



MARKET VIEWS

EQUITIES: US markets hit new highs again in October, albeit they lost some momentum over the last few days of the month due to a combination of earnings news and inflation expectations. We have seen some rotation in the market, with the big 'technology' names lagging behind more cyclical (value) and smaller companies. This has been a busy month for reporting, with a significant proportion of the S&P 500 issuing quarterly earnings updates. At the time of writing, 70% of index constituents have reported and whilst there have been some notable misses, the average has seen earnings ahead of consensus, with 75% of companies beating expectations, suggesting a pretty robust position for corporate profitability. Revenue figures have not been quite as strong, but 60% of companies reporting have still beaten expectations, only a little behind the 10-year average. The Eurozone has experienced a more mixed market. Whilst the ECB's monetary easing has offered some support, ongoing economic uncertainty has tempered enthusiasm. Here in the UK, the smaller company AIM market reacted to the Labour Party's first budget in 14 years, with a >4% bounce on the day, as changes to tax rules relating to AIM shares were not as severe as rumoured beforehand.

UK BUDGET: Given the amount of commentary on the UK budget from other sources we will refrain from adding to that here. The budget included changes to tax and various reliefs that will impact clients, and we are ready to discuss those. Fiscal events will always have some impact on gilt markets. Since 30th October gilts maturing at dates beyond 5 years, have seen the sharpest moves, with yields initially falling during the speech itself, but selling off in the hours and days since. As it stands, the yield (which is inversely related to price) on the 10-year gilt is around 0.25% higher than before the budget. This is similar to the level quoted by the OBR which referenced interest rates potentially settling 0.25% higher as a result of the decisions taken.

GOLD: Gold is still trading at record highs, aided by political uncertainty and some stubbornness in inflation. The precious metal could yet be supported further by the tripling of central bank purchases since mid-2022, to some offering an attractive hedge against inflation, and imminent interest rate cuts – as the opportunity cost of holding Gold, due to its lack of yield, declines alongside falling rates.

MACRO VIEWS

GROWTH & EMPLOYMENT: The US economy is showing strength, with upward revisions to GDP. While there are some indications of a potential overstatement in employment figures and the latest figures will need further analysis, the overall trend points to stability rather than a significant downturn. In contrast, the Eurozone is experiencing a slowdown and growth has weakened across various sectors. Although overall inflation is easing on both sides of the Atlantic, persistent core inflation remains a concern. In the UK, the economy has shown more resilience. While inflation remains stubborn, especially in services, the Bank of England is adopting a more cautious monetary policy approach. Time will tell how the budget and new fiscal rules impact medium to long-term growth.

CENTRAL BANKS: In the US, the Fed is expected to continue easing monetary policy, but at a slower pace, with the possibility of faster cuts if employment weakens. The Bank of England has initiated a gradual easing cycle, but the pace and extent of cuts ahead remains uncertain. It is too early to know what impact the budget will have, given much of the spending commitments are long-term. Gilts with longer-dated maturities have fallen in price since the budget, suggesting higher long-term interest rates than previously forecast. In Europe, the ECB also continue to ease, but may be more cautious, while in Japan, they are tightening policy with inflation now rising after a long period below target.

US ELECTIONS: Polls for the November 5th election are narrowing, with Kamala Harris around 1% ahead of Donald Trump, according to FiveThirtyEight. However, betting markets lean toward Trump, with a 60% chance of winning. The race is tight, and the contest for the House of Representatives is closer still. Markets typically prefer a divided government, and while presidential elections historically have little impact on US equities, a divided government may lead to more stability and limit any extreme legislation. A significant Democratic victory could initially hurt markets due to fears of higher corporate taxes, while a strong Republican win might boost US equities through anticipated tax cuts and increased tariffs, potentially negatively affecting European and Emerging market stocks that are net exporters to the US.

CHART OF THE MONTH

The below expands on the quarterly earnings data in the US, highlighting the breakdown in each sector of companies either beating expectations, being in-line or those coming in below expectations. Some sectors have had a higher proportion of companies report than others, but at this stage of the reporting calendar (70% complete) it makes for interesting reading.

S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2024
(Source: FactSet)



Source: Factset: S&P 500 Earnings Season Update: November 1, 2024

MARKET DATA

Index	Value	%1m	%3m	%6m	%YTD	%1yr	%3yr	%5yr	%10yr	2021	2022	2023
FTSE 100	8,147.7	-1.5	-0.7	2.1	5.4	15.2	25.1	33.7	82.7	18.4	4.7	3.8
FTSE All-Share	4,449.2	-1.6	-1.2	2.5	5.1	16.4	19.4	31.4	82.6	18.3	0.3	3.9
FTSE AIM	736.8	0.0	-5.9	-3.7	-3.6	7.8	-40.0	-17.3	2.3	5.2	-31.7	-8.1
FTSE World (ex-UK)	664.8	1.5	3.3	8.3	13.4	24.4	25.9	73.9	220.0	20.4	-8.3	13.7
S&P500	5,705.5	0.0	5.1	14.5	19.6	36.6	29.6	102.0	240.0	28.7	-18.1	24.2
Dow Jones	41,763.5	-0.9	3.5	10.2	10.8	25.5	16.3	52.7	140.0	18.7	-8.8	13.7
Nasdaq 100	19,890.4	0.6	5.3	14.8	18.2	35.6	25.1	144.0	378.0	26.6	-33.0	53.8
S&P Smallcap 600	1,383.6	-1.3	-1.0	8.7	5.0	27.1	-1.9	41.1	104.0	25.3	-17.4	13.9
Eurostoxx 50	4,827.6	-2.6	1.3	-1.9	6.8	18.0	12.8	33.2	55.1	20.4	-11.7	19.2
Nikkei	39,081.3	1.1	2.5	2.1	16.8	23.7	31.8	71.0	138.0	4.9	-9.4	28.2
Hang Seng	20,506.4	-3.0	18.5	15.4	20.3	19.9	-18.5	-24.3	-14.5	-14.1	-15.5	-13.8
Shanghai (SSE)	3,279.8	-1.7	11.8	5.6	10.2	8.5	-7.5	10.9	35.5	4.8	-15.1	-3.7
GBP/USD	1.3	-2.7	1.5	3.0	1.3	6.0	-5.4	-0.2	-19.3	-1.1	-10.6	5.5
Gold \$	2,753.3	3.5	12.6	18.5	33.5	38.7	53.6	81.8	135.0	-3.7	-0.3	13.1

Source: Alpha: 01-11-24

Get in touch

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