Market Outlook

BROADEN YOUR HORIZONS

2024

Syz PRIVATE BANKING

Contents

Foreword: RRRRR!	04
Top 10 stories: 2023 in the rear view	05
Trading Desk: 2024 outlook	09
Top 7 convictions: How should you invest in 2024?	10
Global Economic Outlook: Lower inflation & weak, more balanced growth	12
Equities: The broadening bull market	16
Fixed Income: A year of redemption?	17
Private Markets: 2024 outlook	20
Liquid Alternatives: Neutral strategies in traditional & crypto markets	21
Thinking outside the box: Ten potential surprises for 2024	23

FOREWORD

RRRRR!

Welcome to Bank Syz 2024 global outlook.

As we head into the New Year, several words beginning with the letter R come to mind.

1. Recovery

Firstly, it's time to take a step back to analyse the remarkable **Recovery** of bonds and equity markets that took place after the double whammy bear market of 2022. As we highlight in our "2023 in the rear-view" section, we just ended a historic year for markets. Bonds and equity markets both contributed positively to performance. The rise of the Magnificent 7, the resilience of the economy and the global disinflation trend made the headlines in 2023.

2. Recession

Secondly, will the global economy avoid a **Recession** in 2024? In our global economic outlook, we share the view that there is indeed a path toward lower inflation but weak, more balanced global growth.

3. Rates

Thirdly, **Rates** are expected to be cut by most central banks in 2024, which could lead to the year of redemption for Fixed Income markets. In our Top 7 CIO convictions, we share the view that dovish central banks, coupled with positive earnings momentum, is a rather favourable context for risk assets. More accommodative central banks can also be supportive for alternatives.

4. Rotation

The fourth R is about **Rotation**. The equity market advance that took place between the Fall 2022 and September 2023 was very narrow, driven by a handful of US mega-cap tech stocks. As highlighted in our equity outlook, we expect a moderate but broadening bull market in 2024.

5. Risks

Finally, the world remains full of **Risks**. Our "10 surprises 2024" and "2024 Trading outlook" remind us that we navigate through a world full of unexpected developments, whether they are on the geopolitical, macro-economic or market side.

We hope you find our insights helpful and we look forward to partnering with you in 2024.

Charles-Henry Monchau
Chief Investment Officer

TOP 10 STORIES

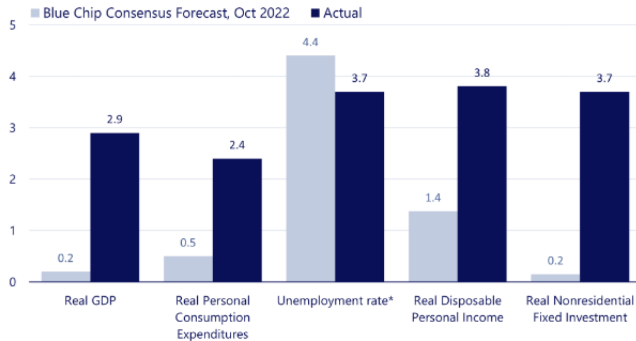
2023
in the rear view

STORY 1 —

The Resilience of the US economy

2023 showcased the remarkable resilience of the US economy amidst a landscape of global uncertainties. Contrary to widespread recession fears, the US economy demonstrated robust growth, underpinned by strong consumer spending and a rebounding labour market. Key indicators, such as the unemployment rate, which remained steadily below 4%, and a GDP growth rate outpacing many forecasts, evidenced this resilience. Consumer spending, which makes up two-thirds of the U.S. economy on average, continued its upward trajectory, reflecting confidence in the economic outlook. Corporate earnings, while varied across sectors, generally surpassed expectations, indicating the underlying strength of American businesses. The resilience of the US economy in 2023 not only defied the pessimistic predictions from 2022 but played a part in stabilising global markets.

The U.S. economy has outperformed private forecasts from a year ago.
Percent change, 2022 Q3-2023 Q3
Percentage points



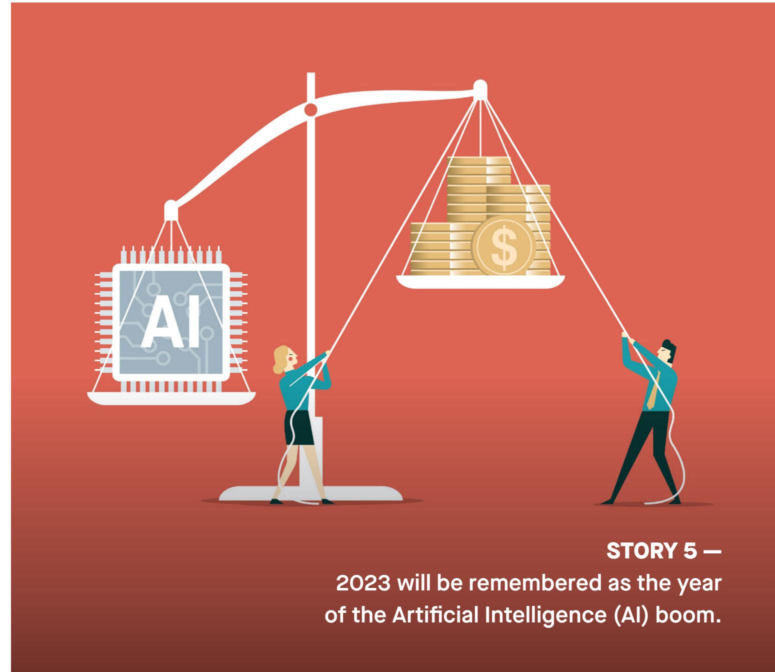
Council of Economic Advisers
Source: Bureau of Economic Analysis. *Unemployment rate is average value in 2022Q3.
As of October 26, 2023 at 8:30am

Source: Bureau of Economic Analysis

STORY 2 —

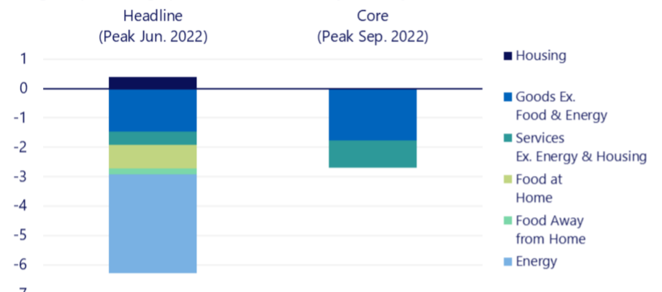
Global disinflation trend

With a much-needed shift from the 2022's inflationary pressures, 2023 witnessed a significant global disinflation trend. Central banks worldwide successfully implemented monetary policies that tempered inflation without derailing economic growth. The CPI figures across major economies reflected this trend, with the U.S. CPI falling to a manageable 3.1%, and the Eurozone reporting a similar decline to 2.4% in November.



These reductions in inflation were partly attributed to the easing of supply chain disruptions and somewhat to the stabilisation in energy prices, which had previously helped fuel the inflationary spike. The speed of the disinflation appears to have surprised many economists and reveals that the problem was largely related to supply distortions rather than excess demand. The global disinflation trend of 2023 helped in part to tame the rising cost-of-living pressures.

Change in CPI Inflation From Peak to November 2023
Change in percentage point contributions to year-on-year CPI inflation



Council of Economic Advisers

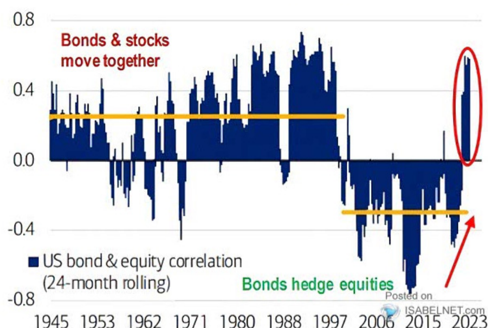
Source: Bureau of Labor Statistics; CEA calculations

STORY 3 —

The 60-40 is back as correlation between equities and bonds stands at record high

After having been written off last year, 2023 has marked a significant comeback for the 60-40 equity-bond portfolio. After a challenging period where both equities and bonds experienced simultaneous downturns, this year witnessed a record-high correlation between the two asset classes, the highest correlation we have seen since 1993-95. At the time of our writing, equities showed robust performance, with the S&P 500 just 2% away from a new all-time high, buoyed by resilient corporate earnings, stellar performance particularly in large-cap tech stocks, and investor optimism about global economic prospects. Meanwhile, bonds experienced a breather from the dismal year of 2022, recording their best performance since the 1980's in the month of November, as investors frantically bid up the price of US Treasuries and corporate bonds. Note however that the correlation coefficient between equities and bonds reached an unprecedented level, highlighting the regime change which was already observed in 2022.

Rolling 24-month correlation between US stocks and Treasury bonds



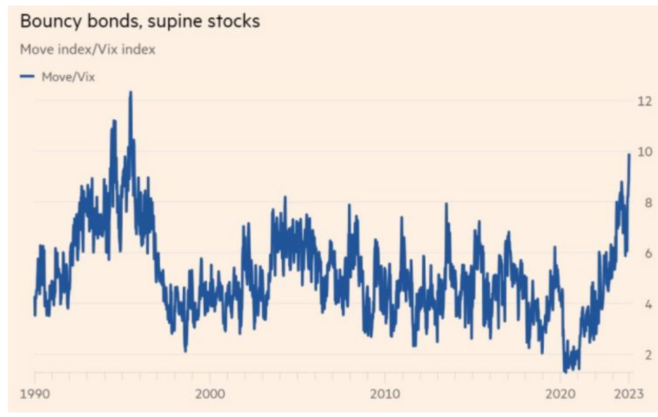
Source: BofA

STORY 4 —

Equity volatility collapsed while bond volatility spiked

Financial Markets experienced a unique dichotomy, with a dramatic collapse in equity volatility juxtaposed with a significant spike in bond volatility. The VIX index, often referred to as the stock market's "fear gauge," plummeted to its lowest levels in years, reflecting a period of unusual calm and investor confidence in the equity markets. This tranquillity in equities, while reassuring for investors, might indicate too much market complacency and is characteristic of market tops. The markets now find themselves with a Dow Jones (US), DAX index (Germany), CAC index (France), and Nifty 50 all at an all-time high. On the other hand, the bond market experienced heightened volatility. This was largely driven by the dynamic shifts in interest rate expectations and the ongoing recalibration of monetary policies by central banks worldwide. The contrasting behaviours of these two major asset classes underscored the complexity and unpredictability of market dynamics in 2023, challenging investors to navigate a landscape where traditional risk perceptions were upended.

Which volatility is right?



Source: Bloomberg, FT

STORY 5 —

The AI boom and the magnificent 7

2023 will be remembered as the year of the Artificial Intelligence (AI) boom, a transformative period in technology that reshaped industries and investment landscapes. This revolution led to the birth of the term "The Magnificent 7," seven leading companies that emerged as the frontrunners, driving unprecedented growth, anticipation, and innovation. The financial markets responded enthusiastically, with these companies not only outperforming their peers but also contributing to more than all of the S&P 500's gains this year. The current top 5 companies by market cap make up ~26% of the S&P 500, The last time the top 5 had a greater concentration in the S&P 500 was 1964 w/AT&T, GM, Exxon, IBM, Texaco. The AI boom, led by these Magnificent 7, is certainly indicative of the expectations and enthusiasm that currently surround this space.

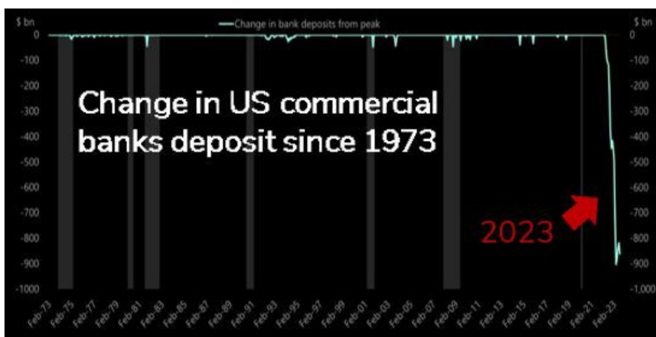
The Super-7 make up more of MSCI ACWI than Japan, UK, China, France and, now almost Canada too, combined

Source: LSEG Datastream, Schroders

STORY 6 —

A bank run in slow motion

We also witnessed an unusual phenomenon in the banking sector, a slow-motion bank run. This was triggered largely by a combination of low interest rates on deposits, attractive returns from Money Market Funds and Treasury Bonds, declining customer confidence, and liquidity concerns. Deposits continue to flow out of banks at a historic pace with $1 trillion + withdrawn over the last year. Interventions were made by central banks and financial regulations, including liquidity support, public statements of confidence, and, in some cases, policy adjustments. In the end, one thing has become clear for large US banks, the era of "free money" is coming to an end, and if they don't want to face the same fate as several of their peers this year, they must raise interest paid on deposits or the capital will continue to flow elsewhere.



Source: Apollo

STORY 7 —

China disillusion

The Hang Seng Index, a barometer of Hong Kong's stock market often reflective of mainland China's economic sentiment, experienced significant volatility, and underperformance.

After a promising start to the year, the Index faced a downward trajectory, experiencing a drawdown of over 28% so far. Meanwhile, main indices in other countries have been experiencing new all-time highs. Furthermore, the Shanghai Composite Index, representing mainland China's stock market, mirrored this trend, struggling to regain momentum amid investor scepticism and domestic economic challenges.

The stark underperformance of these indices reflected broader investor disillusionment with Chinese equities, as concerns over regulatory risks and geopolitical tensions overshadowed the market's potential. The year 2023 thus is coming to an end with a sentiment of shifting dynamics in the Chinese stock market, urging investors to reassess their strategies in the face of heightened uncertainty and regulatory unpredictability.

Shanghai Composite Has Been Testing 'Fate Line'

Source: Bloomberg

STORY 8 —

Another Middle East crisis

Regrettably, in 2023, the Middle East experienced a further escalation of tensions, characterised by renewed hostilities between Israel and Palestine. International efforts to broker peace faced numerous challenges, as each incident further deepened the divide and mistrust between the parties involved. The crisis also had broader geopolitical implications, eliciting varied responses from the global community, even making its way deep into university campuses. While some nations called for immediate ceasefires and negotiations, others took more definitive stances in support of either Israel or Palestine. The United Nations and various diplomatic entities actively sought to mediate, emphasising the urgent need for a sustainable resolution to the conflict. For the moment, it's difficult to tell how the conflict will be resolved.

STORY 9 —

Commodities in the red

In a stark reversal from the previous year, 2023 witnessed a significant downturn in the commodities market, with many key commodities closing the year in the red. Notably, crude oil experienced a dramatic decline, with prices falling by over 20% from their peak earlier in the year. This drop was attributed to a combination of factors, including easing geopolitical tensions and increased production in response to prior high prices. Similarly, industrial metals like copper and aluminium, which had seen substantial gains in 2022, faced steep declines, reflecting a slowdown in manufacturing and construction activities across many key regions. The agriculture sector was not immune to this trend, with prices of major crops like wheat and soybeans falling significantly due to improved supply conditions and reduced demand from key markets. Certain commodities however have been spared from these drawdowns. Namely, uranium, which has reached levels not seen since 2008, mainly due to the stark reversal in perception of the utility and risk reward ratio of nuclear energy.

Source: Bloomberg

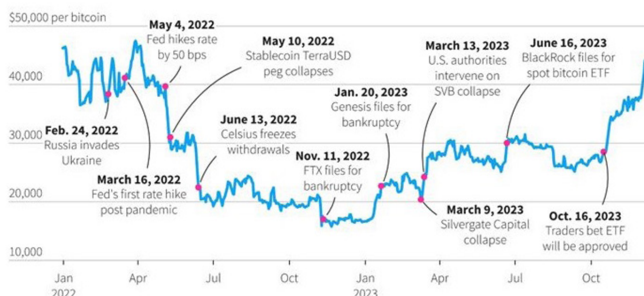
STORY 10 —

The come-back of cryptos

The year also marked a remarkable turnaround for cryptocurrencies, reinstating them as a major player in the global financial landscape. After the tumultuous 'crypto winter' of the previous year, major cryptocurrencies like Bitcoin and Ethereum made impressive recoveries. Bitcoin, which had seen a significant decline in value in 2022, rebounded strongly, with a current market cap approximating that of Meta, even with Meta having recorded a 170% increase in stock price in the last 12 months. Ethereum followed a similar trajectory, witnessing a 63% increase in value. This resurgence was driven by a combination of factors, including the adoption of cryptocurrencies by mainstream financial institutions, regulatory clarifications in key markets, and a growing recognition of digital assets as a legitimate investment class. The crypto market's recovery in 2023 not only demonstrated its resilience, but also highlighted the evolving nature of digital currencies and their increasing relevance in the modern financial ecosystem.

Bitcoin in 2022 and 2023

Timeline of recent key events for cryptocurrencies



Source: Bloomberg

Charles-Henry Monchau

Chief Investment Officer

Oliver Ramos

Junior Investment Analyst

TRADING DESK

2024 outlook

Looking ahead to 2024, several priorities, objectives, concerns, and focus points emerge: a key concern is market liquidity, particularly for mid-small cap stocks and emerging market bonds. The challenge is always to find liquidity when executing large trades without significantly impacting the market price.

The shift in the settlement cycle from T+2 to T+1 brings various implications, especially in terms of treasury management, foreign exchange (FX) operations, and overall operational readiness. This change requires significant adjustments in transaction processing.

Also in the spotlight is the proposed reform of the Markets in Financial Instruments Directive (MiFID), which aims to reverse the ban on providing free research to clients. This would allow brokers to reintegrate the costs of analysis and execution. The proposal is timely as the United States is poised to align with MiFID regulations, indicating a potential shift in the regulatory landscape that trading desks need to prepare for.

Continued expansion into digital asset offerings remains a priority for us. Following the offering of direct exposure to underlying digital assets, there's an ongoing effort to tokenise assets, such as art pieces, to provide innovative investment opportunities. For example, this year, we tokenised an artwork to distribute tokens to colleagues as an end of year gift, illustrating this innovative approach. Close attention to regulations in the United States is crucial, even though the framework in Switzerland is well-defined, due to the rapidly evolving nature of digital asset regulations globally.

A significant point for 2024 is the need to remain at the cutting edge of technology, despite increasingly challenging budget constraints. This involves finding innovative ways to leverage technology for better market analysis, risk management, and trading efficiency, all while managing tighter financial resources. Keeping abreast of technological advancements is crucial in maintaining a competitive edge in the rapidly evolving financial markets.

To summarise, the focus for 2024 includes navigating market liquidity concerns, adapting to faster settlement cycles, staying ahead of regulatory changes, expanding into the digital asset space, and remaining technologically advanced despite budgetary limitations.

Valérie Noël
Head of Trading

TOP 7 CONVICTIONS

How should you invest in 2024?

This is the time for the macroeconomic and financial projections for the New Year. As the famous economist John Kenneth Galbraith so aptly put it, the world of forecasters is divided into two categories: "those who don't know" and "those who don't know that they don't know". For our part, we understand this is a perilous exercise, and that many of the predictions supported by the oracles of finance may not come true in 2024. Let's try, however, to sort through the many scenarios likely to come true next year and share our strongest convictions below.

Let's start with the outlook for global economic growth. It's almost a certainty: it will slow down in 2024. What remains to be determined is the extent of the slowdown and how long it will last. We believe that the global economy has the capacity to avoid a severe recession. We are therefore heading for a soft landing that may last longer than most strategists think. The good news is that divergences between the major economies are gradually narrowing.

In the US, consumer resilience could be sorely tested by a rising unemployment rate, a persistently high cost of living and a relatively high interest burden. The likelihood of a recession is high, as tighter credit conditions eventually weigh on activity, while fiscal policy is unlikely to provide the same kind of support as seen in 2023.

Europe should gradually emerge from the mild recession it is currently experiencing. Unlike the United States, the old continent did not abuse the fiscal stimulus in 2023. Things could change in 2024.

As for China, we believe it has entered a new era of weaker but better growth, driven by the expansion of domestic demand.

Our second conviction is that global inflation will continue to fall as a result of lower energy prices, slower global growth and the delayed effects of the rate hike cycle.

But beware! This may only be temporary relief, as secular inflationary forces remain. We call them the 3 Ds:

- **D for Demographics:** an ageing population is leading to labour shortages on both sides of the Atlantic.
- **D for Decarbonisation:** the decline in fossil fuel production may create supply shortages, exerting de facto upward pressure on energy prices.
- **D for De-globalisation:** reshoring, near-shoring and friendshoring exert upward pressure on prices. More cautious inventory management on a global scale is also inflationary.

Third conviction: a temporary fall in inflation will reverse the monetary policy cycle in the G7 countries. The Fed could start lowering its key rates ("pivoting") as early as the first half of the year. Other central banks (e.g., ECB, SNB, BoE, etc.) are likely to follow suit.

Meanwhile, fiscal policy is likely to become a headwind in the US, with "Bidenomics"related stimuli ahead of schedule in 2023.

Conviction number 4: The combined effects of a moderate slowdown in growth, lower interest rates and positive corporate earnings momentum should lead to a moderate rise in equities in 2024.

The good news is that the rise in equity markets should be more balanced than it was in 2023. The exceptional performance of the magnificent 7s was the main driver of the market's rise this year. But in 2024, we expect a more generalised rise in equity markets. While some mega-caps in the technology sector should do well, it's time to look at the stocks that are lagging, such as some small- and mid-caps, Swiss blue chips and value stocks.

Conviction number 5: 2024 could be the year of the bond markets.

Bond investors are finally emerging from a very complicated period. After the crash of 2022, the first part of this year offered little respite, and bond market volatility remained very high. Logically enough, many investors favoured money market investments.

If central bank rate cuts materialize, bond markets should benefit. We believe that the 5–10-year part of the government bond yield curve and investment-grade bonds should outperform money market investments next year.

Conviction number 6: don't hesitate to diversify portfolios and use protection.

Against a backdrop of growing geopolitical risks, uncertainty surrounding the 2024 US election and the consequences of 18 months of monetary policy tightening, we recommend incorporating protective strategies into portfolios. The very low volatility of equity markets also makes it possible to use low-cost option strategies.

Assets that can be used to diversify portfolio risk include oil and energy stocks (useful in the event of geopolitical shocks), gold and digital gold (aka bitcoin), which are effective hedges not only against geopolitical risks, but also against the downside of growing US budget deficits and the debasement of so-called FIAT currencies. Among hedge funds, we should mention macro and multi-strategy funds, which take advantage of macroeconomic volatility and are nimble enough to take advantage of the best tactical opportunities.

For clients who are not constrained by liquidity requirements, the inclusion of private assets can significantly improve their risk/return profile.

Our final conviction: we live in an age of opportunity!

Never has the world been through a time so fertile in innovation and disruption: blockchain, artificial intelligence, genome sequencing, robotics, energy storage, electric vehicles, and the list goes on. All these projects and developments create fantastic investment opportunities. And that's what makes our business and the investment world so exciting.

Long live 2024!

Charles-Henry Monchau

Chief Investment Officer

A path toward lower inflation and weak, but more balanced, global growth

2024 is expected to be the year when the economic chain reaction triggered by the Covid pandemic reaches its end. Economic shutdowns, massive fiscal and monetary policy supports, a burst in activity, a surge in inflation and the ensuing sharp rise in rates have run their course over the past four years. The question for the coming year is to know how the world economy emerges from this unprecedented period of time, in a context of global geopolitical tensions and with looming elections in several key economies.

Our central scenario for 2024 can best be described as a balanced combination of the different positive and negative factors likely to weigh on economic developments next year. We deem this scenario most likely based on fundamental trends and recent dynamics, but one must bear in mind that the path toward what we expect to be a relatively benign macroeconomic environment is full of potential risks and surprises, for the better or for the worst. As such, we outline below our main macroeconomic views for 2024, but we also highlight potential alternative scenarios that could also play out next year depending on circumstances.

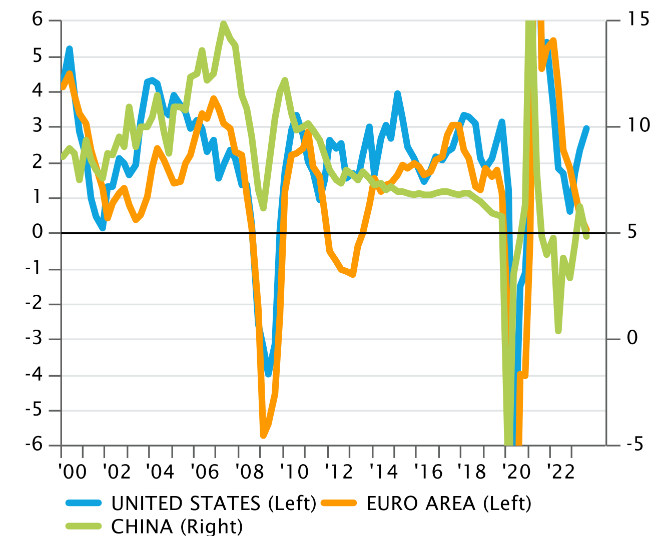
An economic growth normalisation as divergences of 2023 are gradually reduced

Global growth is expected to slow down in 2024 as the most dynamic economy of 2023, the United States, eventually bends under the combined impacts of higher interest rates and reduced support from the government. Indeed, the US economy has proved to be remarkably resilient in 2023, as strong domestic momentum has been supported by profligate fiscal measures. This resilience stood in stark contrast with much weaker economic dynamics in China and Europe, with the latter even falling into recession during the second half of the year. 2024 should see a narrowing of those divergences: the US economy will experience a slowdown as fiscal support diminishes in a context of political gridlock in Washington, and restrictive lending conditions bite into the ability of households and businesses to spend and invest. In this process, a moderate recession, i.e., a couple of quarters when GDP growth is negative, appears likely as the economy adjusts to a less favourable environment.

In parallel, Europe is expected to resume a mild expansionary trend after its 2023 recession when adjustments triggered by restrictive financing conditions and less government support have already happened. And the Chinese economy appears ready to stabilise after a multi-year slowdown caused by political decisions designed to strictly control a wide array of sectors (real estate being the most emblematic).

Real GDP growth YoY % by region

Strong divergences in 2023

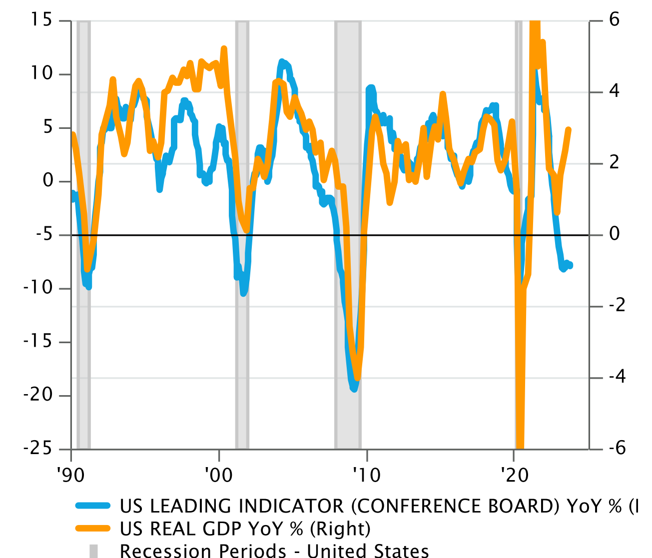


Source: Banque Syz, FactSet

A slowdown in the US, a pickup in Europe and a stabilisation in China should lead to an environment of soft (and slightly softer) global economic growth, but also an environment where differences between regions will be less pronounced than in 2023, with key economic area settling around their long-term potential growth rate (around 2% in the US, 1.5% in Europe, 5% in China). In this scenario, 2024 will indeed be the year of the “back-to-normal” after the Covid shock and its aftermaths.

United States – Real GDP & Leading Indicators

A recession loom for 2024



Source: Banque Syz, FactSet

Risks around our central scenario

- Time to pay the price of the turbo-charged post-pandemic growth: a US recession is the straw that breaks the camel's back of an already fragile global economy, excluding the US.
- Recession, inflation, and wars: a global recession amplified by surging energy & commodity prices as geopolitical tensions intensify.
- Entering a new regime of sustained strong nominal growth (and higher rates): global growth acceleration, no recession.

A gradual dissipation of inflationary pressures

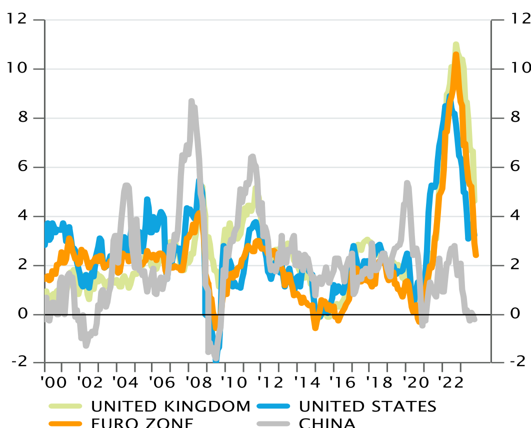
The inflationary episode that started in 2021 was initially triggered by a supply shock caused by the post-Covid reopening. It may have been "transitory" if it hadn't been followed by a demand shock fuelled by strong consumption, tight labour markets & rising wages, strong fiscal support, and excess savings.

The acceleration in underlying inflation drivers has required a forceful intervention by central banks, resulting in a sharp increase in interest rates, reduced liquidity, and tighter lending standards. The impact of this tightening already started to be visible on inflation and activity data in the second half of 2023.

The key drivers of underlying inflation are expected to continue to cool down in 2024: labour market normalisation and resulting lower pressures on wages,
diminishing fiscal support, and shrinking excess savings will dampen upward pressures on prices.

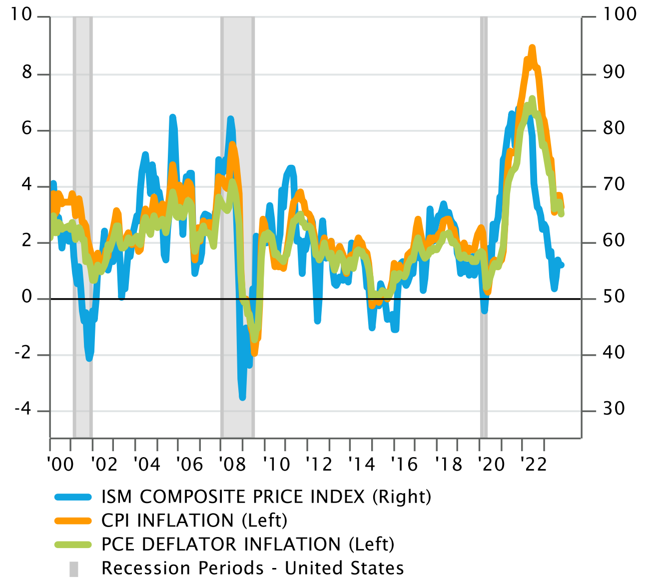
We expect inflation rates to continue to slowdown in 2024 from their current elevated levels. Unless there is an unexpected supply shock, inflation rates will gradually trend down toward levels in line with central banks' targets by the end of 2024.

Inflation rate by region



Source: Banque Syz, FactSet

United States – Inflation and Price Index



Source: Banque Syz, FactSet

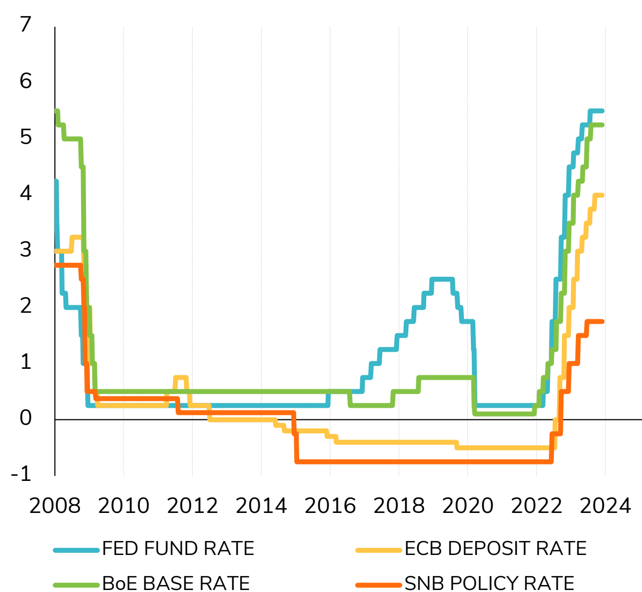
Risks around our central scenario

- Deflation makes a comeback: recessions in the US and Europe drive unemployment higher and dampen pressures on wages. Demand cools down and prevents price increases, while energy & commodity prices are deflated by weaker global demand.
- Inflation reaccelerates, led by energy &commodity prices and supply-chain disruptions: despite rising unemployment, unions and governments push for rises in wages in response to rising inflation, fuelling a price/wage inflation spiral.
- Inflation remains above target, fuelled by strong final demand: inflation remains above central banks' targets, as strong demand for goods & services, and rising wages, continue to fuel upward price dynamics. Companies can pass rising labour costs into prices, fuelling a price/wage inflation spiral.

The global cycle of monetary policy tightening gets reversed

Central banks have delivered, over the past two years, one of the sharpest rate hike cycles ever implemented. The unexpected and sustained acceleration in inflation, in a context of ultra-low interest rates, had indeed driven real rates deep in very negative territory.

Key central bank rates

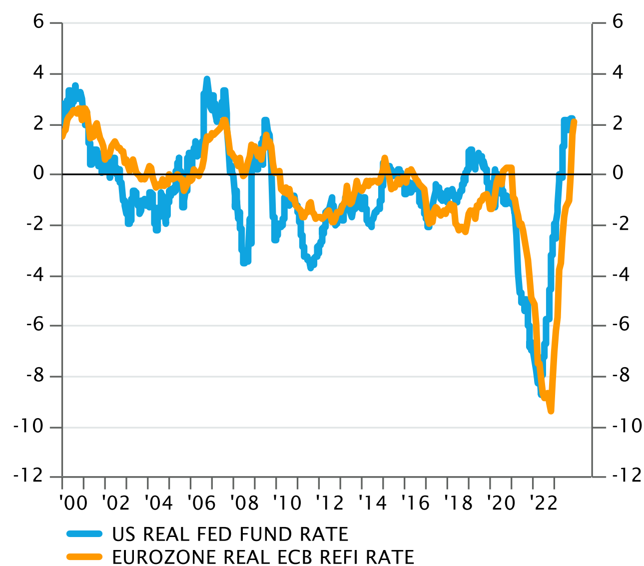


Source: Banque Syz, Bloomberg

Central banks found themselves running behind the rise in inflation in order to bring real rates positive, a necessary condition to weigh on the underlying drivers of inflation. This has been achieved in the course of 2023, and real short-term rates are now positive across most economic areas.

As inflation remains above central banks' targets in large, developed economies, the Fed, the ECB or the BoE are willing to maintain their restrictive stance, warry of repeating some past mistakes of cutting rates too early without having "killed" underlying inflationary dynamics.

US & Eurozone real short-term rate
(Nominal rate – headline CPI inflation)



Source: Banque Syz, Bloomberg

However, leading indicators suggest that the current monetary policy stance (and real rate level) is already sufficient to engineer a decline in inflation, eventually toward central banks' targets. This situation leads to two important conclusions for 2024:

- If inflation slows down as we expect over the course of 2024, financing conditions will become increasingly more restrictive. Unchanged nominal rates combined with declining inflation would lead to a continuation of the rise in real rates, to levels not seen in almost two decades. In a context of already slowing economic activity, this may be described as "passive overtightening" and could have an unwarranted negative impact on economic activity.
- In this context, the global rate hike cycle has likely reached its peak, and we now expect this cycle to be gradually reversed next year.

In a “mirror image” of the race behind rising inflation in 2022, we expect central banks to adjust their key rates to the downside in 2024 as inflation declines, at least in order to prevent an undue additional increase in real rates.

The level of “positiveness” of real rates will indeed have to be adjusted to the underlying economic growth dynamic, to the trend in inflation, and to the sensitivity of the economy and the financial system to interest rates, especially to debt levels in the public and private sector.

With inflation trending lower, economic growth to be sluggish across most regions, and public debt continuing to rise, a further increase in real rates appears all but unwarranted for 2024, and central banks will adjust their monetary policy to prevent such increase. This will likely imply rate cuts by most central banks, even though they want to remain “restrictive” to ensure that the inflation genie is thrown back into its lamp.

Risks around our central scenario

- Aggressive monetary policy easing: the Fed and the ECB are forced to cut rates aggressively in order to reinstate negative real rates, as inflation and economic activity drop.
- Central banks, faced with an unpleasant combination of recession and rising inflation, are forced to raise further their key rate to prevent a plunge in real rates: central banks are forced to hike rates further from 2023 levels as they continue to "run behind" inflation. However, they cannot act decisively with a sharp rise in real rates due to weak economic growth.
- The global rate hike cycle resumes after the pause at the end of 2023: as global growth proves to be resilient and even picks up, labour markets remain tight. Central banks resume their rate hike cycle, trying to regain control of inflation dynamics by looking for the appropriate level of restrictiveness in real rates.

Adrien Pichoud
Chief Economist

EQUITIES

The broadening bull market

The last earnings season went rather well, with profits once again exceeding market expectations. More generally, earnings have been very resilient over the past two years, taking advantage of rising input costs to strengthen pricing power and increase profit margins. The stock market is poised for a winning year, despite central bank interest rate hikes, persistent inflation, and geopolitical tensions.

The consensus (IBES) expects earnings per share to remain at current high levels this year, then to rise significantly next year (i.e., S&P 500 +11.7% and Stoxx 600 +7.0%). Is this sustainable in the current economic climate, or is the market too complacent, as guidance provided by companies in their latest earnings releases was far more cautious?

US and Europe EPS Growth consensus projections

	EPS GROWTH		
	2023e	2024e	2025e
S&P 500	0.6%	11.7%	12.3%
STOXX 600	-1.0%	7.0%	9.0%

Source: IBES

Even if market expectations for 2024 seem a little too optimistic, we believe that equities will continue to rise next year for several reasons. In the face of the expected economic slowdown, the divergence of economies worldwide and out-of-sync monetary policies will create areas of opportunity; peak interest rates could fall in a less inflationary environment which will stimulate growth; profit margins should not collapse thanks to cost-cutting (less pressure from wages and inputs). Finally, resilient consumer spending will continue to underpin economic activity. It should also be noted that in the US, the high proportion of fixed-rate mortgages protects borrowers from rising rates.

Although Earnings Per Share (EPS) growth could fall short of market expectations, and possible downward earnings revisions could weigh on valuations, the reorientation of monetary policies by central banks will offset this phenomenon.

Moreover, this equity rise might be more balanced and broaden than in 2023 where the "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Meta, Tesla and Nvidia), which account for around 30% of the S&P 500 index, had a major contribution. If we look at the market without these mega-caps tech stocks, we can see that valuations are not exaggerated, and that there are stocks and/or sectors which are still far below their all-time highs and represent interesting opportunities.

So, given the uncertainties of the current environment, it's vital to focus on quality in stock selection. Looking for companies with competitive positions, solid financials and steady cash flows can drive above-average earnings growth and share price appreciation and that can be held regardless of the stage of the economic cycle. Typically, we are selecting stocks with dominant position in a market segment, a market niche or a brand which give them pricing power. They have high barriers to entry and can grab shares from competitors. What we avoid are financial leverage, commoditised or overly competitive industries, undifferentiated products or services and low predictability of revenues, earnings, or cash flow.

Simon Oederlin
Senior Portfolio Manager

FIXED INCOME

A year of redemption?

At the time of writing, the global fixed-income market has weathered the storm over the past two years, remaining relatively flat in 2023. Fixed-income investors, who endured a challenging half-decade, witnessing the Global Aggregate bond index deliver an average annual total return of -1.5% over the past five years, may find solace in the prospect of redemption in 2024. Our baseline scenario sets the stage for a positive shift, forecasting a high single-digit total return for fixed-income investments in the upcoming year. The potential for a double-digit gain, looms on the horizon, especially if market projections materialise, predicting a substantial 100 basis point interest rate cut by the Federal Reserve in 2024. As we delve into the intricacies of the fixed-income landscape, this outlook navigates the evolving terrain, presenting a strategic approach for investors to seize opportunities and mitigate risks in the pursuit of redemption in 2024.

Governments bonds: navigating peaks and valleys

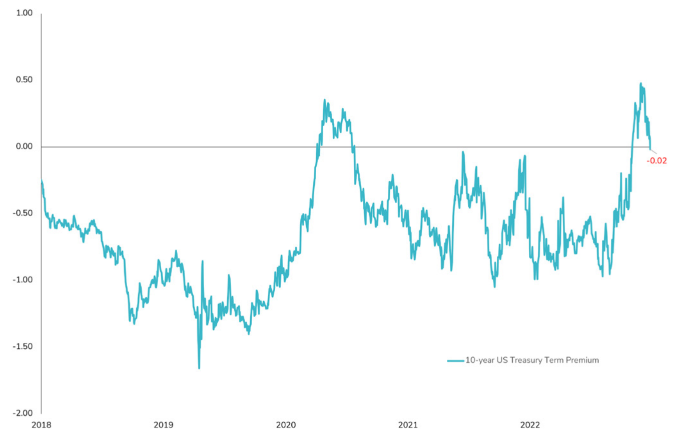
The surge in interest rates during 2022 was primarily driven by inflation concerns. However, in 2023, the ascent in yields has been propelled by a more optimistic outlook on economic growth potential. This upward trajectory has propelled real interest rates to unprecedented levels, not witnessed in decades.

Moreover, the coordinated reduction of balance sheets by most developed central banks is exerting a direct influence on real interest rates and term premiums. Furthermore, the prevailing narrative of "higher for longer" has prompted a recalibration of flows into the front end of the yield curve, fueled by apprehensions about the long end's convexity, potentially underperforming in this scenario.

Additionally, the persistent increase in supply resulting from heightened fiscal spending will continue to exert pressure on the treasuries market. The term premium, which reflects the additional yield demanded by investors for holding longer-term bonds instead of rolling over shorter-dated securities, has recently turned negative (as illustrated in Chart 1). This reversal might be interpreted as an indicator that the market is anticipating a recession in the US in 2024. The negative term premium, coupled with the enduringly high-rate volatility, could pose a challenge for long-term US Treasuries. Conversely, we acknowledge the potential for lower rates owing to a global growth slowdown.

In response to this rate environment, we advocate for **investments with maturities of up to 10 years**. In this segment, we identify an attractive rate asymmetry supported by the anticipated moderation in growth and inflation. Given our reservations about the Eurozone's growth prospects and the potential conclusion of the ECB rate hike cycle, we maintain **a neutral stance on EUR rates, with a preference for core rates over peripherals.**

Chart 1 - 10-Year US term premium dips back into negative territory

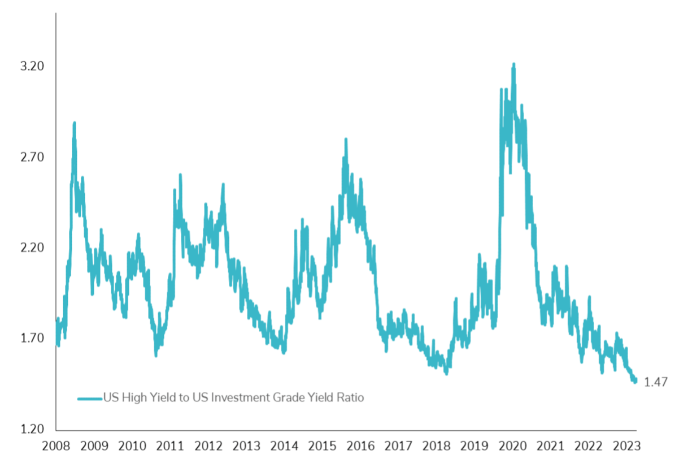


Source: Bloomberg

Developed Corporate bonds: unveiling opportunities amidst uncertainty

In the realm of credit, our neutral stance places emphasis on high-quality corporate bonds and selective short-term high-yield (HY) bonds tied to companies boasting a manageable leverage ratio and predictable Free Cash Flows. The reduced spreads (as observed in chart 2) and volatility in the high-yield sector leads us to adopt a cautious stance on long-term high yield bonds. The recent dip in volatility within the US High Yield market, reaching levels unseen since 2021, signals a tightening landscape for extracting excess returns in 2024, particularly with a dwindling market share of CCC-rated instruments.

Chart 2 - US high yield to US investment grade yield ratio



Source: Bloomberg

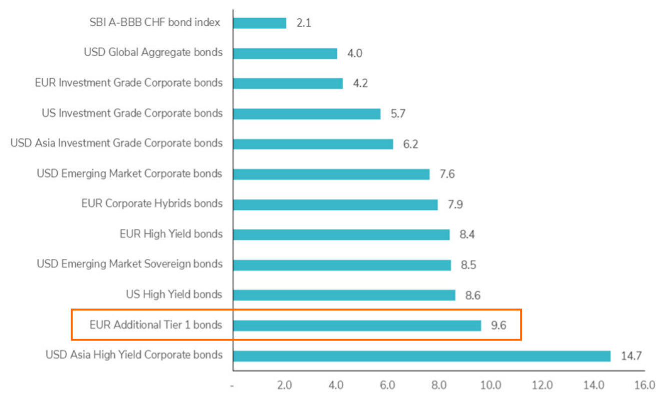
In Europe, a similar scenario unfolds, albeit with a less robust economic outlook. While European credit enjoys an

appealing valuation in absolute terms and in comparison, to the US, its attractiveness is constrained by economic conditions and the potential conclusion of ECB's pandemic emergency purchase programme (PEPP) reinvestment.

Despite these challenges, we discern potential in subordinated debts. Regardless of a complicated 2023 highlighted by the Credit Suisse debacle, the segment exhibits resilience with a noteworthy gain of over 6%. The market's rebound, post-panic, **positions AT1 bonds as standout performers**, surpassing equivalent junk debt in yield.

The pivotal year of 2024, with $30 billion of AT1 bonds facing their initial redemption date, hinges on 1) issuers maintaining a bondholder-friendly approach, even if not economically optimal, and 2) alternative investments presenting less attractive yields. Notably, 92% of AT1 bonds with a 2023 call date have been redeemed, slightly below the long-run rate of 94%.

Chart 3 - Average Yield to Worst by Fixed Income segments (%)



Source: Bloomberg

Emerging Markets debt dilemma: striking the balance between Jekyll's stability and Hyde's uncertainties

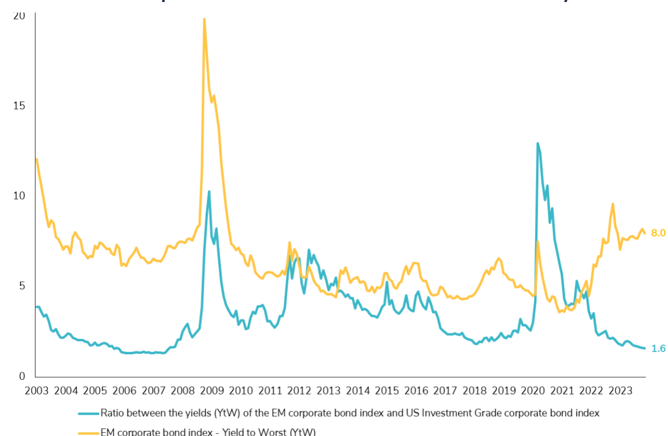
In Emerging Market (EM) debt, a stark dichotomy between positive and negative factors has reached its zenith. There is a notable contrast between attractive absolute valuations and expensive relative valuations, resilient corporate fundamentals and a high EM corporate default rate, as well as negative supply versus subdued demand.

In absolute terms, the average yield of 8% in EM aggregate bonds is the highest since the 2008 financial crisis.

However, when compared to US Investment Grade bonds, the ratio of the yield of EM corporate bonds to US IG corporate bonds is at its lowest level since 2007. The default rate in EM corporate bonds for 2023 is anticipated to end at 10% in High Yield, a decline from the almost 15% recorded in 2022, driven by the Russia/Ukraine conflict and the meltdown in the China real estate market. While the default rate is expected to continue decreasing in 2024, it will remain at an elevated level, prompting us to **be highly selective in our EM investment choices.**

Moreover, uncertainties over the macroeconomic environment persist. Some positive factors, such as sustained oil prices and a weakening US dollar, may benefit Latin American countries, while certain Asian countries may face challenges. Additionally, China is still grappling with an amorphous real estate market, and India is gearing up for Presidential elections in 2024. Despite these positive factors supporting the asset class, the prevailing high uncertainties emphasize the importance of **focusing on EM short maturity debt and EM high-quality long-term bonds.**

Chart 4 - EM corporate bond index – Absolute and Relative yields



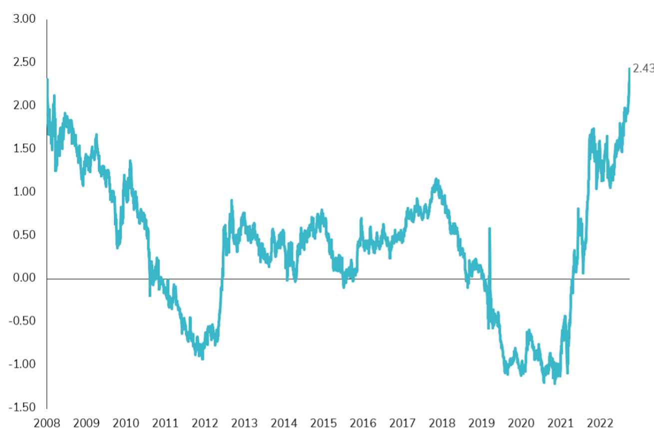
Source: Bloomberg

Treasury Inflation-Protected Securities: a good hedge amidst inflation uncertainties

Finally, we are actively **adding Treasury Inflation-Protected Securities** (TIPS) to our portfolio. This asset class, with $3.5 trillion in the US, has experienced a significant double-digit decline since the beginning of 2022, despite high inflation. While the inflation-linked component provided a cushion of around 10% over 20 months, the surge in

the 10-year real rate from -1.0% to 2.45% over the same period had a pronounced and negative impact on TIPS' total return, resulting in a decline of -16%. Now, following the substantial increase in real rates, TIPS investments have reached highly attractive valuation levels. A 10-year TIPS now offers a real rate of 2.3%, a level not seen since 2008, compared to -1.0% at the beginning of 2022. This is historically appealing, particularly when adjusted for the size of the Fed's balance sheet. Additionally, TIPS exhibit a lower beta compared to U.S. Treasuries, currently standing at 0.8 (beta duration to nominal bonds). This characteristic is valuable in the context of significant volatility in U.S. interest rates, with the MOVE index still exceeding 100. It also becomes important in the event of global economic deterioration, implying lower real rates. This consideration is increasingly significant as uncertainties surrounding inflation persist, driven by factors such as deglobalisation, supply shocks, increased fiscal spending, and the ongoing transition to renewable energy sources. Furthermore, long-term breakeven rates, reflecting the market's expectations of long-term inflation, have remained remarkably stable at 2.3%, unchanged in 2023, while the 5y5y inflation swap rate in the U.S. has surged to 2.7%. This reflects the market's structural concerns about sustained higher inflation. All of these factors, coupled with a cushion of almost 2.5% in real rates, **make TIPS a compelling addition to our long-term investment strategy**.

Chart 5 - 10-year US real yield (%)



Source: Bloomberg

Conclusion - The fixed income is dead, long live fixed income!

As we set sail on the 2024 fixed income voyage, the theme of redemption assumes a central role amidst the dynamic interplay of challenges and opportunities. This narrative necessitates a strategic and adaptive approach, recognising the subtleties of interest rate fluctuations, evolving credit scenarios, and inflation uncertainties. In the "Year of Redemption," resilience takes precedence.

The portfolio story unfolds organically, encouraging investors to eschew the temptation of chasing yield (lower quality) and instead concentrate on the sturdy foundations of high-quality bonds with intermediate maturities. The call to capitalise on the front-end echoes loudly, endorsing high beta front-end assets, particularly in the realm of high-yield, EM (ultra) short-duration bonds, and subordinated debt with short-dated calls. In this evolving narrative, the satellite portfolio assumes a diversifying role, prompting anticipation of market surprises. Here, the possibility of asset class decorrelation in 2024 invites contemplation, suggesting a potential role for long-term treasuries. Simultaneously, the specter of higher-than-anticipated inflation emerges, providing a strategic cue to consider the protective embrace of TIPS, reinforced by high real rates.

The fixed income landscape, pronounced "dead" in its traditional sense, is not an end but a beginning—a landscape of renewal and transformation. In this 2024 journey, we declare, "Long Live Fixed Income!" recognising that within this evolution lies the key to redemption and sustained success.

Gaël Fichan

Senior Portfolio Manager - Head of Fixed Income

2024 outlook

The first half of 2023 was relatively uneventful in the private equity industry, from a fundraising and deal making perspective. Activity picked up slowly in the second half, but the number of transactions during the year will remain below 2022 (around 20%). This continues to create liquidity issues for some allocators, who did not receive the distributions they were counting on for the second year in a row. As for valuation multiples, they have compressed in the US and Europe from their highs, after years of excess capital in the system. This can be explained by higher interest rates, decelerating growth and less debt financing available.

Given this backdrop, we will continue to focus on strategies which we believe are well positioned to generate long term sustainable returns.

- First, we think that middle-market buyout strategies with a buy and build angles will continue to provide solid returns when properly executed, as companies with strong balance sheets can play offense by consolidating their fragmented industries. The difficult fundraising environment allowed us to secure capacity with some of the best buyout managers operating in the vast but poorly researched lower mid-market.
- Second, as liquidity continues to be scarce, secondary strategies are well positioned to perform. We are particularly focused on smaller transaction sizes, where competition is limited.
- Third, esoteric alternatives and specialty finance also present an opportunity as multi-strategy and opportunistic funds, who were seeking alternative yield in a low-rate environment, are now able to meet their required returns in more liquid or traditional markets, limiting competition for quality deal flow and increasing pricing power. Uncorrelated strategies such as legal finance should emerge as an evidence and portfolio stabiliser in times of uncertainties.
- Last but not least, distressed investing may offer attractive returns, especially around over-levered assets or companies with weak business models and thin margins. We also continue to think that the venture capital community is not out of the woods, despite the valuation re-rating as the ecosystem still face a shortage of capital which may lead to many unfunded companies not surviving the coming year.

The sentiment has shifted, and we are finally finding ourselves in a buyers' market where hands-on private equity investors can team up with entrepreneurs and management teams to collectively accelerate growth, through organic initiatives and acquisitions. In difficult environments with less available funding, the financial support of active private equity capital can unlock significant value.

For those that don't have exposure to private markets and namely private equity, 2024 should provide an interesting window to start allocating to the asset class. However, we would express a word of caution, as we remain concerned by the increasing number of private markets strategies claiming to offer liquidity – an investment vehicle's liquidity profile should be carefully adapted to the liquidity of the underlying investments.

Olivier Maurice
Managing Partner & Head of Private Markets, Syz Capital

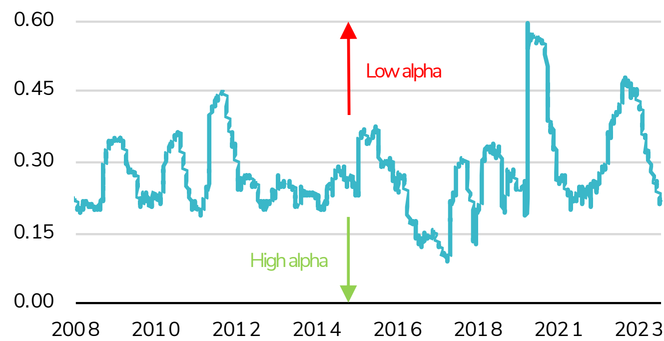
Market neutral strategies in favour both in traditional and crypto markets

Hedge funds tend to thrive in a higher rates environment, benefiting most strategies. We are currently overweight Relative Value, underweight Event Driven and are finding interesting opportunities in sub-strategies within Macro and Equity Long/Short.

Historically, higher rates have significantly contributed to broad dispersion in both equity and credit markets, creating trading opportunities for both long and short positions. Hence, we are constructive on market-neutral/low-net managers with a trading-oriented approach.

S&P 500 intra-stock correlation (120 trading days rolling)

Dispersion (low intra-stock corr.) in equity has improved in the last months bringing, a better environment for stock picking (high alpha)



Source: Syz Capital, Bloomberg

In Event-Driven, we expect default rates to continue their upward trajectory, as we progress through the maturity wall, the coming wall of refinancing requirements created by maturing bonds, with a slowing economy. However, the opportunity set, is not yet at the level that would favour an allocation to distressed. While we are seeing positive developments on the regulatory front for Risk Arbitrage, with the recent setbacks the FTC faced in the US, we will wait for a confirmation of a more stable environment and an increase of deal flow to lift our conviction.

We maintain a positive outlook on macro, as the macroeconomic and geopolitical backdrop does, and should continue to offer a wide array of opportunities for traders. However, given the market uncertainty on so many factors, we favour discretionary macro managers who can navigate between directional and relative value strategies.

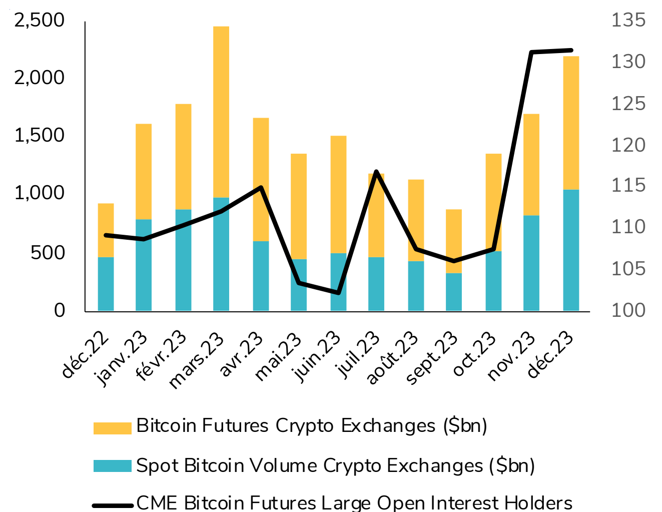
We are genuinely excited about the prospects for Relative Value strategies, as the opportunity for returns, which are already extremely favorable, may improve even further. The inverted yield curve against an overall backdrop of higher rates paves the way for ongoing volatility, which will provide additional opportunities for Volatility and Convertible Arbitrage managers.

The latter will continue to remain solid as the maturity wall time-bomb ticks away, providing some compelling issuance opportunities. Elevated rates volatility will continue to provide a fertile hunting ground for Fixed Income Arbitrage managers.

In crypto hedge fund strategies, we are witnessing a notable improvement in the environment for market-neutral strategies. Although performance has been positive since Q2, it has remained below historical levels, due to reduced activity in crypto markets, a trend unseen for a few years. With the uncertainties around Binance recently settled, investor confidence is rebounding. Anticipation builds around two important milestones in the coming months: the expected approval of the first spot bitcoin ETF in US by the SEC and the fourth halving in the bitcoin daily supply in April. We are positive on market-neutral strategies, namely arbitrage and market making, which will benefit strongly from the increase in crypto market volumes.

Bitcoin market

After the Q3 slump, spot and futures volume on major crypto exchanges are rebounding.
Large Open Interest Holders of CME Bitcoin Futures sits at an all-time high since their introduction.



Source: Syz Capital. The Block as of December 14th. December volumes figures have been adjusted monthly.
Large Open Interest Holders of CME Bitcoin Futures represent the total number of reportable traders that hold at least 25 bitcoin contracts open (>125BTC)

Cédric Vuignier
Head of Managed Funds, Syz Capital

Expect the best, plan for the worst
and prepare to be surprised

– Denis Waitley

THINKING OUTSIDE THE BOX

Ten potential surprises for 2024

For the second year running, we try our hand at Byron Wien's* favorite exercise

Below are the top 10 events and surprises that could impact financial markets and the global economy in the New Year. These are not forecasts, but potential macro-economic, geopolitical or market events that are not anticipated by the financial markets. We also try to assess the probability of occurrence (high, medium, low) of each of them.

Before discussing these 10 surprises for 2024, let's look back at the 2023 surprises that actually happened:

- US inflation has fallen back below 4% (it was 9.1% in June 2022).
- The 60/40 portfolio is back in positive territory (although it has to be said that the correlation between equities and bonds is still very high).
- China has effectively emerged from its strict confines
- Bitcoin is (almost) at $40,000

And then there were the REAL surprises, the ones nobody expected:

- The boom in artificial intelligence and the inexorable rise of the "Magnificent 7".
- The immense dichotomy between the performance of US mega-cap companies and the rest of the market
- The surprising resilience of the US economy: inflation has fallen sharply, with no rise in unemployment, no recession or even a major slowdown in growth
- China's disappointing growth and the poor performance of its stock market despite the reopening of the economy.
- Gold is trading at close to $2,000 despite rising real yields and a stronger dollar.
- The slow-motion banking crisis currently raging in the United States
- The collapse of Credit Suisse.

What surprises could be in store for 2024?

SURPRISE #1 —

A FINANCIAL "ACCIDENT" HAPPENS IN THE U.S. IN Q1, FORCING THE FEDERAL RESERVE TO LOWER RATES HEAVILY. U.S. GOVERNMENT BONDS PERFORM SPECTACULARLY

[PROBABILITY: HIGH]

Such an event could well have occurred in 2023, and now seems to be ignored by the consensus. A financial crash would echo the most significant monetary tightening in the US since the 1980s.

Signs of financial stress abound. These include US banks' unrealized losses on their bond portfolios (Bank of America's losses are almost equivalent to its Tier 1 capital, for example), defaults on sub-prime auto loans and credit card defaults. And, of course, all the risks associated with commercial real estate.

These risks are not confined to the United States. Europe, the UK and China are not immune to a financial crisis.

We believe that the probability of such an event occurring is relatively high. In such a scenario, long-duration government bonds and gold would probably be considered safe havens.

Commercial Real Estate
Severe crash is coming for U.S. office properties, investors say

US credit card balances see largest yearly leap on record

Bank of America's unrealized losses on securities rose to $131.6 billion

More Subprime Borrowers Are Falling Behind On Car Loans As Payments Surge

SURPRISE #2 —

THE "MAGNIFICENT 7" BUBBLE BURSTS

[PROBABILITY: MEDIUM]

As we know, the magnificent 7 stocks are up by more than 70% this year, and between them have contributed to more than 90% of the S&P 500's gains in 2023.

This very strong rise is mainly due to a sharp upward revision of expected earnings. The market has revised earnings expectations upwards by 70%. And forecasts for 2024 are relatively ambitious.

** Byron Wien died at the age of 90 on October 25. Mr. Wien, who gained widespread popularity with his annual list of ten surprises, was vice-president of Blackstone's private banking group, which he joined 14 years ago. For decades, his lists detailed the economic, political and financial surprises he foresaw for the year ahead. He published the 38th edition last January.*

Are these expectations reasonable? The artificial intelligence (AI) revolution is underway, but there are many barriers to adoption. As is often the case, the market tends to be too aggressive in its projections. Any disappointment regarding 2024 earnings could lead to a sharp correction of the magnificent 7.

SURPRISE #3 —

IA BOOM LEADS TO IPO WAVE

[PROBABILITY: MEDIUM]

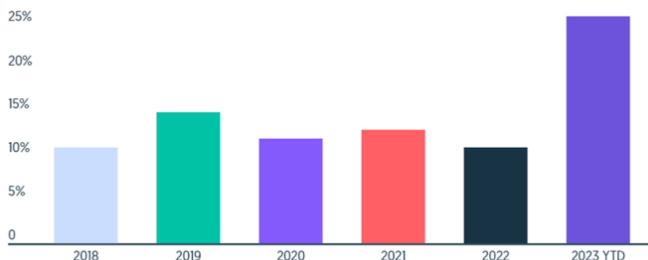
Still in the AI field, a positive surprise this time. Until now, the AI bubble has been concentrated in a few very large market capitalizations.

But perhaps we're about to witness a phenomenon similar to that of the Internet bubble of 1999/2000: the arrival on the market of a plethora of IPOs that will whet the appetites of speculators - including private individuals.

In view of the substantial venture capital investment in AI, this is a real possibility.

Percentage of US Venture Funding Going To AI-Related Startups

Includes seed through growth-stage rounds.



crunchbase

SURPRISE #4 —

THE SIGNING OF A PEACE AGREEMENT BETWEEN ISRAEL AND GAZA. FOLLOWED BY THE DEAL OF THE CENTURY BETWEEN ISRAEL, SAUDI ARABIA, AND THE UNITED STATES

[PROBABILITY: LOW]

Let's move on to geopolitics. The horrors of late 2023 finally lead to a peace plan between Israel and Palestine. The arrival of a peacekeeping force in Gaza creates the conditions for the signing of an agreement enabling the creation of a new state.

At the same time, the USA, Saudi Arabia and Israel sign the «deal of the century», the premise of a new Middle East that attracts capital from all over the world.

Unfortunately, the likelihood of such events seems rather remote...

SURPRISE #5 —

CHINA AND THE UNITED STATES DECIDE ON NEW

COOPERATION [PROBABILITY: LOW]

Another geopolitical surprise that nobody seems to believe in any more is the warming of relations between China and the United States.

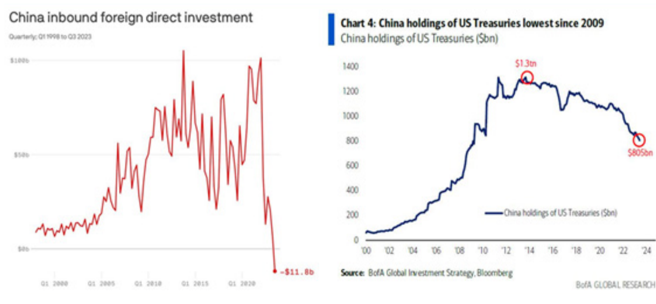
Indeed, the two giants are virtually in a state of cold war. And the price is high on both sides.

For the first time in 3 decades, foreign direct investment in China is in negative territory.

And as China has fewer and fewer dollars to recycle, its stock of US Treasuries is at its lowest level since 2009. This news comes at a bad time for the United States, at a time when Madame Yellen has never issued so many treasury bills.

Faced with this "lose-lose" situation, the Chinese and Americans could be drawing up the outlines of a new relationship. All assets sensitive to Chinese growth could

then benefit (Chinese equities, Renminbi, European exporters, etc.).



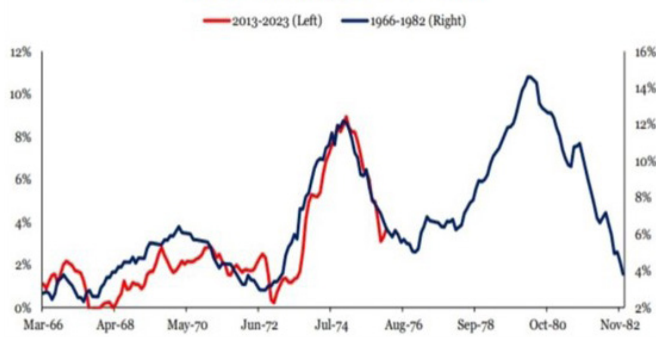
Source: BofA Global Research

SURPRISE #6 —

WHAT IF INFLATION WERE TO RISE AGAIN NEXT YEAR?

[PROBABILITY: HIGH]

According to Bank of America's latest survey of fund managers, only 6% expect inflation to rise in 2024. As we know, the consensus is not always right. Despite the significant decline in inflation in 2023, long-term inflationary factors persist: de-globalisation, decarbonisation (shortage of hydrocarbon supply) and demographics (labour shortage leading to upward pressure on wages). In the United States, the job market remains tight. The Auto Workers Union is hoping for an average 33% rise in wages. In Switzerland, the union is calling for an average wage increase of 5%. Inflation could thus experience a second wave similar to that seen in the 70s and 80s. Inflationary assets (e.g., cyclical stocks) could catch up with deflationary assets (e.g. technology stocks).



Source: Strategas

SURPRISE #7 —

DUE TO INCREASING DEBT COSTS, THE U.S. FEDERAL RESERVE IMPLEMENTS A YIELD-CURVE-CONTROL MECHANISM SIMILAR TO THAT OF THE BANK OF JAPAN. THE DOLLAR PLUNGES AND GOLD REACHES $2,500

[PROBABILITY: HIGH]

By 2023, the cost of debt in the United States will exceed $1 trillion annually. That's more than the entire defence budget. 40% of tax revenues collected from individuals are devoted to interest on the debt. At this rate, this figure could reach 100% in a few years' time.

To finance the "Bidenomics", the US Treasury will increase bond issuance by 25% compared with this year. If bond yields remain at these levels, or continue to rise, the United States is in for a real headache.

This situation could lead the Fed to follow in the Bank of Japan's footsteps, i.e., to resort to massive purchases on the long end of the curve - the famous Yield curve control (YCC).

A monetary policy decision that would send the dollar plunging and could push gold to record levels.

Such a situation could also arise in Europe.

We consider the probability of such an event to be relatively high.

Source: Bloomberg

SURPRISE #8 —

A THIRD CANDIDATE ENTERS THE US ELECTION RACE

[PROBABILITY: MEDIUM]

One thing is certain: the American presidential election campaign is set to be a major event in 2024. And it's far from thrilling the crowds.

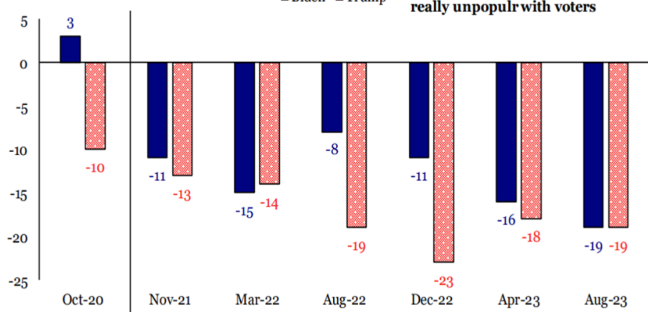
Opinion polls seem to show that we're heading for another Biden-Trump duel.

But what if a third candidate were to muddy the waters? In fact, it's very rare for both the Democratic and Republican candidates to attract so little support.

A candidate who is close to the center and capable of bringing Americans together stands a good chance. Even if such an event has never occurred in 200 years.

Yet some are thinking about it. Such is the case of Democratic Senator Joe Manchin. A campaign fund has even been set up by the "No Labels" party.

Such a development could widen the range of possibilities for the U.S. presidential election, and cause considerable market volatility in the run-up to the polls.



Source: Strategas

SURPRISE #9 —

BITCOIN SOARS ABOVE $100,000 AND ENTERS THE WALLETS OF MOST PRIVATE BANKS

[PROBABILITY: MEDIUM]

After the phenomenal rise of 2023, will Bitcoin continue its comeback and reach new all-time highs?

It's not impossible, as the planets could align in 2024: the approval of several bitcoin spot ETFs, the revival of FTX, the IPO of Circle and the halving of bitcoin in 2024 push BTC above $100,000. Pension funds and private banks are now considering cryptocurrencies as an asset class.

Spot Bitcoin ETF Applications in the US

Spot Bitcoin ETF Applications Filed in 2023

Issuer	Spot Bitcoin ETF Name	Application Date
ARK Invest + 21shares	ARK 21Shares Bitcoin ETF	April 25
BlackRock	iShares Bitcoin Trust	June 15
Bitwise	Bitwise Bitcoin ETP Trust	June 16
Invesco	Invesco Galaxy Bitcoin ETF	June 20
WisdomTree	WisdomTree Bitcoin Trust	June 20
Valkyrie	Valkryie Bitcoin Fund	June 21
VanEck	VanEck Bitcoin ETF	June 22
Fidelity	Wise Origin Bitcoin Trust	June 29

SURPRISE #10 —

X BECOMES A BENCHMARK FINANCIAL PLATFORM WITHIN A YEAR

[PROBABILITY: LOW]

Let's finish this article with Elon Musk. Will he surprise us again in 2024? A few weeks ago, he announced a crazy project: to transform X into a one-stop shop for all financial needs. The aim is to simplify and streamline financial transactions, making them as intuitive as sending a tweet.

Perhaps the most audacious part of Musk's project is his eagerness to replace the traditional banking system with X within a year, which seems more than ambitious.His ability to turn visions into successful projects, combined with the changing financial landscape, suggests that his dreams of Future X could turn into reality. And make life even more complicated for America's commercial banks...

Charles-Henry Monchau

Chief Investment Officer

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