Santander Asset Management

Market Movements

19 AUGUST – 19 NOVEMBER 2024

Santander Asset Management UK are pleased to share the latest edition of 'Market Movements', which provides a review of financial markets covering the period since your last investment statement.

Market review

Global stock markets posted a mixed set of results over the three months to 19 November 2024. US company shares performed strongly, benefiting from three key themes: cuts in US interest rates, good company results and the potential (positive) market impact of a Trump presidency.

The performance of European and UK company shares were the weakest over the period, failing to make positive gains. Bonds investments saw a range of return outcomes, with riskier global high yield bonds performing strongly in contrast to the poorer (negative) returns achieved by UK and global government bonds.

As a result, investment portfolios with allocations to US shares and riskier bonds increased in value, whilst those with a greater allocation to government bonds, and fewer company shares struggled to make progress.

August

The start of this review period saw global stock markets benefiting from the supportive comments of Federal Reserve (Fed) Chair Jerome Powell, indicating a cut in US interest rates was on the horizon. US inflation data was also favourable, continuing a downward trend. Both these factors were seen as positive for US company shares, and the wider market, given the influence the US market has around the globe.[1] In the UK, the Bank of England (BoE) announced its first interest rate cut since 2020, cutting rates by 0.25% to 5.0%.[2] Unlike the direction of the US and Europe, UK inflation, as captured in the UK by the Consumer Price Index (CPI) increased, rising from 2.0% to 2.2%.[3]

September

Taking the market somewhat by surprise, the Fed announced it was cutting interest rates for the first time in four years by a larger than expected 0.5%,[4] propelling the value of domestic shares upwards.[5] US inflation fell further, supporting the possibility of a further Fed rate cut before the year end. The European Central Bank also cut interest rates, but this failed to ignite the economy, which was held back by weak manufacturing and service sector performance.[6] Meanwhile the Chinese government announced a range of economic stimulus measures, including a cut in interest rates by the People's Bank of China, to aid the country's economy.[7]

October

October saw markets pause for breath, as falling US inflation and stronger than expect US GDP numbers[8] contrasted with the uncertainty surrounding the outcome of the US presidential election.

In the UK, shares also fell in anticipation of the release of the new Labour government's Budget on 30 October,[9] despite a welcome fall in annual inflation. European markets also declined, impacted by Trump's threats to implement trade tariffs on imports to the US if he were elected.[9]

November

Finally, global shares posted positive returns in the final weeks of the review period. Trump's convincing win in the US presidential election helped shares in the US rise, as investors were hopeful about his America-first agenda that is likely to include tax cuts for businesses, less regulation and trade tariffs.

In contrast, European markets declined, as the threat of Trump tariffs and political instability in both France and Germany worried investors. In the UK, investors were also focused on the uncertainty caused by Trump's election and disappointing company results, leading shares to decline.[10] The BoE lowered interest rates by 0.25% in early November, to 4.75%.[11]

In fixed-income markets, the prices of developed-market bonds mainly declined over the period. The yield on 10-year gilts (UK government bonds) rose, in the US, 10-year yields also rose,[12] as did German 10-year government bonds, meaning that the prices of the bonds fell.[12]

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Note: Data as at 18 December 2024.

[1]Reuters, 23 August 2024
[2]Bank of England, 1 August 2024
[3]Trading Economics, 16 December 2024
[4]Federal Reserve, 18 September 2024
[5]Financial Times, 16 December 2024
[6]European Central Bank, 16 September 2024
[7]The Guardian, 24 September 2024
[8]Trading Economics, 16 December 2024
[9]Reuters, 23 October 2024
[10]Reuters, 12 November 2024
[11]Bank of England, 7 November 2024
[12]Trading Economics, 16 December 2024

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