



## CIO OFFICE MORNING MARKET WRAP

25 September 2024

Global equities climbed yesterday largely driven by China's most substantial stimulus announcements since the pandemic (MSCI ACWI +0.54%). US stocks closed higher, mostly attributed to a rally by Nvidia, which gained 4.0%, pushing the S&P 500 up 0.3% for its 41st record close this year. China's policy shift boosted sectors sensitive to its economy, particularly metals and mining, as cyclical industries tied to global growth saw significant outperformance. Materials was the best performing sector with stocks like copper company Freeport rallying. Traders have been ramping up positions in two-year Treasury and SOFR futures, reflecting expectations of further rate cuts by year-end. Speculation is intensifying over the magnitude of the Federal Reserve's next move, with investors divided between a second consecutive 50bps cut or a more moderate 25bps reduction at the November 7 meeting. Despite weaker than expected consumer confidence data, traders are anticipating more easing, with total cuts of around 75bps points priced in for the remaining two Fed meetings this year. Consumer confidence in the US fell in September by the largest amount in three years, according to the Conference Board's data. The index dropped 6.9 points to 98.7, reflecting concerns about the labor market. Persistent high living costs and a slowdown in labor metrics contributed to the decline, with fewer job openings and slower payroll increases weighing on sentiment.

In Europe, stock gauges traded higher, especially in sectors exposed to China's economy. The MSCI Europe Index advanced 0.7% as China's stimulus package rekindled risk sentiment. Despite broader economic uncertainties in the region, energy stocks benefited from a 1.7% rise in Brent crude oil to \$75.1 per barrel on hopes of stronger Chinese demand, as well as escalating geopolitical tensions.

Today, Asian stocks rose for the second consecutive day as China's stimulus measures provided a lift to regional markets. The CSI 300 Index gained as much as 3.2%, and is on track to erase its year-to-date losses, while the offshore yuan strengthened past 7 per dollar for the first time since May 2023. China's wide-ranging support measures, including rate cuts and liquidity injections, boosted investor sentiment across emerging Asian markets. EM currencies also rallied, driven by expectations that China's stimulus will have positive spill-over effects on commodities and supply chains across the region.

US Treasury yields were mostly lower, with the biggest drops in shorter-dated securities following a \$69 billion auction of two-year notes. The 10-year Treasury yield fell two basis points to 3.73%. Commodities rallied, with gold hitting a record high, trading at \$2,663 per ounce. Oil prices rose amid hopes of a stronger Chinese economy, coupled with geopolitical tensions. The dollar fell 0.5%, while the Japanese yen rose 0.3% to 143.2 per dollar.

Key data to watch this week includes jobless claims, durable goods, revised GDP on Thursday, while US PCE and the University of Michigan consumer sentiment index will be released on Friday. Fed Chair Jerome Powell gives pre-recorded remarks on the 10th annual US Treasury Market Conference on Thursday. Meta's annual Connect conference kicks off today which will showcase the latest updates on AI applications and investment.

Have a great day.

Chief Investment Office  
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