

UNITED CAPITAL WEALTH MANAGEMENT

GLOBAL MARKET OUTLOOK
DECEMBER 2024



Gain Exposure to Offshore Markets with Competitive Returns

UC Prestige offers you the opportunity to diversify your investments effectively in terms of geographic region, currencies and asset classes through a range of offshore fixed income securities.



This investment is suitable for investors who desire competitive rates on their foreign denominated holdings.

UC PRESTIGE – YOUR BENEFITS



Gain exposure to offshore markets and diversify your investments across geographic regions, currencies, and asset classes.



Access international markets and leverage by pledging marketable assets like bonds or investment funds



Minimum investible amount: **\$100,000**
Tenor: **180days/1 year or more**



Trading currencies include but are not limited to **CHF, USD, EUR, JPY, GBP, CAD, SEK, NOK, DKK, AUD, NZD, HKD, SGD**

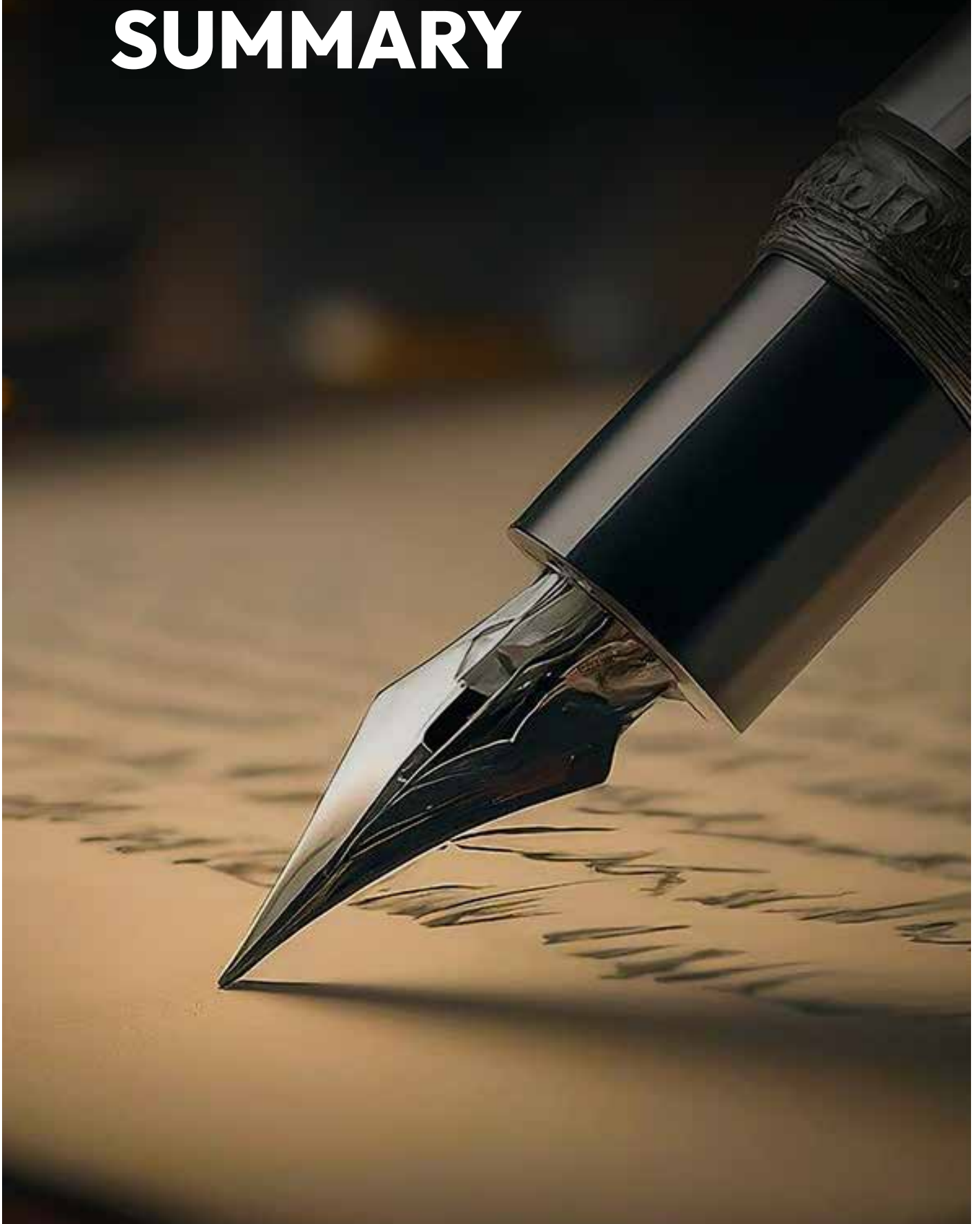


We help you **structure your portfolio to meet your individual needs** considering portfolio type, amount, time frame, currency, and risk tolerance.



Upside Potential ROI: **Very competitive**

■ EXECUTIVE SUMMARY



■ LAST MONTH IN REVIEW

US – In line with expectations, PCE inflation accelerated slightly in October (to 2.3% YoY vs 2.1% in September). As in previous months, the strength of inflation, particularly underlying inflation, is explained by its services' components (excluding housing 0.4% in monthly terms). Growth momentum continues to show signs of resilience in addition to the confirmation of 3Q24 GDP at 2.8%+ on a sequential annualised rate. For the Fed, the combination of inflation that is no longer slowing and economic activity that is still buoyant should encourage it to remain cautious in its monetary easing cycle to keep inflationary pressures under control, especially as the economic policy of future President Trump could fuel inflationary pressures (higher customs duties, immigration restrictions). For the time being, the Fed does not seem to be considering possible changes in fiscal policy next year and remains focused on its objective of bringing inflation back towards its target. Investors, expect rates of 3.80% in December 2025, i.e., 3 rate cuts from now.

Europe – The latest inflation data in the EU confirm that inflation remains around the target in the Eurozone and is not falling too quickly (Headline CPI inflation rose 2.3% vs 2.0% in October) but remained steady on a core basis (excl. energy and food, 2.8% vs 2.7% in October) In Germany, although headline inflation accelerated in November (2.2% YoY vs 2.0% in October), this was largely due to less favourable base effects linked to energy prices. For the ECB, the way remains clear to continue cutting key rates, but there is no need to rush into action given the strength of prices in services, where inflation is still close to 4%. Nevertheless, the risks are now more about the economic outlook. The market is currently anticipating six rate cuts between now and the end of 2025 to reach final rates of 1.6% in December 2025.

France's Government Falls – France's political uncertainty worsened after Prime Minister Barnier's minority government -appointed by President Macron following unscheduled parliamentary elections this summer -was ousted. The centrist government lost a no confidence vote in parliament after trying to pass its 2025 budget with far-right and far-left parties teaming up to oppose its plan to cut

France's large fiscal deficit from 6% of GDP this year to a still high 5% next year. Even before the no confidence vote was held, November's purchasing manager indices (PMIs), a measure of business sentiment, signalled activity was contracting again as the Eurozone's weak recovery from the shocks of the 2020 pandemic and the 2022 onset of the war in Ukraine loses momentum. Over the next few months, if France's parliament is unable to pass a fresh 2025 budget, then its fiscal deficit will remain unsustainably high. Eurozone GDP growth will most likely stay weak again in 2025, following growth of just 0.5% in 2023 and 0.8% in 2024. The lack of strong governments in France and Germany will also make it harder to deal with Europe's structural challenges. France's political turmoil will thus add to the Eurozone's many downside risks.

UK – UK October inflation numbers were higher than market expected as CPI accelerated from 1.7% YoY to 2.3%YoY (versus market consensus of 2.2%YoY). The inflation data warrants a cautious approach to easing. Bank of England (BoE) would likely adopt a gradualistic approach to rate cuts as the Autumn Budget could also introduce inflationary risks in the near-term.

Japan – The Japanese economy grew by 0.2% quarter-on-quarter seasonally adjusted in the third quarter of this year, slowing from 0.5%. But the BoJ is likely to pay attention to stronger-than-expected private consumption. Private consumption growth was surprisingly strong, rising 0.9% QoQ sa (vs a revised 0.7% in the second quarter and 0.2% market consensus). Inflation remains above 2%, while private consumption is firming up, suggesting that the virtuous cycle between wage growth and consumption is materialising. Rate hike expected in December.

China – Housing Prices are stabilizing, the rate of the decline was the smallest since March for new home prices, and the smallest since September 2023 for the secondary market. Retail sales rebounded to 4.8% YoY, up from 3.2% YoY. Fixed asset investment remained steady at 3.4% YoY YTD for the third consecutive month.

■ EXECUTIVE SUMMARY – INVESTMENT IMPLICATIONS

Fixed Income – With rate cuts, fiscal spending & tax cuts, re-acceleration in economy is possible leading to higher long-term inflation and growth expectations. 10y UST yield is currently at 4.1% and could target 3.80%-3.90%. The spread between 30y and 2y rates could turn positive over 12-18 months. We prefer quality bonds in US IG, EM IG & select US HY bonds with 5-7 duration.

Equities – The forward 12-month P/E ratio of 22.2 on November 7 was above the five most recent historical averages for the S&P 500. S&P 500 could witness a correction and target 5400-5600 range over the next 3-6 months. Nasdaq to target 17500-18500 over 3-6 months. We prefer being overweight Energy, Financials & Pharma. Staples is attractive from valuations perspective. Tariffs, deeper slowdown in China & elevated long-term yields are key risks to equities

Currencies:

- EUR/USD – Economic data, PMIs, German IFO & Inflation from EZ continues to remain weak. EUR/USD faces resistance between 1.063-1.07. Investors will get the opportunity to sell on rebound, eventual target is at 1.01-1.03.
- GBP/USD – Weaker than expected GDP growth & slowing employment scenario. UK could re-start rate cuts, expect 3-4 rate cuts over next 12 months & FED could pause rate cuts post December. GBP

to face resistance in the 1.278-1.283 range, our target is at 1.2500.

- USD/JPY – October core CPI rises 2.3% yr/yr vs forecast +2.2%, BOJ is likely to hike rates again this month, by 25 bps. Wage hikes have led to virtuous cycle of consumption and there by inflation. USD/JPY declined from 156 to 148.70 and is now at 151.3. The pair is expected to target 145-148 initially and faces resistance in the 151.8-152.3 range.
- USD/CHF – USD/CHF to target 0.8600-0.8650. Faces resistance in 0.8800-0.8850 area.

Gold – Emerging market central banks are likely to remain committed buyers of gold. US tax cuts and tariff hikes could support gold in the medium to longer term given the economic and geopolitical challenges they may bring. Gold to target 2800-2850 range in 3 months, eventual target is at 3000

Crude oil – OPEC+ on Dec 5th pushed back the start of oil output rises by three months until April and extended the full unwinding of cuts by a year until the end of 2026 due to weak demand and booming production outside the group. We expect oil to trade sideways in 2025 and remain in the range of \$70-80.

INVESTMENT VIEWS

Asset Class	Region	Allocation Preference	Investment Rationale
Fixed Income	US	●	Tax cuts and higher fiscal spending could fuel inflation and boost growth, leading to higher US rates. However, high rates will eventually trigger a slowdown, causing rates to fall. 10y yields to could target 3.60% -3.80% on risk off in equities. The spread between 30y and 2y rates could turn positive over 12-18 months. We prefer quality bonds in US IG, EM IG & select US HY bonds with 5-7 duration.
	Eurozone	●	Economic data, PMIs, German IFO & Inflation from EZ continues to remain weak. ECB to continue cutting rates. Euro zone perps are attractive given the high yields and fundamental strength of the financials sector.
	UK	●	UK 10Yr GILT yields could remain range bound as service inflation is sticky.
	Emerging Markets	●	We prefer Emerging Market Investment Grade USD bonds over local currency bonds. Rate cuts in the developed economies are supportive.
Equities	Developed Markets	●	We remain Neutral as valuations are high and current equity market rally seems unsustainable. We prefer to focus on sectors that could be medium-term winners due to sector rotation, value and post- election policies. We prefer being overweight Energy, Financials & Pharma in the US. We remain cautious on Eurozone Equities, given the continued economic slowdown and potential headwinds from Trump's trade tariffs.
	Emerging Markets	●	We are neutral Emerging Market equities and are cautious of headwinds to China's growth momentum from Trump's tariffs.
Precious Metals	Gold	●	Emerging market central banks are likely to remain committed buyers of gold. US tax cuts and tariffs hikes could support gold in the medium to longer term given the economic and geopolitical challenges they may bring. Gold could target 3000 on the upside.
Commodities	Crude Oil	●	OPEC+ on Dec 5th pushed back the start of oil output rises by three months until April and extended the full unwinding of cuts by a year until the end of 2026 due to weak demand and booming production outside the group. We expect oil to trade sideways in 2025 and remain in the range of \$70-80.
Alternatives		●	We believe that alternative investment strategies such as relative value trades and private market assets have the potential to offer diversification to the portfolio due to their low correlation with public market assets.

● More Preferred ● Neutral ● Less Preferred

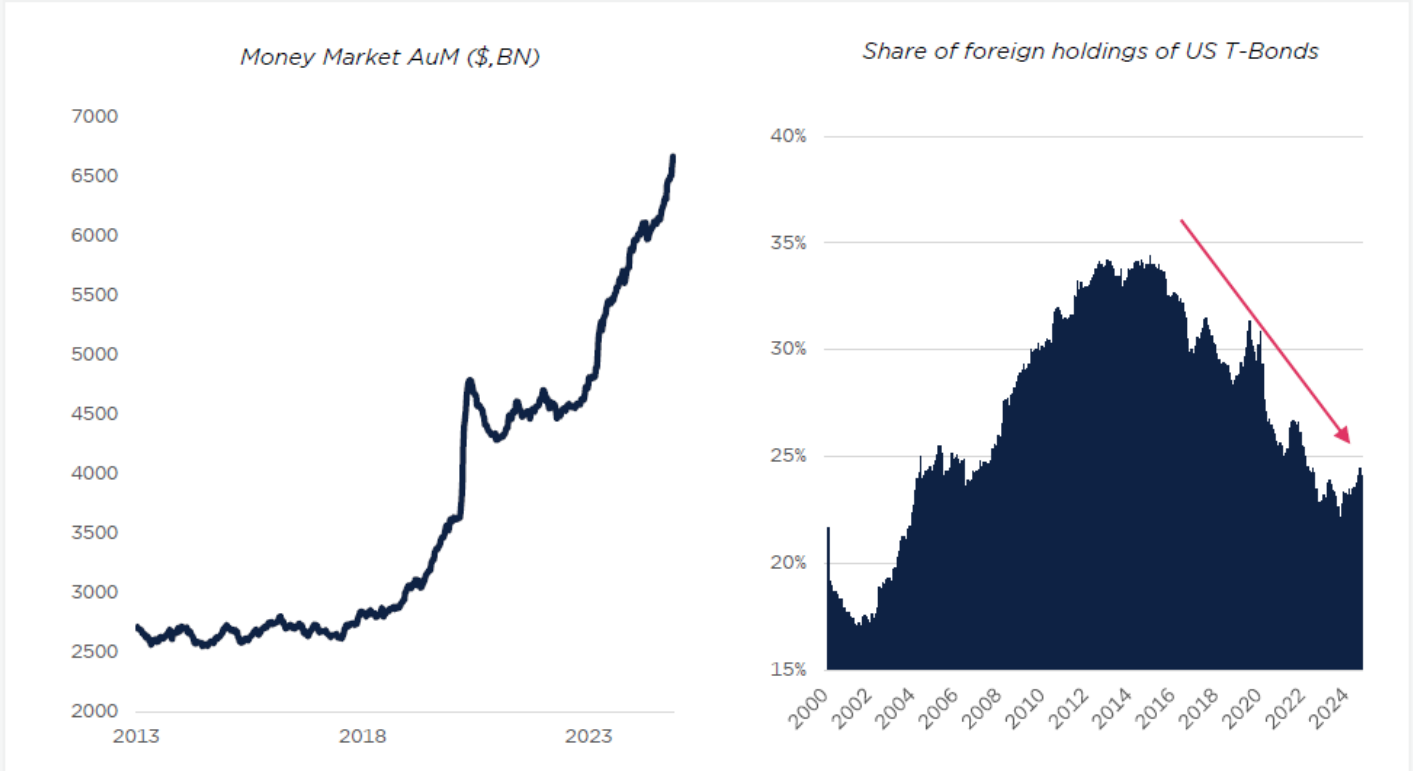
■ KEY MACRO DATA



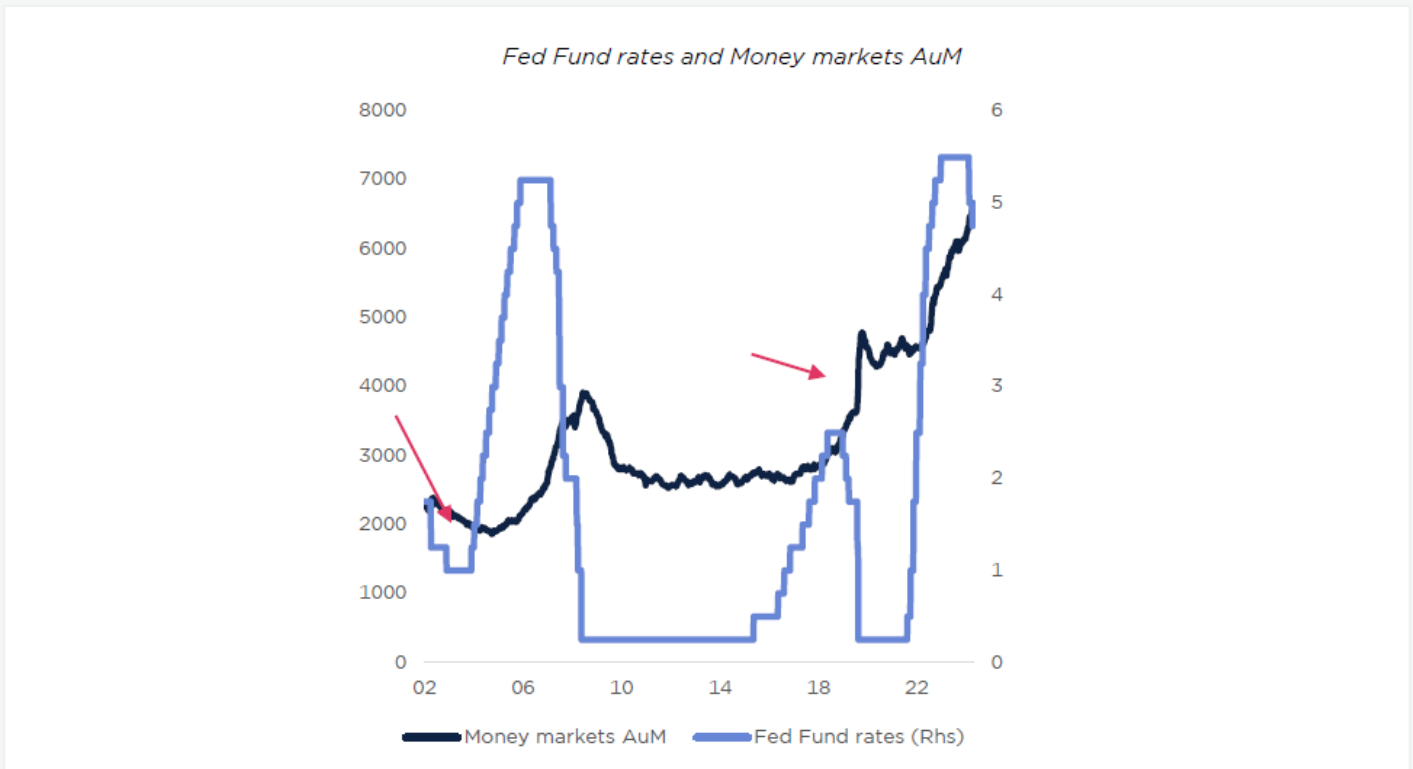
GLOBAL MACRO – MONEY MARKET ASSETS SURPASS \$7 TRN

Money market assets continued to rise in 2024

Foreigners hold less and less US debt, particularly China (\$1.3 trn in 2013, \$800 bn now)

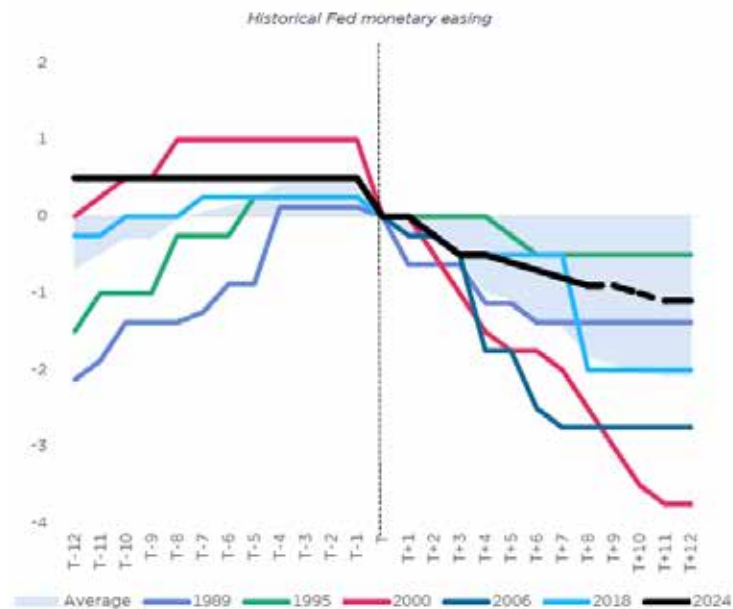


With declining Fed fund rates, this cash could be reallocated to other assets, overpowering the impact of fewer foreign holders

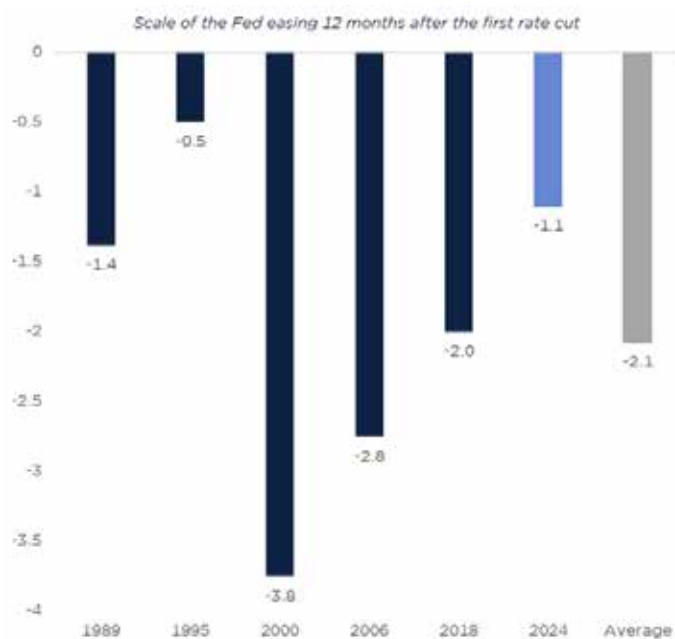


US – INFLATION RE-ACCELERATION CONCERNS CAUSING MARKETS TO LOWER RATE CUT EXPECTATIONS

Current rate cut expectations are lower than average rate cuts in history. In the past, the Fed easing has been large in the 12 months after the first cut

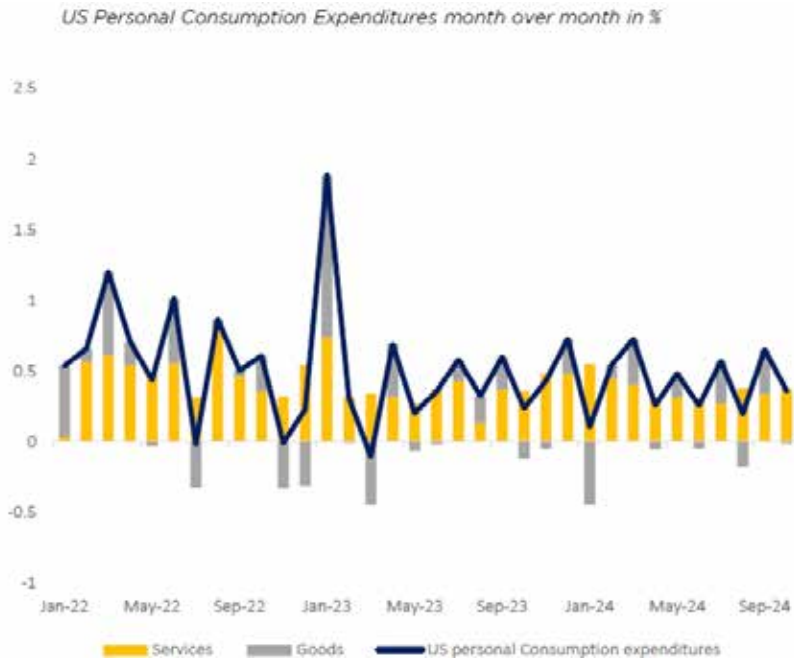


Current pricing of expected magnitude of cuts is much lower than the historical average

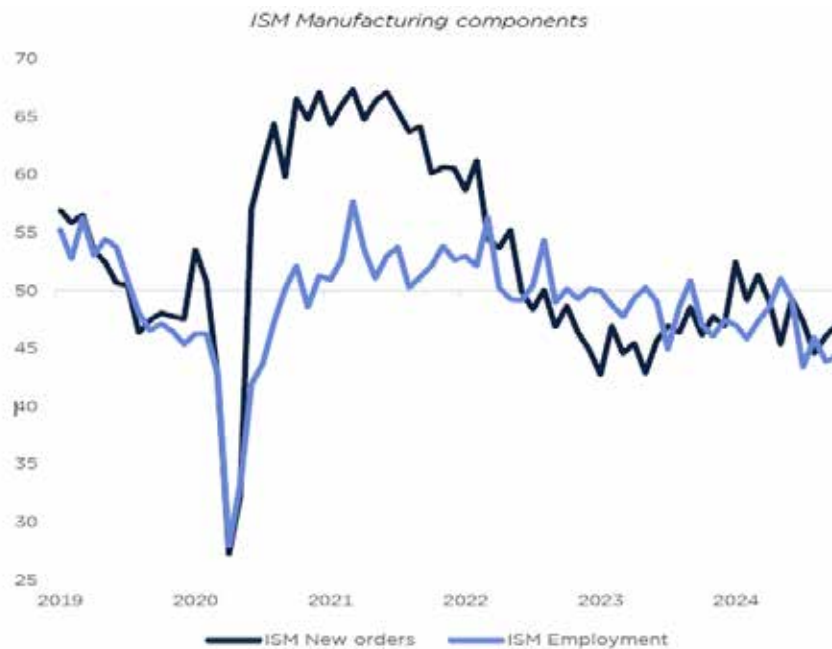


■ US – CONSUMPTION REMAINS RESILIENT, MANUFACTURING IS STABLE

US consumption expenditures slightly decelerated on the back of lower goods consumption, offset by stable service consumption



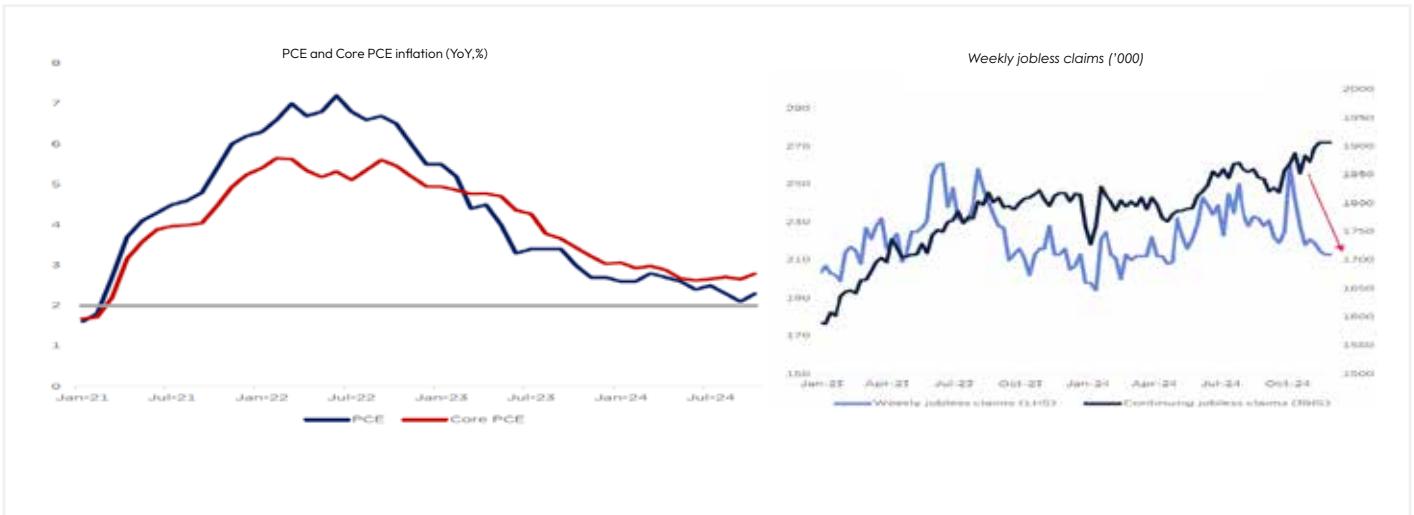
Manufacturing stabilized - new orders and employment components increased



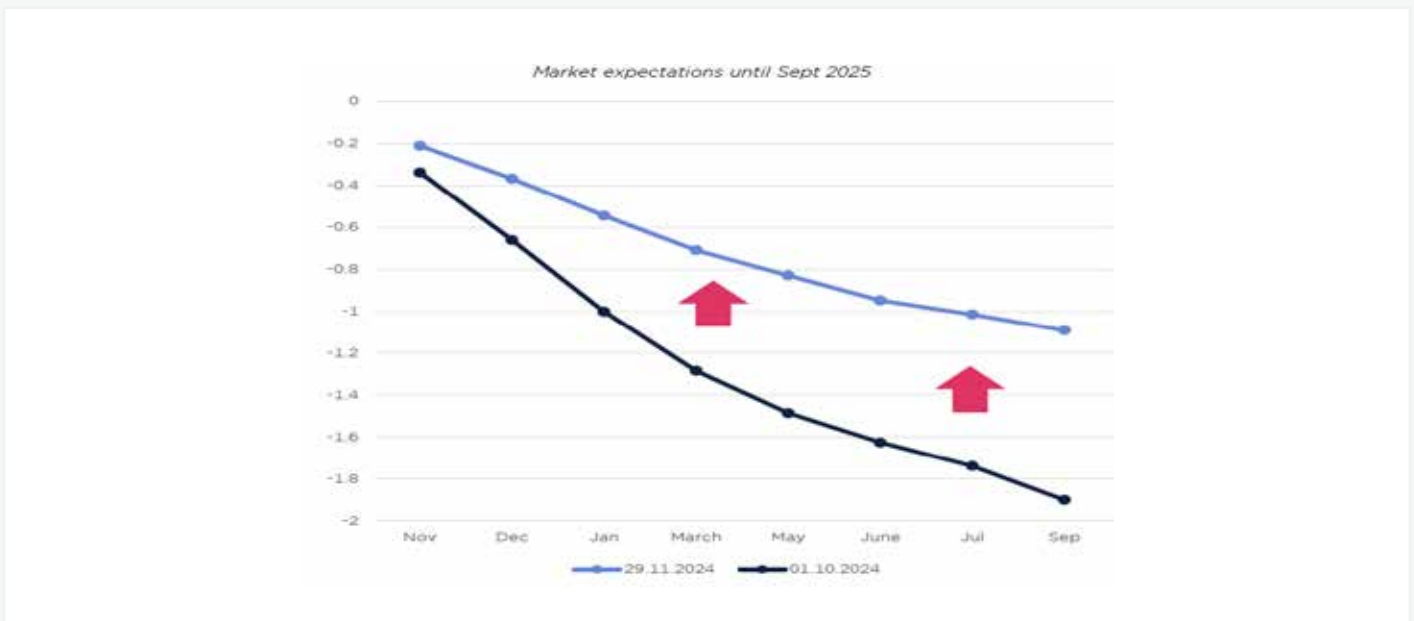
US – DECELERATION IN INFLATION IS CHALLENGED AND LABOUR MARKET REMAINS ROBUST

The preferred inflation indicator of the Fed increased in November

Labour market remains robust



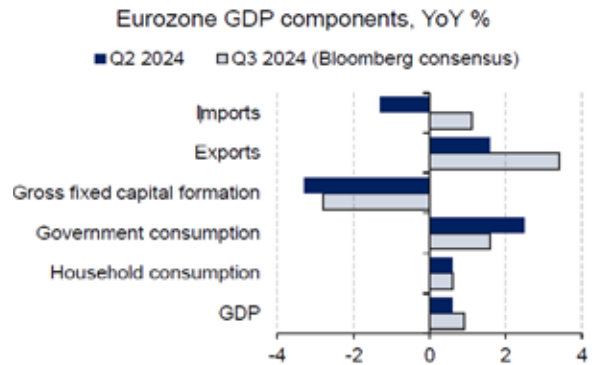
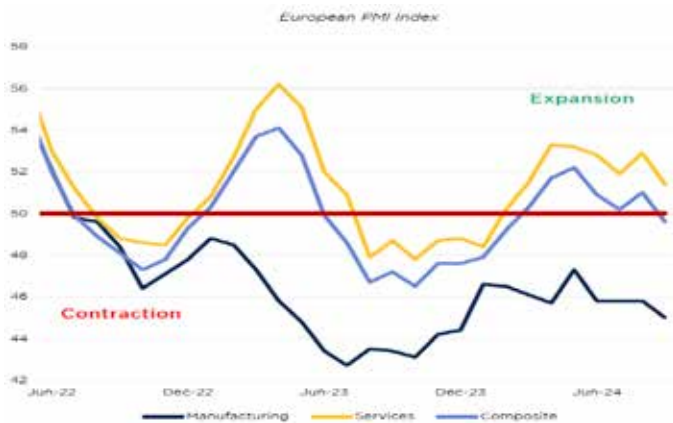
Markets now expect 3 rates cuts for next 12 months vs 8 to 9 two months ago



EUROZONE – GROWTH MOMENTUM SUBDUED, PAVING THE WAY FOR MORE RATE CUTS

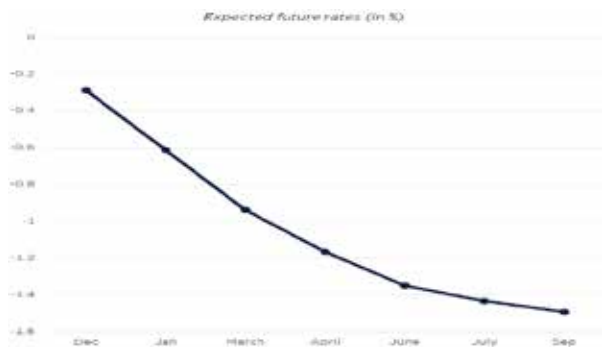
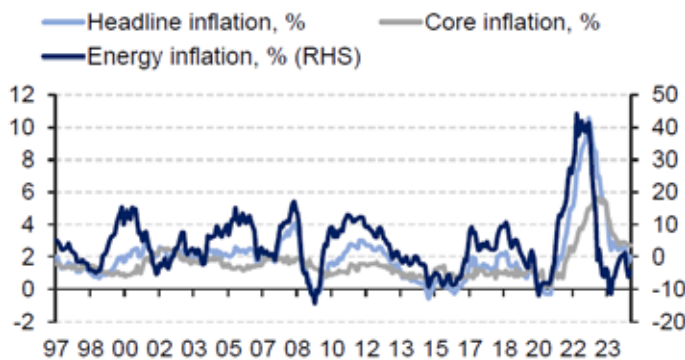
The European PMI declined in November reflecting weak activity in both Manufacturing and Services

Eurozone does not have much domestic growth to rely on



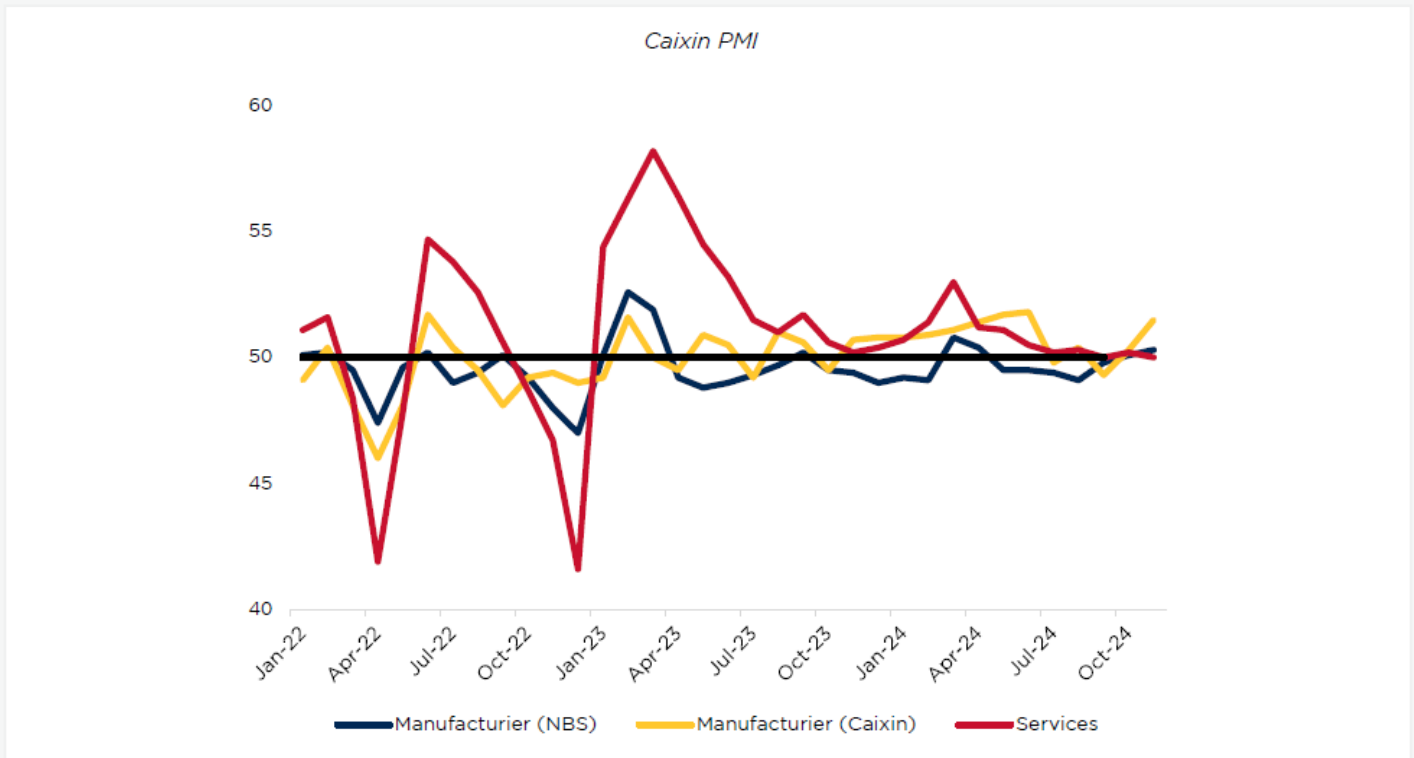
Eurozone Inflation is at manageable levels

Markets see 6 rates cut in the next 12 months and ECB terminal rate below 2 in 2025

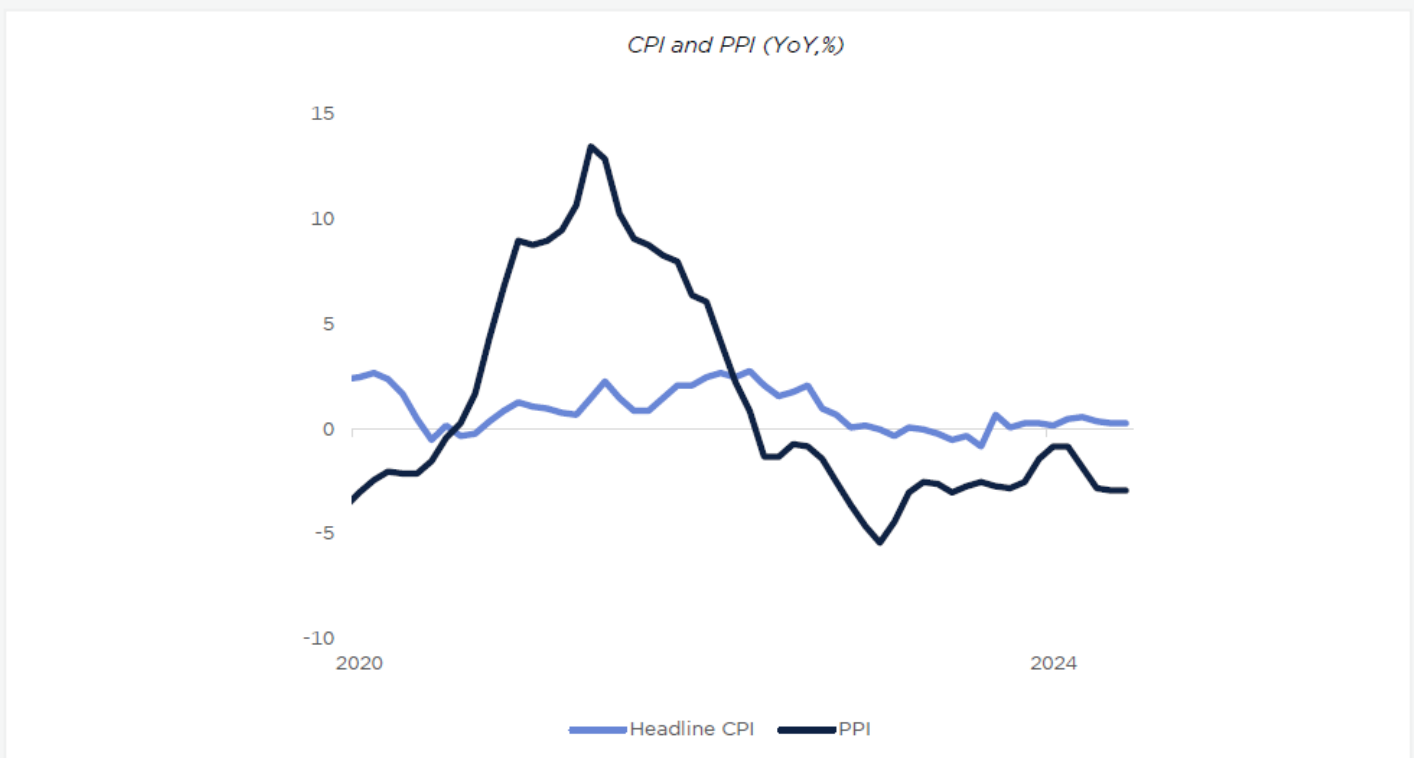


CHINA – MANUFACTURING BEGINNING TO SHOW SIGNS OF STABILISATION

The Caixin manufacturing PMI rose to 51.5, the highest since June



Nevertheless, the risk of industrial price deflation remains elevated



■ ANNEXURE



ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
Commodities	Natural Gas	46.9%	20.0%	-43.8%	25.2%
	Brent Crude oil	50.2%	10.5%	-10.3%	-6.8%
	Nickel	26.0%	43.2%	-45.0%	-4.0%
	Copper	26.8%	-14.6%	2.1%	7.9%
	Silver	-11.7%	2.8%	-0.7%	34.1%
	Gold	-3.6%	-0.3%	13.1%	29.6%
	Platinum	-9.6%	10.9%	-7.7%	-5.1%
	Palladium	-22.2%	-5.9%	-38.6%	-11.2%
	Coffee	76.3%	-26.0%	12.6%	82.6%
	Bloomberg Commodity Index	27.1%	13.8%	-12.6%	-0.2%
Currencies	Japanese Yen vs. U.S. Dollar	-11.5%	-13.9%	-7.6%	-6.9%
	Swiss Franc vs. U.S. Dollar	-3.1%	-1.3%	9.0%	-4.3%
	Australian Dollar vs U.S. Dollar	-5.6%	-6.2%	0.0%	-6.0%
	New Zealand Dollar vs U.S. Dollar	-5.0%	-7.0%	-0.5%	-7.8%
	Canadian Dollar vs U.S. Dollar	0.7%	-7.3%	2.3%	-6.5%
	Euro vs U.S. Dollar	-6.9%	-5.8%	3.1%	-4.6%
	GBP vs. U.S.Dollar	-1.0%	-10.7%	5.4%	0.2%
	Dollar index	6.4%	8.2%	-2.1%	4.9%

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
Fixed Income	Bloomberg US Treasury Index	-2.3%	-12.5%	4.1%	2.3%
	Bloomberg Global High Yield	1.0%	-12.7%	14.0%	10.5%
	Bloomberg EM Local Currency Debt	-1.6%	-8.4%	6.9%	2.3%
	Bloomberg Global Aggregate - Corporate	-2.9%	-16.7%	9.6%	3.5%
Equities	Shanghai A shares	4.8%	-15.1%	-3.7%	15.0%
	Japan Nikkei 225	16.0%	4.9%	16.2%	17.6%
	FTSE 100	14.3%	0.9%	3.8%	7.3%
	Euro zone STOXX	21.0%	-11.7%	19.2%	9.8%
	S&P 500	26.9%	-19.4%	24.2%	26.9%
	Dow Jones Industrial Average	18.7%	-8.8%	13.7%	17.8%
	Nasdaq 100	26.6%	-33.0%	53.8%	27.4%
	MSCI Frontier Markets	16.4%	-29.0%	7.3%	7.0%
	MSCI Emerging Markets	-4.6%	-22.4%	7.0%	8.8%
	MSCI Developed Markets	20.1%	-19.5%	21.8%	21.1%
	MSCI All-Country	16.8%	-19.8%	20.1%	19.8%
Volatility	Volatility index S&P500	-24.3%	25.8%	-42.5%	14.6%
	Volatility index Nasdaq	-21.3%	30.2%	-41.3%	2.2%
	Volatility index Eurostoxx 50	67.5%	-17.6%	-29.5%	11.9%

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
MSCI world sectors	MSCI World Index	20.1%	-19.5%	21.8%	21.1%
	Utilities	7.1%	-7.0%	-2.5%	13.9%
	Energy	35.1%	41.1%	-0.7%	4.3%
	Consumer Staples	10.8%	-8.0%	0.1%	7.7%
	Real Estate	21.1%	-28.0%	3.4%	2.0%
	Materials Sector	12.9%	-13.7%	11.7%	0.1%
	Health Care	18.3%	-6.6%	2.4%	5.3%
	Industrials	15.1%	-14.6%	21.2%	17.6%
	Financials	25.1%	-12.4%	13.1%	27.8%
	Communication Services	13.4%	-37.6%	44.0%	33.1%
	Information Technology	29.1%	-31.3%	52.3%	35.1%
	Consumer Discretionary	17.1%	-34.0%	33.6%	23.7%

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