Quarterly Market Commentary

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Global Central Banks Pivot to Easing Amid Mixed Market Reactions

The third quarter of 2024 marked a significant shift in global monetary policy, with major central banks initiating easing cycles to combat slowing growth and moderating inflation. The Federal Reserve led with a larger-than-expected 50 basis point cut, bringing its benchmark rate to 5 per cent. China's central bank unleashed a substantial stimulus package, including a 50 basis-point cut to the reserve requirement ratio, potentially freeing up 1 trillion yuan for lending.

Market reactions were mixed, reflecting the complex interplay between policy shifts and regional economic dynamics. Global equities eked out modest gains for the quarter, with significant regional variations. Fixed income rallied broadly, benefiting from the shift towards monetary easing.

Our portfolios demonstrated resilience amid this volatility, with several key holdings outperforming their benchmarks. Notably, our Asian equity exposure delivered strong returns, with the M&G Asian Fund rising 6.53% in the third quarter (Q3). This performance underscores the potential of Asian markets amidst policy support and attractive valuations.

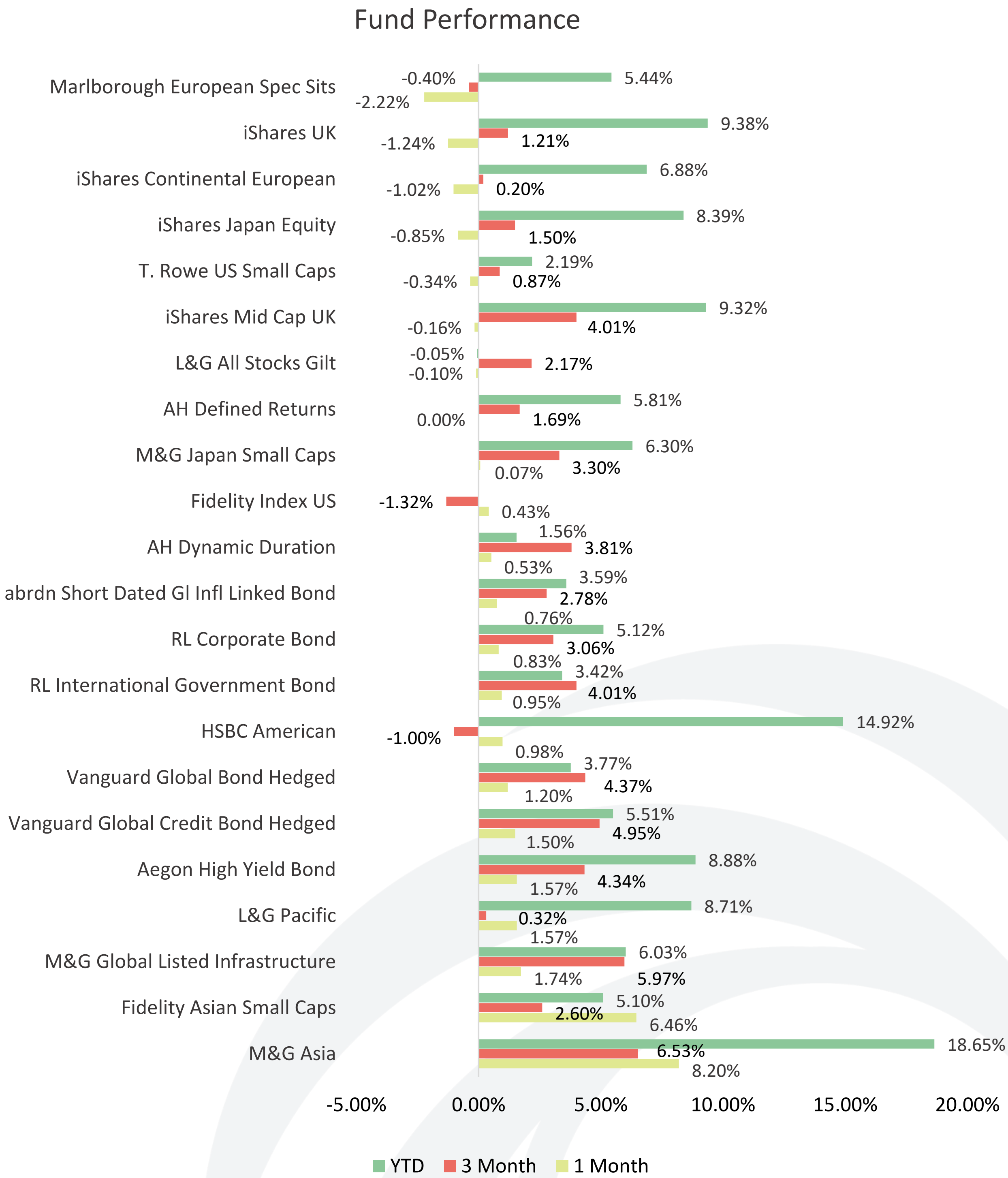
In fixed income, our high yield and global bond allocations contributed positively to returns. The Aegon High Yield Bond Fund gained 4.34% while the Vanguard Global Bond rose 4.37% during the quarter.

U.S. equity performance was mixed, with large caps slightly underperforming. The HSBC American Index Fund declined 1% in Q3 but maintained a strong 14.92% YTD return.

European and UK equities faced headwinds, with the iShares Continental European Equity Index Fund rising just 0.20% in Q3, while the iShares UK Equity Index Fund gained 1.21%. However, UK mid-caps outperformed, with the iShares Mid Cap UK Equity Index Fund up 4.01% for the quarter.

Looking ahead, we are slightly increasing our allocation to Asian markets using our existing funds. We remain cautiously optimistic, guided by a diversified, data-driven approach to portfolio construction.

The global economy has demonstrated resilience, with corporate profits reviving - a trend we expect to continue into 2025. Despite cost-of-living pressures, developed economies have experienced a notably shallow recession, with low unemployment and growing consumer spending. 2024 has established a robust foundation for returns after a period of uncertainty. We remain ready to adjust our strategy as the global economic landscape evolves, always with the aim of optimising returns while managing risk for our clients.



Source: Bloomberg, data to 30/09/24

Past performance is not a guide to future performance