



Monthly Investment Updates

October 2024



Growth

- Global economic activity has been robust for the last eleven months, but **growth momentum is slowing** as the weakness in the manufacturing sector continues.
- While economic data across most of the key regions has been below expectations, recent **US economic data was surprisingly strong**.
- US jobs growth beat expectations in September. The U.S. Bureau of Economic Analysis also revised the personal income and personal savings data higher. **Despite resilient data, the possibility of a US recession over the next 6-12 months cannot be ruled out, although a severe contraction is unlikely.**

Inflation

- In September, headline US inflation rose by 2.4% compared to the same period last year, down slightly from the previous month.
- While US core inflation remains relatively persistent, we believe that inflation is moving towards the Federal Reserve's (Fed) 2% target, although the path may be uneven.** We continue to track labour market conditions and wage trajectories for inflation risks. We remain vigilant for potential supply-side inflation risks, particularly those arising from geopolitical tensions, such as the escalating tensions in the Middle East.

Monetary policy

- As inflation moves closer to the Fed's 2% target, **both the Fed and the markets are expected to continue focusing on the US labour market in the coming months.**
- There is a risk that an easier monetary policy combined with a still-resilient US economy **could result in a resurgence in US inflation.**

Asset class view

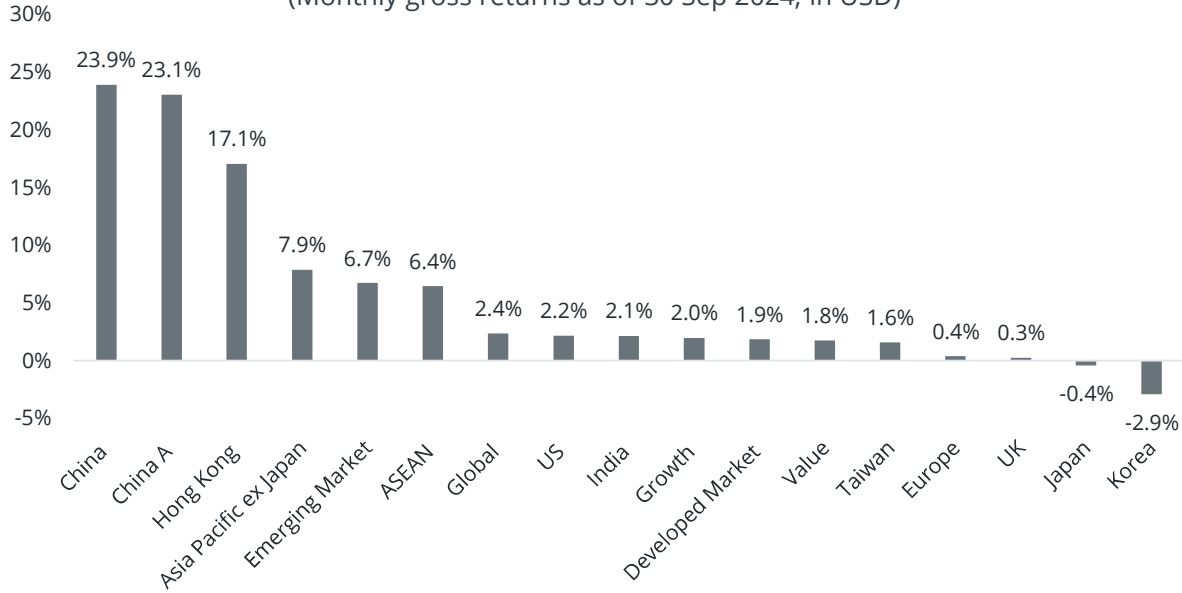
- Given expectations of higher market volatility, weakening economic data along with the stretched valuations of the US equity market, government bonds and high-quality corporate bonds may perform better than global equities over the next 12 months.
- Moderating inflation and decelerating global growth should support government bonds over the longer term but investors should also watch out for signs of reaccelerating inflation.
- Cheaper valuations, a weaker US dollar (USD) and improving earnings growth can potentially support Emerging Market equities over the next 12 months. However, a sustained outperformance would require the USD to depreciate significantly and/or the Chinese economy to recover decisively, among other factors.

 Top 3 Risk Areas of Concern	Likelihood	Magnitude of Negative Impact on Markets
The upcoming US presidential election will potentially introduce higher volatility in the days and weeks leading up to November.	 High	 Medium
Geopolitical risks (e.g. Middle East tensions, Russia-Ukraine conflict) can significantly impact investor sentiment, but fundamentals will ultimately drive market returns. Increased Middle East tensions and supply disruptions may drive oil prices and global trade costs higher.	 Medium	 Medium
Developed markets recession risk remains (e.g., US, Europe) because of the lagged impact of accumulated rate hikes. A US slowdown will weigh on global growth while China is unlikely to provide an offset without stimulus measures that meaningfully boost domestic demand.	 Medium	 High



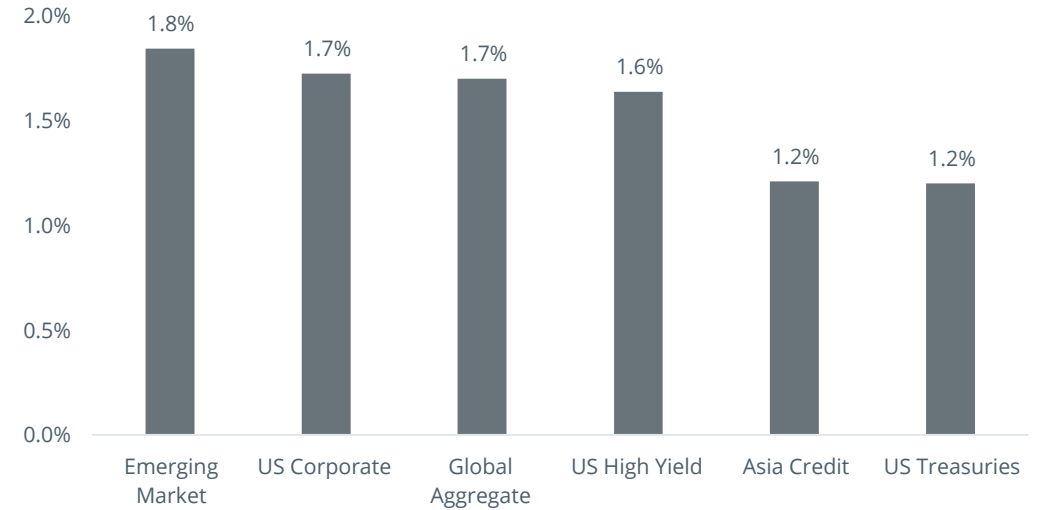
Global Equity Markets

(Monthly gross returns as of 30 Sep 2024, in USD)*



Global Bond Markets

(Monthly gross returns as of 30 Sep 2024, in USD)*



- The Fed's 50 basis point (bp) interest rate cut, along with China's significant stimulus package, boosted investor risk sentiment in September. US equities gained 2.2% and Developed Markets rose by 1.9%.
- Emerging Markets, led by China, rose 6.7%. China equities rallied 23.9%, fueled by the country's stimulus measures, the Fed's rate cut, and a depreciating USD. Asia Pacific ex Japan markets rose 7.9%.
- Japan equities bucked the trend and fell 0.4%, due to weak domestic spending and a strengthening yen. Korea equities also fell 2.9%, weighed down by the decline in Samsung Electronics' share price and foreign investor selling amid ongoing concerns over the AI bubble.

- Global bond markets enjoyed modest gains. US Treasury yields generally declined across key tenors. The US Treasury 10-year yield fell approximately 10 bp to 3.81%, while the 2-year yield decreased by roughly 25 bp to 3.66%.
- Global aggregate bonds rose 1.7%. Increased expectations of a US "soft landing" supported US investment grade and US high yield corporate bonds, with returns of 1.7% and 1.6%, respectively.
- Emerging Market debt rose 1.8%, buoyed by a weaker US dollar.

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Information is correct as at 17 October 2024, unless otherwise stated.