

**momentum**  
global investment management

**G** | globalmatters

# Global Matters | Monthly Market Review

November 2023

*With us, investing is personal*

**m**

# Contents

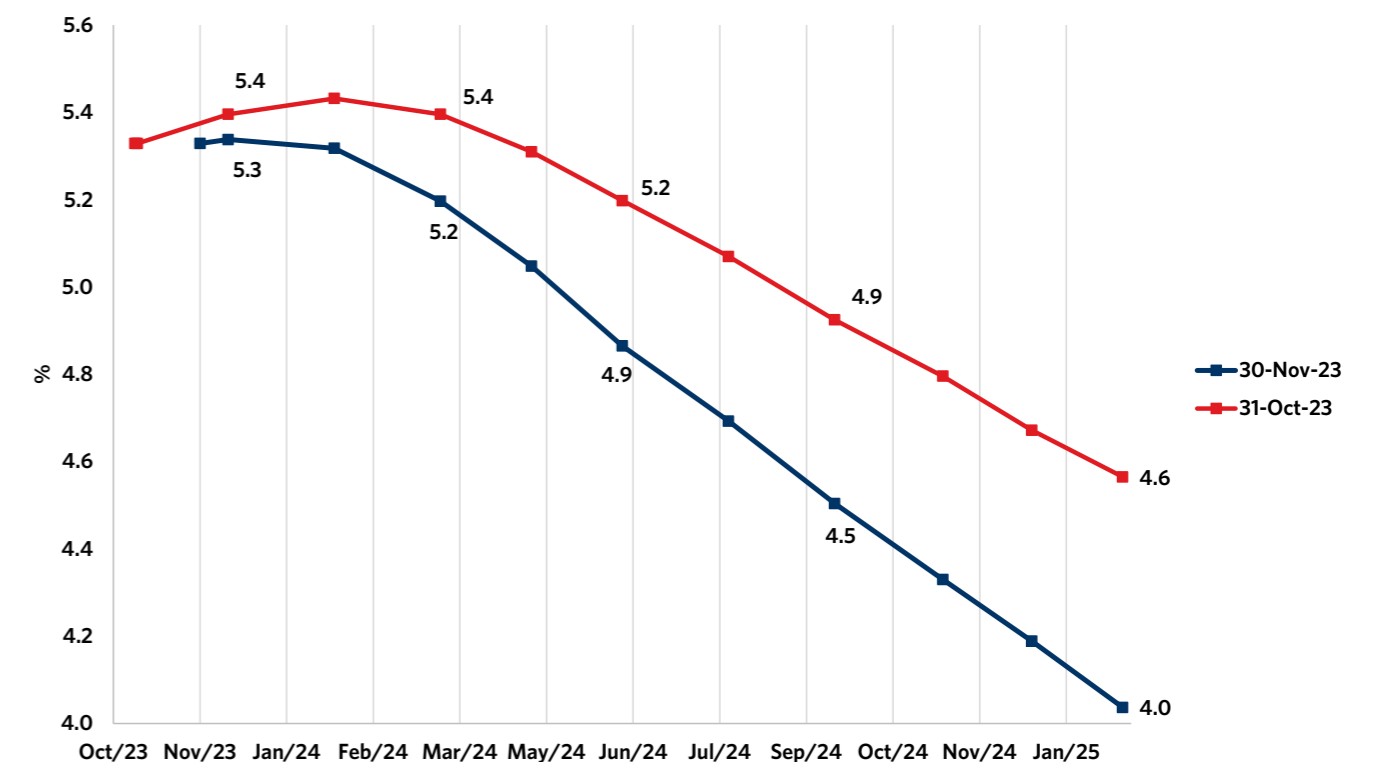
# Global market review & outlook

Following a bruising 3 months, equity and bond markets came back with a bang in November, in most cases recovering all the ground lost since July, in an almost unbroken run of gains through the month. The extraordinary shift in risk appetite saw global developed world equities return 9.4% in the month, with US markets producing among the best returns in local currency terms, +9.1%, while dollar weakness pushed non-US markets to even higher returns in USD terms. The Chinese market also rallied, but by a modest 2.5%, continuing its sharp underperformance this year. Bonds had an exceptional month; US Treasuries were up 3.4% and the broader global government bond benchmark gained 4.7%. Credit markets yielded equity-like returns as investment grade added 6.0%, high yield 4.5% and emerging market debt 6.7%. Dollar weakness supported the gold price, which rose to an all-time high by month end. The only notable weakness was in oil, continuing its decline from its Q3 peak, falling by 5.2% in the month.

The rally in markets was triggered by the Federal Reserve's policy-setting meeting at the beginning of the month; as expected, interest rates were held steady but the accompanying statement reflected a softening of its tightening bias, pointing to a holding pattern in rates, tightened financial conditions (which are doing some of the Fed's job), and noting that 'the stance of policy is restrictive - and the full effects of our tightening have yet to be felt', with 'the risk of doing too much versus the risk of doing too little getting close to balance'.

Fuel was then added to the rally with broadening evidence of a softer labour market and falling inflation, raising hopes for a soft landing in the economy and giving room for earlier rate cuts. Although the economy has remained resilient, interest rate and economically sensitive areas have struggled, and the tight labour market is showing signs of softening: job vacancies have fallen, continuing jobless claims reached a 2-year high, unemployment has moved up to 3.9% (0.5% higher than 6 months earlier) and wage growth has slowed, with average weekly earnings +0.2% in October versus September, and +4.1% year-on-year, compared with a peak of 5.9% in March 2022. Inflation also surprised on the downside, with the consumer price index (CPI) gaining 3.2% year on year (yoy) in October against 3.7% in September.

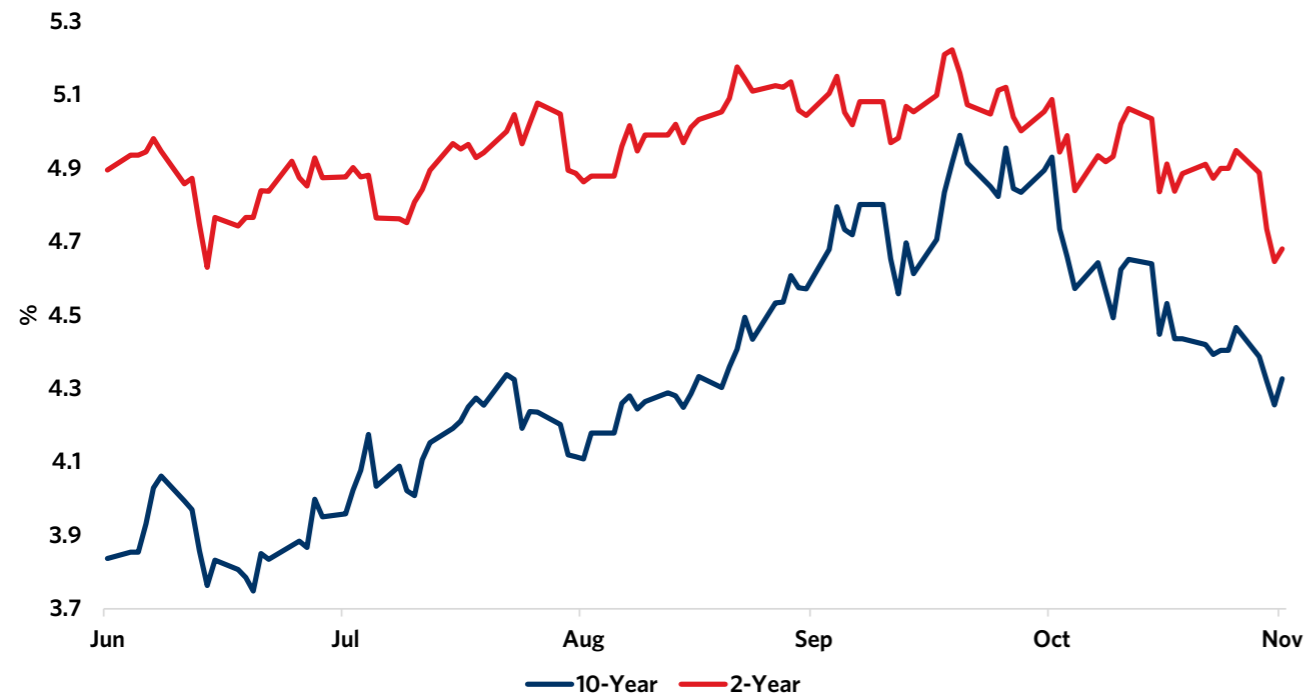
## Significant shift in US interest rate expectations - earlier and larger cuts anticipated



Source: Bloomberg Finance L.P. This chart shows market expectations of the Fed Funds rate.

Markets reacted with a big shift in expectations for policy rates over the next 12 months, with no further rises priced in, and cuts anticipated during the first half of 2024, bringing the Fed Funds rate to around 4% by the end of 2024. As recently as late October, in the face of the prevailing Fed narrative of 'tighter for longer', markets were seeing the possibility of further rate rises, with no cuts until the second half of 2024, and a year-end rate of closer to 5%.

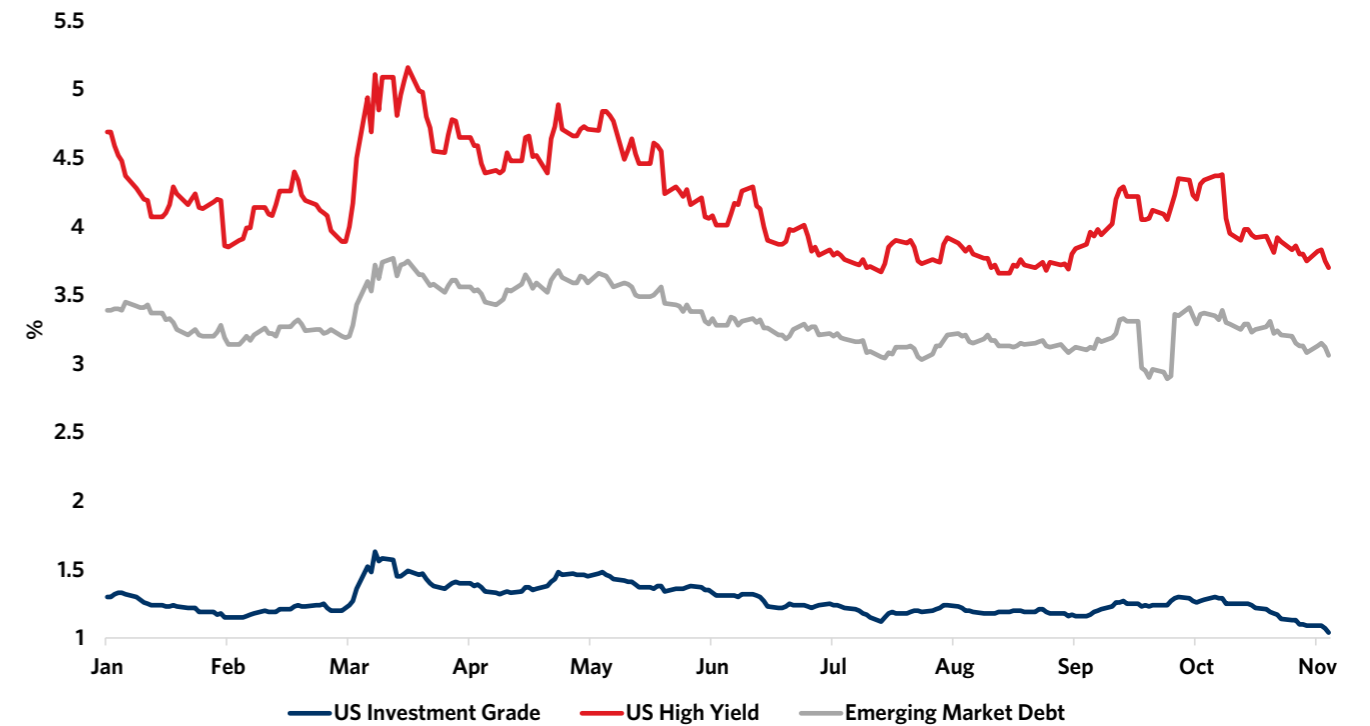
### Big falls in bond yields in November – especially longer maturities



Source: Bloomberg Finance L.P., 10-year and 2-year US Treasury yields. Data as at 30 November 2023.

In turn this led to a big fall in bond yields as investors extended duration in their portfolios to lock in higher yields ahead of anticipated rate cuts. Yields fell across the maturity curve, with the sharpest moves in longer durations. The US 10-year treasury yield fell by 60bps to 4.33% over the month, while 2-year yields fell 41bps to 4.68%. Most of the decline came from lower real yields, which fell by 42bps at the 10Y maturity. The prospect of looser money and easier financial conditions pushed back recession fears and increased the possibility of a soft landing. Risk assets responded with sharp gains, and credit spreads, often a good indicator of risk appetite, fell to around 100bps in investment grade bonds, the lowest levels since early 2022, and to 370bps in high yield bonds, neither of which are pointing to any kind of stress in the corporate sector – quite the opposite.

### Credit spreads fall to lowest levels this year



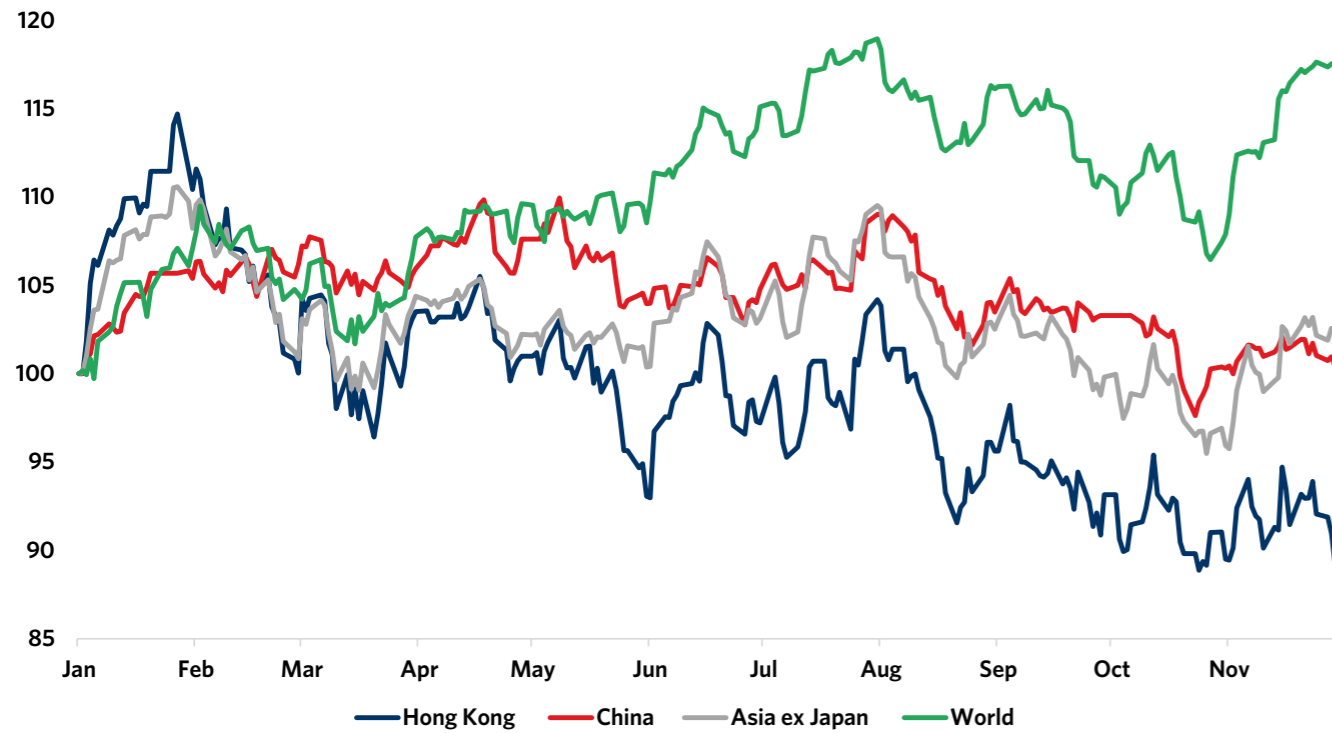
Source: Bloomberg Finance L.P. This illustrates bond yields minus the yield on benchmark safe haven assets (10-Year US Treasuries), data as at 30 November 2023.

A similar pattern played out in Europe and the UK, with economic activity weak but showing signs of stabilising, labour markets softening and inflation falling more sharply than expected. Policy rates in both the Eurozone and UK have probably peaked, but cuts are unlikely until mid-2024, especially in the UK, where inflation has been more persistent, wage rises higher, and the Bank of England too slow in reaching a restrictive policy, meaning it will probably have to stay tighter for longer.

China remains an outlier, with growth continuing to struggle in the face of its well-publicised problems of over-leverage in the key property development industry, an over-zealous regulatory clampdown on parts of the private sector, the impact on trade of US sanctions, and structural demographic headwinds. Growth has disappointed and price indices are in deflationary territory with the October CPI -0.2% yoy and the producer prices index (PPI) -2.6% yoy, the thirteenth month in succession of falling prices. The modest rally in local Chinese equities in November leaves them 9% down YTD compared with a gain of 20% in US equities. However, the negative news flow and sentiment is making valuations increasingly attractive, and incremental policy changes in recent months to stimulate growth and confidence point to the prospect of better market returns in 2024.

**“China remains an outlier, with growth continuing to struggle in the face of its well-publicised problems of over-leverage in the key property development industry”**

## China/HK equities underperform sharply - dragging down Asian markets



Source: Bloomberg Finance L.P., data as at 30 November 2023.

The only notably weak market was oil. The initial surge in price following the Hamas attack on Israel has unwound as fears of a wider Middle East conflict have dissipated, and weaker global growth is weighing on demand while non-OPEC production is rising (US production is at record levels). Compounding rising concerns that the market will be over-supplied in 2024, the OPEC+ group of oil producers failed to agree on binding additional cuts, with several members pushing back on voluntary cuts. Falling energy prices will help to push headline inflation lower in coming months.

November delivered some big positive surprises, mainly in the market's expectations for the future path of interest rates, rapidly reflected in substantial falls in bond yields and rises in equity markets. While there was some encouraging data on inflation and the economy to support the shift, there is a risk that markets have moved too quickly and are discounting rate cuts prematurely. This would not be the first time in this cycle that markets have got ahead of themselves and the fundamentals. The sizeable easing in financial conditions in the past month is likely to be of concern to central banks, which remain worried about the stickiness of core inflation and continue to stress the need to keep policy in restrictive territory for some time. The Fed, the ECB and the Bank of England all seem to see the risk of loosening too soon then having to tighten again as riskier and more damaging than staying too tight for too long, especially now that policy has ample room for loosening.

This calls for some caution in the short term. The prospects for a soft landing have improved, but it is too early to be pricing out recession risk, as markets appear to be doing. Bond yields have been extremely volatile and a move back up to 4.5% on 10Y treasuries is quite possible. However, there is an increasingly slim chance of further rate rises in this cycle, while the possibility of earlier and more aggressive cuts has improved. There remains considerable uncertainty about the way that macro-economic variables will play out, but looking beyond the next few months, we are confident that interest rates will be moving down and economic conditions improving. After adding to duration in our fixed income assets in recent months, we will be looking to extend this further if bond yields move back up, and adding to risk assets as opportunities arise.



**“The only notably weak market was oil. The initial surge in price following the Hamas attack on Israel has unwound as fears of a wider Middle East conflict have dissipated”**

# Market performance - Global (local returns) as at 30 November 2023

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
<b>Developed Markets Equities</b>						
United States	S&P 500 NR	USD	9.1%	1.6%	20.2%	13.3%
United Kingdom	MSCI UK NR	GBP	2.7%	1.7%	4.6%	2.9%
Continental Europe	MSCI Europe ex UK NR	EUR	7.4%	1.1%	13.2%	9.4%
Japan	Topix TR	JPY	5.4%	2.8%	28.5%	22.7%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	7.4%	0.3%	2.6%	2.1%
Global	MSCI World NR	USD	9.4%	1.6%	18.0%	13.0%
<b>Emerging Markets Equities</b>						
Emerging Europe	MSCI EM Europe NR	USD	8.9%	4.3%	27.2%	34.8%
Emerging Asia	MSCI EM Asia NR	USD	7.6%	0.7%	4.4%	3.5%
Emerging Latin America	MSCI EM Latin America NR	USD	14.0%	6.1%	22.6%	17.6%
China	MSCI EM China NR	USD	5.0%	-0.1%	-0.1%	1.1%
BRICs	MSCI BRIC NR	USD	2.5%	-4.6%	-9.0%	-4.3%
Global emerging markets	MSCI Emerging Markets NR	USD	8.0%	1.1%	5.7%	4.2%
<b>Bonds</b>						
US Treasuries	JP Morgan United States Government Bond TR	USD	3.4%	0.0%	0.7%	0.2%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	2.8%	0.0%	1.1%	0.0%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	6.0%	1.2%	4.0%	3.6%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	4.5%	2.1%	9.4%	8.7%
UK Gilts	JP Morgan UK Government Bond TR	GBP	3.1%	1.6%	-1.7%	-5.8%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	3.0%	3.1%	4.1%	2.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	3.0%	0.7%	3.0%	-1.4%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	2.3%	1.8%	5.3%	3.4%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	2.8%	2.8%	9.0%	8.2%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	2.2%	-0.3%	0.0%	-1.3%
Australian Government	JP Morgan Australia GBI TR	AUD	3.1%	-0.7%	1.6%	-0.9%
Global Government Bonds	JP Morgan Global GBI	USD	4.7%	0.1%	-0.3%	-0.2%
Global Bonds	ICE BofAML Global Broad Market	USD	5.1%	0.5%	1.2%	1.4%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	5.3%	-1.2%	6.2%	4.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	6.7%	1.1%	4.9%	4.8%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
<b>Property</b>						
US Property Securities	MSCI US REIT NR	USD	10.3%	-1.9%	2.4%	-3.1%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	11.0%	-4.6%	2.3%	-3.4%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	4.9%	-2.1%	-9.8%	-8.5%
Global Property Securities	S&P Global Property USD TR	USD	10.4%	-0.6%	1.3%	-1.3%
<b>Currencies</b>						
Euro		USD	3.0%	0.4%	1.7%	4.6%
UK Pound Sterling		USD	3.9%	-0.4%	4.5%	4.7%
Japanese Yen		USD	2.4%	-1.8%	-11.5%	-6.8%
Australian Dollar		USD	4.2%	1.9%	-3.1%	-2.7%
South African Rand		USD	-1.1%	0.1%	-9.6%	-8.8%
<b>Commodities &amp; Alternatives</b>						
Commodities	RICI TR	USD	-2.2%	-3.2%	-2.8%	-3.5%
Agricultural Commodities	RICI Agriculture TR	USD	1.0%	-1.9%	1.8%	2.5%
Oil	Brent Crude Oil	USD	-5.2%	-4.6%	-3.6%	-3.0%
Gold	Gold Spot	USD	2.6%	5.0%	11.6%	15.1%
Hedge funds	Bloomberg All Hedge Fund Index	USD	tbc	tbc	tbc	tbc
<b>Interest Rates</b>						
						<b>Current Rate</b>
United States						5.50%
United Kingdom						5.25%
Eurozone						4.50%
Japan						-0.10%
Australia						4.35%
South Africa						8.25%

Source: Bloomberg Finance L.P., Momentum Global Investment Management. Past performance is not indicative of future returns.

# Market performance - UK (all returns GBP) as at 30 November 2023

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
<b>Equities</b>						
UK - All Cap	MSCI UK NR	GBP	2.7%	1.7%	4.6%	2.9%
UK - Large Cap	MSCI UK Large Cap NR	GBP	1.2%	1.7%	1.9%	0.6%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	7.6%	0.0%	10.2%	7.4%
UK - Small Cap	MSCI Small Cap NR	GBP	7.2%	-1.2%	1.2%	-0.5%
United States	S&P 500 NR	USD	5.0%	2.0%	15.3%	7.2%
Continental Europe	MSCI Europe ex UK NR	EUR	6.4%	1.9%	10.3%	9.3%
Japan	Topix TR	JPY	3.7%	1.3%	8.9%	9.2%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	3.4%	0.6%	-1.7%	-3.4%
Global developed markets	MSCI World NR	USD	5.3%	2.0%	13.1%	6.9%
Global emerging markets	MSCI Emerging Markets NR	USD	4.0%	1.4%	1.3%	-1.4%
<b>Bonds</b>						
Gilts - All	ICE BofAML UK Gilt TR	GBP	3.1%	1.6%	-2.0%	-6.3%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.8%	2.0%	2.3%	1.9%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	2.9%	2.6%	0.4%	-2.7%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	5.5%	0.2%	-7.4%	-15.2%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	3.8%	-1.3%	-5.9%	-10.8%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	2.3%	0.8%	2.1%	-1.8%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	5.8%	-3.6%	-13.0%	-19.6%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	3.0%	3.1%	4.1%	2.3%
US Treasuries	JP Morgan US Government Bond TR	USD	-0.9%	0.1%	-4.3%	-5.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.6%	1.3%	-1.2%	-2.6%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	4.5%	2.1%	9.4%	8.7%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	3.0%	0.7%	3.0%	-1.4%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	2.3%	1.8%	5.3%	3.4%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	2.8%	2.8%	9.0%	8.2%
Global Government Bonds	JP Morgan Global GBI	GBP	0.8%	0.4%	-4.4%	-5.6%
Global Bonds	ICE BofAML Global Broad Market	GBP	5.1%	0.5%	1.2%	1.4%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	5.3%	-1.2%	6.2%	4.9%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	2.7%	1.5%	0.5%	-0.8%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
<b>Property</b>						
Global Property Securities	S&P Global Property TR	GBP	6.2%	-0.3%	-2.9%	-6.6%
<b>Currencies</b>						
Euro		GBP	-0.9%	0.8%	-2.6%	-0.1%
US Dollar		GBP	-3.7%	0.4%	-4.3%	-4.5%
Japanese Yen		GBP	-1.5%	-1.4%	-15.2%	-11.0%
<b>Commodities &amp; Alternatives</b>						
Commodities	Rogers International Commodity (RICI) TR	GBP	-5.9%	-2.9%	-6.8%	-8.7%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	-2.8%	-1.6%	-2.4%	-3.0%
Oil	Brent Crude Oil	GBP	-8.8%	-4.3%	-7.6%	-8.2%
Gold	Gold Spot	GBP	-1.2%	5.3%	7.0%	9.0%
<b>Interest Rates</b>						
						<b>Current Rate</b>
United Kingdom						5.25%

Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns.

# Asset allocation views



## Our Overall View

Score	Change	1	2	3	4	5	6	7
MAIN ASSET CLASSES	▲/▼/—	1	2	3	4	5	6	7
Equities	—							
Fixed Income	—							
Alternatives	—							
Cash	—							

The lack of depth in this year's market rally is a cause for concern with fears of a recession still high and lead indicators suggesting slower growth ahead. Our fixed income view remains broadly neutral overall, but in light of the recent sharp moves higher in treasury yields, we upgrade our government view. Although the threat of a recession requires an element of caution with certain fixed income assets, good opportunities can be found in selective rates and credit markets. Alternative assets remain a good diversifier of returns, especially favourable should market volatility increase. Cash is an attractive lure today but won't preserve real wealth long term.

Score	Change	1	2	3	4	5	6	7
EQUITIES	▲/▼/—	1	2	3	4	5	6	7
Developed Equities	—							
UK Equities	—							
European Equities	—							
US Equities	—							
Japanese Equities	—							
Emerging Market Equities	—							

We temper our positive view on Japanese equities, taking some profit after the strong year to date performance. Last year's aggressive rate hikes continue to show signs of pushing developed economies towards recession and there is a risk of complacency taking hold in risk markets. US equities in particular have shown a worrying lack of breadth in this year's rally, but the opportunity set for active managers is appealing. European equities look reasonably attractive, but the most compelling markets remain the UK and Japan which trade at a discount to global peers and offer healthy dividends.

Score	Change	1	2	3	4	5	6	7
FIXED INCOME	▲/▼/—	1	2	3	4	5	6	7
Government	▲							
Index-Linked	—							
Investment Grade Corporate	—							
High Yield Corporate	—							
Emerging Market Debt	—							
Convertible Bonds	—							

After their rapid move higher over the summer months, treasury yields have reached levels we think offer value today, and we upgrade our government view. Despite offering alluring all in yields, we think the spreads offered today on investment grade and riskier high yield corporate bonds do not compensate investors adequately for the underlying fundamental credit risk. The possibility of a recession and rising default rates suggest that an element of caution is necessary. We continue to prefer shorter duration bonds in both developed and emerging markets. Improving real yields and weak growth expectations have recently improved the appeal of inflation linked bonds.

Score	Change	1	2	3	4	5	6	7
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/—	1	2	3	4	5	6	7
Commodities	—							
Property	—							
Infrastructure	—							
Liquid Alternatives	▼							
Private Equity	—							
Specialist Financial	—							

Commodity prices are likely to be challenged against a slowdown in global growth. With expectations of a more turbulent period ahead in markets, alternatives continue to offer diversification benefits at attractive valuations after a period of poor investor sentiment. Discounts in NAVs in private equity continue to appear overly pessimistic while secular trends in infrastructure and specialist financials have boosted our outlook for both asset classes.

Score	Change	1	2	3	4	5	6	7
CURRENCIES vs. USD	▲/▼/—	1	2	3	4	5	6	7
GBP	—							
EUR	—							
JPY	—							
Gold	—							

Against long term valuation metrics, Sterling and Yen continue to remain cheap relative to the Dollar. The Bank of Japan's ongoing policy of yield curve control policy holds the Yen back, for now. Recession expectations in the US and inflation in Europe could mean divergent rate expectations in support of the Euro, but the Fed's higher for longer narrative keeps the common currency in check for now. Gold's status as a haven asset means it remains a useful diversifier, although somewhat expensive versus real rates today.

**"Improving real yields and weak growth expectations have recently improved the appeal of inflation linked bonds"**





For more information, please contact:  
Distribution Services

E: [distributionservices@momentum.co.uk](mailto:distributionservices@momentum.co.uk)

T: +44 (0)207 618 1803

### Important Notes

Investment Manager - Momentum Global Investment Management Limited (MGIM).

This document is not intended for use or distribution by any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States. Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, MGIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed. The value of investments may fluctuate, and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

MGIM (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London EC4R 1EB. Momentum Global Investment Management Limited (MGIM) is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is exempt from the requirements of section 7(1) of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) in South Africa, in terms of the FSCA FAIS Notice 141 of 2021 (published 15 December 2021). For complaints relating to MGIM's financial services, please contact [distributionservices@momentum.co.uk](mailto:distributionservices@momentum.co.uk). ©MGIM 2023.

