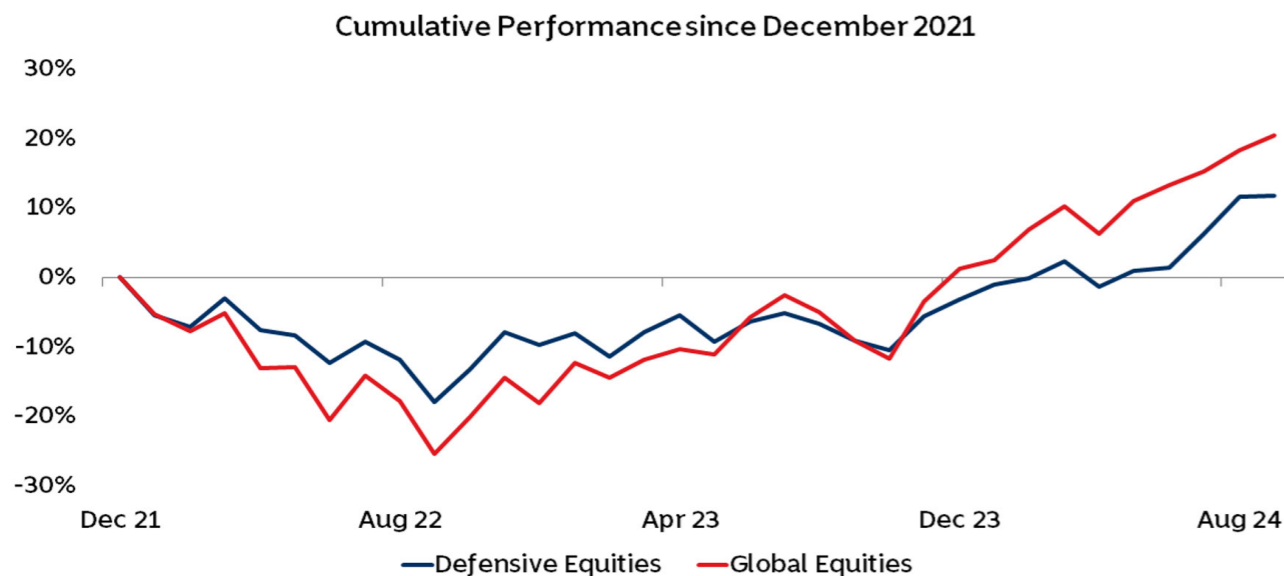


Chart of the Week 14 October 2024



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



The boring gets interesting

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What this chart shows

This chart shows the cumulative performance of defensive equities, here approximated using the MSCI World Minimum Volatility Index, and of the market-cap weighted global equity index, since the end of 2021. Defensive stocks, present across all industries but most readily identifiable within financials, health care, real estate and infrastructure typically exhibit low share price volatility, thanks to their “bond-like” features of stable earnings generation, low reliance on the business cycle and predictable growth rates. Some people call them “boring” because they have nothing to do with the exciting world of technologic innovation; they rarely surprise investors with great earning revisions; and they rarely make the front page. Since 1 January 2022, defensive stocks have underperformed by about 8%, despite having outperformed by almost 9% in the sell-off in early 2022.

Why this is important

Over the long-run, one can expect defensive stocks to deliver equity-like returns with bond-like volatility, but over the short-term they can easily deviate from broader equities by a significant amount, often (but not necessarily) lagging in a strong rally and outperforming when markets fall. Since mid-2022, the rising interest rate environment has punished them for their bond-like characteristics, and the absence of any relation to AI (the dominating theme over the past two years) has made them even less attractive, leading to substantial underperformance and a significant relative discount against market-cap weighted equities. Now that the tides are turning, with rates coming down and excitement around AI dissipating, we think this is a very attractive part of the market that should outperform if things continue on this trajectory, especially should global growth slow.

Weekly market update ending 11 October 2024

Central banks globally are taking varied approaches to balance inflation control and economic growth, reflecting diverse economic conditions.



US

- » Major stock indexes edged back from record highs
- » The Federal Reserve’s recent rate cut has investors closely watching inflation and jobs data
- » Treasury yields remained volatile, with the 10-year note yield fluctuating around 4%
- » Crude oil prices rose, recovering from early-week losses



UK

- » The Bank of England maintained its interest rate stance amid ongoing inflation concerns
- » The pound strengthened slightly against the dollar, reflecting market confidence
- » Retail sales showed a modest increase, driven by consumer spending on essentials
- » The UK housing market saw a slight uptick in activity, despite broader economic uncertainties



Rest of the World/Asia

- » China’s manufacturing sector showed signs of recovery with a slight increase in the PMI
- » Export growth slowed, reflecting global economic uncertainties
- » The Chinese yuan remained stable against the US dollar, supported by central bank interventions
- » The Bank of Japan kept its ultra-loose monetary policy unchanged to support economic recovery
- » The yen weakened against the dollar, reflecting the BOJ’s continued accommodative stance
- » Brazil’s central bank cut interest rates to stimulate economic activity amid slowing growth
- » South Africa reported higher-than-expected inflation, raising concerns over potential rate hikes



Europe

- » The European Central Bank introduced a new stimulus package aimed to support struggling economies in the Eurozone
- » Inflation in the Eurozone remained high, prompting further ECB intervention
- » Germany reported a decline in industrial production, raising economic concerns
- » The Euro strengthened against major currencies following the ECB’s announcement

Market data ending 11 October 2024

Asset Class / Region	Currency	Cumulative returns			
		Week ending 11 October	Month to date	YTD 2024	12 months
Developed Markets Equities					
United States	USD	1.1%	0.9%	22.9%	34.2%
United Kingdom	GBP	-0.3%	0.4%	10.1%	12.4%
Continental Europe	EUR	1.0%	0.0%	10.8%	18.5%
Japan	JPY	0.4%	2.3%	16.9%	20.0%
Asia Pacific (ex Japan)	USD	-1.7%	-1.2%	18.6%	26.9%
Australia	AUD	0.8%	-0.7%	11.6%	20.3%
Global	USD	0.9%	0.3%	19.2%	30.6%
Emerging Markets Equities					
Emerging Europe	USD	0.1%	-4.2%	7.6%	19.9%
Emerging Asia	USD	-1.9%	-0.6%	20.8%	27.7%
Emerging Latin America	USD	-2.9%	-2.3%	-14.5%	2.1%
BRICs	USD	-4.2%	-1.7%	20.4%	23.7%
China	USD	-7.0%	-0.2%	29.1%	23.2%
MENA countries	USD	0.5%	-2.1%	-0.2%	9.0%
South Africa	USD	0.4%	-1.0%	20.2%	30.5%
India	USD	-0.2%	-3.6%	14.9%	26.1%
Global emerging markets	USD	-1.7%	-0.9%	15.8%	24.3%
Bonds					
US Treasuries	USD	-0.5%	-1.7%	2.3%	7.9%
US Treasuries (inflation protected)	USD	0.0%	-0.8%	4.0%	8.8%
US Corporate (investment grade)	USD	-0.4%	-1.2%	4.5%	12.6%
US High Yield	USD	-0.3%	-0.5%	7.5%	15.6%
UK Gilts	GBP	-0.5%	-1.4%	-1.7%	5.3%
UK Corporate (investment grade)	GBP	-0.1%	-0.6%	1.9%	10.1%
Euro Government Bonds	EUR	-0.4%	-0.8%	1.2%	7.6%
Euro Corporate (investment grade)	EUR	-0.1%	-0.3%	3.6%	9.1%
Euro High Yield	EUR	0.0%	0.1%	6.8%	13.0%
Global Government Bonds	USD	-0.7%	-2.5%	0.3%	7.7%
Global Bonds	USD	-0.6%	-2.1%	1.5%	9.5%
Global Convertible Bonds	USD	0.0%	0.1%	6.0%	14.2%
Emerging Market Bonds	USD	-0.6%	-1.2%	6.6%	17.9%

Asset Class / Region	Currency	Cumulative returns			
		Week ending 11 October	Month to date	YTD 2024	12 months
Property					
US Property Securities	USD	-0.4%	-2.5%	11.9%	27.3%
Australian Property Securities	AUD	-1.1%	-0.8%	22.1%	38.3%
Asia Property Securities	USD	-4.7%	-3.6%	0.9%	7.1%
Global Property Securities	USD	-1.3%	-3.1%	10.1%	25.1%
Currencies					
Euro	USD	-0.1%	-1.8%	-1.1%	3.2%
UK Pound Sterling	USD	-0.3%	-2.5%	2.4%	6.3%
Japanese Yen	USD	0.0%	-4.0%	-5.5%	0.1%
Australian Dollar	USD	-0.6%	-2.6%	-1.1%	5.5%
South African Rand	USD	0.7%	-0.9%	5.1%	8.5%
Swiss Franc	USD	0.4%	-1.4%	-2.0%	5.4%
*Chinese Yuan	USD	-0.7%	-0.7%	0.5%	3.3%
Commodities & Alternatives					
Commodities	USD	-0.3%	2.7%	8.6%	4.8%
Agricultural Commodities	USD	-0.7%	-1.1%	4.3%	4.6%
Oil	USD	1.3%	10.1%	2.6%	-7.9%
Gold	USD	0.1%	0.7%	28.8%	41.7%

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

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