

# Global markets hold steady amid mid-quarter volatility: A look back at Q3 2024

By Fordham

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The September quarter demonstrated the resilience of global markets. Despite mid-quarter turbulence, investment markets concluded on a positive note. Notably, small caps and value stocks outperformed in September – a departure from recent trends.

You can watch the video above, download our full report, or read our concise overview below.

*Please note: except where otherwise noted or quoted, the views in this article are those of Perpetual Private's Investment Research Team.*

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## September Quarter 2024: What happened?

Fixed income markets delivered robust total returns, largely due to a 50-basis point rate cut by the US Federal Reserve. This move catalysed a shift in investor sentiment, with markets pricing in expectations of an aggressive rate-cutting cycle. As central bank policies evolve, the focus is increasingly shifting towards balancing the need to ease inflationary pressures with the growing imperative of maintaining a healthy labour market and supporting economic growth.

## China's economic stimulus: a new direction?

Chinese policymakers have adopted more aggressive stimulus measures, marking a shift towards demand-driven growth. While boosting market sentiment, questions remain about the effectiveness of these measures in reviving China's economy. The nation faces challenges from high corporate and household debt, coupled with a deflating property bubble. The success of China's stimulus efforts will largely depend on the magnitude and targeting of fiscal measures, particularly in stimulating consumer demand to counter deflationary pressures. Investors should closely monitor the longevity of the current market rally in response to these policy shifts.

### **Geopolitical tensions: Middle East conflict and market implications**

The recent escalation of conflict in the Middle East has raised concerns about potential market disruptions. Historically, however, Middle Eastern conflicts have had limited long-term impacts on financial markets unless they significantly disrupt global oil production. While the current situation has led to moderate oil price increases, the risk of further escalation remains a concern. A proportional response from Israel could help stabilise markets, but a more aggressive reaction might trigger significant surge in oil prices.

Although the current situation warrants caution, it's important to remember that markets have historically demonstrated resilience in the face of geopolitical events, particularly when the impact on oil prices is limited. Investors should stay informed and maintain a diversified portfolio to manage risk effectively.

### **US Election: Market implications and investor behaviour**

As the highly polarising US election approaches, polls and betting markets indicate a close race. Looking back at the last 70 years of US elections, the data shows that the month before elections typically sees increased market volatility due to investor anxiety. However, markets usually rebound post-election regardless of the winner, as uncertainty dissipates and focus returns to economic fundamentals. For investors, the key message is to separate political views from investment decisions. Express your opinions at the polls or around the dinner table, rather than through portfolio changes.

### **In the report**

To gain a deeper understanding of these dynamics, we encourage you to read the full report, which offers comprehensive insights into the global economic landscape, including an analysis of the US presidential election's potential impact on markets, a detailed overview of major asset classes, and projections for the months ahead. Throughout our analysis we explore key geopolitical factors, with a focus on the Chinese economy, the conflict in the Middle East, and other global shifts likely to influence investment strategies.

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