SEP 2024 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- In August, Japanese equities suffered their largest decline in 40 years due to the Bank of Japan's rate hike and a sharp JPY appreciation, triggering sell-offs across global markets such as the S&P 500 and even stocks like Nvidia.
- This interconnected risk from the JPY carry trade highlighted the vulnerability of diverse investments and underscored the importance of assessing portfolio risk tolerance amid increasing volatility.
- While Fed Chair Jerome Powell has signaled September rate cuts, the uncertain economic outlook emphasizes the need for continued vigilance and well-constructed portfolio that can navigate potential market shifts.

Recovery Aided by Fundamental Support

- Global equities managed to finish the month with gains of 2.6% despite experiencing earlier sharp declines.
- While the initial declines reflected concerns of a recession, the subsequent rebound also shows that such concerns are overblown (for now).
- Concerns about the economy and upcoming US elections are increasingly coming to the forefront of investors' minds and investors should expect bouts of volatility to resurface in the coming months.
- We remain cautiously optimistic, with fundamentals suggesting room for gains towards the end of the year.

Nearing Crossroads

- **Crossroads** are major market events with the potential to influence market direction or create volatility and uncertainty for investors in the short term. We are approaching a few such crossroads:

  - September Fed rate cut
  - November US election
  - Growth slowdown
    (it remains to be seen how this will play out; creating uncertainties for markets)

- A seemingly more proactive Fed and lower interest rates would give us more reason to revisit economically-sensitive opportunities such as Small-caps, but we are not jumping the gun just yet. We are looking out for the missing ingredient: stronger and more sustainable growth.

September Rate Cuts: Lock In Your Income!

- With rate cuts starting in September, the range of opportunities for yield-hungry investors is expected to dwindle alongside bond yields in the months ahead.
- To secure higher income for longer, investors can consider reallocating from short-term bond segments like Money Market to others offering higher yields and/or the potential for price appreciation when interest rates decline.
- It remains important to assess the fundamentals and valuations of each income segment especially as markets approach crossroads. An active approach can help to navigate the dynamic environment ahead.

Read the full commentary here

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