

# Six Minute Strategy

## Making sense of bull market resilience

December 2024

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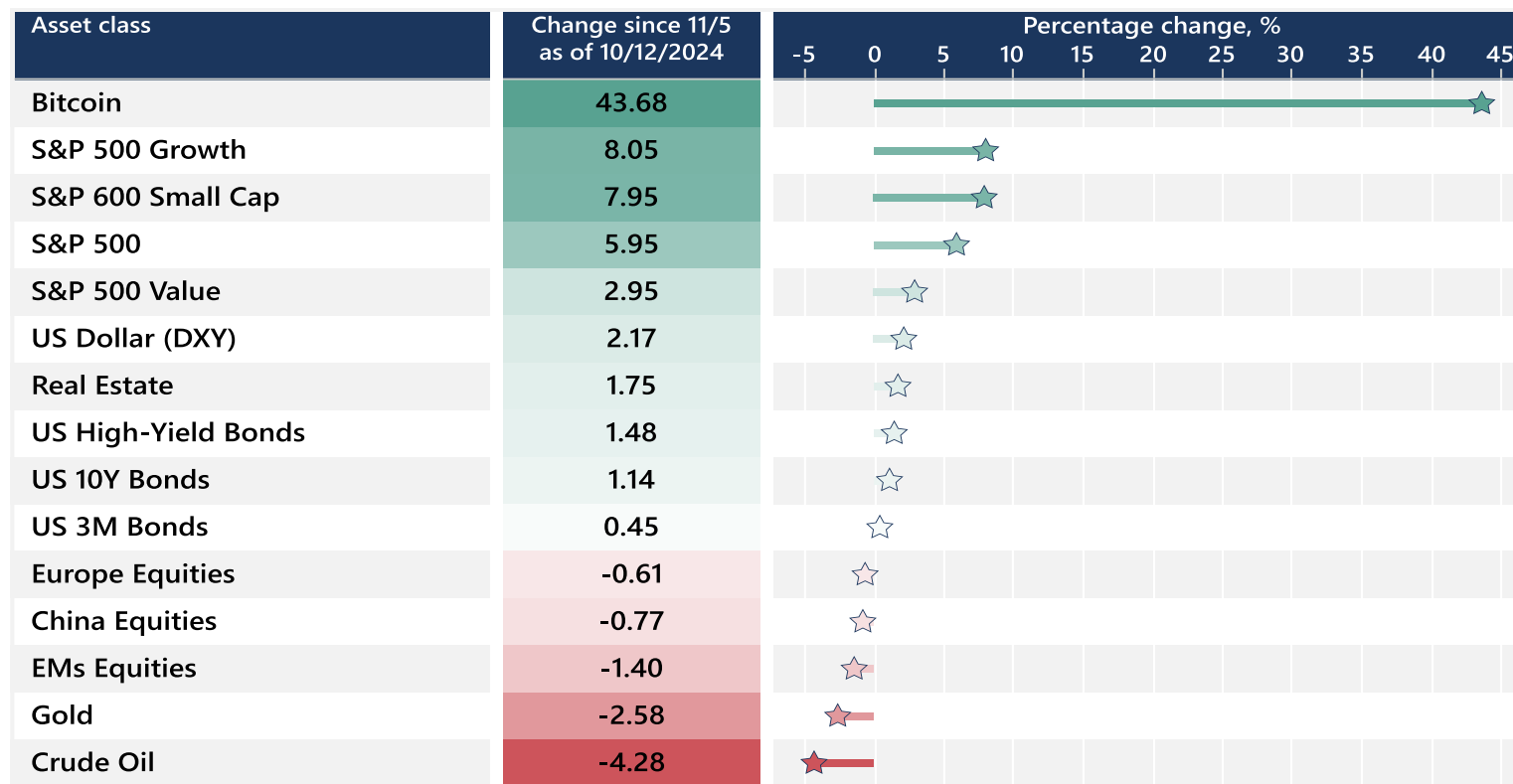


# Trump's 'clean sweep' led US markets higher



## Performance of key assets since the US election

### Impact of Trump's election victory on asset class performance



Source: ICE BofAML, LBMA, Macrobond, MSCI, FTSE Russell, S&P Global, ICE 10.12.24

MACROBOND

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

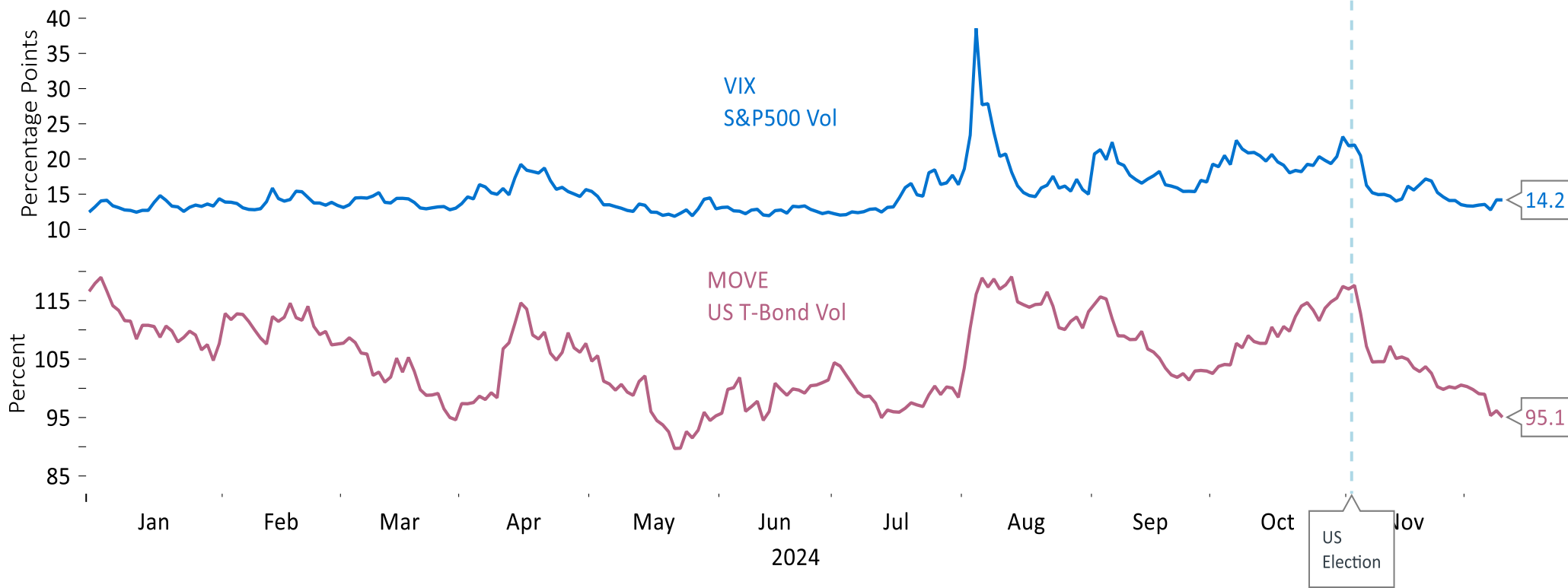
# The Trump victory actually calmed markets

## Equity and bond volatility fall post election

### Equity and bond volatility

Market volatility since Trump's election

Source: Chicago Board Options Exchange (CBOE), ICE BofAML



Source: Macrobond, 11.12.24

# Trump cabinet so far points to lower tail risks

Economic team is mostly mainstream – less trade and deficit risks



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## Kevin Hassett at NEC:

Traditional supply sider. Expect he will play a key role in shaping tax cut agenda.

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## Scott Bessent at Treasury:

'3-3-3' agenda (3% deficit , 3% GDP growth, 3m bpd oil increase).

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## Howard Lutnick at Commerce:

“Temporary and targeted” tariffs and open to lobbying.

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## Jamieson Greer as US Trade Representative:

Implementer and not an ideologue like Robert Lighthizer.

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## Kevin Warsh:

Possible Fed Chair in waiting would be a terrific sound money proponent.

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## DOGE:

Rationalisation and efficiency agenda – led by Vivek Ramaswamy & Elon Musk.

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# Global equity returns 2024



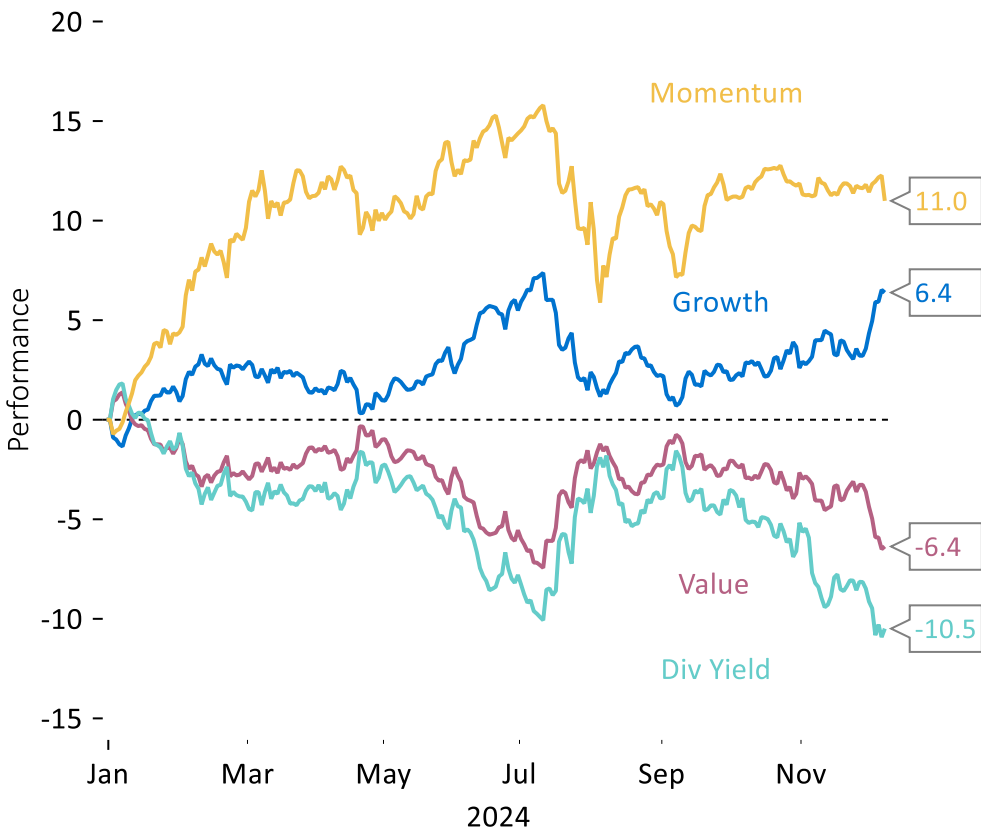
## World equity returns 2024



Source: Macrobond, 10.12.24



## Index returns by style (relative to MSCI world index 2024)



Source: Macrobond, 10.12.24

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

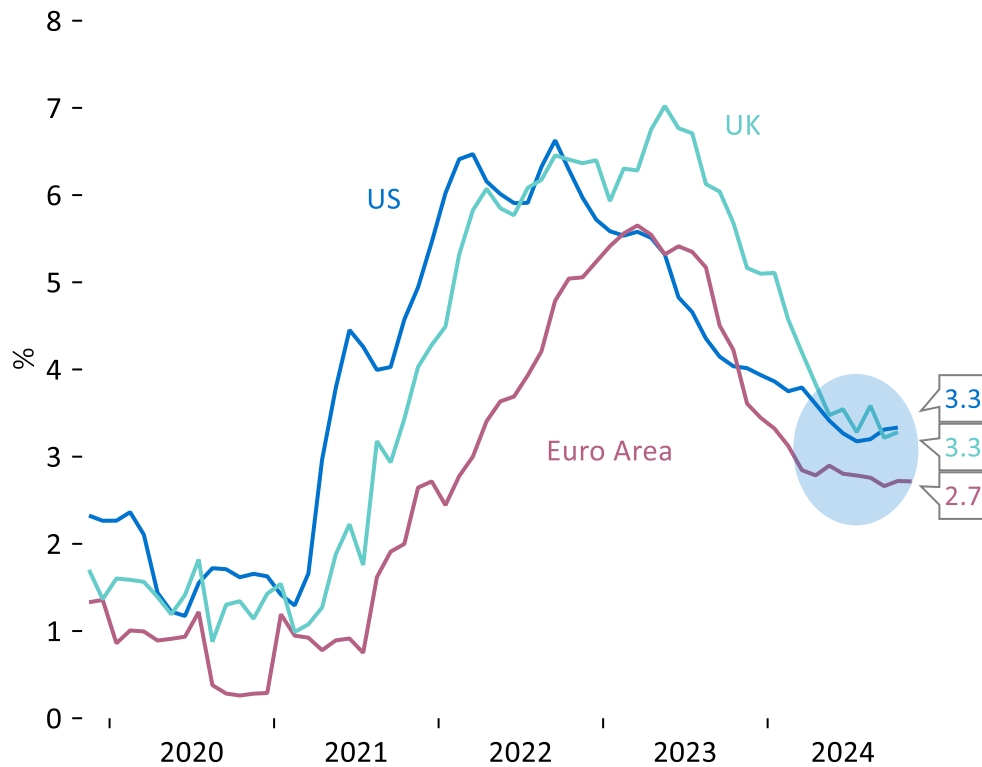
# Core inflation still sticky – rate cuts forecast to slow

Forecast rates for UK and US are 75bps tighter by end 2025 than expected a year ago



## Core inflation remains sticky globally

### Core Inflation

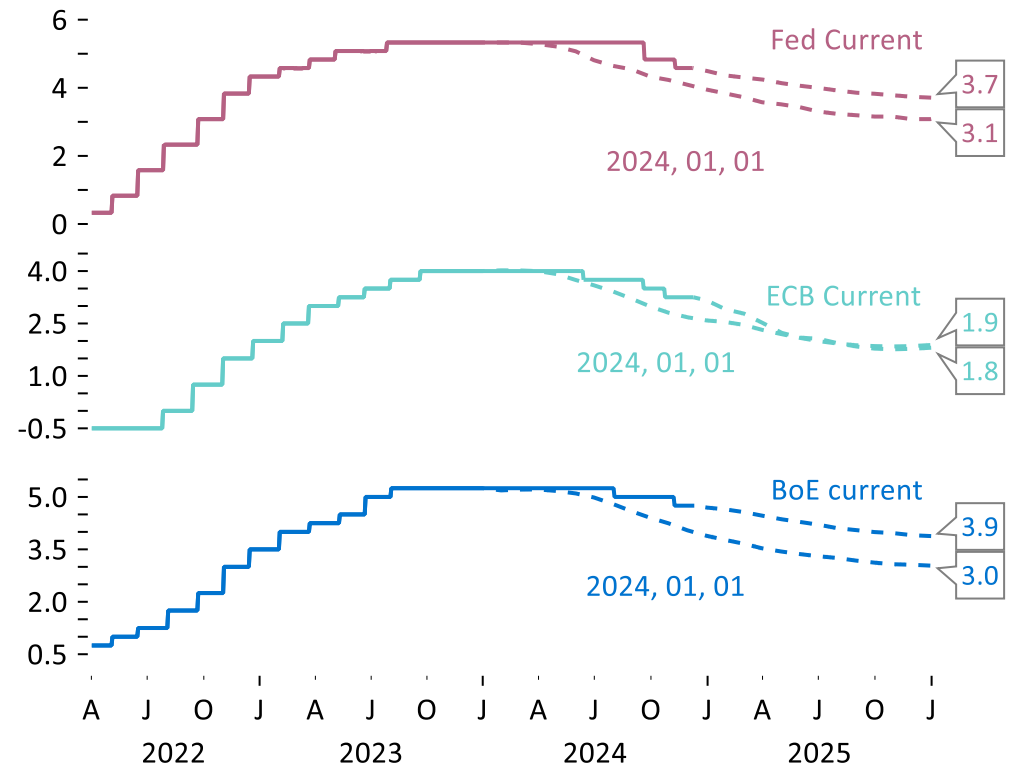


Source: Macrobond, 10.12.24



## Implied path of interest rates compared to end 2023

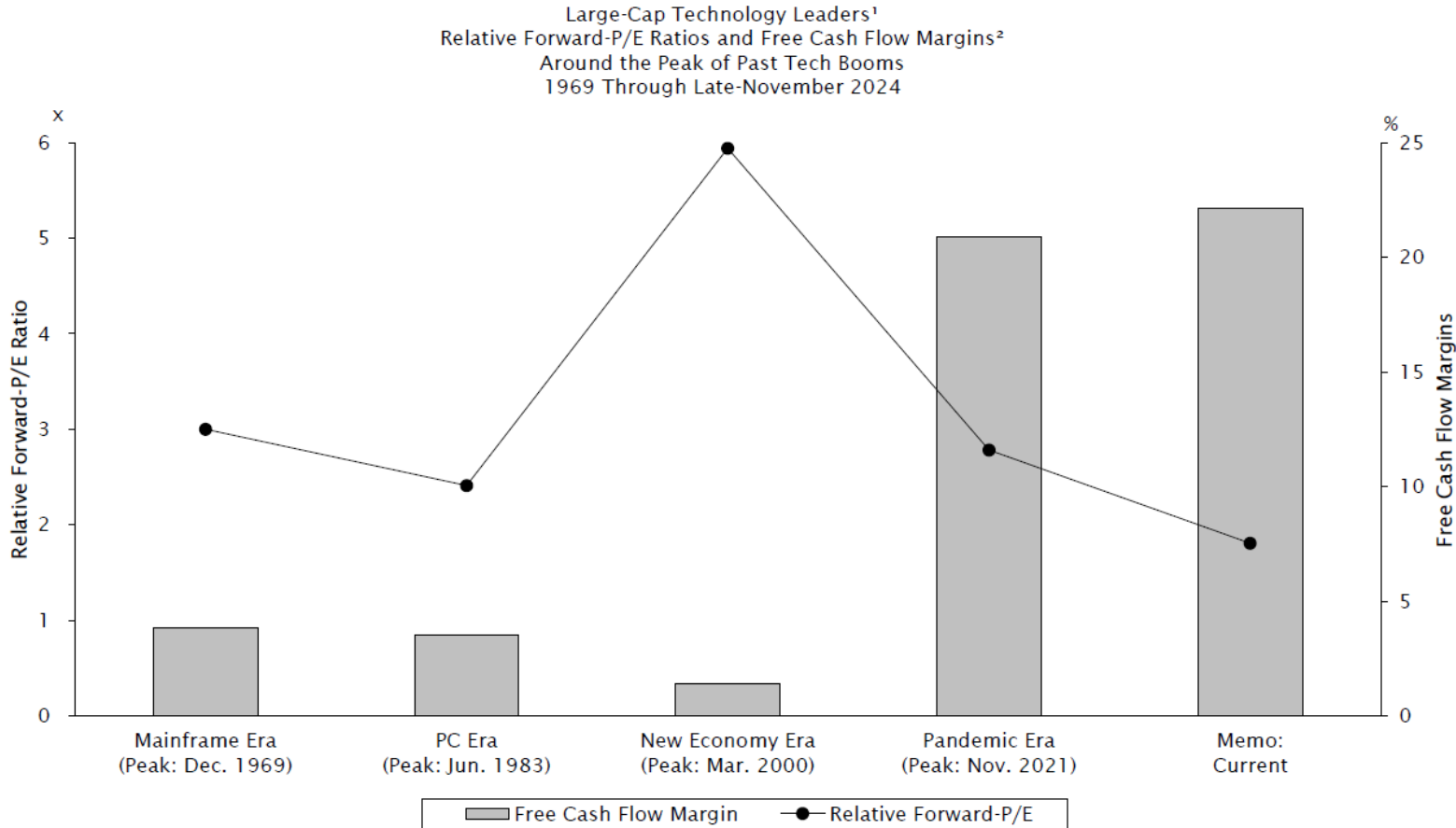
### Central Bank Market-Implied Policy Rates



Source: Macrobond, 10.12.24

# Cash flow in Magnificent 7 today unlike any other technology boom

 Comparison of free cash flow margins across technology cycles



Source: Empirical Research Partners Analysis.  
<sup>1</sup> Technology and interactive media stocks in the highest two quintiles of price momentum market-wide at the peak date.  
<sup>2</sup> Medians. Trailing P/Es used for Mainframe Era as analyst forecasts were unavailable then.

# Policy summary

Global Strategy December 2024

Bonds	<p><b>Underweight</b></p> <ul style="list-style-type: none"><li>• <b>Neutral Govt:</b> Long-term yields close to fair value – UK pension funds natural buyers</li><li>• <b>UW Inv. Grade Credit:</b> Spreads are historically tight – reduce risk</li><li>• <b>Duration:</b> Neutral</li></ul>
Equities	<p><b>Overweight</b></p> <ul style="list-style-type: none"><li>• <b>Equity:</b> Tail risks of recession receding – clearly a pro-business / low tax Trump administration – earnings robust</li><li>• <b>Global Technology:</b> Retain exposure on strong 2025 earnings forecasts and robust AI demand</li><li>• <b>Dividend Strategies:</b> Value appearing after recent underperformance and strong dividend growth</li></ul>
Alternatives	<p><b>Neutral</b></p> <ul style="list-style-type: none"><li>• <b>Neutral Alternatives:</b> Dividend income from renewables and infrastructure attractive as interest rates fall</li><li>• <b>Overweight Gold:</b> Debt fears across Western economies and EM reserve bank buying support demand</li></ul>
Cash	<p><b>Underweight</b></p> <ul style="list-style-type: none"><li>• Interest rates have peaked across Western markets – sterling continues to appreciate vs. Euro</li></ul>
Risks	<ol style="list-style-type: none"><li>1. <b>Bond markets challenge US deficits (bond market ‘vigilantes’) or inflation re-emerges</b></li><li>2. <b>Global trade war - Trump tariff agenda triggers global retaliation</b></li><li>3. <b>Major AI/Tech profit warning – US equity valuations normalise</b></li></ol>

Source: Sarasin & Partners, December 2024



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