

Interest rates and income: What Q3 2024 means for trust portfolios

By Perpetual Wealth Management

17 October 2024

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.

[Download the report](#)

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.

Income-producing assets in a changing rate environment

Income-producing assets are poised to deliver strong returns in the current environment. With interest rates at their highest levels in over two decades, these assets are generating healthy levels of income. Even with central banks expected to gradually lower rates over the next year, income levels should remain robust. This is because rates on an absolute basis are still high, and we are unlikely to return to the near-zero interest rate policies seen during the COVID era. Furthermore, as market volatility normalises and inflation trends closer to target levels, fixed income investments are likely to resume their traditional role as a portfolio diversifier and hedge against equity market declines.

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.

[Download the report](#)

Take your first step - contact us 1800 631 381

If you're looking for an expert view on where to invest in 2024 and beyond, our experienced financial advisers and investment specialists would love to help you. Contact your Perpetual Private adviser, submit the form below or call us on 1800 631 381.

[Submit the form](#)

Perpetual Private advice and services are provided by Perpetual Trustee Company Limited (PTCo) ABN 42 000 001 007, AFSL 236643. This information was prepared by PTCo and Perpetual Investment Management Limited (PIML) ABN 1800 866 535, AFSL 234426 and is used by PTCo. It contains general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The information is believed to be accurate at the time of compilation and is provided in good faith.

PTCo do not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this article are opinions of the author at the time of writing and do not constitute a recommendation to act. This information, including any assumptions and conclusions is not intended to be a comprehensive statement of relevant practice or law that is often complex and can change. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Past performance is not indicative of future performance.

Quarterly market update

Expert insights on wealth management strategies and market trends

[Subscribe to Catalyst](#)

