FEATURE

QUARTERLY REVIEW

4 April 2024

The 1st quarter 2024 in 10 charts

Chart #1
US equities: best start of the year since 2019
Read more on p2

The U.S. stock market had a strong start to 2024, with the S&P 500 experiencing its best beginning since 2019, rising by 10.2%. This bullish momentum, underscored by record lows in volatility, reflects a surge in investor optimism. The tech and healthcare sectors continued to perform, while adjustments in Fed rate cut expectations and a strong dollar added to the market's complexity. Each quarter, the Syz investment team takes you through the last 3 months in 10 charts.

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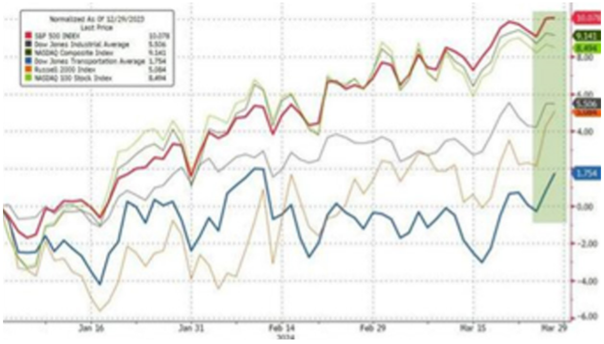
PRIVATE BANKING

Chart #1

US equities: best start of the year since 2019

The S&P500 has closed the first quarter off with a notable 10.2% gain. This represents the best start to a year for the index since 2019, outperforming the Nasdaq and other main US indices. Despite the S&P500's slight outperformance over the Nasdaq, both indices have been hitting new all-time highs, with the S&P500 breaking through 5,200 pts and the Nasdaq crossing above its previous 2021 high of 16,057 pts.

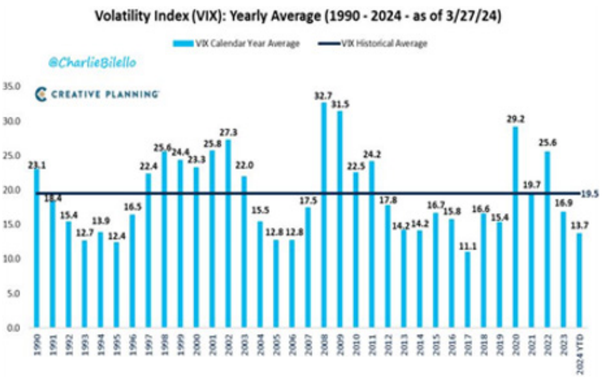


Source: Bloomberg

Chart #2

US volatility crashed, greed is back

The $VIX has averaged 13.7 thus far in 2024, a figure noticeably below its historical average of 19.5. These volatility levels are setting the scene for 2024 to have the lowest volatility since 2017. Greed on the other hand has been heating up, with the Fear & Greed index shifting between "Greed" and "Extreme Greed" during Q1. This sentiment is also expressed by the number of US households allocated into equities, which is now at record highs, above 48%.



Source: Charlie Bilello

Chart #3

US Equity: Winning & Losing Themes

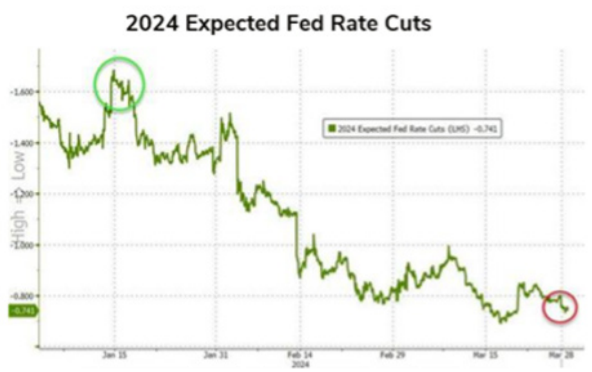
The first quarter of the year has seen themes from 2023 repeat themselves with the biggest winners among US equities being: Bitcoin-Sensitive, Artificial-Intelligence, Megacap Tech, and Obesity Drugs. Among the biggest losers have been: Liquid Regional Banks, Renewables, and China ADRs.

Source: Goldman Sachs

Chart #4

Smaller number of Fed rate cuts but FCI keeps loosening

Market expectations of Fed rate cuts have dramatically decreased during Q1. The strong "hard" data together with sticky inflation have driven 2024 rate cut expectations from almost 7 cuts, to now less than 3. However, the strength in equities and credit has overshadowed any rise in yields and pushed financial conditions to their lowest level since prior to the Fed's rate-hiking cycle. This decline is equivalent to about 100bps of rate cuts which gives the Fed breathing room to cut rates, but also creates uncertainty regarding if financial conditions are now becoming too easy to tame inflation.

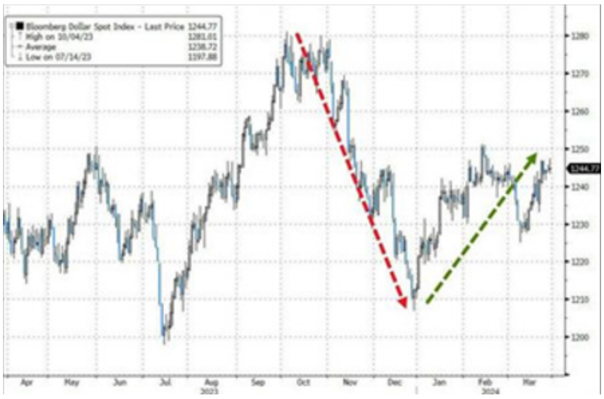


Source: Bloomberg

Chart #5

Dollar rallied in Q1

The dollar rallied in Q1, regaining around half of the ground lost during Q4. The USD was supported by yen weakness as the Japanese currency has plunged to its weakest since 1990. The scenario of higher interest rates for longer in the U.S. is also likely providing the dollar with a boost.



Source: Bloomberg

Chart #6

Oil outperformed the Nasdaq in Q1

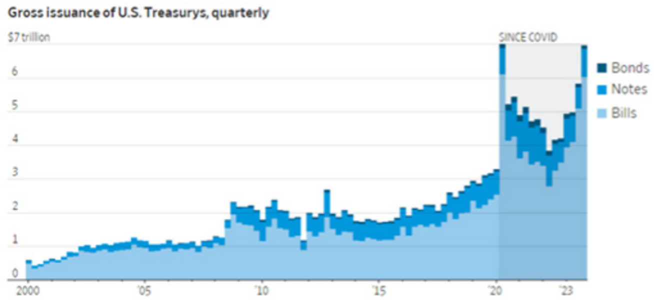
Oil prices are now up over 17% this year, with crude sitting well above $80/barrel again. The OPEC remains committed to production cuts and geopolitical tensions continue to threaten supply. Saudi Arabia leads the pack of production cuts, having recently extended its previously implemented cut of 1 million barrels per day, all through Q2 of 2024. Meanwhile, global demand forecasts are being raised and inflation appears to be rebounding. Even with non-OPEC production at record highs, oil prices continue to skyrocket.

Source: The Kobeissi Letter

Chart #7

US Government debt continues to skyrocket

Increasingly more key figures in finance are sounding the alarm on the snowballing US national debt, which now sits at around $34tn. BlackRock's CEO, Larry Fink, has been cautioning that there is no guarantee investors will continue to purchase U.S. Treasuries, and was quoted as saying: "The situation is more urgent than I can ever remember". The issuance of US Treasurys has been accelerating over recent years, sending the size of the U.S. government bond market to a record $27tn. This figure represents an approx. 70% increase from levels at the end of 2019, and is nearly 6x larger than prior to the 08-09 GFC. A key development in this story will take place with the US elections in November, as an expensive fiscal package, rolled out by the new administration, could lead to a fiscal crisis as early as 2025, according to Wharton's Professor Gomes.



Source: Securities Industry and Financial Markets Association

Chart #8

Fixed Income: US treasuries dumped. Spreads tightened

US treasuries have been dumped during Q1 as inflation numbers have been stronger than anticipated, and investors' expectations for FED rate cuts over 2024 have been decreasing. US High Yield Credit Spreads have moved down to 3.05%, representing their tightest level since January 2022. Similarly, US Investment Grade Credit Spreads have moved down to 0.91%, their tightest level since November 2021. Note that Fixed Income (based on the Global Aggregate index) is the worst performing asset class so far in 2024 (-2.1%).

2015	2016	2017	2018	2019	2020	2021	2022	2023	Q1 '24
Euro Gov. 1.6%	US HY 17.5%	EM Debt 9.3%	Euro Gov. 1.0%	EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	Euro HY 1.6%
EM Debt 1.2%	EM Debt 10.2%	Global IG 9.1%	US Treas. 0.9%	US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	US HY 1.5%
US Treas. 0.8%	Euro HY 10.1%	Global IL 8.7%	US HY -2.3%	Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt 1.4%
Euro HY 0.5%	Global IG 4.3%	US HY 7.5%	Global IG -3.6%	Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	Euro Gov. -0.6%
Global IG -3.6%	Global IL 3.9%	Euro HY 6.1%	Euro HY -3.6%	Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	Global IG -0.8%
US HY -4.6%	Euro Gov. 3.2%	US Treas. 2.3%	Global IL -4.1%	US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -18.5%	Global IL 5.8%	US Treas. -1.0%
Global IL -5.0%	US Treas. 1.0%	Euro Gov. 0.2%	EM Debt -4.6%	Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -1.8%

Source: JP Morgan

Chart #9

Gold Hit New All-Time High

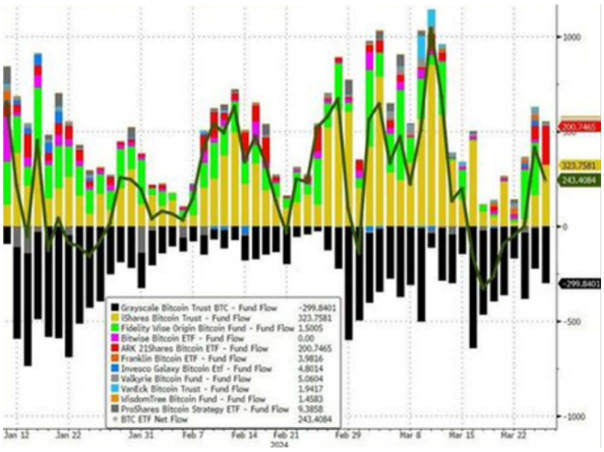
Gold has hit a new all-time high, reaching prices above \$2,220/oz, even as funds continue to flow out of gold ETFs. As predictions of interest-rate cuts continue to moderate, gold ETFs recorded their 9th consecutive month of outflows in February. Central Banks around the world have continued their gold shopping spree, with China's PBOC leading the charge, adding over 12 tonnes to their reserves in February. Gold prices saw a remarkable rise of 9.1% during March 2024, marking its best monthly performance since July 2020. Additionally, gold has been outperforming the S&P500 since February.

Source: Bloomberg

Chart #10

Bitcoin breaks All-Time High and pushes past 70

Q1 was dominated by bitcoin headlines, especially since the launch of the Bitcoin Spot ETF in mid-January. The success of the spot ETF has been second to none, with the BlackRock BTC ETF being the fastest ever to reach \$10bn AuM. The massive inflows into these ETFs, coupled with the media attention generated around Bitcoin, have sent its prices to new all-time highs against the USD, even breaking \$73,000 in mid-March. Strong catalysts and growing institutional demand have led to wild speculation surrounding price targets for the remainder of the year; either way, Bitcoin will likely continue to make headlines in the months to come.



Source: Bloomberg

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