



FINURA

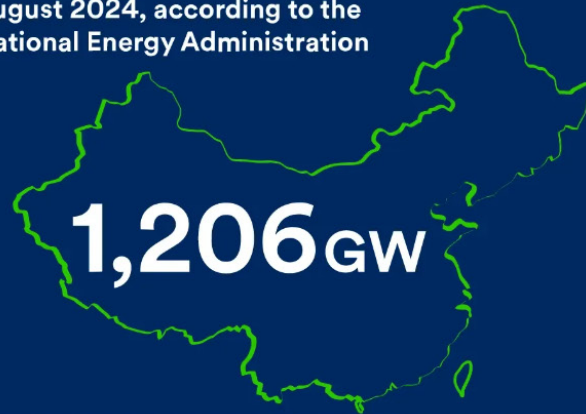
YOUR MARKET REVIEW OCTOBER 2024



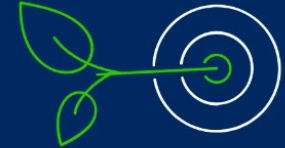
INFOGRAPHIC: THE GLOBAL ECONOMY

China hits its 2030 clean energy goal early

Chinese clean energy capacity in August 2024, according to the National Energy Administration



In 2020 China set a target to reach 1,200 gigawatts (GW) of renewables power by 2030...



...which was more than double the renewables capacity of the country at that time

The early achievement of this goal highlights the energy sector transformation of the world's largest emitter of greenhouse gases



[Read more](#)

Why we believe China's housing market may not yet have found a bottom

Length of average house price corrections in major economies according to analysis of Bank for International Settlements data



Based on past experience, house price corrections in major economies result in peak-to-trough nominal price falls of almost 30% over six years

The current housing correction in China began in mid 2021 and has seen new home prices fall about 6% and second-hand home prices decline approximately 13%



Although we await to assess the impact of the recently announced stimulus measures, this data suggests the correction may have some way to go yet

Is the US Federal Reserve playing with fire?

The reduction in US interest rates at September meeting of US Federal Reserve's rate-setting committee



A large initial reduction in US rates is typically a cause for concern, as we saw in January 2001 and September 2007 when 0.5 percentage points cuts were a precursor to US recessions...

...and again in March 2020 at the start of the global pandemic

If an aggressive rate-cutting cycle comes to pass, and the US economy remains resilient we fear US interest rates could end up too loose and re-ignite the dying inflationary embers

Source: [Schroders as at October 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	●	We remain positive on equities. We continue to view the backdrop of policy easing and an expected soft landing as supportive for the asset class.
	Government Bonds	●	We maintain our negative view as we believe the market is still overly optimistic on US interest rate expectations. However, valuations are no longer expensive.
	Commodities	●	We remain neutral on commodities given the healthy state of supplies in several sectors.
	Credit	● ▲	We have upgraded our views to positive, specifically in European high yield.
Equities	US	●	Strong US payroll and economic data, combined with a stimulative stance from the Federal Reserve (Fed), support our view that the equity market has scope to rise further.
	UK	●	We have downgraded to neutral as valuations are looking less attractive, and there is no clear catalyst to drive UK equities up from their current levels.
	Europe	●	We remain neutral as although forward looking economic data has been weak, inflation has eased giving the European Central Bank (ECB) scope to cut rates in the coming months.
	Japan	●	We remain neutral as political volatility is expected to overshadow positive fundamentals, leaving investors on the sidelines.
	Global Emerging Markets ¹	● ▲	We have upgraded to positive. EM equities offer attractive valuations and strong earnings and may now have found their catalyst for a continuation of the current rally.
	Asia ex-Japan: China	● ▲	We have upgraded to positive as the Chinese authorities are focused on providing monetary stimulus and supporting the equity market. However, to really change our expectations for Chinese growth, we would need to see more fiscal stimulus.
	EM Asia ex China	●	We maintain a neutral stance. While the region stands to benefit from China's new stimulus measures, we prefer to gain exposure to China directly
Government Bonds	US	●	We maintain our negative view as although yields have rebounded from their recent low levels, valuations are still moderately expensive.
	UK	●	We remain neutral despite the fall in inflation and the Monetary Policy Committee's decision to lower interest rates in August.
	Germany	●	Growth data in Europe has been weak and recent falls in inflation will allow the ECB to deliver rate cuts. Although our overall view is neutral, regionally we prefer France and Italy.
	Japan	●	Although yields on a risk-adjusted basis are attractive, given that the market is expecting two rate hikes by the end of 2024 as headline inflation is rising, we remain neutral.
	US Inflation Linked	●	We remain neutral as we expect inflationary pressures to continue to ease despite growth being positive and robust consumer spending.
	Emerging Markets Local	●	Although EM local bonds have attractive carry (where investors borrow at a lower rate to invest in an asset that provides a higher rate of return) and valuations, we remain neutral as the wider spreads are mainly associated with a small number of troubled issuers.

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

	Category	View	Comments
Investment Grade Credit	US	●	US credit was supported by the surprise 50bps interest rate cut from the Fed. However, the absolute level of carry (where investors borrow at a lower rate to invest in an asset that provides a higher rate of return) is not sufficient to offset expensive valuations in US IG, leading us to stay neutral.
	Europe	●	European inflation is easing, low levels of growth and the prospect of rate cuts provide a good backdrop for credit. We remain neutral as European HY spreads are more attractive.
	Emerging Markets USD	●	We remain neutral as we see little benefit to EM corporate bonds from the positive developments in China given already extremely tight valuations.
High Yield Bonds (Non-IG)	US	●	Similar to US IG, the sector benefited from the surprise interest rate cut. However, spreads have already fallen sharply, leaving little room for further tightening.
	Europe	● ▲	We have upgraded to positive as the European high yield sector offers the best opportunity in credit markets.
Commodities	Energy	●	The energy market continues to have ample supply. While demand remains muted, it is unlikely that economic stimulus from China will materially change demand levels.
	Gold	● ▼	We have turned neutral following this year's price surge. The outlook for gold appears more subdued, with demand from Chinese households expected to wane as Chinese equities regain their popularity.
	Industrial Metals	●	We remain neutral as the recent Chinese stimulus is not expected to have a significant impact on base metal prices and global supply and demand appear to be broadly balanced.
	Agriculture	●	Although adverse weather conditions in Brazil and Argentina have prompted a rise in wheat prices, supplies overall remain sufficient, thereby limiting any further upside.
Currencies	US \$	●	With the Fed starting to cut interest rates, we remain neutral.
	UK £	● ▼	We have downgraded to negative as although market pricing for the Bank of England remains cautious compared to other central banks, optimism in the UK has peaked following the general election and no clear catalyst now exists to push the currency higher.
	EU €	● ▼	We have downgraded our view on the euro as weak inflation and expected interest rate cuts will make the currency less attractive than other major currencies.
	CNH ¥	●	Despite recent stimulus measures from the Chinese authorities, we would need to see more fiscal stimulus to change our neutral view.
	JAP ¥	● ▼	We have downgraded to neutral while we wait for a clearer policy direction from Japan's new prime minister on monetary and fiscal policy.
	Swiss F	●	We maintain our negative view as we expect the weak inflation data to lead to further interest rate cuts from the Swiss National Bank.

Source: [Schroders, October 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 markets in October when equities fell, although Japan was a notable outperformer. Fixed income markets also retreated in the month.

THE MONTH IN SUMMARY

A look back at markets in October when equities fell, although Japan was a notable outperformer. Fixed income markets also retreated in the month.

THE US

US shares ended lower in October amid uncertainty ahead of the presidential election and ongoing doubts about the path of interest rates. Disappointing quarterly updates for some large companies also weighed on market returns.

At sector level, the healthcare, materials and real estate sectors experienced the steepest falls in the month. The financials sector was a standout positive performer with investors reacting positively to earnings updates from several banks. Communication services also performed well.

The advance reading from the Bureau of Economic Analysis showed US GDP grew by an annual rate of 2.8% quarter-on-quarter in Q3. This was a slight slowdown from the 3.0% growth rate in Q2. US annual inflation, as measured by the consumer price index (CPI), was 2.4%, compared to 2.5% registered in August. The Federal Reserve's preferred measure of inflation – the personal consumption expenditure index – came in at 2.1%. This is close to the Fed's 2% target but the "core" measure moved up to 2.7%.

Non-farm payrolls saw a surge in job growth in September, with 254k jobs added compared to a revised 159k in August. The reporting of higher frequency labour market data in October was affected by hurricanes across parts of the US, with a port strike also distorting some jobs figures.

Investors continued to expect the Fed to cut interest rates by 25 basis points (bps) at its October meeting, following a 50 bps cut in September. As the month drew to a close, all attention was on the 5 November presidential election with the polls still very tight.

EUROZONE

Eurozone shares fell in October amid some concerns about growth and uncertainty around the US presidential election outcome.

The weakest sectors included information technology, consumer staples and real estate. Industrials and communication services sectors were the only sectors to register a positive return for the month.

With the Q3 earnings season ongoing, there were some weaker corporate earnings from several large companies, including some in the information technology sector. In consumer discretionary, quarterly updates from several of the carmakers as well as some luxury goods companies disappointed the market.

Data from Eurostat showed eurozone economic growth was 0.4% quarter-on-quarter in Q3, accelerating from 0.2% growth in Q2. Spain and Portugal registered the fastest growth rates. Eurozone annual inflation was estimated at 2.0%, up from 1.7% in September.

The European Central Bank (ECB) cuts interest rates by 25 basis points in October. However, the uptick in inflation and faster pace of economic growth may imply less likelihood of rapid



rate cuts to come. That said, more recent data indicated that business activity contracted again in October, with the composite purchasing managers' index (PMI) coming in at 49.7, albeit a slight improvement from 49.6 in September.

UK

UK equities fell over the month and UK small and mid cap (SMID) equities underperformed. Both larger companies and SMIDs were negatively affected by the mixed near-term external macroeconomic outlook. This was reflected in the poor performance seen by many sectors exposed to global industrial end markets.

Meanwhile, a late in the month sell-off in UK assets piled further pressure on the more domestically focussed SMIDs. This sell-off followed concerns that the UK budget has worsened the longer-term UK economic and interest rate outlook. While the Chancellor's spending plans drove upgrades to near-term UK growth and inflation forecasts, they were judged to have limited long-term benefit to the economy's productive capacity or "supply side".

As a result of concerns about the nature of the new administration's fiscal, or spending policies – and the long lead times for any subsequent regulatory reforms to improve the supply side – there was a repricing in long-term government borrowing costs. This occurred in anticipation that UK interest rates will need to be higher for longer in order to offset more persistent inflationary pressures and maintain price stability as the economy grows.

This deterioration in the longer-term macro-economic outlook was also reflected in sterling weakness (albeit against a strong

dollar) and made for a dismal end to a tough October. The sharp turn in sentiment occurred despite generally positive near-term UK economic data (including news inflation was back below the Bank of England 2.0% target).

JAPAN


The Japanese equity market continued to experience higher volatility but rebounded to generate a positive return of 1.9% for TOPIX Total Return index in yen terms. The Nikkei 225 rose more strongly, by 3.1%, indicating that the market's rise was primarily driven by large cap stocks. The weakness of the yen supported large cap exporters such as technology, autos, and machinery stocks. Financial stocks also rebounded after a setback in the summer.

Recent political turmoil in Japan had both positive and negative impacts on financial markets. Initially, the market reacted negatively to the news that Mr Ishiba had unexpectedly won the leadership election of the Liberal Democratic Party (LDP), the ruling party. Ishiba immediately called a snap election upon his appointment as prime minister, raising concerns about further instability of the Japanese political situation. The LDP and its coalition lost their majority in the general election held on 27 October.

However, this news had already been priced in before the election. The market regained momentum toward the end of the month, anticipating an expansionary policy direction as a result of the general election while Ishiba's administration will remain in place.

Macroeconomic conditions in Japan remain solid, as confirmed at the Bank of Japan's (BOJ) meeting on 31 October, where no





policy changes were made. The BOJ's statement hinted that they might take action at the December meeting, but this would still depend on market conditions and economic developments. The semi-annual corporate earnings results season began later in the month, and initial earnings figures remained solid, although the currency fluctuation will become a highly variable factor as we approach the end of Japan's fiscal year in March next year.

Read more: [Japanese equity outlook: five questions answered](#)

ASIA (EX JAPAN)

Asia ex Japan equities declined in October. India, Malaysia, and South Korea were the worst-performing markets in the MSCI AC Asia ex Japan Index, while Taiwan was the only market in the index to end the month in positive territory.

Indian share prices experienced the biggest decline in the index amid fears of an escalation in the conflict in the Middle East which could lead to potential disruptions in the supply of oil, a key commodity imported by India.

Share prices in China and Hong Kong also experienced sharp declines in the month after stimulus measures by the Chinese government, in a bid to boost the country's flagging economy, failed to bolster investor sentiment. China, the world's second-largest economy, continues to face a number of challenges, including the collapse of the country's property sector and high levels of youth unemployment. China is also struggling with overproduction in some sectors such as steel and manufacturing, while in others such as technology, companies are moving their production to Southeast Asia due to cheaper costs and fewer geopolitical uncertainties.

South Korean stocks fell in the month, as foreign investors sold shares amid a weakening won and currency volatility. Share prices in Taiwan achieved modest gains in the month despite market volatility, with semiconductor and construction stocks among the main gainers.

EMERGING MARKETS

Emerging market (EM) equities fell over the month amid widespread risk-off sentiment ahead of the US presidential election on 5 November. Rising US bond yields and a stronger US dollar were notable headwinds for EM.

Turkey was the weakest market, followed by Greece and Poland. Emerging European markets, particularly Poland, declined as the market anticipated a Trump win in the US election and the consequences of this outcome on aid for neighbouring Ukraine, as well as tariffs.

India underperformed in the face of some weak earnings results and signs of growth easing. Weak results from a large technology company weighed on Korea. Profit-taking in China, together with a lack of further detail relating to stimulus measures, had a negative impact on the Chinese index market over the month.

Read more: [What does China's new policy direction mean for investors?](#)

Brazil lagged against a backdrop of de-anchoring inflation expectations while South Africa outperformed. The conflict in the Middle East remained heightened, with no further escalation, which was beneficial for some of the markets in the region including UAE, Kuwait, Saudi Arabia and Qatar.

Taiwan was the only EM to deliver a positive return in October, driven largely by ongoing positive sentiment around artificial intelligence demand.

GLOBAL BONDS

October was a challenging period for fixed income as most of the major government bond markets sold off over the month. The tightness of the US election race has seen investors reduce risk as they await the outcome. Despite falling back towards the end of the month, Trump remained ahead in the polls. As a result, US Treasuries started to sell off as a Republican victory could mean the likely implementation of more inflationary policies.

Non-farm payrolls (the total number of paid workers in the US, excluding farm employees, government workers, private household employees and employees of non-profit organisations) came in stronger than expected in September, indicating a more robust labour market than anticipated, with the August figure also being revised upwards.

Meanwhile, the latest US inflation figure (for September) fell to 2.4%, slightly less than expected, but US bond yields rose further following the release, as investors scaled back predictions of the Federal Reserve (Fed) cutting by another 50 bps in November.

In the UK, the new Labour government's first budget took place at the end of October. The UK's new Chancellor of the Exchequer, Rachel Reeves, laid out the plan for a £40 billion tax increase. Following the announcement, 10-year gilts sold off over the concern of an additional £28 billion a year in borrowing. The pound fell to a two-month low against the US dollar. Markets have also priced in a slower rate of interest rate cuts over the next 12 months, expecting three 25bp cuts rather than the

previous four to five. The UK inflation print in the middle of the month showed a bigger decline than expected, to 1.7%, driven by lower services inflation.

In Europe, inflation increased by more than expected in October and could potentially climb higher in the months to come. This reaffirmed the case for caution from the European Central Bank (ECB), which cut rates by a further 25bps mid-month.

On the credit front, high yield (HY) outperformed with Euro HY giving the best total returns over the month.

Amid stuttering equity market returns, convertible bonds not only protected investors very efficiently in the setback but delivered a positive performance. The FTSE Global Focus index, hedged in US dollars, ended the month with a gain of 0.3%.


COMMODITIES

The S&P GSCI Index achieved a modest gain in October. Livestock, precious metals, and energy were the best performing components of the index, while agriculture and industrial metals were weaker in the month.

In precious metals, both gold and silver achieved price gains in October. Within livestock, the price of lean hogs achieved strong gains while the price gain for feeder cattle and live cattle was more muted. Within energy, all sub-components ended the month in positive territory apart from natural gas which experienced a sharp price fall.

Industrial metals prices were lower in October, with nickel experiencing the sharpest decline.





Within agriculture, all sub-components fell in the month, apart from sugar which achieved a modest price gain.

DIGITAL ASSETS

In October, Bitcoin and Solana rose by 11% and 10% respectively, while Ethereum returned -3% during the month. The total crypto market capitalisation increased by about 6%. Factors driving this growth included lower interest rates in the US, stimulus measures in China, and polls suggesting a possible Trump victory in the US presidential elections.

Bitcoin reached 73,620, a new all-time high during the month, and US spot ETFs (exchange-traded funds) saw their second highest monthly inflows.

Much focus has been on the US election outcome and the impact that any new administration would have on the direction of digital asset regulation. Regardless of who wins, any signs of regulatory clarity for the industry will likely be taken positively.



TOTAL RETURNS (NET) % – TO END OCTOBER 2024

Equities	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
MSCI World	-2.0	0.8	2.3	33.7	30.1	26.2
MSCI World Value	-2.2	0.6	2.1	28.8	25.4	21.6
MSCI World Growth	-1.8	0.9	2.4	38.3	34.7	30.6
MSCI World Smaller Companies	-2.7	0.0	1.5	29.5	26.0	22.2
MSCI Emerging Markets	-4.4	-1.8	-0.3	25.3	22.0	18.3
MSCI AC Asia ex Japan	-4.6	-1.9	-0.5	28.0	24.6	20.8
S&P500	-0.9	1.9	3.4	38.0	34.4	30.3
MSCI EMU	-6.0	-3.3	-1.9	23.5	20.2	16.6
FTSE Europe ex UK	-6.0	-3.4	-1.9	23.5	20.2	16.6
FTSE All-Share	-5.7	-3.1	-1.6	23.2	20.0	16.3
TOPIX*	-4.3	-1.7	-0.2	21.7	18.5	14.9

Government Bonds	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
JPM GBI US All Mats	-2.3	0.4	1.9	8.4	5.6	2.4
JPM GBI UK All Mats	-6.6	-4.0	-2.6	11.9	9.0	5.6
JPM GBI Japan All Mats**	-6.6	-4.0	-2.5	-0.4	-3.0	-6.0
JPM GBI Germany All Traded	-4.0	-1.3	0.2	8.6	5.7	2.5
Corporate Bonds	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global Broad Market Corporate	-2.7	0.1	1.6	13.0	10.0	6.6
BofA ML US Corporate Master	-2.2	0.5	2.0	13.6	10.6	7.2
BofA ML EMU Corporate ex T1 (5-10Y)	-3.5	-0.8	0.7	13.6	10.6	7.2
BofA ML £ Non-Gilts	-5.5	-2.9	-1.4	14.7	11.7	8.3
Non-investment Grade Bonds	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global High Yield	-0.9	1.9	3.4	17.2	14.1	10.6
BofA ML Euro High Yield	-2.3	0.5	2.0	17.5	14.4	10.9

Source: LSEG DataStream. Local currency returns in October 2024: *1.9%, **-0.5%.

Past performance is not a guide to future performance and may not be repeated.





Source: [Schroders, October 2024](#)

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. Past performance mentioned is not a guide to future performance and may not be repeated. The sectors, securities, regions and countries shown are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Important Information: This communication is marketing material. The views and opinions contained herein are those of the named author(s) on this page, and may not necessarily represent views expressed or reflected in other Finura communications, strategies or funds. This document is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Finura does not warrant its completeness or accuracy. The data has been sourced by Finura and should be independently verified before further publication or use. No responsibility can be accepted for error of fact or opinion. This does not exclude or restrict any duty or liability that Finura has to its customers under the Financial Services and Markets Act 2000 (as amended from time to time) or any other regulatory system. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions. Exchange rate changes may cause the value of any overseas investments to rise or fall. Any sectors, securities, regions or countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. Forecasts and assumptions may be affected by external economic or other factors. Issued by Finura Partners Limited, registered in England under Companies House number 09560937, 4th Floor, 20 Aldermanbury, London, EC2V 7HY.

Approved by Evolution Wealth Network Ltd on 06/11/2024.



FINURA

5th Floor, 20 Old Bailey, London EC4M 7AN

T: +44 (0)20 8057 8004 E: hello@finura.co.uk W: finura.co.uk

Finura Partners is an Appointed Representative of Evolution Wealth Network Limited who are authorised and regulated by the Financial Conduct Authority and based at Holmwood House, Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP.

Finura Partners Limited are registered in England under Companies House number 09560937,
4th Floor, 20 Aldermanbury, London, EC2V 7HY.