BROOKS MACDONALD

# The Monthly Edit / September 2024

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.

# Market Headlines

The US Federal Reserve's (Fed's) **unexpected rate cut** boosts global economic optimism, reinforcing 'soft landing' hopes

Global stocks soar to **record highs** in September, driven by Fed's rate cut and China's new stimulus measures

Rising geopolitical tensions in the Middle East add to **market uncertainty**, though broader impact remains contained

UK economic outlook brightens with an **economic growth forecast upgrade**, attention shifts to new Chancellor's budget in October



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# The Big Topics

## Bold move by the Fed

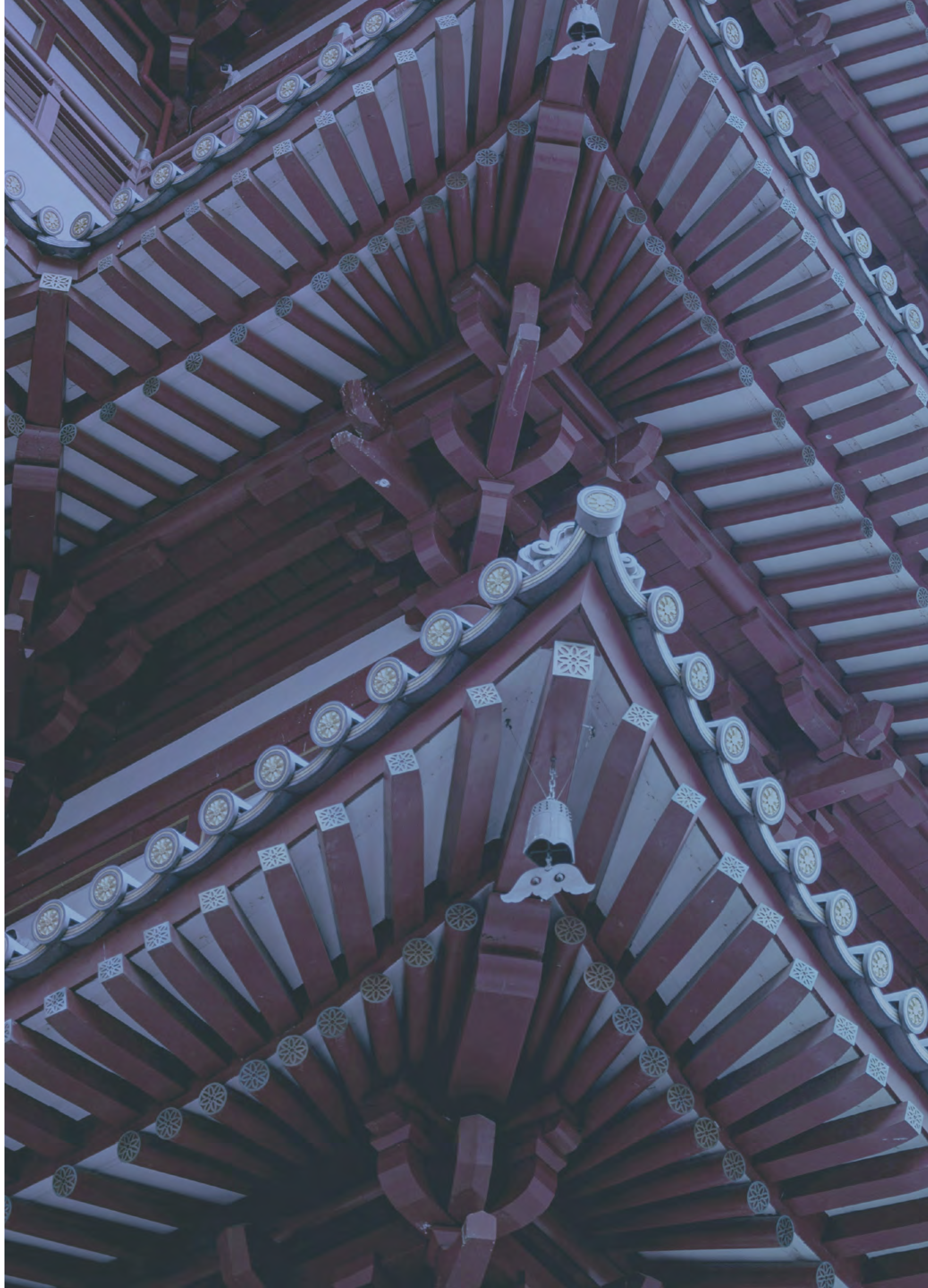
### In a surprising move, the Fed cut interest rates by 50 basis points.

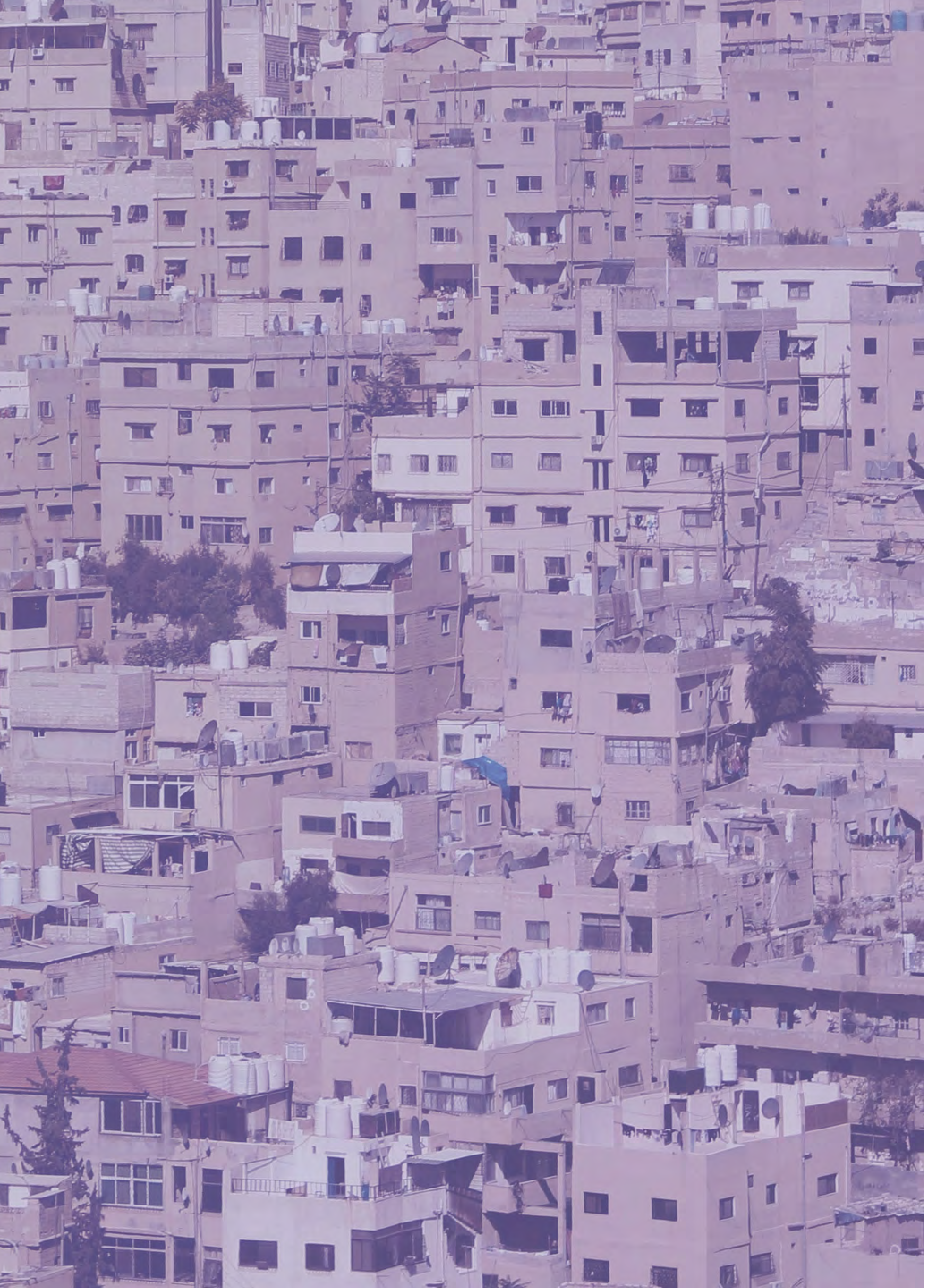
While the first cut in over four years was expected, the larger-than-anticipated size caught investors' attention. The Fed emphasised that this was a pre-emptive cut, not a reaction to a weakening economy, as the US economy remains strong. This shift from higher-for-longer rates to cutting rates indicates a new focus on supporting the labour market, having judged the fight against inflation as won. The decision sparked mixed reactions, with some praising the focus on job growth and others worrying about potential inflation. Markets reacted positively, with stocks rallying and bond yields falling. We will closely monitor developments in the coming months.

## China's economic rollercoaster

### China's central bank cut interest rates and the government promised

This perceived policy shift sparked a market rally, with Chinese equities having their best week since 2008, following years of poor performance compared to global markets. The details of the stimulus remain vague, and significant economic challenges persist. Recent data showed weaker-than-expected industrial production, retail sales, and investment, raising concerns about a slowdown. Despite initial market excitement, the long-term impact of these measures is still uncertain. Meanwhile, geopolitical tensions rose as China tested an Intercontinental Ballistic Missile in international airspace for the first time in over 40 years.





# Rising tensions in the Middle East

The Middle East is facing escalating tensions, raising fears of a full-scale invasion and broader regional conflict.

This has already caused oil prices to rise from relatively low levels, as markets react to potential disruptions in key shipping lanes in the Persian Gulf. The Strait of Hormuz, a critical chokepoint for about a fifth of global oil shipments, is particularly vulnerable. Any conflict here could severely impact oil flow, leading to further price increases and potential shortages. Diplomatic efforts are ongoing, with the US, France, and Egypt urging restraint and seeking peaceful resolutions. The implications for global markets and regional stability are profound, making this a critical issue to watch.

# Major shifts in the UK economy

September 2024 has seen significant developments in the UK.

Public sector debt has risen to 100% of Gross Domestic Product (GDP), levels last seen in the early 1960s. With this backdrop, anticipation is building around Chancellor Rachel Reeves' upcoming budget at the end of October, with expected tax hikes being a hot topic. Meanwhile, the Bank of England has kept interest rates steady at 5%, cautious of cutting rates too quickly despite a slight dip in wage growth. On a positive note, the UK's growth forecast has been upgraded, predicting faster growth this year and next. However, persistent inflation pressures continue to complicate the economic outlook.

## Important information



More information about the Brooks Macdonald Group can be found at **brooksmacdonald.com**

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