PeaQ News

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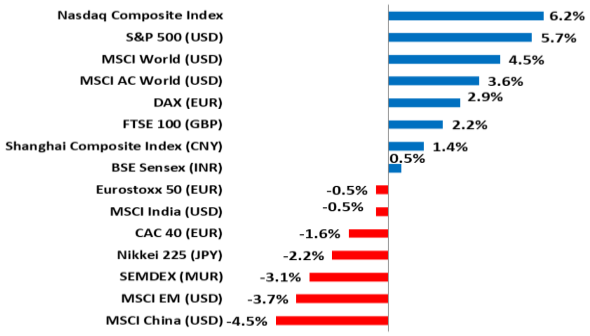
MARKET SUMMARY

Equities: Nov 24 performance (in Index currency)



- Most developed equity markets finished the month on a strong note.
- In the US, Donald Trump won the presidential elections, with the Republican party securing a majority in both chambers of Congress. This led to a rise in the US stock market on the back of expectations of tax cuts and a looser fiscal policy. On the macroeconomic front, consumer prices rose 2.6% over the 12 months to October, a slight rise from 2.4% in the previous month. The US Fed cut the interest rate by 25 bps to 4.50%-4.75% as expected.
- In France, investors were concerned with the ongoing political turmoil – the Prime Minister Michel Barnier faced a potential no-confidence vote which could lead to the breakdown of the government. The CAC 40 fell by 1.6% over the month.
- In the UK, as expected, the BoE cut interest rates by 25bps to 4.75%. The annual inflation rate rose to 2.3% in October, the highest in six months, compared to 1.7% in September, and higher than BoE's target and market expectations of 2.2%.
- In Japan, the annual inflation rate in Japan fell to 2.3% in October, the lowest level since January. GDP grew by 0.2% q-on-q in Q3 2024, moderating from a downwardly revised 0.5% increase in Q2.
- In China, investors were wary of potential additional tariffs of 10% on exports to the US above the 60% Trump already announced during the presidential campaign.
- Brent and WTI prices fell by-0.3% and -1.8% respectively over the month. Gold prices fell by -3.0% after 8 months of consecutive rise as sentiment turned bullish after US elections.
- In Mauritius, a new government took power after the general elections.
- Tourist arrivals for the period January- November rose by 8.5% 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 November 2024 was 3.4% (vs 7.7% for the previous period).

AUTO INDUSTRY: A TOUGH ROAD AHEAD

- The global automotive industry is facing significant challenges as it grapples with shifting market dynamics, intense competition from emerging players and economic uncertainties.
- Honda, Nissan and Mitsubishi Motors have announced plans to explore a merger in response to the fierce competition from China. The CEO of Nissan acknowledged that situation was "severe" and Japanese automakers are not the only ones feeling the pressure from tech-loaded and affordable Chinese EVs.
- In Europe, Chinese built EVs jumped from 3.9% share of the EV market in 2020 to 25% by September 2023. This prompted the EU to increase tariffs on Chinese EVs to protect domestic production. Volkswagen recently announced that it was considering factory closures for the first time in its history. This underscores the scale of the challenges faced by automotive giants in the region. Following Trump's victory, there is also the looming threat of tariffs from the US.
- EV adoption has not been as rapid as manufacturers had anticipated. Faced with existential threat, the major players invested aggressively in EVs but consumers are taking more time to switch, looking for hybrid vehicles as an intermediary step. Toyota was the only carmaker to have correctly predicted this trend and has benefited from its decision to prioritise hybrids over EVs.
- In the US, General Motors and Ford have also had to scale back their EV development. Tariffs on imports from China and Mexico could increase costs for auto parts and raw materials. Ford warned that it could incur losses exceeding $1B over the next 2 years due to higher steel prices should tariffs materialise. Trump is also likely to roll back Biden's EV mandate and cut off support for domestic EV consumption which will act as a headwind, although Biden's 100% tariff on Chinese EVs should cushion the blow.
- In the face of escalating production costs, geopolitical tensions and shifting consumer demands, the outlook for the automotive industry appears bleak. Given low valuations for car manufacturers in equity markets, it is possible that we might see further consolidation through mergers going forward.

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