

SARASIN

Six Minute Strategy

Making sense of bull market resilience

December 2024

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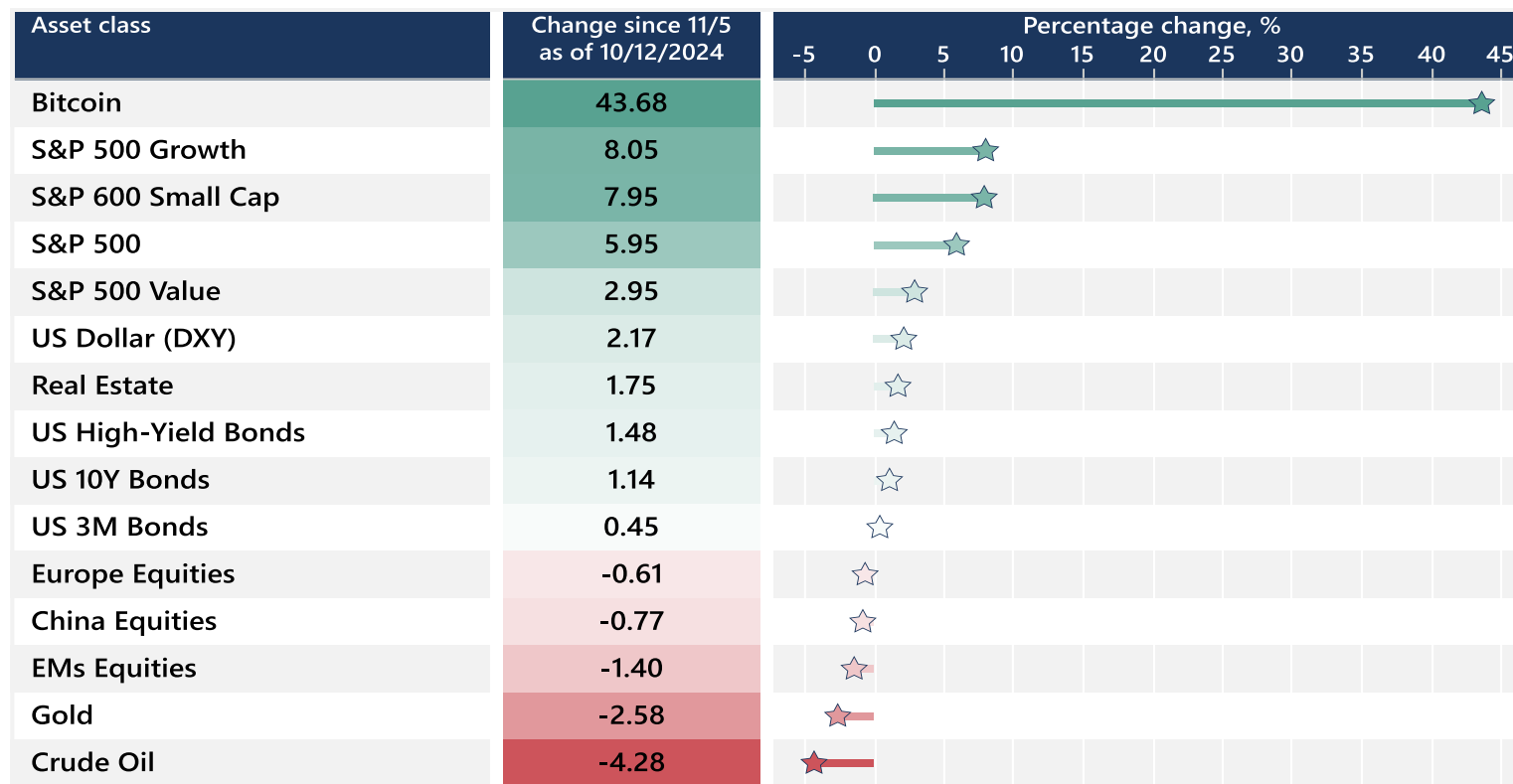


Trump's 'clean sweep' led US markets higher



Performance of key assets since the US election

Impact of Trump's election victory on asset class performance



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

MACROBOND

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

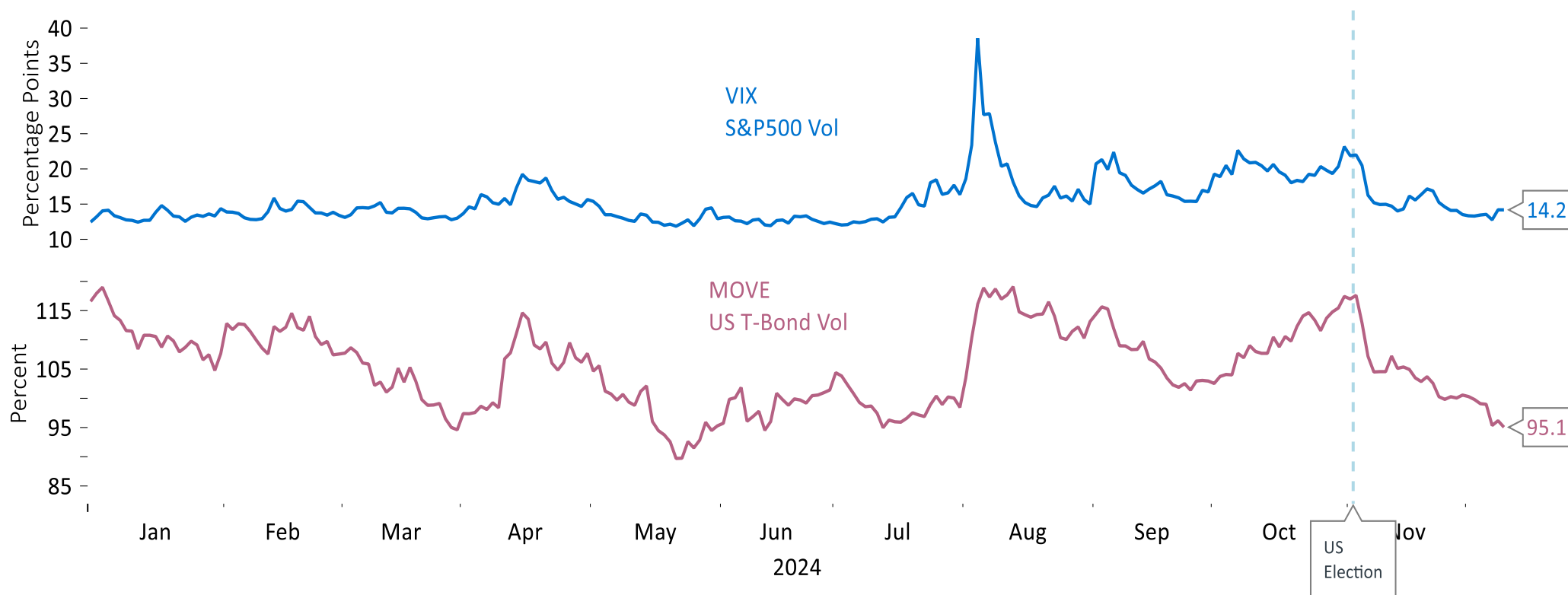
The Trump victory actually calmed markets

Equity and bond volatility fall post election

Equity and bond volatility

Market volatility since Trump's election

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



Source: Macrobond, 11.12.24

Trump cabinet so far points to lower tail risks

Economic team is mostly mainstream – less trade and deficit risks



Kevin Hassett at NEC:

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

Scott Bessent at Treasury:

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

Howard Lutnick at Commerce:

“Temporary and targeted” tariffs and open to lobbying.

Jamieson Greer as US Trade Representative:

Implementer and not an ideologue like Robert Lighthizer.

Kevin Warsh:

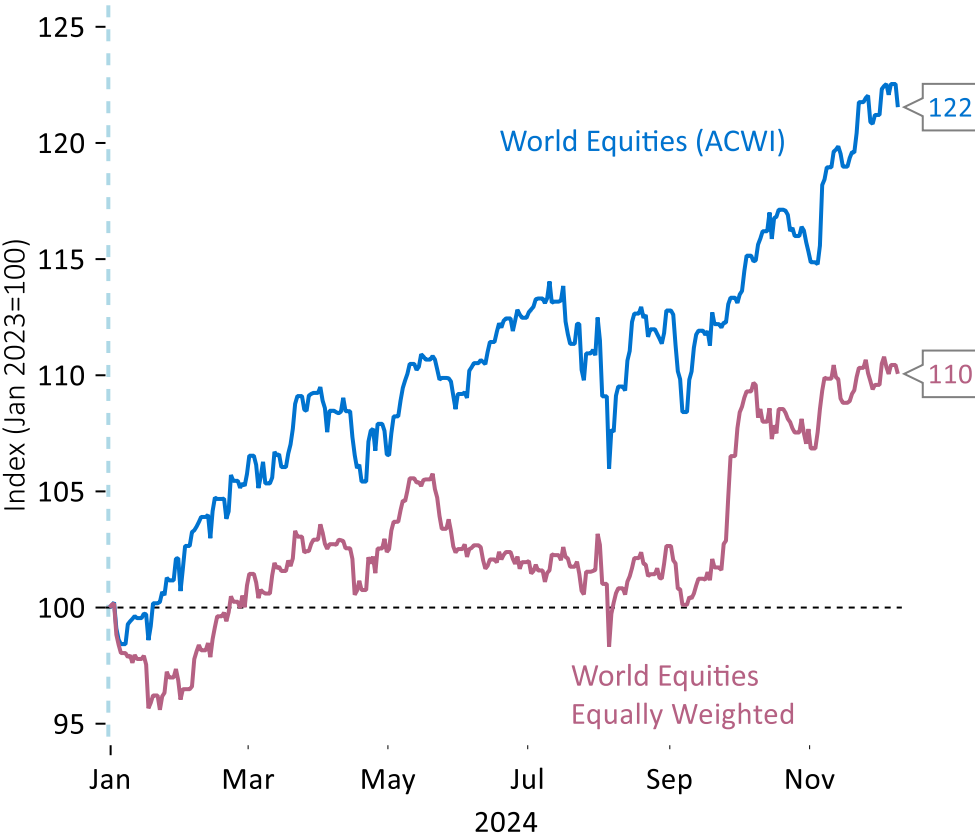
Possible Fed Chair in waiting would be a terrific sound money proponent.

DOGE:

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

Global equity returns 2024

World equity returns 2024



Source: Macrobond, 10.12.24

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



Source: Macrobond, 10.12.24

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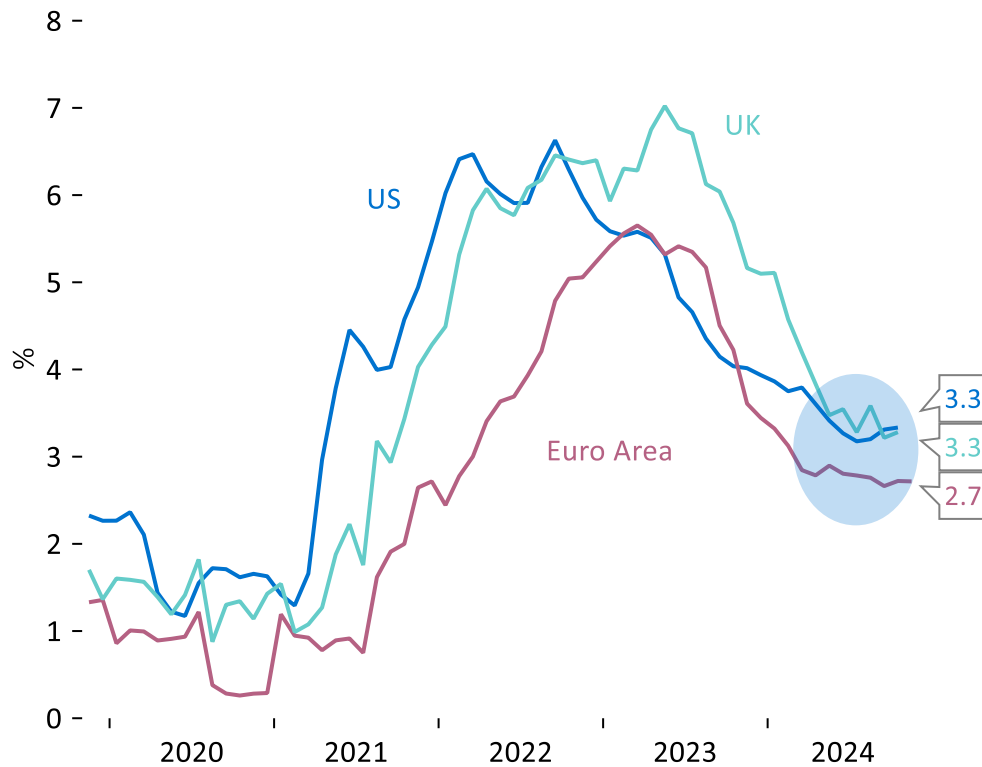
Core inflation still sticky – rate cuts forecast to slow

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



Core inflation remains sticky globally

Core Inflation

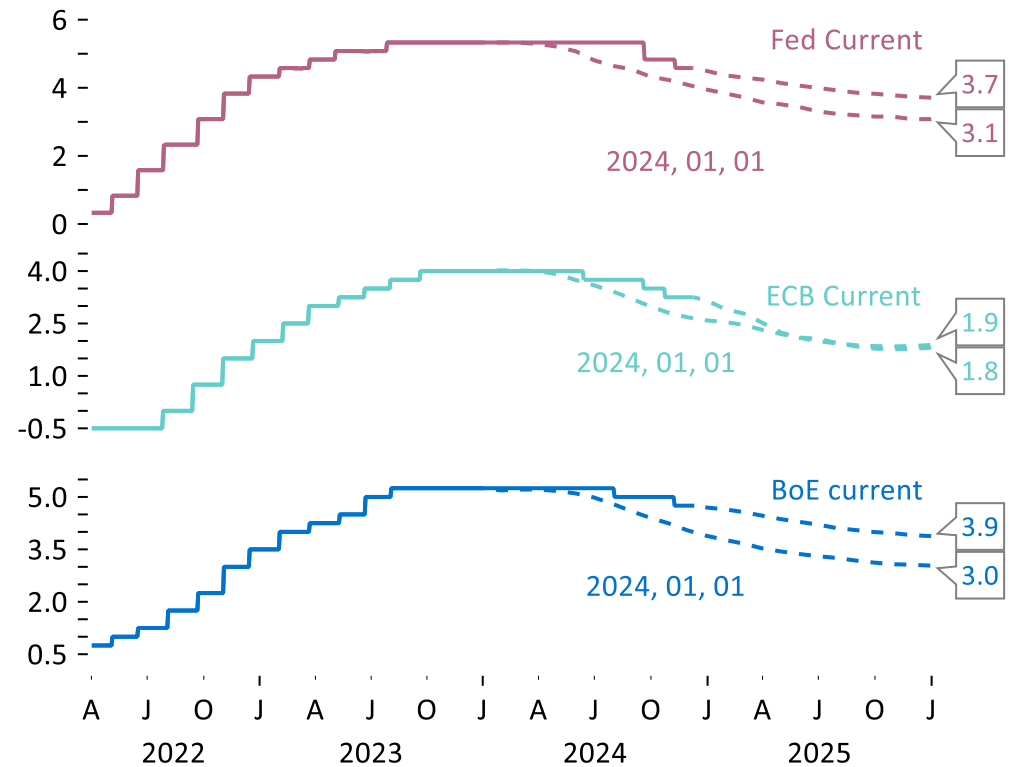


Source: Macrobond, 10.12.24



Implied path of interest rates compared to end 2023

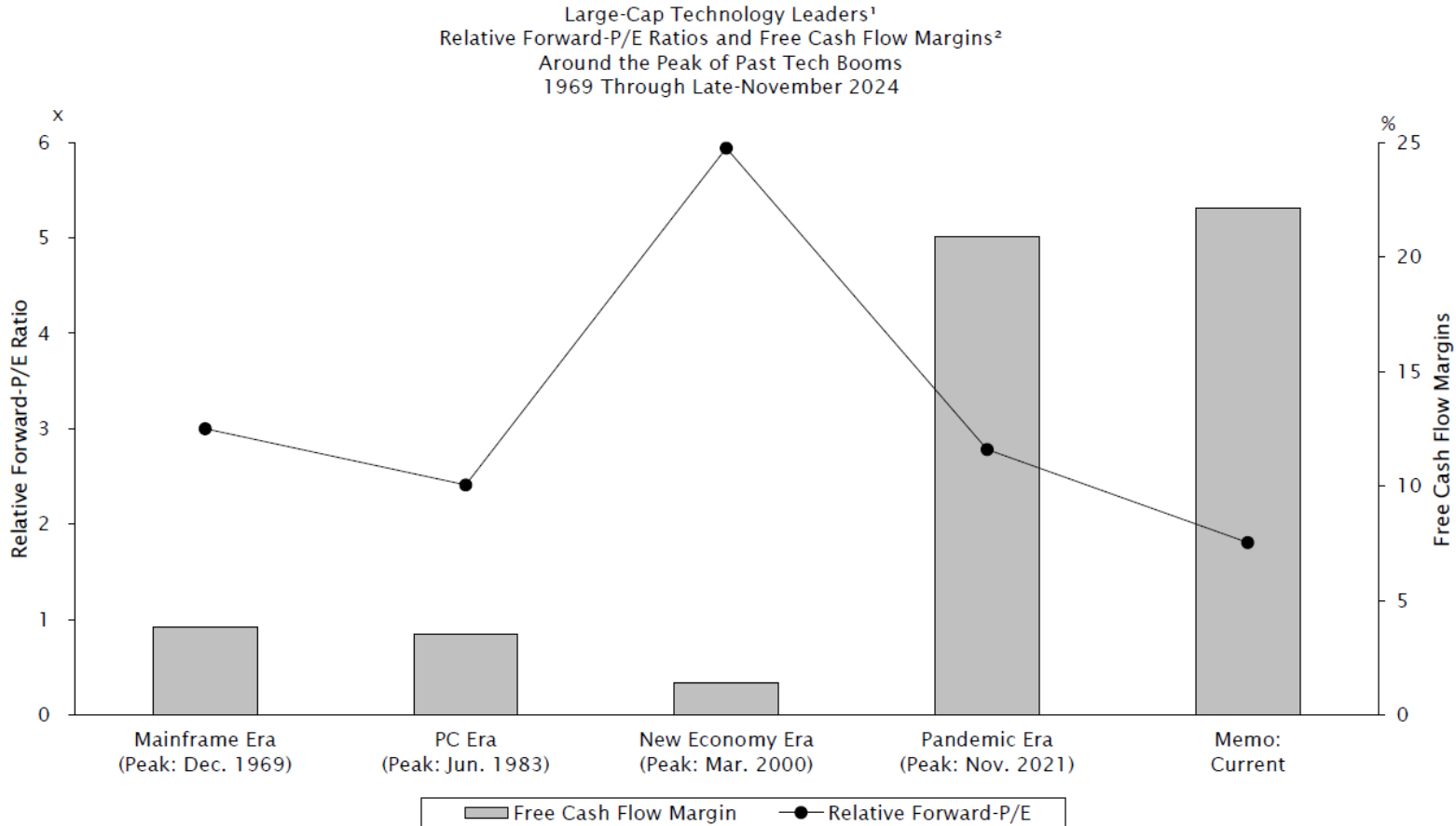
Central Bank Market-Implied Policy Rates



Source: Macrobond, 10.12.24

Cash flow in Magnificent 7 today unlike any other technology boom

Comparison of free cash flow margins across technology cycles



Source: Empirical Research Partners Analysis.

¹ Technology and interactive media stocks in the highest two quintiles of price momentum market-wide at the peak date.

² Medians. Trailing P/Es used for Mainframe Era as analyst forecasts were unavailable then.

Policy summary

Global Strategy December 2024

Bonds	<p>Underweight</p> <ul style="list-style-type: none">• Neutral Govt: Long-term yields close to fair value – UK pension funds natural buyers• UW Inv. Grade Credit: Spreads are historically tight – reduce risk• Duration: Neutral
Equities	<p>Overweight</p> <ul style="list-style-type: none">• Equity: Tail risks of recession receding – clearly a pro-business / low tax Trump administration – earnings robust• Global Technology: Retain exposure on strong 2025 earnings forecasts and robust AI demand• Dividend Strategies: Value appearing after recent underperformance and strong dividend growth
Alternatives	<p>Neutral</p> <ul style="list-style-type: none">• Neutral Alternatives: Dividend income from renewables and infrastructure attractive as interest rates fall• Overweight Gold: Debt fears across Western economies and EM reserve bank buying support demand
Cash	<p>Underweight</p> <ul style="list-style-type: none">• Interest rates have peaked across Western markets – sterling continues to appreciate vs. Euro
Risks	<ol style="list-style-type: none">1. Bond markets challenge US deficits (bond market ‘vigilantes’) or inflation re-emerges2. Global trade war - Trump tariff agenda triggers global retaliation3. Major AI/Tech profit warning – US equity valuations normalise

Source: Sarasin & Partners, December 2024

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