

UNITED CAPITAL WEALTH MANAGEMENT

GLOBAL MARKET OUTLOOK
SEPTEMBER 2024



■ EXECUTIVE SUMMARY



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Stronger retail sales and jobless claims numbers have provided **evidence to suggest a 25bp cut at the September FOMC looks more likely than a 50bp cut right now.** US consumer price inflation has risen 0.2% month-on-month for both headline and core, in line with expectations. Super Core Inflation (services ex food, energy and housing) rose 0.21% after two consecutive negative prints, Super core inflation stabilised at 4.50% higher than all major economies.

The US ISM non-manufacturing index has risen to 51.4 from 48.8, above the 51.0 consensus. New orders jumped to 52.4 from 47.3 while employment is back in growth territory at 51.1 from 46.1. The activity/production index is particularly strong at 54.5 versus 49.6 while prices paid rose to 57.0 from 56.3. Personal savings rate has declined to 2.90% indicating weak consumer dynamics as we head towards the end of the year.

In US the unemployment rate fell to 4.20% from 4.30%, indicating that unemployment deterioration could be slow and steady; supporting a 25 bps rate cut on September 18th, against market expectations of 50 bps rate cut.

Markets are pricing 8-9 rate cuts in US till 2025, we don't expect this to materialise unless unemployment situation deteriorates rapidly.

The second estimate of **German GDP growth** in the second quarter of the year confirms that the economy fell back into contraction, shrinking by 0.1% quarter-on-quarter, from +0.2% QoQ between January and March. On the year, GDP growth was up by 0.3%.

While private consumption dropped by 0.2% QoQ and investments plunged by more than 2% QoQ, government consumption rose by 1% QoQ. Net exports were also a drag on growth. In fact, the second quarter performance of the German economy looks like a reversal of the first quarter performance.

Bank of Japan Governor Kazuo Ueda kept rate hikes in play this year. "If we are able to confirm a rising certainty that the economy and prices will stay in line with forecasts, there's no change to our stance that we'll continue to adjust the degree of easing," Ueda said in response to questions in parliament on August 23rd.

China's credit activity remained weak in July. New aggregate financing slowed to RMB 770.8bn in July. This brings the year-to-date new increase of aggregate financing to RMB 18.87tn, which represents a 14.6% year-on-year decline.

We expect rates to consolidate over the next 6 months. We expect the 2 year rates to decline faster than 10 year/30 year rates. We expect 10 year rates to decline to 3.50% over the next 6 months. We prefer IG bonds & select HY bonds across duration.

Given elevated valuations & a weak macro backdrop, we prefer US stocks that are high quality & defensive. We prefer large cap stocks, within sectors we prefer - Pharma, Industrials & Staples.

■ EXECUTIVE SUMMARY – INVESTMENT IMPLICATIONS

Fixed Income: We expect US 10-year Treasury to trade in 3.70%-4% range before targeting 3.40%-3.50%. We continue to prefer Investment grade bonds & some participation in duration through Sovereign bonds.

Equities: Declining job openings, savings, weak consumer but elevated Super core inflation makes it tricky for the FED. S&P' has limited upside of 2%-3% and could witness a price correction as well as time correction unless 5640 is breached decisively. S&P & Nasdaq could decline by 7%-10% over the next 6-9 months.

Currencies:

EUR/USD rebounded to 1.11-1.12 on declining US yields. We expect the pair to face stiff resistance in 1.1150-1.1230 range and target 1.0850 initially. Weak fundamentals in Euro zone could induce ECB to cut rates faster than market expectations causing & that could lead to Euro declining to 1.5-1.06 levels over 9-12 months.

GBP/USD to trade in 1.27-1.32 range over the next 6 months.

JPY could be supported by more rate hikes as inflation & consumer remains strong. Pair to target 138 initially. Our 12 month target remains at 135.

USD/CHF to trade in 0.8350-0.8450 range before targeting 0.88-0.89; SNB could cut rates again this month.

Precious metals: We expect Gold to trade in the range of 2200-2500. Falling USD and geopolitical tensions have given strong support to the rally of Gold, however, we don't expect much upside from here as USD losses reverse.

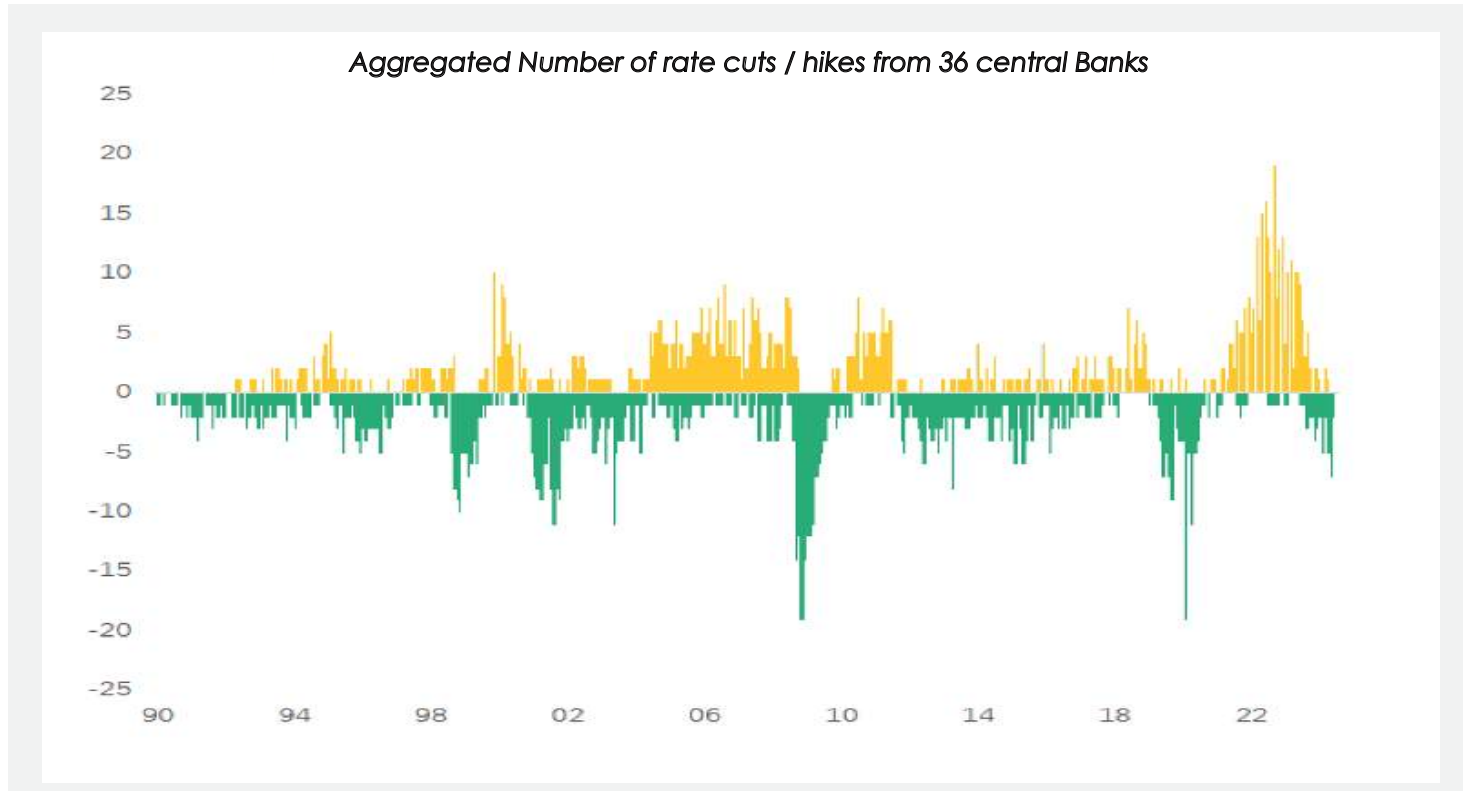
Crude oil: Oil prices hit the lowest level last week as OPEC+ has failed to reassure the market about the global supply and demand balance. OPEC+ delayed plans to increase production by 180,000 barrels per day until December as oil sold off steeply. We expect oil to trade in the range of \$75-\$80 and see further upside to be limited, except due to rise in geopolitical tensions.

■ **KEY**
ECONOMIC DATA

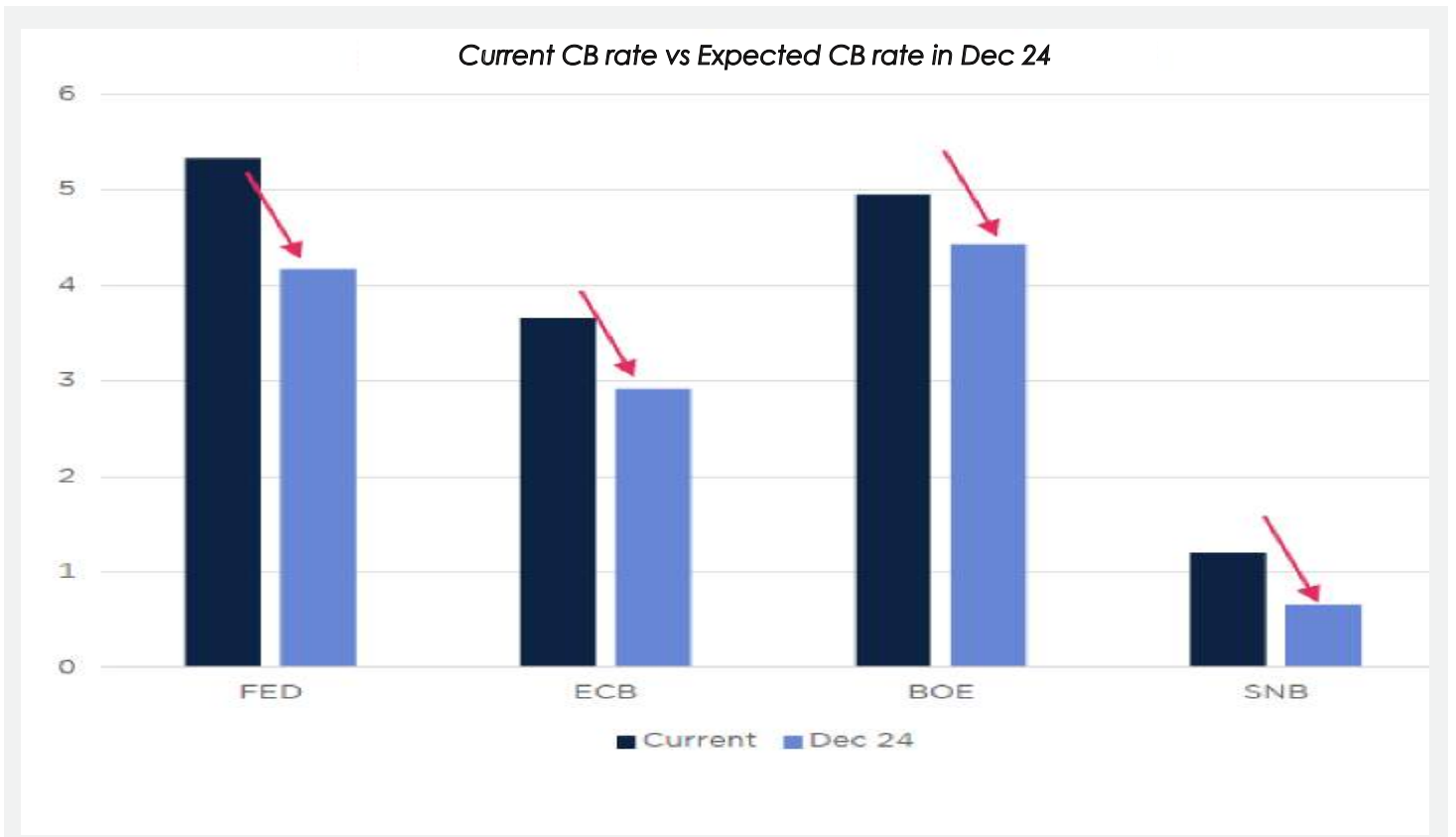


GLOBAL CENTRAL BANKS FOCUS SHIFTED FROM INFLATION TO GROWTH

In 2024, there have been more rate cuts than hikes.

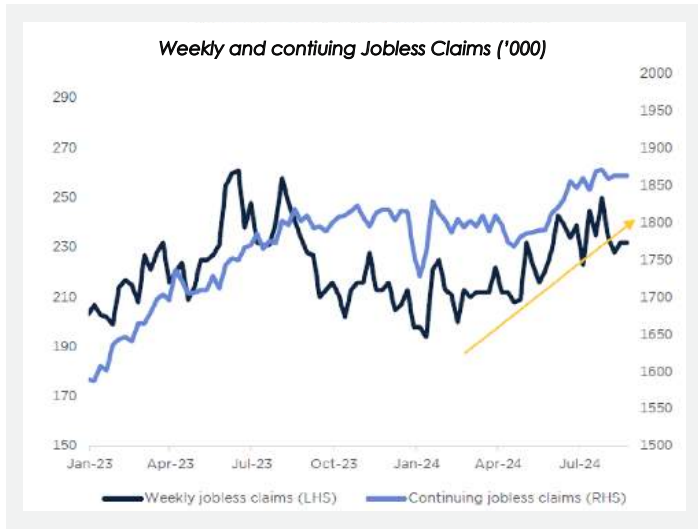


Markets expect further rate cuts in 2024.

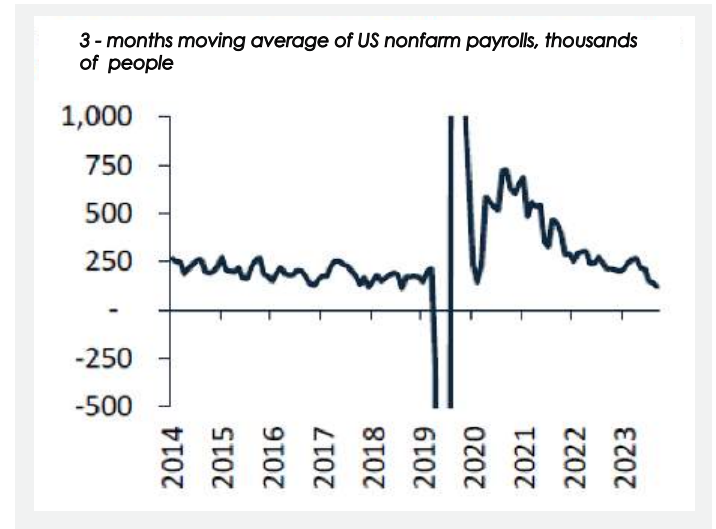


US – LABOUR MARKET IS COOLING BUT ECONOMIC MOMENTUM REMAINS RESILIENT

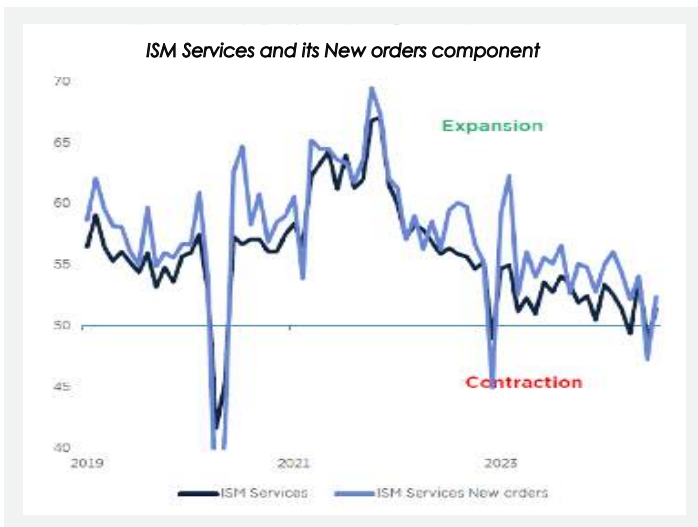
Weekly jobless claims remained elevated



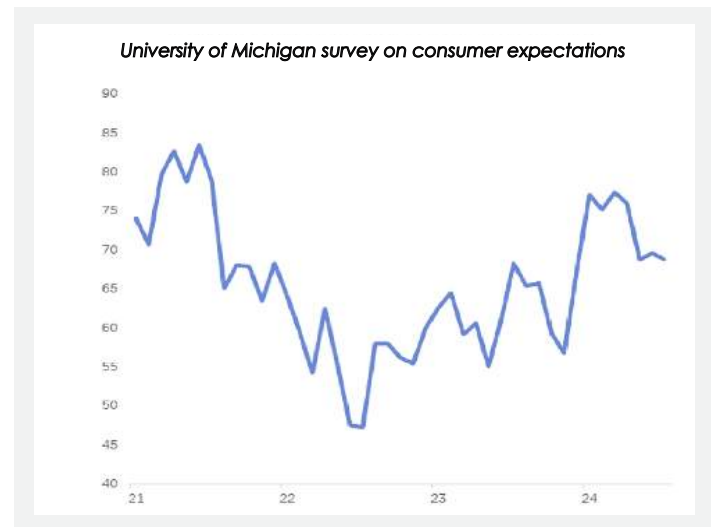
Job creation is decelerating



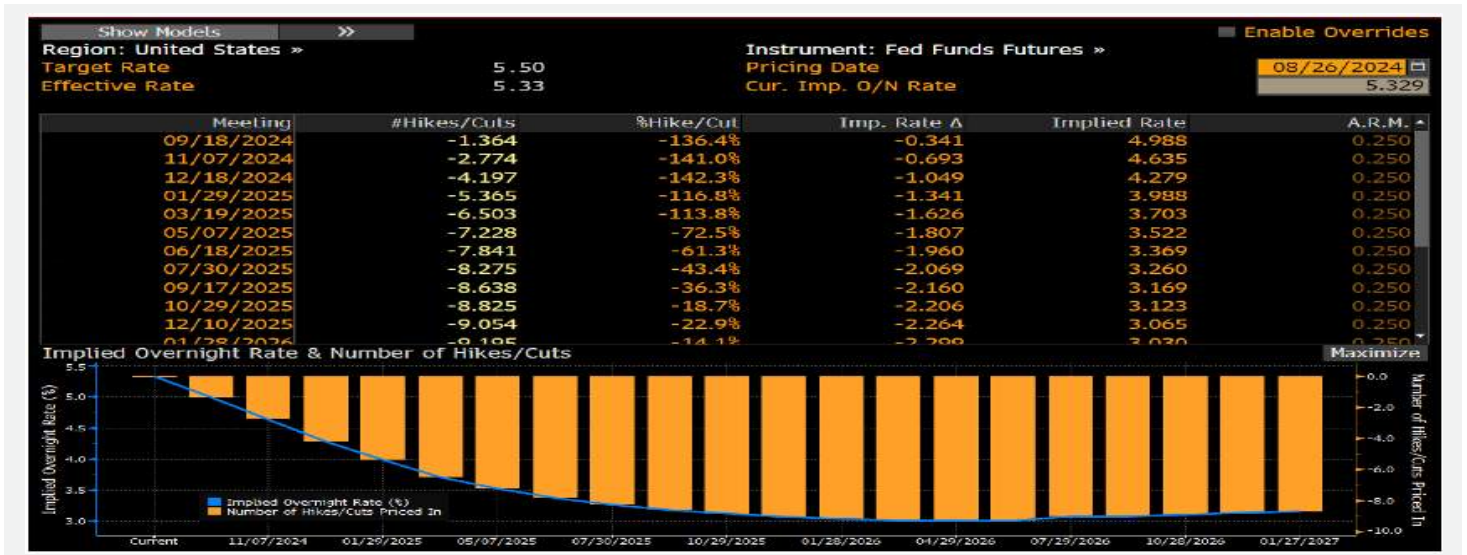
US services activity is robust



Consumer sentiment has improved

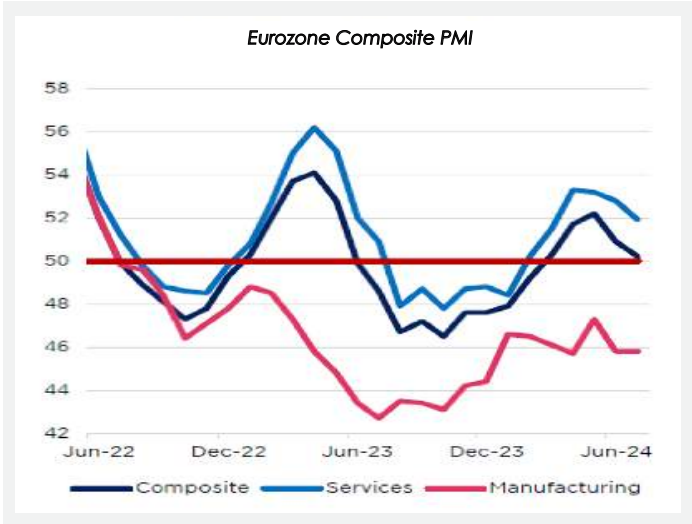


Rate cut expectations appear overdone as economic resilience continues

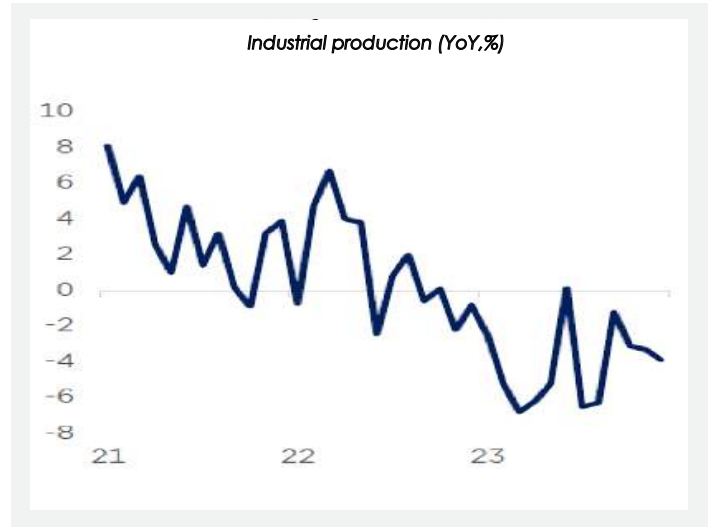


EUROZONE – GROWTH MOMENTUM CONTINUES TO DETERIORATE, PAVING THE WAY FOR MORE RATE CUTS

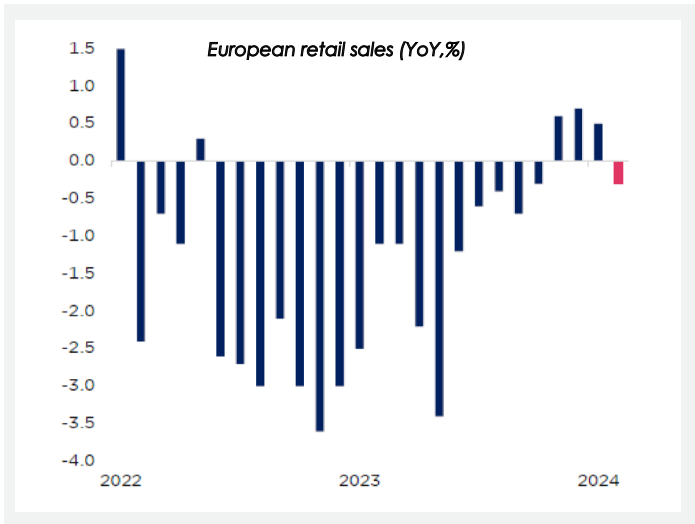
PMIs remain weak



Industrial production is contracting



Retail sales is falling



Wage growth is slowing further

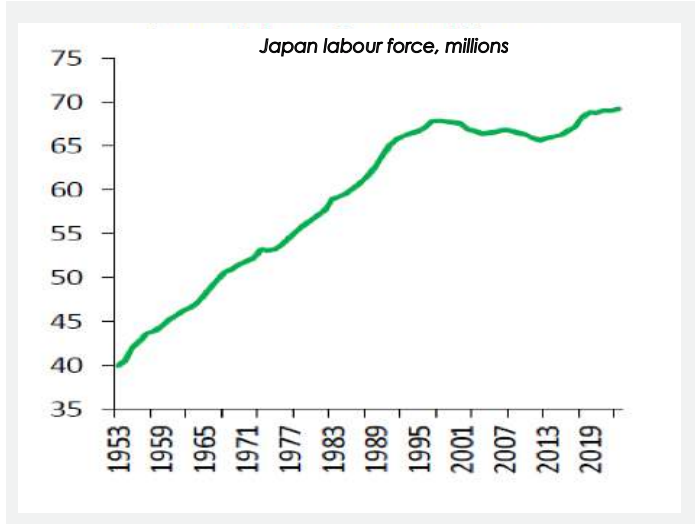


25 bps Rate cut in September fully priced in and more cuts expected before year-end

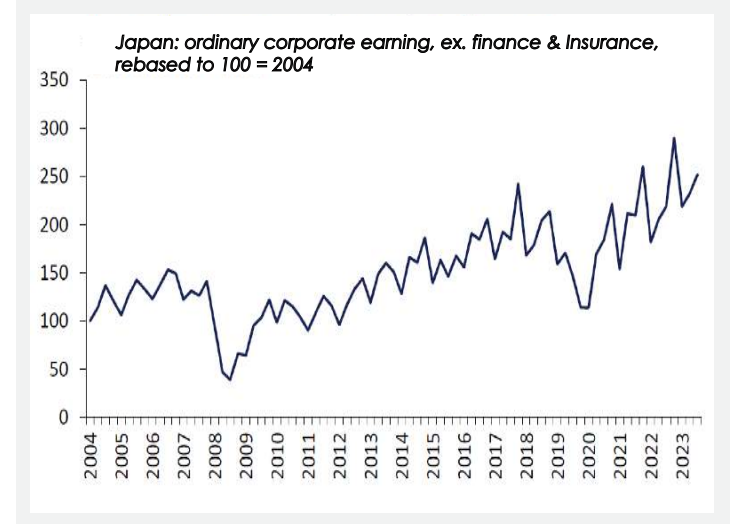


JAPAN – SOLID GROWTH GIVING STRONG BASE TO CONTINUE RATE HIKES AND YEN APPRECIATION

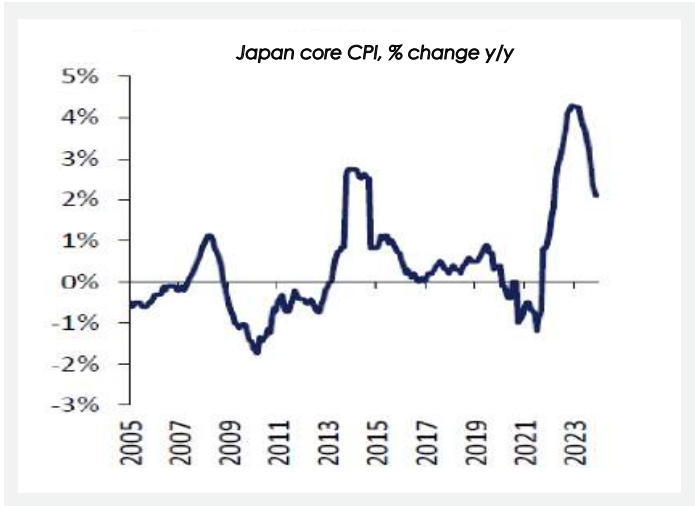
Employment is very strong



Corporate demand is booming



Inflation is still above BoJ's target



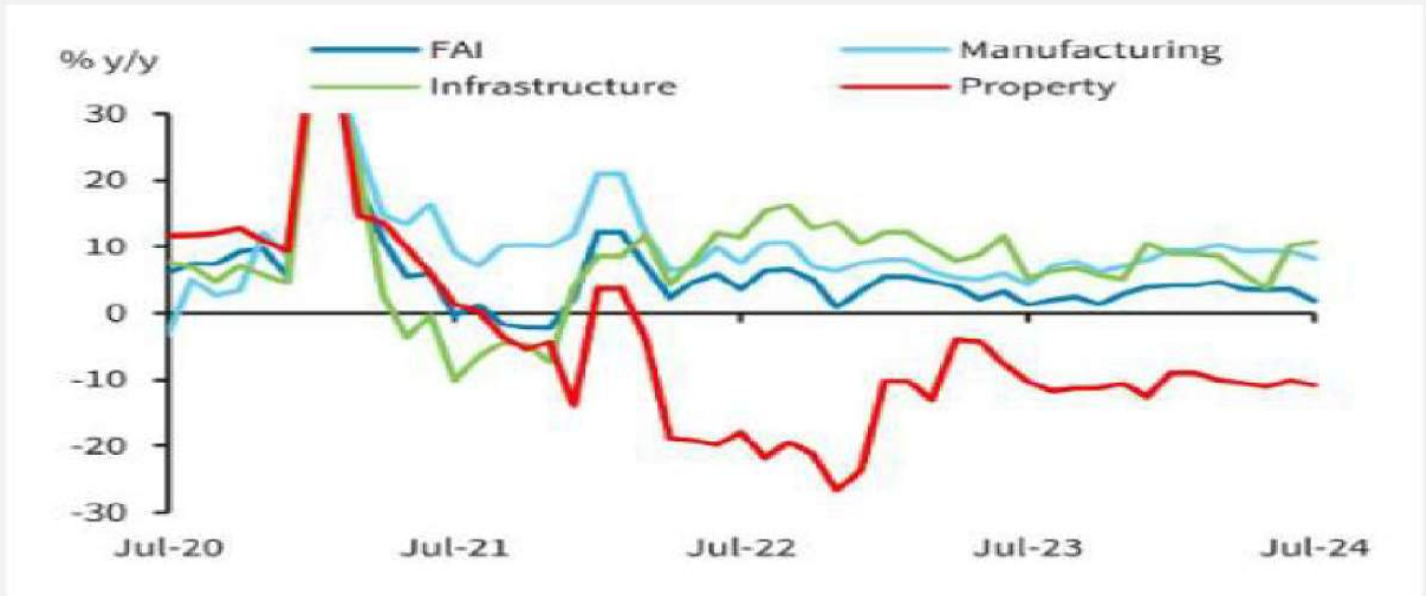
USD/JPY set to move higher in the coming months.

USDJPY			Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028	
Spot	142	Median	144	142	141	140	137	135	124	120	
Q2 24	Actual	Mean	144	142	141	139	138	135	123	118	
	161	High	157	158	159	160	159	154	136	135	
Q2 24	Forecast	Low	136	130	120	115	110	120	110	100	
	155	Forward	140	139	138	137	136	132	128	124	
Contributors (70)			As of	Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028
1)	Swedbank		09/09/24	140	138	135	135	135			
2)	BNP Paribas		09/06/24	139	138	136	134	131			
3)	Cinkciarz.pl		09/06/24	146	144	142	139	135			
4)	CIMB		09/06/24	137	135	132	131	128			
5)	XTB		09/06/24	144	142	140	140	142	147		
6)	Jyske Bank		09/04/24	146	148	149	146				
7)	Banco Santander		09/04/24	136	132	128	127				
8)	TD Securities		09/04/24	142	140	138	137	135	130	125	
9)	AFEX		09/03/24	140	142	145					
10)	Argentex LLP		09/03/24	143	141	140	140				
11)	Bank Julius Baer		09/03/24	157	158	159	160	159	154		
12)	MUFG		09/03/24	141	139	137					
13)	CICC		09/03/24	143	139	135					
14)	Maybank Singapore		09/03/24	138	130	120	115	110	120	115	111

■ CHINA – GROWTH REMAINS SLUGGISH, EXCEPT FOR CONSUMPTION

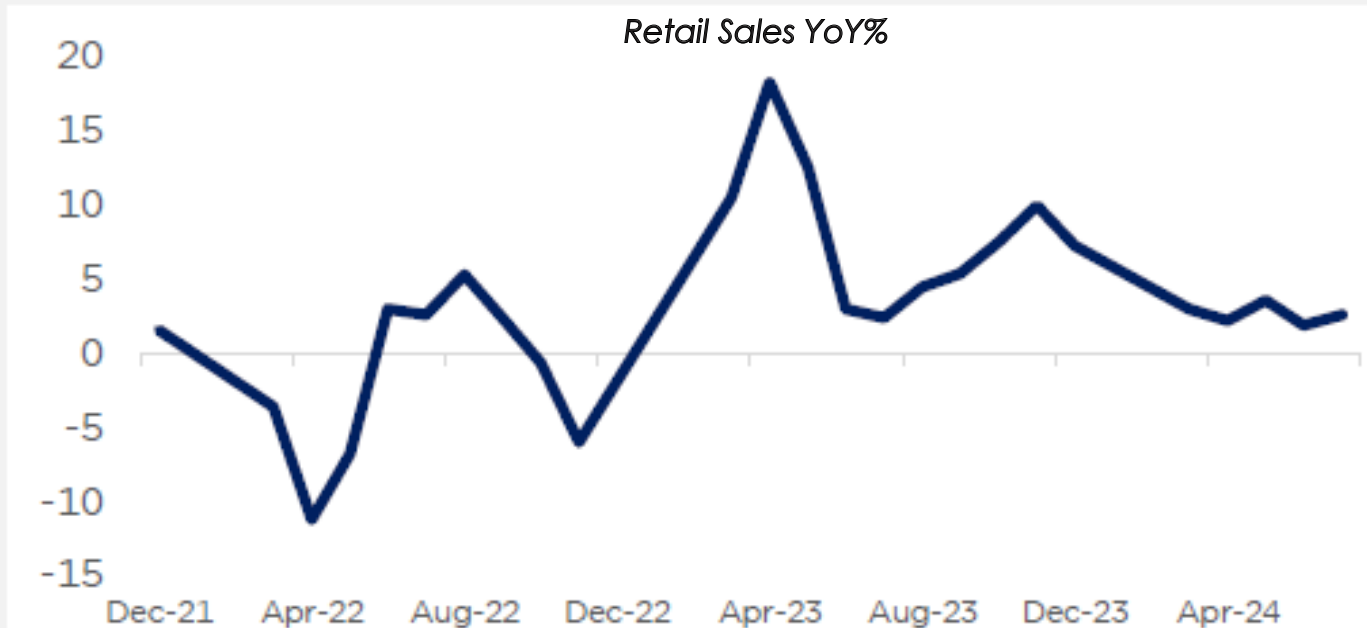
Investment in fixed assets slowed particularly due to further weakness in property. Infrastructure picked up however

China Fixed Asset Investments, change % YoY



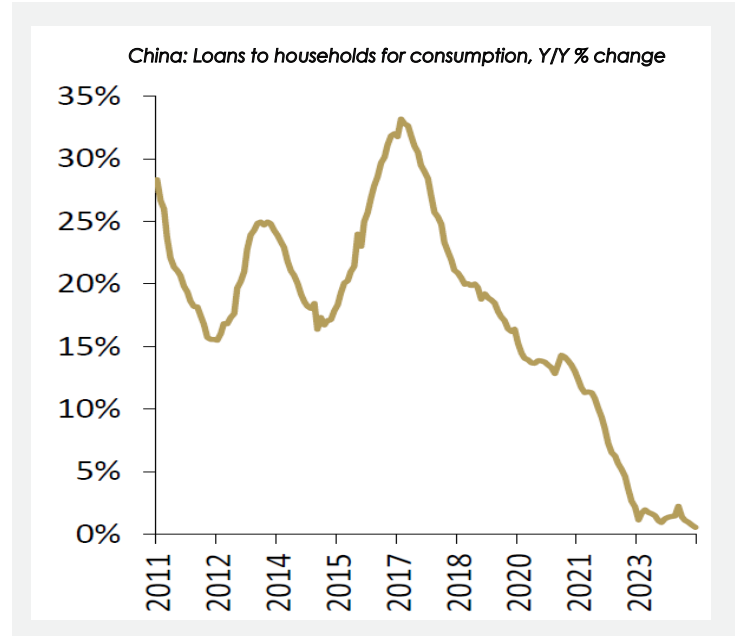
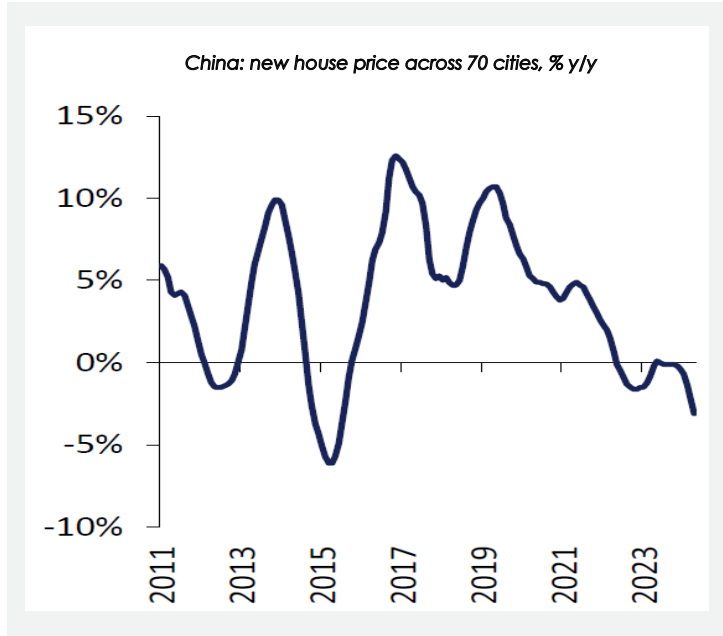
Consumer is showing signs of increasing strength with rising retail sales and increased travel activity

Retail Sales YoY%



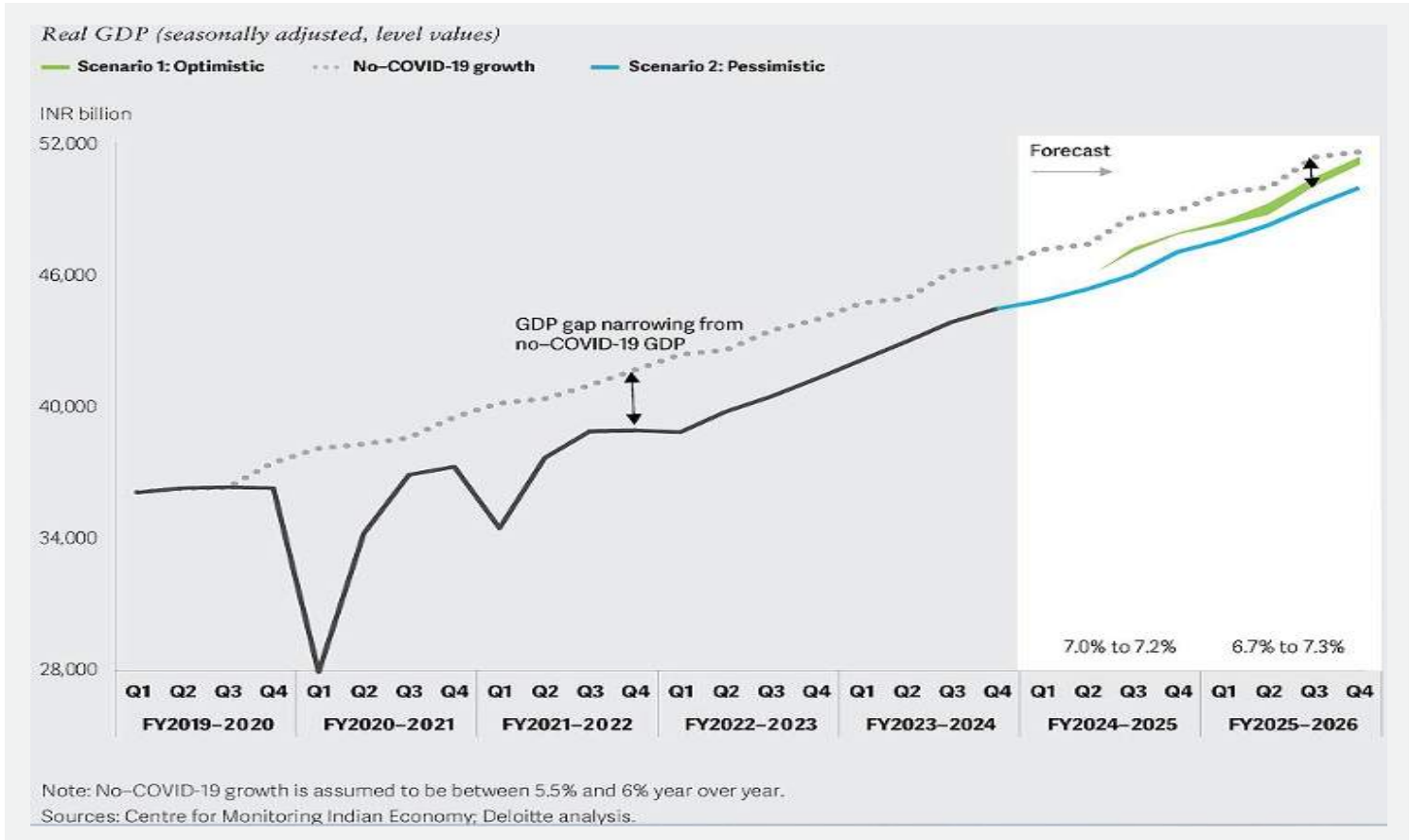
CHINA – GROWTH REMAINS SLUGGISH, EXCEPT FOR CONSUMPTION

Property market remains sluggish; State owned entities are poised to buy units off the market to support the sector.



INDIA – GROWTH BEATS EXPECTATIONS AND ALL FACTORS OFFER STRONG SUPPORT TO EQUITY MARKET RALLY

India's GDP grew 8.15% YoY over fiscal 2023 to 2024, with a sharp growth of 7.8% in the fourth quarter of 2023, beating the government's second advanced estimate of 7.6% and Reserve Bank of India's (RBI) estimate of 7.3%.



Last week, India surpassed China to become the largest weighting in the MSCI Emerging Market Investable Market Index (EM IMI) where India's weightage was 22.27 per cent as compared to 21.58 per cent of China. Due to this, Indian equities could see inflows of about \$4.5 billion (Rs 37,000 crore), according to estimates.

■ ANNEXURE



ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
Commodities	Natural Gas	46.9%	20.0%	-43.8%	-9.4%
	Brent Crude oil	50.2%	10.5%	-10.3%	-7.8%
	Nickel	26.0%	43.2%	-45.0%	-3.6%
	Copper	26.8%	-14.6%	2.1%	3.1%
	Silver	-11.7%	2.8%	-0.7%	17.3%
	Gold	-3.6%	-0.3%	13.1%	20.9%
	Platinum	-9.6%	10.9%	-7.7%	-7.2%
	Palladium	-22.2%	-5.9%	-38.6%	-16.9%
	Coffee	76.3%	-26.0%	12.6%	27.5%
	Bloomberg Commodity Index	27.1%	13.8%	-12.6%	-5.0%
Currencies	Japanese Yen vs. U.S. Dollar	-11.5%	-13.9%	-7.6%	-0.9%
	Swiss Franc vs. U.S. Dollar	-3.1%	-1.3%	9.0%	-0.2%
	Australian Dollar vs U.S. Dollar	-5.6%	-6.2%	0.0%	-2.1%
	New Zealand Dollar vs U.S. Dollar	-5.0%	-7.0%	-0.5%	-2.3%
	Canadian Dollar vs U.S. Dollar	0.7%	-7.3%	2.3%	-2.4%
	Euro vs U.S. Dollar	-6.9%	-5.8%	3.1%	0.4%
	GBP vs. U.S.Dollar	-1.0%	-10.7%	5.4%	3.1%
	Dollar index	6.4%	8.2%	-2.1%	-0.1%

Asset Class	Instrument	2021	2022	2023	YTD 2024
Fixed Income	Bloomberg US Treasury Index	-2.3%	-12.5%	4.1%	3.8%
	Bloomberg Global High Yield	1.0%	-12.7%	14.0%	7.7%
	Bloomberg EM Local Currency Debt	-1.6%	-8.4%	6.9%	3.6%
	Bloomberg Global Aggregate - Corporate	-2.9%	-16.7%	9.6%	4.4%
Equities	Shanghai A shares	4.8%	-15.1%	-3.7%	-7.0%
	Japan Nikkei 225	16.0%	4.9%	16.2%	8.7%
	FTSE 100	14.3%	0.9%	3.8%	5.8%
	Euro zone STOXX	21.0%	-11.7%	19.2%	4.8%
	S&P 500	26.9%	-19.4%	24.2%	13.3%
	Dow Jones Industrial Average	18.7%	-8.8%	13.7%	6.9%
	Nasdaq 100	26.6%	-33.0%	53.8%	9.4%
	MSCI Frontier Markets	16.4%	-29.0%	7.3%	6.0%
	MSCI Emerging Markets	-4.6%	-22.4%	7.0%	5.1%
	MSCI Developed Markets	20.1%	-19.5%	21.8%	12.6%
MSCI All-Country	16.8%	-19.8%	20.1%	11.8%	
Volatility	Volatility index S&P500	-24.3%	25.8%	-42.5%	83.1%
	Volatility index Nasdaq	-21.3%	30.2%	-41.3%	59.0%
	Volatility index Eurostoxx 50	67.5%	-17.6%	-29.5%	66.4%

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
MSCI world sectors	MSCI World Index	20.1%	-19.5%	21.8%	12.6%
	Utilities	7.1%	-7.0%	-2.5%	15.0%
	Energy	35.1%	41.1%	-0.7%	2.4%
	Consumer Staples	10.8%	-8.0%	0.1%	10.9%
	Real Estate	21.1%	-28.0%	3.4%	4.0%
	Materials Sector	12.9%	-13.7%	11.7%	-0.4%
	Health Care	18.3%	-6.6%	2.4%	14.0%
	Industrials	15.1%	-14.6%	21.2%	10.2%
	Financials	25.1%	-12.4%	13.1%	16.7%
	Communication Services	13.4%	-37.6%	44.0%	17.4%
	Information Technology	29.1%	-31.3%	52.3%	17.7%
	Consumer Discretionary	17.1%	-34.0%	33.6%	4.3%



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- **Portfolio diversification:** Funds are invested in different asset classes and securities with negative correlation to minimize the overall risk of the portfolio.
- **Hedge against depleting Naira:** The fund invests in USD-denominated assets thus providing investors with a hedge against fluctuations in the value of the Naira.

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