Geopolitical shifts in focus: Navigating uncertainty in Q3 2024

By Perpetual Wealth Management
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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.

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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

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

The upcoming US election is too close to call, with either outcome likely to spark short-term market reactions. However, recent history shows the importance of maintaining a steady investment approach, regardless of whether it is Trump or Harris occupying the White House later this year.

Take the past two presidential terms: when Donald Trump won in 2016 with a platform supporting traditional energy, many expected oil and gas stocks to surge. Surprisingly, clean energy outperformed traditional energy by 34% [1] annually during his presidency. The tables turned dramatically when Biden took office in 2020. Despite his strong advocacy for clean energy, traditional energy stocks defied expectations, outperforming their cleaner counterparts by 41% [2]. This reversal highlights the unpredictability of sector performance, even when political rhetoric suggests otherwise. As we approach another pivotal election, it's a reminder to avoid making hasty portfolio changes based on campaign promises or election outcomes.

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.

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[1] FactSet. iShares Global Clean Energy ETF. Returns are calculated in USD and are net of fees.

[2] FactSet. iShares Global Energy ETF. Returns are calculated in USD and are net of fees.

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