MARKET OVERVIEW

JANUARY 2025

MFM
MIRANTE FUND MANAGEMENT

NEWS JANUARY 2025

HAPPY NEW YEAR!!

To all our clients, partners, and readers, we wish you a year filled with health, success, and inspiring projects!

Thank you for your trust and loyalty. We remain committed to upholding the highest standards of quality and innovation to continually serve you better.

Exciting projects are in development, and we look forward to sharing them with you in the coming months.

QUIZ ANSWERS

1. BONDS
Answer: (b) Long-Term U.S. Treasury Bonds -6.4% in USD

2. GLOBAL EQUITY
Answer: (b) Switzerland 5.5% in CHF

3. BEST PERFORMANCE - MFM GLOBAL EQUITY
Answer: (b) Nvidia +178% / suivi de (c) Sea +169% et de (a) MakeMyTrip +144%

4. WORST PERFORMANCE - MFM GLOBAL EQUITY
Answer: (b) and (c): Estée Lauder -49%, LG Chem -49%, Samsung Electronics -31%

5. GLOBAL INFLATION
Answer: (b) 5.8%

6. ECONOMIC GROWTH
Answer: (a) India +5.4%

QUIZ - TEST YOUR KNOWLEDGE OF 2024!

Discover some of the most surprising numbers of the year 2024. Take the challenge and see how much you know !

The answers can be found on page 1.

1. BONDS

Which of these three categories recorded the worst performance in the bond world?

a. Emerging market bonds (in hard currencies)
b. Long-Term U.S. Treasury Bonds
c. Bonds indexed to global inflation

2. GLOBAL EQUITY

Which region performed the worst in the global equity universe?

a. Emerging markets
b. Switzerland
c. Europe

3. BEST PERFORMANCE - MFM GLOBAL EQUITY

Which stock showed the best annual performance in our global equity investment strategy?

a. MakeMyTrip
b. Nvidia
c. Sea

4. WORST PERFORMANCE - MFM GLOBAL EQUITY

Which stock showed the worst annual performance in our global equity investment strategy?

a. Samsung Electronics
b. LG Chem
c. Estée Lauder

5. GLOBAL INFLATION

What was the global inflation rate in 2024 according to Bloomberg estimates?

a. 2.1%
b. 5.8%
c. 8.9%

6. ECONOMIC GROWTH

Which country recorded the highest annual economic growth among the G20 economies?

a. India
b. United-States
c. Brazil
d. Saoudi Arabia

DESPITE THE CLOUDS, THE ECONOMY REMAINS ON COURSE

Geopolitical tensions did not prevent the US markets from shining, thanks to falling inflation, the strength of the US economy, and the enthusiasm for artificial intelligence, while bonds surprised positively despite high rates.

Written by Frank Crittin,
CIO of MFM

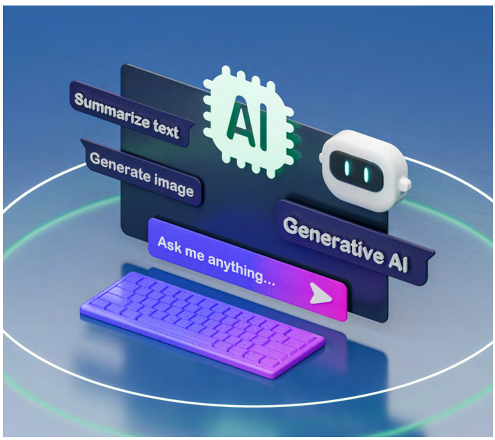
In a rather turbulent global context, marked by armed conflicts on multiple fronts and elections in most regions of the world, global growth defied specialists' predictions.

If this geopolitical environment has increased investor uncertainty, global growth has reassured everyone with its strength. The United States has maintained its leading position among advanced economies in terms of growth. The US economy has remained robust, despite high interest rates, benefiting from consumer appetite and the spectacular results of its technology companies. Growth in the Eurozone, although in poor shape, has only experienced a minor slowdown. Finally, China showed signs of recovery at the end of the year, helping to boost the outlook for the global economy.

Stocks: growth and artificial intelligence as drivers

Stock performance was driven by solid overall growth and the euphoria generated by artificial intelligence, despite some spikes in volatility in April, August, and at the end of the year.

The "magnificent seven" tech giants – led by Nvidia, whose market capitalization has soared to more than $3.5 trillion – have propelled the market to new heights. Technology sectors have jumped more than 30% this year. In Europe, the situation was more mixed although the European equity index ended higher. Surprisingly, Germany's DAX index gained 19% despite a political crisis, severe economic stagnation and difficulties in the automotive sector. negative territory, impacted by the decline in Chinese demand for raw materials.



On the contrary, the CAC40 index in France ended in negative territory, falling by 3%, in a year marked by strong political turbulence. Japan had a prosperous year supported by an unexpected economic recovery and a weak yen which favored its exporting companies. Outside of the technology sector, financial stocks also performed remarkably well, up more than 30%. The advance reflects strong profits at major investment banks, supported by high interest rates and record trading gains. Only the materials sector closed the year in negative territory, impacted by the decline in Chinese demand for raw materials.

Bonds: rising yields and historic compression of spreads

The biggest surprise of 2024 has been the trajectory of interest rates.

Despite an almost generalized reduction in interest rates initiated by central banks, yields on long-maturity bonds remained high, or even increased. This situation reflects investors' doubts about the future trajectory of inflation. Indeed, 10-year sovereign bond yields increased in 2024 in most advanced economies, strongly contradicting specialists' forecasts. In the United States, for example, the yield on 10-year Treasury bonds moved sharply throughout the year, going from 3.87% to 4.57% at the end of the year. The main exceptions are Switzerland, Italy, South Korea and China. Indeed, the Swiss National Bank has made aggressive rate cuts to stimulate its economy. Italy benefited from a reduction in risk premiums. South Korea has applied expansive monetary policies aimed at supporting economic growth, while in China monetary and fiscal stimulus measures were put in place to counter weak domestic growth and stimulate investment.

In terms of performance, short-duration bonds performed better, benefiting from central bank actions and their impact on short-term rates. Conversely, bonds with longer maturities showed weak performance, or even clearly negative in the United States.

High yield bonds performed best among fixed income assets, driven by historic credit spread compression, record new issuance volumes and strong investor risk appetite.

A LOOK BACK AT 2024 PREDICTIONS AND 2025 PROSPECTS

At the start of each year, experts from the world's major banks engage in the perilous exercise of predicting market performance. Let's take a look back.

At the end of 2023, all the strategists from the major banks on Wall Street and elsewhere predicted the 2024 performance of the S&P 500 index of American stocks. On average, experts expected an average performance of +1.4%, with the most optimistic forecast reaching +9%... In hindsight, the index ended the year with a performance of +23.3 %. Basing investment decisions on predictions is not a reliable strategy. To implement a robust investment strategy, it is better to focus on the components that you can control. This includes portfolio construction, a crisis action plan, diversification optimized and an allocation tailored to multiple potential scenarios.

Over the long term, it is economic fundamentals – global growth, corporate profits, inflation and interest rates – that dictate the trajectory of financial markets. Last year, despite a very turbulent geopolitical environment, marked by armed conflicts and elections in many regions of the globe, it was these fundamental drivers that supported the performance of major asset classes. In terms of growth, the US economy remains strong, supported by favorable tax policies and deregulation initiatives, although uncertainty persists regarding the implementation of these measures. Conversely, China remains faced with the risk of a deflationary spiral comparable to that of Japan in the 1990s. This risk is counterbalanced by potential fiscal stimulus plans. In Europe, economic growth continues to suffer from structural and political constraints, as put into perspective in Mario Draghi's report on the future of Europe's competitiveness. European growth in the short term will remain largely dependent on American and Chinese dynamics. However, the main driver of financial market performance in 2025 will likely be inflation in the United States and its impact on interest rates. Trump's measures, such as tariffs and tax cuts, could increase inflationary pressures, undermining the rate-cutting cycle anticipated by the Fed. In the rest of the world, central banks are planning further cuts to stimulate their respective economies, but these decisions will be linked mainly to the trajectory of inflation.

BETWEEN HIGH RATES AND RECORD VALUATIONS: FOCUS ON DIVERSIFICATION

In terms of allocation, the difference in yield between bond investments and equity investments has narrowed significantly with the rise in interest rates in recent weeks.

This premium measures the excess return expected by investors for holding stocks rather than bonds considered less risky. The historically low level of this indicator highlights the importance of being exposed to investment premiums linked to bonds such as duration (sensitivity to interest rates, also called «bond premium») and credit (sensitivity to risk bankruptcy, also called "credit premium"). This also results in an increase in the expected return of diversified approaches combining bonds and stocks, while making these strategies less risky.

Across asset classes, global stocks will likely be shaken by US policy and its reactions. will arouse on a global scale. At the level of equity indices, market concentration has reached extreme levels, particularly for American technology stocks. Additionally, these companies exhibit extremely high valuations. They mean, on the one hand, that expected long-term returns will probably be lower than those of recent years and, on the other hand, that in the event of a market correction, the declines could be more pronounced than the historical average. Additionally, the valuation gap between American companies and the rest of the world is at an all-time high. For example, the Cyclically Adjusted Price-to-Earnings Ratio (CAPE) of European stocks is less than half that of US stocks, the highest level in several decades. Of course, none of this ensures that the US stock market will undergo a sharp correction in the coming months. However, with lower expected returns in the United States and an extreme discount for other regions, portfolio construction limiting concentration and emphasizing geographic diversification seems ideal to us.

It should allow us to benefit from the growth in corporate profits while limiting the risk linked to the current structure of the stock market. There are many variables and uncertainties, particularly on the political level, which will require good flexibility in terms of investment in 2025. We remain convinced that an approach focusing on large investment premia and increased diversification with solid and defensive portfolio construction will be essential to capitalize on the opportunities ahead while minimizing risks.

MAIN MACRO DRIVERS

Over the long term, overall growth, corporate profit growth, inflation and interest rates are the four main drivers of financial markets.

GROWTH

- Towards a strongly asynchronous global growth
- Risk of overheating in the United States with a highly inflationary policy
- In China, risk of deflationary spiral without major government intervention

CORPORATE PROFITS

- The global trade war announced by the US president will put pressure on corporate profits
- In the US, this could be offset by tax cuts and deregulation
- In Asia, economic growth should support local corporate earnings

INFLATION

- In Asia, economic growth should support local corporate earnings
- The long-term drivers of low inflation, such as profitability and demographics, remain in place

INTEREST RATE

- The decisions of central banks remain closely linked to macroeconomic data
- Global central banks are likely to continue adjusting their monetary policies, in the face of inflation which, although slowing, remains above target in many regions

RADIANT WEATHER VARIABLE WEATHER STORMY WEATHER

ANNUAL PERFORMANCE

31 DECEMBER 2024

EQUITIES MARKET (LOCAL CURRENCY)

United States	24.58
World (all countries)	21.03
Japan	20.74
China	19.50
Asia (ex-Japan)	16.21
Emerging Markets	13.12
United Kingdom	9.46
Europe	8.59
Switzerland	5.52

EQUITIES SECTOR (LOCAL CURRENCY)

Telecommunication Services	35.32
Information Technologies	33.94
Financials	30.11
Consumer Discretionary	24.14
Industrials	16.77
Utilities	15.34
Consumer Staples	8.02
Energy	5.02
Health Care	3.05
Real Estate	0.88
Materials	-1.59

OTHERS (USD)

Global	0.12
Industrials (CBR)	-0.44

FIXED-INCOME (USD HEDGED)

Global High-Yield	10.71
Global Convertibles	8.62
Swiss Bond Index AAA-BBB (CHF)	5.35
Global Aggregate 1-3 Year	5.18
Emerging Market Hard Currency Aggregate	4.75
Global Aggregate 5-7 Year	4.14
Global Corporate Credit	3.69
Global Aggregate	3.40
Global Inflation-Linked Bonds	3.00
Global Treasury	2.98
Global Aggregate Long Duration	0.34
US Treasury Long Duration	-6.41

THE TEAM

Laetitia Oguey

Communication & Marketing Manager

My role is to create high-quality communication materials that reflect the expertise of my colleagues, as well as the innovative and rigorous approach required to stay at the forefront of the investment field.

Whether through our website, newsletter, videos, or client events, my goal remains the same: to present all the facets that compose MFM with authenticity.

Highlighting the stories of those who work behind the scenes - yet play an essential role in MFM's success - is what I value the most in my work.

Christophe Beney

Quantitative Researcher

I have a background in mathematics, a master's degree I am proud of, which I earned after completing my studies at EPFL.

At MFM, I'm interested in topological data analysis and machine learning. I develop algorithms that enhance the existing investment strategies at MFM. In parallel, I am working on developing a new quantitative investment strategy based on the tools I create.

I explore the scientific literature, combining it with my own ideas, in order to develop the technologies of tomorrow in the field of investment.

MFM
MIRANTE FUND MANAGEMENT

OUR UNIQUE SERVICES

When institutional asset management meets bespoke wealth management.

12 INVESTMENT STRATEGIES

Benefit from institutional-quality strategies combining qualitative and quantitative approaches.

WEALTH MANAGEMENT

We are here to manage your wealth and provide you with active advice.

MORTGAGE

We find the best financing solution for your real-estate project.

PLANNING

We guide you to serene retirement and estate succession.

FORESIGHT

We set up your Swiss pension plan for the 2nd and 3rd pillars (1E, libre-passage and 3A)

FAMILY OFFICE

We collaborate with a network of professionals in the legal, tax, insurance and cryptocurrency fields.

ACCESS TO DIGITAL PLATFORMS

Benefit from the portfolio aggregator My MFM.

Picture: Giordano Colombi - January 2025
Les Dents du Midi - Champery - VS

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