



FINURA

YOUR MARKET REVIEW NOVEMBER 2024



INFOGRAPHIC: THE GLOBAL ECONOMY

2024 US election: what are the implications for US interest rates?

Donald Trump's proposed "reflationary" fiscal policies, which are centred around tax cuts, will likely boost US growth at the cost of more persistent inflationary pressures...

TAX



...so US interest rates probably need to be kept above the "neutral rate" of about 3.5% to avoid monetary, or central bank policy also being reflationary...

2026



...and Trump's policies might even mean that the Federal Reserve has to start raising US interest rates again in 2026.

Neutral is a theoretical interest rate deemed neither too restrictive, nor too loose for growth and inflation to settle back onto steady and stable paths.

c.3.5%

[Read more](#)

UK Budget 2024: what might it mean for the UK economy?

Average UK
GDP growth
2026 – 2029
Office for
Budget
Responsibility

1.6%



2026

GROWTH



Since the new UK Government delivered its first Budget doubts have built around whether its fiscal policies, centred around higher spending, will deliver growth as well as raise productivity...

...in the wake of the Budget, independent growth forecasts from the Office for Budget Responsibility were downgraded from 2026 onwards...

...and markets judged UK interest rates will need to be higher for longer to offset more persistent inflationary pressures and maintain price stability as the economy grows in the absence of productivity improvements.

RATES

%



[Read more](#)

US, European and UK central banks continue descent from peak rates

0.25%

Reduction in US, European and UK interest rates following latest rate-setting meetings



ECB
Governing Council



12th

December rate-setting meetings



Fed
Federal Open Market Committee



17-18th



BoE
Monetary Policy Committee



19th



Heading into 2025, markets likely focused on impact of fiscal policy changes on central bank policy.

Source: [Schroders as at November 2024.](#)



MULTI-ASSET INVESTMENT VIEWS

KEY

▲ Up from last month ▼ Down from last month

●
Long /
Positive

●
Neutral

●
Short /
Negative

	Category	View	Comments
Main Asset Classes	Equities	●	With election uncertainty behind us, we remain positive on equities. Economic activity remains resilient, and supportive fiscal and monetary policy means the path of least resistance for equities is higher.
	Government Bonds	● ▲	We have moved to neutral on government bonds given valuations are now flagging as cheap. That said, we remain on the sidelines for now given the potential inflationary impact of expansionary fiscal policies.
	Commodities	●	We remain neutral on broad commodities, where the market outlook remains muted and Chinese demand subdued. That said, we have re-upgraded gold to positive.
	Credit	●	We retain our positive view on credit, focusing on Europe where valuations are far less extreme relative to the US.
Equities	US	●	We are extending our positive view on US equities to include US small caps and financials. Supportive policies such as tax cuts have shifted the sentiment towards smaller companies, whilst expectations of deregulation should support financials.
	UK	●	We remain neutral on the UK where there is no clear catalyst to drive UK equities up from their current levels.
	Europe	●	We remain neutral on Europe, where the outlook for growth remains uninspiring and there will be high exposure to Trump's expected tariff policies. That said, the impact of tariffs is likely to be deflationary for Europe and increase scope for further rate cuts.
	Japan	●	We maintain our neutral stance. Growth is flat, and the country will have to contend with any tariffs imposed by the US. Meanwhile, the government remains fragile and the Bank of Japan (BoJ) continues with its task of normalising monetary policy. Central banks use monetary policy to manage economies through a range of interventions, including the management of short-term interest rates.
	Global Emerging Markets ¹	● ▼	We have downgraded EM to neutral. The catalyst for the recent rally was policy easing measures from the People's Bank of China, which have since been lacklustre.
	Asia ex-Japan: China	● ▼	We have downgraded Chinese equities to neutral. Trump has stacked his cabinet with "China hawks", signalling a tough stance. Fiscal policy announcements, which were postponed until the outcome of the US election, have disappointed. Fiscal policy is used by governments to manage economies, including through changing tax and spending policies.
	EM Asia ex China	●	We remain neutral as we expect China to evaluate the scale of tariffs imposed by the US before announcing further fiscal stimulus, which may then support the broader region.
Government Bonds	US	● ▲	We have moved to neutral on US government bonds where our fair value model is now flagging yields as being very cheap. However, we believe this pricing is a result of a regime shift, where the market expectation is now for higher growth, higher inflation, and higher yields.
	UK	●	UK gilt yields have been volatile. The market remains conflicted, with additional borrowing announced in the Autumn Budget offset by an additional 25 basis point interest rate cut announced earlier this month by the Monetary Policy Committee.
	Europe	●	Inflation in the euro area ticked up slightly last month but remains at target. With growth continuing to disappoint, the European Central Bank remains well placed to deliver more rate cuts. For now, we remain neutral but keep our regional bias to France and Italy.
	Japan	●	We remain neutral. The political power shift may put downward pressure on expectations of rate hikes. However, we expect the effect of a weakening yen to dominate, and that the BoJ will implement a rate cut in January if not December.
	US Inflation Linked (TIPS)	●	Whilst we expect the US market to move in a reflationary direction, we remain neutral given the recent surge in US break evens. These rates represent the difference between yields on nominal US Treasury bonds and US Treasury Inflation-Protected Securities (TIPS) of the same maturity and reflect the market's expectations of future inflation.
	Emerging Markets Local	●	We remain neutral on EM local bonds. The carry (where investors borrow at a lower rate to invest in an asset that provides a higher rate of return) remains attractive but is being challenged by a strengthening US dollar.

¹ Global Emerging Markets includes Central and Eastern Europe, Latin America and Asia.

	Category	View	Comments
Investment Grade Credit	US	● ▼	We have downgraded our view. Whilst absolute yields are attractive, credit spreads are at their lowest levels for the last 20 years. US IG is particularly exposed to higher yields and interest rate volatility, given its longer duration. The credit spread is the margin that a company issuing a bond has to pay an investor in excess of yields on government bonds and is a measure of how risky the market perceives the borrower to be.
	Europe	●	We remain neutral. EU IG is trading at a significant spread premium over the US. Whilst growth risks are more prominent, the tailwind of lower rates should be supportive.
	Emerging Markets USD	●	We remain neutral. We recognise there is greater value to be unlocked in the sector versus developed markets but continue to recognise the potential impact of higher US yields.
High Yield Bonds (Non-IG)	US	●	We remain neutral as, similar to US IG, valuations are at extremely expensive levels.
	Europe	●	We remain positive on European HY, where valuations are far less stretched. The asset class offers an attractive yield and stands to benefit from a further tightening of spreads. Low growth, moderating inflation, and lower rates remain supportive.
Commodities	Energy	●	The market remains well balanced. Demand growth in 2025 is expected to be met by non-OPEC supply growth. OPEC has delayed planned increases in supply for three months in a row; a move we now think would push the market in a bearish direction.
	Gold	● ▲	We have returned to positive. We initially expected a rotation out of gold into Chinese equities following policy easing measures from China. Whilst this played out at the margin, central bank and exchange traded fund demand for the precious metal remains buoyant.
	Industrial Metals	●	The recent fiscal announcement from China focused on restructuring local government debt as opposed to demand-side stimulus. With weak manufacturing data, there is no clear catalyst to boost demand for industrial metals.
	Agriculture	●	The supply side across most crops remains strong, with little to no signal of any disruptions in the near term.
Currencies	US \$	● ▲	With multiple tailwinds, including tariffs, further divergence in monetary policy, and equity inflows to the US, we have moved positive on the US dollar.
	UK £	●	For now, we remain negative. Rates have come down and we do not see an immediate catalyst to push sterling higher relative to the US dollar. That said, we are monitoring the actions of the government and Bank of England closely, where both sides seek to maintain credibility as paranoia around a repeat of the gilts crisis looms.
	EU €	●	We maintain our negative stance, where a deteriorating growth outlook, compounded with high exposure to US tariffs is likely to result in faster rate cuts.
	CNH ¥	● ▼	We have downgraded the renminbi to negative, where we expect both stimulus and currency depreciation will be necessary to negate the downtrend in growth and impact of tariffs.
	JAP ¥	●	It is unclear how far the BoJ will go with rate cuts at upcoming monetary policy meetings. Political uncertainty also makes the path to normalisation of monetary policy less clear. For now, we prefer to remain neutral.
	Swiss F	●	With inflation at its lowest level in over three years, it is expected the Swiss National Bank will continue to cut interest rates.

Source: [Schroders, November 2024](#).

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to US dollar, apart from US dollar which is relative to a trade-weighted basket.





MARKETS REVIEW

A look back at November when the US election dominated market moves.

THE MONTH IN SUMMARY

A look back at markets in November when US shares outperformed following Donald's Trump's victory in the Presidential election, while emerging markets came under pressure amid worries over trade tariffs.

THE US

US shares enjoyed strong gains in November. Donald Trump emerged as the clear winner in the US Presidential election and equities were buoyed by expectations that his policy programme will lift growth, lower taxes and cut regulation.

As well as Trump winning the Presidency, the Republican party also gained control of Congress which could make it easier for Trump to implement his campaign promises.

The Federal Reserve (Fed) lowered interest rates by 25 basis points (bps) to 4.50-4.75% at its November meeting. The policy-setting Federal Open Market Committee (FOMC) said that labour market conditions had generally eased and that inflation was still "somewhat elevated".

The nonfarm payrolls report for October was distorted by the effects of hurricanes in southeastern states and by strike action. The report showed just 12,000 jobs were added in October. Data released later in the month showed that US annual inflation, as measured by the consumer price index, ticked up to 2.6% in October from 2.4% in September.

Top performing sectors included consumer discretionary and financials. Within consumer discretionary, some carmakers and retailers experienced strong gains. Within financials, banks drew support from expectations of a light touch approach to regulation under the incoming Trump administration. The weakest sectors in the month included healthcare and materials. US smaller companies performed strongly amid expectations that domestically exposed companies will benefit from Trump's policies.

EUROZONE

Eurozone shares, as measured by the MSCI EMU index, were virtually flat in November in euro terms. The information technology and communication services sectors were among the top gainers while materials and consumer staples suffered some of the steepest declines. Exporters were in focus amid concerns over potential tariffs from the US, as well as ongoing lacklustre demand from China, but the stronger dollar should prove beneficial.

Economic data from the eurozone continued to point to weakness. The flash HCOB composite purchasing managers index (PMI) fell to a 10-month low of 48.1, with both the services and manufacturing sectors showing contraction. PMI data is based on surveys of companies in the manufacturing and service sectors. A reading above 50 indicates growth while below 50 indicates contraction.

Euro area annual inflation is expected to be 2.3% in November 2024, up from 2.0% in October. However, the rise is thought unlikely to derail the European Central Bank's (ECB) monetary policy easing, given economic weakness. The ECB is meeting on 12 December and is expected to lower interest rates.



The German coalition government collapsed after Chancellor Scholz sacked the finance minister. New elections will be held in February. Towards the end of the month, concerns began to build over France's debt. French borrowing costs rose amid worries that the government would fail to obtain sufficient parliamentary support to pass a cost-cutting budget.

UK

Domestically focussed UK equities rose over the month, helping to recoup some of the losses suffered in the immediate wake of the October Budget.

There was also a stabilisation in long-term government borrowing costs, which fell back marginally in November. These two factors added to the view there had been no major near-term surprise as a result of the overall policy thrust of the new Labour administration.

There was a cooling in the UK's services sector, with S&P Global's UK purchasing managers' index (PMI) for services falling in November. While the PMI was still above the 50 level demarking expansion from contraction in activity, at 50.8 it was the lowest level since November 2023. At that time the UK was experiencing a shallow recession in response to the rapid increase in interest rates required to curb inflation.

The Bank of England cut the Bank Rate by a further 25 basis points in November. Meanwhile, the Office for National Statistics confirmed that the unemployment rate was 4.3% for the three months to September (up slightly from 4% in the previous quarter). Wage inflation had remained strong at 4.8% (excluding bonuses), and comfortably ahead of inflation.

On the stock market, there were four new takeover deals announced in the final week of November amid a ramp-up in activity, which had slowed in the summer.

JAPAN


The Japanese equity market finished November with a slightly negative return of -0.5% for the TOPIX Total Return index in yen terms. The Nikkei 225 was down by -2.2%, indicating that the market's correction concentrated on large cap stocks, in particular exporters.

The market continued to be influenced by news from the US, starting with Trump's election win. Japanese equities initially rose along with US stocks. However, investor sentiment then began to be weighed down by concerns over the potential tariffs on the world, including Japan, as well as the trade restrictions against China. This led to underperformance of Japanese exporters including autos, technology, and basic materials.

The Japanese yen experienced higher volatility. After further depreciation upon Trump's win, it appreciated against the US dollar toward the month end due to the expectation of further rate hikes by the Bank of Japan (BOJ), potentially in December. This also supported the performance of financial stocks including banks. Yen strength and solid economic development in domestic demand provided some confidence on domestic oriented companies such as retailers and services.

The majority of Japanese companies announced semi-annual results, which were mixed across sectors. Share buybacks continued to surge, and companies announcing additional share buybacks tended to enjoy favourable market reaction. Corporate governance reforms are in progress. Tokyo Stock





Exchange (TSE) further disclosed the best case studies as well as examples where companies are not aligned with investors' expectations. This may further support action by Japanese company management next year.

ASIA (EX JAPAN)

Asia ex Japan equities declined in November amid investor fears over potential tariffs following Donald Trump's re-election as US President. The Philippines, Indonesia, and South Korea were the worst-performing markets in the MSCI AC Asia ex Japan Index, while Singapore was the only market to end the month in positive territory.

China, Hong Kong, and Taiwan also all experienced sharp declines in the month as the prospect of a second Trump presidency raised the risk of heightened tensions over trade and technology. As part of his election campaign, Donald Trump had pledged to impose tariffs of 60% or more on manufactured goods from China.

Singapore achieved robust gains in the month as overseas investors seeking exposure to the region switched from China and Hong Kong amidst the ongoing tensions between the US and China and attracted by Singapore's political stability and relative neutrality.

EMERGING MARKETS

Donald Trump's win in the US presidential election acted as a headwind for emerging market (EM) equities. The MSCI EM index fell in US dollar terms, in contrast to the developed market indices. EM weakened in the face of a strengthening dollar and investor concerns about the impact of Trump's intended tariffs, particularly on China.

Some of the smallest EM, such as Philippines and Indonesia, registered the biggest losses in US dollar terms in the month with both recording foreign equity outflows in the month. Brazil underperformed, with investors disappointed by the government's latest budget plan. Korea and Taiwan also declined amid foreign equity outflows. Both markets lagged the EM index amid investor concerns about the impact of global trade tensions on economic growth. Korea's central bank unexpectedly cut interest rates by 25bps in the month on the back of these growth concerns.

Currency weakness weighed on the South African market, which underperformed the broader index, with the mining sector in particular under pressure given worries of lower demand from China. China lagged on the back of trade uncertainty, with investors fearful of the implications of higher tariffs on Chinese exports into the US.

While Mexico, Saudi Arabia and Malaysia all delivered a negative US dollar return, these markets outperformed the EM index. India was also ahead of the index given it is relatively less affected by global trade than some of its other Asia Pacific peers. Kuwait and the UAE gained in US dollar terms while the emerging European markets of Czech Republic, Hungary and Turkey were the top performers.

GLOBAL BONDS

Global bond markets ended the month on a positive note, despite volatility earlier in the month surrounding the US elections.

In the US, following the Federal Reserve's (Fed) rate cut of 50 basis points (bps) in September, market participants anticipated an additional 25bps reduction at the November meeting. This

was forthcoming, taking the federal funds rate down to 4.50–4.75%, as expected.

However, Donald Trump's victory in the Presidential elections raised expectations that the Fed might be forced to keep interest rates higher for longer, as his proposed policies are likely to bring inflationary pressures. Nevertheless, the initial effect on Treasury yields was short-lived, with markets reassessing the timeline and feasibility of implementing these policies. The 10-year Treasury yield ended the month 11 basis points lower, dropping to 4.17% (reminder: yields move inversely to prices).

In the eurozone, CPI (consumer price index) inflation climbed to 2.3% year-on-year, up from 2.0% in October. Markets are anticipating the European Central Bank (ECB) will lower interest rates further, with one cut priced in for their December meeting. The backdrop is one of considerable uncertainty as the French government faced a no confidence vote over its proposed 2025 budget. The spread of French government bonds over German Bunds reached its widest level in 12 years as investors attached greater risk to French debt. Meanwhile, the rest of Europe saw 10-year government bond yields fall.

In the UK, gilts rallied over the month. Early in November, the Bank of England (BoE) cut interest rates by 25 bps, to 4.75%. The Monetary Policy Committee (MPC) highlighted the difficulty of interpreting data and that a "gradual approach" to removing policy restraints remains appropriate. November also saw strong demand for gilt issuance as investor confidence in government debt contributed to the rally.

In Japan, the increased likelihood of a rate hike in December pushed the yen to a six-week high versus the dollar. In China, the

People's Bank of China injected RMB 900 billion into the banking system via its medium-term lending facility and left the lending rate unchanged at 2%, as expected.

Within corporate bonds, spreads tightened generally across the board. Significant rallies were seen in US high yield (HY) where spreads ground even tighter, to historical lows. The sector has been influenced by Trump's expected pro-business policies and tax cuts aimed at stimulating growth. In contrast, European HY widened as spreads were impacted by the political turmoil in France and structural economic challenges in Germany.

Convertible bonds benefited from the equity market tailwind. The FTSE Global Focus index, hedged in US dollars, ended the month with a gain of 3.6%. The upside participation was 95%. The new issuance market for convertibles remains solid with volumes well above last year and well above historic averages.

COMMODITIES

The S&P GSCI Index achieved a small gain in November. Agriculture and livestock were the best performing components of the index, while industrial metals and precious metals were weaker.

The energy component was little changed in November. Within agriculture, coffee and cocoa achieved robust price gains, while the price of wheat and sugar declined.

In energy, the price of natural gas rose strongly in the month. In precious metals, the price of both gold and silver fell in November. Within industrial metals, aluminium and copper prices fell, while lead, nickel and zinc achieved modest price gains.





DIGITAL ASSETS

November was a pivotal month for the digital asset industry. After the US election, the broader cryptocurrency market saw positive momentum leading to new all-time highs. Bitcoin gained 37% in November and Ethereum 47%. Many smaller tokens performed even better as altcoins (digital currencies that are an alternative to Bitcoin) are likely to benefit most from increased regulatory clarity.

Trading volumes across exchanges have nearly doubled since their pre-election levels and are back to levels not seen since the 2021 crypto exuberance. Trump has promised to make America the “crypto capital of the world”, which is expected to lead, over time, to greater innovation and institutional adoption of blockchain technology and crypto assets in the US.

TOTAL RETURNS (NET) % – TO END NOVEMBER 2024

Equities	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
MSCI World	4.6	7.5	5.8	27.8	32.1	27.3
MSCI World Value	3.9	6.8	5.0	24.6	28.7	24.1
MSCI World Growth	5.3	8.2	6.5	31.0	35.3	30.5
MSCI World Smaller Companies	6.5	9.4	7.7	26.1	30.2	25.6
MSCI Emerging Markets	-3.6	-0.9	-2.5	11.9	15.6	11.4
MSCI AC Asia ex Japan	-3.3	-0.6	-2.2	15.7	19.5	15.3
S&P500	5.9	8.8	7.1	33.9	38.3	33.4
MSCI EMU	-2.7	0.1	-1.5	7.9	11.5	7.5
FTSE Europe ex UK	-2.4	0.4	-1.3	8.7	12.3	8.2
FTSE All-Share	1.3	4.2	2.5	16.2	20.1	15.8
TOPIX*	0.9	3.7	2.1	13.7	17.5	13.3

Government Bonds	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
JPM GBI US All Mats	0.8	3.6	2.0	5.7	9.2	5.3
JPM GBI UK All Mats	0.5	3.3	1.7	4.6	8.1	4.2
JPM GBI Japan All Mats**	0.7	3.5	1.9	-4.2	-1.0	-4.5
JPM GBI Germany All Traded	-0.5	2.3	0.6	2.1	5.5	1.7
Corporate Bonds	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global Broad Market Corporate	0.6	3.4	1.7	7.5	11.1	7.1
BofA ML US Corporate Master	1.2	4.0	2.3	8.8	12.4	8.4
BofA ML EMU Corporate ex T1 (5-10Y)	-0.5	2.3	0.7	6.1	9.6	5.7
BofA ML £ Non-Gilts	0.4	3.2	1.6	7.2	10.8	6.8
Non-investment Grade Bonds	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global High Yield	0.4	3.2	1.5	12.2	15.9	11.7
BofA ML Euro High Yield	-2.1	0.7	-0.9	8.1	11.7	7.7

Source: LSEG DataStream. Local currency returns in November 2024: *-0.5%, **-0.7%.

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Source: [Schroders, November 2024](#)

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