

OCTOBER 2024 MARKET REPORT

Economic commentary

In October, we learned that consumer price inflation in the UK had dropped to 1.7% in the last 12 months, down from a reading of 2.2% in both September and August. This reduction is significant, as it takes the rate below the Bank of England's 2% inflation target. Interest rates had remained at 5% since August, but the ease in inflation opened the door for the Bank's Monetary Policy Committee to consider rate cuts during its 7th November meeting (which it has since used to cut rates by 0.25%). Chancellor Rachel Reeves presented the highly anticipated Autumn Budget 2024. Key measures included a 1.2% rise in employer National Insurance contributions (expected to generate £25 billion annually) alongside reforms to capital gains and inheritance taxes, aimed at wealth redistribution. The overall message was less aggressive than had been expected by many.

US consumer price inflation was at 2.4% according to September data, down from 2.5% in August, but still slightly higher than expected. The International Monetary Fund has raised its growth forecast for the US, citing a strong labour market, even though inflation and high interest rates are still impacting other parts of the economy. As expected, the European Central Bank (ECB) lowered its primary interest rate by 0.25% this month to 3.25%, following similar moves in September and June. The ECB will be hoping that the cut to interest rates will stimulate the economy, as growth has been slower than expected and inflation has remained low.

Market commentary

October was a turbulent month for global stocks. The upcoming US election and concerns over potential policy shifts affecting inflation and interest rates fuelled investor uncertainty. UK stocks performed poorly this month, due to uncertainty surrounding the Autumn Budget. Investors were cautious in the buildup, closely monitoring potential measures that could impact the country's economic outlook. Smaller companies and sectors like retail and hospitality, which are more exposed to domestic conditions, faced significant pressure. European stocks also faced headwinds, mainly from mixed economic data.

Turning to Asia, Chinese stocks delivered positive returns, but perhaps less-so than expected as uncertainty grew over the effectiveness of last month's stimulus. Despite an initial rally from pro-growth policies, concerns about government spending and weak consumption caused the momentum to fade. Performance was mixed in Japan, as investors were sceptical about how corporates will fare against the weaker yen, slow domestic growth, and political uncertainty. However, the weaker yen did help support export-friendly stocks. The global bond market struggled in October as the strong US economy and uncertainty over post-election policies led to expectations for slower Federal Reserve rate cuts.

The recent volatility in the stock market underscores why we steer clear of relying on short-term economic predictions. Rather than getting excited about overpriced investments that could underperform, we focus on undervalued assets that offer better long-term potential. We aim to hold these investments over time, believing the rewards will ultimately materialise.

	1m	3m	6m	YTD	1yr	3y pa	5y pa	10y pa
Equity Markets (£)								
UK	-1.6%	-2.5%	1.8%	8.0%	16.2%	6.2%	5.7%	6.2%
US	3.3%	3.4%	10.8%	19.4%	29.6%	10.9%	14.5%	14.8%
Global	2.3%	2.3%	8.2%	15.5%	26.1%	8.6%	12.1%	12.1%
Emerging Markets	0.3%	3.6%	5.5%	10.2%	17.3%	0.1%	3.4%	5.1%
Europe ex UK	-1.9%	-1.8%	0.0%	5.0%	16.3%	4.7%	7.8%	8.7%
Japan	-0.2%	-4.0%	-0.2%	6.4%	14.3%	4.5%	4.8%	8.1%
China	0.9%	18.5%	15.1%	20.4%	14.5%	-6.8%	-1.5%	4.0%
UK Smaller Companies	-3.6%	-3.7%	5.8%	7.1%	27.0%	-3.0%	1.2%	4.9%
Bonds (£)								
Sterling Corporate Bonds	-1.0%	-0.2%	2.7%	0.9%	7.3%	-3.5%	-1.6%	1.6%
Global High Yield (Hedged)	-0.5%	2.4%	5.3%	5.5%	13.2%	2.2%	2.9%	3.1%
Global Bonds (Hedged)	-1.6%	0.6%	4.4%	2.1%	9.3%	-2.3%	-0.9%	1.1%
Other (£)								
Global Listed Property	-1.0%	3.8%	11.3%	4.1%	21.2%	-1.2%	0.0%	5.1%
UK Listed Property	-7.6%	-5.3%	0.7%	-5.0%	17.2%	-8.7%	-4.0%	0.2%
Physical Gold	8.4%	12.9%	15.9%	31.1%	29.6%	17.8%	12.6%	11.1%
Economic Data								
	At date	3m ago	6m ago		1y ago	3y ago	5y ago	10y ago
Sterling/Dollar Rate	\$1.29	\$1.28	\$1.25		\$1.21	\$1.37	\$1.29	\$1.60
Bank of England Base Rate	5.00%	5.25%	5.25%		5.25%	0.10%	0.75%	0.50%
UK CPI YoY		2.2%	2.3%		4.6%	4.2%	1.5%	1.3%
US Unemployment Rate	4.1%	4.3%	3.9%		3.8%	4.5%	3.6%	5.7%
UK Unemployment Rate		4.0%	4.4%		3.9%	4.2%	3.9%	5.9%
Bond yields								
	At date	3m ago	6m ago		1y ago	3y ago	5y ago	10y ago
UK 10-Year Gilt Yield	4.4%	4.0%	4.4%		4.5%	1.0%	0.6%	2.2%
UK Corporate Bond Yield	5.6%	5.3%	5.8%		6.4%	2.0%	2.1%	3.6%

Data Sources: Data is at 31/10/2024. 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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