



The month in 10 charts

Chart #1
**Economic growth resilience
amid recession concerns**
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Resilient economy steady as inflation slowly cools

Despite recession concerns, economic growth showed resilience, while equities retreated in October and inflation continued its slow decline. Nuclear energy was poised to power the future of AI, while the market suggested buying “Trump” and selling “Kamala” when referring to U.S. Election bets. Here are 10 charts to review what happened in the markets during October.

Charles-Henry Monchau

Chief Investment Officer

Chart #1

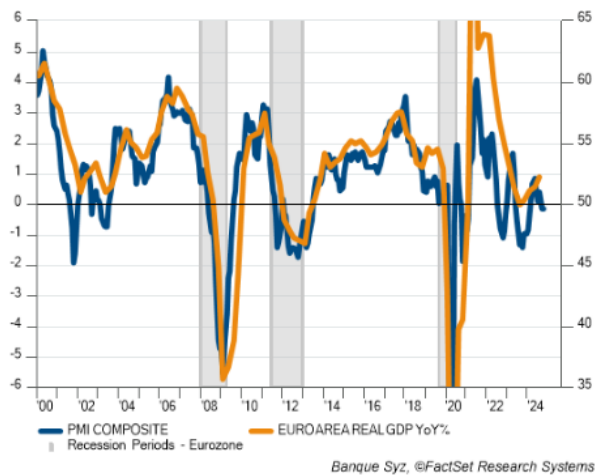
Economic growth resilience amid recession concerns

In October, global economic sentiment remained cautious, with recession risks still a prominent concern. Nevertheless, a baseline scenario of a soft landing, characterised by easing inflation and declining interest rates, continues to hold for major economies.

The U.S. economy showed resilience, with estimates for Q3 GDP reflecting a healthy 2.8% quarter-on-quarter annualised growth rate, slightly below the 3.0% rate in Q2, but above trend. Labour market conditions, however, displayed signs of cooling: the unemployment rate stayed steady at 4.1% between September and October. October's non-farm payroll growth was subdued, with only 12,000 jobs added, the lowest monthly figure since December 2020 and well below expectations of 100,000 jobs. The shortfall is partly attributed to the impact of recent hurricanes and a dockworker strike. On the manufacturing front, the U.S. ISM Manufacturing PMI continued its contractionary trend, declining to 46.50. Conversely, the Services PMI increased to 54.90, indicating strength in the services sector.

In Europe, economic headwinds intensified, with Germany at the centre of a broader slowdown. The Eurozone's third-quarter GDP showed a modest 0.4% growth, exceeding the 0.2% forecast. Industrial data highlighted persistent declines in manufacturing and automotive production, and the manufacturing PMI is back in contraction territory in October. Unemployment has risen from 5% in 2022 to 6.3% in September 2024.

In China, the government took significant steps to stabilise its economy. Initiatives included permitting local governments to use special bonds for purchasing land from troubled developers and hinting at an upcoming debt ceiling adjustment. These actions underscore Beijing's commitment to address the real estate bubble and stimulate consumption. While the impact remains to be seen, these policy shifts suggest a potential for recovery in 2025 if fiscal and monetary easing continue.



Growth in Europe has picked up in Q3 due to seasonal factors, but the trend for Q4 is not encouraging.

Banque Syz, ©FactSet Research Systems

Chart #2

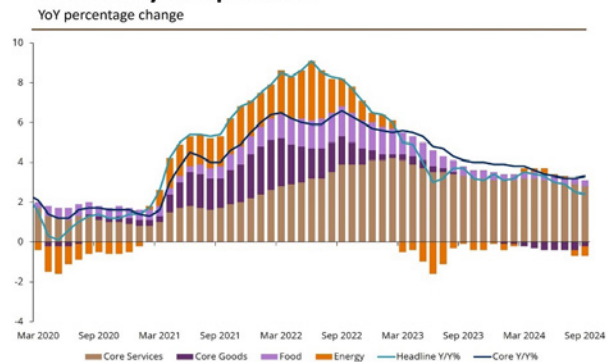
Inflation on a slow downward path

In the U.S., inflationary pressures continued to ease for the sixth consecutive month to 2.44% in September. However, core inflation rose for the second month, reaching 3.31%, primarily driven by rising costs in healthcare, auto insurance, and air travel. The upcoming Federal Reserve FOMC meeting on November 7 is expected to bring a 25-basis point reduction to the Fed Funds Rate, setting the target range to 4.50%-4.75% and marking the second rate cut since March 2020.

In Europe, inflation dynamics were mixed. September's headline inflation was revised to 1.7%, but October saw a slight uptick to 2.0%, largely due to energy price effects. The European Central Bank (ECB) reported signs of weakening economic activity across Europe, particularly within the manufacturing sector. In response, the ECB cut its interest rates by 25 basis points for the third time of the year, lowering the deposit rate to 3.25%, as expected. President Lagarde reinforced confidence in a steady disinflation process, but emphasised that future policy adjustments will depend on incoming economic data.

In the UK, headline inflation in September fell sharply to 1.7% year-over-year, while core inflation remained elevated at 3.2%. Meanwhile, in Japan, Tokyo's core inflation stood at 1.8% year-over-year in October, supported by solid wage gains. At its October meeting, the Bank of Japan (BoJ) held rates steady as anticipated but adopted a notably hawkish stance.

U.S. CPI by components



Source: J.P. Morgan

Chart #3

Equities retreat in October

Despite stable economic data, developed market equities declined by 2%, weighed down by political uncertainty and currency pressures. The S&P 500 was down 0.9% over the month, the Nasdaq Composite slipped 0.5%, and the Dow Jones Industrial Average dropped 1.3%. Growth stocks modestly outperformed value stocks, but still dropped 1.8% for the month. Small caps posted a negative return of 2.7% amid signs of slowing economic momentum.

Japanese equities emerged as the winners of the month, despite potential headwinds from tighter monetary policy and a stronger yen, as well as political uncertainties stemming from recent elections. Meanwhile, broader Asian and emerging markets faced a 4.3% and 4.5% decline respectively, largely due to a strengthening U.S. dollar, profit-taking in Indian stocks, and continued volatility in China, where investors questioned the impact of September's economic support measures. Indian equities, which had shown strong performance throughout 2024, corrected sharply by 7.3% in local currency terms, pressured by disappointing corporate earnings.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Oct'24
Japan TOPIX 54.4%	US S&P 500 13.7%	Japan TOPIX 16.8%	UK FTSE All-Share 12.1%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 -31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 6.3%	Japan TOPIX 28.3%	US S&P 500 21.0%	Japan TOPIX 1.9%
US S&P 500 32.4%	Japan TOPIX 10.3%	MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.9%	MSCI Europe ex-UK 27.8%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 16.4%	US S&P 500 -0.9%	
MSCI Europe ex-UK 14.2%	MSCI Europe ex-UK 7.4%	US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK 19.2%	UK FTSE All-Share 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK 12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 14.5%	UK FTSE All-Share -1.6%	
UK FTSE All-Share 20.7%	MSCI Asia ex-Japan 5.1%	UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	MSCI EM 12.2%	MSCI Europe ex-UK -3.2%
MSCI Asia ex-Japan 3.3%	UK FTSE All-Share 1.2%	MSCI Europe ex-UK 18.0%	MSCI Europe ex-UK 3.2%	MSCI Asia ex-Japan 14.5%	MSCI Europe ex-UK -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI Europe ex-UK -19.4%	UK FTSE All-Share 7.9%	MSCI Asia ex-Japan 8.5%	MSCI EM -4.3%	
MSCI EM -2.3%	MSCI EM -1.8%	MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -15.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	UK FTSE All-Share 8.1%	MSCI Asia ex-Japan -4.5%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2024.

Source: J.P. Morgan

Chart #4 Disappointing tech Q3 earnings

70% of S&P 500 companies reported Q3 2024 earnings, and results were mixed. The earnings season began on a high note with strong performances from the banking sector, making Financials one of the three sectors, alongside Communication Services and Energy, to post positive returns in October. In contrast, Health Care (-4.6%), Consumer Staples (-3.5%), and Real Estate (-3.3%) lagged.

Investor enthusiasm for AI-driven tech stocks cooled as heavy spending and cautious guidance, particularly in the semiconductor sector, came under greater scrutiny. Four of the ten worst-performing S&P 500 stocks in October were semiconductor-related companies. Super Micro Computer (SMCI) lost over 39% in October, largely due to the resignation of its auditor, Ernst & Young, over concerns about the company's financial statements.

The Magnificent 7 reported mixed results. Among the six companies that reported, Amazon (-3% in October) and Tesla's (+2%) earnings sparked optimism. In contrast, despite meeting or beating estimates, Apple (-2%), Microsoft (-6%), and Meta (-4%) faced heightened scrutiny.

Surprise	Growth	Reported	Sales Surprise	Earnings Surprise
Sector (BICS)		350 / 500		
12 All Securities		21 / 28	1.0%	7.0%
13 Materials		21 / 28	0.0%	-2.0%
14 Industrials		58 / 71	-0.31%	2.28%
15 Consumer Staples		24 / 28	0.51%	3.69%
16 Energy		14 / 24	1.79%	4.33%
17 Technology		35 / 65	1.10%	1.8%
18 Consumer Discretionary		35 / 50	1.70%	11.7%
19 Communications		14 / 24	1.69%	14.06%
20 Financials		65 / 76	2.19%	6.26%
21 Health Care		40 / 62	3.32%	8.50%
22 Utilities		17 / 31	-1.63%	5.13%
23 Real Estate		27 / 31	1.20%	-7.2%

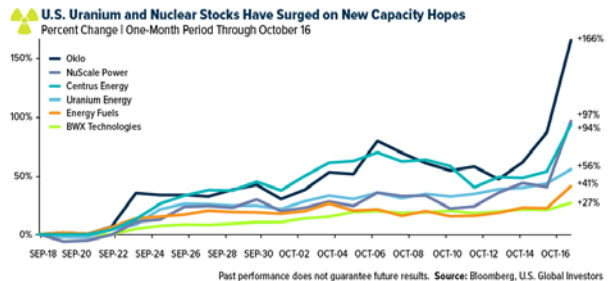
Source: Nasdaq, Bloomberg

Chart #5

Nuclear energy to power the future of AI

Nuclear energy was a prominent topic of discussion in October in relation to meeting the substantial energy demands of artificial intelligence. Major tech companies are increasingly investing in small modular reactors (SMRs) to power their data centres. Google announced a deal to support the construction of seven small nuclear power reactors with Kairos Power. Amazon unveiled a USD \$500 million investment across three new initiatives: building four SMRs with Energy Northwest, exploring development with Dominion Energy, and participating in a funding round for leading SMR developer X-Energy.

Shares of nuclear energy companies soared to record highs, with U.S.-listed SMR developers Oklo Inc and NuScale Power experiencing remarkable increases of 99% and 36%, respectively, in the week following these announcements. Other companies, including Cameco, Constellation, and BWX Technologies, also saw their share prices reach unprecedented levels throughout the month.

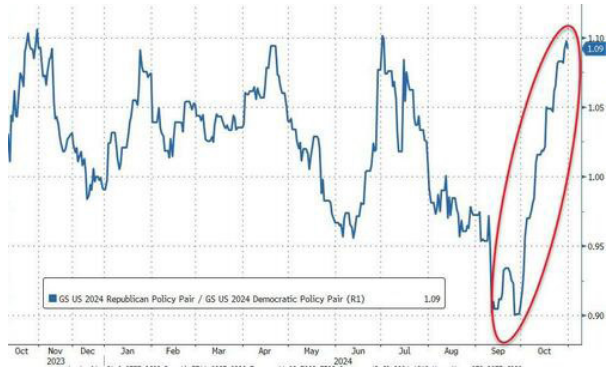


Source: US Global Investors

Chart #6

Buy "Trump" and sell "Kamala"

Despite major indices ending the month in the red, buying Trump-linked stocks and selling Harris-linked stocks was a winning strategy in October, capitalising on pre-election sentiment. Trump-associated instruments encompass energy, especially fossil fuels, financial services, defense and aerospace, and cryptocurrency. Conversely, Harris-associated securities include renewable energy, electric vehicles, excluding Tesla, healthcare, and infrastructure.



Source: ZeroHedge, Bloomberg

Chart #7

Bond market volatility surges

This month, the spotlight was on rising Treasury yields, which experienced their largest sell-off since September 2022. Treasury yields surged in the mid- to long-term portion of the yield curve. Both 2-year and 10-year Treasury yields rose above 4.0%. Conversely, yields on 1-month and 3-month Treasury bills decreased in October. In aggregate, U.S. Treasuries returned -2.4% for the month. This was driven by increased concerns about the national debt and deficit, optimism for a soft landing, and rising political uncertainty.

Several bond funds were adversely affected by the rising yields, with the iShares 20+ Year Treasury Bond ETF (TLT) declining by 5.5%, and the iShares iBoxx Investment Grade Corporate Bond ETF (LQD) dropping by 3.2%. In contrast, the short-duration SPDR Bloomberg 1-3 Month T-Bill ETF (BILL) gained 0.4% due to falling yields on 1-month and 3-month T-Bills.

Bond market volatility intensified, with the Bank of America MOVE index hitting a year-to-date high. The Barclays Global Aggregate Index posted a negative return of -3.4%, and Emerging Market Debt (EMD) finished the month down 1.8%, impacted by a robust U.S. dollar.

In Europe, despite a recent rate cut and dovish commentary, sovereign bonds suffered from the broader global weakness in fixed income markets, resulting in a -1.0% return for the month. Japanese government bonds also faced a sell-off, finishing with a -0.6% return.

Towards the end of October, the UK budget announcement exerted additional pressure on the Gilt market due to unexpectedly high spending plans for 2025, causing Gilts to under-perform with a return of -2.8%.

2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Oct'24
Euro Gov. 1.6%	US HY 17.5%	EM Debt 9.2%	Euro Gov. 1.0%	EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	US HY 7.5%	Euro HY 0.6%
EM Debt 1.2%	EM Debt 10.2%	Global IG 9%	US Treas. 0.9%	US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	Euro HY 7.4%	US HY -0.6%
US Treas. 0.8%	Euro HY 10.1%	Global IL 8.7%	US HY -2.3%	Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt 6.1%	Euro Gov. -1.0%
Euro HY 0.5%	Global IG 4.3%	US HY 7.5%	Global IG -3.6%	Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	Global IG 2.5%	EM Debt -1.8%
Global IG -3.6%	Global IL 3.9%	Euro HY 6.1%	Euro HY -3.6%	Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	US Treas. 1.4%	US Treas. -2.4%
US HY -4.6%	Euro Gov. 3.2%	US Treas. 2.3%	Global IL -4.1%	US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -15.5%	Global IL 5.8%	Euro Gov. 1.0%	Global IG -2.7%
Global IL -5.0%	US Treas. 1.0%	Euro Gov. 0.2%	EM Debt -4.6%	Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -0.5%	Global IL -3.5%

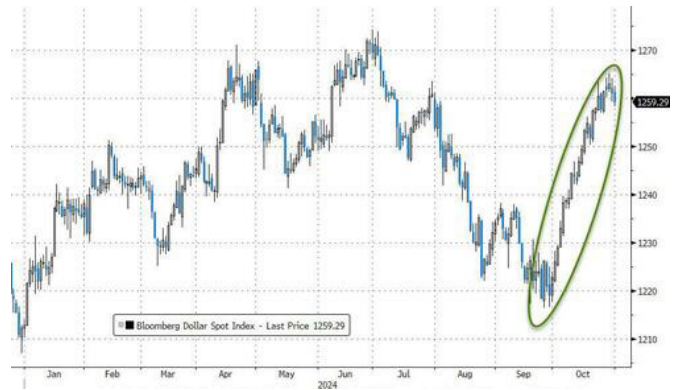
Source: Bloomberg, BofA/Merrill Lynch, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management, Global IL: Bloomberg Global Inflation-Linked, Euro Gov: Bloomberg Euro Aggregate - Government, US Treas: Bloomberg US Aggregate Government - Treasury, Global IG: Bloomberg Global Aggregate - Corporate, US HY: BofA/Merrill Lynch US HY Constrained, Euro HY: BofA/Merrill Lynch Euro Non-Financial HY Constrained, EM Debt: J.P. Morgan EMBI, All indices are total return in local currency, except for EM and global indices, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2024.

Source: Fixed income sector returns, J.P. Morgan

Chart #8

The Dollar is at multi-month high

The U.S. dollar experienced its biggest monthly gain since September 2022, rising by 4% as measured by the U.S. Dollar Index (DXY). Some analysts attributed the dollar's increase to speculation surrounding the outcome of the U.S. Presidential Election. Others argue that the primary driver is the robust economic activity in the United States, particularly the strong consumer spending and labour market data.



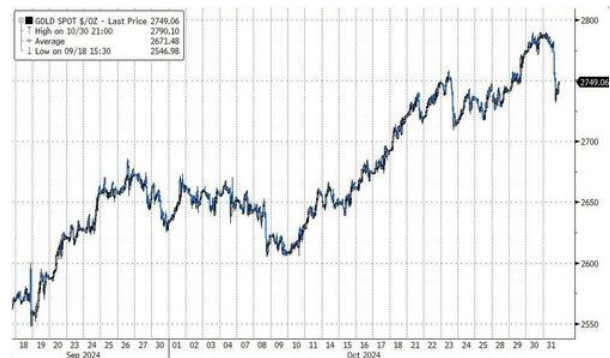
Source: ZeroHedge, Bloomberg

Chart #9

Gold shines while oil stabilises

Gold continued its strong performance in 2024, rising an additional 4% in October to USD \$2,734.20 per ounce, resulting in a year-to-date gain of 31.6%. Despite the strengthening dollar, gold prices surged higher for the eighth time in the past nine months, although some weakness was noted at the month's end.

Tensions between Israel and Iran initially spiked oil prices, but subsequent de-escalation eased market pressure. With over a year since the Middle East conflict began, the oil market has become less reactive to regional unrest, returning focus to traditional supply-and-demand dynamics. Mixed signals from OPEC+ suggest a potential shift away from their production discipline, as Saudi Arabia prioritises market share. Additionally, China's rapid shift to electric vehicles may temper bullish sentiment in the oil market. Crude oil prices dipped slightly, with West Texas Intermediate (WTI) falling 1.6% and Brent crude declining 0.7% over the month. Overall, the commodity index fell by 1.9% in October.



Source: ZeroHedge, Bloomberg

Chart #10

Bitcoin coming back stronger than ever

Bitcoin experienced its best performance in October since May. After months of fluctuations, Bitcoin successfully broke through the USD \$70,000 threshold, for the first time since June, reaching USD \$72,342.62 by October 31, and resulting in a monthly gain of 10.2%. Substantial inflows into Bitcoin ETFs have driven this rally, coinciding with rising interest in digital assets that surrounded the American Presidential Election. Year-to-date, Bitcoin has surged by 71.3%.



Source: ZeroHedge, Bloomberg

For further information

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