

## GENERAL INVESTMENT CLIMATE

### **The Economy**

The third quarter of 2024 marked the further easing of cost pressures across the eurozone, where inflation dipped below 2% in September for the first time in more than three years. At the same time, eurozone economic development has sent mixed signals to the markets, making monetary policy decisions challenging for the ECB as they are committed to its data-driven approach. The eurozone unemployment rate remained relatively stable below its long-term average and stood at 6.4% in August. The Services PMI – signaling business confidence in the services sector – remained positive for the eighth months in a row. Meanwhile, the German industry continued its decline, with manufacturing activity deepening its downturn. The purchasing manager's index (PMI) further decreased below the 50-threshold to 42.4 in August, thus signaling an even more rapid contraction in activity. Furthermore, Germany was shocked in the beginning of September when Volkswagen Group announced they are considering closing several European plants, even in its home country, as the European automotive industry is facing significant challenges related to their ever-increasing cost base while automotive production remained subdued due to issues on purchasing power, financing conditions, energy challenges, and rapidly changing regulations. In September, the ECB addressed the continued slowdown in economic activity by implementing a 25 basis point reduction of the deposit facility rate and a 15 basis point increase in the spread between the rates, leading to a main refinancing rate of 3.90%.

The US economy has also shown mixed indicators while speculation on the state of the economy was soaring in anticipation of the Presidential elections in November. Coming into Q3, broad economic indicators were largely negative, with weak economic growth projections and slow job creation. Moreover, average hourly earnings showing the weakest YoY increase since mid-2021, signaling an end to the overheated job market the country has been experiencing for the last three years. Inflation finally fell below 3% in July and is expected to continue its decreasing trajectory. Nevertheless, economic growth remained positive with real GDP growth and job reports coming in stronger than expected by the end of the quarter, making speculation on a possible recession and deflationary tendencies seem increasingly far-fetched. The soft landing scenario – a painless normalization of economic growth while inflation gradually returns to its 2% target – became more likely. Nevertheless, the Fed imposed an aggressive interest rate reduction of 50bps to 4.75-5.00%, which was found to be appropriate to boost the economy and keep it running at its current solid pace.

Meanwhile in China, the economic developments are still underwhelming, and growth forecasts were once again cut to 4.5-5% for 2024, down from 5.5% or higher, as the country continues to struggle with the ongoing property sector crisis and weak global demand for Chinese exports. The Chinese government responded by ramping up stimulus measures that included infrastructure investments, tax cuts for SMEs, and relaxing restrictions on the housing market to spur demand. The People's Bank of China also cut interest rates to ease borrowing costs for businesses and consumers.

## Currency and Money Markets

As a result of macroeconomic developments, interest rate decisions as well as the ongoing geopolitical conflicts, currency markets have been quite volatile in the third quarter. The euro gained against the dollar on the back of a generally weak US economy during the bulk of the quarter. Moreover, an earlier interest rate cut by the ECB caused FX traders to speculate on a potential surge in carry trades on the EUR/USD in September. The value of USD/CNH also decreased sharply in September, mainly caused by USD weakness but also due to some unwinding of carry trades. Still, due to strict control over monetary policies by the Chinese government, the People's Bank of China continued to fix the USD/CNY in an upward trend.

## Stock Markets

**Table 1.1 - General**

	30-Sep-24	30-Jun-24 - 3 mnth	31-Mar-24 - 6 mnth	31-Dec-23 - 9 mnth	30-Sep-23 - 12 mnth
AEX	910,12	-1,49%	3,21%	15,67%	24,88%
BEL20	4299,71	10,61%	11,81%	15,96%	21,02%
DAX40	19324,93	5,97%	4,50%	15,36%	25,60%
EU50	5000,45	2,17%	-1,63%	10,59%	19,78%
DJ	42330,15	8,21%	6,34%	12,31%	33,63%
SP500	5762,48	5,53%	9,67%	20,81%	42,15%
Nasdaq	18189,17	2,57%	11,05%	21,17%	45,55%
EUR/USD	1,1135	3,94%	3,20%	0,87%	5,32%
Euribor 3 maanden	3,28	-0,43	-0,61	-0,63	-0,67
NL govt 10 jaar	2,42	-0,42	-0,19	0,09	-0,77

There was no clear direction in stock market developments in the third quarter. The DAX gained, while the AEX took a hit from a correction of its heavy-weighting constituents in the semiconductor and energy industries. The Nasdaq also only showed moderate development after its tremendous run over the last 12 months cooled down when its tech base reported lackluster results, signaling an end to the seemingly endless gains in profits. The Dow Jones, which consists of more value-oriented stocks, has benefited from cooling inflation and a more positive economic outlook.

## Other markets

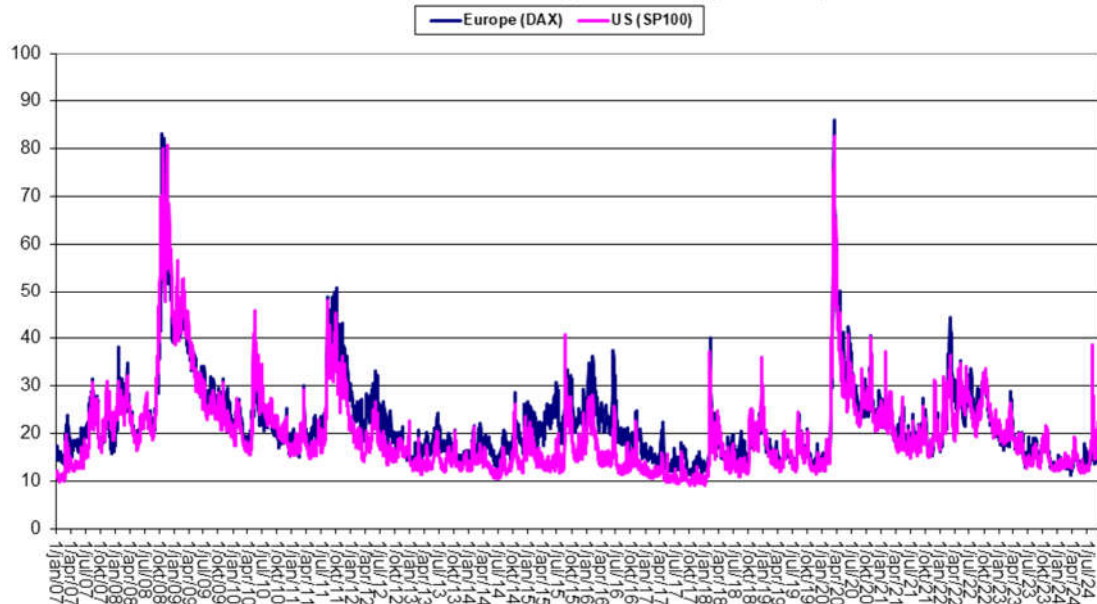
Geopolitical tensions and a spreading conflict in the Middle East caused the Brent crude oil prices to be volatile as well. Its decreasing trend was fueled by oversupply and speculation on increasing oil production, which was reversed below the \$70 per barrel price point when OPEC+ members issued their decision to postpone these production increases as global economic output remains subdued and the war in the Middle East further escalated. Crude oil prices recovered above \$71 by the end of the quarter.

M&A activity showed resilience despite the economic conditions as deals were supported by fundamental drivers and sector-specific trends such as private equity momentum, AI, digitalization, and regulatory changes.

## Implied Volatility

Implied volatility spiked in the US when the majority of the Magnificent 7 stocks surprised the markets with an end to the rapidly growing profits, causing a ripple-effect that stretched until European markets. Since then, volatility remained higher in both Europe and the US than its historically-low levels seen during the first six months of the year.

Table 1.2 Development of the implied volatility jan 07 - sep 24



## The Long Term

From a longer-term perspective, the normalization in stock price gains caused the 200-day moving average to near its daily value for the first time this year, signaling an end to the stock-market rally that has lasted since the beginning of the year.

Table 1.3 Long-term development AEX jan 03 - sep 24

