MONTHLY INVESTMENT REVIEW

November 2024

VINTAGE ASSET MANAGEMENT

Markets moved mostly lower over the month of October, which was a reflection of a number of economic or political tensions as well as a pause after a strong run. There were positive moves in Japan and some weakness in Sterling helped the returns from overseas assets. The outlook remains broadly encouraging if with a degree of risk.

The world economic backdrop is largely reassuring. The International Monetary Fund (IMF) produced a fresh assessment in the month which forecast a rate of global growth at 3.2% for 2024 and again in 2025, provided that tariff wars do not complicate trade too much. The forecasts were raised for the eurozone to 0.8% for this year and to 1.1% for the UK, admittedly before the Budget on 30th October which comprised a commitment to investment for growth, presumably productive, as well as a higher level of spending. The tax increases on businesses in particular and the greater level of debt (already at end September £6.7bn ahead of forecasts) have complicated prospects. The estimated cost of the new labour laws that the government had previously announced was in the order of £4.5-5bn or some 1.5% of total employment costs (pre-Budget).

The US economy was reported to have grown at 2.7% in the third quarter over the prior year. The labour market has been softening, showing up in a reduced level of hiring even though the new payroll jobs were robust at 254,000 in September, and with a limited level of the layoffs that might point to a sharper slowdown. The eurozone saw an expansion of 0.7% over the same quarter in the prior year, which was the highest level since the first quarter of 2023 even with the German economy seeing a contraction of 0.2%. China reported a growth rate of 4.6% for the third quarter, the lowest rate for eighteen months. So far the stimulus package from the authorities has entailed support for the stock market, help for homeowners and funds to bail out local governments, to recapitalise large banks and to buy unsold apartments, as well as reductions in interest rates - the People's Bank of China announced a further cut to its one-year prime rate, seen as the reference for consumer and business loans and the largest reduction on record, from 3.35% to 3.1%.

Chinese companies have been cutting export prices to boost their market share in both intermediate and finished goods, given the subdued level of domestic demand that they have seen. This has been a challenge to producers in the rest of the world while also contributing to the trend to a lower overall rate of inflation globally, now much closer to the 2% target for the main central banks. The rate in the eurozone increased to 2% in the early data for October, from a level of 1.7% in September. In the UK the consumer price index (CPI) was also at 1.7% in September in the latest data, which was sharply down from 2.2% in August and the lowest level since April 2021. In the US CPI was down to 2.4% for September from 2.5% in August; the Personal Consumption Expenditures index, still the preferred measure for the central bank, showed a 2.1% increase over the year to September, down a little on the level in August and again the lowest reading since February 2021.

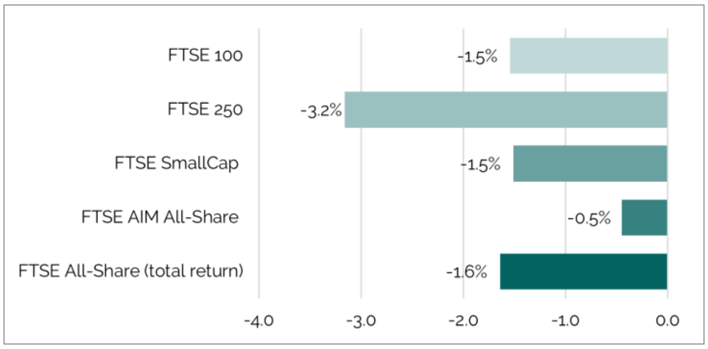
The US Federal Reserve is expected to announce a further cut to its interest rate in its next meeting in November, probably by a quarter of a percentage point after its initial reduction of a half to the current range of 4.75-5%. The European Central Bank cut its interest rate again, for the third time this year, again by a quarter of a percentage point to a new level of 3.25% given the overall subdued level of inflation and economic growth in the eurozone. The Bank of England rate is at 5% for now. The Bank of Japan left its main interest rate at 0.25% in its October meeting and its governor Ueda Kazuo did not suggest the next rise was imminent, in part given the recent political developments and the Yen faltered.

In Japan the ruling Liberal Democratic Party (LDP) lost the overall majority it has held with its coalition partner Komeito following the snap elections that the new leader Shigeru Ishiba had called; this was a first for the LDP since 2009 although it expects to stay in office. There was a tight initial round of elections for the president in Moldova and the re-election of a pro-Putin parliament in Georgia, amidst concerns over the machinations of Russia which hosted an expanded BRICS summit. The Chinese leader Xi Jinping held a first bilateral meeting for five years with the Indian prime minister, Narendra Modi. There was continued tension over Taiwan, conflict in the Middle East and war in Ukraine. The imminent US presidential election on 5th November looks to be too tight to call between Donald Trump and Kamala Harris, with much depending on the seven key swing states, on the overall balance on Capitol Hill and on the risk of a repeat of the issues from January 2021 if the result is not clear.

The underlying concerns were reflected in the price of gold, which reached a new record high in the month. The conflict in the Middle East was a factor as well as a perception that the global role of the US has been waning and the US$ was liable to lose its position as the world's reserve currency, if with no ready alternative. Bond yields were also higher.

Resilient US profit margins have been a feature and company results have been broadly reassuring, including from the likes of Alphabet and Microsoft from their cloud-computing divisions while Meta also saw momentum from its increasing investment in AI.

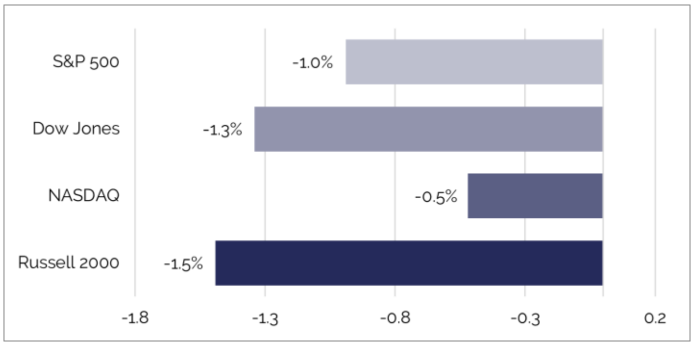
United Kingdom



In the UK the FTSE 100 index was down by 1.5% in the month to 8110, while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index were down by 3.2% and 1.5% respectively. The FTSE AIM All-Share index was off by 0.5% after a rally when the Budget was not as bad as feared.

The total return for the FTSE All-Share index including income was -1.6% in the period.

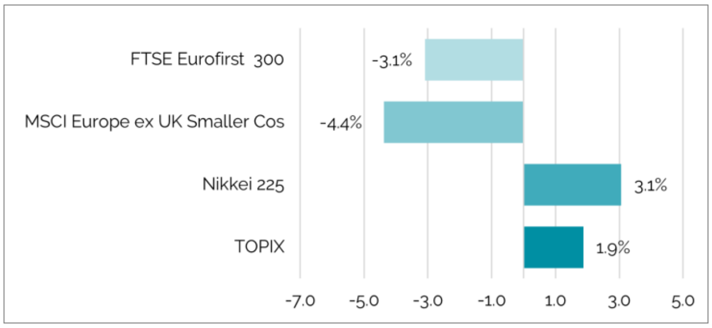
United States



In the US the S&P 500 index was down by 1% in the month and the value-oriented Dow Jones Industrials index by 1.3%, while the technology-oriented NASDAQ index was more resilient with a decline of 0.5%.

The Russell 2000 index of smaller companies lagged with a fall of 1.5%.

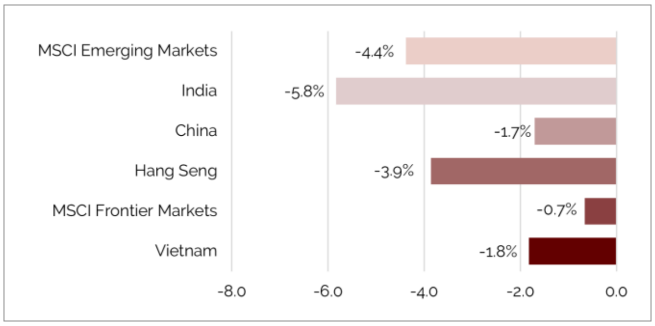
Europe & Japan



In Europe the FTSE Eurofirst 300 index was down by 3.1% over the period, when the Italian and German markets did better than those in Spain and France. The MSCI Europe ex UK Smaller Companies Index fell by 4.4%.

In Japan markets rallied a little with a rise in the Nikkei 225 index of 3.1% while the TOPIX index was 1.9% higher.

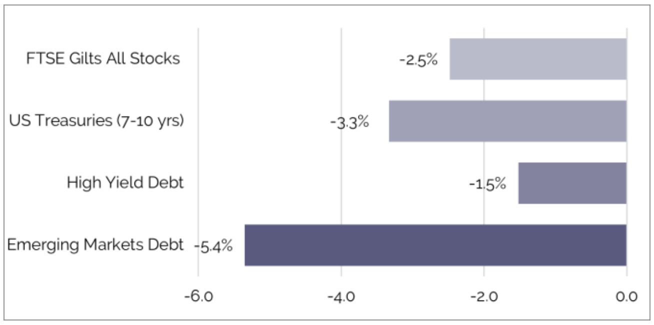
Emerging Markets



The MSCI Emerging Markets index in US$ fell back by 4,4% in the month. The Indian market fell by 5.8% and the Shanghai index was 1.7% lower, while the Hang Seng index in Hong Kong was down by 3.9%.

The MSCI Frontier Markets index was 0.7% lower and the Vietnamese market off 1.8%.

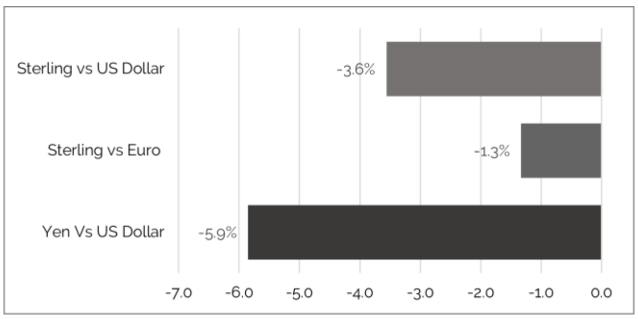
Bond markets



In bond markets the UK 10-year gilt yield rose sharply over the month from 4.00% to 4.45% and the total return for the FTSE Gilts All Stocks index in the month was a negative 2.5%. In Germany the 10-year bund yield moved from 2.12% to 2.39% while the US 10-year yield rose from 3.78% to 4.28%.

There were declines in all of the major bond markets, notably in emerging market debt.

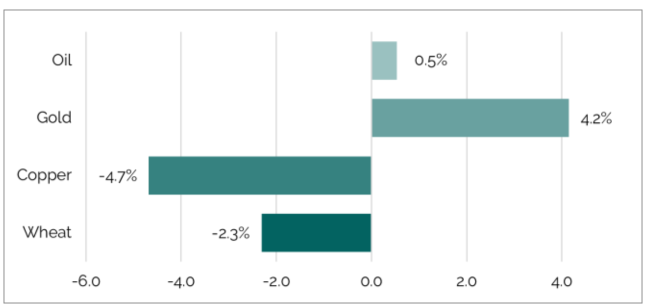
Currencies



Sterling reversed its recent gains against the US$ and fell by 3.6% to close at a rate of $1.29:£, while against the euro Sterling was down by 1.3% in the month to end at a rate of €1.19:£.

The Japanese yen fell by 5.9% against the US$.

Commodities



The price of Brent crude oil was a little higher over the month, up 0.5% at $73 per barrel. Gold gained a further 4.2% to end the period at $2744 per troy ounce, having briefly been over $2750.

The prices of major metals were mostly higher in the month, although the bellwether copper fell by 4.7%, while the main agricultural commodities were nearly all down, with wheat off 2.3%.

Call: 020 7989 3110
Visit: vintageassetmanagement.co.uk

Find us at:
7a Wyndham Place,
London W1H 1PN

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