United Capital

UNITED CAPITAL WEALTH MANAGEMENT

GLOBAL MARKET OUTLOOK
NOVEMBER 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.

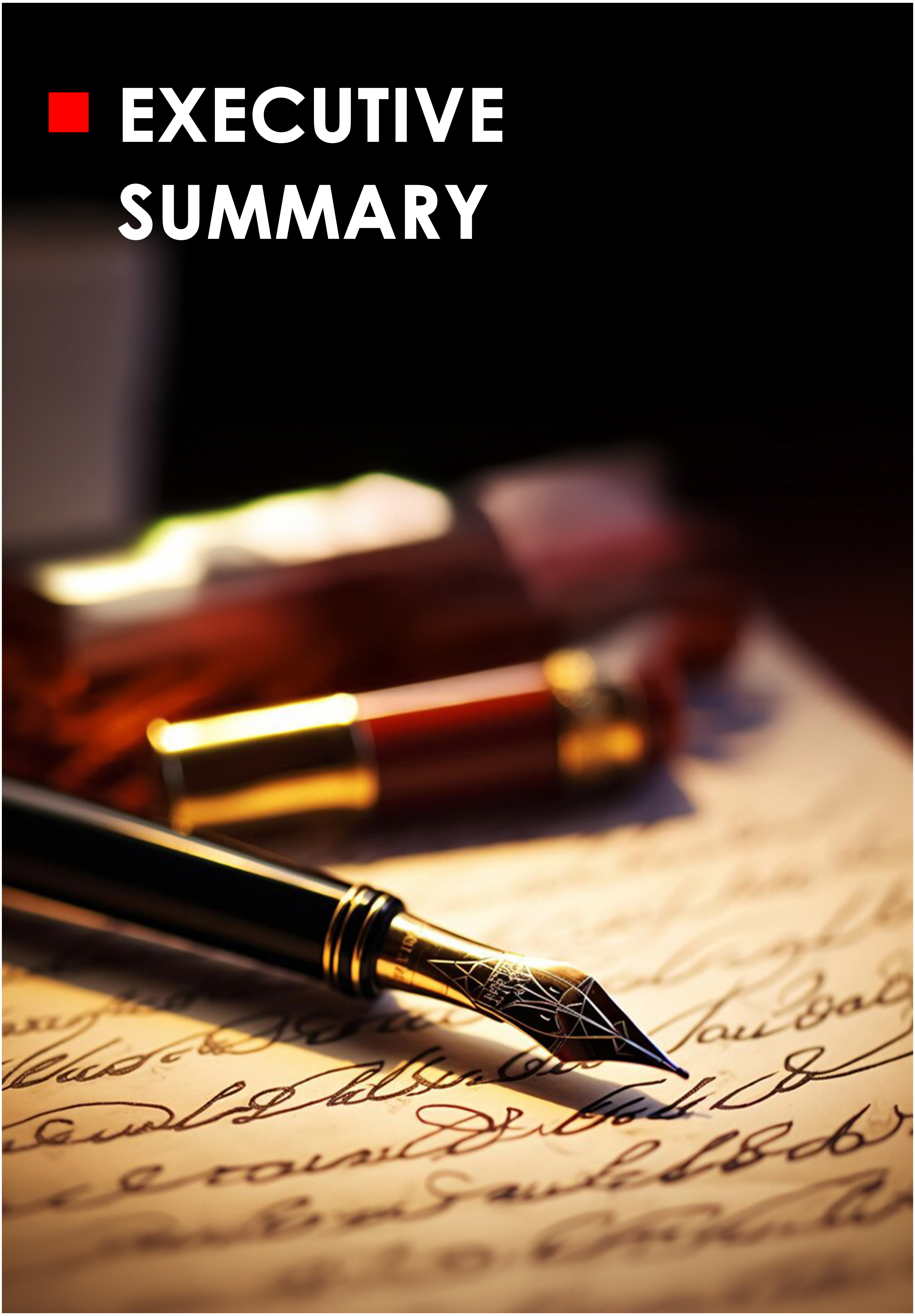
United Capital

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



EXECUTIVE SUMMARY

US – The US has had an eventful start to November with Trump's win in the elections on 6th Nov, immediately followed by a 25-bp rate cut on 7th Nov, by the Federal Reserve. Trump presidency is expected to support US economic growth through expansionary fiscal policy. With the support of Congress, tax cuts are likely to boost growth, leading to a gross domestic product growth rate of 2.5% in 2025 and 2026, above the potential growth rate of 2.1%. This could lead to rising inflation, possibly reaching 4% in 2025. As a result, the US Federal Reserve could cut interest rates more gradually. US Treasury yields are expected to rise to compensate for higher inflation and growth, supporting the US dollar in the short term. In the longer term, however, investors may demand higher risk compensation, which could lead to a depreciation of the US dollar if concerns about US government debt increase. On 7th Nov, Fed cut interest rates by 25 bps; comments from Fed Chair Jerome Powell pointed to the strength of the US economy and said he doesn't rule "out or in" a December rate cut. Fed officials tweaked language to note "labor market conditions have generally eased," and repeated "the unemployment rate has moved up but remains low."

Europe – PMI indices show first signs of improvement in Eurozone activity. The manufacturing sector index rebounded more than expected in October to 45.9 up 0.9 points over the month, although it remains anchored in the contraction zone. Germany's IFO business climate index rebounded to 86.5 in October, versus 85.6 expected and 85.4 last month. Although it is still too early to see a lasting improvement, the still gloomy situation of the German economy no longer seems to be worsening This is having an impact on rate expectations while ECB Governor Centeno sees a 50-bp cut at the next ECB meeting as a possibility, his colleagues R Holzmann and K Knot dismissed this hypothesis, considering that an acceleration in the pace of rate cuts would only be necessary in the event of a major deterioration in activity.

UK - The Bank of England cut interest rates by 25 basis points on 7th November, while raising its inflation forecast as Labour's bumper budget announcement muddies the outlook for future policy easing. Policymakers pointed to a continued easing of inflation as a factor influencing their decision but noted that the government's fiscal plan had led to a raise in their forecasts for growth and inflation. The bank now sees inflation rising by 0.5%, more than previously forecast, to hit a high of around 2.75% next year before falling back to its 2% target. Growth, meanwhile, is seen increasing by around 0.75% in a year's time. GBP rebounded sharply following the interest rate decision.

China – While the tariff proposals Trump made during his campaign cannot be taken at face value at this stage, they should not be underestimated. If fully implemented, these tariffs could severely hit China's economy, which is already struggling with weak domestic demand and deflationary pressures. Exports have been one of the bright spots in China's economy, supporting growth in times of weak domestic demand. Net exports contributed 2 percentage points to the 4.6% growth rate in Q3. If implemented, the full impact of the tariffs, including second-round effects on investment and consumption, could shave off 2–2.5% off China's growth and add to the country's deflationary pressures.

Japan - The Bank of Japan kept short-term interest rates steady at 0.25% during its meeting on 31st October but said risks around the U.S. economy were somewhat subsiding, signalling that conditions are falling into place to raise interest rates again. The BoJ has cut its core consumer inflation forecast for fiscal 2025 to 1.9% from 2.1% in the previous estimate, but said risks were skewed to the upside for that year. It kept unchanged its fiscal 2026 core inflation forecast at 1.9%.

Source - United Capital WM Research, November 2024

EXECUTIVE SUMMARY - INVESTMENT IMPLICATIONS

Fixed Income – With the election of Trump, we can expect wider fiscal deficits & higher Treasury yields in the short-term. Higher yields will eventually lead to a slow down in the economy, which will lead to yields eventually falling. US 10-year Treasury yield climbed significantly after the election results and then fell after the Fed rate cut on 7th November. UST 10y yield is currently at 4.335% and has key resistance at 4.65%. We prefer quality bonds in US IG, EM IG & select US HY bonds with 5-7 duration.

Equities – S&P 500 Post-elections jump to 5900 and above may not be sustainable. Markets could take a breather till policy actions/direction is clear. 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

Currencies:

- EUR/USD – Interest rate differentials will continue to widen as US re-accelerates and Eurozone continues to struggle. Pair to target 1.06 initially and then depreciate further to 1.01-1.03 in the next 12 months.
- GBP/USD – Higher than expected borrowing by UK could put pressure on UK yields, eventually leading to a slowdown in UK. UK is continuing to cut rates; we expect 3-4 rate cuts over next 12 months. Pair to target 1.2550-1.2650 and trade in the 1.25-1.3 range.
- USD/JPY – BOJ could hike rates in Dec, as inflation continue to be sticky. Any acceleration in commodity prices could lead to further increase in imported inflation. USD/JPY has limited further upside, unless it closes above a key resistance level of 154.40.
- USD/CHF – SNB could continue rate cuts as inflation is trending lower. USD/CHF to target 0.88-0.89. Any risk-off due to spike in long term US yields could cap the gains at 0.88-0.89.

Precious metals – Gold could correct to 2550 – 2600 levels before targeting 2900 – 3000. Fed could pause rate hikes in December and US yields could remain elevated in the short-term. Higher and widening fiscal deficits is a long-term positive for Gold. Silver is expected to see some correction on the back of correction in gold. Medium-term target is 37-40.

Crude oil – Rate cuts in US without any signs of recession could lead to re-acceleration in the economy. This is positive for Oil markets. Crude Oil prices could stabilise around 65-70 USD before moving higher to 80-85 levels over the next 12 months.

Source - United Capital WM Research, November 2024

SPOTLIGHT - US ELECTIONS

KEY TAKEAWAYS:

Trump plans **estimated to add $7.5 trillion to debt over 10 years.** Trump has promised a range of tax breaks including extending all the 2017 individual tax cuts due to expire next year and eliminating taxation of income from tips, Social Security and overtime pay. His only major revenue-raising provision would be to increase tariffs, which would raise $2.7 trillion, this is negative for rates in the short-term.

Trump floated the idea of a 10% universal tariff, **opens new tab on imports from all foreign countries** in an interview with the Washington Post in August last year, and said would be an additional 60% to 100% tariff on imports from China, negative for lower end consumption.

Tax Cuts for corporates and individuals could re-accelerate the economy.

Tight immigration policies could lead to tighter job markets & higher wage costs eventually impacting profitability for mid-cap companies.

Oil, Gold, Silver & Commodities could benefit significantly, on the back of widening fiscal deficit.

Energy & Industrial sectors look attractive, fiscal spending on infrastructure will aid these sectors.

Any significant jump in long term yields will be negative for equity markets

***Source** - United Capital WM Research, November 2024*

SPOTLIGHT - US ELECTIONS

Key Policy actions expected under the new Trump era:

- **TAX BENEFITS:** Corporate tax cuts from 21% to 15%, lower taxes on wealthy households.
- **DEREGULATION AND AI:** Trump administration favors deregulation and strategic support for AI development and data centers. National security concerns will likely continue to drive support for domestic semiconductor manufacturing.
- **TARIFFS HIKES AND IMPACT ON SEMICONDUCTORS:** High risk for semiconductor companies due to potential tariff increases, with significant reliance on sales in China (IT sector= 11% sales exposure to China, Semiconductor = 22% exposure).
- **DOMESTIC PRODUCERS:** The previous Trump administration provided substantial federal assistance to farmers to compensate them for lost exports during the trade war with China. With the former president proposing a new round of tariffs if elected, more federal assistance may be on the way for farmers. A Trump administration would likely implement tariffs on various countries, which could advantage domestic producers.
- **FINANCIAL DEREGULATION.**
- **LOWER REGULATORY AND LEGISLATIVE RISKS TO THE FOSSIL FUEL ENERGY INDUSTRY:** Potential for increased oil and natural gas investment, more drilling activity, and higher exports of natural gas.
- **HEALTHCARE:** Republican administrations tend to favor Medicare Advantage (MA) versus traditional Medicare plans.

SECTOR IMPLICATIONS

Financials - Deregulation, lower control of anti trust, higher short term economic growth on the back of tax cuts.

Communication - Lower regulation, lower taxes, relief from no share buy back tax

Consumer Disc. - Lower taxes, TCJA, sector mostly selling in the US

Healthcare - Lower taxes, lower regulation, end of price control under IRA

Oil - Discontinuation or lower budget for IRA, focus on more oil drilling, lower environmental regulation

Real Estate - Political reasons: Millions face low affordability

We prefer stocks in **Financials, Pharma and Energy** sectors with an overweight towards value stocks and large-cap stocks in preferred sectors. We believe that Midcap stocks can benefit tactically over the next 6-9m in anticipation of pro-business policies

INVESTMENT VIEWS

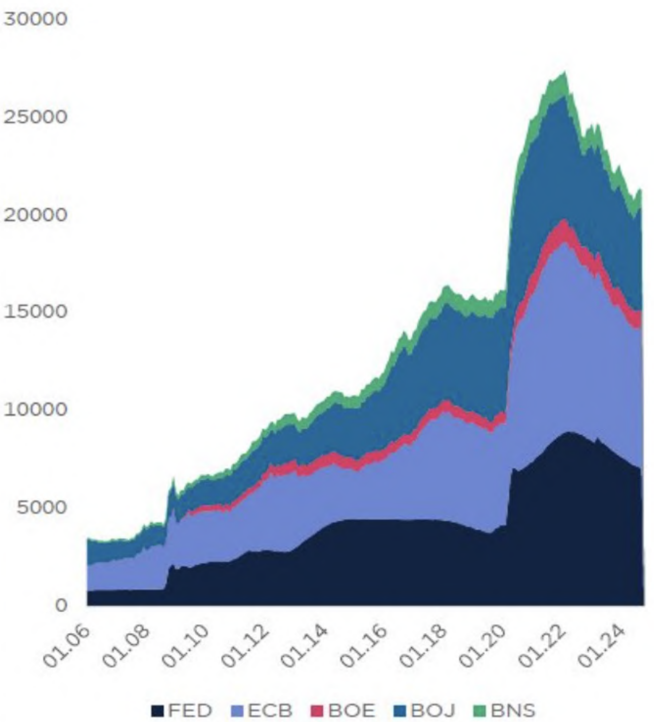
Asset Class	Region	Allocation Preference	Investment Rationale
Fixed Income	US	🟢	Tax cuts and higher fiscal spending could fuel inflation and boost growth, leading to higher US rates. However, high rates will eventually trigger a slowdown, causing rates to fall. UST 10y yield is currently at has key resistance at 4.65%. We prefer quality bonds in US IG, EM IG & select US HY bonds with 5-7 duration.
	Eurozone	⚫	PMI indices show first signs of improvement in Eurozone activity but are still in contractionary territory and have a long way to go. ECB to continue cutting rates. Euro zone perps are attractive given the high YTMs.
	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, unless it is a hard landing.
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 & Silver	🟢	Gold could correct to 2550 – 2600 levels before targeting 2900 – 3000. Fed could pause rate hikes in December and US yields could remain elevated in the short-term. Higher and widening fiscal deficits is a long-term positive for Gold. Silver is expected to see some correction on the back of correction in gold. Medium-term target is 37-40.
Commodities	Crude Oil	🟢	Rate cuts in US without any signs of recession could lead to re-acceleration in the economy. This is positive for Oil markets. Crude Oil prices could stabilise around 65-70 USD before moving higher to 80-85 levels over the next 12 months.
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

THE GLOBAL EASING CYCLE IS STRONGLY UNDERWAY

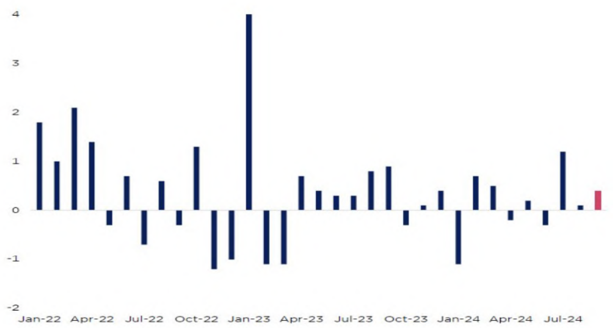
Central bank's balance sheets are expected to stop their decline



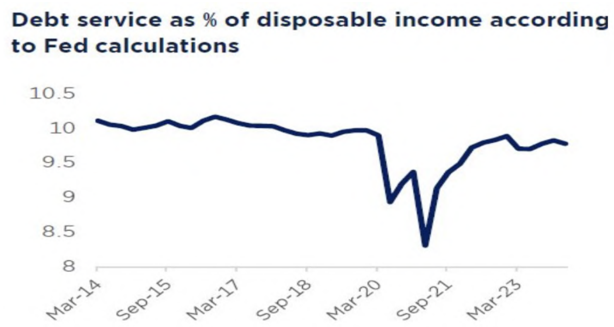
ETF holdings of Gold have risen as the global easing cycle has picked up

US – RESILIENT ECONOMIC DATA LOWERS MARKET ESTIMATES OF RATE CUTS NEXT YEAR

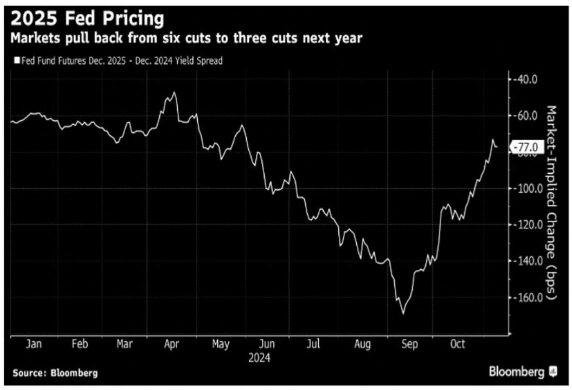
Retail sales increased sharply in September & public support during Trump's presidency should support the sector



Debt servicing in household budgets has not exploded, which should maintain a resilient appetite for debt

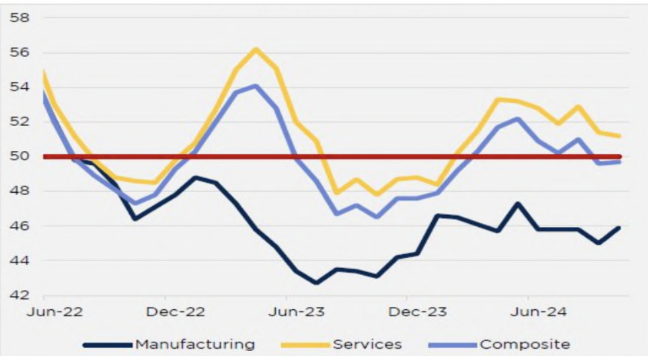


Weekly jobless claims remain elevated, paving the way for more rate cuts

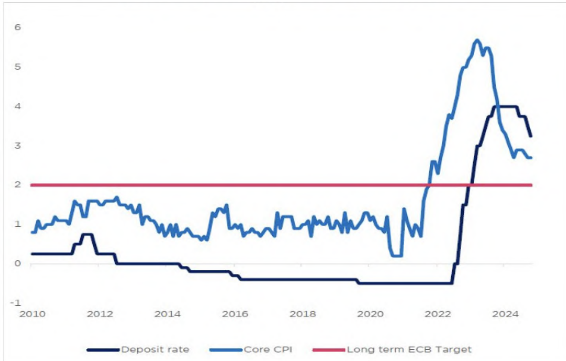


EUROZONE –GROWTH MOMENTUM STILL SUBDUED, PAVING THE WAY FOR MORE RATE CUTS

Flash PMIs rebound but remain in contraction in the Eurozone in October

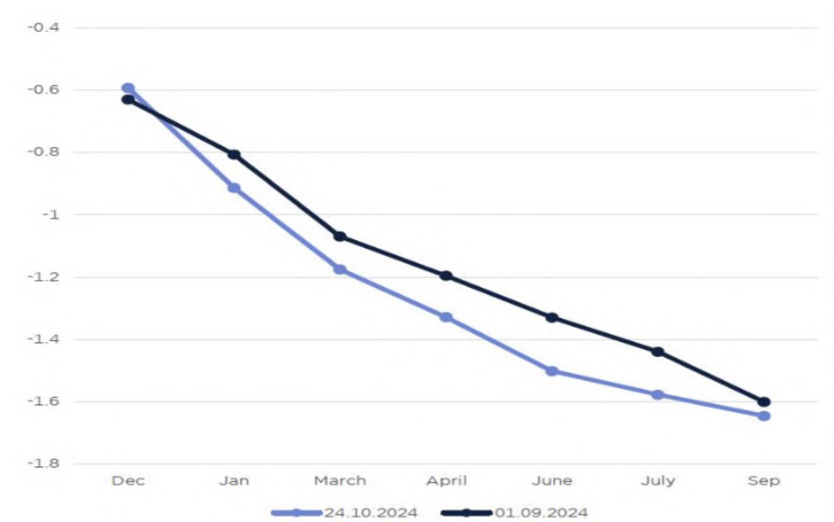


The ECB cut its main rates to 3.25% as European inflation declined sharply in recent months



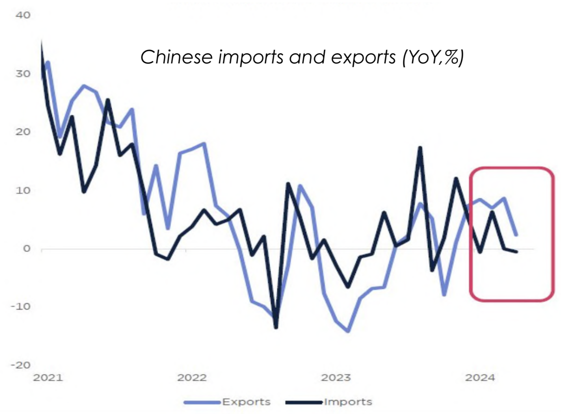
Markets continue to price in large ECB easing over 5 in the next 12 months

(Expectations of ECB rate cuts for the next months in %)

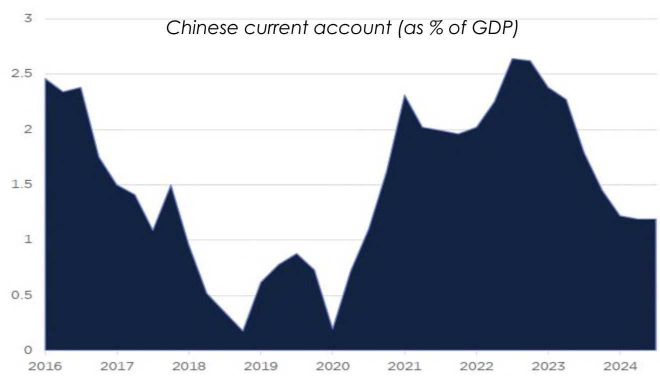


CHINA – STRUCTURAL ISSUES CONTINUE TO DEPRESS GROWTH MOMENTUM

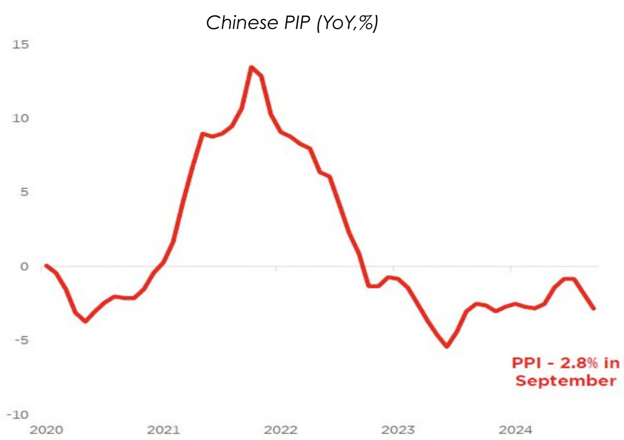
Chinese export grew at slower path than expected



Consequently, the Chinese current account declined



PPI dropped further in negative territory reflecting a lower demand for Chinese products and local price wars



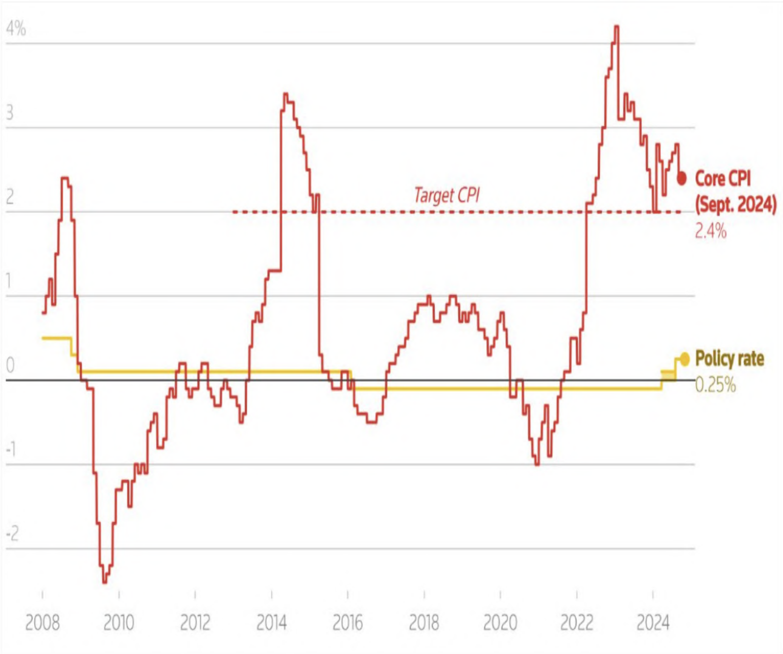
Issues:

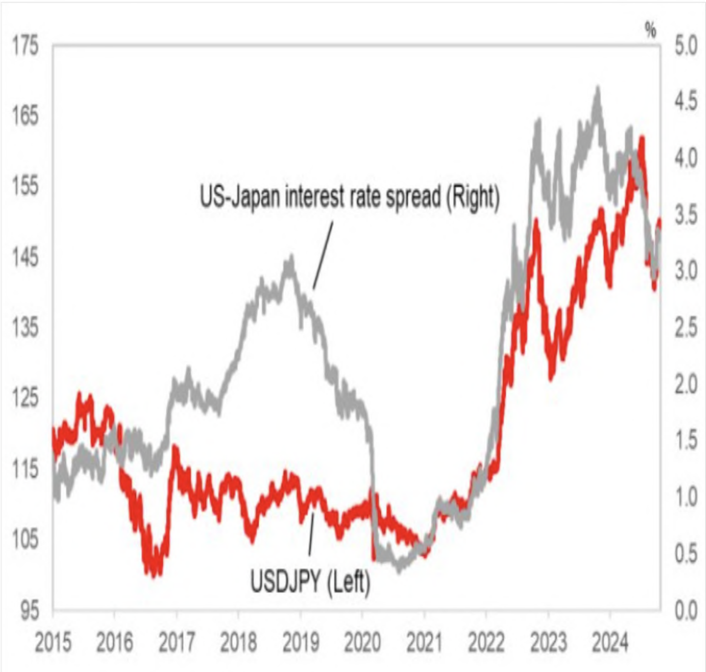
- Overcapacity
- Inability to rapidly cut excess capacity through job cuts
- Companies keep producing for sales to offset lower profitability
- Local state banks keep financing firms with low profitability

Source - Bloomberg, United Capital WM Research, November 2024

JAPAN – YEN FAILS TO APPRECIATE ON THE BACK OF TIGHTENING MONETARY POLICY DUE TO USD STRENGTH

A dollar rally triggered by Republican Donald Trump's victory in the U.S. presidential election could heighten pressure on the Bank of Japan to raise interest rates as soon as December to prevent the yen from sliding back toward three-decade lows.





Following a significant repricing of US terminal rates back to 3.0-3.5%, the scope for additional USDJPY gains is likely to be more limited.

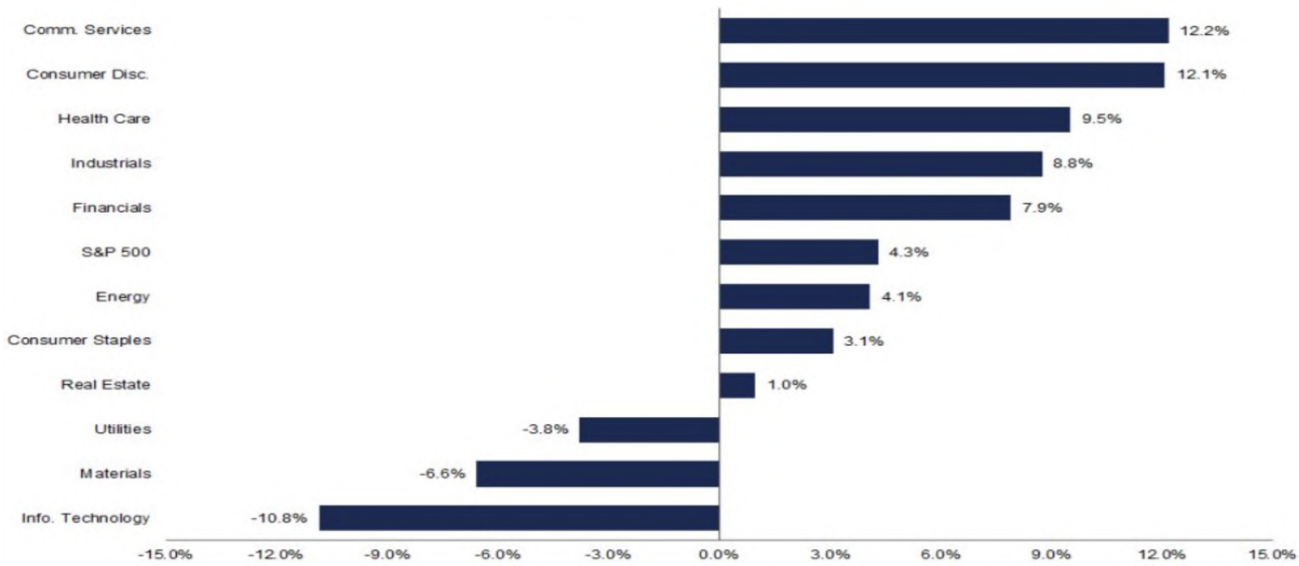
ANNEXURE

S&P 500 – Q3 EARNINGS

- **Earnings Scorecard:** For Q3 2024 (with 91% of S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q3 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 5.3%. If 5.3% is the actual growth rate for the quarter, it will mark the 5th straight quarter of year-over-year earnings growth for the index.
- **Earnings Revisions:** On September 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q3 2024 was 4.3%. Six sectors are reporting higher earnings today (compared to September 30) due to positive EPS surprises.
- **Earnings Guidance:** For Q4 2024, 53 S&P 500 companies have issued negative EPS guidance and 24 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.2. This P/E ratio is above the 5-year average (19.6) and above the 10-year average (18.1).

S&P 500: Sector Level Earning Surprise %: Q3 2024

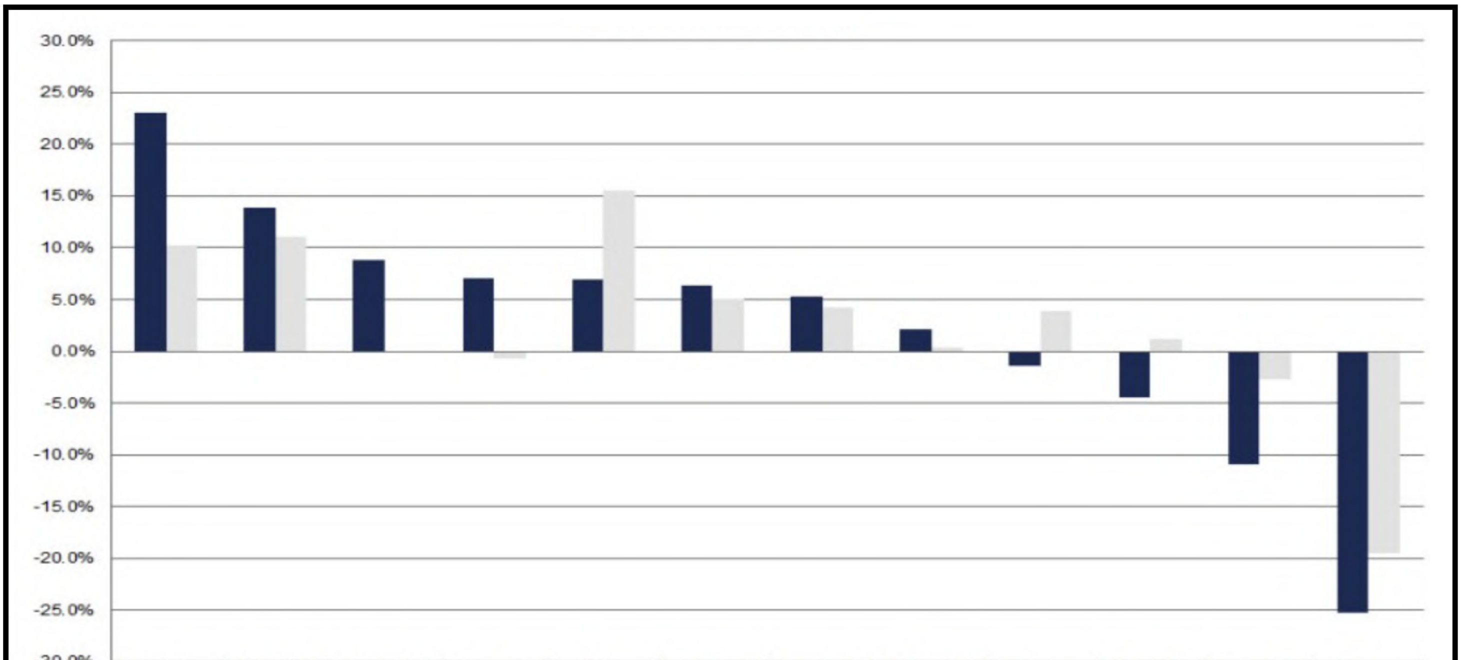
(Source: FactSet)



S&P 500 – Q3 EARNINGS - CONTD.

S&P 500: Earning Growth (Y/Y): Q3 2024

(Source: FactSet)



	Comm. Services	Health Care	Consumer Disc.	Financials	Info. Technology	Real Estate	S&P 500	Consumer Staples	Utilities	Industrials	Materials	Energy
Today	23.0%	13.9%	8.8%	7.1%	6.9%	6.3%	5.3%	2.1%	-1.4%	-4.5%	-10.9%	-25.2%
30-Sep	10.3%	11.0%	-0.1%	-0.7%	15.6%	5.1%	4.3%	0.4%	3.9%	1.2%	-2.7%	-19.5%

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2021	2022	2023	YTD 2024
Commodities	Natural Gas	46.9%	20.0%	-43.8%	12.5%
	Brent Crude oil	50.2%	10.5%	-10.3%	-4.0%
	Nickel	26.0%	43.2%	-45.0%	-1.6%
	Copper	26.8%	-14.6%	2.1%	10.8%
	Silver	-11.7%	2.8%	-0.7%	31.5%
	Gold	-3.6%	-0.3%	13.1%	29.5%
	Platinum	-9.6%	10.9%	-7.7%	-0.9%
	Palladium	-22.2%	-5.9%	-38.6%	-9.4%
	Coffee	76.3%	-26.0%	12.6%	34.5%
	Bloomberg Commodity Index	27.1%	13.8%	-12.6%	-0.3%
Currencies	Japanese Yen vs. U.S. Dollar	-11.5%	-13.9%	-7.6%	-8.1%
	Swiss Franc vs. U.S. Dollar	-3.1%	-1.3%	9.0%	-4.1%
	Australian Dollar vs U.S. Dollar	-5.6%	-6.2%	0.0%	-3.3%
	New Zealand Dollar vs U.S. Dollar	-5.0%	-7.0%	-0.5%	-5.5%
	Canadian Dollar vs U.S. Dollar	0.7%	-7.3%	2.3%	-4.8%
	Euro vs U.S. Dollar	-6.9%	-5.8%	3.1%	-2.9%
	GBP vs. U.S.Dollar	-1.0%	-10.7%	5.4%	1.4%
	Dollar index	6.4%	8.2%	-2.1%	3.6%

Source - Bloomberg, United Capital WM Research, November 2024

ASSET CLASS - PERFORMANCE

	Instrument	2021	2022	2023	YTD 2024
Fixed Income	Bloomberg US Treasury Index	-2.3%	-12.5%	4.1%	1.4%
	Bloomberg Global High Yield	1.0%	-12.7%	14.0%	9.6%
	Bloomberg EM Local Currency Debt	-1.6%	-8.4%	6.9%	2.5%
	Bloomberg Global Aggregate - Corporate	-2.9%	-16.7%	9.6%	2.9%
Equities	Shanghai A shares	4.8%	-15.1%	-3.7%	16.6%
	Japan Nikkei 225	16.0%	4.9%	16.2%	18.1%
	FTSE 100	14.3%	0.9%	3.8%	4.4%
	Euro zone STOXX	21.0%	-11.7%	19.2%	6.2%
	S&P 500	26.9%	-19.4%	24.2%	25.7%
	Dow Jones Industrial Average	18.7%	-8.8%	13.7%	16.7%
	Nasdaq 100	26.6%	-33.0%	53.8%	25.5%
	MSCI Frontier Markets	16.4%	-29.0%	7.3%	6.4%
	MSCI Emerging Markets	-4.6%	-22.4%	7.0%	10.9%
	MSCI Developed Markets	20.1%	-19.5%	21.8%	19.6%
	MSCI All-Country	16.8%	-19.8%	20.1%	18.7%
Volatility	Volatility index S&P500	-24.3%	25.8%	-42.5%	20.0%
	Volatility index Nasdaq	-21.3%	30.2%	-41.3%	10.4%
	Volatility index Eurostoxx 50	67.5%	-17.6%	-29.5%	23.6%

Asset Class	Instrument	2021	2022	2023	YTD 2024
MSCI world sectors	MSCI World Index	20.1%	-19.5%	21.8%	19.6%
	Utilities	7.1%	-7.0%	-2.5%	14.9%
	Energy	35.1%	41.1%	-0.7%	7.3%
	Consumer Staples	10.8%	-8.0%	0.1%	6.2%
	Real Estate	21.1%	-28.0%	3.4%	3.0%
	Materials Sector	12.9%	-13.7%	11.7%	2.7%
	Health Care	18.3%	-6.6%	2.4%	8.6%
	Industrials	15.1%	-14.6%	21.2%	18.7%
	Financials	25.1%	-12.4%	13.1%	25.6%
	Communication Services	13.4%	-37.6%	44.0%	30.0%
	Information Technology	29.1%	-31.3%	52.3%	32.3%
	Consumer Discretionary	17.1%	-34.0%	33.6%	15.1%

Source - Bloomberg, United Capital WM Research, November 2024

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wealthmanagement@unitedcapitalplcgroup.com
www.unitedcapitalplcgroup.com
+234-1-280-7596, +234-1-280-8919
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