INVESTMENT OUTLOOK
2024

Growing Capital Sustainably

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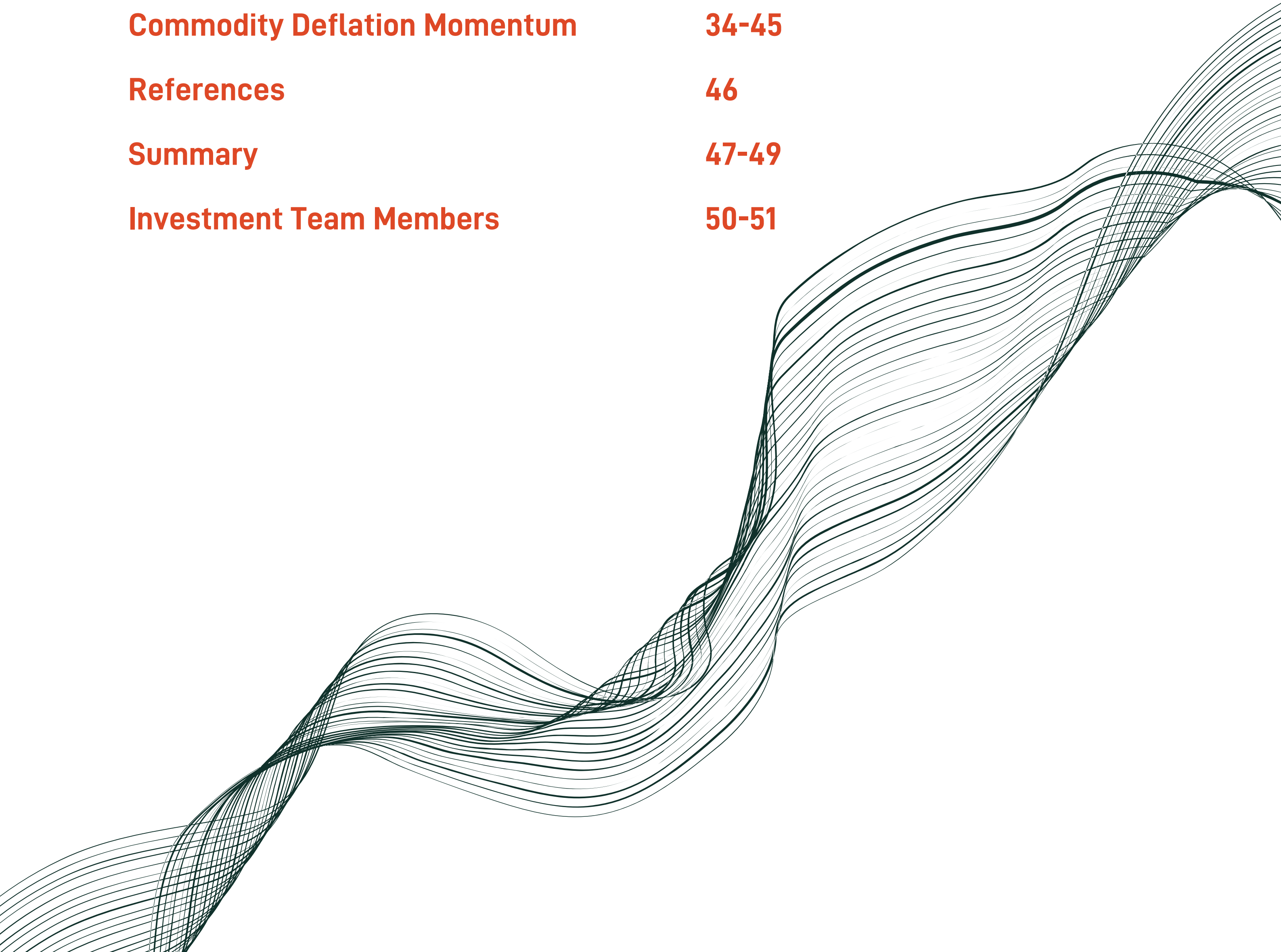


Exploring 2024's Economic Outlooks: From Mauritius to Europe and the US. Each region has its own unique factors influenced by global and local dynamics. This report delves into the key factors shaping the economic landscape in 2024, providing a comprehensive outlook for growth, inflation, interest rates, and consumer behavior.

Mauritius Economic Outlook

Gross Domestic Product

GDP at Market Prices is expected to increase by 6.8% in 2023 with major contribution from “Accommodation and Food Services” (+25.7%), “Construction” (+28.6%) and “Financial and Insurance Services” (+5%). According to the Bank of Mauritius, these growth dynamics are projected to continue in 2024 and the economy is expected to grow by 4% in 2024.

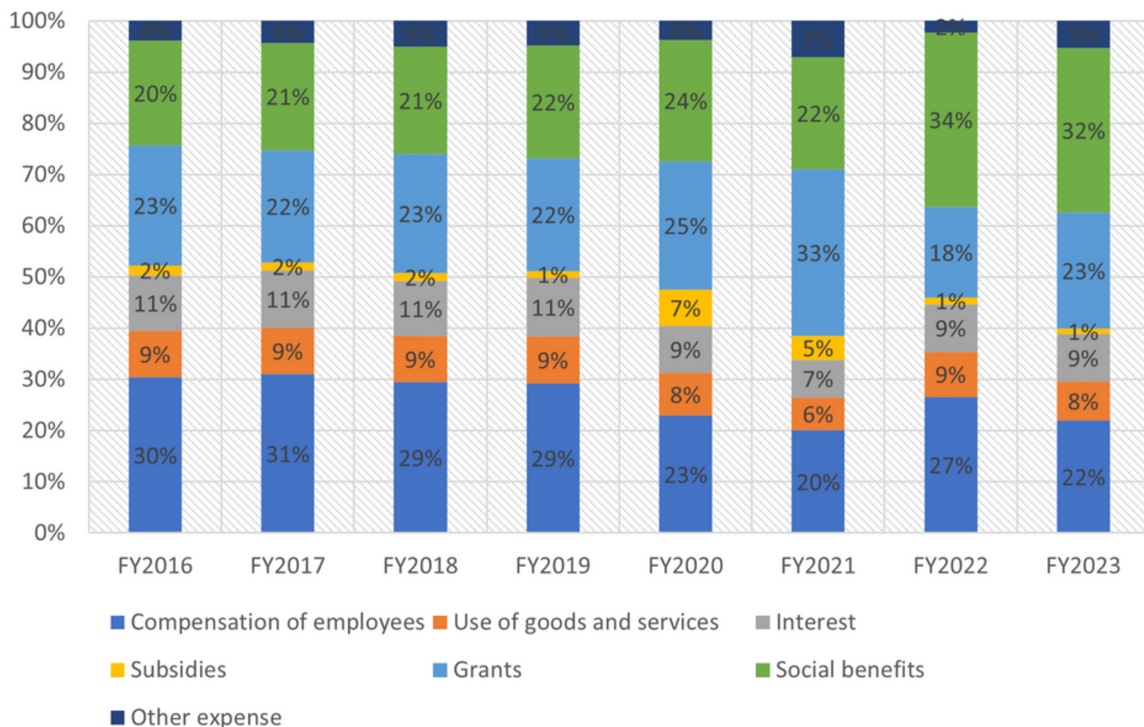
Inflation

YoY Headline Inflation has been subsided to 4% in Nov-23 and according to the BoM, inflation is expected to remain at 4% in 2024, barring any unexpected supply shocks.

Government Expenditure

With 2024 General Elections, we expect a continued deficit spending, potentially driven by higher social security spending. Social Benefits is now the biggest spending of the Central Government and has grown by almost 3-fold since 2016!

Budgetary Central Government Expenditure (%)

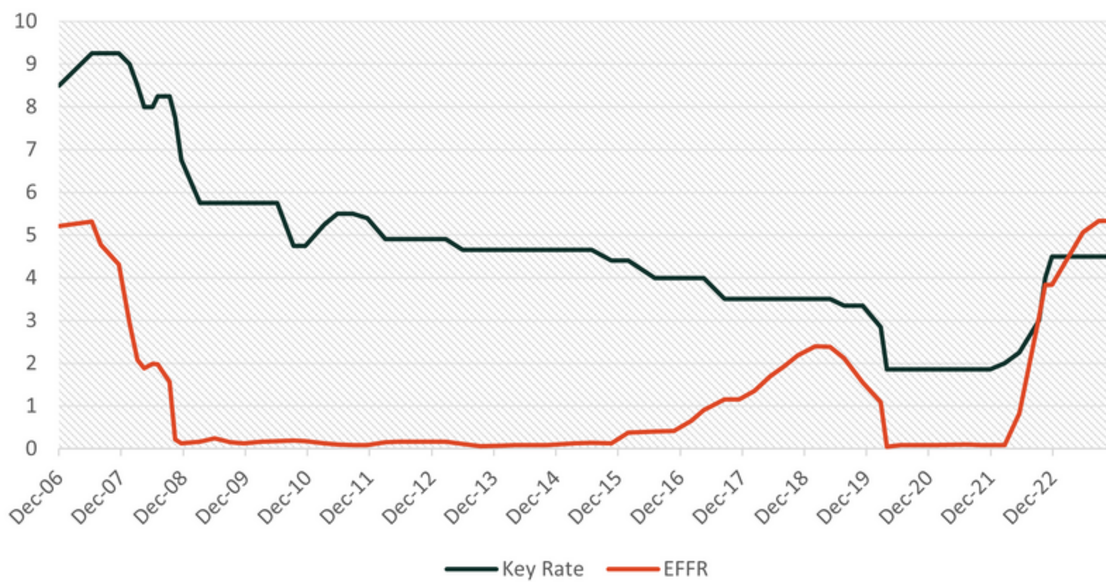


Interest Rates

The BoM held rates intact in 2023 while central banks continued to raise rates and as such, the Key Rate remains less than the Fed Funds Rate. During the period between 2018 and 2022, the Fed Funds Rate stood at an average of 1.6% higher than the Repo Rate.

With the Fed signalling 3 rate cuts in 2024, we expect the BoM to remain less accommodative and restore the historical "premium" of the Key Rate over the Fed Funds Rate.

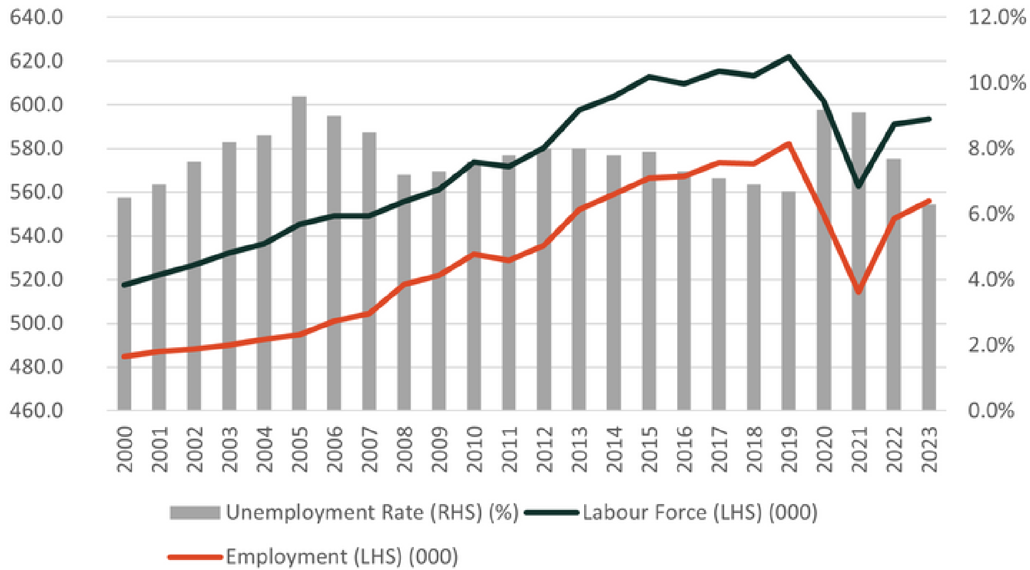
Key Rate vs Fed Funds Rate (%)



Labour Force & Employment

There were 556,100 Mauritians employed in Q3 2023, up from 553,200 in Q2 2023. This has driven down unemployment rate to 6.3%, a multi-year low. Youth unemployment remains high at 17.8% but improved slightly from 18.1% in Q2 23.

Labour Force, Employment and Unemployment Rate



Lack of skilled labour remains a major concern for employers and as shown in the graph above, our labour force and number of employed remains below pre-pandemic levels. Migration of skilled workers to other countries is often cited as a major reason towards the decline in our labour force.

As shown below, most industries have suffered a contraction in employment and the decline remains steeper within the Primary sector.

Employment by Industry	% Employment	2022 vs 2019
Wholesale and retail trade	17.6%	0.2%
Manufacturing	15.1%	-13.7%
Construction	8.2%	1.6%
Public administration and defence	7.9%	-2.7%
Accommodation and food service activities	7.5%	-7.0%
Transportation and storage	7.2%	-1.0%
Agriculture, forestry and fishing	5.6%	-23.3%
Education	5.4%	-7.5%
Other service activities	5.3%	-13.2%
Administrative and support service activities	4.5%	-2.4%

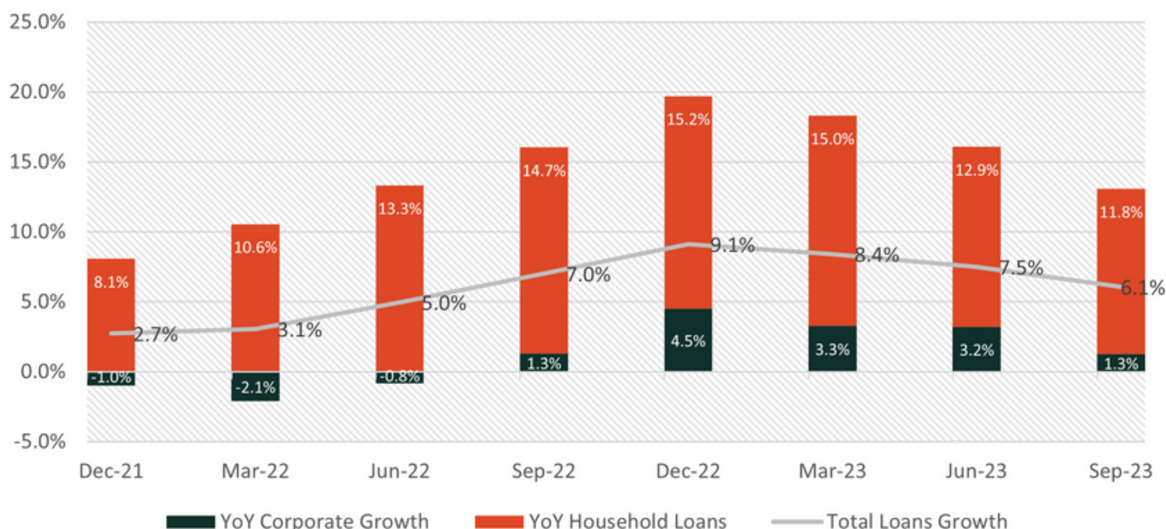
Sectoral Outlook

Banking

Continued inflow of GBC Deposits – With Mauritius reaffirming its investment grade status (Moody's: Baa3 with stable outlook), we expect a continued rise in the number of newly licensed Global Business companies, which would, in turn, drive up GBC deposits. Banks should continue to benefit from the spread between high government bond yields and cheap deposits.

Credit Growth – After high interest rates drove down corporate credit growth, the trend reversed in the quarter to Sep-22 and corporate credit growth remained positive for 5 consecutive quarters since. However, we expect households to remain the predominant driver of credit growth.

YoY Credit Growth



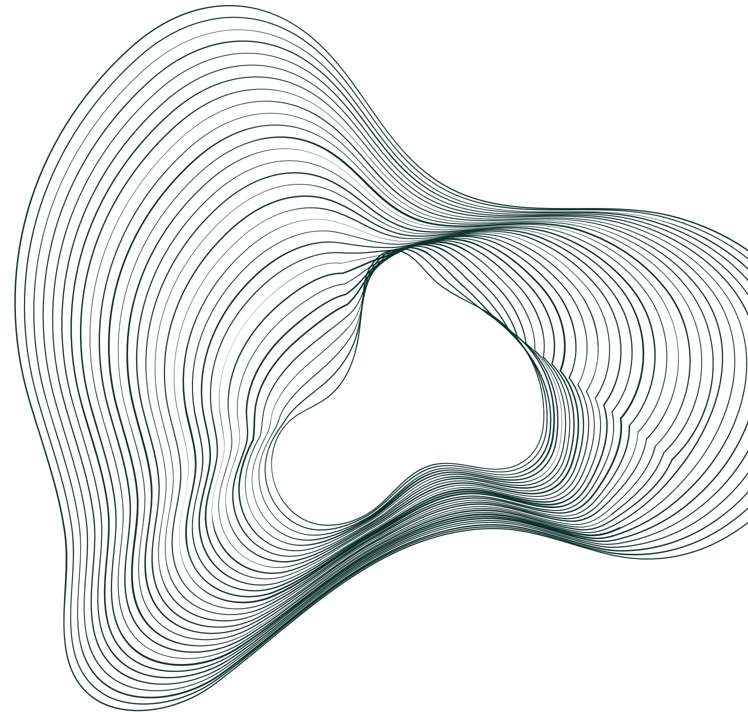
Strong Credit Quality – The NPL of major Mauritian banks stand at a multi-year low (3.1% for MCBG and 6.9% for SBMH in the quarter to Sep-23) and both have significantly built up their Portfolio Coverage Ratio to above 100%. Cost-of-risk for both banks have fell below 1%. NPL for the whole banking sector stood at 4.7% as at September 2023.

Outlook – MCBG and SBMH are both trading at P/BV of 0.89x and 0.37x, below historical average of 1.28x and 0.7x respectively. On the back of the attractive valuation, better credit quality and commendable loan growth, we therefore maintain a bullish stance for Mauritian banks.

Banking

Further Rise in Tourist Arrivals – Tourist arrivals currently account for around 93% of pre-pandemic level. We expect a further rise in arrivals following enhanced air connectivity, especially with the resumption of direct flights to China. Beijing Capital Airlines will fly, three times per week, between Mauritius and China on a trial basis between January and March 2024.

Stable/Lower Spending per Tourist – Europe remains our main tourism market and as a result, the bulk of tourism spending is effectuated in EUR. With the BoM regular interventions to stabilize the Rupee, the EUR has depreciated by around 6.6% since July 2023. On the back of FX interventions and anticipated recession in Europe, we do not expect further rise in per capita tourism spending.



Higher Wage Bills could lead to shrinking margins – The recent rise in Minimum Salary, as well as labour constraints within the tourism sector, could drive up the costs of hotel companies and shrink their margins. On average, payroll expenses account for around 30%-35% of total revenue. A weaker EUR could also mean that companies might not be able to pass the rising costs to customers.

Outlook – The hospitality industry would still post high profitability in FY24, albeit with an expected reduction in margins. However, the industry remains cyclical and timely exist is necessary before a downturn. As a result, we remain neutral/bearish for the industry's prospects in 2024.

Insurance

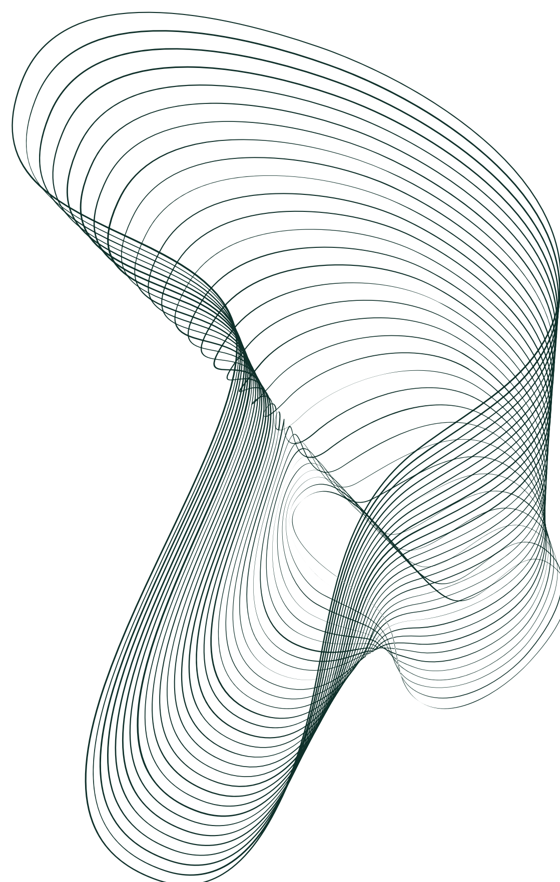
Insurers to swing back to profitability – Inflation remains the greatest enemy of insurance as contracts are usually written a year in advance while claims are incurred at real time inflated prices. Therefore, premium increases are only accounted as revenue a year later. As inflation has stabilized, we expect Mauritian insurers to post positive underwriting profitability on the back of higher premium prices.

After 4 consecutive loss-making quarters, MUA's General Insurance division has swung back to profitability. We expect other Mauritian General insurers to follow through the same trend and post positive underwriting profits.

Profit from Higher Yields – Bonds remain the predominant form of investment for insurers, and we expect insurers to finally profit from the high-yielding environment after a decade of low interest rates.

Outlook – Insurance remains one of the least performing sectors in 2023 (YTD: MUA -12.4%; Swan +0.5%). On the back of higher expected profitability, we remain this sector to post a higher performance.

Africa Economic Outlook



After a promising recovery from the initial challenges posed by COVID-19, the African continent is now grappling with the far-reaching consequences of the Russia-Ukraine war, particularly in terms of soaring food and energy prices. The region is experiencing inflationary pressures and subdued demand for its exports, a situation further complicated by China's faltering economic rebound. A weakening of local currencies versus the USD also been observed in 2023 as depicted in Table 1 below amid rising debt burdens and shortage of foreign currency. According to the African Development Bank (AfDB), Africa's real GDP growth is projected reach 3.4% and 3.8% in 2023 and 2024, respectively. [1]

Currency	Performance vs USD*
EGP	-19.8%
GHS	-15.2%
KES	-21.0%
MAD	6.8%
NGN	-48.5%
TND	1.8%
XOF	4.2%
ZAR	-7.8%

*Positive performance shows appreciation vs USD
Table 1: Currency performance vs USD

Amid the complicated economic backdrop, diversified African indices underperformed global and developed market indices (see Global Index Performance table), despite certain regions performing strongly. [2]

Region	Index	TR Local	TR USD
BRVM	ICXCOMP Index	15.99%	19.82%
Egypt	EGX30 Index	75.08%	40.14%
Ghana	GGSECI Index	35.24%	14.54%
Kenya	NSEASI Index	-21.49%	-38.30%
Mauritius	SEMDEX Index	4.52%	4.11%
Morocco	MOSENEW Index	16.39%	23.11%
Nigeria	NGSEINDX Index	54.03%	-22.12%
South Africa	JALSH Index	9.35%	2.02%
Tanzania	DARSDSEI Index	-3.86%	-10.81%
Tunisia	TUSISE Index	9.67%	11.39%

Table 2: Total Return (TR) of major African Indices in 2023

Regional Overview

North Africa

The region has been plagued by significant terms-of-trade issues, stemming from inflationary pressures. Countries such as Egypt have been forced to devalue their currencies and over 2023, the EGP was down nearly 20% over the past year versus the USD. Despite a significant depreciation against the USD in 2023, the Egyptian stock market performed strongly during the year, recording its highest annual return since 2016, up 40.14% in USD terms, followed by Morocco (+23.10%) and Tunisia (+11.38%). North Africa is still expected to grow by 3.5% in 2024, despite subdued growth in Egypt and Tunisia [2], where the latter will be holding presidential elections. Morocco has remained resilient in 2023, setting new foreign direct investments (FDI) records in 20233 and is projected to grow by 3.1% in 2024.

Southern Africa

Growth in Southern Africa has been disappointing in 2023 as the region's growth projection has been revised down to 1.6% from 2.2%1. Following a rather strong recovery in 2022, South Africa experienced a challenging year in 2023. As of Q3'23 YTD, SA GDP grew 0.3% as loadshedding woes intensified in 2023. The mining sector, which accounts for nearly 20% of the country's GDP remains under pressure given power cuts and lower global demand. In 2024, growth is expected to be driven by lower levels of loadshedding, given ongoing energy sector reforms. South Africa's economy is forecasted to grow by 1.9% in 2024, underperforming the sub-Saharan region.4 The South African presidential election in August will also have a significant impact on the region.

West Africa

Growth in West Africa is expected to be negatively impacted by a slowdown of the Nigerian economy. Nigeria has been plagued by fuel production woes and exchange rate shocks, which led to a staggering depreciation of the NGN by 48.5% versus the USD. High inflation is expected to continue to consumption in Nigeria whose economy is only expected to start recovery in H2'245. The oil sector in Nigeria continues to face challenges, with output persisting below historical levels.

The West African Economic and Monetary Union (WAAEMU) has remained quite resilient following supportive fiscal and monetary policies, despite elevated inflation in 2023. Ghana is also expected to recover in 2024, with a projected growth of 3.7%4. Overall, the region is projected to grow by 3.9% in 2023 and 4.2% in 2024. While economic conditions pose greater challenges in Nigeria, WAEMU and Ghana are anticipated to follow a more positive trajectory in 2024, likely enhancing investor sentiment toward the region.

Eastern Africa

The projected growth for the region in 2023 has been revised downward to 3.4%, reflecting a challenging year marked by a debt squeeze that particularly affected Kenya and Ethiopia and ongoing conflict in Sudan1. The region is projected to emerge as Africa's fastest-growing area in 2024, with a potential rebound to 5.1%. Economic activity is anticipated to maintain its strength in the upcoming quarters, supported by IMF disbursements. The pace of the Kenyan Shilling's depreciation against the US Dollar is expected to decelerate in 2024, enhancing the attractiveness of Kenyan assets and drawing in investors.

Africa Outlook 2024

Inflation is expected to go back to more conventional levels in most African markets. However, borrowing costs are expected to remain high, which will maintain pressure on fiscal accounts. Several African countries will undergo elections this year (see Figure 1), which adds a layer of political risk. Despite these challenges, Africa is expected to emerge as the second-fastest-growing major region, with an expected growth of 3.8% in 2024. [1,6,10]

The region will continue to be influenced by external pressures. Africa, heavily dependent on commodity exports, is likely to feel the impact of China's slow economic recovery. Trade volume between China and Africa is estimated at USD 258Bn (as of 2022), while an analysis from the IMF (2023) shows that a drop of one percentage point in China's growth rate could result in an average decline of around 0.25 percentage points in the region's overall growth within a year.7,9 For oil-exporting countries such as Angola and Nigeria, the impact might be more pronounced, with an average loss of 0.5 percentage points.8,9 China is expected to grow by 4.2% in 2024 driven by recovery of the property sector and manufacturing industry and Africa, especially commodity exporters will significantly benefit from China's manufacturing sector. [10]

Amidst declining global inflation, anticipated interest rate cuts are expected to offer much-needed support in lowering sovereign spreads throughout the region, ultimately alleviating the funding constraints. So far consumption has remains surprisingly resilient despite sharp rate hikes. The question of whether inflation can persistently decrease without triggering an economic slowdown constitutes a central theme in many economic outlook predictions for 2024.

African equities continue to present an appealing investment opportunity, despite their comparatively modest performance in 2023, particularly when juxtaposed with more robust regions like the United States. The region's valuation metrics persist in being attractive and relatively inexpensive, with 'Africa ex-SA' particularly standing out by dominating in 2 out of 3 metrics and is significantly cheaper than World and US equities (see Table 3). In the short term, the investment landscape appears strategically robust, particularly in the event of a re-rating of African stocks. Looking ahead to the medium to long term, the outlook is optimistic for domestically anchored African stocks poised to capitalize on the ongoing structural changes within the region.

	Price to Book	Price to Earning	Dividend Yield
World	3.10	20.23	1.99%
US	4.55	23.65	1.45%
Emerging Markets	1.61	15.39	3.06%
Africa	1.80	16.11	3.81%
Africa ex-SA	1.99	12.38	4.60%

Table 3: Regional Valuation Metrics (Source: Bloomberg)

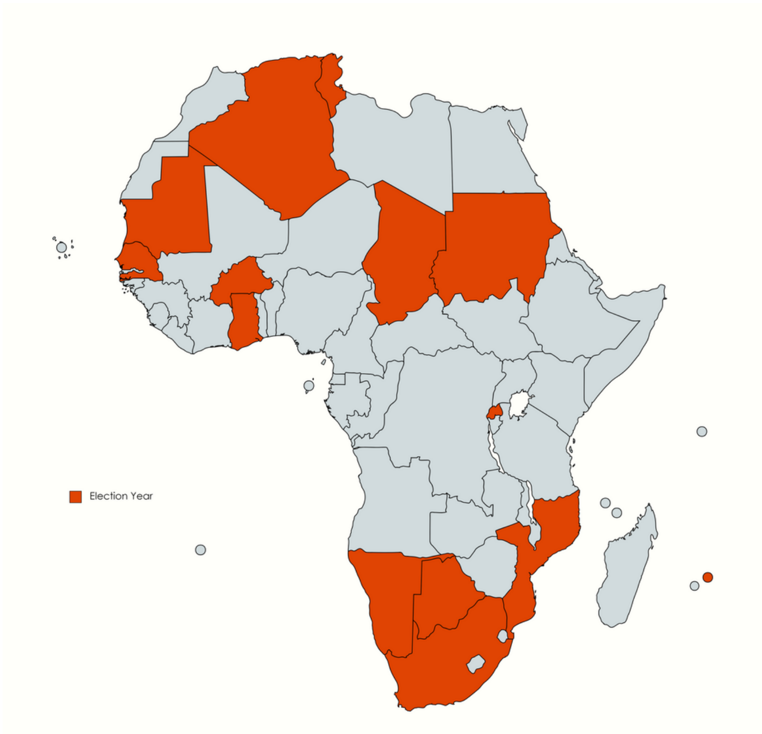


Figure 1. African Elections, 2024

US: A glimpse into 2024

As we enter 2024, the U.S. economy stands at a critical juncture, navigating the aftermath of high-interest rates and the looming spectre of recession. Despite uncertainties, there are promising signs of a soft landing.

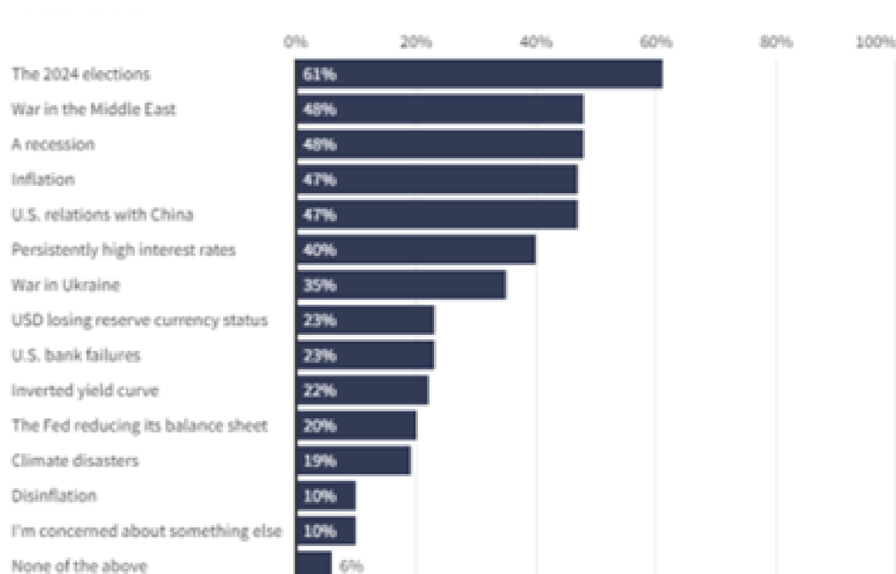
The Elephant in the Room: The 2024 Presidential Election

The November election undoubtedly takes centre stage. While it is premature to predict a victor, current polls suggest a probable rematch between Democrat Joe Biden and Republican Donald Trump. However, the door remains open for an outsider to disrupt this expected duel, particularly given the lower favourability ratings both Trump and Biden hold among voters.

A recent Investopedia survey found that over half (61%) worry about the election's impact on their portfolios, surpassing concerns about war, recession and even inflation.[3] The re-election of President Trump could potentially disrupt existing supply chains and investment flows between the US and China.

Notably, financial expert Gary Cardone anticipates a looming black swan event in 2024, capable of unsettling the U.S. general election. Similarly, economist Harry Dent envisions a substantial market collapse, surpassing the depths of the 'Great Depression.'

[3] Buchanan, N. (no date) Investors' election year worries could be overblown, experts say, Investopedia. Available at: https://www.investopedia.com/investors-election-year-worries-could-be-overblown-experts-say-8410521
(Accessed: 04 January 2024).



But history offers a counterpoint: since 1928, the S&P 500 has posted positive returns in 83% of election years, averaging a healthy 11.58% gain. [4]The only down years were in 1960, 2000 and 2008 when both parties offered new presidential candidates.

A closer look at S&P 500 performance during periods of a divided government reveals interesting patterns. Under a Democratic president, the average annual return stood at 15.9%, contrasting with 9.4% under a Republican one. In periods of unified government, the dynamics shifted, displaying an average annual return of 11.5% under Democratic and 16.1% under Republicans.

2024 S&P 500 Forecasts

Firm	Forecast
BMO Capital Markets	5,100
Deutsche Bank	5,100
Goldman Sachs	5,100
Bank of America	5,000
RBC Capital Markets	5,000
Barclays	4,800
UBS	4,700
Wells Fargo	4,600
Morgan Stanley	4,500
J.P. Morgan	4,200

Sector Spotlight:

- **Financials and Energy:** Historically, strong performers during election years, these sectors could benefit from increased government spending and potential policies favouring their respective industries.
- **Technology:** While underperforming during election years, AI remains a key investment theme in 2024. Companies at the forefront of AI innovation could see opportunities for growth.

[4] “S&P 500 Index Returns In U.S. Presidential Election Years” (First Trust, 2022).

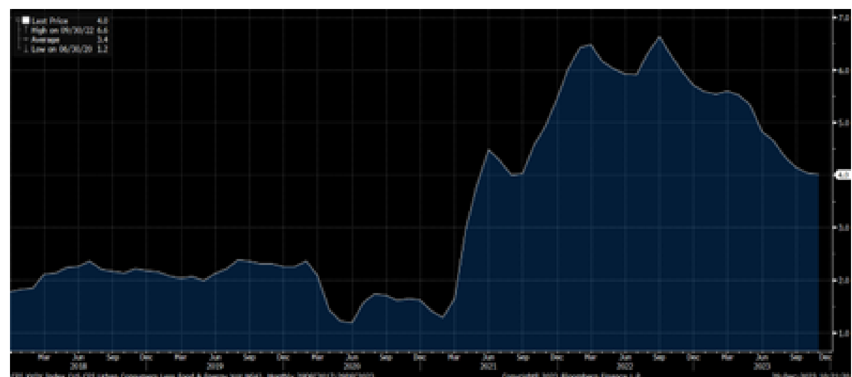
Moderate Growth Amidst Declining Inflation:

Will robust consumer spending and AI investments propel the US towards Goldman Sachs' optimistic vision of 1.8% growth[5], or will J.P. Morgan's 25% recessionary storm clouds engulf the first half?[6]

US Economic Forecasts, Year on Year (%, Forecast)	JP Morgan	CIti	Wells Fargo	UBS	Deutsche Bank	Barclays
2023F	2.8	2.4	2.2	2.4	2.4	2.4
2024F	0.9	1.6	0.7	1.1	0.6	1.0

While the GDP growth is expected to moderate to around 1.2% in the short term, a gradual uptick to 1.5-2.0% later in the year is anticipated[7]. This moderate expansion will be accompanied by a further slower pace of inflation compared to 2023.

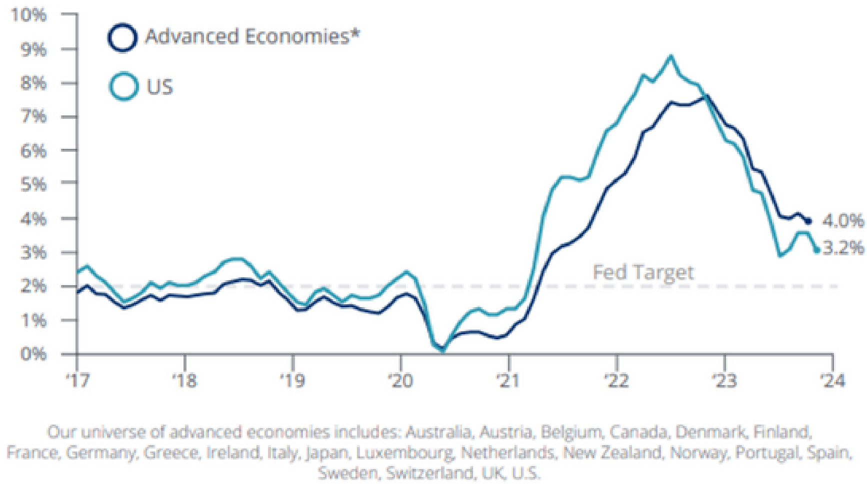
Most analysts paint a picture of disinflation, with inflation gradually slipping toward the Fed's 2% target. Deutsche Bank (Wealth) throws in the possibility of rising oil prices, which could stall disinflation and keep the Fed vigilant. [8]XA IM paints a brighter picture, predicting inflation to reach the 2% target in 2025 thanks to a calmer labour market and structural improvements.



[5] "Global Economics Analyst Macro Outlook 2024: The Hard Part Is Over" (Goldman Sachs, 2023).
[6] "JPM AM Market Insights" (J.P. Morgan, 2022).
[8] "PERSPECTIVES Annual Outlook 2024 - Finding Growth" (Deutsche Bank(Wealth), 2023).

The core CPI is projected to decline from 4.0% this year to 3.0% in 2024, eventually reaching the Fed's 2.0% target by the end of 2025. This gradual disinflationary trend is supported by the steady shrinkage of the money supply and a potential easing of interest rates by the Fed in the second half of 2024.

CPI, YoY Percentage Change



Our universe of advanced economies includes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, U.S.

Bond Market

Optimistic forecasts abound for the bond market in 2024. Financial giants like JPMorgan Asset, Franklin Templeton, and BNY Mellon Wealth [9]expect elevated returns from both capital appreciation and yield harvesting.

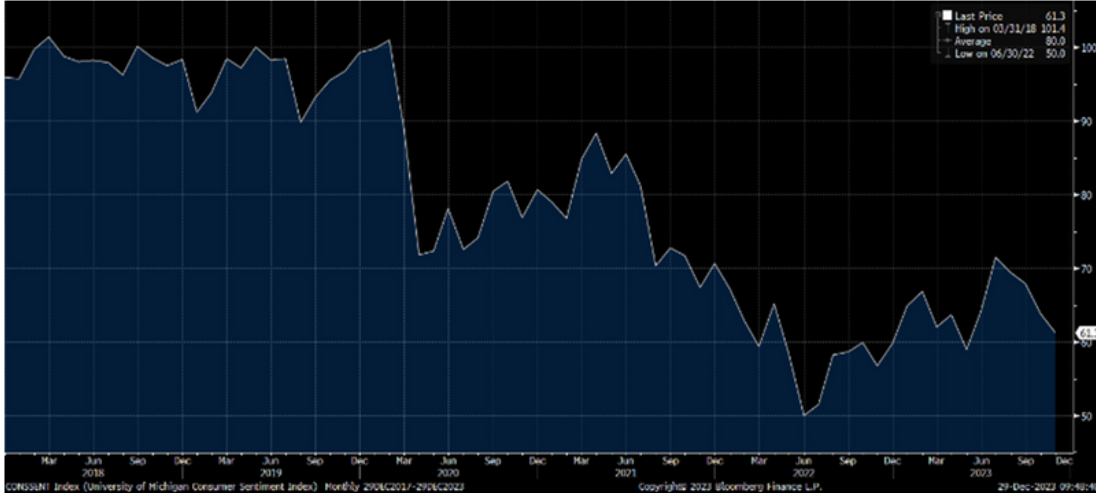
Wall Street's 2024 U.S. Forecasts: 10-Year Treasury

Bank of America	4.3%
Citigroup	4.3%
Goldman Sachs	4.6%
JP Morgan	3.8%

[9] "CAPITAL MARKET ASSUMPTIONS 2024 – The Path to Normalization" (BNY Mellon Wealth, 2023).

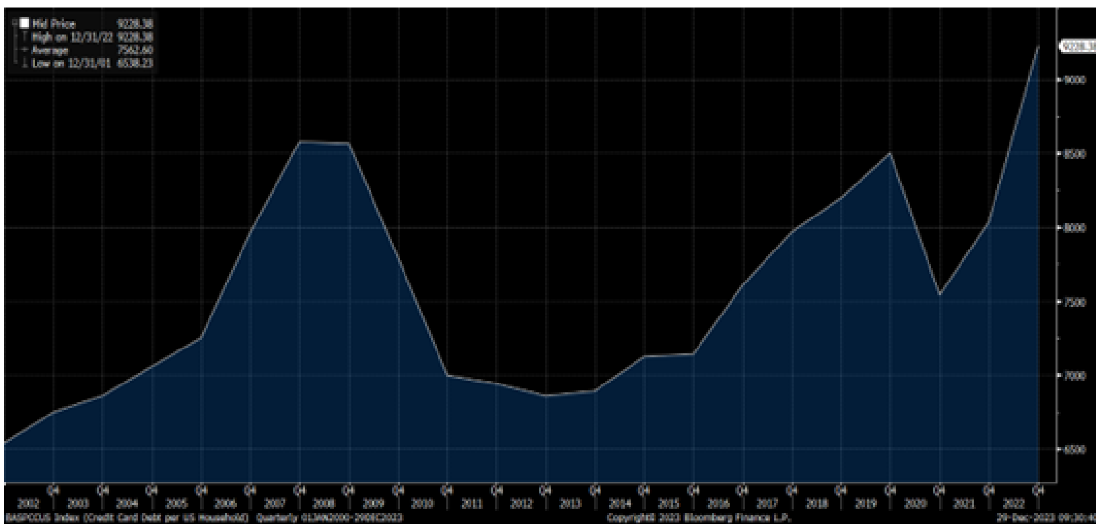
Shifting Sands in Consumer Behaviour:

Consumer sentiment, a crucial driver of economic activity, remains a source of mixed signals. Despite heightened concerns about interest rates, inflation, and geopolitical tensions, consumer spending has held steady at around 2.3%.

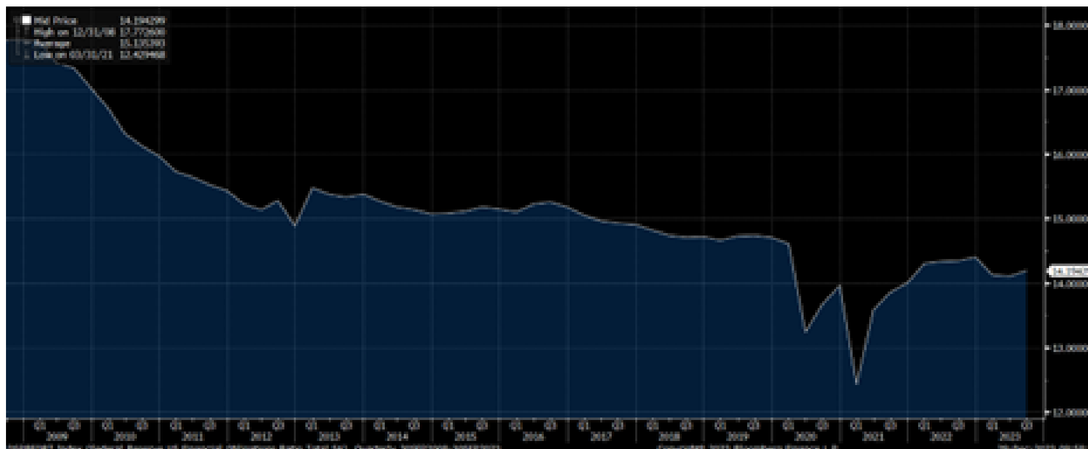


However, various indicators suggest a potential slowdown in spending to around 1.0% in 2024. This can be attributed to factors such as:

Rising credit card debt: The significant 17% increase in credit card borrowing over the past year poses a challenge for long-term sustainability, despite the low overall consumer debt levels.



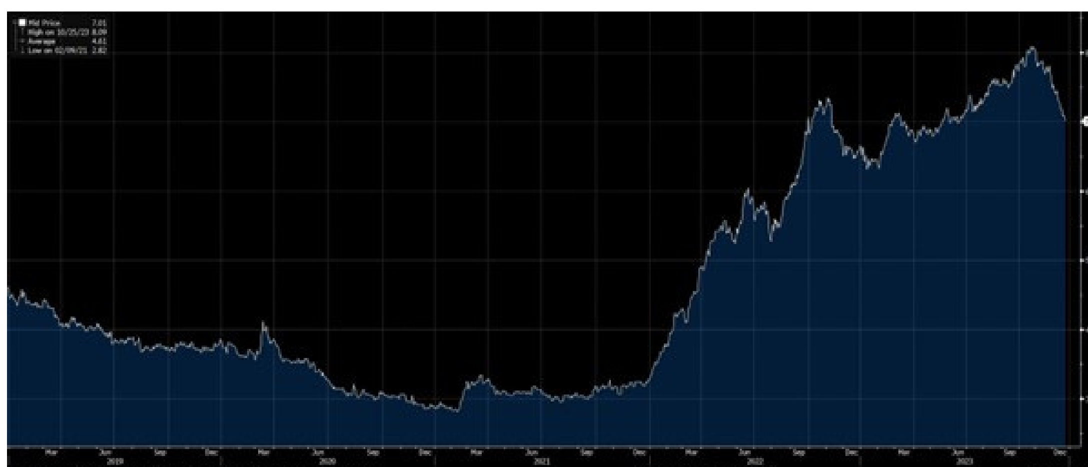
Following the recession, the financial obligation ratio sharply declined, influenced by the allocation of $1,000 stimulus checks towards debt reduction. Consequently, the ratio reached its lowest point since the 1980s. Although the recent surge in credit card borrowing has contributed to an uptick in this ratio, it is crucial to note that the starting point was at a historically low level, remaining significantly below the average of the past two decades. This indicates that consumers may have room to accumulate credit card debt for at least another year.



Resumption of student loan payments: The end of the student loan payment freeze will shift financial priorities and may put a damper on discretionary spending.

The Housing Market and Business Investment:

The housing market has faced headwinds from soaring mortgage rates, leading to a decline in existing home sales. However, with inflation on the decline and the Fed potentially easing rates later in the year, mortgage rates are expected to fall, improving affordability, and potentially boosting home sales.



Business investment, particularly in technology sectors, has surprised many by maintaining a solid 4.0% growth rate despite rising interest rates and wages. This trend is expected to continue, albeit at a slightly slower pace of 2.5% in 2024.

Interest Rates and the Fed's Stance:

The key to unlocking the full potential of this optimistic outlook lies in the hands of the Federal Reserve.

- **Goldman Sachs and Citi** foresee rate cuts starting late 2024, aiming for a steady retreat to around 3.5% in 2026.
- **JP Morgan** acts as the counterpoint, raising the ominous banner of "higher for longer" rates. They warn of investor panic and potential rate hikes if inflation unexpectedly resurfaces.
- **EIU** echoes this concern, highlighting the squeeze on the housing market and other segments sensitive to borrowing costs. They believe factors beyond the Fed's control, like Treasury issuance and rising risk premia, will keep rates elevated.

With inflation gradually heading towards the target range and economic growth remaining moderate, the Fed is anticipated to pivot towards an **easing stance** in the second half of 2024. This means a gradual decline in interest rates, starting with the real funds rate, currently at +1.5%. This shift would offer a much-needed boost to both the economy and financial markets.

Conclusion:

The U.S. economy stands at a crossroads in 2024. While risks and uncertainties remain, the outlook appears cautiously optimistic. Declining inflation, moderate growth, and a potential shift towards lower interest rates all point towards a soft landing. Consumer behaviour and the Fed's actions will be critical determinants of the trajectory in the months ahead. However, with careful navigation and prudent policy decisions, the U.S. economy can emerge from this delicate dance stronger and more resilient.

Key Takeaways

- Moderate GDP growth of around 1.5% expected in 2024, with potential for higher levels later in the year.
- Inflation on a downward trend, gradually approaching the Fed's 2.0% target by the end of 2025.
- Consumer spending likely to slow down due to factors like rising credit card debt and student loan payments.
- Housing market expected to benefit from declining mortgage rates in the second half of 2024.
- Business investment, led by technology spending, to continue at a steady pace.
- Fed likely to ease interest rates by summer, creating a positive outlook for both the economy and financial markets.

Optimists	Pessimists	Neutral
Goldman Sachs	JP Morgan	Barclays
Bank of America	Wells fargo	Blackrock
Citi	Amundi	T.Rowe Price
Wellington Management	Deutsche Bank	
UBS	Lazard	
AXA IM	EIU (Economist Intelligence Unit)	
BNY Mellon	EY	
State Street	Invesco	
Man Group		
Deutsche Bank (Wealth)		

EUROPE

Dampened economic prospects and two raging wars have deeply affected Europe in 2023

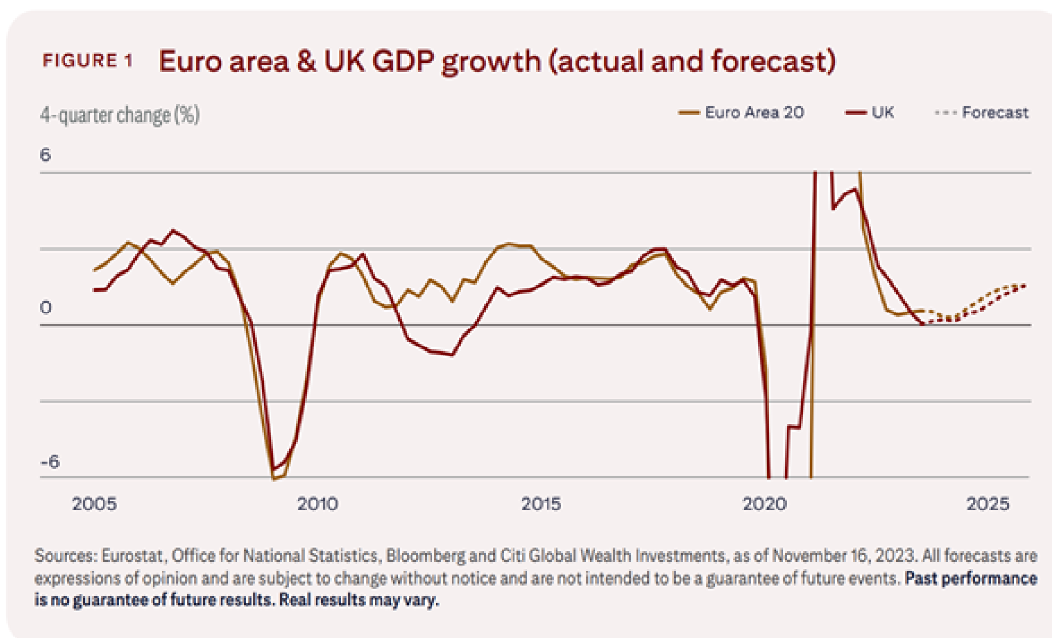
After prices sky-rocketed in 2022 amid the energy crisis brought about by Russia's invasion of Ukraine, 2023 saw inflation cool across the continent. Inflation fell three-fold from an average 9.9% in February to 3.1% in November across the EU and from more than 10% in January 2023 to 3.9% in November in the UK, driven mainly by cooling energy prices.

However, stubbornly high inflation throughout 2022 and early 2023 took its toll on Europe's economies, with tightened belts curbing consumption and investments. The 19-country euro area entered a technical recession in June after two consecutive quarters of decline. It continued to contract in the third quarter, while the European Union's economy stagnated, driven by disappointing economic performance in Europe's industrial powerhouse, Germany.

A slow recovery, with stronger equity returns later into 2024

Overall, the outlook for 2024 remains patchy and growth is expected to remain constrained in most major economies, although conditions will improve in the second half of the year. Even as central banks reach peak cyclical policy rates, most are maintaining biases toward tightening, and unemployment is expected to edge up in advanced economies. Domestic demand will be supported by a return to real wage growth and still-tight labour markets, as well as substantial EU-funded investment.

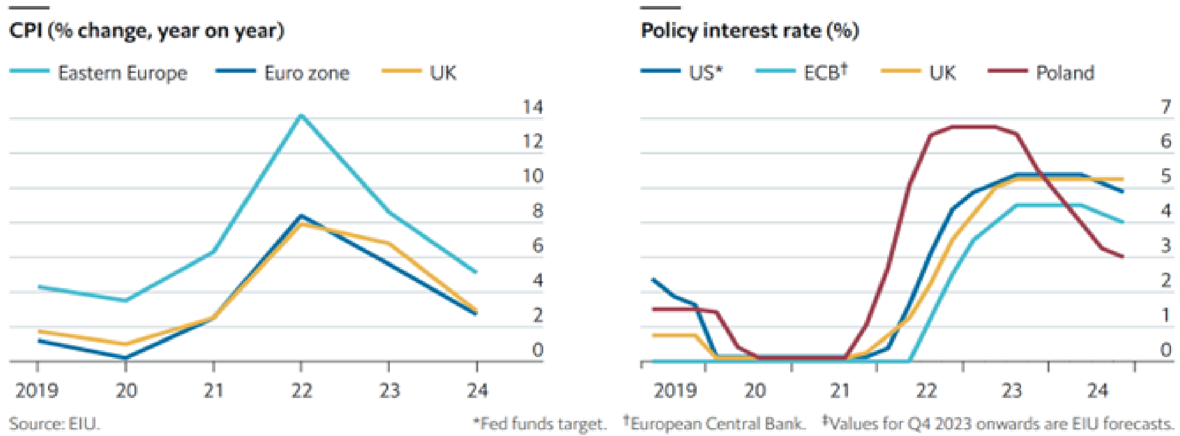
GDP Growth is expected to drop in the European Union (EU) in 2024, growing by 0.4% (compared to 0.5% 2023) before some acceleration to 1.3% in 2025. For the UK, the real GDP growth rate is expected to remain stagnant in 2024, growing by 0.6%, but surpassing the EU slightly with a gain of 1.5% in 2025[10].



Following numerous growth challenges in the second half of 2023 and a sluggish recovery in early 2024, a gradual decline in headline inflation to the 2% target of the European Central Bank (ECB) and the Bank of England (BoE) is anticipated. Peak policy rates seem to have been reached in Europe, with the ECB at 4% and the BoE at 5.25%. However, the probability of immediate rate cuts is low unless more significant economic risks emerge. European policymakers will begin cutting rates in June 2024, improving the macroeconomic outlook for the second half of the year.

[10] Wealth Outlook 2024, Citi Group

Interest rates have peaked, but ECB easing will not start until mid-2024

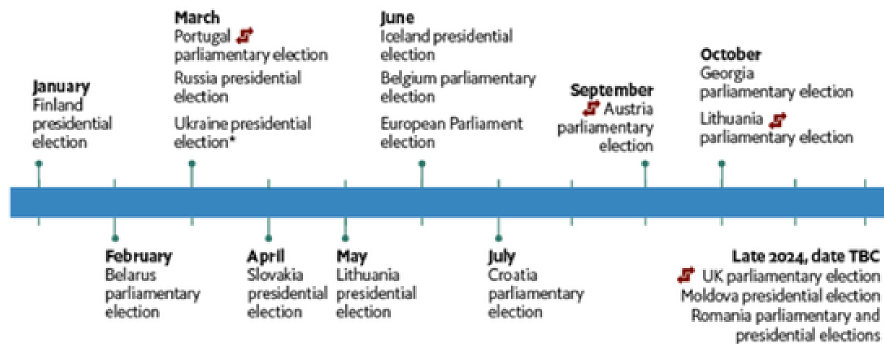


Elections

In 2024, Europe will see nine parliamentary elections, of which four are likely to result in a notable change in government and/or policy direction.

European Parliament and UK elections will be the most significant in Europe in 2024

Potential change of government or policy direction



Source: EIU. *Ukraine election likely to be cancelled under martial law.

2024 will also be a major year for sport to look forward to with the Euro football tournament, T20 Cricket World Cup, and the Olympic Games in Paris.

Green Transition

Efforts to decarbonize Europe's energy supply will intensify as numerous countries will witness the implementation of new renewable-energy projects. The impetus behind this acceleration stems from the dual goals of enhancing energy security and advancing decarbonization efforts. In 2024, coal consumption will further decrease as the UK and France progressively eliminate coal-fired power plants. This reduction will contribute to an overall decline in the region's carbon emissions, although the extent may fall short of meeting net-zero targets.

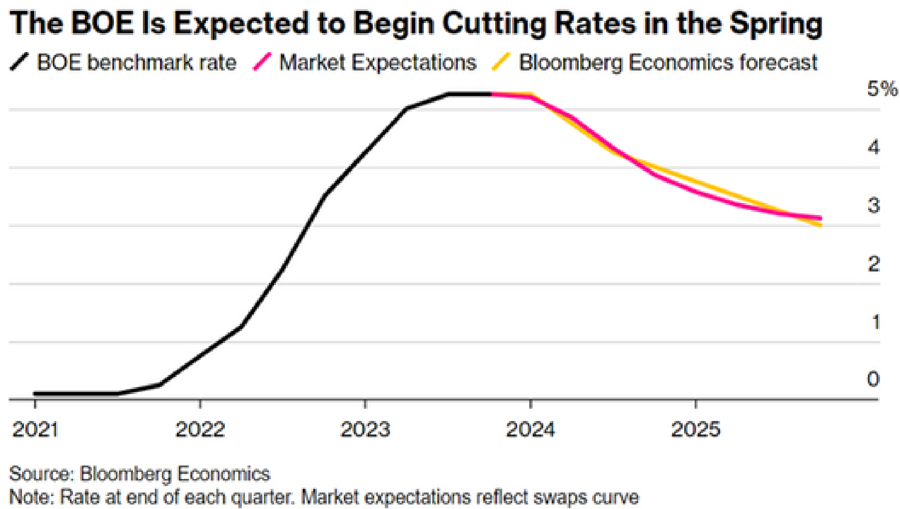
Investments in support of electric vehicle (EV) production and adoption will persist, with new gigafactories for EV batteries to open in Norway, Italy, and France in 2024. Subsidies provided through the Green Deal Industrial Plan will further encourage firms to invest in the EV sector. Following France's lead, more EU countries may impose local-content requirements for EV purchase subsidies, supporting domestic producers. Also, efforts to enhance the charging infrastructure for EVs are underway, as legislation passed in July mandates fast-charging stations every 60 km along major EU transport corridors by 2025, with increased focus on achieving this goal in 2024.

Challenges

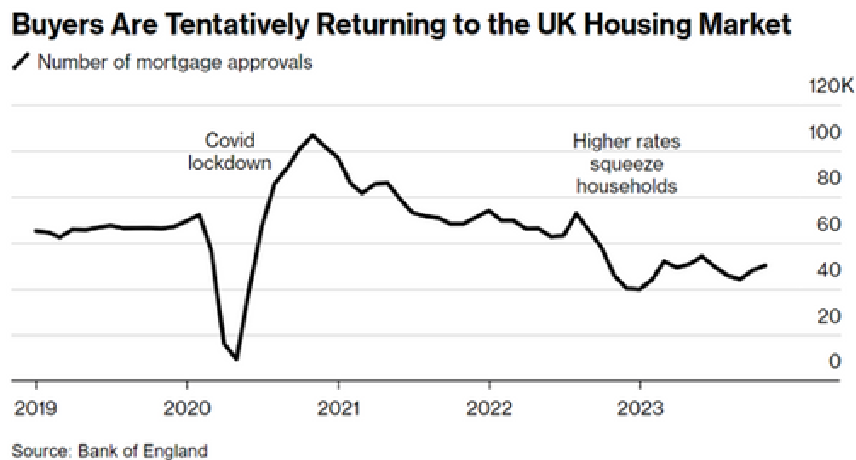
Recent months have seen an increase in uncertainty and downside risks to the economic outlook, primarily stemming from Russia's prolonged war against Ukraine and conflicts in the Middle East. Energy markets are particularly vulnerable, with potential disruptions threatening significant impacts on energy prices, global output, and overall price levels. Risks also arise from economic developments in major trading partners, notably China. On the domestic front, the transmission of monetary tightening may exert prolonged and intensified pressure on economic activity, challenging the adjustment of firms, households, and government finances to high interest rates. Aside from energy price risks, the inflation outlook appears broadly balanced, while growing climate change-related risks, such as natural hazards, further contribute to economic uncertainties.

United Kingdom

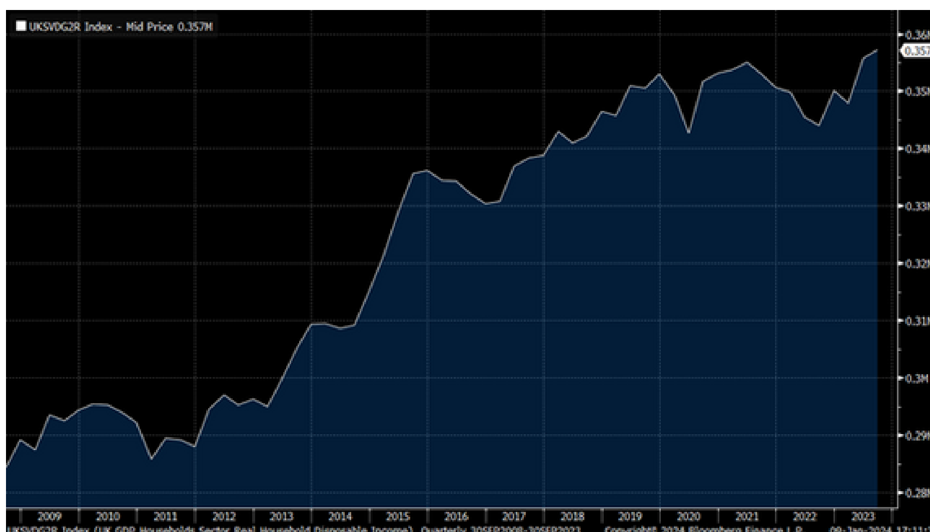
The economic outlook for Britain is improving with a pickup in lending, as the Bank of England reported a rise in mortgage approvals, consumer borrowing, and a slower decline in money supply. These developments indicate a rapidly improving perspective on inflation, which is now moving towards the targeted 2%. This positive trend provides the Bank of England with ample room to consider easing measures.



Goldman Sachs has revised its projection for UK GDP growth in 2024 to 0.6%, up from the previous estimate of 0.5%, and increased the forecast for 2025 to 1.3%, up from 1%. The expectation is that the Bank of England (BOE) will initiate a rate reduction in May 2024 and continue with subsequent cuts at a pace of 25 basis points per meeting. According to the BOE, the number of approved mortgages by British lenders exceeded expectations in November, as lower borrowing costs enticed buyers back into the housing market.



The strain on the UK housing market is diminishing as mortgage approvals continues to rebound in November 2023, aided by the availability of slightly more affordable loan deals. Furthermore, activity is expected to gain momentum starting in the spring, supported by an increase in real incomes due to lower energy prices and decreasing interest rates.



EU COUNTRIES

Germany

GDP shrunk by 0.4% in 2023 and is expected to grow by 1.3% in 2024 in the aftermath of the energy-price crisis, rising borrowing costs and the weakness of key trading partners. These are still weighing on the short-term economic outlook and high interest rates are also taking their toll on construction and investment.
Germany, along with the Eastern European economies integrated into its industrial supply chain, is anticipated to experience a modest recovery in 2024 due to improved conditions in the energy market, following a lackluster performance in 2023. Nevertheless, the competitiveness of the German industry will face challenges from elevated energy costs and a gradual transition to electric vehicles. Economic expansion in most other Western European countries is expected to either stabilize or decelerate in the upcoming year.

France

In 2024, investment is set to be subdued until the second half of the year due to the still restrictive effects of monetary policy. Private consumption is set to drive GDP growth as inflation and the household savings rate are set to decrease closer to historical averages. Net exports are expected to make a negative contribution to GDP growth, as strong domestic demand drives import up. Overall, real GDP is forecasted to grow by 1.2% in 2024. French officials remain concerned about the knock-on effect of Germany's struggles with weak demand from China, worker shortages and the fallout from last year's surge in energy prices.
With these weak forecasts for the first half, the Olympic Games can have a favorable effect on growth as international visitors and spending will be boosted. With a huge influx of visitors arriving for a 17-day event, lodging providers will be the main winners. Short-term rentals will play a key role as the sector is more elastic in terms of capacity than hotels. The Games will also give a boost to transportation providers and consumer foodservice outlets.

ITALY

The actual GDP is expected to increase to 0.9% in 2024 and 1.2% in 2025, propelled by investments funded through Recovery and Resilience Plans. Inflation is predicted to decrease to 6.1% this year, 2.7% in 2024, and 2.3% in 2025.
In 2024, private consumption is anticipated to rise, benefiting from the projected recovery in real disposable incomes due to nominal wages outpacing consumer prices. The gradual reduction of tax credits affecting housing investment will be offset by increased gross fixed capital formation, supported by planned investments in infrastructure and equipment, particularly in digital and green projects. Net exports are expected to contribute positively to annual GDP growth in 2024 due to mild expansion in global trade.

SPAIN

Economic activity is expected to drop to 1.7% in 2024 from 2.4% in 2023. Potential drawbacks stem from the prolonged effect on demand caused by the tightening of financial conditions, especially considering the high, though decreasing, levels of external, public, and private debt. Domestic demand is set to be the key driver of growth, supported by real income gains for households and the continued easing of price pressures. In addition, the broadening implementation of the Recovery and Resilience Plans and the accelerating disbursement to final beneficiaries are expected to contribute to sustaining investment, notably in machinery and equipment.
Spanish economy is outperforming the eurozone stemming from a resilient labour market and a strong recovery in tourism. The robust economic growth and the imbalance between real estate supply and demand is attracting investors despite the current environment of uncertainty and high interest rates. The living and hotel sectors are attracting most of the investment so far.

LATIN AMERICA OUTLOOK 2024

For the sake of the analysis, we will be focusing on 5 main countries in Latin America (LA5): Brazil; Mexico; Chile; Peru and Colombia.

In Latin America,GDP figures soared as economic activities resumed at the end of Covid 19restrictions, with GDP growth in the region growing at 7% in 2021.

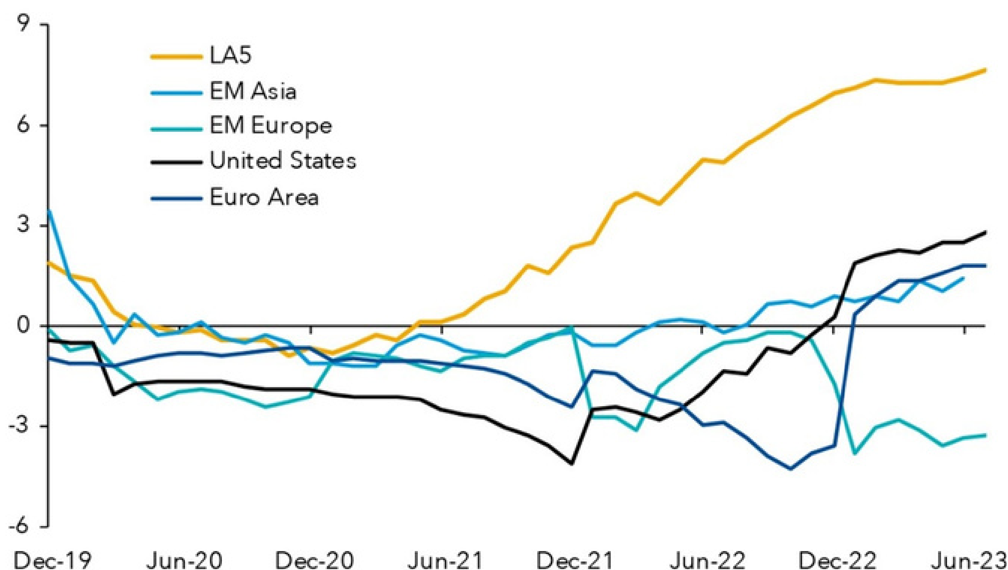
Despite the regional economy expanding, supply shocks around the world triggered inflation leading central banks to aggressively raise interest rates with GDP growth slowing to 3.9% in 2022. In Latin America, like the rest of emerging markets, the economic cycle has shifted from booming growth towards greater uncertainty.

Taking the lead on inflation control, Latin America countries opted for rapid interest rate hikes, exceeding the pace and magnitude of other advanced and other emerging economies. As a result, inflationary pressures are now easing, and regional currencies have strengthened in recent months.

Leading the hike

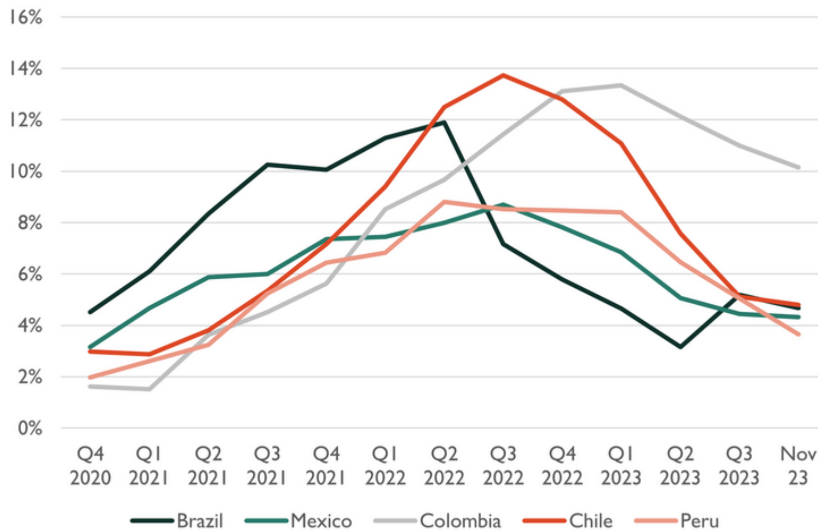
Post-pandemic, Latin America raised interest rates earlier and higher than others, tackling inflation early. The region now weighs potential rate cuts

Ex-ante real monetary policy rates
(percent)



Sources: Consensus Economics; Haver Analytics; National Authorities; IMF

CPI, YoY Percentage Change



Sources: Bloomberg

Latin America faces external threats to its economic growth in 2024:

- Slowdown in key trading partners: Lower growth in countries like China will hurt exports, commodity prices, remittances, and tourism.
- Volatile commodity prices: Uncertainty about oil, minerals, and agricultural prices will affect production, investment, and exports in resource-dependent countries.
- Global inflationary pressures: A continued war in Ukraine, bad weather, or central bank errors could send food and fuel prices soaring, adding to external inflation in Latin America.
- Financial market turbulence: Higher interest rates and unexpected inflation surges in developed economies, especially the US, could lead to tighter financial conditions and currency depreciation in Latin America, further fueling inflation.
- Geopolitical tensions: Escalating tensions may raise commodity prices in the short term but restrict capital flows and trade in the medium term, hurting growth and global cooperation on climate change.

Across LA5, a slowdown in economic activity reflected dampened private consumption, though growth remained around historical norms partly due to earlier monetary tightening. Domestic labour markets, however, are robust and approaching full recovery from the pandemic's impact, with employment nearing pre-pandemic trends and unemployment below historical averages. Overall, while some Latin American economies may benefit from higher commodity prices, the external environment poses significant risks for the region's economic stability and growth.

LA5 GDP Growth YoY

Sources: IMF

LatAm central banks to cut rates earlier, and more aggressively, than the Fed

LatAm central banks on track to continue to outpace developed market central banks in easing monetary policy providing support to the economy in 2024.

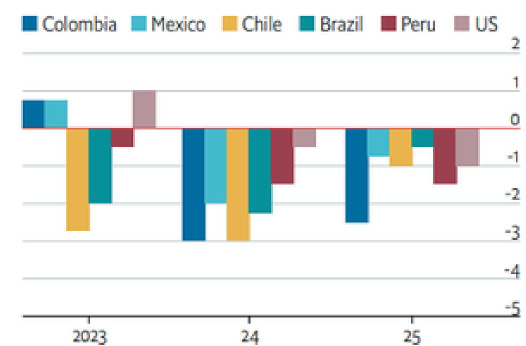
Monetary policy in Latin America will diverge from that of the US Federal Reserve in 2024, with implications for currencies and economic growth.

The Fed is likely to hold the policy rate at its peak level until Q2 2024. In contrast, disinflation and slowing growth, have already prompted some Latin American central banks to start cutting rates.

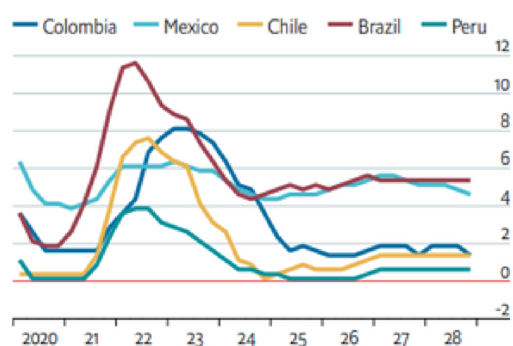
Regional heavyweights of the LA5 have started easing monetary policy with Brazil, Chile and Peru cutting rates as from Q3 2024 and cut again the key rate in Q4 2023. Colombia and Mexico are expected to follow a similar trend in early 2024.

Interest-rate differentials with the Fed will narrow in 2024, putting downward pressure on LatAm's currencies. As a result, we could see a rise in import prices and a slower pace of disinflation compared to 2023. Furthermore, it could add financial pressure on import-reliant countries and increase the cost of servicing US dollar-denominated debt.

Annual change in policy rate, end-period



Policy rate differential with the Fed



Source: EIU

High rates, sluggish growth, and China's slowdown dim LatAm companies' 2024 outlook

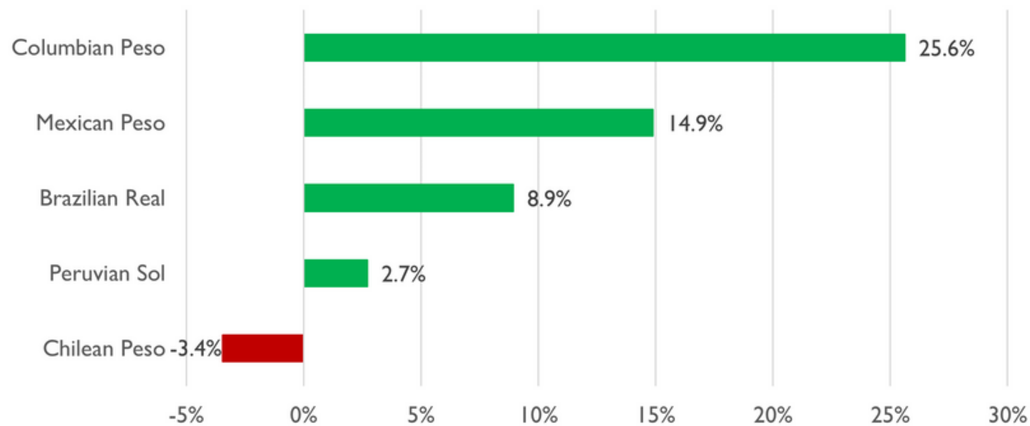
Entering next year, Latin America's growth faces external challenges in 2024. A slowdown in key export markets, particularly the US and China, will drag on growth while a continued tightening of monetary policy in developed markets will have a direct impact on emerging economies. Uneven growth across the region and continued high debt costs will affect spending, investment, and employment.

The "El Niño" climate pattern will bring even more disruption to the LatAm region. This pattern observed in 2023 is likely to have a substantial impact in 2024.

- Peru is expected to suffer substantially from heavy rainfall and drought causing damage to infrastructure and crops.
- Colombia is expected to be impacted by a drier weather which will affect agricultural and energy output, leading potentially to reduced shipping trade via the Panama Canal.
- The impact on Brazil is expected to be mixed.
- Mexico being closer to North America is expected to be less impacted than South America.
- Chile is expected to be impacted by surging summer temperatures.

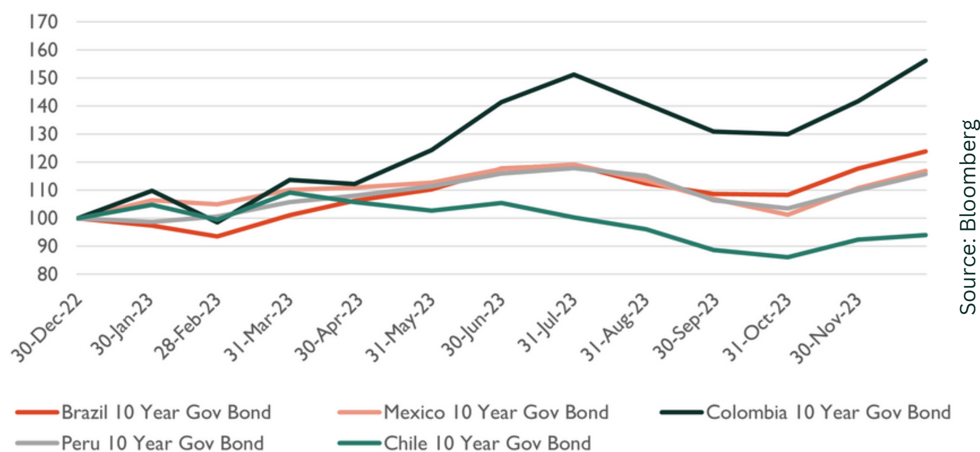
Monetary easing could slow if the severity of the above shocks is more intense than expected leading to short-term inflationary shocks prompting central banks to pause interest rates cut. This could have for effect to slow growth in the region but may diverge among LatAm countries.

Latin American Fixed Income: Bonds and Currencies Attract Yield-Hungry Investors



Source: Bloomberg

LatAm currencies have outperformed the US Dollar in 2023 with the exception of the Chilean Peso which still outperformed the US Dollar for most of the year highlighting the effectiveness of having been ahead of the curve compared to the US Federal Reserve in hiking rates which has had for consequence to drive real yields up in the region.



Positives

- The combination of high interest rates and falling inflation makes Latin American bonds and currencies very attractive to investors seeking high returns.
- Four out of five LatAm currencies this year have outperformed the US dollar.
- Despite high-interest rates, economies like Brazil and Mexico are resilient and growing faster than expected.
- Low foreign ownership leaves room for further investment as more investors consider the region's attractiveness.

Risks

- The rally may be nearing its peak as central banks start cutting rates in the coming months.
- The Columbian and the Mexican peso may now be overvalued.
- Mexico, especially, is vulnerable to any slowdown in the US.

Latin America presents a compelling investment opportunity due to high yields, falling inflation, and resilient economies. Despite potential risks, long-term structural advantages and strong fiscal management make the region attractive on a fixed income perspective. Regional central bank rate cuts and US economic trends are to be monitored.

Latin American Equities: Attractive Valuation

Brazil investment prospects, one of the most attractive globally highlighting its favourable valuations, income potential, and growth potential fuelled by falling interest rates.

- Lower interest rates are expected to boost corporate profits, leading to positive earnings revisions.
- Shifting investor appetite: As rates fall and equities offer higher returns, local investors may move away from bonds and towards stocks.
- Economic tailwinds: Lower rates are expected to stimulate borrowing and spending, boosting the broader Brazilian economy.

Mexico is expected to carry over its 2023 momentum into 2024, backed by strong domestic demand, nearshoring benefits, and potential central bank easing. However, fiscal pressures in an election year and a potential US slowdown are risks to watch out for.

- Strong domestic demand: Real wage growth, government spending, remittances, and strong FX environment.
- Record investment in fixed capital, driven by preference for Mexico as a manufacturing destination (services and EV plants).
- Rate cuts anticipated in 2024, will potentially benefit equities.

Chile shows promising signs of recovery, driven by lower inflation, central bank support, and favourable commodity market dynamics. Despite recent challenges, surging inflation, and economic contraction for three consecutive quarters it seems that Chile appears to be turning a corner.

- Falling prices and rate cuts by central bank should encourage spending in 2024.
- Improved copper and lithium prices should boost growth and stabilize the currency.

Colombia presents a potential bargain based on valuations, but significant uncertainties cloud its outlook. Weaker domestic demand, inflation risks, and political challenges could limit growth while higher energy prices offer a potential upside.

- Weak domestic demand, consumer limitations and fiscal uncertainty lie ahead.
- Potential for higher inflation due to El Niño, leading to slower rate cuts compared to other Latin American countries.
- Higher energy prices could boost the market and improve the fiscal situation more than anticipated.

Peru's outlook is mixed. Potential economic upticks from commodity prices and monetary easing are overshadowed by persistent political uncertainty and El Niño risks.

- President Dina Boluarte's administration faces fragility and calls for early elections.
- El Niño phenomenon could further hinder growth.
- U.S. Fed easing might push up gold prices and increasing demand for copper is expected.

Moody's sees non-financial companies in Latin America to face a gloomy outlook for 2024 on the back of still high interest rates, slow regional economic growth, and low projected prices for commodities as China's keep struggling with its economic recovery. However, credit conditions are expected to improve on the back of falling interest rates and the region remains one the cheapest in the world based on equity valuations. A pickup in China or the US Federal Reserve cautiously cutting rates without causing a recession are the most likely catalysts for sustained positive performance in emerging market assets.

Region	Price to Book Ratio	Price to Earnings Ratio	Dividend Yield	2023 USD Performance
World	3.10	20.19	1.99%	24.44%
USA	4.56	23.69	1.45%	27.10%
Emerging Markets	1.57	15.00	3.13%	10.12%
Latin America	1.76	10.06	6.02%	33.57%
Colombia	0.88	5.11	8.83%	15.00%
Brazil	1.70	8.79	7.30%	33.43%
Mexico	2.14	17.04	3.55%	41.54%
Peru	2.06	8.44	4.08%	36.64%
Chile	1.20	8.24	6.29%	6.35%

Regional Valuation Metrics & Total Return in USD (Source: MSCI, Bloomberg)

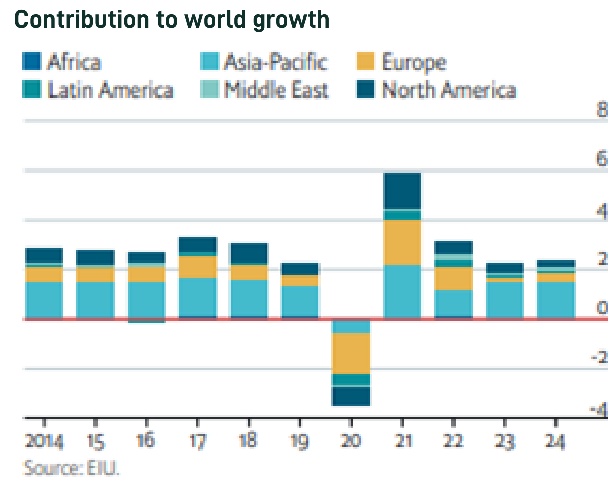
References
Latin America economic outlook | Deloitte Insights
Moody's sees negative outlook for Latin American companies on high rates, low growth | Reuters
Regional Economic Outlook: Western Hemisphere, October 2023 (imf.org)

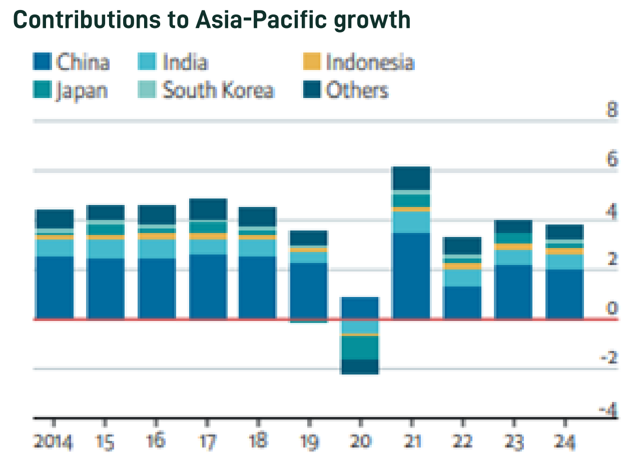
Asia Outlook 2024

Steering global growth forward

Despite a slowing China, Asia will keep driving global growth and despite a slowing China and is expected to account for 60% of global GDP growth in 2024. As North American and European economies settle into a slower pace in 2024, and emerging markets in Latin America, the Middle East, and Africa face their own headwinds, Asia's dynamic economies will become increasingly prominent on the global stage.

Asia's contribution to world growth will increase in 2024
(percentage point contribution to change in real GDP





China

2023 has been a volatile year for China. Hopes of an economic revival after the relaxing of their zero-COVID policy quickly reversed in the second half of 2023. News headlines of the property crisis dominated headlines as major developers defaulted. Fear spread through the market causing Asian markets to be dragged down. Geopolitical tensions with the US escalated with an escalation in US-Chinese sanctions and China vying to take control of democratic Taiwan.

However, by September, the Chinese government announced stimulus programs which had some positive impact on macroeconomic data. Stronger stimulus policies were announced at the end of the year, including sovereign fund stock purchases and fiscal stimulus of a trillion yuan each to boost infrastructure and housing demand. The stimulus policies are ineffective at persuading the markets. The Hang Seng and SSE Composite indices were up initially after the announcements by about 3% but tumbled back down -9% as of writing.

Our analysis points to two key concerns: a flawed policy that fails to spark economic recovery and a weak consumer base grappling with the aftermath of COVID-19 and the property crisis. Government support for favored industries such as electric vehicles, green energy and semiconductors does not restore business confidence because of the repeated regulatory actions on growth-oriented businesses (Large internet firms, after-school tutoring, and the property sector). These regulatory actions on growth-oriented businesses have left many business owners wary of making investments in these businesses.[11]

China’s consumers are deeply impacted by the real estate crisis. With 70% of regular consumer’s asset in real estate and falling prices, Chinese households have chosen to massively increase their precautionary savings over the past two years rather than make new discretionary purchases.

[11] Wealth Outlook 2024 - Slow then grow (citibank.com)

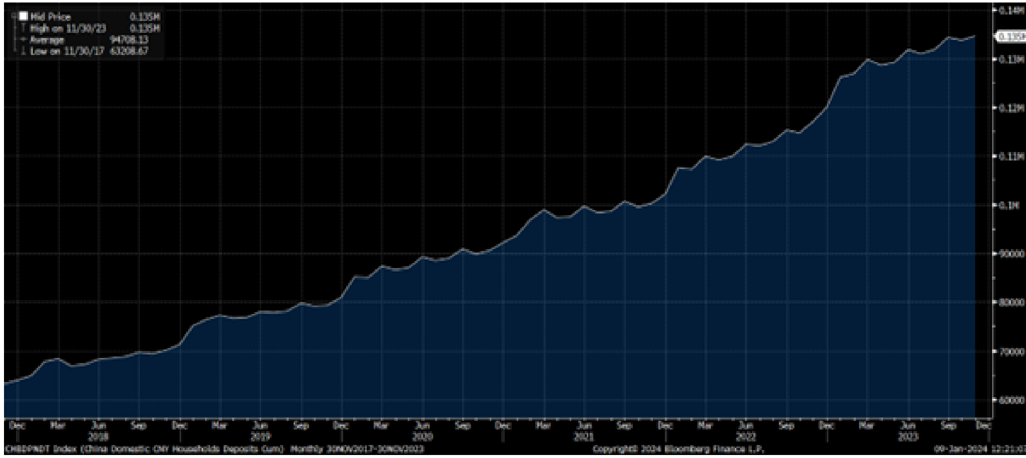


Figure 1: China Domestic Savings (CNY Billions)

However, we believe that the increasing savings of Chinese households could lead to greater consumption in 2024.

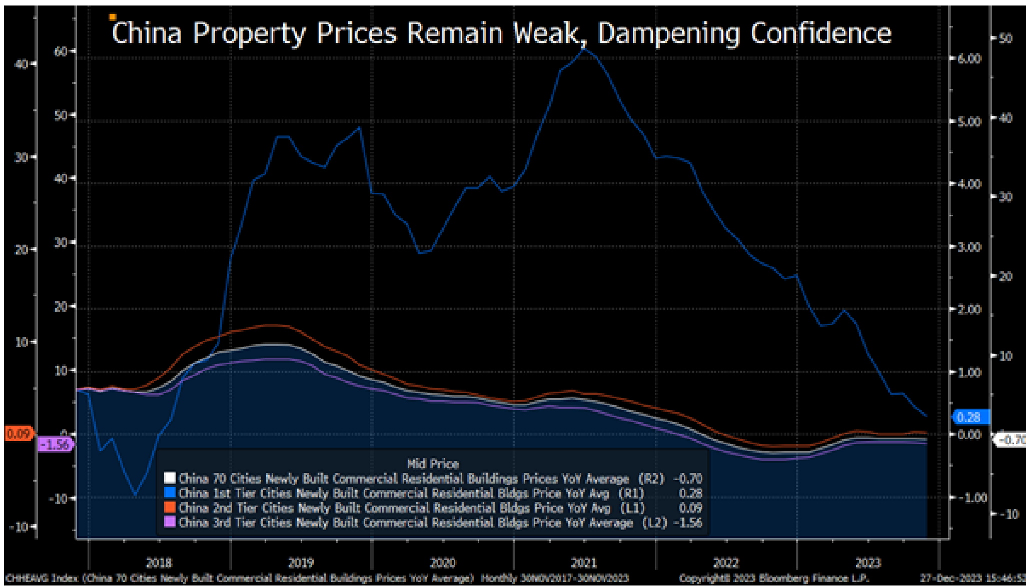


Figure 2 China Property Prices YoY %

The government does have sufficient resources to continue to stimulate market growth. China holds the 2nd largest holder of US Treasury bills, amounting to US$ 769.6 Billion. Since the start of the COVID-19 pandemic, China had begun selling US Treasury bills amounting to US$ 354.7 Billion, a significant 31.5% decrease in their holdings from the start of 2018.

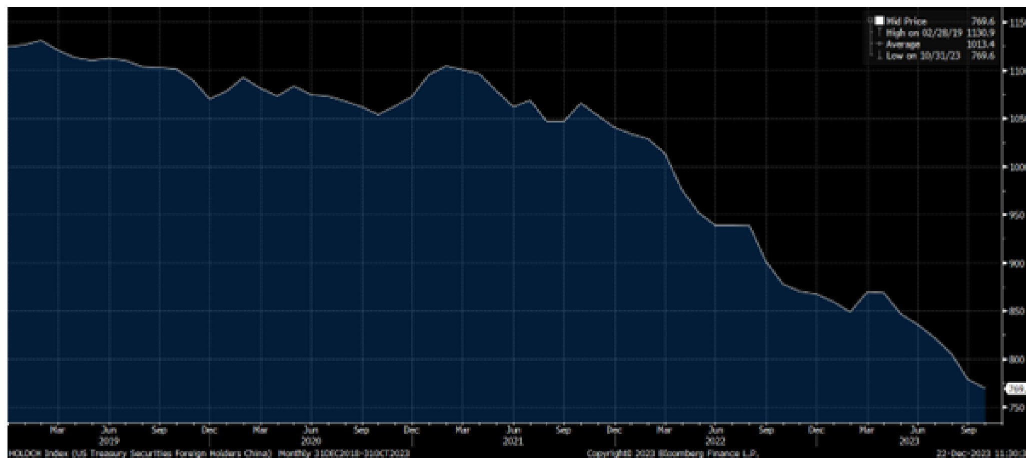
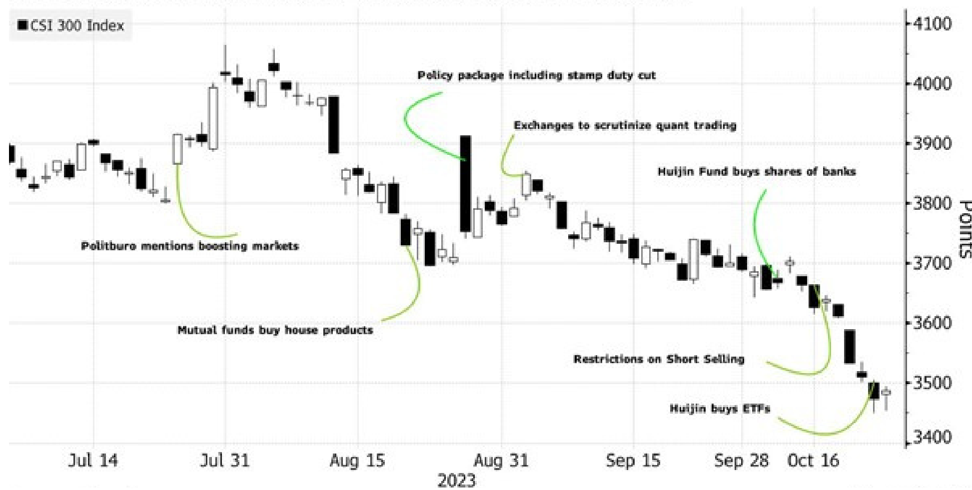


Figure 3 China US Treasury Holdings US$ Billions

China Investment Corporation, China's sovereign wealth fund, stands ready to support the economy with US$ 393.1 Billion AUM. On 23rd October 2023, it was announced that the Central Huijin Investment Ltd, a unit of China Investment Corporation, bought an undisclosed amount of Chinese ETFs and vowed to keep increasing its holdings. It is estimated that Huijin may have purchased US$ 1.4 Billion in ETFs. The government is also considering a state-backed stabilization fund to shore up confidence in the market.

These measures are evidence that the government is willing to support and stimulate the economy. However, the markets have shown that the current stimulus is not enough. Investors do not seem convinced as government crackdown on major economic drivers in the economy continues such as the Foxconn tax probe and video games crackdown targeted at Tencent.

China Stocks Sink as Efforts Prove Fruitless



Source: Bloomberg

Despite investor's sentiments in 2023, the market is bottoming out with the sharp declines in new housing construction and will lead to stabilization in building activity in 2024. Evidence of consumer confidence and spending bottoming suggests near-term improvement. To summarize, we believe that investor sentiment will improve in 2024 with a focus on global electronics manufacturing being a key growth sector.

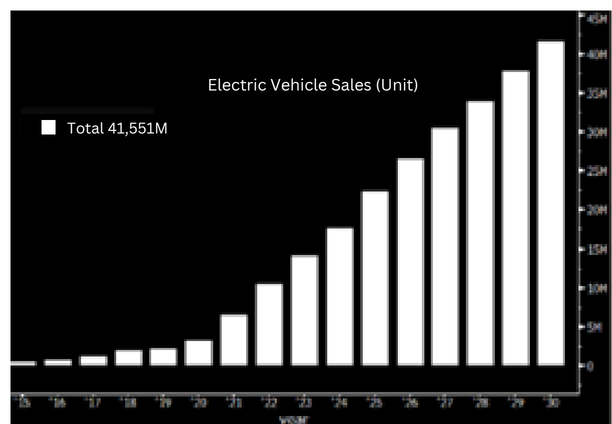
Global Electronics Manufacturing

The electronics manufacturing sector is set for growing opportunities in 2024 from the growing demand in AI, EVs and consumer electronics such as smartphones and PCs.

AI & EVs

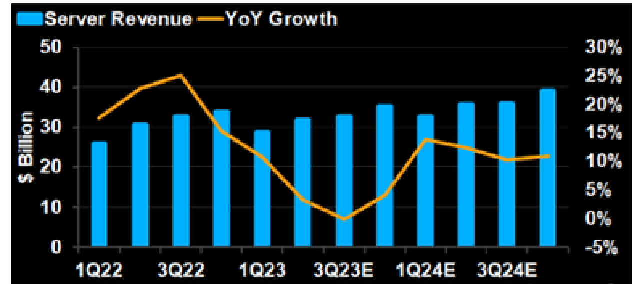
Artificial Intelligence (AI) has been a hot topic in 2023, with the advent of large language models (LLMs) such as ChatGPT and Bard taking center stage. While challenges remain, the global Electronic Vehicles (EVs) market is poised for accelerating growth in the coming years. EV innovations, increasing EV affordability due to incentives, and shifting consumer preferences towards sustainable solutions fuel an anticipated 18.8% annual growth on average through 2033.

Advancements in both AI and EVs create opportunities in AI chips, connectivity and sensors demand that could drive manufacturers to diversify and improve their revenue streams.



Source: Bloomberg

Global server revenue could grow by 10-15% in the first half of 2024, accelerating from around 2% in 2023, according to IDC. Although market uncertainty has caused lower demand for much of 2023, demand in 2024 could recover from a low base supported by the stellar demand for AI servers and extend to 2024. Electronic manufacturing companies with higher server exposure, such as Quanta and Foxconn Industrials, are set to see more resilient revenue momentum and margin expansion in the coming quarters.



Source: Bloomberg

Analysts' Recommendations

Optimistic Outlook	Bearish Outlook
Goldman Sachs	JP Morgan
State Street	Citi
Lazard	Wells Fargo
TD Securities	Deutsche Bank
Charles Schwab	Blackrock
HSBC	Amundi
Barclays	
Fidelity	
Vanguard	
UBS	

India

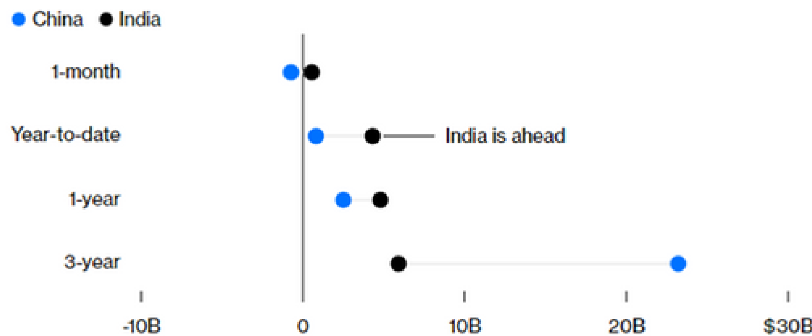
India's economic prospect remains bright. The general election in April-May has been concluded by opinion polls that Prime Minister, Narendra Modi, has a comfortable margin for his party, the Bharatiya Janata Party. Modi's economic reforms and development have been robust that reduced the cost of interstate commerce, incentivise production, investing in infrastructure and commencing a digital revolution.

The Modi government will try to channel as much money in handouts as it can to deflect political criticism about jobless growth and the inflated cost of living. An RBI-induced increase in borrowing costs could suck out air from the consumption-recovery thesis.

India has been the star beneficiary of China's tepid post-pandemic growth and cracks in its overleveraged property sector. Beating analysts' expectations of reduced global interest, the stock market now accounts for more than 15% of the MSCI Emerging Market Index. While investors pulled from Chinese ETFs, Indian ETFs saw inflows of nearly US$ 4.5 billion.

Money Flows Favor India

Investors have poured five times more into Indian equity WTFs this year as they have put into China funds



Source: Bloomberg

While the economy is starting to mildly decelerate, India is likely to be one of the world's fastest growing economies over the coming years. With an expanding working-age population, the country will produce and consume more goods and services and drive technological innovation.

During 2023, Indian equities saw their valuations soar with foreigners having poured billions of dollars into Indian equities with Indian small cap stocks being the clear winner. The NIFTY small cap index rose from a low of 16.7x to nearly doubling at 31.2x.

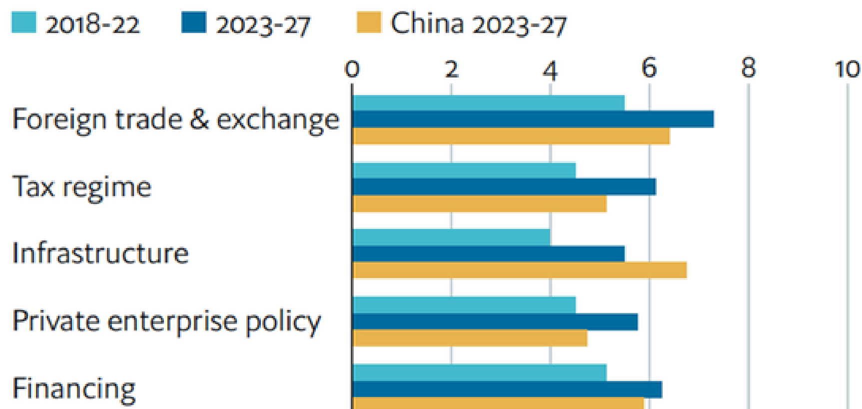
Indian equities' high valuations, versus other Asian and emerging markets, can be justified by its listed companies' consistently higher return on equity.

Figure 4. NIFTY P/E Index

Industrials to accelerate growth

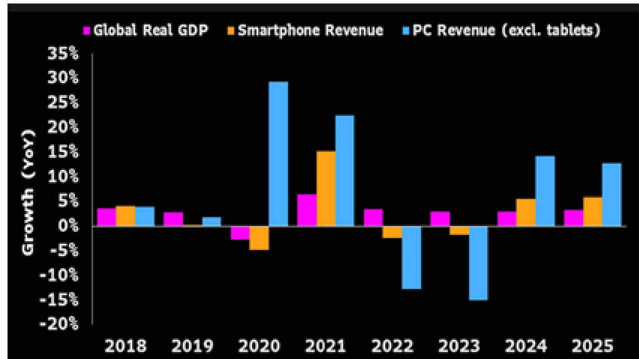
Manufacturers have been looking for alternatives to China to reduce geopolitical risks operating in the country. India is set to be the alternative manufacturing hub to China with incentives and infrastructure development from the Modi government. Now, with infrastructure investment rising, the country is in an advantageous position to industrialize with a business environment now as competitive with China and South-east Asia.

Improvements in India's rating versus China



Developments on the ground appear to support this view. Investment has accelerated in the electronics sector (an industry that India has previously struggled to cultivate), aided by government support provided under the so-called production-linked incentive scheme. The country's electronics exports rose sharply by around 50% to US$14bn in 2021 and has increased further by 35% in 2023. Taiwan's Foxconn is among the suppliers to Apple Inc to be planning significant expansion in India, as it seeks to diversify its manufacturing capacity beyond China. In 2024, India is set to finalize two trade deals with the UK by the end of February and is in "advanced negotiations" with Russia.

With global consumer electronics bottoming out in 2023, we could see a reversion to the mean in 2024, which India could benefit from, given that a multitude of consumer electronic brands such as Samsung Electronics and Apple Inc have started producing their smartphones in the country.



Source: Bloomberg

Analysts' Recommendations

Optimistic Outlook	Bearish Outlook
HSBC	
Citi	
Goldman Sachs	
JP Morgan	
Amundi	
Fidelity	

South-East Asia

South-East Asia is poised to become an emerging green industry power in 2024 but not without political risks. Election year in South-East Asia and regional powers poses a political risk for the region with elections from India and Taiwan to ASEAN countries themselves such as Indonesia, both which could have major implication for South-East Asia.

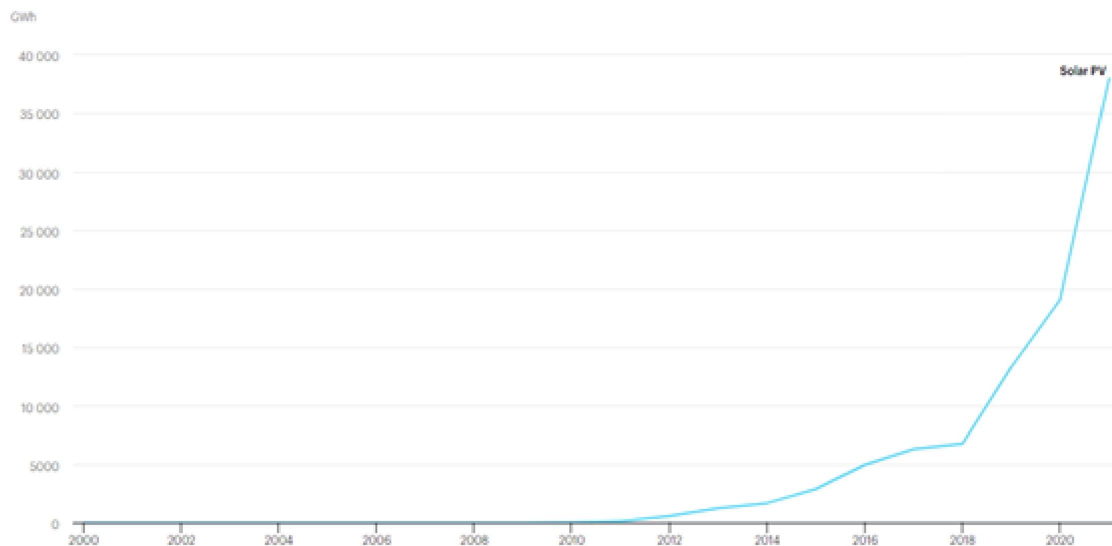
Political risk to be centre stage in 2024

Indonesia's presidential and legislative elections will be held concurrently in February. The popular Joko Widodo will not be able to run for a third term under Indonesian election laws. Thus, with Jokowi's support, Prabowo Subianto, the chairperson of the Great Indonesia Movement Party (Gerindra) and the incumbent defence minister, is expected to win the election with Gibran Rakabuming Raka, the governor of Surakarta and the eldest son of Jokowi. Prabowo will be inclined to hold on to Jokowi-era policies, particularly a flagship capital relocation project and several other major infrastructure schemes including the Jakarta-Bandung high-speed railway.

Elsewhere, Thailand's 2023 elections left the political landscape unstable with the progressive Move Forward party by winning the most seats in May's election after promising change in a country that has been ruled by coup-maker Prayuth Chan-ocha for nine years. However, soon after the leader of the party, Pita Limjaroenrat, came under investigation and eventually lost the prime minister bid after being blocked by junta-appointed senators. After months of suspense and instability, the second largest party won the premiership with Srettha Thavisin becoming the prime minister.

An emerging green industry powerhouse
Diversification of global chains away from China can prove a catalyst for growth potential in increasingly pivotal role as manufacturing hubs. Legislation from the EU such as the banning of fossil fuel-powered cars from 2035[12] and supply chain laws, requiring companies to choose ESG suppliers which adhere to human rights regulations that pose a problem for China[13], could have potential for the region to become a green industry powerhouse. According to the International Energy Association, the cost of producing solar panels within the ASEAN bloc is only about 4% higher than in China and since 2018, the region has seen significant exponential growth within its renewables, particularly solar panels. [14]

Solar PV electricity generation, ASEAN 2000-2021



Source: EIA

[12] EU lawmakers approve effective 2035 ban on new fossil fuel cars | Reuters
[13] EU Supply Chain Law Obliges Companies to Operate in a Fair Manner (eqs.com)
[14] Renewables Information - Data product - IEA

Commodity Deflation Momentum

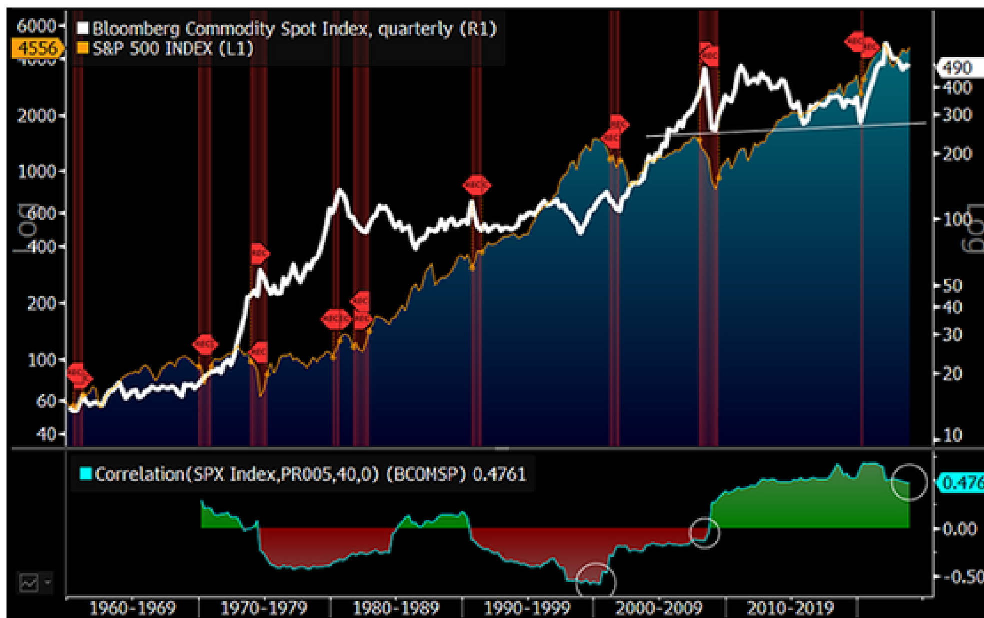
As we usher in 2024, major commodities find themselves positioned unfavorably within the economic cycle, poised to experience downward pressure. The looming factors contributing to this scenario include a deceleration in global growth, the tightening of monetary policies by central banks, and the looming specter of a potential recession in the US stock market. An intrinsic historical correlation exists among commodities, GDP, and equities, and should the latter undergo a significant downturn, a deflationary domino effect may ensue, potentially culminating in a substantial recession.

The S&P 500 is about as stretched against global GDP as it was at the peak in 2000. Additionally, the correlation between commodities and stock indices is approaching historic highs, signaling potential deflation risks in 2024.

The chart below shows a decline in the Bloomberg Commodity Spot Index (BCOM) and a rise in the S&P 500 in 2023. This does not seem sustainable, especially if the US follows the recessionary tendencies in Europe. After the high-speed rally to the 2022 peak, deteriorating economic growth and the real estate crisis in China with the Conference Board's Leading Indicators Index of -7.6% which may be the reason for commodities to continue a normal downward reversion path.

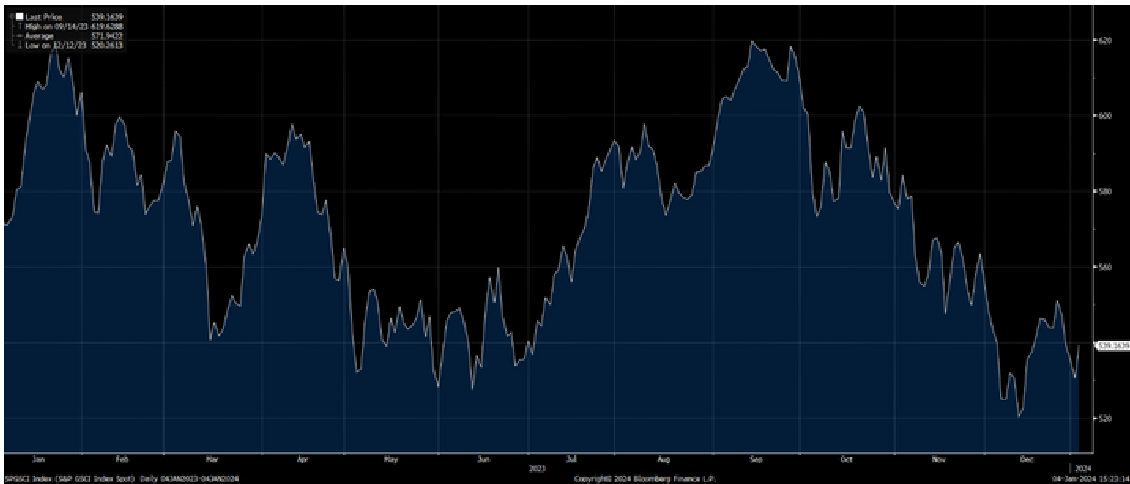
The correlation between the BCOM and the S&P 500, which currently sits at about 0.50 over 40 quarters, is notably different from the -0.60-correlation seen at the start of 2000. While the Great Recession had increased these correlations, the period of enhanced liquidity from that time might now be a thing of the past.

In our assessment, commodity markets are caught between conflicting macroeconomic challenges and supportive microeconomic factors.



The Conference Board Leading Economic Index® (LEI) for the US is a composite index designed to signal highs and lows in the business cycle. It summarizes and reveals common turning points in the economy more effectively than individual components. Similarly, the Conference Board Euro Area Leading Coincident Economic Index (CEI) YoY comprises indicators that change simultaneously with the overall economy, offering insight into the current state of an economy. The LEI serves as a predictive tool, anticipating business cycle turning points approximately 7 months in advance. Red areas represent recession periods, while the arrows indicate the sequence of peaks and troughs in the business cycle.

The SPGSCI Index is one of the most widely recognized benchmarks that is broad-based, and production weighted to represent the global commodity market. It offers diversification with low correlations to other asset classes and includes the most liquid commodity futures.

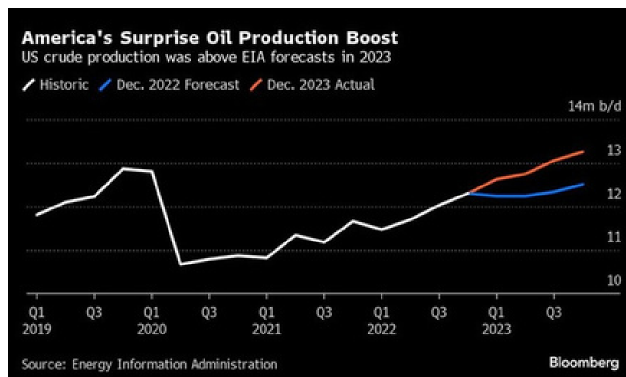


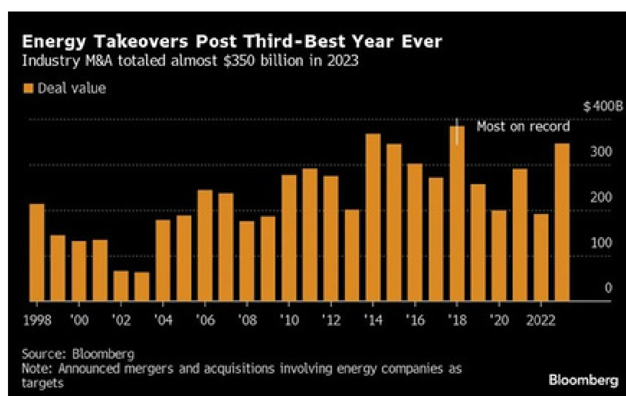
The decline in economic growth across Europe, the US, and China during Q3'23, coupled with most central banks continuing to tighten policies, suggests that the lingering effects of the high-price surge from the 2021-22 rally may keep pushing commodity prices downward until the end of 2024.

Oil: Crude May Face Recession, Stock-Market Headwinds

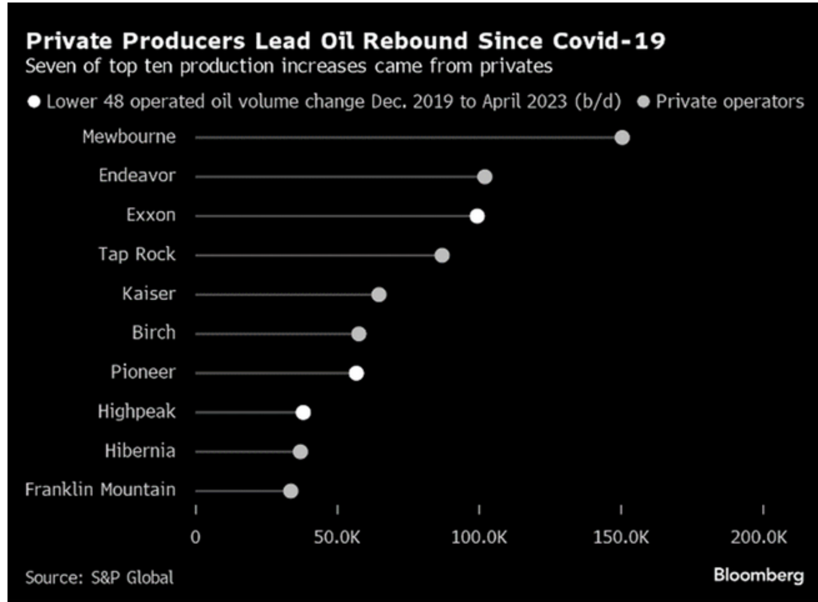
Crude futures lost over 10% in 2023 on a volatile year of trading and reported their biggest annual drop since 2020. Oil prices dropped to their lowest levels since 2020 by the end of 2023. The geopolitical tensions in the Middle East escalated to the last day of 2023 as Israel intensified its attacks in the south of Gaza, putting upward pressure on prices. While there is no crystal ball to determine what's in store for 2024, one thing is clear: **Supply will remain a driving factor.**

Disagreements within the Organization of the Petroleum Exporting Countries (OPEC) are causing uncertainties as they continue to reduce output by approximately six million barrels per day, accounting for roughly six percent of the global supply. OPEC+ will be able to commit to the supply cuts as they have pledged to prop up prices. OPEC continues to face weakening demand for its crude in the first half of 2024 just as its global market share declines to the lowest level on output cuts since the pandemic and Angola's exit from the group. While American producers are operating at maximum capacity, making America the world's largest oil producer in 2023, with output approaching 13.3 million barrels per day (bbl/d), thanks to fracking. While the Europeans have opted to decouple from Russia, the US oil industry has been growing at a blistering pace in recent years, giving it a competitive edge on the crude market, especially in the fight against inflation.





State	Production	5-Yr Change	Share
Texas	5.41	29.3%	42.6%
new Mexico	1.79	190.3%	14.1%
North Dakota	1.13	-6.9%	8.9%
Colorado	0.44	12%	3.5%
Oklahoma	0.43	-18.0%	3.4%
Alaska	0.43	-11.2%	3.4%
California	0.31	-30.7%	2.5%
Wyoming	0.26	11.1%	2.0%
Utah	0.14	43.8%	1.1%
Louisiana	0.10	-26.8%	0.8%
Ohio	0.08	-36.8%	0.6%



The significance of private producers should not be overlooked, given the complexity of modeling their business compared to publicly listed counterparts, who regularly release quarterly results. According to S&P Global, among the top 10 fastest-growing producers in terms of volume post-pandemic, seven were private companies. Leading the charge were Mewbourne Oil Co. and Endeavor Energy Resources LP, both contributing more barrels to the market since 2019 than Exxon Mobil Corp.

A typical downturn in US equities during a recession could pose a significant challenge for crude oil and energy prices in 2024.

Should stock prices and crude oil prices remain robust, the shift in the US from being an importer to a net energy exporter could accelerate and attract more supporters.

Geopolitical conflicts in the Middle East have historically caused oil prices to rise as the market reacts to potential supply disruptions in oil. While Israel and the Palestinians are not major oil producers, the ability of Iran to interrupt oil supply through the closure of the Strait of Hormuz, an important shipping route, is worrying. The attacks by Yemen's Houthi militant group on shipping vessels transiting the Red Sea route forced major firms to reroute their shipments. Certain companies are preparing to resume movements through the Suez Canal, but some crude oil and refined product tankers are still opting for the longer route around Africa to avoid potential conflicts in the region.

At the end of 2023, despite the heightened tensions and warnings from the World Bank, the price of oil has been on a downward trend.

Several factors, including recent OPEC+ production cuts and changing market dynamics, have contributed to this trend.

Oil has breached its key moving averages, that suggests that investors are more concerned about falling demand than supply disruptions.

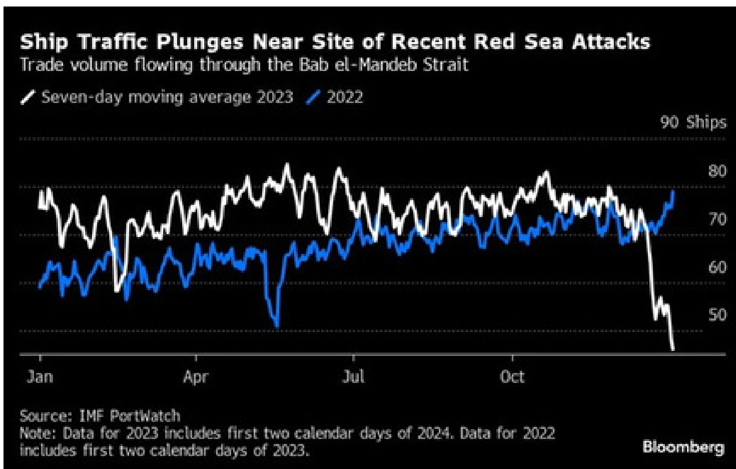
Economists, surveyed by the news agency Reuters, estimate that Brent crude will average at $82.56 in 2024, down from November's $84.43 consensus, as they expect weak global growth to cap demand. The ongoing geopolitical tensions could provide support to prices.

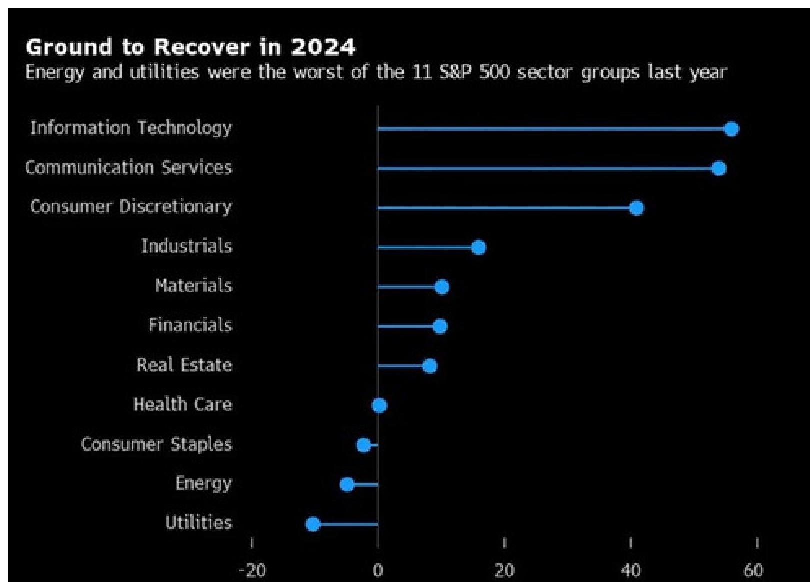
Considering the possibility of escalated violence in the region causing a halt in maritime traffic, there could be a severe 7.5 percent reduction in global oil supply. In the worst-case scenario, in line with consensus, this could lead to a potential maximum surge of 75 percent in oil prices, reaching an unprecedented high of $145 per barrel. Excluding this critical situation, we expect Brent to remain within a trading range of $80 to $90 per barrel this year. We are closely monitoring the charts, particularly observing the resistance levels at around $71 for Brent Crude oil and $63 for WTI (West Texas Intermediate), for potential breakthroughs.

For 2024/2025, OPEC is forecasting an increase in demand of 2.25 million bpd and continues to anticipate stronger demand growth for next year and beyond, openly opposing the view held by the International Energy Agency that fossil fuels will reach their peak by 2030.

A simple follow-up of China oil import data during 2023 show a contraction of demand, more precisely at the end of the year as the importation of oil is lower than a year ago, when parts of the country were under virus lockdowns. This indicates that oil demand in the upcoming months might fall below market expectations.
Monitoring demand indicators, geopolitical developments and market dynamics is crucial to navigating the oil market successfully. Despite the downward trend, oil's volatility offers a unique trading opportunity during economic cycles.

That is why we are more focused than ever on understanding the interaction between geopolitical, demand and market developments in order to make more informed decisions in the constantly changing oil market, but as for the time being, geopolitical developments in the Middle East may affect the global oil market, however the recent trends suggest that falling demand is a much bigger concern than supply disruptions.





Source: Bloomberg

Energy

The uranium market is quite niche, mainly controlled by a small number of major players operating key mines across a handful of countries. Establishing new mines in this market is expensive and time-consuming.

Uranium ETF (exchange traded funds) assets are growing, but it's crucial to recognize that the cycles within the Uranium market are typically long, and it's plausible that we are only at the initial stages of a new bullish market.

The pre-Covid period saw much greenwashing and political maneuvering aimed at eliminating nuclear power from certain territories. Some European countries, in their rush to move away from nuclear energy, chose to abandon their nuclear power programs. This decision has led to economic weakening as they disconnected themselves from reliance on Russia.

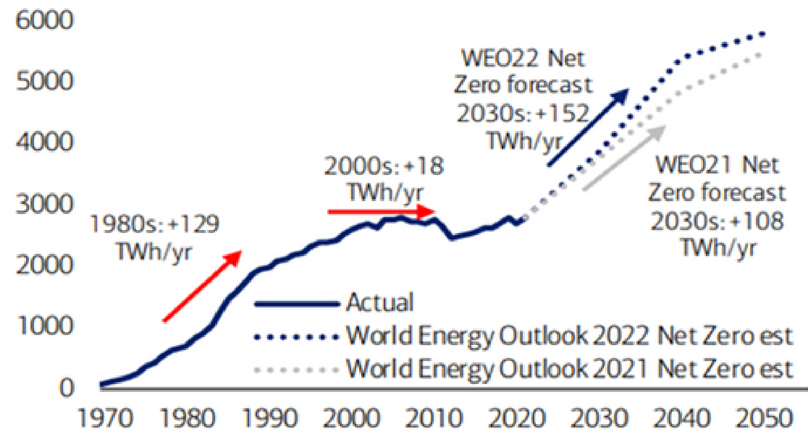
After the Russian invasion of Ukraine, countries worldwide sought solutions to enhance their independence from fossil fuels.

Now, in the post-Covid era, there's an opportunity to reflect on lessons learned and reconsider the political rhetoric around classifying nuclear power. It's important to note that nuclear power doesn't emit CO_2 and has even been categorized as a green asset in the European Union's sustainable assets taxonomy. This was a significant milestone which renewed interest in nuclear energy as a clean and sustainable power source. The global transition to clean energy, coupled with the nuclear resurgence, positions uranium as a crucial component in the fight against climate change. We believe that we are now in the early innings of a new uranium bull market. This growth is underpinned by increasing demand due to governments' dual objectives of decarbonization and ensuring energy security. The assessment is reinforced by the trend observed and the outcomes from the latest Cop28 conference held in Dubai last year.

Security	1Yr % Chg	%YTD	Chg QTD %	Chg Pct MTD	2Yr % Chg
Bloomberg Precious Metals Subi	+16.4%	+9.9%	+10.7%	+4.0%	12.6%
Bloomberg All Metals Total Ret	+5.4%	-.1%	+4.8%	+2.9%	3.2%
Bloomberg Livestock Subindex T	+2.9%	-.1%	-7.4%	-6.2%	7.7%
Bloomberg Agriculture Subindex	+1.2%	-.8%	+3.5%	+.8%	15.2%
Bloomberg Industrial Metals Su	-7.7%	-12.1%	-3.1%	+1.1%	-9.4%
Bloomberg Grains Subindex Tota	-11.1%	-13.0%	+.9%	-.5%	3.0%
Bloomberg Energy Subindex Tota	-25.6%	-15.0%	-11.2%	-9.3%	12.0%

Our view is supported by the World Energy Outlook from the International Energy Agency, which estimates that a doubling of nuclear capacity by 2050 was adopted by 22 nations, including the US, Japan, Canada, Britain, and France that pledged to reach the target of Net Zero global. On another note, we highlight the fact that, the US' lower house of Congress has voted to ban Russian uranium imports.

Exhibit 14: Net zero goals require doubling of nuclear power output
Total world nuclear generation, TWh



Source: BofA Research Investment Committee, IEA World Energy Outlook, BP Statistical Review of World Energy, Radiant Energy

The main uranium ETFs have been in an upwards trend over the year and seem to be starting to consolidate, which confirms our analysis and would give us favorable entry points for long-term exposure.

Precious metals

The future of spot gold rests heavily in the hands of expectations that the central bank was poised to cut interest rates sooner than expected, which helped propel the precious metal market to a record high last month. After breaking through this 1st barrier, in early December the market went on to test the "triple top" formed by the peaks of August 2020, March 2022 and May 2023, at $2075/oz, $2070/oz and $2062/oz, respectively.

Fueled by expectations of an end to US monetary tightening, this "break-up" was extremely violent, with prices peaking at $2135/oz in Asia on 3 December, before consolidating.

This long-awaited move could trigger an acceleration in the movement of an underlying trend, but that euphoria has since tempered with swaps markets now seeing an almost 70% chance of a cut by March — lower than the 85% odds seen in late December.
We do not share the view that the consensus is based solely on factors that are not yet satisfactory, such as:

- Financial market velocity
- Employment resilience
- the reduction in the balance sheets of central banks
- Money supply reduction
- The incredible resilience of the services sector
- Ongoing geopolitical tensions

Our analysis suggests that interest rates will fall in Q2 or Q3 2024. As a result, our intention is to hold our position in gold until it has broken through its resistance level to a new all-time high in 2024.

The down leg of a typical commodity cycle and the Fed still focused on higher for longer might tilt the 2024 outperformance towards gold.

Gold Rising vs. Silver

The ratio of gold to silver, which was around 86 by the end of December, is likely to rise further, especially if the global economy stumbles. In March 2020, the ratio will peak around 124, and historical data shows that the ratio of gold to silver tends to rise during economic downturns.

The Fed may hesitate to ease interest rates due to stubborn inflation and a robust stock and labor market, exacerbating the inevitable recession and pushing the gold/silver ratio to new highs.

TIN & SOX

To conclude with precious metals, our focus will be on closely monitoring the geopolitical landscape in January, especially concerning the elections in Taiwan (the world's biggest microchip producer) and the potential election in Myanmar (a major tin producer).

Soft commodities

In 2024, agriculture appears to be leaning towards continued deflation from the high price base set in 2022.

Rises in agricultural commodities have generally calmed down, but there are some notable exceptions. These include sugar, orange juice, coffee, and cacao.

We focus our attention on sugar which seems to be in a steep decline after Q3 2023 on which sugar rallied to 12-year highs on the outlook of tightening global sugar supplies. Heavy rain in Europe has flooded fields and delayed sugar beet production, while lack of monsoon rain in India threatens to tighten global sugar supplies further. Thailand also reduced sugar exports by categorizing sugar as a controlled commodity to control inflation and maintain food security.

Due to the El Ninio phenomenon, the year 2023 was marked by record temperatures worldwide. El Nino weather pattern typically brings heavy rains to Brazil and drought to India, negatively impacting sugar crop production. The last time El Nino brought dryness to sugar crops in Asia was in 2015 and 2016, which caused prices to soar.

We are continuing to monitor prices as there is a risk of inflation for a large part of the composition of modified food and beverages is intended for mass consumption, which is sufficient to maintain a certain inflation on a wide range of foodstuffs in the event of a rise in market prices.

Nevertheless, the fundamental question revolves around whether companies can transfer increased raw material expenses to their selling prices to sustain or boost their profit margins.

Currently, when compared to the last two quarters of 2023, there hasn't been a noticeable decline in margins. We anticipate the upcoming earnings season in the second week of January 2024, where we might consider adjusting some of our positions if there is dissatisfaction.

Agricultural commodities and all major raw materials are acting as leading indicators of the end of inflation and show an underlying trend toward economic slowdown, and even point to the possibility of a global recession. Unless adverse weather conditions limit supply sufficiently to push prices higher, or a disturbance on global supply chains due to conflicts, this trend will continue.

Following the rally from 2021 to 2023, our outlook suggests an impending consolidation phase, which is expected to revert to the fundamental long-term trend of gradual growth in agricultural commodities. This anticipated trend is primarily attributed to climate change, which heightens the risk of extreme weather events and other natural disasters, alongside the escalating consumption demands of an expanding global population.

In conclusion, our view is that the physical constraints on the commodities segment will intensify in the longer term.

Grains

Agriculture is dominated by the grains' market, which is the most supply-elastic commodity. On the long-term vision for this segment, we see volatility on the road ahead due to an increase in demand and decrease in the supply due to world population growth continuing with the impact of climate change increasing the volatility of production.

South America is expected to produce 57% of the world's supply of Soybeans in the fiscal year of 2024 ending in September.

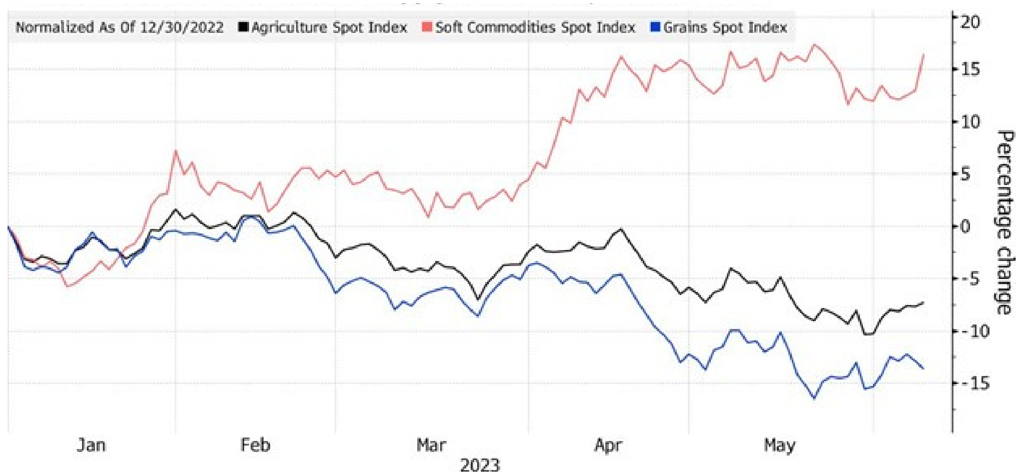
Despite drought in Brazil and Argentina's key soy-planting regions, government agency CONAB expects soybean output to reach a record 162 million tons due to a 1.1 million-hectares increase in acreage.

Argentina's shift from planting corn to soybeans could potentially contribute to a boost in its soybean output within Latin America. It appears that a wildcard in the agricultural driving force for 2024 might emerge from the South American region.

Security	1Yr % Chg	%YTD	Chg QTD Pct	Chg Pct MTD	2Yr % Chg
Bloomberg Sugar Subindex Total	+62.6%	+59.0%	+5.2%	+2.3%	70.9%
Bloomberg Soybean Meal Subinde	+30.8%	+11.3%	+17.4%	+6.1%	60.2%
Bloomberg Softs Subindex Total	+28.8%	+26.2%	+6.2%	+1.1%	18.2%
Bloomberg Live Cattle Subindex	+16.5%	+14.8%	-5.6%	-3.8%	20.8%
Bloomberg Soybeans Subindex To	+15.4%	+7.9%	+6.3%	+4.4%	45.6%
Gold	+15.0%	+9.8%	+8.3%	+.9%	10.9%
Bloomberg Coffee Subindex Tota	+12.1%	+10.1%	+17.0%	+1.8%	-16.1%
BRAZIL REAL	+9.6%	+8.0%	+2.9%	+2.9%	14.3%
Bloomberg Agriculture Subindex	+3.3%	+.1%	+4.7%	+2.3%	14.5%
Bloomberg Livestock Subindex T	+2.7%	+2.5%	-5.0%	-3.8%	9.9%
Bloomberg Cotton Subindex Tota	+2.3%	+.3%	-9.5%	-3.4%	-9.0%
Generic 1st 'CL' Future	-7.5%	-7.6%	-17.5%	-7.5%	-2.4%
Bloomberg Agriculture Spot Ind	-8.6%	-10.6%	+5.2%	+3.2%	-5.8%
Bloomberg Grains Subindex Tota	-8.8%	-11.6%	+2.8%	+1.8%	3.3%
Bloomberg Corn Subindex Total	-12.0%	-15.1%	+.3%	-.6%	6.2%
Bloomberg Soybean Oil Subindex	-17.2%	-9.5%	-3.1%	+4.6%	12.0%
Bloomberg Grains Spot Subindex	-19.2%	-21.2%	+4.6%	+3.5%	-13.1%
Bloomberg Lean Hogs Subindex T	-19.2%	-17.4%	-3.1%	-3.5%	-8.4%
Bloomberg Kansas Wheat Subinde	-27.6%	-26.0%	-6.6%	-1.9%	-23.8%
Bloomberg Wheat Subindex Total	-32.8%	-31.7%	+5.0%	+1.7%	-40.1%

Commodities like Cocoa, Coffee and Sugar have outperformed

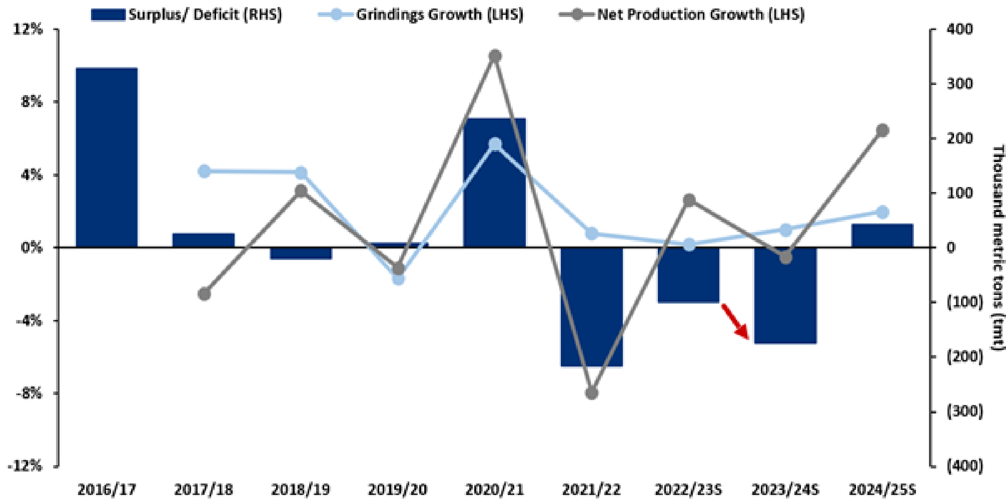
Prices of softs have soared on supply constraints, weather risks



Source: Bloomberg

With soaring cocoa prices and current inventory levels, in the face of ever-increasing demand and erratic weather conditions, we believe that prices could remain high in 2024

A strengthening El Nino could extend the supply squeeze into 2025, against a backdrop of dollar weakness that would support forward price volatility.



Source: The International Cocoa Organization (ICCO), Bloomberg Intelligence

5 Keys for 2024: Commodities

Some Keys geopolitical risk's Factor to which we will be given the highest attention.

Central Bank	• Downward movement of a typical commodity against a backdrop of Interest rate hike cycle
The Chinese Spiral	• Recessionary trends in Beijing's export markets and no favourable outcome on China's property crisis
Economic Downturn	• In the event of a recession in the US, demand for commodities is likely to fall. This will have a direct impact on the consumption of raw materials.
A Military Escalation	• The situation in the Red Sea, where the Houthis, backed by Iran, continue to disrupt the passage of oil tankers, which account for almost 15% of the world's traffic. • An escalation of the war between Russia and Ukraine • Tensions in Central and West Africa between historical allies of different countries and their new allies • Disagreements and dissension between OPEC members.
World Election	• Nearly 64 countries will be involved in the electoral process by 2024

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Summary

To summarize our economic outlook for 2024, we express a sentiment of cautious optimism, recognizing the potential for this year to mark a pivotal turning point—a transition to a new state of balance. The Axys portfolio management team provides us with a focused vision and key insights for navigating the financial landscape in 2024. Our vision not only encompasses our expectations but, more importantly, outlines areas where we plan to intensify our analysis.

As we entered 2023, recession discussions were widespread. The efforts by central bankers to control inflation during the year were historic, with the U.S. experiencing a year-on-year inflation peak of 5.9% in December 2022, and Europe surpassing 9%. However, by the average of Q4 2023, both the U.S. and the eurozone saw a significant decrease in inflation to below 3.1% and 2.4%, respectively.

For the banking sector, 2023 proved to be a year of volatility. In Q1, a regional bank crisis unfolded in March, with Silicon Valley Bank, the 20th largest bank in the U.S., causing concern by announcing the sale of assets at a loss to refinance itself. Emergency loans from the Fed and assurances regarding deposit repayment averted a more severe crisis. Notably, UBS executed the largest rescue in history, acquiring Credit Suisse to prevent a potential collapse with substantial global consequences.

As inflation eased and banking tensions subsided, the market regained momentum. The enthusiasm surrounding the A.I. sector played a significant role in boosting the equity theme. The gains of the Magnificent 7 were instrumental, contributing to the 43.4% increase in the NASDAQ composite index in 2023 (44.6% including dividends), constituting around 30% of the S&P 500 index's market capitalization. These companies were responsible for approximately 75% of the S&P 500's gains in the first nine months of 2023. Despite modest earnings growth, the market surged, with S&P 500 companies reporting a 1.6% decrease in earnings for the first three quarters of 2023 compared to the same period the previous year.

Index	Value	Change
▲ S&P 500	4 783,05	+25,08%
▲ CAC 40	7 533,27	+14,38%
▲ Nasdaq	15 017,00	+45,33%
▲ Dow	37 696,95	+13,80%
▲ Bitcoin	42 351 $	+154,23%

Towards the close of the year, the equity market experienced a rally sparked by interpretations of the Federal Reserve's hawkish speech, hinting at the possibility of multiple rate cuts in the following year. Notably, the anticipated recession did not materialize, and significant gains were observed in big technology companies, propelling the S&P 500 index to solid growth of 24.2% for the year (26.3% including dividends). This performance far exceeded the average annual return of 10.3% since 1980.

In 2023, the cryptocurrency market made a remarkable comeback, driven by a 156% surge in Bitcoin (BTC). Several factors contributed to this resurgence, including hopes for a Bitcoin ETF, expectations of rate cuts, and anticipation of the famous halving event, historically associated with a boom in BTC.

Our model estimates a 46% likelihood of a U.S. recession, projecting a slowdown slowdown in the first half of the year and a quicker pace in the second half of 2024. Resilient consumer spending played a crucial role in averting a recession in 2023. However, a gap between spending and confidence, along with reduced savings and borrowing capacity, may somewhat soften spending in 2024. Household debt levels and spending preferences, notably generational differences, are key considerations. Accumulated reserves, particularly in money market funds, present a potential source of liquidity for further equity market growth.

Market expectations currently factor in a base case of six interest rate cuts by the Fed in 2024, with a 10% chance of eight cuts and approximately a 1% chance of nine cuts. This suggests an optimistic outlook, with markets indicating a possibility of up to three times the rate cuts guided by the Fed. Expectations of these rate cuts, coupled with robust earnings forecasts, drove an impressive stock market rally in the fourth quarter.

Diverging from the consensus, we hold a different view on the Fed's policy shift, believing it overestimates the Fed's commitment to its mandate and inflation target, even in an election year. Our expectation is for rates to remain high until at least Q2 or Q3 before any pivot.

Looking ahead to 2024, we anticipate modest GDP growth of approximately 1.3% in developed economies and moderate momentum of around 3.5% in developing markets on average. Despite geopolitical risks, we remain optimistic about the potential for a more stable economic environment as inflationary pressures ease, fostering an atmosphere conducive to growth and innovation. However, the notable risk of rising geopolitical fragmentation, especially during a year with significant global elections, remains a key concern.

We are considering two alternative outlook scenarios, focusing on the growth/inflation trade-off and potential policy responses

Potential Drivers of a Hard Landing: Two key factors could lead to a hard landing—a committed policy mistake or persistent inflation requiring further tightening measures.

- In 2024, Western developed economies may struggle with prolonged and unpredictable delays associated with tightening policy, potentially resulting in faster disinflation and weaker growth.
- Our central scenario envisions a resurgence of inflation accompanied by higher rates, prompting policymakers to maintain these rates for an extended period, significantly impacting the economy.

Soft Landing Scenario: In a soft landing scenario, the mid-cycle slowdown is already behind us, and we transition to a new super cycle in the first half of 2024.

- A rapid restart and takeoff into a new super cycle would see consumer discretionary sectors more closely tied to economic recovery.

Strategists' S&P 500 Outlooks

Equity market soothsayers are struggling to imagine much upside

Firm	Target
Bank of America	5,000
Barclays	4,800
BMO	5,100
Cantor Fitzgerald	4,400
Citigroup	5,100
Deutsche Bank	5,100
Evercore ISI	4,750
Fundstrat	5,200
Goldman Sachs	5,100
JPMorgan	4,200
Morgan Stanley	4,500
Ned Davis Research	4,900
Oppenheimer	5,200
RBC Capital Markets	5,000
Scotiabank	4,600
Societe Generale	4,750
Stifel Nicolaus	4,650
UBS	4,850
Wells Fargo	4,625
Yardeni Research	5,400
Avg.	**4,861**
Median	**4,875**
Max	**5,400**
Min	**4,200**

Source: Bloomberg's ANR data, news stories
*Note: Data aggregated as of 12/19 and targets are generally for year-end 2024

Upon closer examination, we find that the current consensus forecasts appear overly optimistic. Analyzing the current Shiller P/E ratios reveals a notable discrepancy, particularly when comparing Emerging Markets to other regions, such as the United States, and considering their own historical values. Emerging Markets appear to be attractively priced in this context.

Given these observations and in alignment with our main scenarios, our investment strategy will pivot towards emphasizing value, cyclical, and small-cap stocks to position ourselves for outperformance in the market.

Turning our attention to fixed income, we anticipate strong performance in bonds as disinflation unfolds. In light of this, our focus is specifically directed towards emerging market debt denominated in local currency. Our preference leans towards high-quality, long-duration debt instruments, with the strategic goal of securing attractive yields at the longer end of the yield curve.

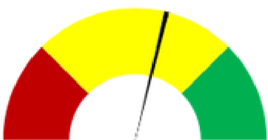
We will be paying close attention to the following points:

Macroeconomic cycles and microeconomic data. Normalization of the US yield curve	Africa/LatAm/Asean regions
New economic policy push by wen governments newly elected	Clear valuation of each underling especially UE & US Small & Mid-caps
Governments debts	Energy prices & Energy producers
Capital flows to decarbonization. Uranium and Copper /clean energy infrastructure	Global supply chain
Artificial Intelligence / Cybersecurity	Eu & US Small & Mid-caps
IG fixed income US and EU	Semiconductor equipment makers

Consensus Analysis v/s Our Forecasts

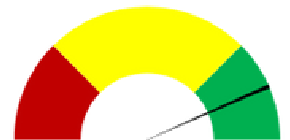
Asset Class	Amundi	Pictet	Black Rock	Morgan Stanley	Deutche Bank	Invesco	JP Morgan	HSBC	BNP Paribas	Allianz	Macquarie	Natixis	Fidelity	Axys	Total Observations	Positive	Neutral	Negative
US Equities	Positive	Negative	Negative	Neutral	Neutral	Neutral		Negative	Neutral	Neutral		Neutral	Neutral	Neutral	12	8%	67%	25%
EU Equities	Positive	Neutral	Negative		Positive	Positive	Positive	Negative	Negative	Neutral	Positive	Neutral	Positive	Negative	13	46%	23%	31%
Japan Equities	Positive	Positive	Positive	Positive		Positive	Positive	Positive		Positive		Neutral	Positive	Neutral	11	82%	18%	0%
China Equities	Neutral	Neutral	Neutral	Negative		Neutral	Neutral	Positive	Positive	Positive	Positive	Neutral		Positive	12	42%	50%	8%
EM ex.China Equities	Positive	Neutral	Neutral	Negative		Positive	Positive	Positive		Positive		Neutral		Positive	10	60%	30%	10%
US Govies	Positive	Positive	Neutral	Positive	Positive	Positive	Positive	Positive	Positive	Positive		Positive	Positive	Neutral	13	85%	15%	0%
US IG Corp	Neutral	Positive	Negative	Positive	Positive	Positive		Positive		Positive	Neutral	Positive	Positive	Positive	12	75%	17%	8%
US HY Corp	Neutral	Negative	Neutral		Negative	Neutral		Negative		Positive	Neutral	Neutral	Positive	Negative	11	18%	45%	36%
EU Govies (Core)	Positive	Neutral	Neutral		Neutral	Positive		Neutral	Positive			Positive		Neutral	9	44%	56%	0%
EU Govies (Periph)	Neutral	Neutral	Neutral		Neutral	Neutral		Negative						Neutral	7	0%	86%	14%
EU IG Corp	Neutral	Neutral	Neutral		Positive	Positive		Positive	Positive		Neutral	Positive		Positive	10	60%	40%	0%
EU HY Corp	Positive	Neutral	Neutral		Negative	Neutral		Negative	Positive		Neutral	Neutral		Negative	10	20%	50%	30%
China Govies	Neutral	Neutral	Neutral		Neutral	Neutral		Positive						Neutral	7	14%	86%	0%
EM Bonds HC	Positive	Neutral	Positive			Neutral						Neutral		Negative	6	33%	50%	17%
EM Bonds LC	Positive	Positive	Neutral			Positive		Positive	Positive			Neutral	Positive	Positive	9	78%	22%	0%

Equity



For 2024, we have a slightly positive to neutral outlook on equities and a positive outlook on the fixed income market. We have selected specific sectors in commodities to which we will be exposed. We anticipate an increase in volatility in 2024, so we aim to maintain liquid positions that can be adjusted based on economic activity or major geopolitical events that could impact the financial markets.

Fixed Income



Investment Team Members

Cédric BÉGUIER – Head of Investment Strategy

Cédric is a seasoned professional with a degree in Business Administration and over 14 years of extensive experience in the financial sector. His expertise lies in asset management and advisory services for institutional clients and high net worth individuals. With a focus on international financial markets, he has successfully navigated various contexts over the past decade.

His distinguished career includes a notable tenure as Head of Research and Portfolio Management International at EKADA Capital Ltd. In this role, Cédric chaired the investment committee and skilfully managed substantial pension fund portfolios, demonstrating his strategic leadership and financial acumen.

Cédric's commitment to excellence has led to his current role as Executive Director of Listed Funds, where he continues to make a significant contribution to the financial landscape. Previously, Cédric was Head of Sales & Marketing - Africa at LS Advisors Ltd, leading a team of cross-asset solutions specialists based in Paris, Geneva, and Mauritius. In this role, he successfully expanded into frontier markets, with a particular focus on sub-Saharan Africa and the Indian Ocean region.

Cédric recently took on the role of Head of Investment Strategy at AXYS, further cementing his position as a dynamic and forward-thinking professional in the financial industry.

Girish PEERTHY – Fund Manager

Girish is a Fund Manager responsible for quantitative and fundamental research for the AXYS in-house Funds. Girish holds a B. Com (Honours) in Financial Analysis & Portfolio Management as well as a B. Com in Economics and Statistics which were both obtained at the University of Cape Town. Girish joined AXYS Investment Partners in 2018.

Shyam CHITTOO – Investment Associate

Shyam is an Investment Associate responsible for managing multi-asset portfolios of institutional and high-net-worth clients at AXYS Investment Partners. He is also in charge of quantitative research and implementation of investment strategies. Shyam graduated from Imperial College with an MSc in Investment and Wealth Management. He holds a BSc in Finance and Investment Banking from the Henley Business School at the University of Reading. Shyam joined the firm in 2020.

Lakshini RAMDAWOR – Investment Analyst

Lakshini Ramdawor hold a BSc in Finance (Minor: Law) from the University of Mauritius and is currently enrolled in the CFA program. She started her career as a Corporate Administrator in December 2020 at AXYS and moved to the Investment Team in July 2023. Lakshini is responsible for the monitoring of client portfolios and in-house funds while also conducting research to support our portfolio management and fund management teams.

Chikirsha GOPAUL – Investment Analyst

Chikirsha holds a BSc (Hons) in Finance and Law from the University of Mauritius and is currently enrolled in the CFA program. She started her journey at APEX as a Fund Accountant for hedge funds and private equity firms, where she gained invaluable experience in the world of sophisticated financial vehicles. Chikirsha joined AXYS Investment Partners in 2023 and is responsible for monitoring of client portfolios and in-house funds and concurrently conducting research to assist our portfolio management and fund management teams.

Intesh SEEBALUCK – Research Analyst

Intesh is a Research Analyst at AXYS with over 4 years' experience in financial markets. He is currently responsible for the coverage of the local stock market. He is also the holder of a BSC(Hons) in Actuarial Studies from University of Mauritius.

William Gregory How Foh Yee – Research Intern

William joined AXYS Investment Partners in September 2023 and supported fund management and portfolio management teams through his research and analysis. He is currently pursuing a dual degree in Computer Science and Data Science at the University of Mauritius & CY Cergy Paris University.

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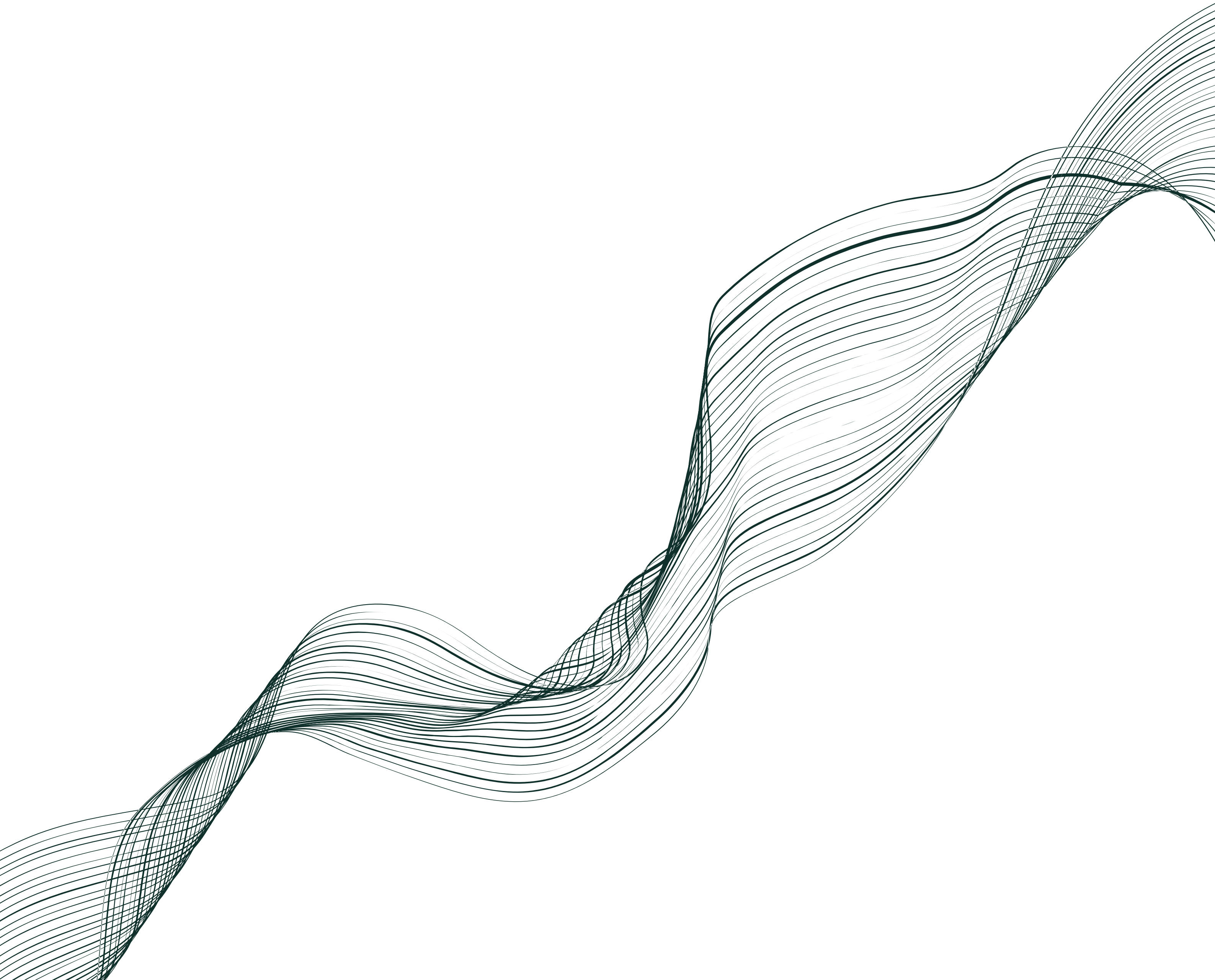

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