Elgin asset management

investment commentary monthly

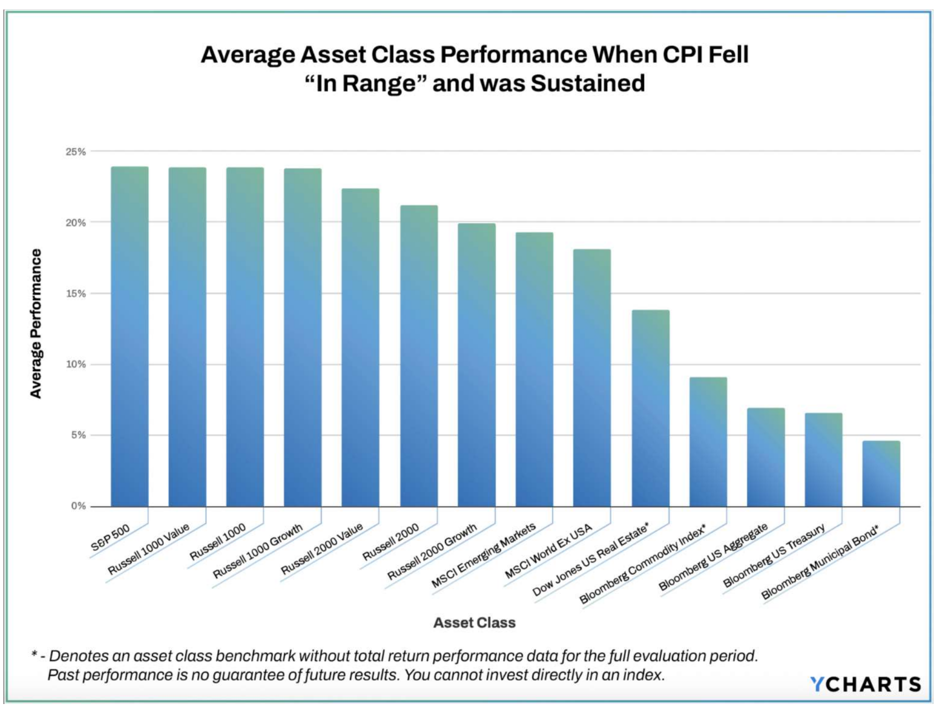
Monthly Commentary 4th of October 2024

With the end of September, Q3 also comes to an end. It was a volatile quarter with many investors worrying that the stock markets could be in trouble. This however was not the case and stock markets around the globe ended up positive with some even reaching new highs. The big news in September was that the Fed Funds Rate was lowered by 50 basis points from 5.50% to 5.00% at the September 18th FOMC meeting. For the month the S&P 500 and MSCI Euro Index were up by 2% and 0.9% respectively. FTSE 100 and Nikkei 225 finished lower 1.67% and 1.88% respectively. The big beneficiaries of U.S. monetary easing were Emerging Markets with the MSCI EM Index finishing up by 5.33% for the month. Global bonds were also positive for the month with the Global Aggregate Bond index up 1.7%. Commodity performance was mixed with Crude oil down 7% while silver and gold up 7.95% and 5.24% respectively. The dollar index was flat while bitcoin was up 8.19%.

Charts of the Month

Which Asset Classes Perform Best When CPI is in Range?

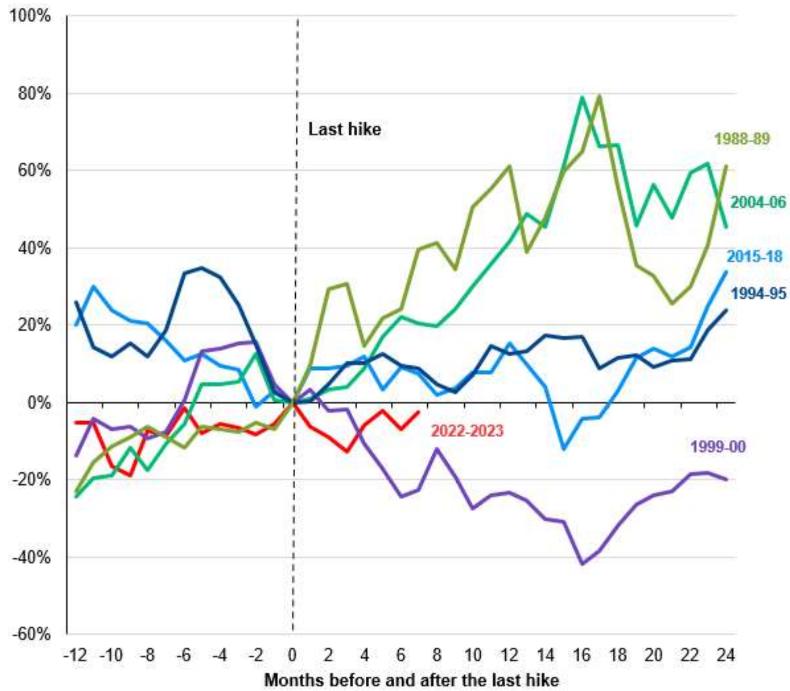
Generally speaking, equities outperformed commodity and bond indices when prices were sustained. Both the Emerging Markets and Russell 2000 Growth indices posted average returns of greater than 15% during the periods mentioned above. The S&P 500, Russell 1000 and 2000, World Ex-USA, and Real Estate indices all logged double-digit average returns while the three bond indices on the chart below returned less than 5% on average during periods of “in-range” CPI.



The end of Fed hiking cycles tends to be positive for EM

EM equities, USD, price return, indexed to zero at the last Fed hike

According to J.P Morgan, since 1988, EM equities have delivered positive performance 24 months after the last Fed rate hike in four of the past five Fed rate cycles. Since the 18th of September (Fed rate cut) the Shanghai Composite Index is up 22.9% and the MSCI EM Index up 6.96%.



Source: FactSet, Federal Reserve, MSCI, J.P. Morgan Asset Management. The 2022-2023 cycle assumes that the last hike of the cycle was in July 2023. Past performance is not a reliable indicator of current and future results. Data are as of March 26, 2024.

The Elgin Analysts Team

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