

The big headlines

Quarter 3 2024

China's policy changes

China's central bank has cut interest rates in its boldest move in recent years, to revive slowing economic growth and support property owners. The People's Bank of China reduced mortgage rates by 0.5 percentage points and lowered bank reserves to encourage lending. These measures aim to support up to 50 million households. Although the policies may be insufficient to reignite demand, reports indicate there could be further interest rate cuts expected this year.



The Rise of Kamala Harris

With the U.S. presidential elections quickly approaching, the political landscape has shifted following Joe Biden's decision to step aside from the race. Vice President Kamala Harris is making history as she campaigns to be the first woman president. Her surge in popularity has empowered Democratic voters, driving record-breaking donations and positive media campaign coverage. Although elections can sometimes fuel market volatility, they may not dictate long-term stock trends, making this moment one to watch.



The positive UK consumer outlook

In Q3, UK consumer spending grew, driven by improving economic conditions including inflation returning to target and positive consumer sentiment. Reports also highlighted a housing market revival. Key factors like improving mortgage rates, easing living costs, and stronger household incomes were cited by experts as supporting the recovery. These developments suggest an opportunistic outlook for the UK as it navigates ongoing challenges.



Interest rate cuts in the US & UK

The Bank of England and the US Federal Reserve both initiated their rate-cutting cycles in Q3 2024, the BoE cut rates by 25 basis points in August. The Fed followed with a more aggressive cut by 50 basis points in September. Basis points are used to describe incremental interest rate changes for securities and interest rate reporting. However, their approaches differ, with the BoE expressing caution due to inflation and advocating for gradual rate cuts, while the Fed has taken a more decisive stance, focusing primarily on supporting the labour market rather than inflation. These contrasting approaches have influenced the GBP/USD exchange rate and are expected to continue to do so in the coming months.



The Yen's appreciation

During the summer, the Japanese yen became a key focus in the markets as it experienced a significant rebound. The currency's impressive 12% increase over the past three months marked its best quarterly performance since Q4 2008, effectively recovering most of its year-to-date losses. The Bank of Japan has taken steps towards policy normalisation, raising interest rates to 0.25% in July.



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