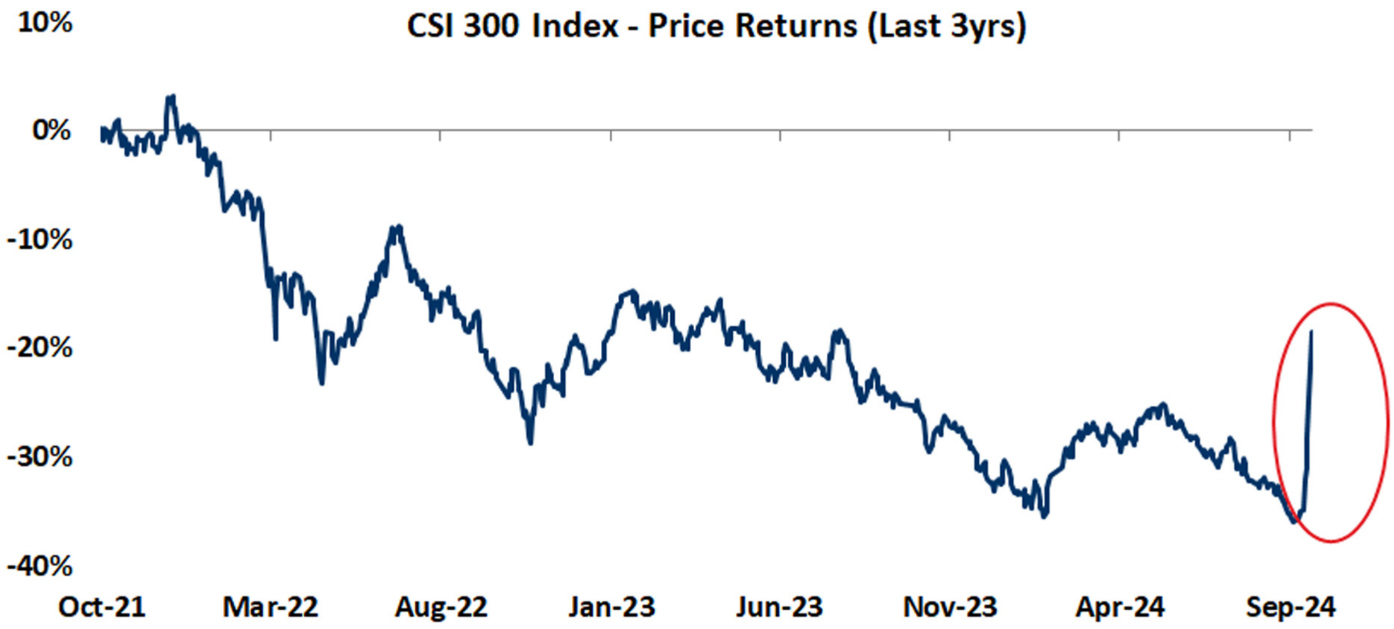
Chart of the Week

7 October 2024

momentum
global investment management



Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 30 September 2024.

China's economic stimulus - Hope on the horizon?

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What this chart shows

The chart above shows the recent performance of Chinese equities, proxied here by the country's blue-chip CSI 300 index of Shanghai and Shenzen- listed companies, following the announcement of monetary stimulus from the Chinese authorities. Given the disappointing performance of the asset class over the last three years, the sudden surge in price returns stands in stark contrast (circled in red). On Monday 30th September alone, the index gained 8.5%, the best day for Chinese equities since the Global Financial Crisis.

The CSI 300 rose a cumulative 24% over five sessions since Tuesday 24 September, just before the stimulus measures were announced where the People's Bank of China (PBoC) revealed a raft of stimulus measures to support the country's economy. Namely, cutting the central bank's main policy rate by 0.2% and the reserve requirement ratio, the amount of reserves lenders must hold, by 0.5%, adding needed liquidity to the banking system.

Why this is important

With a lot of negative news priced into Chinese stocks, the range of stimulus measures spurred investors to pile into Chinese equities ahead of the Golden Week public holiday. But whilst these moves are certainly impressive, monetary stimulus alone will not address the structural issues affecting the economy, namely the deceleration of economic growth, caused by a prolonged slowdown in the property sector, the poor state of local government finances, high youth unemployment, and more importantly perhaps the demographic headache caused by a decades-long one-child policy. For now, the monetary policy announcement may have just been enough for the Chinese economy to reach the 5% growth target by the end of the year. More importantly, though, the pledges from Chinese authorities of widespread fiscal stimulus to further support growth should hopefully have a longer lasting impact. Equity investors certainly seem to think so.

Weekly market upate
ending 4 October 2024

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The week ending 4 October showed global economic conditions increasingly influenced by easing inflation and persistent growth concerns, prompting central banks to adopt more cautious or easing stances.

US job growth accelerated in September as non-farm payrolls increased by 254,000, significantly more than expected, helping alleviate concerns about a potential slowdown.

UK mortgage approvals jumped to a two-year high in August, as the housing market continued its recovery.

Eurozone inflation estimates fell to below 2% for the first time in over three years fuelling expectations that the European Central Bank could pause further rate cuts.

Chinese equities surged last week after stimulus announcements, it was Hang Seng's best week since 1998 and CSI 300's since 2008.

		Cumulative returns			
Asset Class / Region	**Currency**	**Week ending 4 October**	**Month to date**	**YTD 2024**	**12 months**
Property					
US Property Securities	USD	-1.5%	-2.2%	12.3%	33.0%
Australian Property Securities	AUD	0.9%	0.4%	23.5%	45.5%
Asia Property Securities	USD	-1.1%	1.2%	5.9%	16.5%
Global Property Securities	USD	-1.8%	-1.8%	11.6%	31.6%
Currencies					
Euro	USD	-1.7%	-1.7%	-0.9%	4.3%
UK Pound Sterling	USD	-2.0%	-2.1%	2.8%	7.9%
Japanese Yen	USD	-4.3%	-3.9%	-5.4%	0.0%
Australian Dollar	USD	-1.6%	-2.1%	-0.6%	7.4%
South African Rand	USD	-2.3%	-1.6%	4.3%	10.3%
Swiss Franc	USD	-2.0%	-1.7%	-2.3%	6.6%
*Chinese Yuan	USD	-0.1%	0.0%	1.2%	4.0%
Commodities & Alternatives					
Commodities	USD	3.2%	3.1%	9.0%	6.0%
Agricultural Commodities	USD	0.2%	-0.3%	5.1%	4.7%
Oil	USD	8.4%	8.8%	1.3%	-9.0%
Gold	USD	-0.2%	0.5%	28.6%	45.7%

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Asset Class / Region	Currency	Cumulative returns			
		Week ending 4 October	Month to date	YTD 2024	12 months
Developed Markets Equities					
United States	USD	0.3%	2.4%	19.2%	26.4%
United Kingdom	GBP	0.7%	1.0%	11.7%	17.1%
Continental Europe	EUR	1.4%	1.8%	11.3%	16.6%
Japan	JPY	1.1%	-2.9%	16.0%	20.0%
Asia Pacific (ex Japan)	USD	0.5%	2.3%	11.2%	16.3%
Australia	AUD	1.0%	0.5%	9.1%	15.2%
Global	USD	0.3%	2.6%	16.7%	24.2%
Emerging Markets Equities					
Emerging Europe	USD	-0.5%	-2.3%	12.9%	18.1%
Emerging Asia	USD	0.2%	1.6%	12.5%	16.5%
Emerging Latin America	USD	-2.3%	2.6%	-12.6%	-2.5%
BRICs	USD	0.3%	1.5%	9.0%	10.3%
China	USD	-0.3%	1.0%	4.4%	-3.2%
MENA countries	USD	-0.1%	0.4%	0.5%	3.0%
South Africa	USD	-0.8%	3.6%	13.9%	19.9%
India	USD	1.6%	1.1%	16.4%	30.0%
Global emerging markets	USD	0.0%	1.6%	9.5%	14.1%
Bonds					
US Treasuries	USD	-0.5%	1.3%	2.7%	6.2%
US Treasuries (inflation protected)	USD	-0.4%	0.8%	3.3%	6.2%
US Corporate (investment grade)	USD	-0.5%	1.5%	4.0%	9.6%
US High Yield	USD	0.2%	1.6%	6.3%	12.6%
UK Gilts	GBP	-0.5%	0.5%	-0.4%	7.2%
UK Corporate (investment grade)	GBP	-0.3%	0.3%	2.2%	11.4%
Euro Government Bonds	EUR	-0.4%	0.4%	0.7%	5.5%
Euro Corporate (investment grade)	EUR	-0.1%	0.3%	2.6%	7.7%
Euro High Yield	EUR	0.4%	1.2%	5.6%	11.9%
Global Government Bonds	USD	-0.5%	2.5%	1.1%	5.6%
Global Bonds	USD	-0.7%	2.2%	2.0%	7.0%
Global Convertible Bonds	USD	0.0%	1.5%	2.3%	6.7%
Emerging Market Bonds	USD	0.1%	2.6%	6.0%	12.7%

*Source: Bloomberg Finance L.P. Past performance is not indicative of future returns. *Data as at 30 September due to market closures in China.*

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