

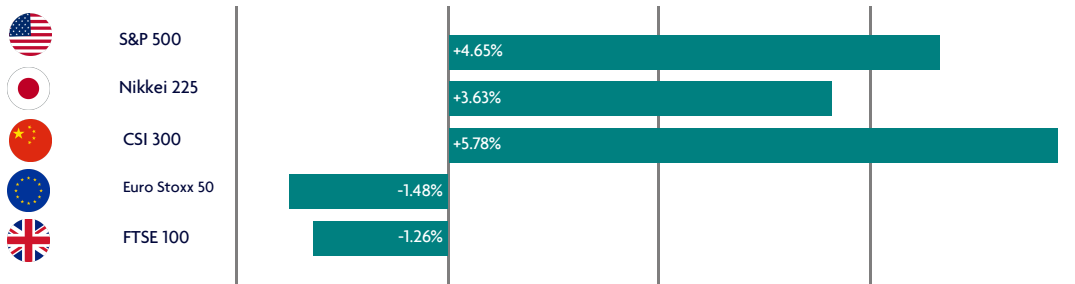
Weekly Market Update

11 November 2024

It was a big week for events globally – the US elections, interest rate cuts on both sides of the pond, economic stimulus in China.



Market Monitor (%): How did major stock markets perform last week?



Market Update:



UK

The Bank of England's (BoE) policy committee voted 8–1 to reduce the key Bank Interest Rate a second time this year, by a quarter-point to 4.75%, as inflation continues to decelerate. The BoE Governor Andrew Bailey said that "if the economy evolves as we expect, it's likely interest rates will continue to fall gradually." Following Rachel Reeves' budget at the end of October, investors are now expecting interest rates to continue to come down, but that they might fall more gradually than what they thought prior to the budget. On Rachel Reeves' Budget the Bank of England said that it will likely bring higher growth and higher prices in the short term, and new uncertainty over the outlook for the economy further ahead.



US

The US presidential election ended with a clear and definitive win for President Trump. At the time of writing, the Republicans had also secured the Senate and were on track to secure the House of Representatives – expectations of this 'red sweep' – that is a Republican control of the presidency, the senate and the house of representatives led to strong returns from equity markets in the US. Investors are now expecting higher economic growth, faster earnings growth for companies, looser regulations, and lower corporate taxes. The US chief economist at T. Rowe Price, who are the investment managers of the Omnis US Equity Leaders Fund, acknowledged that Trump's plans to restrict immigration and increase tariffs could be inflationary for the US, but also acknowledged that the speed and quantum of these plans are still uncertain. A stronger US Dollar could offset some of the inflationary impact of these tariffs. Lower taxes and deregulation in some sectors would likely support economic growth. In other news, the US Federal Reserve cut interest rates by a quarter percentage point as widely expected.



Europe

Worries about the impact of U.S. President-elect Donald Trump's trade policies on European economic growth and central bank policy weighed on sentiment. On one hand we saw Sweden's central bank cut interest rates in response to slowing inflation and sluggish economy, whilst Norway's central bank decided to leave interest rates unchanged. Data suggests that during October, the European economy stagnated – with manufacturing parts of the economy contracting, but the services sectors expanding. Business confidence has fallen to its lowest level so far this year. In Germany, Chancellor Olaf Scholz called for a vote of confidence in January after his coalition government effectively ended when he fired the Finance Minister of the Free Democrats over disagreements on spending and economic reform.



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Japan

Investor appetite was supported by the outcome of the U.S. presidential election and the Federal Reserve's interest rate cut. These developments overshadowed the domestic corporate earnings season and the adverse impact of yen strength on Japan's export-heavy industries. On the economic data front, Japan's real wages fell 0.1% in September after inflation, following another decline in August. In essence, wages have been growing at lower rates than inflation. During September, household spending fell but did so by less than anticipated.



China

Stocks rose sharply following Beijing's unveiling of fresh stimulus measures, which offset concerns about potential U.S. tariff hikes. Beijing announced a \$1.4tn stimulus package to bail out local governments and help shore up its faltering economy. This was seen as positive for markets, which saw strong returns during the week. In other news, exports in October rose more than expected, while imports fell compared to the previous month. While the growth in October's exports signalled strong demand for Chinese goods—which has been a bright spot for the economy—analysts have cautioned that China's export outlook has grown more uncertain given the possibility of a trade war when President-Elect Trump takes office in 2025.

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