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Monthly Review and Outlook September 2024

Review

- US and Emerging market equities increased in September benefitting from increased expectations of future interest rate cuts and the potential of further economic stimulus from China.

Company shares

- US equities markets declined at the start of the month following a sell-off in technology stocks and some negatively perceived jobs data. However they then recovered, influenced by a significant 0.5% interest rate cut by the Federal Reserve.
- The Japanese equity market fell for a third consecutive month due to a strengthening yen, political changes and ongoing interest rate uncertainty.
- Eurozone shares were down marginally in September due to weaker manufacturing data fuelling concerns around softer economic growth.
- UK equities drifted lower over the month after concerns emerged over a "painful" autumn budget with potential tax hikes and spending cuts by the new Labour government.
- Emerging market equities improved, with the MSCI Emerging Markets Index recovering from earlier volatility and gaining 4.5% following China's economic stimulus announcements.

Bonds

- September was a positive month for bonds, reflecting changing interest rate expectations and economic conditions. The 10-year US Treasury yields dropped (prices increased) over the quarter following the Fed's decision to cut rates by 0.5% during September.
- UK gilt prices rallied in September, fuelled by the government's promise to kick start economic growth, with investors increasing their optimism for further interest rate cuts before the end of the year, following the Bank of England's (BoE) 0.25% cut in August.

Commodities

The Bloomberg Commodity index, a benchmark for investment in global commodities, increased in September driven by an increase in Energy prices and precious metals due to increased geopolitical uncertainty.

Outlook

We retain our positive overall stance on equities particularly in the US and UK, as we expect good company earnings growth supported by steady global growth. But we are more cautious on European equities due to political uncertainty. We have a slightly more cautious view of Government bonds as although we still anticipate further interest rate cuts there is still a high level of uncertainty around the number and timing of them.

Asset overview

Our general view of assets in the coming months is summarised as follows. These are our in-house views as at the end of September 2024.

Equities	🟢	Positive overall stance on equities particularly in the US as growth remains resilient and inflation is falling under control, leading to expectations of interest rate cuts from the Fed next month.
Government bonds	🔴	We now have a cautious view on Government bonds as markets have priced in more interest rate cuts than we believe is required given the benign economic backdrop.
Corporate bonds	🟡	We have increased our exposure to neutral due to recessionary risks being overplayed and company bonds being better value.
Commodities	🟢	We retain our positive view on gold given its role as an inflation and geopolitical hedge, especially with the backdrop of increased Chinese demand and falling interest rates.

	Legend
🟢	Positive outlook
🔴	Negative outlook
🟡	Neutral outlook

Source: Schroder Investment Management and Schroders Personal Wealth, 10 October 2024

Important information

Forecasts of future performance are not a reliable guide to actual results, neither is past performance a reliable indicator of future results. The value of investments and the income from them can fall as well as rise and are not guaranteed, and the investor might not get back their initial investment.

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