



NORMAN K.

MONTHLY NEWSLETTER – December 2024



The year 2024 was positive for markets, driven by the resilience of the U.S. economy and robust profits across most regions. Performances were mostly driven by AI-related stocks, especially the Magnificent 7. In 2024, the global MSCI AC World index posted a return of 18.02%, while its equally weighted version recorded a performance of 5.87%.

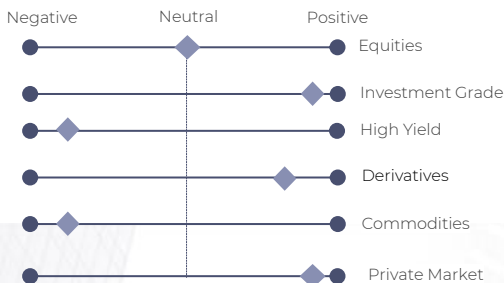
The initiation of interest rate cuts by major central banks has bolstered investor optimism, despite the Federal Reserve adjusting its policy in response to a slowdown in disinflation. These rate cuts, anticipated to extend into 2025, are likely to provide continued support for financial markets.

However, some factors remain sources of potential volatility, including geopolitical tensions, a potential economic slowdown, and the new Trump administration in the US. These developments will require close monitoring throughout the year 2025.



Mathieu MERCATI
Founder - Head of
Investment Solutions

OUR MARKET VIEWS



POTENTIAL MARKET CATALYST

- Continuing monetary policy easing by central banks
- Inflation easing more significantly
- Pro-growth measures of the new US government
- Easing of geopolitical tensions

KEY INDICATORS

Equities (%)	Level	November	December	2024
S&P 500	5 882	5,7	-2,50	23,31
Nasdaq 100	21 012	5,2	0,39	24,88
Eurostoxx 50	4 896	-0,5	1,91	8,28
FTSE 100	8 173	2,2	-1,38	5,69
China SI 300	3 935	0,7	0,47	14,68
Emerging markets	1 075	-3,7	-0,29	5,05

Bonds (rate spreads)	Level	Nov.	Dec.	2024
		Spread change level		
10 year government bonds				
US	4,57	-0,12	0,40	17,79
Europe	2,37	-0,30	0,28	16,95
Corporate – 5 years spread (change level)				
Investment Grade US	50	-6,24	2,23	-12,09
Investment Grade Europe	98	-2,43	2,39	-0,80
High Yield US	311	-40,80	16,48	-12,59
High Yield Europe	313	-16,22	15,19	0,83

Currencies (%)	Level	Nov.	Dec.	2024
EUR / USD	1,0354	-2,8	-2,11	-6,21
GBP / USD	1,2516	-1,3	-1,72	-1,69
CHF / USD	1,1021	-1,9	-2,91	-7,27

Commodities (%)	Level	Nov.	Dec.	2024
Gold	2 625	-3,7	-0,71	27,22
Brent	75	-0,3	2,33	-3,12
Copper	552	-6,7	3,62	-12,18
Aluminium	403	-5,6	-2,74	1,76

Volatility	Level	Nov.	Dec.	2024
Euro Stoxx 50	17	-21,9	0,25	25,26
Nasdaq 100	17	-41,7	28,42	39,36

Cryptos (%)	Level	Nov.	Dec.	2024
Bitcoin	93 714	38,5	-3,23	120,46
Ethereum	3 346	47,8	-10,10	46,63

Sources: Bloomberg, Norman K. - Data as of December 31st 2024. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

2024, a strong year for US equities, primarily driven by AI related stocks.

The Nasdaq Composite led the way, with performance once again heavily concentrated in a few key stocks within the major indices.



Resilient Markets: What were the drivers in 2024?



The **resilience of the US economy**, the **gradual conclusion of restrictive monetary policies** by major central banks, and abundant liquidity helped developed market equities deliver strong returns. Certain stocks, particularly in the technology sector, played a major role in this performance, contributing to the **high concentration in indices**. For instance, the "Magnificent 7" accounted for more than 30% of the S&P 500.

Regarding bonds, 2024 was shaped by **expectations of central bank rate cuts**. While markets initially anticipated multiple reductions, it was not until September that the Federal Reserve began its rate-cutting cycle. Throughout the year, **bond yields remained attractive**, supported by **tight spreads and still relatively high interest rates**. As rate cuts took effect, bond yields gradually declined, balancing opportunities with capital appreciation.

On the currency front, the **USD was the strongest currency** of 2024. The Federal Reserve eased rates more gradually than other central banks, and the **robust US economy further bolstered the dollar**. In contrast, disappointing economic data from the UK and Eurozone weighed on the GBP and the EUR.

Central banks are expected to continue monetary policy easing in 2025, led by the ECB and the Bank of England, as their economies face more pronounced slowdowns. The **Federal Reserve**, supported by a resilient economy, a strong labour market, and potential inflationary pressures from the new administration's policies, **may proceed more cautiously**. Nevertheless, it is anticipated to **continue the easing cycle** initiated in September.

Markets are likely to benefit from **broader stock participation**, with narrowing earnings gaps between growth, value, and smaller companies creating **more diverse opportunities**. Pro-growth policies, such as tax cuts, could further bolster consumption and investment. However, risks such as US debt levels and trade tensions with China remain significant.

MACROECONOMICS



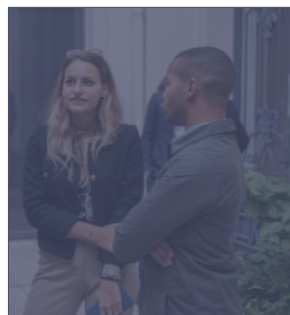
NK VIEW

We remain **neutral on equities** while being optimistic about US stocks. However, we acknowledge the **strong concentration** within indices and the high valuations of growth stocks, which limit their potential for significant upside. To diversify portfolios, we are prioritising **less concentrated strategies**, including specific thematic investments and equally weighted indices.

In terms of **income strategies** (bonds, structured products, and private debt), the anticipated rate cuts could create **attractive opportunities**. Bonds remain compelling due to favourable yields, especially in USD.

Structured products offer regular income, leveraging carefully selected high-conviction underlyings with a focus on sector diversification, stability, and growth potential. The **private debt market** continues to expand, especially in **real estate financing**, as market participants aim to capitalise on falling rates.

Finally, we hold a positive outlook on private equity, expecting a **rebound in the IPO market**. This recovery will likely be supported by a more favourable rate environment.



WHICH OPPORTUNITIES IN THIS CONTEXT?



High concentration and high valuations of stocks



Rate cuts/geopolitical uncertainty



Weaker macroeconomic environment



- In-depth analysis and selectivity
- Diversification in tailor made strategies



- Anticipate impacts on portfolios
- Currency diversification
- Real estate deals opportunities



- Alternative investments
- Pre-IPO segment/private debt

DISCLAIMER

Norman K. has issued this document for information purposes only and is not intended to form the basis of a legally binding agreement.

It does not constitute, from a legal, tax or financial point of view, an offer to buy, sell or subscribe to a financial instrument, nor a commercial offer to invest in the products offered.

This document is confidential and must not be reproduced, transmitted, distributed or published, in whole or in part, by any means whatsoever, to third parties without the prior written consent of Norman K.

In addition, forward-looking statements are subject to known and unknown risks and uncertain and incurring assumptions that may cause current results to differ from those anticipated or incurred by the forward-looking statements.

Nothing in this document constitutes any prediction of future performance.

Norman K also draws investors' attention to the fact that the financial instruments offered present a risk of capital loss.

The investment also presents liquidity risk, valuation risk and currency risk.

The information contained in this document will not be updated and will not be modified in order to incorporate new elements or modifications of pre-existing elements in the future.

Some forward-looking statements provide forecasts and statements regarding the prospects for future events. Due to certain risks or uncertainties, the performance of financial instruments may differ from what is anticipated in this document.

NK LOCATION

