



## January Review

A summary of key events and market trends during the month of January.

### EARNINGS IN FOCUS

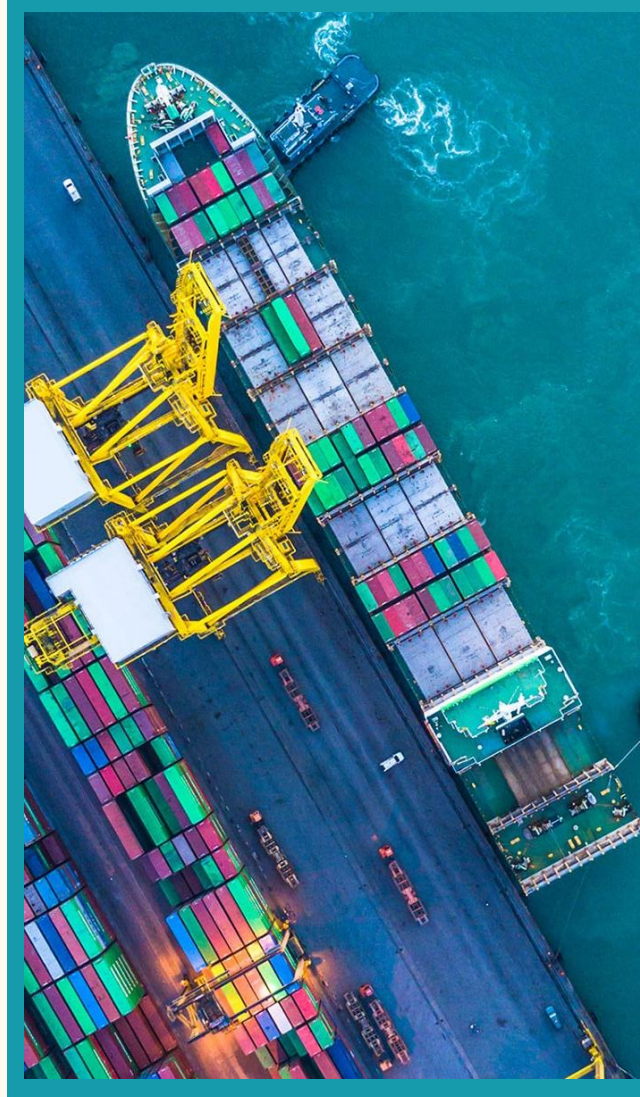
Continuing strong results from Corporate America, especially Banks and Financial Institutions and from large cap Tech provide support to the broader indices

### HIGHLIGHTS

- 1. Earnings announcements and projections for 2025 from Corporate America tell us that the US economy continues its onward march.** This likely gets added support from the Trump Administrations pro-growth agenda
- 2. The interest rate markets now expect around 1 – 2 rate cuts for this year** and the risk now is, if growth continues holding up well and inflation doesn't come off meaningfully, that we could see none.
- 3. Volatility is subdued overall but** needs to be watched closely given price levels for many equity assets are trading at their highest ever or in some cases at long-term highs

# Global Markets Update

- The U.S. kicked off 2025 with significant changes as Trump returned to office, reshaping trade policy. No time was wasted in announcing a 10% tariff on Chinese imports starting February 1st. Despite these trade tensions, the American economy shows remarkable resilience, with strong productivity gains and robust business confidence
- Europe is charting its own course, with the ECB implementing its fifth consecutive rate cut since mid-2024, bringing rates down to 2.75%. Interestingly, European manufacturers appear more worried about Chinese competition than U.S. tariffs.
- China's economic challenges are mounting as Beijing grapples with growing fears of a debt deflation trap. The situation is further complicated by Trump's renewed trade pressure, particularly the latest tariff announcement. Despite Beijing's increasingly proactive economic policies, maintaining growth momentum has proved challenging in this environment.



- Meanwhile, Japan stands out as a bright spot in the global economy, with the Bank of Japan signaling continued rate hikes amid rising wages and prices. The economy is performing above its potential rate, benefiting from a virtuous cycle between wage growth and price increases. However, regional tensions remain a key focus, with Tokyo working to maintain crucial U.S. security commitments.
- The global economic landscape is increasingly being shaped by U.S.-China tensions, with other major economies carefully positioning themselves in response. Europe's diplomatic pivot toward the U.S., Japan's economic resilience, and China's mounting challenges suggest we're entering a period of significant realignment in global economic relationships.



## Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	0.13	0.13
Hang Seng China Enterprises	1.27	1.27
Dax	9.16	9.16
Euro Stoxx 50	7.98	7.98
S&P 500	2.70	2.70
Dow Jones	4.70	4.70
Nasdaq 100	2.22	2.22
US 10 Year Treasury (bps)	-0.03	-0.03
Bloomberg Barclays Global Corporate Bond Index	0.57	0.57
Bloomberg Barclays Global Corporate Bond High Yield Index	1.37	1.37
EUR USD	0.08	0.08
USD JPY	-1.28	-1.28
Gold	6.63	6.63

## Recent developments in the world of AI

- In January 2025, Chinese AI company DeepSeek made waves with two new releases - their DeepSeek-V3 on January 10th, followed by their R1 model focused on reasoning capabilities on January 20th. The R1 model caught attention by matching OpenAI's o1 model performance at a "reported" training cost of just \$6 million, significantly less than typical U.S. development costs.
- The story took an unexpected turn when Jeffrey Emanuel, a Brooklyn-based blogger with backgrounds in computer science and investment analysis, published a detailed 12,000-word analysis suggesting investors should short Nvidia stock. It gained significant attention after some noted venture capitalists shared it on their social media accounts.



- The market response was significant. Nvidia's stock dropped 17% when trading opened on January 27th, reducing the company's market value by nearly \$600 billion - setting a record for the largest single-day decline of any U.S. company. The decline affected the broader tech sector, with the Nasdaq falling more than 3% as investors reconsidered AI company valuations.
- Industry leaders offered measured responses. OpenAI's Sam Altman called DeepSeek R1 "impressive" while noting that OpenAI would develop more advanced models. Nvidia acknowledged the achievement while highlighting the continued importance of their GPUs for AI applications. The tech community had mixed reactions with some comparing these developments to the space race and others questioning the veracity of DeepSeek's claims.
- These events sparked discussions about AI development costs, America's tech leadership position, and the sustainability of current AI business practices.
- We continue to be optimistic on the longer-term potential of Artificial Intelligence as a theme and will look to add exposure on declines.

## SGMC Forward Views Highlights

SGMC Forward Views						
Asset Class	Avoid	Reduce	Hold	Add On	High Conviction	Notes
<b>Equities</b>						
US Equities			Hold			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		Reduce				With conditions deteriorating in Europe we remain underweight and take advantage of the year to date rally to further lighten exposure
Chinese Equities			Hold			The recent news are a step in the right direction - but more visibility is needed before moving to overweight
Emerging Market Equities				Add On		We remain positive on the area but extremely selective. Our top picks include <b>India, Indonesia and Brazil</b> and after the recent news we are closely monitoring China
<b>Bonds</b>						
High Yield			Hold			Happy to continue selectively adding to lock in yields but with the curve having moved lower will be more selective
Investment Grade			Hold			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			Hold			Continue to prefer high yield and investment grade given the rate outlook over the coming year
<b>FX &amp; Alternative Asset Classes</b>						
US Dollar Index			Hold			Rangebound trading likely to continue in the short term
Commodities			Hold			As rates decline, commodities to find support.
Private Equity / Hedge Funds		Reduce				We remain relatively underweight this sector
Real Estate				Add On		With a benign interest rate environment we see good potential for this sector over the coming months
Collectibles			Hold			Uncorrelated with markets

No changes to current allocations



## SGMC Media



### LIVE TV INTERVIEW OF OUR CEO MASSIMILIANO BONDURRI...

📅 January 8, 2025 | Bloomberg - Asharq News

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## SGMC Capital Funds update

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