

The month in  
10 charts



Chart #1

The resilience of the US economy

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Image source: iStock

**US economy outperforms expectations again, showcasing remarkable resilience**

The US economy demonstrates resilience with job creation, steady wage growth, and a 3.7% unemployment rate, while concerns mount over a potential deflationary spiral in China. Amidst geopolitical tensions reshaping global supply chains, the SEC's approval of the first Bitcoin spot ETF marks a significant foray into mainstream finance for cryptocurrencies. Each month, the Syz investment team takes you through the last 31 days in 10 charts.

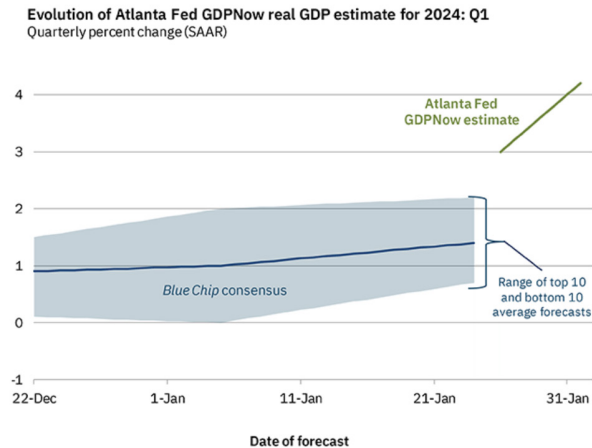
**Charles-Henry Monchau**

*Chief Investment Officer*

**Chart #1**

**The resilience of the US economy**

US economic surprises keep surprising on the upside, following a series of data releases last month highlighting the continued resilience of the US economy. Firstly, there was a solid employment report, with 216k jobs adding to the economy in December, as well as steadier wage growth and an unemployment rate holding firm at 3.7%. Further into the month, fourth-quarter GDP of 3.3% annualized was significantly ahead of consensus expectations. The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2024 is 4.2 percent (!!!).



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts  
 Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

**Chart #2**

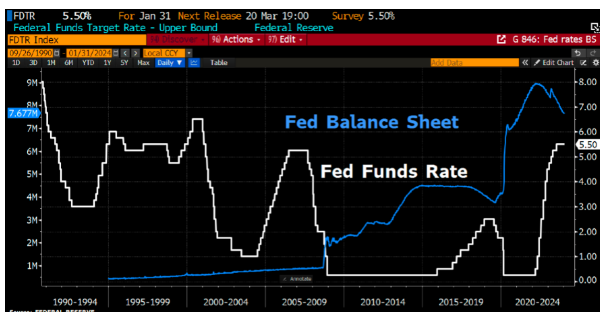
**The Fed remains on hold**

As expected, the Fed kept its policy rate unchanged in January, but the market's focus was mainly centered on future meetings, seeking any signals around when a rate cut may come (markets have been pricing in a cut as early as March).

The Fed did NOT give the market what it was hoping for, instead emphasising that it plans to wait a while longer to build greater confidence that inflation will remain on its current, descending path.

This was the right move, in our opinion. Cutting prematurely runs the risk of having to backtrack if inflation were to perk up again, an outcome that would be far more detrimental to the markets than staying on hold a little longer.

The Fed said that a March rate cut is "unlikely," yet futures are still pricing in a 36% chance it happens. Even as the Fed said they cannot cut rates until inflation is comfortably moving to 2%, markets still see 6 cuts in 2024. There's even a growing 23% chance of 7 interest rate cuts this year. Markets are pricing in a rate cut at EVERY remaining Fed meeting this year.

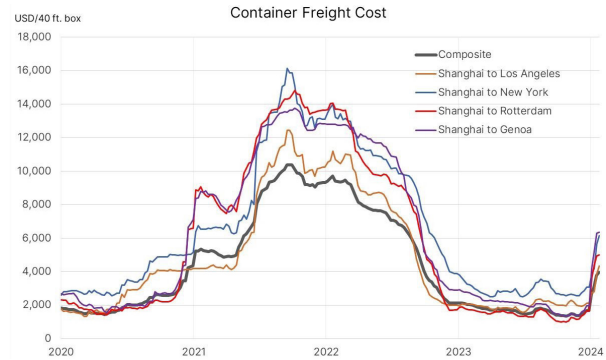


Source: Bloomberg

**Chart #3**

**Shipping costs spike due to rising tensions in the Middle East**

Another important story for January 2024 was geopolitics, as the strikes from the Houthi rebels on commercial shipping in the Red Sea implied significant supply-chain disruption. Against that backdrop, freight costs have spiked again, Drewry's World Container Index is up to \$3,824 per 40ft container as of 01 February. That's almost triple its levels from October 2023, when costs were at a post-pandemic low.



Source: Drewry

**Chart #4**

**A decent month for risk assets**

In January 2024, risk assets were well supported, given the economic data that encouraged optimism about a "soft landing". Global equities moved mostly higher in January 2024, with the S&P 500 (+1.7%) and the European STOXX 600 (+1.5%).

The geopolitical backdrop led to a rise in oil prices after three consecutive monthly declines, with Brent Crude (+6.1%) and WTI (+5.9%) both recording gains in January 2024.

The dollar index rallied by +1.9% in January, after falling behind in previous months, as the US dollar strengthened against all other G10 currencies. It was a disappointing month for EM assets, as the MSCI EM index falling by -4.6%.

When compared to the relatively dull performance of their value counterparts (+0.3%), Growth stocks are the strongest outperformers, delivering 2.1% over the month. Developed market equities rose by 1.2%, whereas emerging market equities fell by 4.6%, regardless of the latest stimulus measures announced by the People's Bank of China (PBOC).

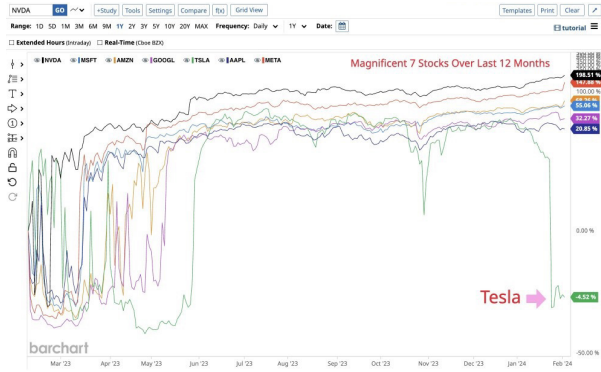
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Jan '24
Global REITS 23.0%	Small cap 32.9%	Global REITS 22.9%	Growth 3.2%	Small cap 13.3%	MSCI EM 37.6%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITS 32.6%	Cmty 16.1%	Growth 37.3%	Growth 2.1%
MSCI EM 18.6%	Value 27.5%	Growth 6.5%	Global REITS 0.6%	Value 13.2%	Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 1.2%
Small cap 19.1%	DM Equities 27.4%	DM Equities 5.5%	Small cap 0.3%	Cmty 11.8%	Small cap 23.2%	Global Agg -6.4%	Small cap 26.6%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Small cap 16.9%	Cmty 0.4%
Growth 16.6%	Growth 27.2%	Value 4.4%	DM Equities -0.3%	MSCI EM 11.6%	DM Equities 23.1%	DM Equities -8.2%	Global REITS 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	Value 12.4%	Value 0.3%
DM Equities 16.5%	Global REITS 2.3%	Global Agg 2.3%	Global Agg -3.2%	Global Agg 8.2%	Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITS 10.9%	Global Agg -1.4%
Value 16.4%	MSCI EM -2.3%	Global Agg 0.6%	Value -4.1%	Global REITS 6.5%	Global REITS 8.0%	Cmty -11.2%	MSCI EM 16.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Small cap -2.8%
Global Agg 4.3%	Global Agg -2.6%	MSCI EM -1.8%	Global Agg -14.6%	Growth 3.2%	Global Agg 7.4%	Small cap -13.6%	Cmty 7.7%	Global Agg -3.1%	MSCI EM -2.2%	Global REITS -23.7%	Global Agg 5.7%	Global REITS -4.0%
Cmty -1.1%	Cmty -9.5%	Cmty -17.0%	Cmty -24.7%	Global Agg 2.1%	Cmty 1.7%	MSCI EM -14.2%	Global Agg 1.7%	Global REITS -10.4%	Global REITS -4.7%	Growth -29.1%	Cmty -7.9%	MSCI EM -4.6%

Source: JP Morgan

**Chart #5**

**The Mag 6 propels the S&P 500 and the Nasdaq to new all-time highs**

In the US, the S&P 500 index was driven to record levels in early January, as bullish expectations of a soft-landing scenario carried on the "Magnificent Seven" rally. The 7-stock basket reached new highs, but the 7 is now 6... as the \$TSLA heads in the opposite direction.



**Chart #6**

**European and Japan equities continue their bull run but remain cheap vs. US stocks.**

The TOPIX index was the best performing of the major stock markets in January, rising by 7.8% over the month, building on last year's strong performance. Unexpected weakness in wages, coupled with uncertainty over the economic impact of the New Year's earthquake, prompted markets to re-evaluate the likely removal of the negative interest rate policy (NIRP) in the short term.

The MSCI Europe ex-UK index recorded a positive return (+2.1%) in January. The Euro Stoxx 50 index achieved its highest level in 20 years. It is worth noting that European equities are currently trading at their lowest valuation in history, relative to US equities.

**EXHIBIT 1: Europe is trading at an all-time-wide discount on 12m fwd P/E (33%).**

Relative 12m Fwd PE Ratio



Source: IBES, Bernstein analysis

**Chart #7**

**Fears of a China deflationary spiral**

The Chinese domestic economy continued to struggle, with disappointing retail sales and further deterioration in housing activity. Fourth-quarter GDP rose by 5.2% year-on-year, in line with predictions but remaining historically weak. Whilst the PBOC announced several stimulus measures, it was not the political "bazooka" the markets had hoped for to boost activity. Continued concerns about China's economic outlook probably contributed to the poor performance of the MSCI Asia ex-Japan Index and the MSCI Emerging Markets Index, which fell by 5.4% and 4.6% respectively over the month.

China 10Y yield moved below 2.47%, breaking Covid19 lockdown lows. With local equity market imploding and real estate in freefall, fears of a Japanese style deflationary spiral are growing. Should China devalue the renminbi?



Source: Bloomberg

**Chart #8**

**Fixed Income**

As investors grew less optimistic that central banks would cut rates in the first quarter, sovereign bonds lost ground. US Treasuries closed the month down -0.2%, and European sovereign bonds were down -0.6%. Still, despite the Fed being on hold and strong US economic data the trend seems to be for lower 10-year yield as the 50-day moving average is now below the 200-day.

In credit, the European high-yield bond market stood out with positive returns (0.9%), on the other hand, its US counterpart posted stagnant returns over the month. Global investment-grade credit, meanwhile, recorded negative returns in January, despite the tightening of spreads. The appreciation of the US dollar weighed on emerging market debt, which declined by 1.2% over the month.



Source: Strategas



**Chart #9**

## Uranium prices continue to surge

Uranium jumps back to its highest price in almost 17 years due to expectations of rising demand from nuclear plants. Indeed, most of the world's governments are stepping up their plans to increase nuclear power generation and, in the case of the 22 members of the COP28 agreement, to triple their capacity by 2050.

This move, which includes China's current 55 reactors, the 22 under construction and another 70 in planning phase, is already coming up against real physical constraints on the uranium fuel market. New supply levels have been non-existent over the past decade, following the Fukushima accident, and current mine supply is not only insufficient to meet current demand, but uranium stocks have been largely drained. To make matters worse, last month the world's largest uranium miner, Kazatomprom, announced that production targets would not be met due to construction delays and "difficulties related to the availability of sulfuric acid". a crucial ingredient in a mining technique known as "in situ leaching".



### For further information

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**Chart #10**

## Bitcoin ETF

Here we go! After years of waiting, the Securities Exchange Commission (SEC) in the USA and its chairman Gary Gensler have finally relented. On Wednesday January 10, they approved the first Bitcoin spot ETFs. More than three years elapsed between this approval and that of the first Bitcoin futures ETFs (based on dollar-settled futures contracts).

In just 15 trading days, the new Bitcoin ETFs have made the commodities ETF leaderboard. \$IBIT is #7, \$FBTC #9, \$ARKB and \$BITB #23 & #24.

Symbol	ETF Name @HODL15Capital	Assets (\$MM)
1	GLD SPDR Gold Shares	\$56,206.8
2	IAU iShares Gold Trust	\$26,062.5
3	GBTC Grayscale Bitcoin ETF	\$20,570.0
4	SLV iShares Silver Trust	\$10,120.2
5	GLDM SPDR Gold MiniShares Trust	\$6,378.5
6	PDBC Invesco Optimum Yield Diversified Commodity	\$4,584.3
7	IBIT BlackRock iShares Bitcoin ETF	\$3,010.0
8	SGOL abrdn Physical Gold Shares ETF	\$2,748.5
9	FBTC Fidelity WiseOrigin Bitcoin ETF	\$2,582.0
10	FTGC First Trust Global Tactical Commodity Strategy	\$2,285.3
11	DBC Invesco DB Commodity Index Tracking Fund	\$1,670.4
12	USO United States Oil Fund LP	\$1,335.6
13	SIVR abrdn Physical Silver Shares ETF	\$1,040.0
14	IAUM iShares Gold Trust Micro ETF	\$979.6
15	BAR GraniteShares Gold Shares	\$943.9
16	PPLT abrdn Physical Platinum Shares ETF	\$942.4
17	GSG iShares S&P GSCI Commodity-Indexed Trust	\$942.0
18	GLTR abrdn Physical Precious Metals Basket Shares	\$922.3
19	OUNZ VanEck Merk Gold Trust	\$780.2
20	BCI abrdn Bloomberg All Commodity Strategy	\$772.1
21	UNG United States Natural Gas Fund LP	\$743.5
22	DBA Invesco DB Agriculture Fund	\$697.5
23	ARKB ARK 21Shares Bitcoin ETF	\$683.3
24	BITB Bitwise Bitcoin ETF	\$647.3
25	AAAU Goldman Sachs Physical Gold ETF	\$624.25

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