SGMC CAPITAL

MONTHLY UPDATES

DECEMBER 2024

December Newsletter

A summary of key events and market trends during the month of December

ANOTHER YEAR OF STRONG EQUITY GAINS

Where do we go from here ? Having been ahead of the curve and unequivocally bullish over the last two years we now see multiple paths with regards the evolution of asset prices in 2025

HIGHLIGHTS

1. **December saw US equity markets underperform** and give up some of the gains of the year while still putting up a very strong showing for the full year. The Nasdaq 100 closed flat for the month while the Dow Jones lost around 5%

2. **The Federal Reserve cut rates** to 4.25 – 4.50% and indicated a more balanced path in 2025 given inflationary pressures had not receded as much as they would have liked

3. The outlook for the implied rate as at Dec 2025 is now around 3.50% and suggests around **three additional rate cuts being priced in over the full year**

Global Markets Update

- The start of the new term of the Trump Presidency will likely lead to adjustments being made by multiple economic and market participants.
- We have noted that this second term will likely be better understood / read by the market and continue to see signs of more surprising policy pronouncements being taken with the appropriate pinch of salt.
- Another key factor that appears to be defining this term is the proximity of Silicon Valley, through primarily, but not limited to, Elon Musk.
- One of the hot issues taking shape is immigration policy with a wide swathe of participants chiming in on the topic. Apart from this, policy around growth initiatives will be closely watched.

- The tensions and negotiations between the US and China will likely get harder to read as President Trump looks to establish the best deal for the US while using his trademarked style of diplomatic interactions.
- Europe may as a result be caught in some sort of crossfire between these two countries and has its work cut out as far as the growth policies it needs to push through – whether these are delivered or not is to be seen.
- Asia too will need to deal with more elemental policy decisions; having said that the buffer from some of the strongest demographic trends in many parts of the continent continue to be a strong tailwind.

Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	3.89	17.69
Hang Seng China Enterprises	4.94	26.37
Dax	1.44	18.85
Euro Stoxx 50	1.91	8.28
S&P 500	-2.50	23.31
Dow Jones	-5.27	12.88
Nasdaq 100	0.39	24.88
US 10 Year Treasury (bps)	0.40	0.69
Bloomberg Barclays Global Corporate Bond Index	-2.15	-1.69
Bloomberg Barclays Global Corporate Bond High Yield Index	-0.55	9.19
EUR USD	-2.11	-6.21
USD JPY	4.96	11.46
Gold	-0.71	27.22

- Given the almost unilateral bullish calls for markets in 2025 we tend toward skepticism with regards this outcome. At the same time, we do not expect a destructive sell-off in high quality assets. This leaves us with a larger expectation of a range-bound market as a base case with smaller probabilities of a large decline or rally.

- The Artificial Intelligence juggernaut continues to roll full steam ahead. While some companies now enjoy rich valuations we do not believe that the most optimistic outcomes have been priced in currently. The technology, and not just Generative AI, will continue to develop and provide new avenues for growth in coming years.

- As always, geopolitics is a potential wild card and any negative developments here will require us to re-assess our theses.

SGMC Forward Views Highlights

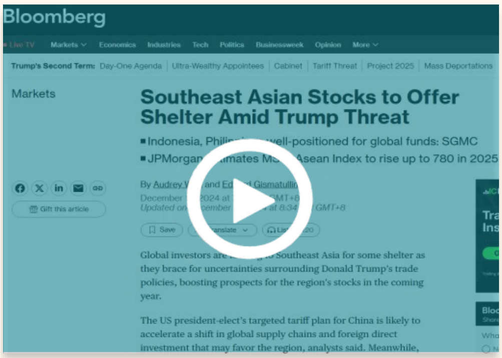
SGMC Forward Views						
Asset Class	**Avoid**	**Reduce**	**Hold**	**Add On**	**High Conviction**	**Notes**
Equities						
US Equities						Remain on Hold to account for the strong rally we have seen YTD as well as election / geopolitical surprises that could come up
EU Equities						With conditions deteriorating in Europe we remain underweight and take advantage of the year to date rally to further lighten exposure
Chinese Equities						The recent news are a step in the right direction - but more visibility is needed before moving to overweight
Emerging Market Equities						We remain positive on the area but exteremely selective. Our top picks include **India, Indonesia and Brazil** and after the recent news we are closely monitoring China
Bonds						
High Yield						Happy to continue selectively adding to lock in yields but with the curve having moved lower will be more selective
Investment Grade						Will look to selectively take profit here given the fairly large move down in yields in line with the market now pricing in 8 cuts over the next 12 months
Government Bonds						Continue to prefer high yield and investment grade given the rate outlook over the coming year
FX & Alternative Asset Classes						
US Dollar Index						Rangebound trading likely to continue in the short term
Commodities						As rates decline, commodities to find support.
Private Equity / Hedge Funds						We remain relatively underweight this sector
Real Estate						With a benign interest rate environment we see good potential for this sector over the coming months
Collectibles						Uncorrelated with markets

No changes to current allocations

SGMC Media

INSIGHTFUL ARTICLE FEATURING AN INTERESTING INTERV...

December 20, 2024 | Monaco for Finance



INDONESIA, PHILIPPINES WELL-POSITIONED FOR GLOBAL FUNDS: SGMC

December 18, 2025 I Bloomberg

SGMC Capital Funds update

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