MONTHLY NEWSLETTER – January 2025

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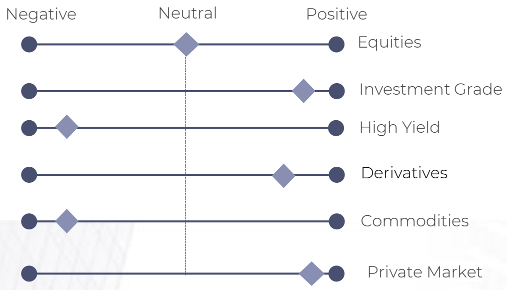
“ The year opened on a positive note, with gains across equities and bonds. European equities outperformed their US counterparts, signaling a shift from recent years, while value stocks led over growth stocks in a sign of market rotation.
President Trump’s return to the White House and his “America First” policies bolstered US equities, yet the emergence of Chinese AI leader DeepSeek cast doubt on the US tech sector’s ability to maintain its dominance. This highlights growing concerns over market concentration and reinforces the importance of diversifying investments.
January brought volatility to bond markets, fueled by expectations of rising inflation due to Trump’s proposed tax cuts, tariffs, and immigration policies. Moreover, the anticipated divergence in monetary policy between the Fed and the ECB has materialized, with the ECB leaving its rates unchanged, while the Fed opted for another quarter-point rate cut.
In this context, we closely monitor factors of volatility, while maintaining a neutral view on equities, a positive outlook on investment-grade bonds, and positive on private markets. ”

OUR MARKET VIEWS



POTENTIAL MARKET CATALYST

Monetary policy easing by central banks

Inflation easing more significantly

President Trump’s pro-growth measures

Easing of geopolitical tensions / trade war

KEY INDICATORS

Equities (%)	Level (jan. 2025)	2024	December 2024	January 2025
S&P 500	6 041	23,31	-2,50	**2,70**
Nasdaq 100	21 478	24,88	0,39	**2,22**
Eurostoxx 50	5 287	8,28	1,91	**7,98**
FTSE 100	8 674	5,69	-1,38	**6,13**
China SI 300	3 817	14,68	0,47	**-2,99**
Emerging markets	1 093	5,05	-0,29	**1,66**

Bonds (rate spreads)	Level	2024	Dec. 24	Jan. 2025
		Spread change level		
10 year government bonds				
US	4,54	17,79	0,40	**-0,03**
Europe	2,46	16,95	0,28	**0,09**
Corporate – 5 years spread (change level)				
Investment Grade US	49	-12,09	2,23	**-1,19**
Investment Grade Europe	94	-0,80	2,39	**-3,91**
High Yield US	300	- 12,59	16,48	**-11,21**
High Yield Europe	288	0,83	15,19	**-25,18**

Currencies (%)	Level	2024	Dec. 24	Jan. 2025
EUR / USD	1,0362	-6,21	-2,11	**0,08**
GPB / USD	1,2395	-1,69	-1,72	**-0,97**
CHF / USD	1,0978	-7,27	-2,91	**-0,39**

Commodities (%)	Level	2024	Dec. 24	Jan. 2025
Gold	2 798	27,22	-0,71	**6,63**
Brent	77	-3,12	2,33	**2,84**
Copper	428	- 12,18	3,62	**6,27**
Aluminium	2 603	1,76	- 2,74	**2,61**

Volatility	Level	2024	Dec. 24	Jan. 2025
Euro Stoxx 50	15	25,26	0,25	**-6,52**
Nasdaq 100	16	39,36	28,42	**-10,89**

Cryptos (%)	Level	2024	Dec. 24	Jan. 2025
Bitcoin	102 110	120,46	-3,23	**8,96**
Ethereum	3 318	46,63	-10,10	**-0,84**

Sources: Bloomberg, Norman K. - Data as of January 31st 2025. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

January 27th: the largest one-day market cap loss in US history ($600bn) as Nvidia faces China's arrival of DeepSeek

Source: Investing

January 2025: Return of Trump, return of market volatility!

MACROECONOMICS

The start of the year has been notable for the **strong performance of European equities** compared to their US counterparts, with German and Swiss indices leading the way. This outperformance was driven by several factors, including signs of **slight improvement in the Eurozone economy**, **robust corporate earnings**, and expectations of **deeper rate cuts in Europe than in the US**. The US equity market, heavily weighted towards technology, was impacted by the **decline of AI-related companies** following the emergence of **Chinese AI firm DeepSeek**. This development has raised **questions about the US's dominance in the AI sector** and contributed to the underperformance of US tech stocks.

Investors faced heightened **volatility** due to statements from **President Trump**, who, true to form, alternated between aggressive and conciliatory rhetoric to pressure governments into negotiations favourable to the US. Despite this, the underlying **strength of the US economy** was reaffirmed by Q4 2024 GDP figures, showcasing **resilient consumer spending and a robust labour market**. US investors remain optimistic about **Trump's pro-growth policies**, which promise to bolster the American economy. Additionally, **corporate earnings** have been largely positive, with S&P 500 profits expected to grow by approximately 12% in 2025, the fastest pace since 2021. This growth is expected to be broad-based, benefiting multiple sectors and reducing market concentration.

The US 10-year Treasury yield rose during the first half of January as investors **feared a resurgence of inflation** under Trump's policies. However, US government bonds rallied later in the month following a **weaker-than-expected December inflation report**. Over the month of January, **volatility in the bond market has nonetheless decreased**, as shown by BofA's volatility index (MOVE Index). In Europe, German Bunds saw a decline of 0.4%, reflecting increased expectations for debt brake reforms and greater fiscal stimulus following February's federal election.

As we move further into 2025, investors will need to navigate a **complex landscape shaped by geopolitical developments, economic policy shifts, and sector-specific challenges**. Diversification remains key to managing risks and find opportunities in this evolving market environment.

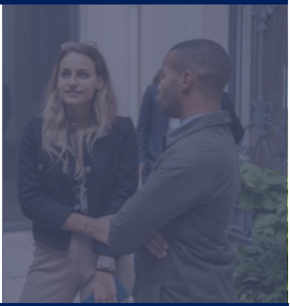
NK VIEW

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.

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

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

Rate cuts / geopolicital uncertainty

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

Weaker macroeconomic environment

- Alternative investments
- Pre-IPO segment / private debt

Sources: Bloomberg, Norman K. - Data as of January 31st 2025. Past performance is not a reliable indication of future performance. Non-contractual information.

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