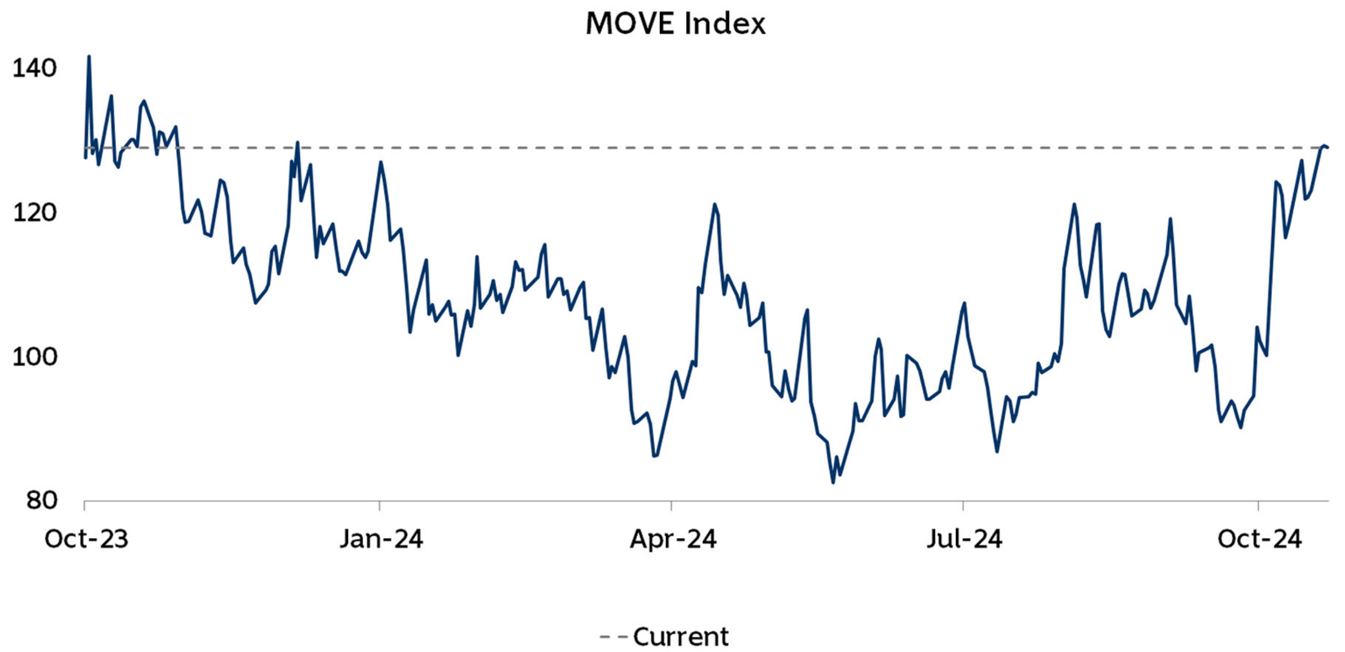
Chart of the Week *28 October 2024*



Sources: Momentum Global Investment Management, Bloomberg Finance L.P., data to 23 October 2024.

Shaken, not stirred

Gabby Byron
Investment Services Executive

What this chart shows

The chart shows the MOVE Index over the last year. The MOVE index measures the implied volatility in the US Treasury market, capturing market expectations of future price movements in US Treasuries based on the pricing of one-month Treasury options. A higher reading on the index signals greater uncertainty or expected volatility in bond prices. Recently, the index has reached its highest level of 2024, with the rise in volatility reflecting heightened market concerns about economic conditions, fiscal policy and geopolitical risks. The index experienced its largest daily percentage increase in four years on 7 October which interestingly corresponds with the upcoming US presidential election, suggesting that election-driven uncertainty is exacerbating bond market fluctuations.

Why this is important

Despite the Fed's recent rate cuts, a series of strong economic data releases has led markets to doubt the likelihood of future aggressive rate cuts, boosting Treasury yields and adding to bond market volatility. Political uncertainty is also playing a pivotal role and the sharp move in the index on 7 October aligns with the election timeline. Investors are wary that the election outcome could significantly impact fiscal policy, with some fearing that a win by Republican candidate Donald Trump could lead to inflationary pressures due to proposed tariffs on imports. Rising inflation expectations can further erode bond prices and push yields higher. Lastly, the rising fiscal deficit has also raised market anxiety. Recent warnings about the unsustainable trajectory of US government debt have further exacerbated bond market jitters, further fuelling volatility. While bond volatility increases, equity markets, as reflected by the VIX Index, have shown little comparable anxiety.

Weekly market update

ending 25 October 2024

momentum
global investment management

Heightened volatility in global markets emerged as countries grappled with inflationary pressures and shifting monetary policies, particularly in the US and UK. These challenges highlight the fragility of the ongoing economic recovery amid geopolitical tensions and domestic fiscal concerns.

US

- The US stock market saw significant volatility driven by mixed earnings reports from major companies, particularly in the tech sector
- US Economic data indicated a stronger-than-expected growth rate of 2.8% for the second quarter, sparking debates about the sustainability of this growth amid inflation concerns
- The Federal Reserve's policy adjustments remain a topic of intense discussion, especially as inflationary pressures and political factors complicate economic forecasts
- Trump's potential return to the presidency is influencing market sentiment, with many investors betting on a favourable economic outcome if he wins

UK

- The UK government prepares for the Autumn Budget, with Chancellor Rachel Reeves expected to announce significant tax hikes to stabilise the economy, potentially raising £20 billion from national insurance increases
- The Labour Party is facing criticism over its handling of economic policy as it aims to address labour market uncertainties and inflation
- Economic forecasts are gloomy, with reports suggesting that the UK economy may continue to struggle amidst rising costs and a fragile job market

Rest of the World/Asia

- Emerging markets are facing increasing pressure from global economic shifts, particularly as the US and China engage in trade disputes
- The Bank of Japan is expected to maintain its accommodative stance despite global tightening, as domestic consumption remains weak
- China unexpectedly cut interest rates in response to slowing economic momentum, indicating significant concerns about recovery prospects following disappointing industrial profits
- Economic reforms are needed in several countries to foster resilience against external shocks, particularly those linked to energy prices

Europe

- The Eurozone's economic activity continues to decline, with manufacturing weakness persisting despite growth in the services sector, indicating a sluggish recovery
- Germany's tax revenues are projected to fall short by nearly €60 billion, exacerbating fiscal challenges for the coalition government
- Concerns over protectionism and its impact on global trade are mounting, with the IMF warning that rising tariffs could stifle economic growth
- The EU is seen as lagging behind the US economically, with calls for more decisive fiscal discipline amid rising inflation

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Market data ending 25 October 2024

Asset Class / Region	Currency	Cumulative returns: Week ending 25 October	Month to date	YTD 2024	12 months
Developed Markets Equities					
United States	USD	-1.0%	0.8%	22.7%	40.1%
United Kingdom	GBP	-1.3%	0.3%	10.1%	15.3%
Continental Europe	EUR	-1.1%	-0.9%	9.9%	22.2%
Japan	JPY	-2.6%	-1.0%	13.1%	18.9%
Asia Pacific (ex Japan)	USD	-1.9%	-3.4%	15.9%	29.1%
Australia	AUD	-0.9%	-0.7%	11.6%	24.3%
Global	USD	-1.3%	-0.4%	18.4%	35.7%
Emerging Markets Equities					
Emerging Europe	USD	-2.2%	-7.1%	4.4%	17.1%
Emerging Asia	USD	-1.9%	-3.1%	17.8%	29.7%
Emerging Latin America	USD	-1.0%	-3.1%	-15.2%	4.8%
BRICs	USD	-2.0%	-5.4%	15.8%	24.4%
China	USD	-1.1%	-4.1%	24.0%	24.8%
MENA countries	USD	-0.5%	-2.7%	-0.9%	10.5%
South Africa	USD	-0.7%	-0.2%	21.2%	39.7%
India	USD	-2.7%	-6.7%	11.3%	26.4%
Global emerging markets	USD	-1.8%	-3.0%	13.3%	26.4%
Bonds					
US Treasuries	USD	-0.8%	-2.4%	1.5%	9.1%
US Treasuries (inflation protected)	USD	-0.9%	-1.9%	2.9%	8.9%
US Corporate (investment grade)	USD	-1.0%	-2.1%	3.5%	14.0%
US High Yield	USD	-0.4%	-0.5%	7.5%	16.8%
UK Gilts	GBP	-1.0%	-1.0%	-1.3%	7.9%
UK Corporate (investment grade)	GBP	-0.7%	0.0%	2.5%	12.3%
Euro Government Bonds	EUR	-0.7%	-0.4%	1.6%	9.2%
Euro Corporate (investment grade)	EUR	-0.2%	0.2%	4.1%	10.0%
Euro High Yield	EUR	0.0%	0.6%	7.4%	14.0%
Global Government Bonds	USD	-1.0%	-3.4%	-0.6%	8.3%
Global Bonds	USD	-0.9%	-2.9%	0.6%	10.6%
Global Convertible Bonds	USD	0.1%	-0.3%	5.5%	16.3%
Emerging Market Bonds	USD	-0.8%	-1.7%	6.0%	18.8%

Asset Class / Region	Currency	Cumulative returns: Week ending 25 October	Month to date	YTD 2024	12 months
Property					
US Property Securities	USD	-1.7%	-1.4%	13.2%	39.5%
Australian Property Securities	AUD	-2.0%	-2.5%	20.0%	44.1%
Asia Property Securities	USD	-3.6%	-7.1%	-2.8%	7.6%
Global Property Securities	USD	-2.4%	-3.9%	9.2%	32.9%
Currencies					
Euro	USD	-0.6%	-3.1%	-2.3%	2.2%
UK Pound Sterling	USD	-0.5%	-3.2%	1.7%	7.0%
Japanese Yen	USD	-1.8%	-6.0%	-7.5%	-1.5%
Australian Dollar	USD	-1.4%	-4.7%	-3.2%	4.6%
South African Rand	USD	-0.6%	-2.6%	3.3%	8.1%
Swiss Franc	USD	-0.1%	-2.5%	-3.1%	3.5%
Chinese Yuan	USD	-0.3%	-1.4%	-0.3%	2.8%
Commodities & Alternatives					
Commodities	USD	2.3%	1.0%	6.8%	1.0%
Agricultural Commodities	USD	-0.1%	-2.9%	2.3%	1.0%
Oil	USD	4.1%	6.0%	-1.3%	-15.6%
Gold	USD	1.0%	4.1%	33.2%	38.9%

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