eastspring investments

A Prudential plc company

November 2024

Monthly Investment Views

Summary – November 2024

Macro Overview

Growth: The J.P. Morgan Global Composite PMI Output Index has remained above the "50" reading for 12 consecutive months, signaling still positive global growth. However, the unevenness in growth remains; the services sector continues to drive growth, supported by a still resilient US consumer base, while the manufacturing sector has been contracting for four consecutive months now. Further, the global growth momentum seems to be slowing despite steady US growth. Recent data on Singapore's non-oil domestic exports (NODX) suggest a deceleration in global growth momentum. NODX, considered a key bellwether for global trade dynamics (and therefore global growth), missed expectations and fell by 7.4% on a monthly basis in October, and by 4.6% from a year ago. We expect global growth to continue to decelerate as the long and variable lags of higher rates continue to weigh on economic activities.

Inflation: US CPI prints were largely in line with expectations in October, which is still supportive of Fed's easing trajectory. US core CPI remains above target, but we believe the "sticky" shelter inflation component (approx. one-third of the broader inflation basket) will continue to decline. The disinflation path remains intact, though achieving US Fed's inflation target may be gradual and uneven, amid potential supply-side shocks (e.g., Middle East tensions impacting oil) and the inflationary impact of Trump's policies.

Monetary Policy: While the October jobs report was weak (the slowest expansion since 2020), the US economy remains resilient with a Q3 2024 real GDP growth of 2.8% y/y (based on advance estimate). We believe the US Fed will continue to base its policy decisions on incoming data, with the labour market being a crucial factor in determining the pace and direction of its easing path.

Key Risks

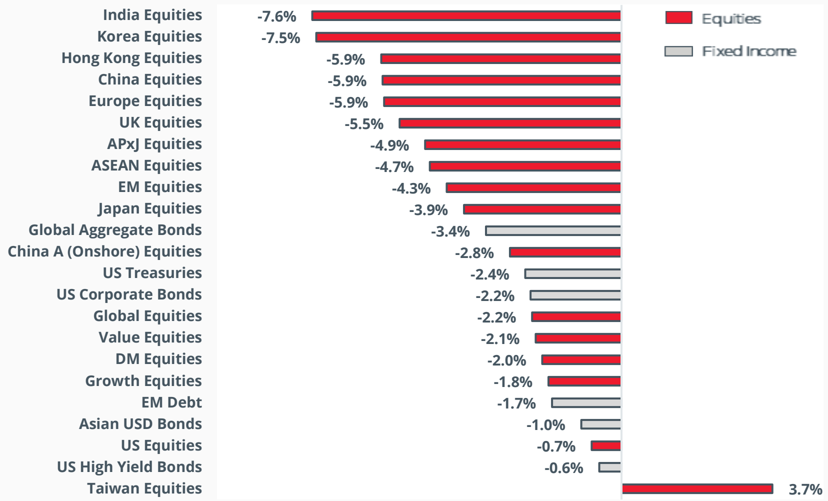
The probability of a resurgence of inflation has increased due to the continued monetary policy easing by the US Fed into a still relatively resilient economy, as well as the expected pro-growth and protectionist policies under the incoming Trump administration, which are likely to be inflationary over the longer term.

Geopolitical tensions (post-Trump victory) remain relevant and significant and continue to be a potential source of market volatility. Increased Middle East tensions may lead to energy-driven inflation and higher global trade costs while Trump's "America First" approach towards global trade and foreign relations could have a major impact on the economic and geopolitical landscape, particularly with regards to U.S.-China relations.

China's growth slowdown (and its drag on global growth) may continue for longer despite the recent stimulus measures. A meaningful recovery in the economy requires more sizeable and targeted (and more clear) stimulus measures, especially those aimed at reviving consumption, boosting private sector sentiment, reviving the property sector, etc. The persistent deflationary trend in China continues to be a drag on global growth.

Market Recap and Update

Global Financial Markets – Monthly Performance as of 31 October 2024
Monthly Gross Returns % (in USD terms)*



Equities: Markets experienced volatility in October. Global equities, as proxied by the MSCI ACWI Index, returned -2.2%, impacted by various factors: US political uncertainty (and potential implications on Fed's policy stance), geopolitical unrest, and underwhelming Chinese stimulus. The MSCI USA Index returned -0.7%, while Europe was a key laggard, returning -5.9%. Asia Pacific ex-Japan markets posted -4.9% return; India, South Korea, and Malaysia were among the weakest performers in the region, while Taiwan managed to stay in positive territory and returned 3.7%. The MSCI EM index returned -4.3%, challenged by a stronger USD; the MSCI China Index returned -5.9% despite the support measures.

Fixed Income: During the month, US Treasury yields generally rose as strong economic growth indicators tempered expectations of additional Fed rate cuts. The 10-year US Treasury yield hit its highest level since July 2024, rising by +47 basis points to 4.28%. The Barclays U.S. Treasuries Index returned -2.4% and the Barclays Global Aggregate Index returned -3.4%. In the credit markets, the ICE BofA US High Yield Index returned -0.6% and the JP Morgan Asia Credit Index posted a -1.0% return. Emerging Market sovereign bonds returned -1.7%, impacted by a stronger USD.

Data source: Eastspring Investments, LSEG Datastream. *Monthly total returns are provided as of 31 October 2024. Equity returns are referenced by the respective MSCI market indices quoted in USD, in gross return terms. "Global Equities" is represented by the MSCI ACWI; "DM Equities" is represented by the MSCI World Index. "Value Equities" and "Growth Equities" are represented by the MSCI World Value Index and MSCI World Growth Index, respectively. "ASEAN Equities" is represented by the MSCI AC ASEAN Index. The fixed income markets are represented as follows: "US Corporate Bonds": ICE BofA US Corporate Index (USD) TR Index gross; "EM Debt": J.P. Morgan EMBI Global Diversified (USD) TR Index gross; "US Treasuries": Barclays US Treasury Index (USD) TR Index gross; "Asian USD Bonds": J.P. Morgan Asia Credit Index; "Global Aggregate Bonds": Barclays Global Aggregate (USD) TR Index gross; "US High Yield Bonds": ICE BofA US High Yield Index (USD) TR Index gross.

Disclaimer

This document is produced by Eastspring Investments (Singapore) Limited and issued in:

Singapore by Eastspring Investments (Singapore) Limited (UEN: 199407631H)

Australia (for wholesale clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore, is exempt from the requirement to hold an Australian financial services licence and is licensed and regulated by the Monetary Authority of Singapore under Singapore laws which differ from Australian laws.

Hong Kong by Eastspring Investments (Hong Kong) Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong.

Indonesia by PT Eastspring Investments Indonesia, an investment manager that is licensed, registered and supervised by the Indonesia Financial Services Authority (OJK).

Malaysia by Eastspring Investments Berhad (200001028634/ 531241-U) and Eastspring Al-Wara' Investments Berhad (200901017585 / 860682-K).

Thailand by Eastspring Asset Management (Thailand) Co., Ltd.

United States of America (for institutional clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore and is registered with the U.S Securities and Exchange Commission as a registered investment adviser.

European Economic Area (for professional clients only) and Switzerland (for qualified investors only) by Eastspring Investments (Luxembourg) S.A., 26, Boulevard Royal, 2449 Luxembourg, Grand-Duchy of Luxembourg, registered with the Registre de Commerce et des Sociétés (Luxembourg), Register No B 173737.

United Kingdom (for professional clients only) by Eastspring Investments (Luxembourg) S.A. - UK Branch, 1 Angel Court, London, EC2R 7AG.

Chile (for institutional clients only) by Eastspring Investments (Singapore) Limited (UEN: 199407631H), which is incorporated in Singapore and is licensed and regulated by the Monetary Authority of Singapore under Singapore laws which differ from Chilean laws.

The afore-mentioned entities are hereinafter collectively referred to as Eastspring Investments. The views and opinions contained herein are those of the author, and may not necessarily represent views expressed or reflected in other Eastspring Investments' communications. This document is solely for information purposes and does not have any regard to the specific investment objective, financial situation and/or particular needs of any specific persons who may receive this document. This document is not intended as an offer, a solicitation of offer or a recommendation, to deal in shares of securities or any financial instruments. It may not be published, circulated, reproduced or distributed without the prior written consent of Eastspring Investments. Reliance upon information in this document is at the sole discretion of the reader. Please carefully study the related information and/or consult your own professional adviser before investing.

Investment involves risks. Past performance of and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of Eastspring Investments or any of the funds managed by Eastspring Investments.

Information herein is believed to be reliable at time of publication. Data from third party sources may have been used in the preparation of this material and Eastspring Investments has not independently verified, validated or audited such data. Where lawfully permitted, Eastspring Investments does not warrant its completeness or accuracy and is not responsible for error of facts or opinion nor shall be liable for damages arising out of any person's reliance upon this information. Any opinion or estimate contained in this document may subject to change without notice.
Eastspring Investments companies (excluding joint venture companies) are ultimately wholly-owned/indirect subsidiaries of Prudential plc of the United Kingdom. Eastspring Investments companies (including joint venture companies) and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company Limited, a subsidiary of M&G plc (a company incorporated in the United Kingdom).