

2024 in the rear view

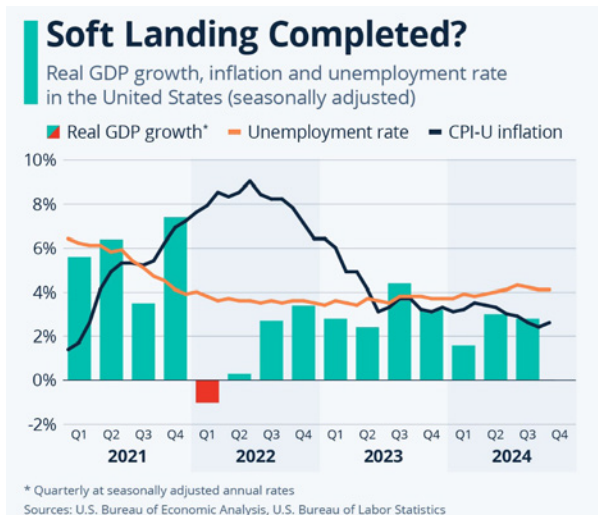
The 2024 season is coming to an end. What an eventful year it has been: the Magnificent 7 rally, the bitcoin halving, Tesla's Cybercab reveal, geopolitical tensions and the US election. Here are ten stories to remember.

Story #1: Soft landing secured?

A soft landing, marked by easing inflation and declining interest rates, remains the baseline scenario for major economies. However, while disinflation has been a consistent trend throughout the year, recent data reveals inflationary pressures may persist longer than anticipated. In October, US headline CPI was 2.6%, near pre-pandemic levels, while core CPI reached 3.3%, and the Fed's preferred Core PCE hit 2.8%, the highest since April. In Europe, euro area inflation rose to 2.0% in October, up from 1.7% in September. In comparison, the rate stood at 2.9% during the same period last year.

Progress in disinflation has allowed central banks to adopt a more neutral policy stance following aggressive rate hikes in 2022 and 2023. Throughout 2024, central banks initiated rate cuts to support economic activity. The SNB led with three cuts, reducing its policy rate to 1%, with another 25-basis-point cut expected in December. The Fed, taking a more cautious approach, started easing in September with a 50-basis-point cut, followed by 25 basis points in November, bringing rates to 4.75%, with another cut likely in December. The ECB also reduced rates three times since June, lowering its policy rate to 3.25% by October, while the BoE cut rates twice, setting its benchmark at 4.75%.

Unlike other major central banks, the Bank of Japan (BoJ) diverged from the global trend of monetary easing by tightening its policy. In March, the BoJ ended its negative interest rate era with a 10-basis-point hike, its first increase in 17 years, followed by another hike to 0.25% in July. These moves aimed to support a weakened yen amid concerns about inflation. Speculation of a December hike to 0.5% has recently strengthened the yen, which had previously declined against the dollar.



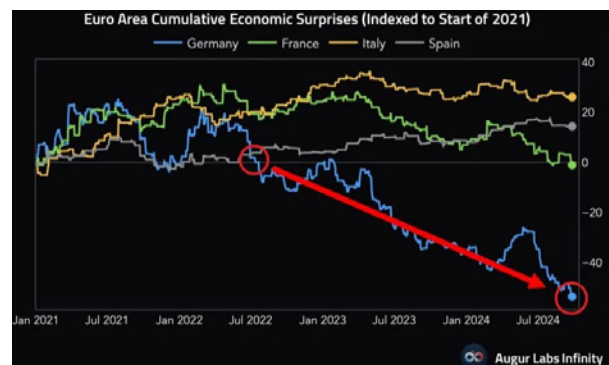
Source: Statista

Story #2: US resilience vs. Europe struggles

The US economy showed resilience, with a healthy 2.8% annualised GDP growth in Q3, and is expected to end up slightly below 3% in 2024, driven by robust consumer spending and increased exports. Advancements in artificial intelligence also contributed to the US economic momentum, by enhancing productivity across sectors.

In contrast, Europe faced intensified economic headwinds. After a near recession in 2023, economic growth had resumed in early 2024 with a pickup in household consumption and exports. Unfortunately, this encouraging dynamic has rapidly lost momentum. The Eurozone's third-quarter GDP showed a modest 0.4% growth, exceeding the 0.2% forecast but most economic indicators have disappointed expectations. This is due to a succession of adverse developments since 2022: sanctions against Russia following Ukraine's invasion, the ensuing cut from Russian gas supply, weaker Chinese demand for manufactured goods, a surge in inflation and the subsequent sharp rise in interest rates. These factors have affected Germany most, due to the structure of its economy. Meanwhile, France is grappling with political paralysis and budget deficit challenges.

Southern European economies have been less affected by recent challenges, benefiting from resilient service demand, particularly tourism. In 2024, their growth and economic sentiment have trended positively, a stark reversal from a decade ago when "peripheral" economies faced deep recessions and "core" economies drove European growth.



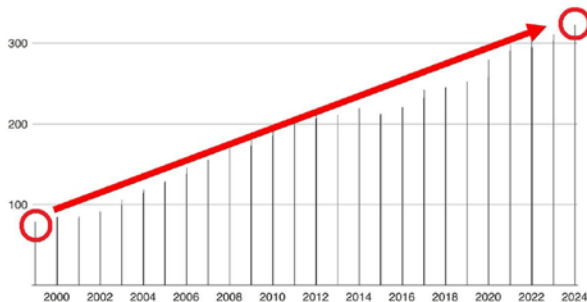
Source: Augur Labs Infinity

Story #3: Global debt has reached unprecedented levels

Global debt increased by over \$12 trillion in the first three quarters of 2024, reaching a record \$322.9 trillion. The global debt-to-GDP ratio fell to 326%, about 30 percentage points below the 2021 record, but remains above pre-pandemic levels. The US budget deficit expanded to \$1.8 trillion in fiscal year 2024, marking the highest level outside the COVID-19 era. Since the end of the debt ceiling crisis in June 2023, total US debt has increased by \$4 trillion. In other words, the US has taken on an average of \$235 billion in debt per month, or \$8 billion per day, since June 2023. This surge was driven by federal debt interest payments, alongside increased spending on social security, health care, and the military.

Global debt marches to whopping \$322.9 trillion

The fresh record, driven by falling borrowing costs and rising risk appetite, increases repayment risks worldwide and potentially exacerbating fiscal strains, the IIF says



Note: In trillion U.S. dollars
 • Source: Institute of International Finance
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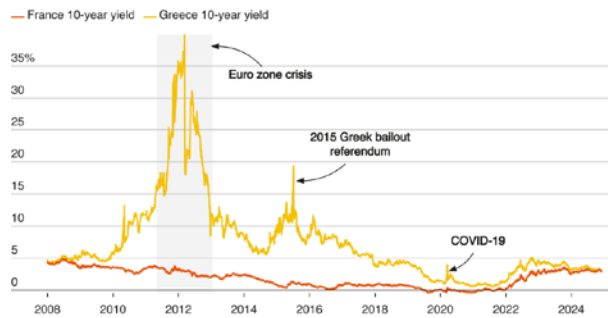
Source: Global Markets Investors

Story #4: France's turmoil

In France, the "Olympic" effect that supported activity in August quickly faded away. The country's state budget deficit has ballooned to €173.8 billion. After a concerning deterioration of public deficits in the past few years, France has no choice but to draw up an "austerity" budget for next year. This will need to be approved through a special procedure due to the government's lack of parliamentary majority. Far from being a stimulus, fiscal policy will be a headwind for growth in France in 2025. In May, S&P downgraded France's credit rating from AA to AA-. Later in October, Fitch and Moody revised France's credit outlook to negative. For the first time in history, the yield on France's benchmark sovereign bond, long considered among the safest in the Eurozone, reached the same level as Greece's for the first time in history. Adding to the challenges, the recent resignation of Prime Minister Michel Barnier following a no-confidence vote has deepened the French political instability.

Greek borrowing costs dip below France's

French yields have risen relative to peers over concerns about the country's finances



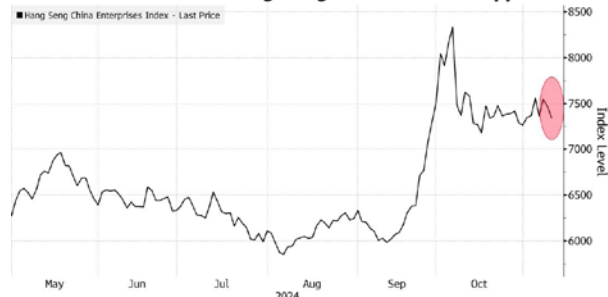
Source: LSEG | Reuters, Dec. 2, 2024 | By Harry Robertson

Source: Reuters

Story #5: China's Year of the Dragon

In China, the government unleashed a "bazooka" stimulus to stabilise its economy, aiming to address the ongoing real estate crisis and stimulate consumption. Initiatives included permitting local governments to use special bonds for purchasing land from troubled developers and hinting at an upcoming debt ceiling adjustment. While the impact remains to be seen, these policy shifts suggest a potential for recovery in 2025, if fiscal and monetary easing continue. The announcement of these stimulus measures had an immediate positive impact on Chinese equities. The CSI 300 Index, which tracks the largest stocks listed in Shanghai and Shenzhen, surged 4.3% on the day of the announcement, marking its best performance since March 2022. However, this initial enthusiasm was short-lived. By the end of the year, the index had relinquished a significant portion of its earlier gains as investors reassessed the effectiveness of the stimulus measures.

Chinese Stocks Fall in Hong Kong as Stimulus Disappoints



Source: Bloomberg

Source: Bloomberg

Story #6: One year of Javier Milei in Argentina

Argentina's Javier Milei's economic "shock therapy" is delivering tangible results. When he took office in December 2023, he inherited staggering challenges: inflation at 230%, the highest in the world, public debt over 60% of GDP, a 200% exchange rate gap, and poverty rate exceeding 40%.

Milei introduced bold austerity measures, including spending cuts, bureaucratic reductions, and a peso devaluation. By October 2024, monthly inflation dropped to 2.7%, its lowest in three years, and Argentina recorded its first budget surplus in 12 years (1.7% of GDP), compared to a 4.6% deficit in late 2023. Sovereign risk, measured by the EMBI index, improved from 1,920 to 984 points.

Financial markets responded enthusiastically. The Global X MSCI Argentina ETF (ARGT) increased its assets sevenfold, from \$104 million to \$750 million, and delivered a 62.6% year-to-date return, becoming the year's best-performing country ETF.

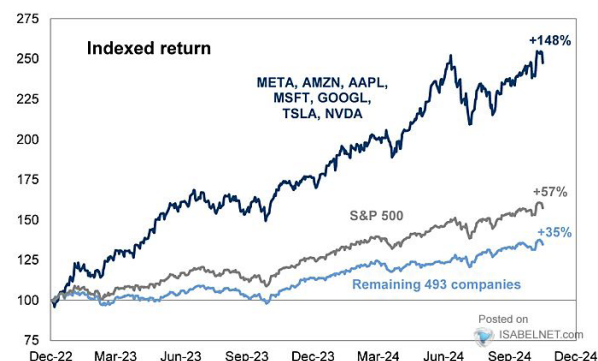
Global Equity ETFs: 2024 Total Returns (in US \$)					
Country/Region	Ticker	2024 TR	Country/Region	Ticker	2024 TR
Argentina	ARGT	62.6%	United Kingdom	EWU	9.0%
Israel	EIS	28.5%	Italy	EWI	8.8%
Peru	EPU	27.9%	Spain	EWP	8.8%
US	SPY	26.9%	UAE	UAE	7.9%
Singapore	EWS	23.2%	Japan	EWJ	7.5%
Total World	VT	19.2%	Colombia	GXG	5.9%
Canada	EWC	18.0%	Qatar	QAT	5.3%
Taiwan	EWT	17.4%	EAFE	IEFA	5.0%
Malaysia	EWM	17.3%	Greece	GREK	4.8%
South Africa	EZA	14.8%	Belgium	EWK	3.5%
China	MCHI	14.3%	Norway	NORW	3.0%
Turkey	TUR	13.6%	Netherlands	EWN	2.3%
India	INDA	12.4%	Philippines	EPHE	2.0%
Kuwait	KWT	10.8%	Eurozone	EZU	2.0%
Australia	EWA	10.2%	Denmark	EDEN	1.7%
Germany	EWG	9.5%	Thailand	THD	1.4%
			Austria	EWO	0.7%
			New Zealand	ENZL	0.3%
			Switzerland	EWL	0.3%
			Hong Kong	EWH	-0.2%
			Ireland	EIRL	-0.5%
			Saudi Arabia	KSA	-1.2%
			Sweden	EWD	-1.7%
			Poland	EPOL	-2.0%
			Finland	EFNL	-3.9%
			Indonesia	EIDO	-5.7%
			France	EWQ	-6.2%
			Chile	ECH	-8.3%
			Vietnam	VNM	-9.3%
			South Korea	EWY	-10.4%
			Brazil	EWZ	-19.0%
			Mexico	EWX	-25.3%

Source: Charlie Bilello

Story #7: S&P 500 market value grew by \$10 trillion this year

The S&P 500 delivered an exceptional year-to-date return of approximately 28.4%, adding nearly \$10 trillion to the index's market capitalisation. Market volatility was unusually stable, with realised volatility for the S&P 500 averaging just 12.5%.

This exceptional performance of the S&P 500 is largely due to the Magnificent 7, whose gigantic market capitalisations and strong growth have dominated the market. Apple (+30.9% YTD), Microsoft (+74.8%), Alphabet (Google, +26.2%), Amazon (+45.5%), Nvidia (+201.3%), Meta Platforms (+77.2%), and Tesla (+44.1%) lived up to their title in 2024. Without their contribution, the S&P 500's return would have been much closer to the average, still respectable, but far less remarkable.



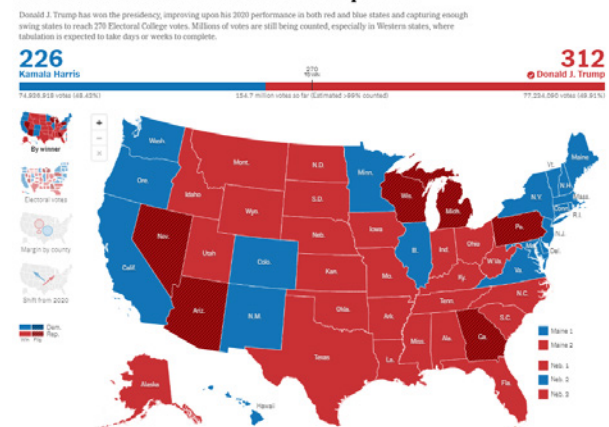
Source: Goldman Sachs, @ISABELNET_SA thru Lance Roberts on X

Story #8: Trump 2.0

While everyone was expecting a re-match of Joe Biden versus Donald Trump, it didn't happen. For health reasons, Joe Biden was replaced by Kamala Harris as the democrat candidate. Donald Trump, after surviving two assassinations attempts, secured a landslide victory and a Republican "sweep" with the strong support of Elon Musk. Following the election, Trump appointed Musk alongside Vivek Ramaswamy, to head the newly created Department of Government Efficiency (DOGE), a playful nod to Musk's favourite cryptocurrency, Dogecoin. This advisory body aims to streamline government operations by reducing bureaucracy, cutting wasteful spending, and restructuring federal agencies.

The 2024 US presidential election attracted unprecedented attention and investment, as evidenced by record inflows into betting markets and financial instruments linked to the political outcome. Buying Trump-linked securities, such as energy, financial services, defense, and cryptocurrency, and selling Harris-linked ones, such as renewable energy, electric vehicles (excluding Tesla), as well as healthcare, and infrastructure, was a winning strategy in 2024.

Presidential Election Results: Trump Wins



Source: The New York Times

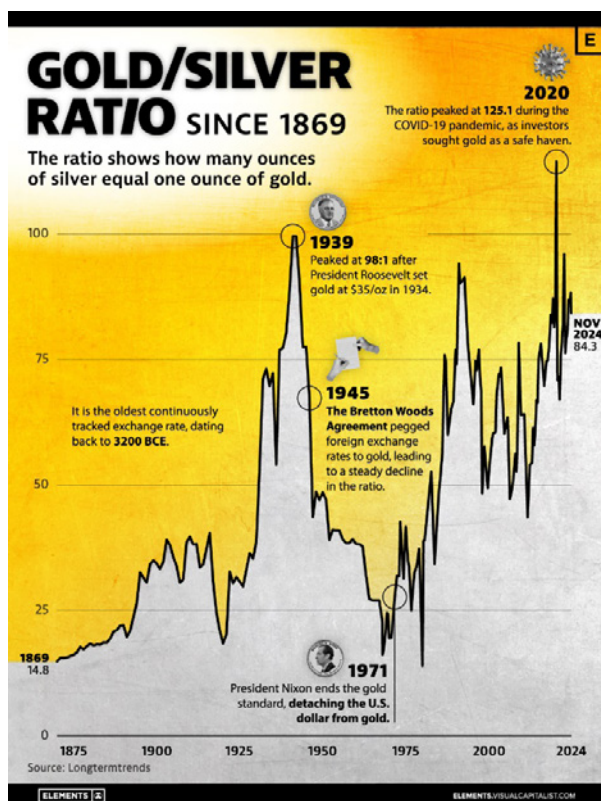
Story #9: Gold, chocolate and coffee...

Gold had its best year since 1979, emerging among the best-performing assets, with a price increase of approximately 30%, despite rising real yields and a stronger dollar. This rally was driven by central banks' aggressive buying, strong demand from Asia and heightened geopolitical tensions. By the end of the year, some profit-taking emerged.

Silver, the "white metal," delivered its own impressive rally. The price surged from \$22 per ounce at the start of the year to over \$32, marking its first breakthrough of this level since 2012. This strong performance was driven by robust industrial demand, particularly from the renewable energy and electronics sectors, as well as increased investment interest amid geopolitical tensions.

Oil prices remained under pressure this year. While rising tensions in the Middle East briefly fuelled price volatility earlier in the year, concerns gradually shifted from potential supply disruptions to the broader weakness in global demand.

Coffee prices surged to a nearly 47-year high, driven by concerns over Brazil's crop yields due to drought conditions. Cocoa ends 2024 with an impressive 122% YTD performance. The biggest surge came in April when futures peaked at \$12,000 per metric ton, a historic high. This spike was driven by severe supply shortages caused by bad weather in producing regions.



Source: Elements.VisualCapitalist

Story #10: A record year for cryptocurrencies

The overall cryptocurrency market capitalisation approached \$3.8 trillion, nearly doubling over the past year. To the surprise of many, 11 bitcoin (spot) ETFs were approved by the SEC early January. Since launch, they have attracted more than \$40 billion net inflows and their cumulated assets under management are almost as large as those held by Gold ETFs. Bitcoin (BTC) surpassed the \$100,000 mark for the first time, up over 132% since the beginning of the year. This surge was largely attributed to the election of President Trump. For the first time ever, the US will have a crypto-friendly White House as more than 300 congressmen and senators are favourable to digital assets. As institutional adoption and regulation are on the rise, the entire crypto ecosystem is gaining recognition and momentum. Since the beginning of the year, ethereum (ETH) has risen by 67%, solana (SOL) by 119%, and ripple (XRP) has surged by 277%. Additionally, the share price of MicroStrategy Inc. climbed by approximately 492% YTD, thanks to its bitcoin accumulation strategy.

Bitcoin hits \$100,000

Bitcoin has doubled this year, and is up about 45% in the four weeks since Trump's election victory in the U.S.



Note: Data as of Dec. 5, 2024 02:42 a.m. GMT

Source: LSEG Workspace | Reuters, Dec. 5, 2024 | By Pasit Kongkunakomkul and Tom Westbrook

Source: Reuters

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