Cantor Fitzgerald

Cantor Fitzgerald Strategy & Outlook

MARKET UPDATE

November 2023:

Global equities had a significant turnaround last month, climbing by over 8% in EUR terms as traders bet on the goldilocks scenario of sliding inflation coupled with rate reductions by central banks sometime in 2024. November saw the largest monthly gains for equities all year, recording 4 consecutive weeks of positive growth in the US – a welcome departure from the declines seen in October. Bond prices in the U.S. also surged, causing yields to fall to their lowest levels since September on the back of dovish sentiment coming from the Fed. The dollar on the other hand had a less than stellar few weeks – sinking to its lowest level in months - while the Euro performed better, strengthening throughout much of November.

November had seen quite the about-face in equity markets when compared to October, but so too did bonds - with 10-year U.S. Treasury yields falling to their lowest levels seen since September on the back of dovish comments made by some of the Fed's more hawkish policy makers like Christopher Waller. Inflation, the labour market, and consumer spending have all cooled in recent weeks within the US, adding to the growing body of evidence that growth is gradually slowing. In the EU, data from Germany and Spain also illustrated a fall in inflation and has raised questions on whether the European Central Bank would soon need to consider cutting interest rates. This dovish commentary and data coming from both sides of the Atlantic have led to what seems like a general acceptance amongst investors that rate cuts will begin sometime in 2024, a number of which are estimating cuts as early as the first half of the new year. On a separate note, oil continued its downward trajectory throughout November - despite the beginnings of a tentative truce in Gaza and an agreement by OPEC members to a cut in production starting in early 2024 - closing out the month at just under $76 per barrel.

Despite the rallies seen in equities and bond yields throughout the month, stocks in mainland China extended their run of losses due to persistent investor concerns surrounding the country's economic outlook. Sliding by just over 2% in November, the CSI 300 Index was among the worlds worst performing major equity benchmarks – chalking up a fourth straight month of losses. Signs that Beijing is putting together a financing plan for a list of 50 developers did little to alter the overall weak sentiment surrounding the broader market, with investors generally disappointed with the country's economic recovery in addition to underwhelming third quarter earnings. Chinese PMI has also fallen from 49.5 to 49.4 in November, indicating further concern over the state of the second largest economy in the world.

With rate cuts now broadly expected in the U.S. and Eurozone area for some time in 2024, we believe valuations in certain cyclical stocks will begin to improve and have continued to adjust the positioning of our funds accordingly. Throughout the month, we continued to reduce exposure to underwhelming energy and healthcare stocks in addition to a reduction in European defence names whilst adding to homebuilding, real estate, and technology stocks. We currently remain at the upper end of the range for growth assets.

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