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October 2024 Newsletter

THE END OF THE YEAR IS JUST A FEW MONTHS AWAY. CENTRAL BANKS ARE ON TRACK TO REACH THEIR TARGETS AND THEY FOCUS ON GROWTH.

On September 18, the Fed kicked off a period of falling interest rates, announcing a first cut of 50 basis points.
This was the first cut since 2020, after years of constant inflation and fear of recession.
Everyone expects a further decrease in interest rates before the end of the year (another half percent) and additional easing in 2025.
Alongside the Fed, other key central banks including the European Central Bank and Bank of England are now firmly in rate cut territory as they attempt to stave off a deeper economic downturn.

US inflation, for its part, continues to fall, now standing at 2.5%, the lowest figure recorded since February 2021 and thus approaching the much-desired Fed target of 2%.
In the Eurozone, in September, inflation was even lower than the pre-established target (1.8%).

The unemployment rate in the US (4.1%) is slightly up from last year's figures (3.8%).
To counter this trend, lower interest rates are likely to fuel a rebound of hiring in credit-intensive industries such as housing, manufacturing, and retailing of big-ticket consumer products such as cars, furniture, and appliances.

Recently, China has also introduced a stimulus package to help its economy, but traction remains modest, and more is required to establish the outlook.

Financial markets: how to invest in October?

The strength and resilience of Wall Street observed in recent months are undoubtedly noteworthy, despite economic uncertainty, inflation and, above all, the incandescent situation on the geopolitical front.
The volatility seen so far will not abandon us any time soon. Indeed, it will probably increase as the election of the new American President approaches.
However, the outlook for the financial markets for the last months of 2024 is solid, given that the eventuality of a recession can be considered definitively excluded.
The first interest rate cut, expected for many months, has strengthened investor confidence as well as consumers' and those who, in general, do business.

In terms of investments, analysts recommend diversifying the portfolio and remaining well invested in equity, especially in cyclical stocks.
During brief market corrections, it is advisable to buy the *Magnificent Seven* and AI-related stocks in general.
It is also a good time (the month of October) to buy bank stocks. Usually, the lowering of interest rates has a "negative" impact on the sector. For this reason, the investor can take advantage of it buying the dip. In addition, ten of the world's largest banks will report quarterly earnings over the next few weeks.

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