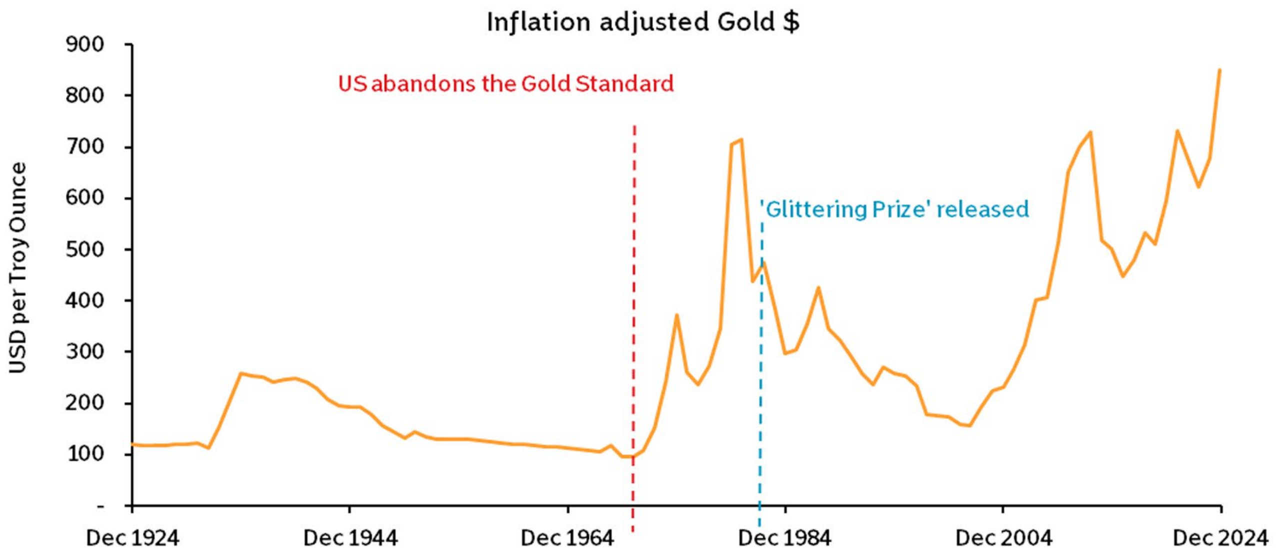
Chart of the Week

25 November 2024



Source: Bloomberg Finance L.P., Federal Reserve of Minneapolis.

Glittering prize

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What this chart shows?

The chart shows the 100-year history of the gold price adjusted for inflation. If the price of gold were to rise at the same rate as the US Consumer Price Index (CPI) over a specified period, then the line would be flat. When the line goes up it shows that the gold price in US dollars is increasing by more than the rate of US consumer prices, or that the gold price is constant whilst consumer prices are falling (deflation). If the line is falling it shows the opposite; that the gold price is falling faster than US consumer prices, or that the gold price is constant while consumer prices are rising. In the 20 years following the release of 'Glittering Prize' by Simple Minds in August 1982, the spot gold price barely changed, whilst US consumer prices more than doubled, leading the inflation adjusted gold price to more than halve. Today, it is showing us that the inflation adjusted gold price has risen to century highs when measured using annual or monthly data. The dotted red vertical line indicates 15 August 1971 when the US abandoned the 'gold standard', a monetary system whereby a fiat currency (a government issued currency like the US dollar or British pound) was linked and exchangeable into gold.

Why is this important?

Gold is a non-yielding commodity which makes it difficult to value compared to other assets like bonds or equities. It often polarises opinion and at any time a case can be made for why one should own it, not least its status as the ultimate safe haven asset, which is perhaps one reason why it is up 30% year to date. Wars, elections and the lingering threat of resurgent inflation will have helped lift the 'yellow metal' higher this year. Over the longer term it is seen as a store of value. Its 'real' worth - its inflation adjusted purchasing power - should at a minimum be maintained through time. In the last two decades its purchasing power has more than tripled. As it stands today, gold is either pricing in a lot of future inflation (over 10% per annum for the next 10 years to get back to its 100-year average), or it looks relatively expensive after being bid up by central banks looking to diversify their reserves. At these levels there are probably cheaper ways to protect against future inflation, but in an increasingly unstable world the insurance gold brings is unparalleled, and whilst there are more buyers than sellers, the price might yet find new highs before its real worth is rediscovered.

Weekly market update

week ending 22 November 2024

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Financial markets globally showed cautious movements, influenced by US political shifts, central bank policies, and persistent global economic uncertainties. Protectionist policies and interest rate signals were pivotal drivers of sentiment.

US

» Federal Reserve Chair Jerome Powell's cautious tone on further rate cuts led to market declines, with major indices ending the week in the red.

» President Donald Trump's nomination of hedge fund manager Scott Bessent as Treasury Secretary received mixed reactions, with markets expressing a tentative "sigh of relief".

» Vaccine manufacturers' stocks dropped sharply after Trump nominated a vaccine sceptic to head the Health and Human Services Department.

» The US clean energy sector faced uncertainty amid Trump's potential rollback of the Inflation Reduction Act, sparking concerns about green investments.

UK

» UK CPI rose by 2.3% in the year to October 2024, up from 1.7% in the 12 months to September. The October figure is the highest rate for six months.

» The Bank of England signalled its readiness to maintain interest rates if inflation remains high, despite mounting concerns about economic stagnation.

» Retail sales figures showed resilience, boosted by pre-holiday spending.

» Discussions intensified on trade policy amid the UK's post-Brexit balancing act between the US and Europe.

Europe

» The EU economy faced additional pressure as Germany's export-dependent industries expressed fears over Trump's proposed tariffs.

» Eurozone manufacturing contracted, continuing a months-long downturn in the industrial sector.

» The European Central Bank considered additional stimulus as growth forecasts were revised downward.

» Discussions on expanding defence collaboration with the US highlighted shifts in EU strategic autonomy.

Rest of the World/Asia

» Trade tensions resurfaced as Chinese officials signalled openness to US dialogue but vowed resistance to protectionist measures.

» Concerns about a slowdown in the Chinese property markets persisted, despite government intervention.

» Japan's GDP for Q3 grew by an annualised 3.2%, exceeding expectations and driven by strong exports. The Bank of Japan continued its ultra-loose monetary policy, emphasising the need for sustained growth support.

» Emerging markets experienced heightened volatility amid shifting US monetary policy expectations.

Weekly market data

week ending 22 November 2024

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Asset Class / Region	Currency	Cumulative returns: Week ending 22 November	Month to date	YTD 2024	12 months
Developed Markets Equities					
United States	USD	1.7%	4.7%	26.2%	32.3%
United Kingdom	GBP	2.6%	2.2%	10.6%	14.7%
Continental Europe	EUR	0.7%	-0.2%	6.9%	12.1%
Japan	JPY	-0.6%	0.0%	16.4%	16.1%
Asia Pacific (ex Japan)	USD	0.4%	-2.0%	11.6%	17.0%
Australia	AUD	1.3%	3.2%	14.5%	23.1%
Global	USD	1.5%	3.4%	20.4%	27.2%
Emerging Markets Equities					
Emerging Europe	USD	-0.2%	0.6%	3.6%	6.9%
Emerging Asia	USD	0.1%	-3.2%	12.2%	16.2%
Emerging Latin America	USD	0.3%	-1.7%	-18.4%	-11.2%
BRICs	USD	-0.4%	-3.5%	10.1%	12.0%
China	USD	-1.8%	-5.1%	15.5%	10.9%
MENA countries	USD	0.1%	-0.4%	0.1%	5.7%
South Africa	USD	2.9%	-2.6%	15.2%	24.6%
India	USD	1.6%	-1.6%	9.7%	20.5%
Global emerging markets	USD	0.2%	-2.8%	8.5%	13.2%
Bonds					
US Treasuries	USD	0.1%	-0.6%	0.8%	4.8%
US Treasuries (inflation protected)	USD	0.3%	-0.5%	2.5%	5.7%
US Corporate (investment grade)	USD	0.1%	-0.3%	3.1%	8.4%
US High Yield	USD	0.3%	0.7%	8.2%	13.4%
UK Gilts	GBP	0.7%	0.5%	-2.3%	2.9%
UK Corporate (investment grade)	GBP	0.4%	0.8%	1.8%	7.2%
Euro Government Bonds	EUR	0.4%	1.1%	2.0%	6.4%
Euro Corporate (investment grade)	EUR	0.1%	1.0%	4.4%	8.2%
Euro High Yield	EUR	0.0%	0.4%	7.8%	11.9%
Global Government Bonds	USD	-0.1%	-1.6%	-2.4%	2.4%
Global Bonds	USD	-0.2%	-1.5%	-1.1%	4.1%
Global Convertible Bonds	USD	1.4%	2.0%	7.3%	13.9%
Emerging Market Bonds	USD	0.4%	0.2%	5.9%	12.6%

Asset Class / Region	Currency	Cumulative returns: Week ending 22 November	Month to date	YTD 2024	12 months
Property					
US Property Securities	USD	2.2%	2.6%	14.4%	28.3%
Australian Property Securities	AUD	0.0%	0.4%	20.5%	35.0%
Asia Property Securities	USD	-0.9%	-5.1%	-7.8%	-3.4%
Global Property Securities	USD	1.2%	0.1%	8.0%	19.7%
Currencies					
Euro	USD	-1.2%	-4.1%	-5.8%	-4.2%
UK Pound Sterling	USD	-0.8%	-2.6%	-1.8%	0.4%
Japanese Yen	USD	-0.3%	-1.7%	-9.0%	-3.3%
Australian Dollar	USD	0.6%	-1.0%	-4.9%	-0.6%
South African Rand	USD	0.5%	-2.6%	0.7%	4.0%
Swiss Franc	USD	-0.7%	-3.2%	-6.1%	-1.0%
Chinese Yuan	USD	-0.2%	-1.8%	-2.0%	-1.1%
Commodities & Alternatives					
Commodities	USD	3.2%	1.4%	5.9%	3.1%
Agricultural Commodities	USD	0.7%	0.4%	3.0%	1.4%
Oil	USD	5.8%	2.7%	-2.4%	-8.3%
Gold	USD	6.0%	-0.9%	31.7%	36.4%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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