

Market Monthly

December 2024

Highlights

- Economics** Global equities retracted in December just after first reaching all time highs in the same month in major indices surrounding the US Dollar while broader Europe was up. In the US, annualized GDP came in at 3.1% (previous and expected 2.8%) for 3Q24; the unemployment rate was slightly higher at 4.2% vs prior and expected 4.1%. Final US Manufacturing PMI for November came in better than expected at 48.4 vs 47.5 expected and previous 46.5. Services on the other hand came down to 52.1 from the previous 56 and expected 55.7.
- In Europe the picture was a bit different with GDP YoY continues to be at 0.9% same as prior and expected; PMI numbers for November final also weaker with manufacturing at 45.2 (prior revised down from 46.0 to 45.2 in line with expected), services at 49.5 (prior revised down from 51.6 to 49.5 and 49.2 expected).
- Inflation:** November CPI in USA increased from 2.6% to 2.7% as expected and the preferable FED measure, core price inflation (PCE) YoY increased to 2.4% (2.5% expected) from 2.3% previous. Eurozone inflation also decreased, coming in lower than expected at 2.2% vs 2.3% expected and previous 2.3% was revised down to 2.0%. Inflation figures in other economies were as follows: China 0.2%, India 5.48%, Brazil 4.71%, Russia 8.88%
- Central bank interest rates:** In December the last action of the year by the FED was to reduce the upper bound rate by 25bps from 4.75% to 4.50%. The next meeting is scheduled for January 29, 2025. The ECB also met in December and decided ahead of the FED to reduce their Main Refinancing rate by 25 bps from 3.4% to 3.15%. Their first meeting of the new year will be held on January 30, 2025.
- Capital market rates:** During the course of the month, the yield on the 10Y Treasuries moved up from 4.17% to 4.57%. Similar movement in the 10Y Bund that moved from moved up slightly less from 2.08% to 2.37% at the end of December.

Tactical Asset Allocation

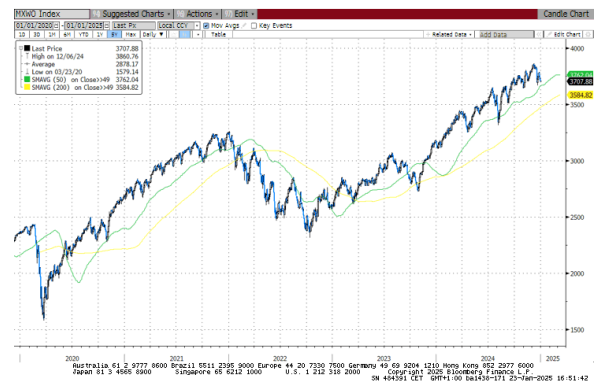
- Forex:** The USD strengthen against the EUR (+2.11% with the exchange rate being at 0.97 EUR to 1 USD at the end of December.
- Bonds incl. High Yields (N¹):** So far, our view with peak of yields on US Treasuries in April has materialized. Currently fixed income rebalances should be done to utilize the still

high yield environment as worries of the new presidency term in the US have pushed yields higher since the election.

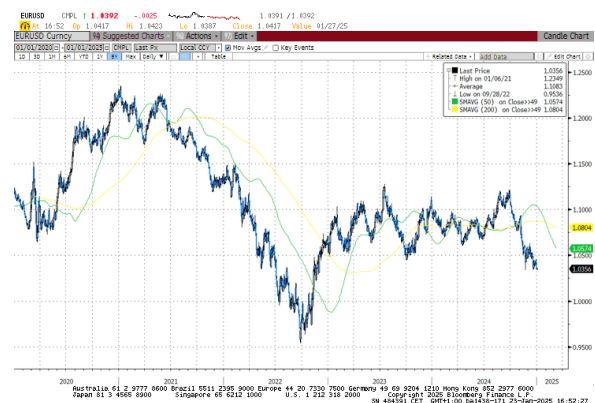
- Equities (N):** December was overall a weaker month in the US with the S&P500 returning -2.50%, and by contrast the Dax +1.44; Eurostoxx 50 +1.91% while the SMI was -1.39%.
- Commodities (U):** Crude oil rebounded from its year low of around \$67.00/barrel from mid November to end the year at \$71.72/barrel with the conflict in the Middle East continuing and a returning US president ready to drill for oil in the new year. Gold continues to hold its high level and did retract a bit from the previous month (-0.6%) to end the year at \$2'624/oz

Investment Ideasⁱⁱ

- Our exposure remained largely unchanged and focused on taking some profit on various stocks.



Performance Equity Markets MSCI World 5Yⁱⁱⁱ



EURUSD Technical Chart 5y, Bloomberg

¹ How to read: (U) underweight; (N) neutral; (O) overweight
ⁱⁱ See rationales on our web page www.aspermontcapital.ch

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