MARKET

FLYING COLOURS
Investment Management

SEPTEMBER 2021 REVIEW

30TH SEPTEMBER 2021

Global equities generally fell during the month, with U.S. equities in particular performing poorly as the S&P 500 fell -2.7%.

Equities faced headwinds from rising inflation readings and expectations of faster tapering by central banks, as well as volatility stemming from the Evergrande crisis in the Chinese property market.

By contrast, UK equities losses were more muted, with the FTSE All Share ending the month down just 0.96%. This was in part thanks to rising energy prices, amid strong demand and constrained supply.

Brent oil rose 7.6% to $78.5 a barrel in the month and some forecasters have penciled in further rises before year end. While the ESG movement has much to be applauded, a confluence of easing lockdowns, efforts to phase out coal and lower investment in traditional fossil fuel production have led to sharp rises in price in both the oil and natural gas markets. At the same time, supply remains constrained as OPEC and Russia have resisted calls to increase production.

The one bright spot in equity markets was Japan, which saw its index rise 4.9%. The catalyst was political, with Prime Minister Suga announcing his intention to resign without contesting the LDP leadership election.

Among fixed income markets, government bond yields shifted higher, with the 10-year rising 18 basis points from 1.31% to 1.49% by month-end. This surge in yields was driven by the September Federal Open Market Committee (FOMC) meeting, where Fed officials raised their projected rate paths in light of elevated inflation.

Rates in the U.K. and Germany traced U.S. moves, as 10-year gilt and Bund yields rose 31 bps and 18 bps to 1.02% and -0.20%, respectively.

Outside of energy, industrial metals was modestly higher, however precious metals declined as the stronger dollar and rising bond yields outweighed the impact of rising inflation pressures on the gold price.