

SARASIN  
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# Six Minute Strategy

## Four for 2024

## January 2024

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# 1. Bonds: UK corporate issues attractive

Sterling corporate bonds now offer value against other assets

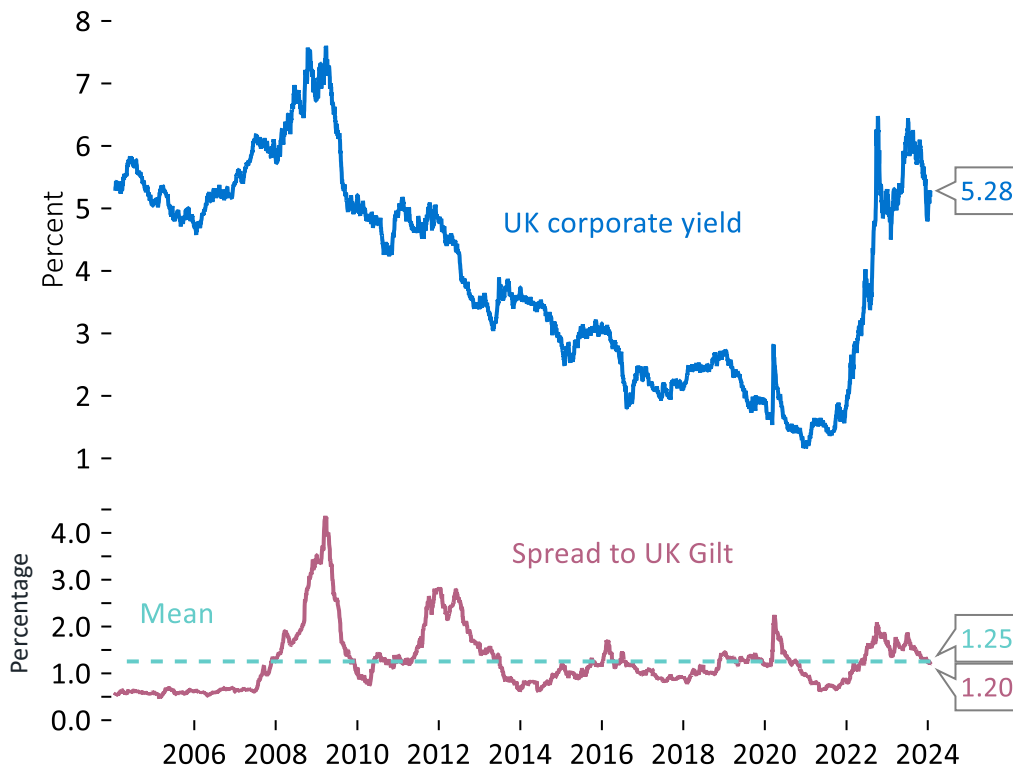


Sterling corporate bond yields attractive as inflation falls



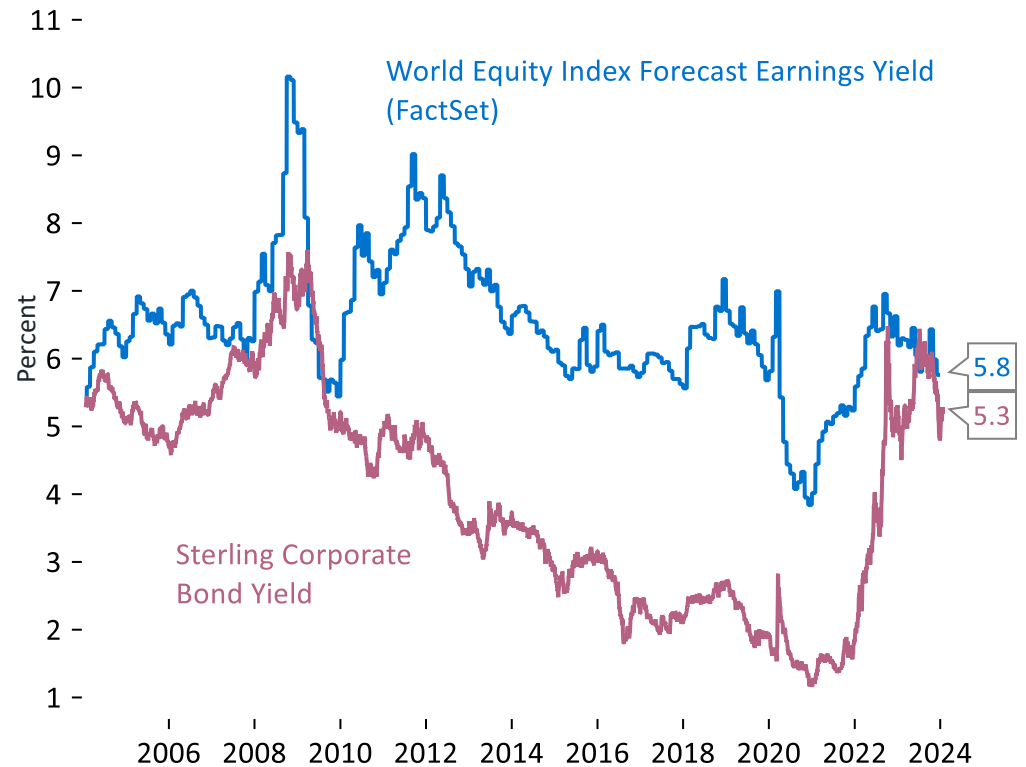
No more equity 'TINA'\* – bonds are a real competitor

UK Corporate Bond Yields and Spread



Source: Macrobond, 25.01.24

Bond and Equity Yields



Source: Macrobond, 25.01.24

Past performance is not a reliable indicator of future results and may not be repeated.

\* TINA "There is no alternative"

# 2. Equities: 2024 global earnings & dividends

Global earnings robust, dividend growth well above inflation & share buy-backs plentiful

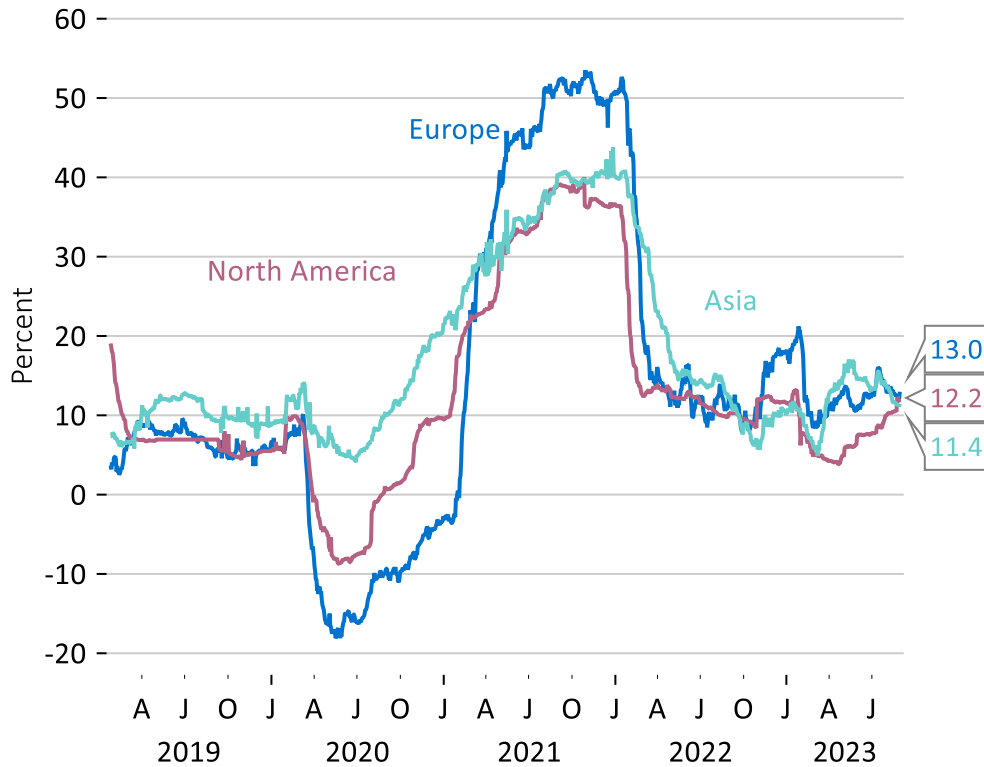


Corporate earnings for 2024 still look robust



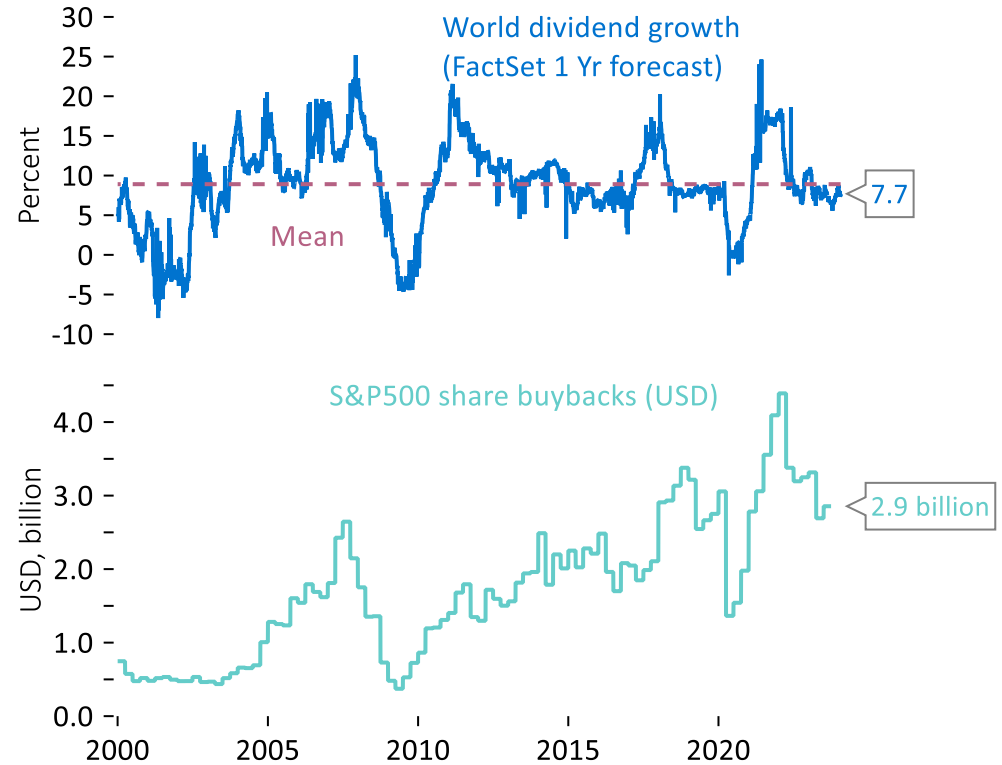
Global dividend growth now well ahead of inflation

Regional EPS Growth Rate (1 year forecast)



Source: Macrobond, 25.01.24

Global dividend growth & US stock buybacks



Source: Macrobond, 25.01.24

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# While global equity valuations offer opportunities

Earnings growth should broaden later in 2024

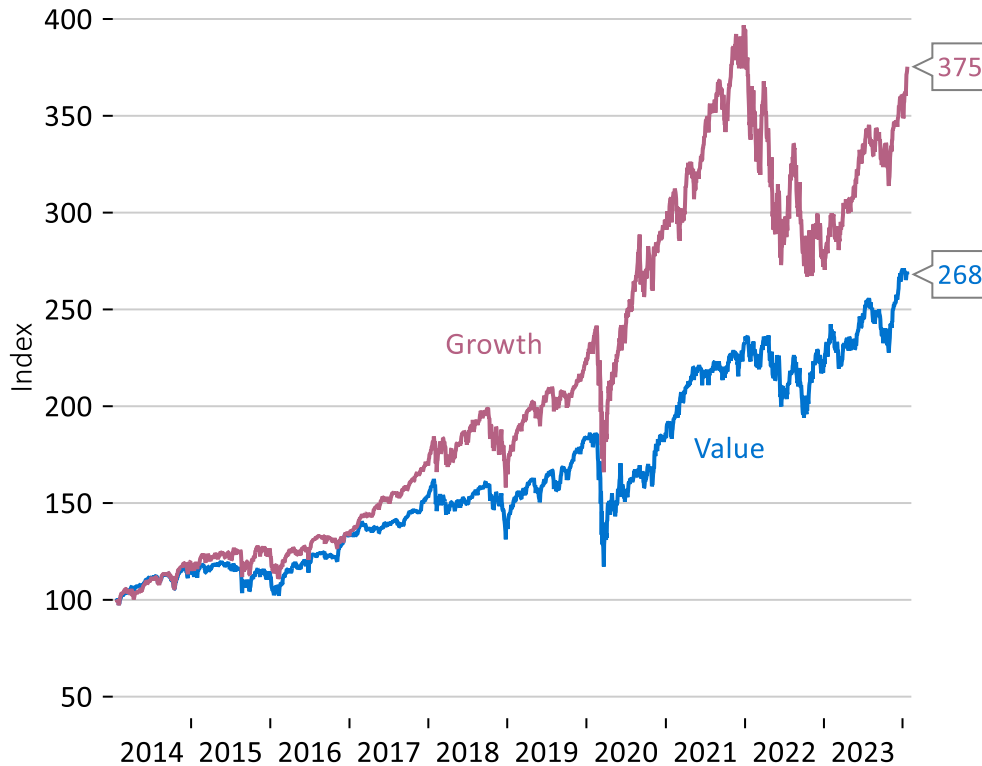


Growth leads over 10 years but value starts to catch up



Higher earnings underpinning Growth stock prices

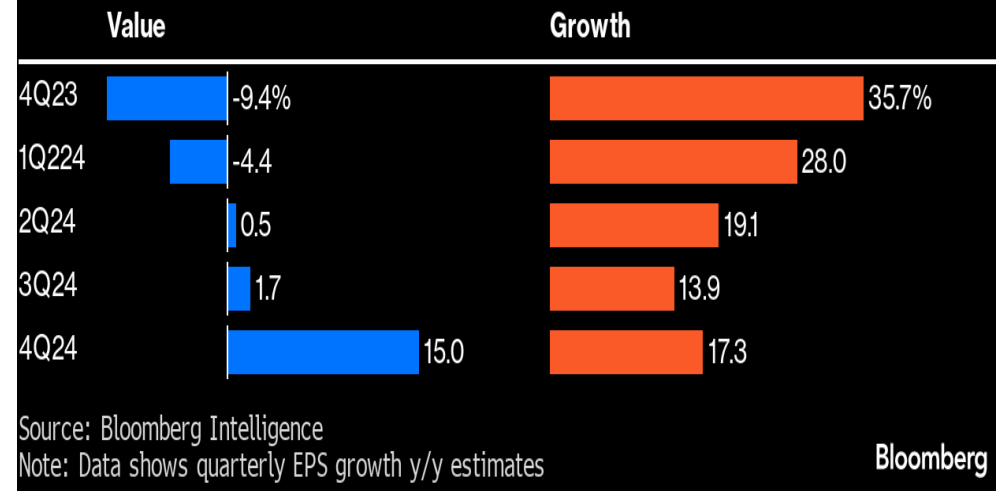
## S&P500 Equity Indices



Source: Macrobond, 25.01.24

## Growth is Where Earnings Growth Is

Value stocks may look attractive but their profit projections don't



Past performance is not a reliable indicator of future results and may not be repeated.

Source: Bloomberg January 2024



# 3. Climate change – can the private sector take up the baton?

Infrastructure & buildings, low carbon power, resource efficiency & high carbon transition

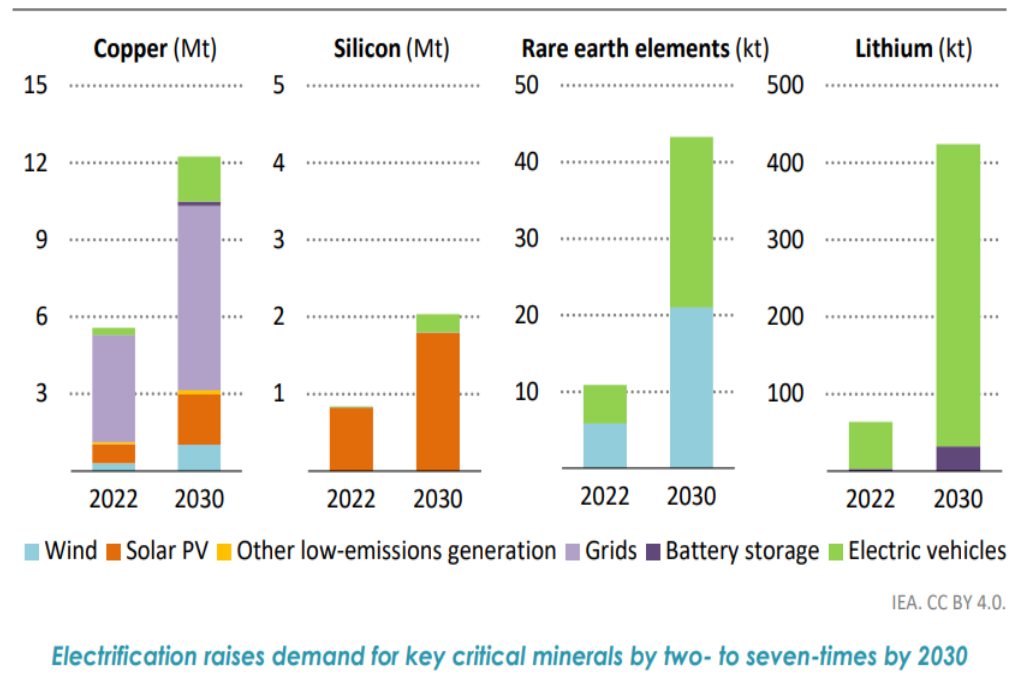


Critical minerals required for clean electricity by 2030



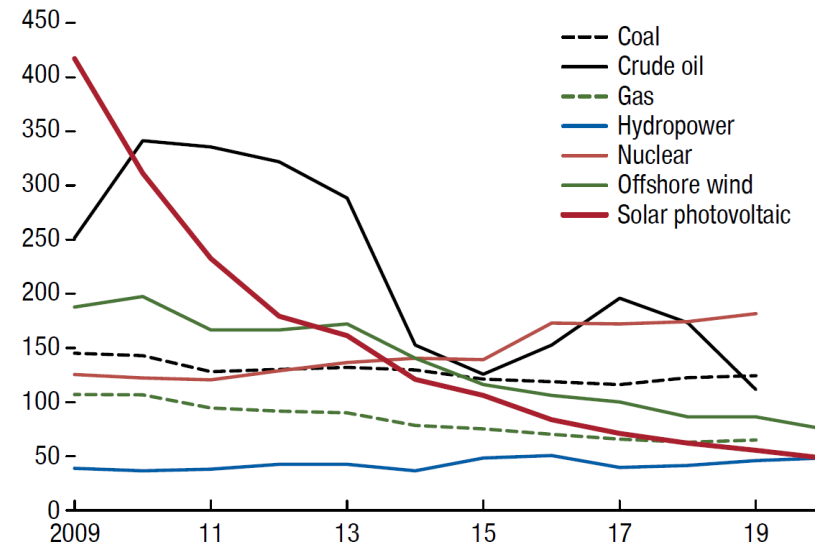
Solar cheaper than all fossil fuels as technology advances

**Figure 1.27** ▶ Demand for critical minerals for selected clean electricity supply and electrification technologies in the APS, 2022 and 2030



Source: IEA Dec 2023

**Figure 1.11. Learning Curves for Power Generation, by Technologies**  
(US dollars per megawatt-hour)



Sources: IRENA 2022; Way and others 2022; and Ziegler and Trancik 2021a, 2021b.

Note: The figure shows the levelized cost of electricity: The average net present cost of electricity generation over the lifetime of the generator.

Known & commercially proven technologies can achieve about 90 percent of the emission reductions necessary to achieve climate goals by 2030 - IMF Nov 2023

# 4. UK: Growth outlook is improving amid falling inflation

Forward looking economic indicators more positive

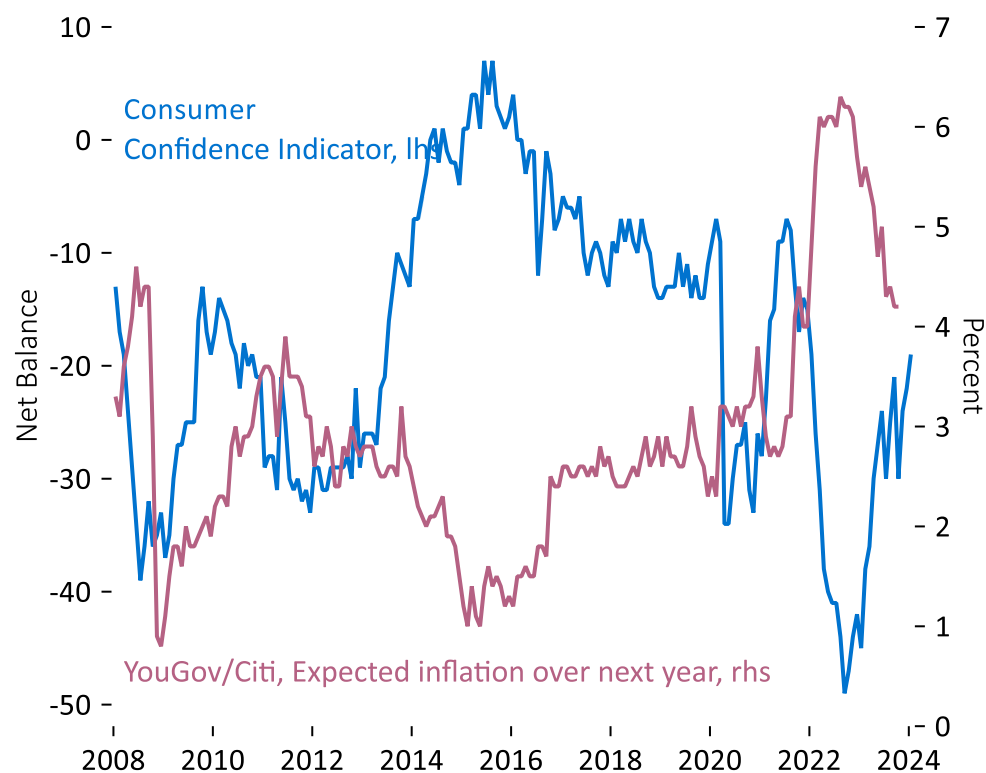


Consumer confidence climbs as inflation expectations fall



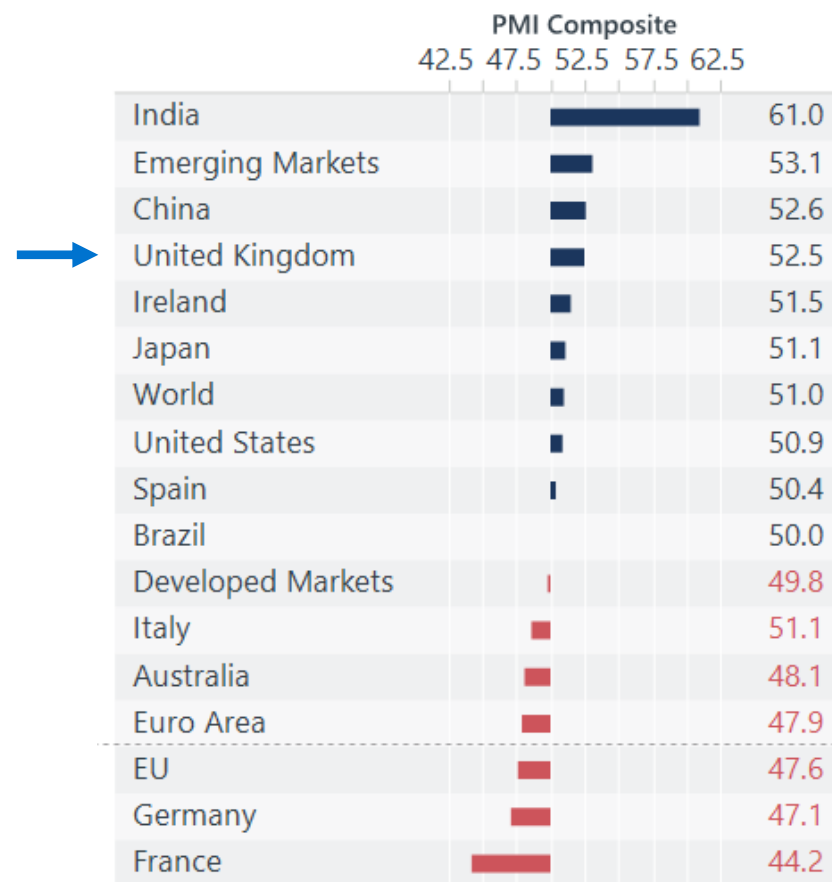
Company surveys suggest improving UK sentiment

## UK Consumer Confidence & Inflation Expectations



Source: Macrobond, 26.01.24

## S&P Global Purchasing Managers' index (PMI)



Source: Macrobond Jan 2024

Note: PMI >50 = indicates of expansion  
< 50 = indicates of contraction

# Economic risk for the UK limited compared to US or Europe



Very little difference in policies or spending targets between Conservative and Labour



## Labour's Plan for 'growth'

1. **Putting economic stability first** by introducing a new fiscal lock to bring economic security back.
2. **Getting Britain building again** by reforming planning laws to kickstart 1.5 million new homes.
3. **Backing British business** with a new industrial strategy created in partnership with business.
4. **Making Work Pay** by introducing a new deal for working people and delivering a genuine living wage, banning zero hours contracts and ending fire and rehire.



Source: Labour's five point plan for growth – January 2024



## Conservatives plan for a 'strong economy'

1. **Making Britain the best place to grow and start a business.**
2. **Backing entrepreneurs and innovation.** We want to be a nation of start-ups, and of successful scale-ups.
3. **Building a fairer taxation system.** We will always be whole-heartedly on the side of business, while making sure everyone pays their fair share of tax.
4. **Supporting working families.** Making sure that work always pays... We have raised the minimum wage significantly and introduced and consistently raised the National Living Wage.



Source: Conservative Website "A Strong Economy" Q4 2023

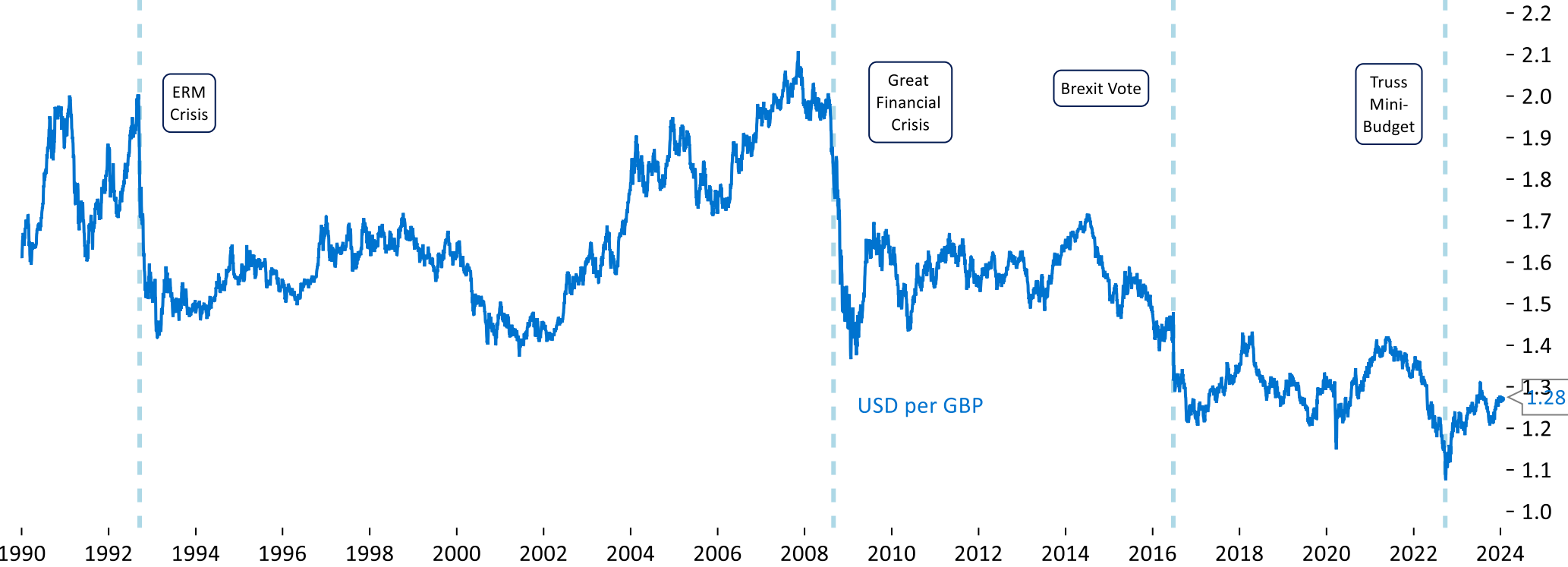
# Favour Sterling on falling political risk & economic stability

Focus: Sterling can rally 10% to reach (PPP) fair value – our estimate is US\$1.35



Political shocks have defined sterling weakness

US Dollar/Pound spot rate



Source: Macrobond, 25.01.24

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