



Market Bulletin

This month's market update comes from Columbia Threadneedle Investments, manager of the Omnis UK Bond Fund.

October rebound: US Fed comments spark rally in risk assets

Global

Global equity markets rebounded in October as investors reacted positively to the more accommodative stance adopted by major central banks. Minutes from the US Federal Reserve's September meeting, together with disappointing employment data, pushed back the expected starting point for interest-rate rises in the US.

The European Central Bank hinted strongly at further monetary stimulus, while China's central bank cut interest rates and capital requirements at banks. Market participants reacted positively, taking advantage of attractively priced investments following the summer sell-off.

Emerging markets benefited from the pushing back of US rate rises, but fell towards the end of the month as the Fed indicated that a rate hike could yet occur in December.

Asia

Asian equities, led by China, rose strongly over the month. The region reacted with relief to the apparent delay in US rate rises, given that a large proportion of its debt is denominated in US dollars.

With the Indonesian economy particularly exposed to external debt, the MSCI Indonesia index had a notably strong month, rallying 8.2% in local-currency terms. China also performed well as the central bank cut rates again and posted better-than-expected third-quarter growth.

North America

Expectations of a US rate rise retreated after the release of minutes from the Fed's September meeting, and weaker-than-expected employment figures were published.

Markets reacted positively throughout most of the month, but the Fed's October meeting once again raised the prospect of a rate hike in December, putting pressure on equities. Disappointing third-quarter GDP growth data, released the following day, was unable to quash these concerns.

Europe

The European Central Bank gave a clear indication that it will increase its asset-purchasing programme should the region's growth and inflation remain subdued.

Economic data released during the month was encouraging, with robust services and manufacturing growth. During the month, inflation returned to zero, an improvement on September's reading of -0.1%.

Latin America

Latin American markets posted a positive return but underperformed the broader emerging-market region, amid further political scandal in Brazil, and mixed election results in Argentina, Colombia and Guatemala.

In Argentina, voters failed to elect a clear winner in presidential elections, so a second-round run-off is being held in November, while in Guatemala, a former TV comedian with no political experience won the presidential election.

Currencies

In a reversal of last month's performance, emerging-market currencies rebounded in October in reaction to the Fed's comments. Against the US dollar, the Korean won rose 3.8%, the Chinese yuan strengthened 0.6%, the Taiwanese dollar gained 1.4%, the Mexican peso increased 2.5% and the Brazilian *real* jumped 3.5%.

Commodities

Sugar was once again the standout performer of the month, amid fears that adverse weather conditions may lead to supply shortages. Livestock had a mixed month, as live cattle prices rose 8.3% but lean hog prices fell sharply; supply expanded and demand slowed following a warning from the World Health Organisation that eating processed meats could contribute to cancer. In the energy sector, a weak natural-gas price was partially offset by gains in both WTI and Brent crude oil prices.

Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested.

For information only. Always seek our professional advice before acting.

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