CREATERRA FINANCE

Market insight

August 2024

Dear customers/readers,

Investors who followed the market ups and downs in August are bound to have broken out in a cold sweat at times, in what ultimately turned out to be a good month.
Those of you who preferred to focus on the grandkids, play golf or work on their tan were certainly on to something! 😊

At the beginning of August, two unrelated situations put a damper on the markets.
In a symbolic move, the Japanese central bank raised its policy rate to curb inflation. This triggered an immediate reaction, with the yen soaring against the dollar and the other main currencies. A strong yen could weigh on Japanese exports by making the price of Japanese products less attractive. There was panic on the market, with the Nikkei (Japan's main stock market index) losing more than 15% in two days.
At almost the same time, the publication of jobless figures and the Purchasing Managers' Index (PMI) in the US pointed to a slight deterioration.
For reasons that escape me, some traders were clearly already thinking of a recession, a disaster, the beginning of the end, etc.
All this was forgotten in a matter of days. By the end of August, the markets had smashed the levels observed at the end of July, except in Japan, which recovered virtually all the losses taken earlier in the month.

It would be hard not to laugh!
At the beginning of the year, the world of finance was by and large expecting a gradual and limited slowdown in the US economy to allow the Fed to start lowering benchmark interest rates.
And that is precisely what happened: the US economy proved wonderfully resilient with rather healthy signs of a moderate slowdown in a very satisfactory inflation environment.
After some short-lived anxiety, a sense of reason seems to have prevailed!
US growth has returned to an ideal level of 3%, while consumption (which accounts for two-thirds of the US economy) remains relatively strong.
In principle, the US Federal Reserve should lower its benchmark rates on 19 September.
At this stage, it is difficult to gauge the potential for a bond rally once interest rates begin to fall, although a rate cut should bring relief to bond markets.

The markets welcomed Joe Biden's withdrawal from the US presidential race in favour of Kamala Harris.
The political upheaval in France is weighing on the Paris stock market, which is lagging behind its neighbours.
However, global geopolitical tensions (Middle East, Ukraine, etc.) seem to have no apparent effect on investor sentiment.
Lastly, the Chinese economy is showing signs of weakness (not least because of its struggling real estate sector) and only a decent recovery plan can kickstart the machine and restore confidence in the Shanghai and, to a lesser extent, Hong Kong markets.

For the time being we remain relatively upbeat on the markets, although we may reign in the sails if we feel that share valuations reach unwarranted levels.

Performance of the main markets in 2024

	August 2024	1 January to 31 August 2024
Euro Stoxx 50	+1.65%	+9.55%
Stoxx Europe 600	+1.15%	+9.43%
S&P 500	+2.22%	+18.35%
S&P 500 Equal Weight	+2.49%	+11.45%
BEL 20	+1.31%	+12.85%
MSCI WORLD	+2.51%	+15.53%
Nikkei 225	+1.16%	+15.49%
Hang Seng (Hong Kong)	+3.72%	+5.52%

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