



# Weekly Investment Update

4<sup>th</sup> October 2024

## News Headlines

**Middle East Tensions Increase** – In a significant escalation of Middle Eastern tensions, Iran fired approximately 200 ballistic missiles at Israel on Tuesday evening. The assault followed Israeli military operations in Lebanon, where airstrikes in Beirut led to the death of Hezbollah leader Hassan Nasrallah. Israel has also targeted leaders of Iran-backed groups, including Hamas and Hezbollah, in recent months. The United States provided support by deploying naval destroyers that launched interceptors during the missile barrage, and the Israel Defence Forces reported that many missiles were intercepted. President Biden also indicated that the US is discussing support for Israeli strikes on Iran's oil facilities, increasing market fears of a wider conflict that could disrupt global oil supplies. These tensions led to increased volatility in financial markets, with investors flocking to safe-haven assets like gold and government bonds, and oil prices surged following these supply concerns.

**Eurozone Inflation** – Inflation in the eurozone has dipped below the European Central Bank's (ECB) target of 2%, with consumer prices rising by 1.8% year-on-year in September, down from 2.2% in August, largely due to a sharp decline in energy costs. Core inflation also eased to 2.7%, down from 2.8% in August, but it remains elevated due to strong wage growth and services inflation. The inflation readings fuelled expectations of future interest rate cuts by the central bank, with markets now pricing in almost 100% certainty of a cut at their next meeting.

## Market Summary

**Global Equities** – This week, global equity markets experienced significant volatility, influenced by a mix of geopolitical tensions and economic data releases, with most major equity indices posting losses for the week as of Thursday's close. In the US, the S&P 500 reached a new all-time high early on Monday, buoyed by positive sentiment from China's stimulus package. However, it later retreated amid escalating geopolitical tensions in the Middle East and strong economic data that reduced expectations for aggressive Federal Reserve rate cuts, finishing the week with a loss of -0.65% as of Thursday's close. European equities followed a similar pattern, with the STOXX 600 index also hitting an all-time high during the week, supported by the weaker-than-expected inflation data in the eurozone detailed above, which raised expectations of further ECB rate cuts. However, the index followed the US and retreated later in the week amid rising geopolitical tensions, ending the week with a decline of -2.21%, as of Thursday's close. In Asia, Chinese equities continued to rally on the back of the stimulus package announced last week, with both the Hong Kong Hang Seng and the CSI 300 (Shanghai/Shenzhen) indices posting significant gains for the week, even with a shortened trading week in Mainland China due to the 'Golden Week' public holiday. In Japan, the Nikkei 225 index experienced a sharp decline on Monday following the surprise election of Shigeru Ishiba as the next Prime Minister. However, the index rebounded as the yen weakened significantly, due to the new Prime Minister indicating no immediate rate hikes, although the index still posted a significant loss for the week as of Thursday's close.

**Commodities** – Commodity prices generally saw positive returns for the week, with the Bloomberg Commodity Index posting a gain as of Thursday's close, largely driven by heightened geopolitical tensions. Oil prices surged during the week amid escalating tensions in the Middle East and growing concerns over potential supply disruptions if the conflict between Iran and Israel escalates further, particularly following US President Biden's comments detailed above. Gold prices also rose following the attack, as investors sought safe-haven assets, although the price has slightly declined overall for the week versus the US Dollar.

**Fixed Income** – Treasury yields in the US generally increased over the week; however, they also experienced significant volatility. Yields initially rose (meaning prices fell) at the start of the week, following US Federal Reserve Chair Jerome Powell's comments, which suggested a less aggressive pace of rate cuts than markets were expecting. Yields then fell amid safe-haven buying due to heightened tensions in the Middle East, with investors seeking the safety of US government bonds, causing the 10-year yield to decrease. However, strong economic data at the end of the week reduced market expectations for rapid rate cuts by the Federal Reserve, which resulted in US Treasury yields increasing again.

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**Address:**

Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY



**Enquiries:**

0161 886 8000  
enquiries@ascenciaim.co.uk



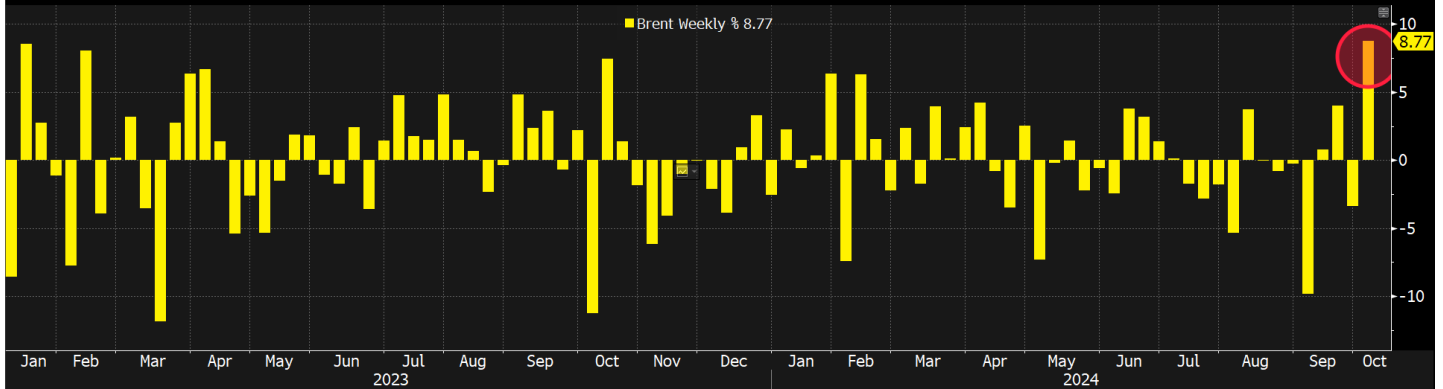
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## Chart of the Week

# Oil Surges to Best Week in 19 Months

## Mideast tensions send prices up 8%



Source: Bloomberg – Oil Surges to Best Week in 19 Months

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Eurozone Retail Sales			- US CPI - US Initial Jobless Claims	- UK GDP - German CPI - US PPI

## Market Performance – 04/10/2024

Global Equity Market Indices	2024 YTD %*	2023 %*	2022 %*	2021 %*	2020 %*	2019 %*
FTSE 100	10.42%	7.93%	4.70%	18.44%	-11.55%	17.32%
S&P 500	20.76%	25.67%	-18.51%	28.16%	17.75%	30.70%
STOXX 600	11.07%	16.51%	-10.14%	25.52%	-1.49%	27.62%
Nikkei 225	16.97%	28.24%	-9.37%	4.91%	16.01%	18.20%
Hang Seng	35.20%	-8.38%	-14.52%	-11.83%	-0.29%	13.04%
Fixed Income	Yield %					
UK 10 Year Gilt	4.06%					
US 10 Year Treasury	3.84%					
Commodities	2024 YTD %**	2023 %**	2022 %**	2021 %**	2020 %**	2019 %**
Gold	28.98%	13.10%	-0.28%	-3.64%	25.12%	18.31%
Currency						
GBP/USD	1.31 (04/10/2024)					
GBP/EUR	1.19 (04/10/2024)					

Source: FE Analytics/ Bloomberg

\*Total Return/Local currency \*\*Spot Return USD

Past Performance is no guide to future performance and the value of investment and income from them can fall as well as rise

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