



November Market Update: Markets in flux

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In a nutshell

- Trump wins comfortable US election
- Rate cuts continue
- European politics on shaky ground

Trump's first moves

The US election seems ages ago now, but we entered November in the final campaign stretch, with both candidates doing their best to win over swing states. What was expected to be a tight race turned out to be anything but - and while the result dealt a major blow to environmental causes and gender equality, it did bring a degree of certainty to markets.

With enough seats for majorities in both the House and Senate, Trump is well-positioned to advance his legislative agenda. US equities surged over 7% during the month, comfortably ahead of other regions, as markets rallied around Trump's pro-business stance. Smaller-cap stocks performed particularly well, perceived to be the biggest beneficiaries of his policies.

It seems pretty clear where things are heading on issues like tariffs on Chinese goods and reducing immigration, but Trump's campaign was never big on details. The next few months will be spent trying to separate reality from rhetoric.

For the Federal Reserve (Fed), the challenge is that a lot of Trump's proposed policies could drive inflation. Their job is to keep prices stable, and with an inflation rate that's not entirely under control, that's a tricky spot to be in.

Without knowing when or how big the changes will be, the Fed can only focus on the current data. With that in mind, they followed through with a 0.25% rate cut, bringing interest rates into a 4.5 - 4.75% window.

A bigger worry for the Fed? Trump trying to interfere with their independence.

Shifting policies in the UK

The Bank of England (BoE) matched the Fed's lead, bringing rates down from 5% to 4.75%. This cut was anticipated, but since the Autumn Budget, expectations for future interest rate cuts have lowered. Now, only two more reductions are predicted before June 2025.

The other big announcement from the BoE was their plan to roll out changes, following Ben Bernanke's independent review earlier in the year. The changes focus on how the Bank makes decisions and how they communicate them.

Forecasting and modelling need to better reflect the economy's current dynamics, and messaging needs to build credibility and confidence to keep financial markets stable. However, to avoid any big shocks, any changes will need to be made gradually.

Global uncertainty

Chinese authorities continued to drip feed their fiscal support package into the economy, with \$1.4 trillion aimed at refinancing local government debt. China may well be holding back support measures until there's more clarity on future tariffs from the US. Trump has initially suggested 60% on all goods. A near 2% loss for Emerging Market equity is a measure of current uncertainty and the potential risks ahead. Equally, any outcome that's more positive could see meaningful returns, given such low levels of expectation and confidence.

Meanwhile, European politics is still under a cloud, with the German coalition government collapsing after Olaf Scholz fired his finance minister and then called a snap election. Many of the problems stem from disputes over fiscal spending and debt. Similar issues threaten to bring down the French coalition government, with Michel Barnier's budget struggling to get the support it needs from the far-right National Rally party. The FTSE World Europe-UK Index was down over 1% for the month.

We can paint quite a different picture for markets on each side of the Atlantic, but as is often the case, it's important to work out what's already priced in. The US is expensive relative to most measures - yet it continues to power ahead and take the lion's share of inflows.

No one wants to miss a party, but being the last to arrive can be a risky game.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	1.62	-0.87	-1.14	4.22	-23.99
ICE BofA Global Corporate	1.36	1.19	4.88	8.68	-4.21
ICE BofA Global High Yield	0.96	2.26	9.14	12.89	8.22
FTSE All Share	2.49	-0.49	10.75	15.75	25.52
FTSE USA	7.39	11.12	28.23	33.19	40.57
FTSE World Europe ex UK	-1.26	-4.64	3.79	8.23	15.90
FTSE Japan	1.78	-0.39	8.67	12.62	15.80
FTSE Asia Pacific ex Japan	-1.10	3.74	11.66	16.24	6.69
FTSE Emerging	-1.94	4.06	12.10	15.28	6.31

Source: FE Analytics, GBP total return (%) to last month end

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