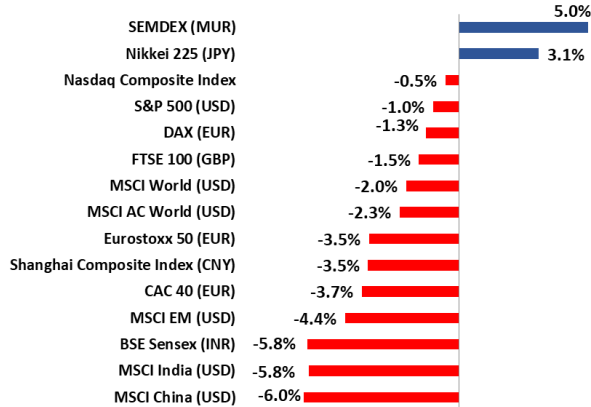


## MARKET SUMMARY

### Equities: Oct 24 performance (in Index currency)



- Most global equity markets finished the month in the red.
- In the US, CPI rose slightly more than expected in September; headline CPI rose by 2.4% y-o-y. 254,000 jobs were added during the month, higher than the 150,000 expected, indicating that the labour market remained strong. The unemployment rate fell to 4.1%. Q3 GDP growth was estimated to be 2.8% q-on-q. Investors were in the wait and see mode for the pending elections in November.
- In Europe, inflation rose to 2% in October after falling to 1.7% in September. The ECB delivered a 3<sup>rd</sup> rate cut for the year, driven by weak macroeconomic figures and sticky inflation levels. The ECB re-stated that the path of interest rates in the future would remain data dependent. Both Moody's and Fitch ratings placed France on a negative outlook, a downgrade from stable.
- In the UK, the new Labour government, in its budget in late October, increased spending, funded by an aggressive set of tax increases and borrowing.
- In Japan, the BoJ maintained rates steady, as expected, but the tone remained hawkish.
- In China, the central bank implemented a slew of stimulus measures to boost its economy, but optimism was short-lived and equity markets fell.
- Brent and WTI prices rose (+1.6% and +1.9% respectively over the month) on geopolitical issues. Gold prices also rose (+3.9%) on account of its status as a safe haven asset.
- In Mauritius, tourist arrivals rose by 5.9% y-on-y in October whilst gross tourism earnings rose by 8.5% for the period January-October 24 over the previous corresponding period.
- Headline inflation for the 12-months ended October 2024 was 3.7% (vs 8.4% for the previous period).

## TRUMPONOMICS

- Donald Trump was officially elected the 47<sup>th</sup> president of the US on 6 Nov 2024, an event that carries significant implications for investors across various asset classes.
- Bondholders bore the brunt with bond yields rising as markets reassessed future interest rate expectations.
- The President-Elect promised tariffs of 25% on all products coming from Mexico and Canada in retaliation for illegal immigration and drugs coming across the border. He also plans additional tariffs of 60% to 100% on Chinese goods alongside a universal 10%-20% tariff for other countries. These measures would have the undesirable effect of increasing the prices of goods locally, which could cause the FED to keep rates higher for longer.
- In contrast, the US stock markets reacted positively to Trump's victory. Trump's philosophy centres around raising government revenue from other countries through tariffs to finance lower taxes locally whilst protecting domestic companies from foreign competitors. His tax agenda includes lowering the corporate tax rate from 21% to 15% and the full tax expensing of R&D in the year that they are incurred. These would be a significant boost to the profitability of US companies, on top of the protection Trump is providing from foreign competitors.
- Bitcoin bulls also got wealthier from Trump's election. The price rallied from \$69,000 before the election to nearly \$100,000. Trump previously pledged to make the US the "crypto capital of the planet" and said that he would support the setting up of a Bitcoin strategic reserve through which the US would buy and hold Bitcoin. Many of Trump's future cabinet members are reportedly pro-crypto, which has further fueled optimism in the digital currency space.
- Whilst the markets have already begun pricing in Trump's potential policies, it is crucial to recognise that there will be discrepancies between his campaign promises and the actual implementation of his agenda. Political realities including lobbying efforts, negotiations from different stakeholders and retaliation threats would create obstacles in execution. This undoubtedly creates unpredictability. With Trump taking office on the 20<sup>th</sup> January 2025, the one thing we are certain about is that we could be in for a volatile ride.

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Source: FED, ECB, BOE, BOM, Bloomberg, SEMDEX, Statistics Mauritius, Morgan Stanley, CNBC, Barrons

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