returns: Week ending 8 November	Month to date	YTD 2024	12 months
Property					
US Property Securities	USD	3.5%	2.3%	14.1%	32.7%
Australian Property Securities	AUD	-1.5%	-2.2%	17.3%	33.3%
Asia Property Securities	USD	0.2%	0.4%	-2.4%	5.8%
Global Property Securities	USD	1.8%	1.2%	9.3%	25.9%
Currencies					
Euro	USD	-1.2%	-1.4%	-3.2%	0.0%
UK Pound Sterling	USD	-0.2%	0.3%	1.0%	4.9%
Japanese Yen	USD	0.2%	-0.3%	-7.7%	-1.1%
Australian Dollar	USD	0.2%	0.1%	-3.8%	2.6%
South African Rand	USD	0.3%	0.3%	3.7%	4.9%
Swiss Franc	USD	-0.6%	-1.2%	-4.2%	2.6%
Chinese Yuan	USD	-0.8%	-0.9%	-1.2%	1.3%
Commodities & Alternatives					
Commodities	USD	0.6%	0.7%	5.1%	3.3%
Agricultural Commodities	USD	1.4%	1.4%	4.1%	3.2%
Oil	USD	1.1%	1.0%	-4.1%	-7.1%
Gold	USD	-1.9%	-2.0%	30.1%	37.4%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

For more information, please contact:
Distribution Services

E: distributionservices@momentum.co.uk

T: +44 (0)207 618 1806

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