NOV 2024 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- October saw a reversal of September's rally, reflecting the ongoing challenges of investing in a late-stage economic cycle.
- Good news was bad news last month. Resilient economic data raised concerns that the Fed might cut interest rates less aggressively than previously expected.
- Markets continue to be at crossroads: late-cycle economic pressures, uncertain interest rate policies, and the recent US election.
- We are currently in a dynamic economic backdrop. Investors should not overreact to each data release, but instead focus on the big picture of where the economy is headed.

Trump Wins US Presidency for a Second Time

- Trump has just beaten Harris – removing a source of market uncertainty, but volatility is likely to remain as markets digest the implications of his win. The Republicans have also taken control of the US Senate, and if they also win the House, this 'red sweep' would allow them to push through policies such as taxes or tariffs more easily.
- Initial reactions have been largely positive for markets, fueled by expectations of pro-business policies like tax cuts and lighter regulations.
- Beyond the initial positive sentiment, the longer-term outlook will depend on how these policies unfold, especially if trade tensions escalate or inflation picks up due to Trump's policies.

Clearer Path to Soft-Landing

- More than elections, economic fundamentals ultimately assert themselves when it comes to the trajectory of markets. '*Over nearly 100 years of US presidential terms, stocks have consistently marched upwards*' regardless of who is in the white house.
- Current base case: soft-landing that supports further upside in equity and bond markets. The US economy grew 2.8% in Q3 2024, supported by consumption and employment data.
- Remain alert on any signs of deterioration which would prompt portfolio adjustments to mitigate volatility – this is a lower probability scenario as of today.

Finding the Right Income

- Income portfolios were more resilient during choppy equity markets: while they were up less in September, they were also more resilient in October.
- Year-to-date, high yield markets are up 7.4% compared to 0.1% for the Global Aggregate bond market (which consists of more government bonds and are more sensitive to interest rate movements).
- Picking the right bond segments can continue to generate good income returns – higher yields are a good starting point, but it is as important to watch out for any meaningful slowdown in the economy which could lead to periods of higher volatility.

Read the full commentary here

Finexis Asset Management