

MONTHLY MARKET MONITOR

US Federal Reserve means business

October 2024

First US rate cut in four years shows the Fed has the market's back

The global monetary cycle has shifted into a higher gear, now that the Fed has joined the gang of rate cutters. The war against inflation is seen as having been won, and it's time to refocus on supporting employment and economic growth. China also announced an unexpected stimulus package which provided a shot in the arm for equity markets.

Highlights



Equities
Chinese stocks surge in their biggest single-day rally since 2008 on stimulus cheer.

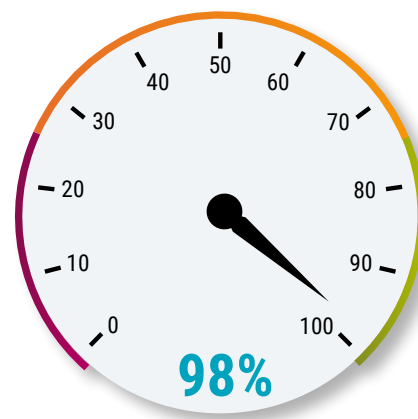


Bonds
US and European Treasury yields fell as inflation continues to cool.



Alternatives
Commodities rise thanks to Chinese stimulus and global recession fears fading.

Robeco Bull & Bear indicator



+6%
vs. last month

Market's risk mode

Buy or sell? Our highest conviction views



We're overweight equities

We reacted to the first Chinese stimulus announcement by topping up our overweight to equities. Regionally, we added to EM and China itself. We sold our health care position and removed some hedging.



We're underweight IG credits

We believe that credit spreads are priced almost to perfection and there is limited upside potential from this point. Our preference is for short duration investment grade bonds.

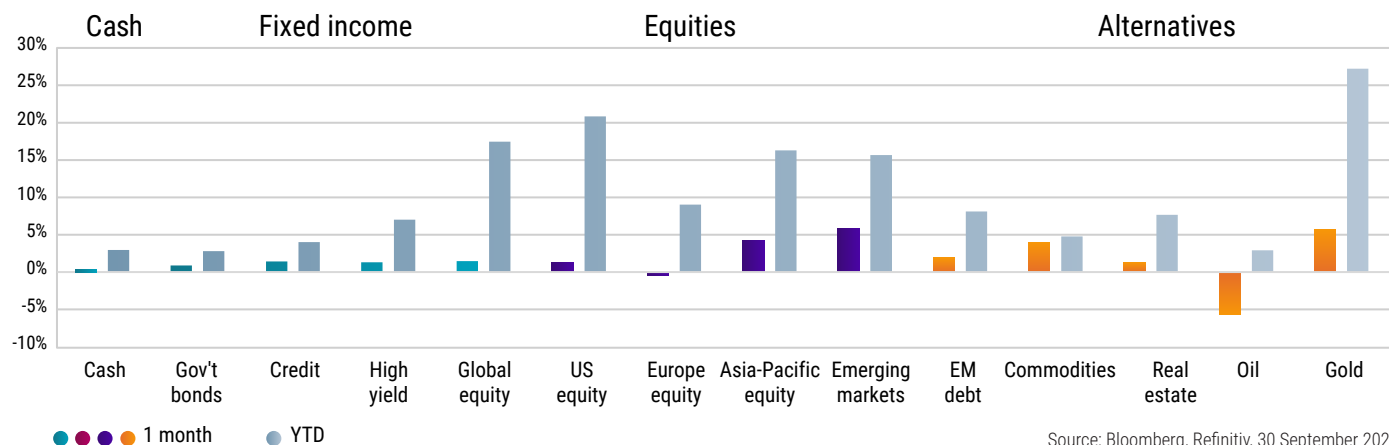


We bought commodities

We see upside in commodities as a lot of the bad news on demand seems to be already priced in, and geopolitical risk around the Middle East may provide more short-term upside.

Asset classes compared

Asset class performance: September and YtD



Source: Bloomberg, Refinitiv, 30 September 2024. Asset class returns are in euros.



Fed cut and Chinese stimulus support equities

- China has had enough of economic pain and announced a major stimulus package. Investors piled in and Chinese stocks rose over 20%.
- Moderate economic growth and supportive central banks have helped developed market equities hit new highs.

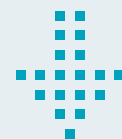


Increased overweight



Rising expectations of rate cuts helps bonds

- It was a strong month for fixed income, as government bonds, credit and high yield all delivered strong returns.
- EM debt (local currency) had a stellar month, thanks to the improving macro picture and China becoming less of a headwind.



Retaining a credit underweight



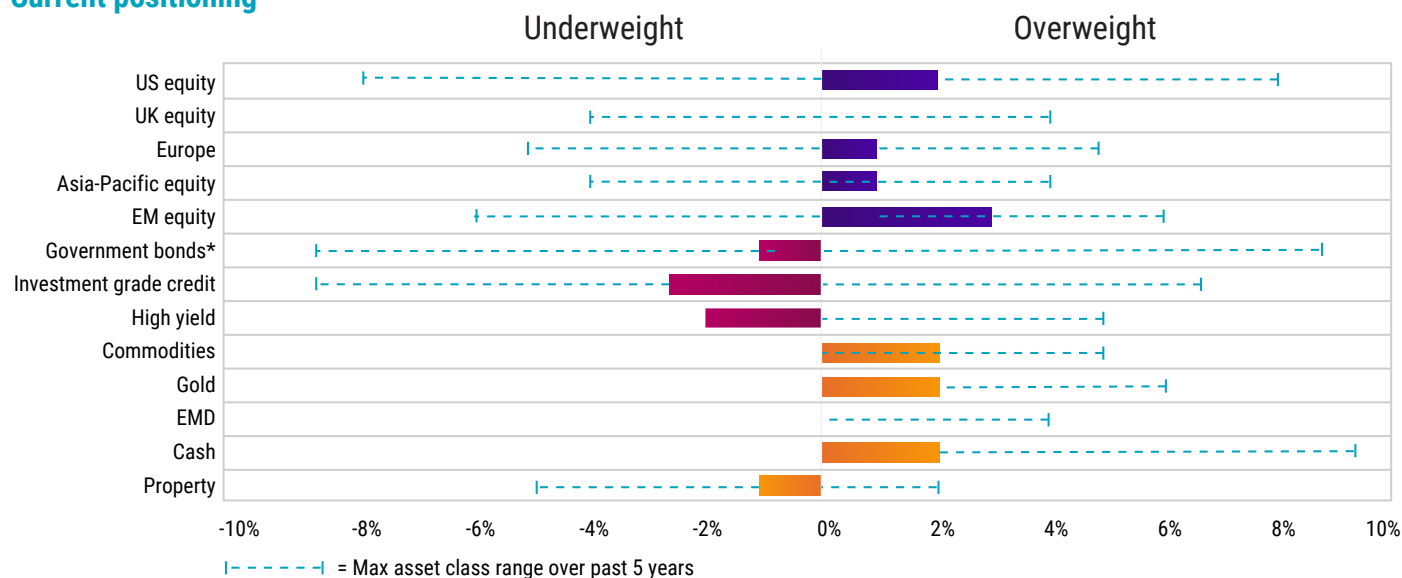
Commodities bounce back, gold hits all-time highs

- Chinese stimulus and rising Middle East tensions supported commodity prices generally.
- Gold continues to be the safe haven asset class of choice for both investors and central banks.



We added commodities

Current positioning



* Includes Treasury, MBS, ABS, Agency, non-corporates. Note reference benchmark is 50% MSCI ACWI & 50% Bloomberg Global Aggregate Index

Theme of the month

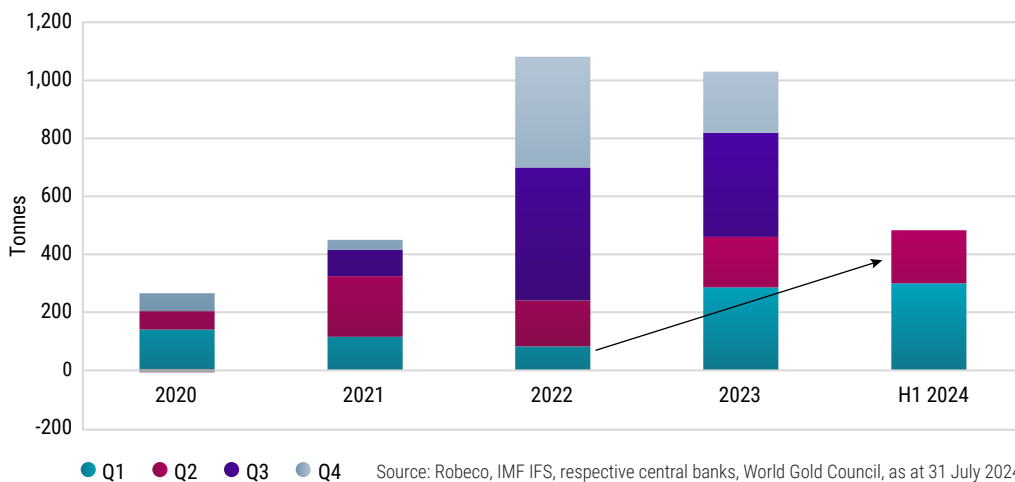
Revenge of the bugs: Gold is back as an investment class

“For decades, investors have been split on whether gold is a genuine asset class in its own right. But 2024 seems to have tipped the balance in favor of the gold bugs, with central banks’ rising appetite for gold boosting prices of the precious metal.”

Arnout van Rijn – Portfolio Manager, Robeco Sustainable Multi-Asset Solutions



Central bank gold demand rising – H1 2024 was the highest on record



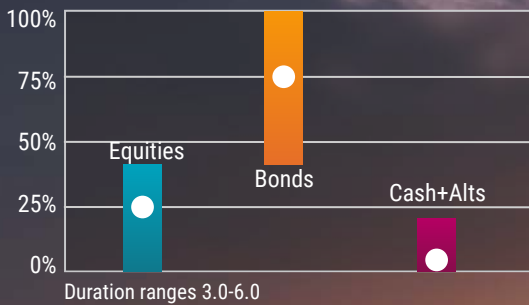
This year, gold has even outpaced strong equity returns. While we don't necessarily consider it an effective way to hedge for downside risk events, we added gold exposure to our strategies in the early summer, as we recognized the structural increase in demand for gold.

- Freezing Russian exchange reserves was the most aggressive weaponization of the US dollar to date. The knock-on effect has been countries actively reducing their dependency on the dollar. Gold was then preferred, due to its political neutrality and immunity from sanctions.
- Gold can be an effective hedge against inflation, as increased developed government spending is forecast to increase fiscal deficits over the next few years, raising the inflationary threat.



Robeco Multi-Asset strategies

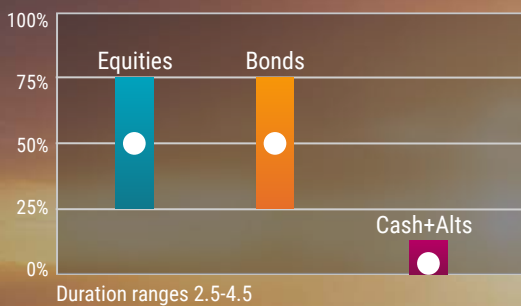
Sustainable Income Allocation



Income \geq 5%
Volatility 7%

- Stable income + capital appreciation
- Focus on downside protection
- 4-star Morningstar rating

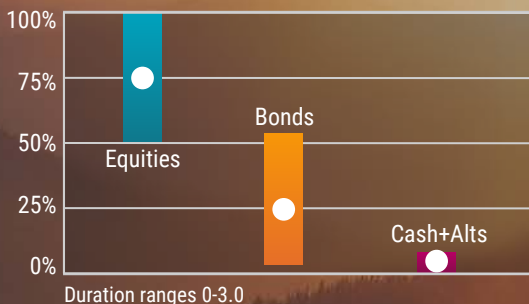
Sustainable Diversified Allocation



Return \geq 6%
Volatility 10%

- Stable capital growth over long term
- Balanced mix of bonds and equities
- 4-star Morningstar rating

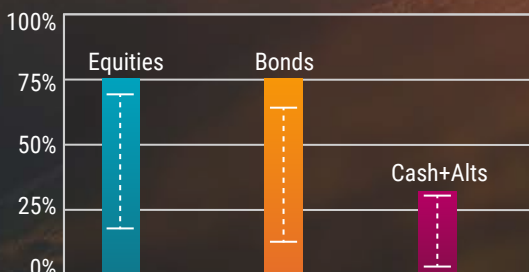
Sustainable Dynamic Allocation



Return \geq 7%
Volatility 12%

- Equity-like growth with less volatility
- Capital growth focus
- 4-star Morningstar rating

Flexible Allocation



Cash +4%
Volatility 6-12%

- Total return approach
- Active allocation from '5y Exp. Returns'
- Flexible alpha hunting strategy

● Bandwidth ● Benchmark weight | - - - | Max 5-year range

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