

## October Review

A summary of key events and market trends during the month of October.



### US ELECTIONS 2024 ...

All eyes focused on what will be a closely contested race. Having lightened up our exposures heading into the event we will evaluate portfolio action post-results

### HIGHLIGHTS

1. **A late sell-off in October** took equity indices into the red for most markets. Earnings numbers continue to be strong albeit with some over-optimism being curbed
2. We see **corrective price action as a healthy sign** and expect to see many such bouts in an increasingly fundamentally driven tech rally
3. **The Artificial Intelligence Revolution** is shaping the world in ways that were unimaginable only a year ago. As the technology matures its impact will only be more profound

# Global Markets Update

- Most equity markets were hit in the last two trading days as some “disappointment” in earnings caused the over-optimistic to trim exposures.
- We use quote marks here, as overall the earnings numbers are unambiguously strong. We note that US Banks posted very strong core gains and expect this to continue as the softer rate outlook buffers real estate prices.
- China, after some strong price action in the previous month, has flat-lined as investors balance out their optimism for growth with the unclear path for infinite stimulus.
- We have had only a tactical approach to China for the last year and do not see anything that would suggest that we should change the approach here.



- The continuing strength of the US economy has meant that interest rates have given up some of the excess pessimism that had been priced in.
- While at the end of September the rates markets had expected the low point in 2025 to be around 3% the outlook one month on is around 50 basis points higher. We do not see this as a negative as we prefer a stronger economy with a higher rate profile.
- Around 70% of the S&P 500 companies have reported earnings and we see a small positive surprise on top-line revenue and a larger positive surprise with regards earnings.
- Volatility spiked with the late-month sell-off in asset prices and we expect it to be elevated until the final election outcome. This gives us the opportunity to restart selling options to earn premium for portfolios and create entry points for our preferred stocks.





## Key markets and the US Elections 2024

As would be expected, the road to the early November elections has been a rocky one. This time more than usual given an assassination attempt and the bowing out of the earlier Democratic candidate, sitting President, Joe Biden.

Politics in the US has been increasingly polarized over the last decade and this shows no signs of letting up. The external manifestation of this polarization can be viewed ubiquitously on various social media platforms as well as on leading media platforms.

The political center, where the bulk of compromise and deal-making is done, has been somewhat abandoned for the fringes where positions tend to harden and get less prone to bipartisan policy-making.

Today one of the key polarizing issues is the approach to women's autonomy and health and the provision, or restriction as the case might be, of the choices available to deal with this matter.

While a good part of the US populace has it's share of concerns with the performance of the economy and their inability to "get ahead" we would note that a number of competitor countries would be happy to have "the problems" the US does.

Index	Month to Date (%)	Year to Date (%)
Topix	1.87	13.91
Hang Seng China Enterprises	-3.27	25.93
Dax	-1.28	13.88
Euro Stoxx 50	-3.46	6.77
S&P 500	-0.99	19.62
Dow Jones	-1.34	10.81
Nasdaq 100	-0.85	18.21
US 10 Year Treasury	0.50	0.41
Bloomberg Barclays Global Corporate Bond Index	-3.35	0.12
Bloomberg Barclays Global Corporate Bond High Yield Index	-0.63	8.90
EUR USD	-2.25	-1.40
USD JPY	5.85	7.79
Gold	4.15	33.01

Inflation is still not comfortably below the Federal Reserve's upper bound of 2% and we expect with the strength of the economy to actually find it hard to achieve this outcome. As a function, interest rates are not likely to come off as much as the markets currently price in.

We do not view this as necessarily a bad outcome for markets as the positive drivers of the Artificial Intelligence juggernaut as well as the nascent Reindustrialization initiative will likely provide positive outcomes for some quarters ahead.

## SGMC Forward Views Highlights

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Asset Class	Avoid	Reduce	Hold	Add On	High Conviction	Notes
<b>Equities</b>						
US Equities			Hold			Remain on Hold to account for the strong rally we have seen YTD as well as election / geopolitical surprises that could come up
EU Equities		Reduce				With conditions deteriorating in Europe we remain underweight and take advantage of the year to date rally to further lighten exposure
Chinese Equities			Hold			The recent news are a step in the right direction - but more visibility is needed before moving to overweight
Emerging Market Equities				Add On		We remain positive on the area but extremely selective. Our top picks include <b>India, Indonesia and Brazil</b> and after the recent news we are closely monitoring China
<b>Bonds</b>						
High Yield			Hold			Happy to continue selectively adding to lock in yields but with the curve having moved lower will be more selective
Investment Grade			Hold			Will look to selectively take profit here given the fairly large move down in yields in line with the market now pricing in 8 cuts over the next 12 months
Government Bonds			Hold			Continue to prefer high yield and investment grade given the rate outlook over the coming year
<b>FX &amp; Alternative Asset Classes</b>						
US Dollar Index			Hold			Rangebound trading likely to continue in the short term
Commodities			Hold			As rates decline, commodities to find support.
Private Equity / Hedge Funds		Reduce				We remain relatively underweight this sector
Real Estate				Add On		With a benign interest rate environment we see good potential for this sector over the coming months
Collectibles			Hold			Uncorrelated with markets

No changes to current allocations



# SGMC Media

**Global Market Trends: Expert Predictions with Massimiliano Bondurri**

10/14/2024

**Responsible Quantum Technologies: Impact of Geopolitics in the Indo-Pacific Region**

- National quantum strategies
- Geopolitics of quantum tech
- Collaboration opportunities

Date: 15-16 October 2024, 9:00 - 18:00  
Venue: SG Innovate, 32 Carpenter Street

**OUR CIO, ED GOMES DURING A GROUNDBREAKING WORKSHOP ON RESPONSIBLE QUANTUM TECHNOLOGIES**

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**Daybreak Asia**

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**AI Boom, Wild Weather in Spotlight for Southeast Asian Earnings**

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**Indonesia's \$30 Billion Free Lunch Plan Hinges on Big Tax Revamp**

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