

The *Monthly* *Edit* / October 2024

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.





Market Headlines

October sees **a weaker month for global stocks** (in US dollar terms), as investors navigate Middle East tensions, lingering concerns around the outlook for European economic growth, and worries over megacap companies' earnings forecasts.

Global bond prices also fall during the month, with bond yields rising due to **concerns over government spending plans**, and fears of sticky inflation leading to the risk of interest rates staying higher for longer.

Within equity markets, US megacap technology stocks see mixed results and heightened share price volatility, as **investors appear to question the outlook for generative Artificial Intelligence (AI)** revenue and profit forecasts.

The Big Topics

UK budget market backlash

The UK Labour government's maiden budget at the end of October caused noticeable price moves in UK markets.

The new government has committed to considerably more borrowing – about £140 billion more in the coming years, albeit with an emphasis on longer-term infrastructure investment.

With government borrowing costs rising, this, in part, reflects concerns over increased government spending and debt servicing costs, as well as higher taxes and the risk to near-term growth expectations.

Stocks have also been affected, especially in those sectors facing higher costs from wage increases and new taxes. For context, although the market reaction has so far not been on the same scale as the ill-fated Truss 'mini-budget' of 2022, investors are cautious nonetheless.

A close presidential race brings uncertainty

The risk of a pick-up in market volatility has been a concern for investors due to the close US presidential race.

Leading into the election, polls have consistently shown a dead heat between the candidates, with the outcome likely to be decided by a few key swing states under the electoral college's winner-take-all system.

Each candidate's radically different policies could have substantial impacts across both global economies and markets. In the weeks leading up to the US election, this uncertainty ahead of the voting outcome has kept investors cautious, closely monitoring developments and potential shifts in the political landscape.





European markets grapple with inflation and mixed signals

European markets faced a tougher month as investors appeared to worry around the region's economic growth outlook.

This included the risk of an increase in trade tensions and trade tariffs with China and the US respectively. Responding to these economic growth concerns, as well as inflation having fallen this year, the European Central Bank cut interest rates in October.

The magnificent seven: resilience amid volatility

In October, the so-called 'Magnificent Seven' group of US megacap technology giants – Apple, Microsoft, Alphabet, Amazon, Meta, Nvidia, and Tesla – dominated the market headlines.

Despite strong earnings, they faced significant market volatility, as investors worried about the ability of these companies to convert the vast sums of money invested in generative AI into future profit growth. Overall, market reactions were mixed: Tesla, Alphabet, and Amazon saw positive market responses, while Microsoft, Apple, and Meta faced negative ones.

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