SEPTEMBER 2024 MARKET REPORT

Economic commentary

In September, we learned that consumer prices in the UK rose by 2.2% in the 12 months to August – the same rate as we saw in July. As a reminder, the Bank of England (BoE) lowered interest rates from 5.25% to 5% in August, which is the only interest rate cut so far in 2024. BoE governor Andrew Bailey stated that the Bank will be cautious when considering future rate cuts; the rationale here is that although inflation is close to its target of 2% (and stable over recent months), rates need to be reduced slowly to keep prices stable in the long run.

The Eurozone and the US saw similar good news for inflation, but they took more aggressive action with interest rates in the face of poor economic data, in order to make life easier for households and businesses that need to borrow. Inflation in the Eurozone eased to 2.2% in August (down from 2.6% in July), closer to the European Central Bank's (ECB) 2% target, and is the lowest level since July 2021. Unlike the BoE, in September the ECB decided to lower its key interest rate from 3.75% to 3.5% – its second cut this year – as they face significant pressure from poor economic data which shows falling business activity levels and slowing demand for goods. In the US, inflation slowed for a fifth consecutive month to 2.5% in August, the lowest since February 2021. US economic data was also weak this month; the unemployment rate has risen significantly from the levels reported last year. The Federal Reserve (The Fed) accordingly decided to step in and prevent further weakening of the economy by cutting interest rates from 5.25% to 4.75%. This is significant (and was celebrated by many investors), as The Fed hasn't lowered interest rates since March 2020. The rate cut signals early success in controlling high inflation, which as a reminder has dropped from heights of 9.1% in June 2022 to 2.5% in August.

Market commentary

The long-anticipated interest rate cut by the Fed in September (the first since March 2020) combined with new economic stimulus measures in China helped to ease investor worries in September. This fuelled a stock market rally across several regions. Emerging market stocks performed particularly well, largely driven by optimism in China, whose government unveiled a coordinated series of policies to lower interest rates, support home buying and real estate prices, and bolster the stock market. Bonds performed well, in anticipation of lower interest rates (this tends to boost bond prices) and concerns about economic growth, which led many investors to favour bonds over riskier stocks.

However, not all regions enjoyed positive returns, as some—particularly Europe—faced challenges due to concerns about economic growth. Negative sentiment also emerged in the UK; the uncertainty surrounding the upcoming UK October budget has had an impact on stocks, as investors closely watch for government actions that could affect the economy.

This month's stock market fluctuations highlight why we avoid making short-term economic predictions. We prefer to hold less of the priciest and riskiest investments that might go on to disappoint investors. Instead, we concentrate on investments that appear undervalued and hold them for the long term where we believe we will see rewards.

	1m	3m	6m	YTD	1yr	3y pa	5y pa	10y pa
Equity Markets (£)								
UK	-1.3%	2.2%	6.0%	9.8%	13.3%	7.4%	5.8%	6.3%
US	0.0%	-0.3%	3.7%	15.6%	23.5%	11.6%	13.1%	14.8%
Global	-0.2%	0.2%	2.8%	12.9%	20.4%	9.2%	11.1%	12.0%
Emerging Markets	4.4%	1.8%	6.9%	9.8%	13.1%	-0.2%	3.2%	5.4%
Europe ex UK	-1.6%	0.1%	-0.1%	7.1%	15.0%	6.4%	7.9%	8.8%
Japan	-1.9%	0.7%	-3.9%	6.6%	10.1%	2.7%	4.9%	8.1%
China	19.3%	13.8%	21.2%	19.3%	10.2%	-6.8%	-1.8%	4.5%
UK Smaller Companies	0.8%	6.1%	10.3%	11.0%	19.6%	-2.0%	2.3%	5.4%
Bonds (£)								
Sterling Corporate Bonds	0.2%	2.3%	2.5%	1.9%	8.8%	-2.9%	-1.5%	1.8%
Global High Yield (Hedged)	1.5%	4.3%	5.4%	6.1%	13.0%	2.3%	3.0%	3.3%
Global Bonds (Hedged)	1.2%	4.4%	4.2%	3.8%	10.2%	-1.8%	-0.6%	1.3%
Other (£)								
Global Listed Property	0.9%	9.4%	6.7%	5.2%	17.2%	0.5%	-0.3%	6.0%
UK Listed Property	2.5%	6.0%	5.7%	2.8%	22.2%	-5.1%	-1.5%	1.4%
Physical Gold	3.0%	6.5%	11.8%	21.0%	29.0%	14.5%	10.3%	9.9%

Economic Data	At date	3m ago	6m ago	1y ago	3y ago	5y ago	10y ago
Sterling/Dollar Rate	$1.34	$1.26	$1.26	$1.22	$1.35	$1.23	$1.62
Bank of England Base Rate	5.00%	5.25%	5.25%	5.25%	0.10%	0.75%	0.50%
UK CPI YoY		2.0%	3.2%	6.7%	3.1%	1.7%	1.2%
US Unemployment Rate		4.1%	3.8%	3.8%	4.7%	3.5%	5.9%
UK Unemployment Rate		4.1%	4.4%	4.0%	4.3%	3.9%	6.0%

Bond yields	At date	3m ago	6m ago	1y ago	3y ago	5y ago	10y ago
UK 10-Year Gilt Yield	4.0%	4.2%	3.9%	4.4%	1.0%	0.4%	2.4%
UK Corporate Bond Yield	5.3%	5.6%	5.3%	6.3%	1.9%	2.0%	3.6%

Data Sources: Data is at 30/09/2024. For the above asset class return data, we used passive funds to represent market returns, given that they represent an investible net-of-fee return achievable by an end client. Economic figures like unemployment and CPI rates may not have been available for latest month-end at the time of publication. All returns have been calculated by Fundhouse, with reference to data from Refinitiv, Morningstar and the Bank of England. This content cannot be distributed without the consent of Fundhouse.

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