



Weekly Investment Update

1st November 2024

News Headlines

UK Autumn Budget – On Wednesday, Chancellor Rachel Reeves presented the new Labour government's first Budget, aiming to address the UK's deficit while supporting public services and investing in infrastructure. The Budget introduced £40 billion in new taxes, primarily affecting businesses and high earners. Employer National Insurance contributions will increase by 1.2%, whilst also reducing the threshold at which employers become liable to pay NICs on employee salaries. Capital gains tax rates will also increase to 18% for basic-rate taxpayers and 24% for higher-rate taxpayers, matching residential property rates. Changes to Inheritance Tax (IHT) were also announced, with thresholds fixed until 2030, and reforms made to agricultural and business property relief to target the wealthiest estates. From 2027, inherited pension pots will also be subject to inheritance tax.

Public services and infrastructure were focal points, with £22.6 billion in additional funding earmarked for the NHS over the next two years, along with an additional £1.5 billion to fund upgrades to healthcare infrastructure. Education will also receive an extra £4 billion to tackle aging infrastructure and support new school construction across the country. A commitment of £1.6 billion over the next year has been made to fund road repairs, address potholes, and improve local transportation. Housing affordability will also be supported by a £500 million addition to the Affordable Homes Programme.

Following the announcement, 10-year gilt yields rallied to the highest levels since 2023, attributed to investor concerns over the government's plans for increased borrowing and spending. UK equities on the whole also declined, reflecting concerns about the impact of higher employer National Insurance contributions on corporate profits and potential inflationary pressures. The pound also weakened against the US dollar, dropping to its lowest since August.

Market Summary

Global Equities – This week, global equities generally saw losses as at Thursday's close. US equities declined in the week, mainly driven by technology stocks following disappointing earnings reports which affected major equity indices. European equities also struggled, with technology stocks mirroring the US declines. As detailed above, UK equities also declined on the back of the Budget announcement, with the exception of the FTSE AIM All-Share index (includes all AIM-listed companies) as the reduction in Business Property Relief on AIM-listed shares was not as severe as some were anticipating. In Asia, Japanese equities rallied at the start of the week following the general election, however, Chinese equities struggled.

Commodities – This week saw a general decline in commodity prices, with the Bloomberg Commodity index posting a loss for the week as at Thursday's close. Oil prices plunged in the week following Israel's attack on Iran which only targeted military facilities, avoiding oil and nuclear facilities, although prices rebounded slightly at the end of the week following reports that OPEC+ may delay planned output hikes. Gold hit a fresh record high versus the US dollar as geopolitical tensions remain high.

Fixed Income – Government bond yields generally increased over the week. In the US, the 10-year Treasury yield rose to the highest level since July, driven by expectations of fewer Federal Reserve rate cuts. The UK saw gilt yields surge, with the 10-year reaching levels not seen since 2023, as increased government borrowing announced in the Autumn Budget created concern amongst investors.

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Chart of the Week

Gilt Market Jolt

Yields spike 25 basis points since Chancellor's budget speech



Source: Bloomberg – Gilt Market Jolts

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Royal Bank of Australia Interest Rate Decision	- US Presidential Election		- Bank of England Interest Rate Decision - Federal Reserve Interest Rate Decision	

Market Performance – 01/11/2024

Global Equity Market Indices	2024 YTD %*	2023 %*	2022 %*	2021 %*	2020 %*	2019 %*
FTSE 100	8.20%	7.93%	4.70%	18.44%	-11.55%	17.32%
S&P 500	20.96%	25.67%	-18.51%	28.16%	17.75%	30.70%
STOXX 600	8.85%	16.51%	-10.14%	25.52%	-1.49%	27.62%
Nikkei 225	18.63%	28.24%	-9.37%	4.91%	16.01%	18.20%
Hang Seng	24.25%	-8.38%	-14.52%	-11.83%	-0.29%	13.04%
Fixed Income	Yield %					
UK 10 Year Gilt	4.48%					
US 10 Year Treasury	4.29%					
Commodities	2024 YTD %**	2023 %**	2022 %**	2021 %**	2020 %**	2019 %**
Gold	33.53%	13.10%	-0.28%	-3.64%	25.12%	18.31%
Currency						
GBP/USD	1.29 (01/11/2024)					
GBP/EUR	1.19 (01/11/2024)					

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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