The week in seven charts

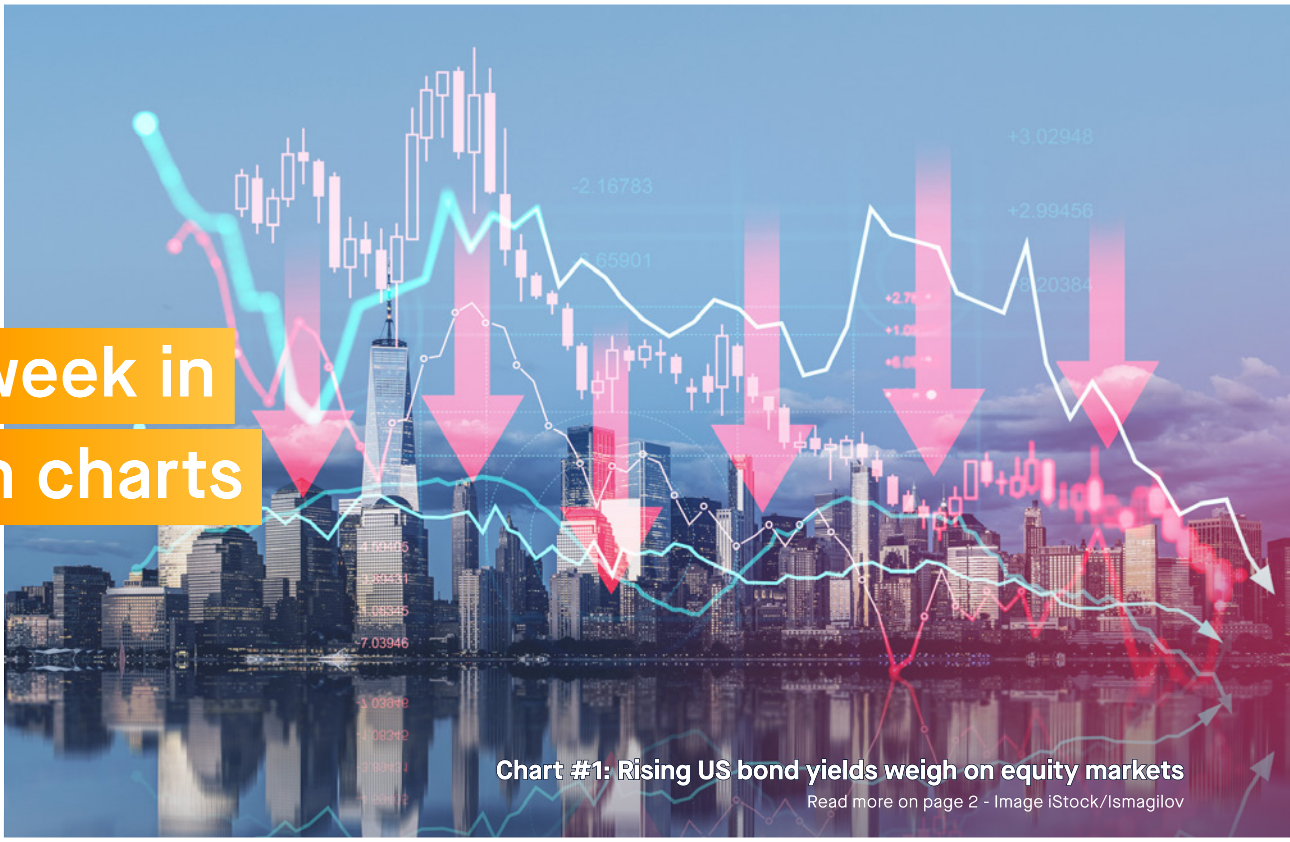

Chart #1: Rising US bond yields weigh on equity markets
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US bond yields pressure equity markets

Rising US bond yields shake markets, UK assets slip, and... why Greenland? Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau
Chief Investment Officer

PRIVATE BANKING

Chart #1

Rising US bond yields weigh on equity markets

Stronger-than-expected macroeconomic data—such as the ISM Services Purchasing Managers' Survey and a rebound in job creation—along with a sharp increase in corporate expectations regarding prices paid (ISM Prices Paid) and concerns over renewed inflationary pressures driven by Donald Trump's trade policies, have all contributed to the rise in US bond yields, particularly at the longer end of the curve.

This increase in yields is exerting downward pressure on equity market valuations. As illustrated in the chart below, the correlation between the S&P 500 index and US Treasuries has reached an all-time high, based on a three-year rolling correlation.

Source: Charlie Bilello

Chart #2

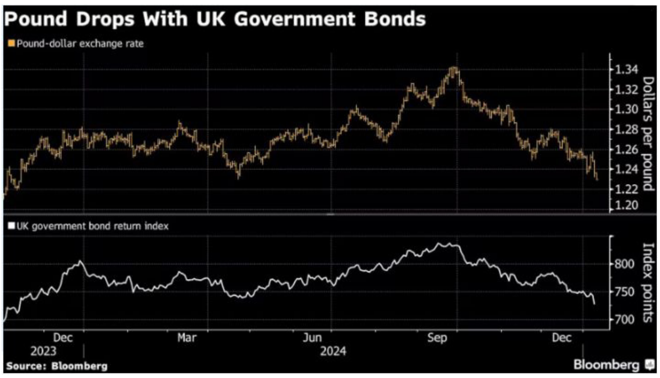
UK assets under pressure

The pound sterling has reached its lowest level against the US dollar in over a year, as investor concerns over the UK's fiscal and inflationary outlook are weighing heavily on the valuation of British assets.

This is reflected in the following unfavourable combination: higher bond yields and a weaker currency (see Bloomberg chart below illustrating the depreciation of sterling against the dollar over the past three months).

This combination, which is normally more prevalent in developing economies than in advanced ones, erodes fiscal room for manoeuvre, weakens growth momentum, and risks fuelling inflationary pressures.

Given the UK economy's current weaknesses and its sensitivity to future US tariff policies, the time has come for the government to intensify its structural reform efforts to address long-standing weaknesses in productivity, investment and growth.



Source: Bloomberg

Chart #3

Why Greenland?

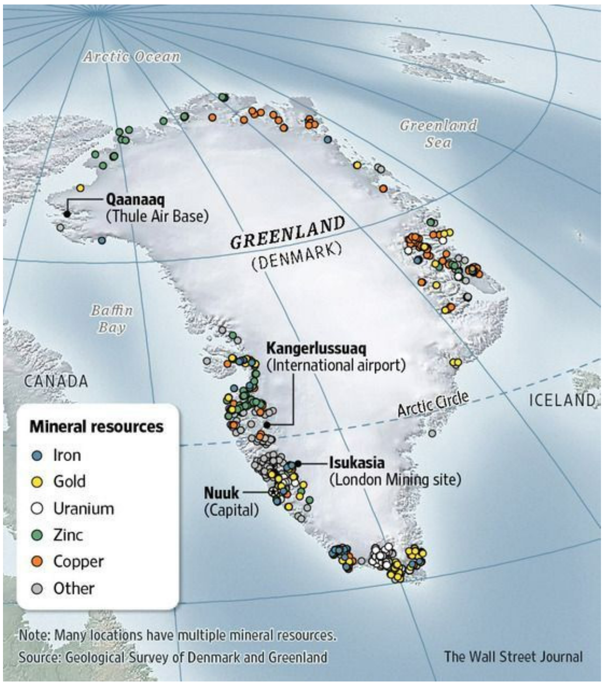
Politico's insightful article "The Method in Trump's Greenland Madness" looks at the strategic importance of the Arctic.

"Trump the climate skeptic wants to face the reality of melting Arctic ice: more resource extraction, faster trade routes, new military bases".

President-elect Donald Trump's interest in purchasing Greenland is not a nostalgic throwback to the 19th century. Instead, it reflects a hypermodern reality: a world reshaped by climate change, where China, Russia and the USA are competing to capitalise on.

Greenland's ice caps are losing 270 billion tonnes of water a year, while Arctic Sea ice is disappearing so fast that the Polar Sea could be ice-free by the summer of 2030. This opens new opportunities for resource extraction, accelerated trade routes, space and military bases, new fishing grounds – and confrontation between great powers. Moscow and Beijing are aiming to control the Arctic region, which is warming faster than anywhere else on the planet.

Trump's interest in Greenland is linked to its rare earth deposits, crucial for technologies such as semiconductors, the F-35, and AI. While 90% of rare earths are controlled by China and Russia, Greenland offers strategic independence. In this context, Trump's desire for Greenland is beginning to appear, if not entirely reasonable, at least strategically calculated.



Source: The Wall Street Journal

Chart #4

The Nvidia effect on US equity outperformance

Without Nvidia's contribution to the S&P 500, the performance of the main benchmark since the start of the current bull market in October 2022 has underperformed that of the Eurozone equity benchmark.

This can be interpreted in several ways. Firstly, the S&P 500's bullish cycle mainly reflects a bet on AI (e.g. Nvidia). Secondly, despite lower exposure to technology and weak growth in the European economy, Eurozone equities have performed quite well.

Source: Financial Times

Chart #5

At Nvidia, nearly 4 out of 5 employees are millionaires

Nvidia's stock market boom, driven largely by its dominance in the AI sector, has generated a significant number of new millionaires among its employees.

According to the latest statistics, 78% of Nvidia employees are millionaires. Nvidia's share price has soared by almost 4,000% since 2019, creating an unprecedented wave of wealth amongst employees. While almost 4 out of 5 employees are millionaires, half of them have a virtual fortune of over $25 million.

Behind these extraordinary compensation packages lies a relentless work culture. Employees report 7-day work weeks and it's not uncommon for many of them to finish their working hours late into the night. Collaborative meetings are intense, and employee commitment is total.

Nvidia's shares are awarded after a four-year vesting period, resulting in an exceptionally low annual turnover rate of 2.7%, compared to the semiconductor industry average of 17.7%The challenge today? Keeping employee motivation alive, as this wealth effect could weaken their engagement. CEO Jensen Huang's answer: "Act like the CEOs of your time".

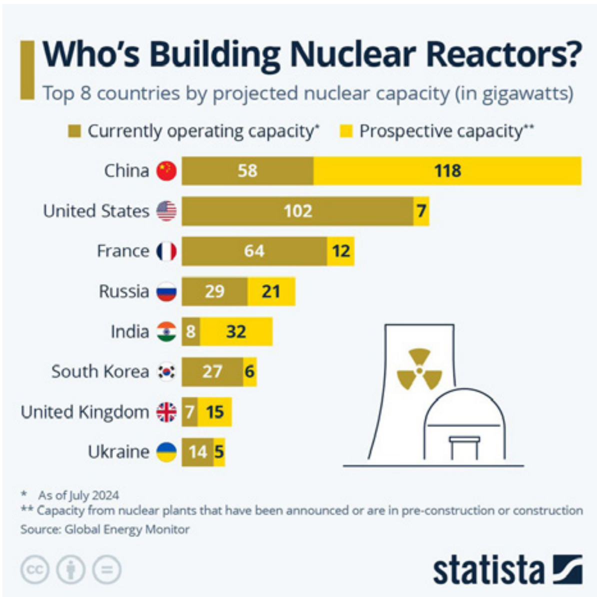
Note that Nvidia ranks as the second "best place to work" in 2024 according to Glassdoor.

Source: Glassdoor

Chart #6

Who are the future leaders in nuclear power?

The United States is the current leader in nuclear capacity, with 102 GW in July 2024. They are followed by France (64 GW), China (58 GW), Russia (29 GW), South Korea (27 GW) and Canada (15). Projections in terms of future capacity (below in yellow) show that China will soon dominate the rest of the world in this field.



Source: Statista

Chart #7

2024, year of the unicorns

2024 was an exceptional year for private companies, with over 1,200 unicorns registered worldwide, compared with just 590 in 2021! A unicorn refers to a private company valued at over a billion dollars.

At the top of the list is ByteDance, the parent company of TikTok, with an estimated valuation of $220 billion, followed by SpaceX at $180 billion and OpenAI at $100 billion.

It's worth noting that the USA and China lead the world rankings in terms of the number of unicorns and combined stock market valuations.

Source: Genuine impact

For further information

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