



Trend Talks

2024



LEONTEQ'S CROSS-ASSET MARKET OUTLOOK WITH TOM PELC

A year of changes and opportunities

PELC ENTERPRISES LTD

13 March 2024

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AGENDA

- ▶ What is happening in the rates environment and inflation?
- ▶ Has the USD peaked and what for FX in such a low vol environment.
- ▶ What now for commodities? Which are good strategic longs?
- ▶ Are you a believer in the rally in stocks?
- ▶ Cryptomania will it last?

US HAS A LOT OF DEBT.....

\$1 trillion every 100 days of US national debt now at \$34.4 trillion

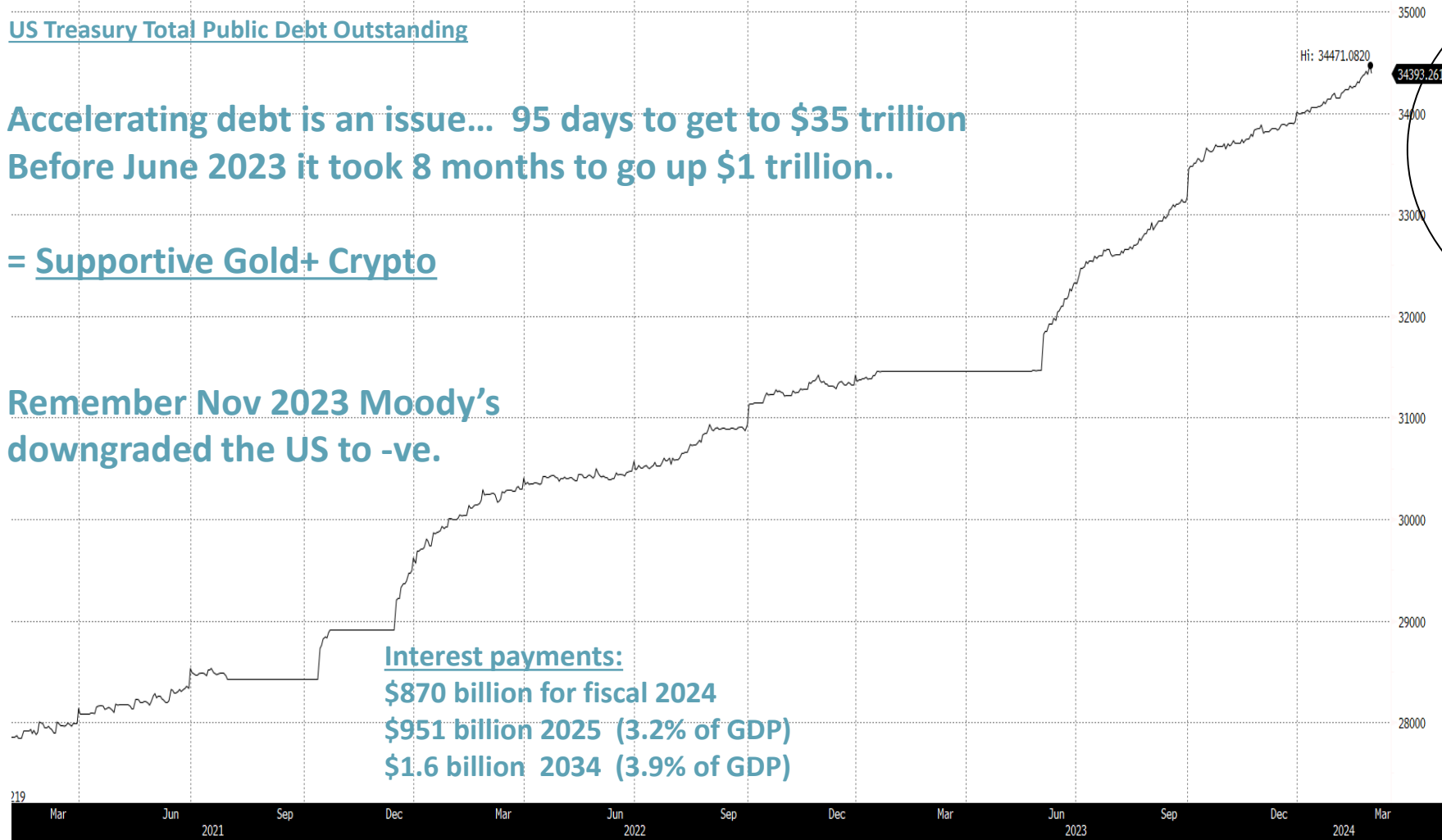
US Treasury Total Public Debt Outstanding

Accelerating debt is an issue... 95 days to get to \$35 trillion
Before June 2023 it took 8 months to go up \$1 trillion..

= Supportive Gold+ Crypto

Remember Nov 2023 Moody's
downgraded the US to -ve.

Interest payments:
\$870 billion for fiscal 2024
\$951 billion 2025 (3.2% of GDP)
\$1.6 billion 2034 (3.9% of GDP)



This is one simple
argument for why
alternatives are bid up,
expect to see Gold and
Bitcoin make further
new highs....

"Chains of habit are too
light to be felt until they are
too heavy to be broken."

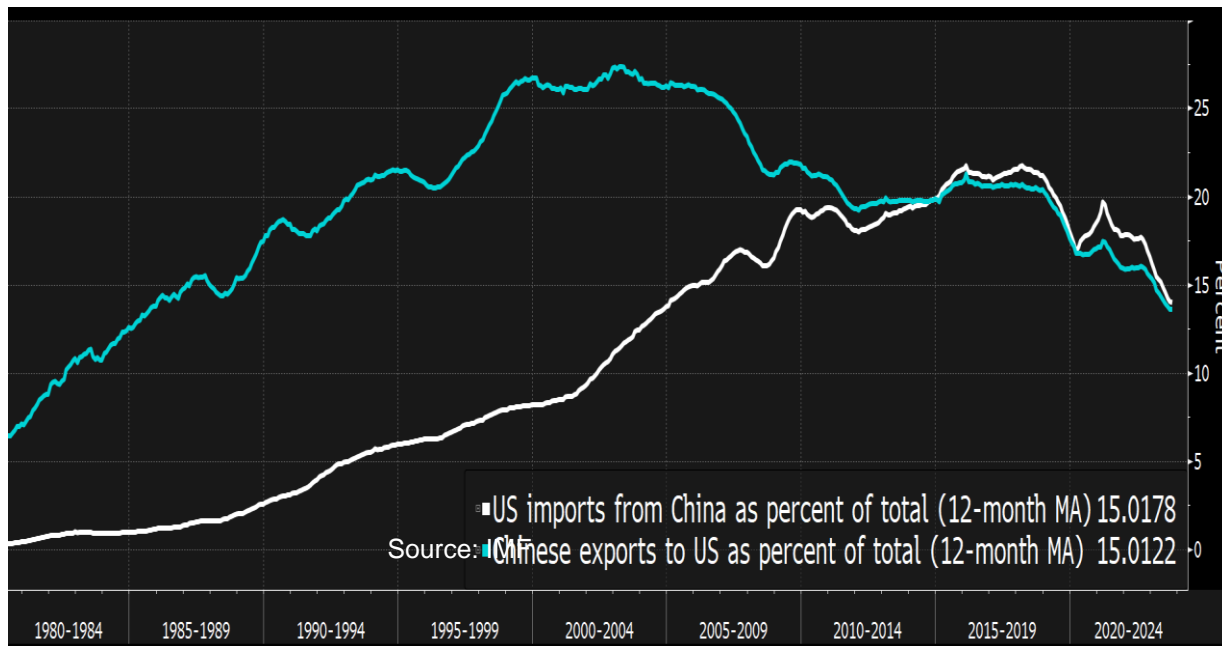
Warren Buffet

FADING TRADE TIES US AND CHINA GETTING LESS RELIANT ON EACH OTHER

The reality of what is going - both are less dependent on each other than in the past with US imports from China down to around 15%.

China's is one of the world's largest creditors to emerging markets economies and pressure should be placed to help countries with their sovereign debt loads to allow them to invest in climate initiatives.

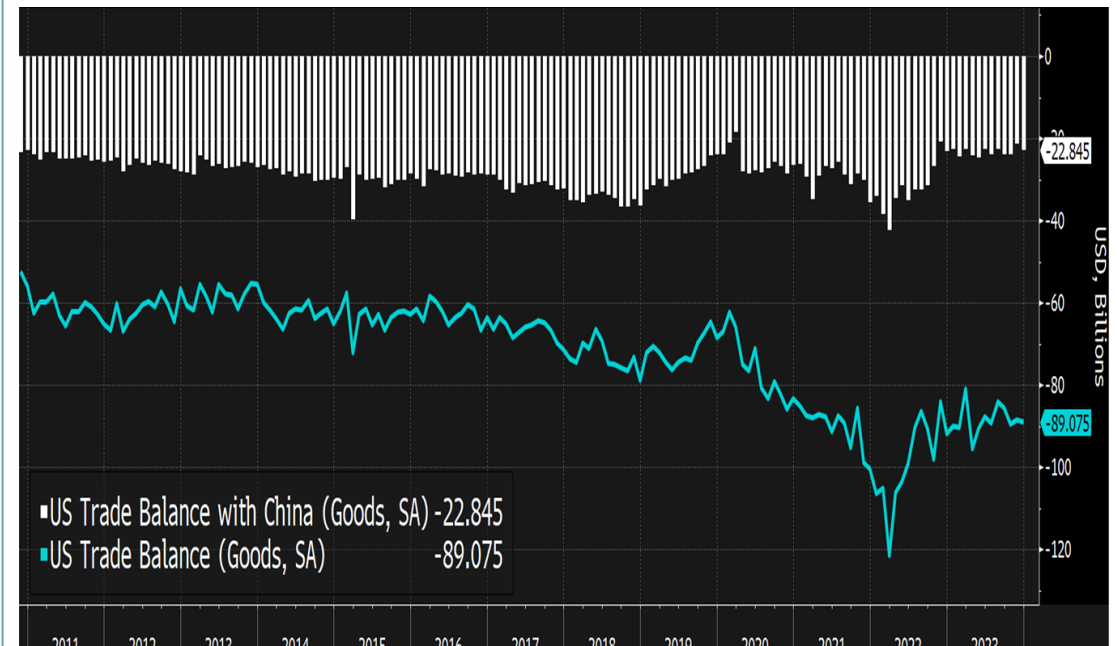
Many African countries struggling with debt as China has become Africa's biggest bilateral lender, holding over \$73 billion of Africa's debt.



Trade balance with China lowest in 10 years excl pandemic

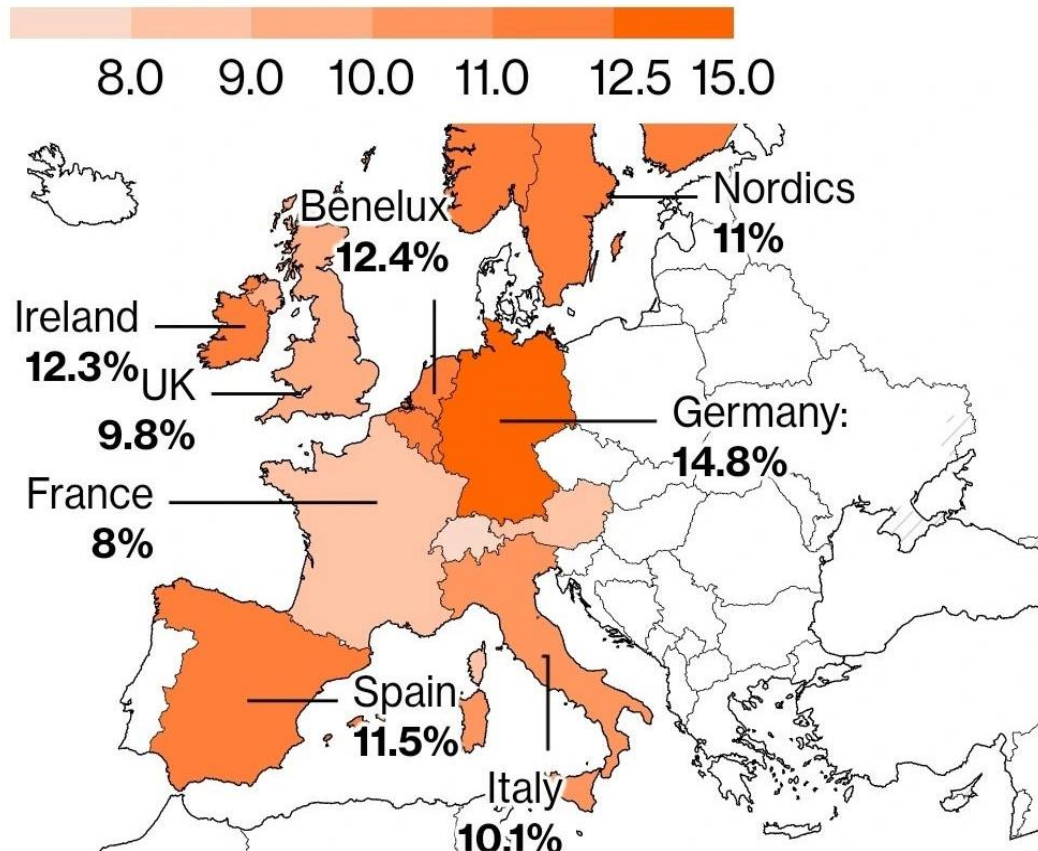
Industrial production in China is forecast to post growth of 5% in 2024, for the second year in a row. Its performance will outstrip the United States and an anaemic expansion in Europe, and raises the prospect of a renewed tensions between East and West.

Without a policy response on the property sector, continued sizeable declines in real estate investment through 2025 could result in GDP growth being 1 and 0.8 percentage points lower than the baseline in 2024 and 2025, respectively, (IMF: see drop growth to the 3% range).



GERMANY – LOANS AND BONDS FACE CHALLENGES

Recession-Hit Germany Tops the Corporate Distress Rankings



Germany:

More than \$13.6 billion of loans and bonds issued by the country's companies were distressed in Feb 2024.

13 x Italy. It points to a wider problem, with about 15% of companies in Germany currently troubled, the highest rate in Europe.

Distress is spreading to other sectors beyond real estate, construction and retail, which were hit by inflation and rising borrowing costs. Manufacturing is starting to be affected and automotive industry will face challenges.

Bonds of some lenders (e.g., certain German Landesbanks) trade like junk because of their commercial real estate exposure.

Is there risk it spreads to other countries ? Time will tell.

The US has widened its productivity lead over Europe, sparking fears in the EU that it faces a competitiveness crisis as policymakers call for greater public and private investment.

New data released last week showed eurozone productivity fell 1.2 per cent

FIXED INCOME

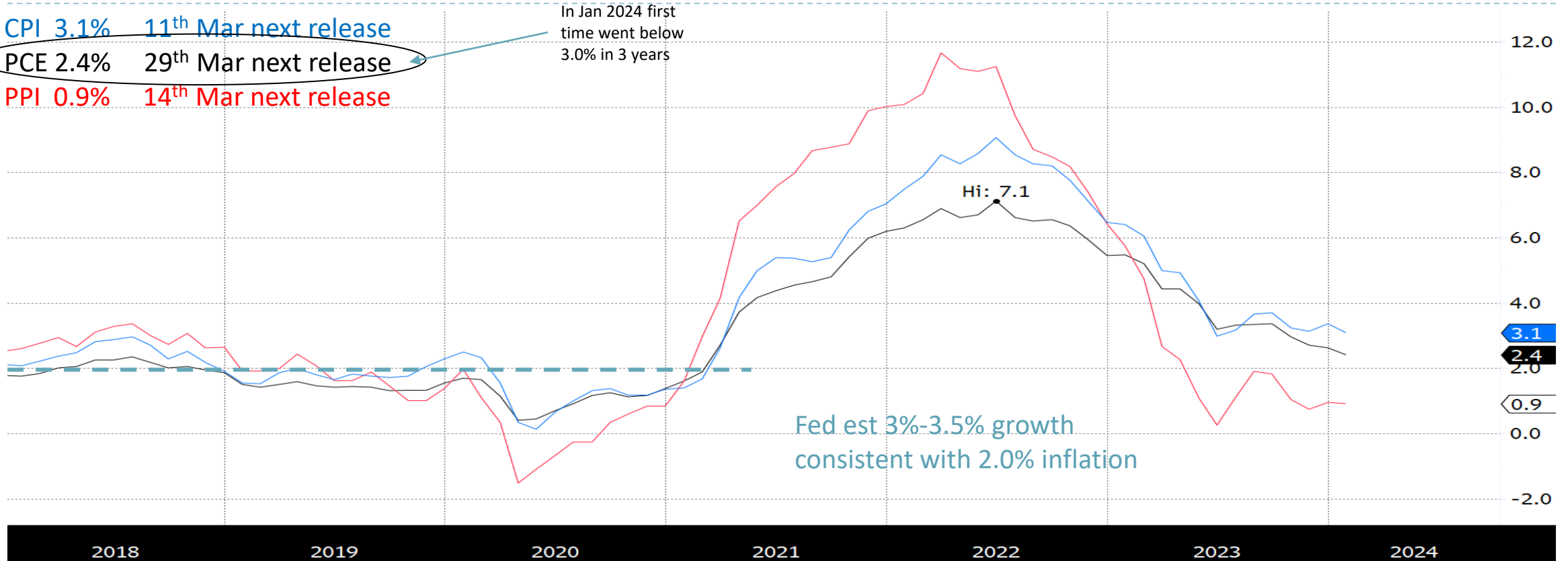
The Fed is still watching the data

CPI 3.1% 11th Mar next release

PCE 2.4% 29th Mar next release

PPI 0.9% 14th Mar next release

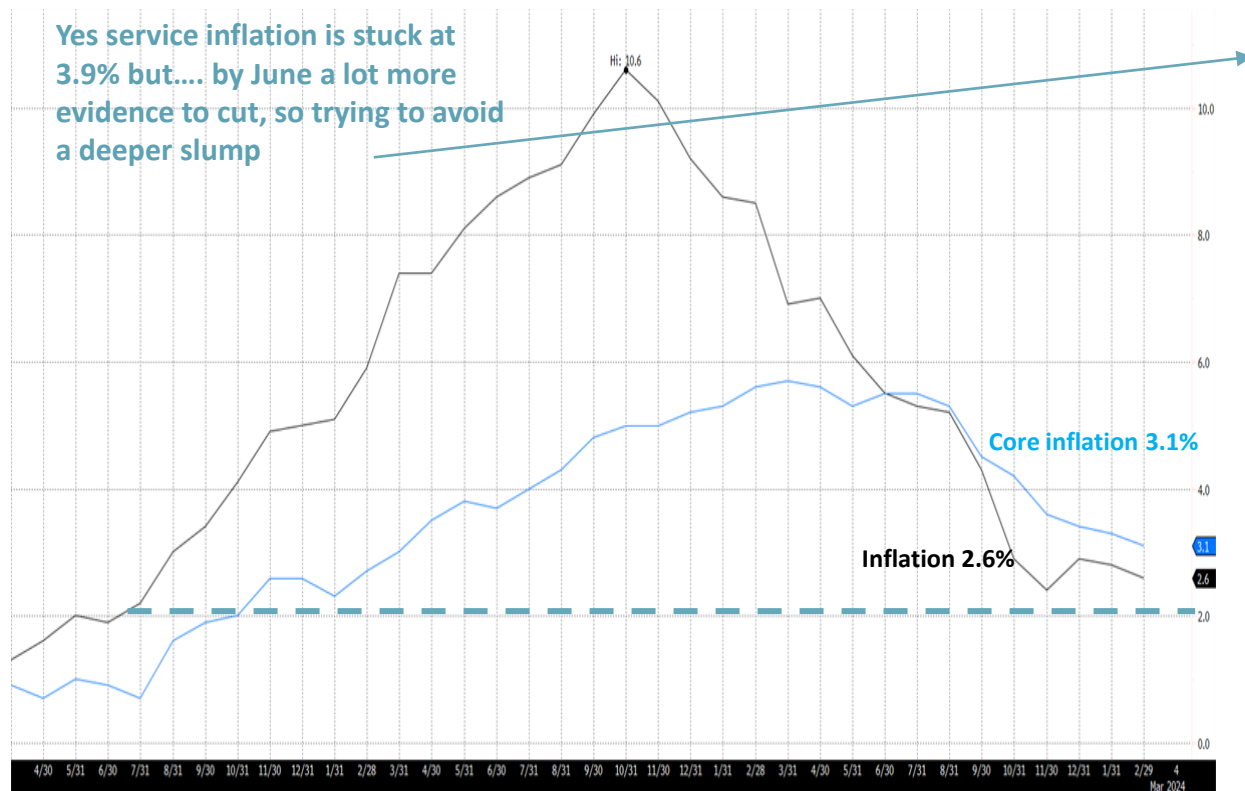
In Jan 2024 first
time went below
3.0% in 3 years



Federal Reserve Chair Jerome Powell “We’re waiting to become more confident that inflation is moving sustainably at 2%,” 7th March, “When we do get that confidence — and we’re not far from it — it’ll be appropriate to begin to dial back the level of restriction”. = **JUNE CUT**

FIXED INCOME

The ECB is also still watching the data



Feb Euro-Area inflation

All items HICP	2.6%
Food, alcohol, tobacco	4.0%
Energy	-3.7%
Non-energy ind goods	1.6%
Services	3.9%

German manufacturing orders drop -11.3% m/m to lowest level since May 2020 at 84.6

“We will know a little more in April, but we will know a lot more in June.” Christine LeGarde

LABOUR IS COOLING – vacancy ratio falling, how many people looking for work vs job listings. GDP growth below trend should see the market for labour to cool down and maybe u/e higher over time, but at record low 6.4% in Jan.

WAGE GROWTH SLOWING, having been higher in the past, pay growth has eased by about 1% to 4% in the last 6 months suggesting a peak.

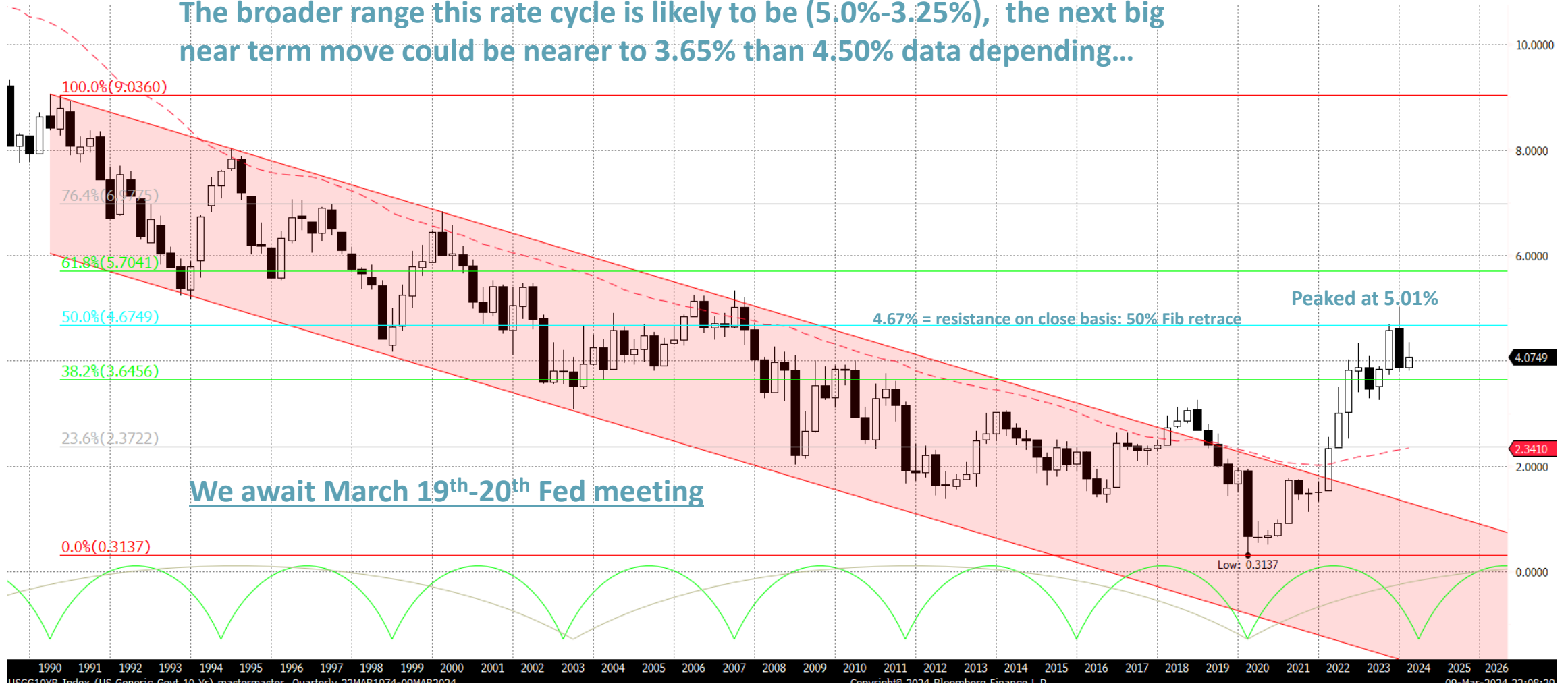
CORPORATE MARGIN EXPANSION IS OVER

NO MORE EXCESS DEMAND a model-based assessment of the drivers of inflation (which decomposes the inflation overshoot into contributions from demand and supply) flags that demand is now actually acting as a modest drag on inflation. The implication is that most of the overshoot can be accounted for by the lingering pass-through of supply shocks.

FIXED INCOME

US 10 year cash - Quarterly chart with 17v67 quarter cycles

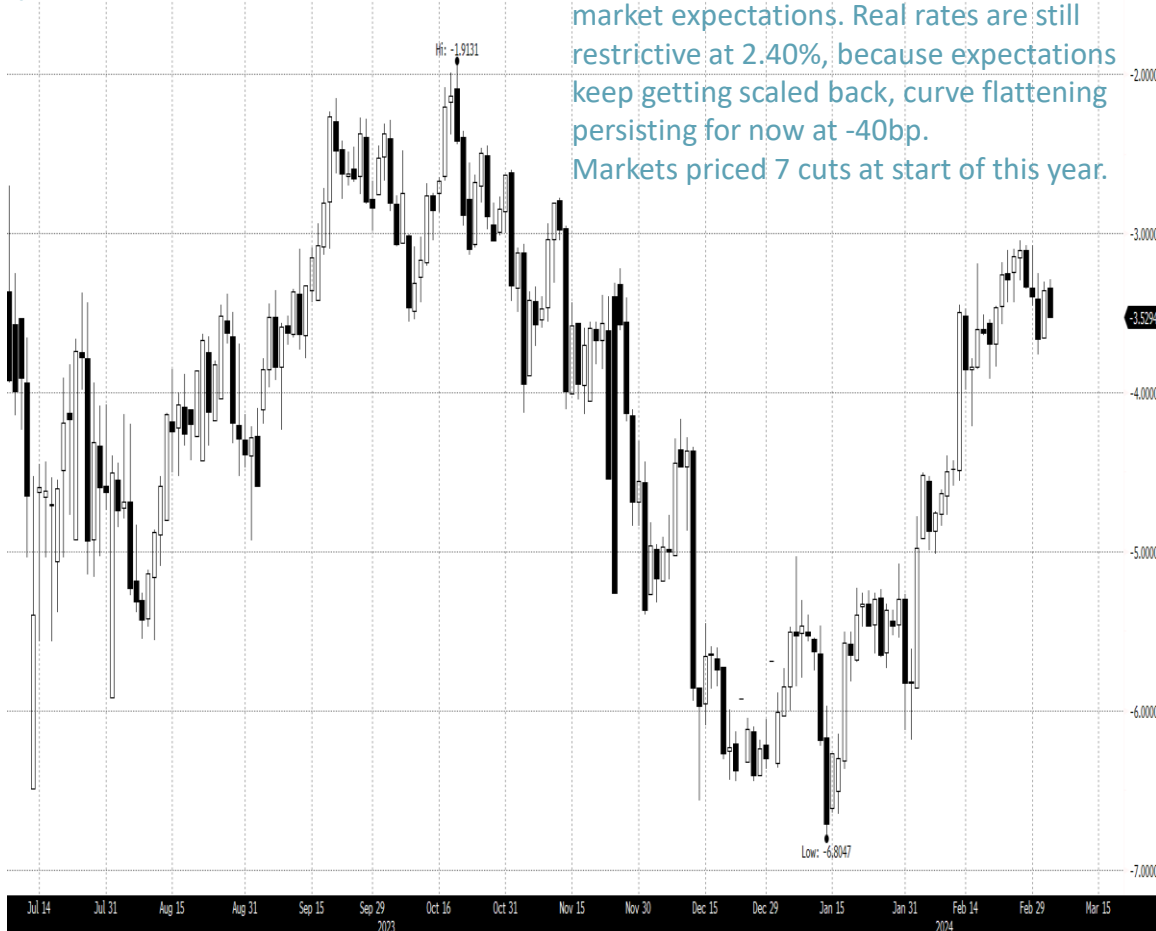
The broader range this rate cycle is likely to be (5.0%-3.25%), the next big near term move could be nearer to 3.65% than 4.50% data depending...



FIXED INCOME

No. of Fed cuts has been recalibrated further but....

(Fed Fund futures pricing model)



Now rate cuts being further scaled back in market expectations. Real rates are still restrictive at 2.40%, because expectations keep getting scaled back, curve flattening persisting for now at -40bp. Markets priced 7 cuts at start of this year.

US 2s10s cash - Monthly



Is the next 65bp likely to be steeper not flatter, +25bp = 50% retrace since 2021 peak, tricky to call.

Inverted now for longest period 21 months and no recession, historically happened within 18 months of inversion

In the last 45 years, peak policy rates have been sustained for 7 months on average before cutting rates. Higher for longer meant higher for longer up to now...

FIXED INCOME

US 10 year cash vs Germany 10s cash – Weekly chart



2024 GDP growth est: US 2.1% Germany 0.50%,
vs Atlanta Fed sees 3.16% growth in US for 2024

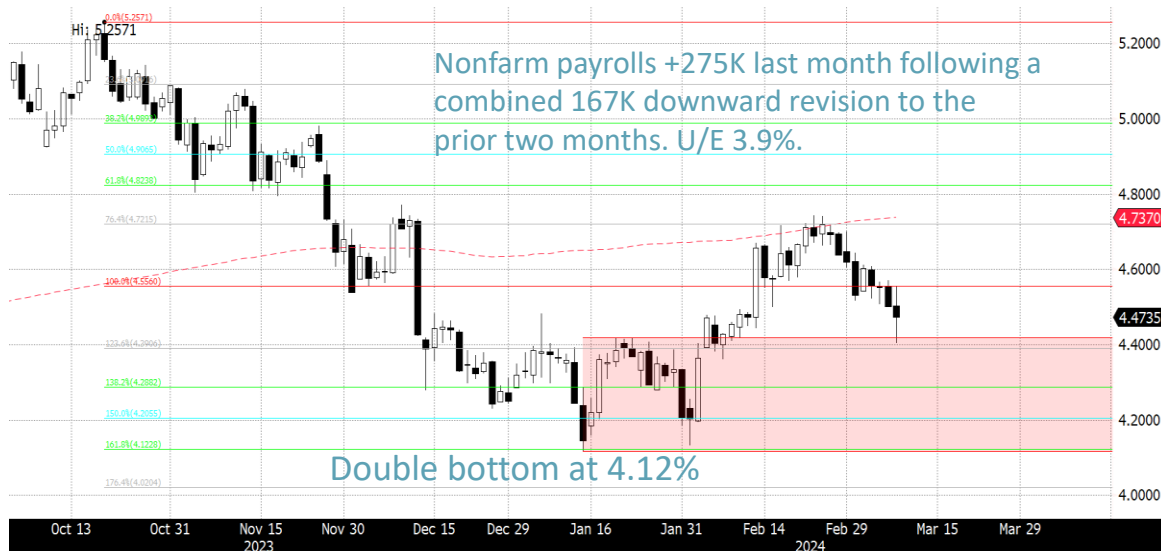
Italy vs Germany 10s cash – Weekly chart



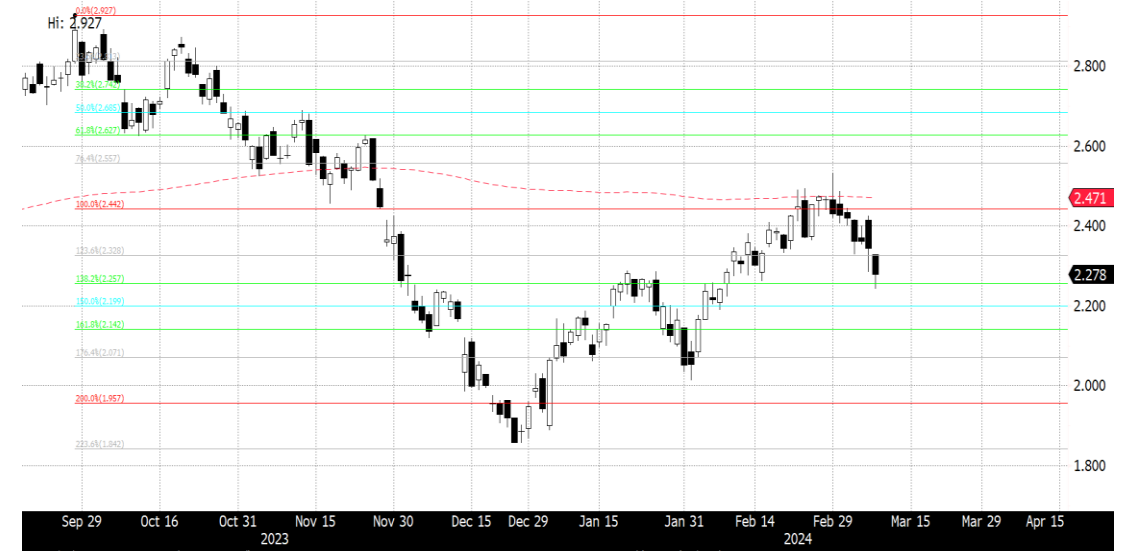
Italy breakeven inflation rate 10-year CPI-linked bonds fell 2bp to 2.01% last week. Breakevens +9bp since the start of the year, now 7bp lower in March. February CPI inflation in Italy was 0.8% yoy, inch from the previous month's reading. The next release will be on March 29

FIXED INCOME

US 2 year cash - daily chart with 200 day ma



German 5 year cash - daily chart with 200 day ma



UK 5s30s - daily chart with 200 day ma



China vs US 10 year cash - with 200 day ma



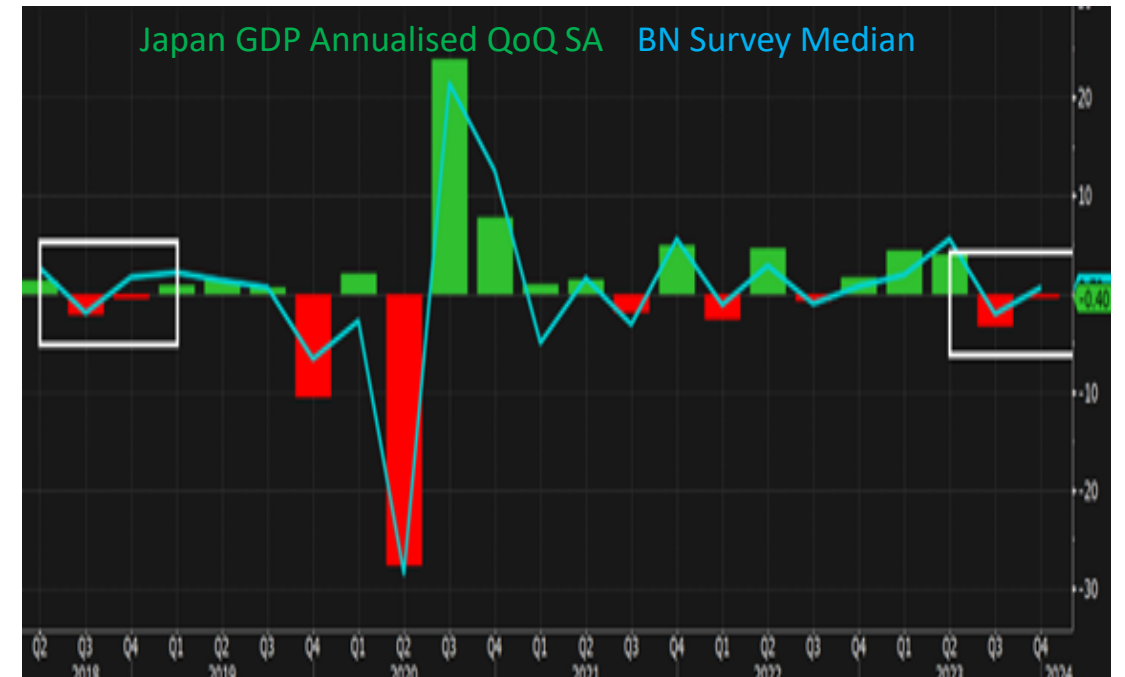
Last week China bond yields had biggest drop since Aug 2002, 9bp in one week

FIXED INCOME

Japan 10 year cash – Daily chart with 200 day ma



Japan: Goes into recession another quarter of contraction, but to hike

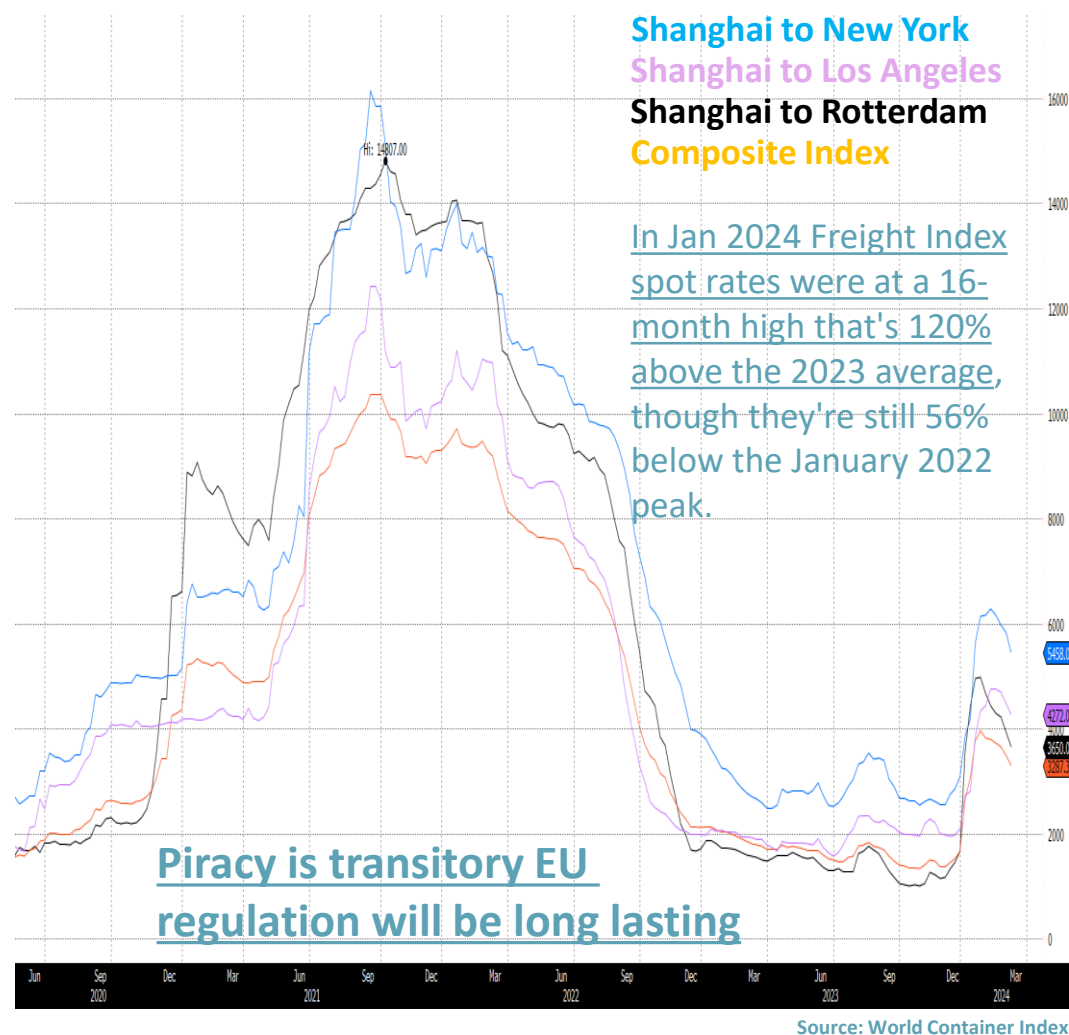


Price growth in Tokyo rose back above the BoJ's target in February, a jump that supports the case for the central bank's first interest rate hike since 2007 this coming **March 18/19 meeting**.

Consumer prices excluding fresh food rose 2.5%, the pickup largely reflected the fading impact of government subsidies rolled out last year to keep a lid on utility costs.

SHIPPING RATES MIGHT FUEL INFLATION NEXT YEAR IN EU

Container shipping rates



Shippers face EU regulation a game changer for green fuels

The International Maritime Organization - decarbonisation target net-zero emissions by 2050.

The EU remains the only major governmental body to have concrete policies to try to clean up shipping. Europe is therefore expected to see a continual decline in carbon emissions, while most regions across the globe are set to see increases until at least 2035.

EU regulation targeting vessels carbon density and emissions will be an increasing issue for the maritime market and costs could be passed down = inflationary.

Net result = shipping companies are looking for greener fleets, the maritime industry officially joined the sectors covered by the EU Emissions Trading System at the start of this year, with compliance obligations due to be gradually phased in. Carbon allowances must be bought to cover:

40% of emissions in 2024, 70% in 2025, 100% in 2026.

Coming in 2025 Fuel EU Maritime - will set increasingly strict emissions targets for ships to encourage a shift to renewable and low-carbon fuels. Together with the EU ETS, should cover about 14% of global shipping emissions.

Bottom line is lots of new vessels are in the pipeline primarily consolidated vessel classes such as container ships. The overall order book for container ships has more LNG vessels than any other alternative fuel, but Methanol for now dominates x 2 LNG.

FOREIGN EXCHANGE

The USD actually peaked in 2022.....



Spot Returns (%) in 2023

CHF	11.24%
GBP	6.37%
SEK	4.97%
EUR	4.65%
DKK	4.40%
CAD	3.23%
AUD	1.26%
NZD	1.07%
NOK	-0.85%
JPY	-7.10

Many arguments for a stronger USD on fundamentals but it needs to drop -2.23% to break a major polarity support at 100.39 for a longer term breakdown.

Remember in 2023 Jun-Oct USD bounced +7.8%

FOREIGN EXCHANGE

G10 FX 1 month implied volatility – has been very low



Yes the pricing of cuts for 1H24 has reduced, the high correlation between Fed, ECB and BOE pricing has meant there hasn't been enough of a difference in the repricing to substantially affect USD FX.

The reactivity to rates has already declined in recent months and FX volatility has continued its trend lower. Some could even argue no cuts this year from the Fed.

To have sustained higher volatility requires local shocks or greater variation between countries' macroeconomics.

There are always upside risks but even with certain news narratives and inflation uncertainty there is no strong directional conviction developing right now.

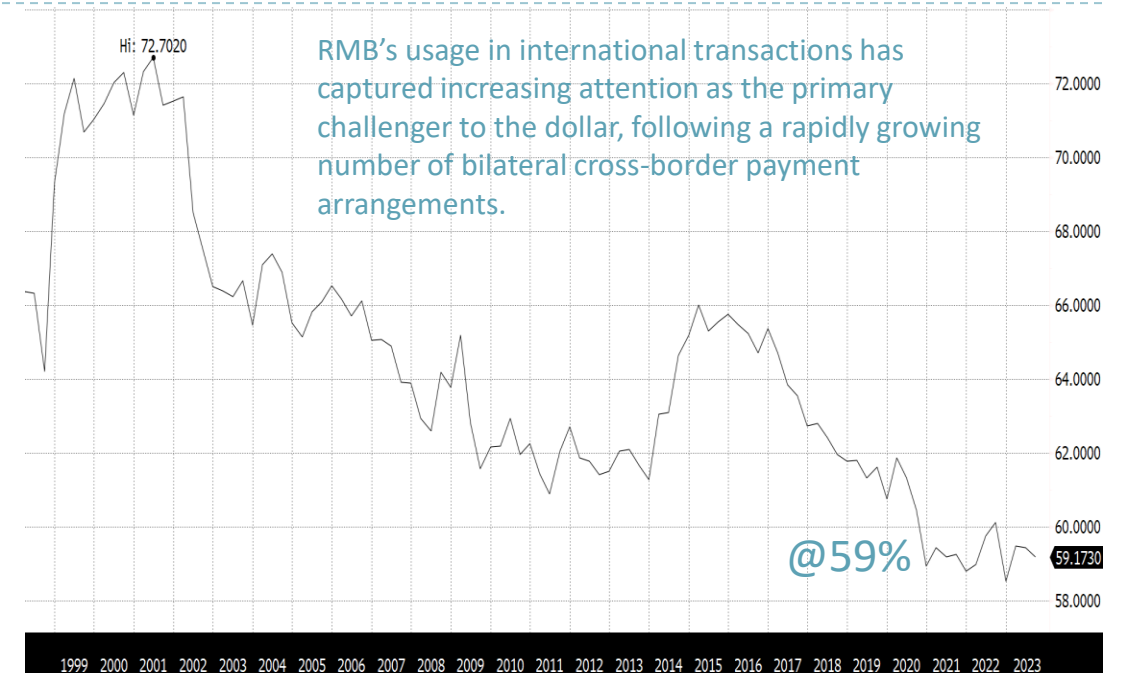
Bottom line = Lack of volatility was looking set to continue to encourage carry strategies, which are implicitly short volatility and work when the currency outperforms the forward curve, but vol could be about to wake up, especially in JPY.

FOREIGN EXCHANGE

EUR/USD Monthly chart



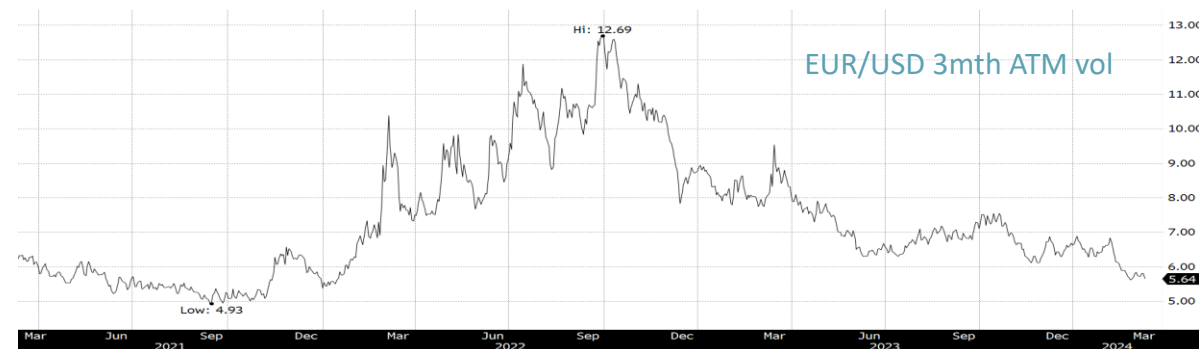
FX holdings in USD as % of total allocated



Last 10 years many countries—primarily EM reduced reliance on USD in global payment transactions.

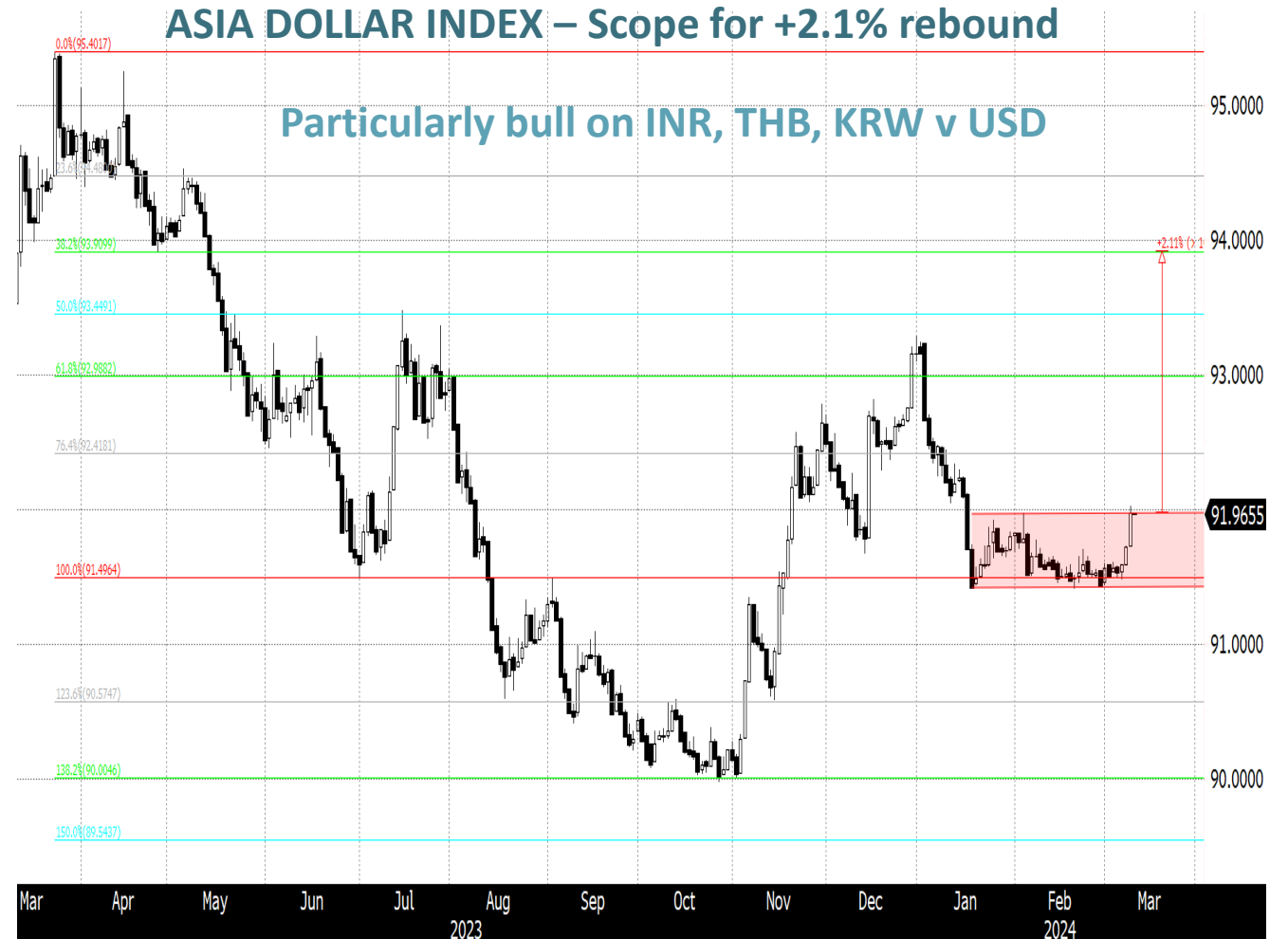
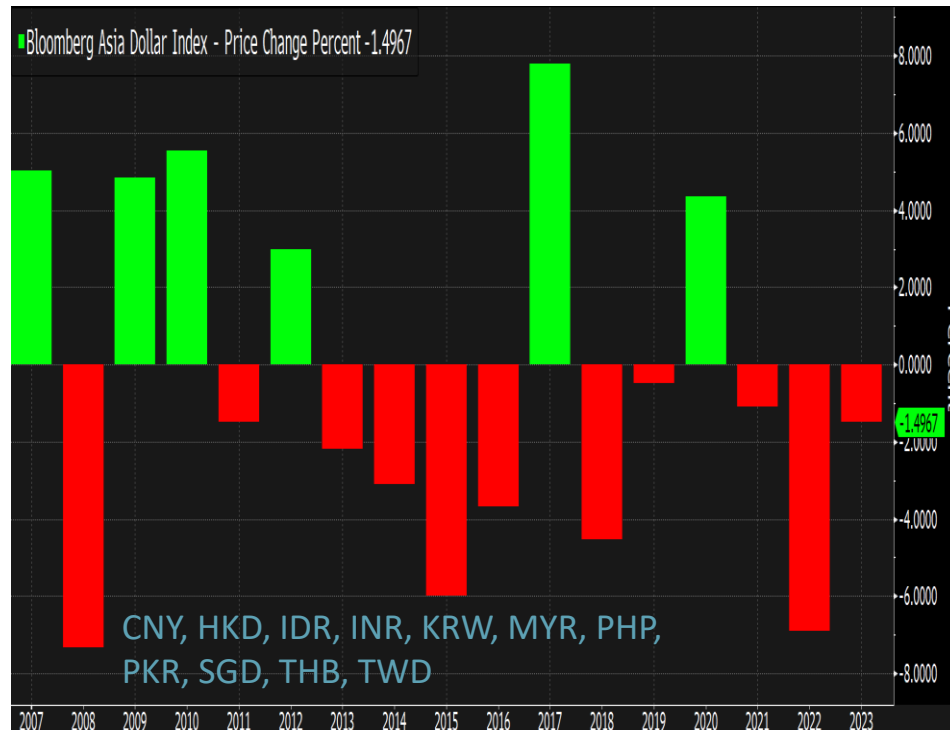
One leg of dedollarisation is in reaction to the perceived overreach of US financial power—Russia vs Ukraine and the G7's sanctions.

Another **bigger reason is first time in about 20 years, it is substantially cheaper to conduct short-term borrowing in renminbi (RMB) rather than dollars.** Dedollarisation trend is driven not only by geopolitics but also by interest rate differentials.



FOREIGN EXCHANGE

3 years in a row of declines for Asia FX –
2024 to be a different year?



FOREIGN EXCHANGE

USD/INR – Monthly chart



USD/THB – Monthly chart



USD/KRW – Weekly chart



USD/PHP – Weekly chart



FOREIGN EXCHANGE

GBP/USD (Weekly) with 33/66 week cycles



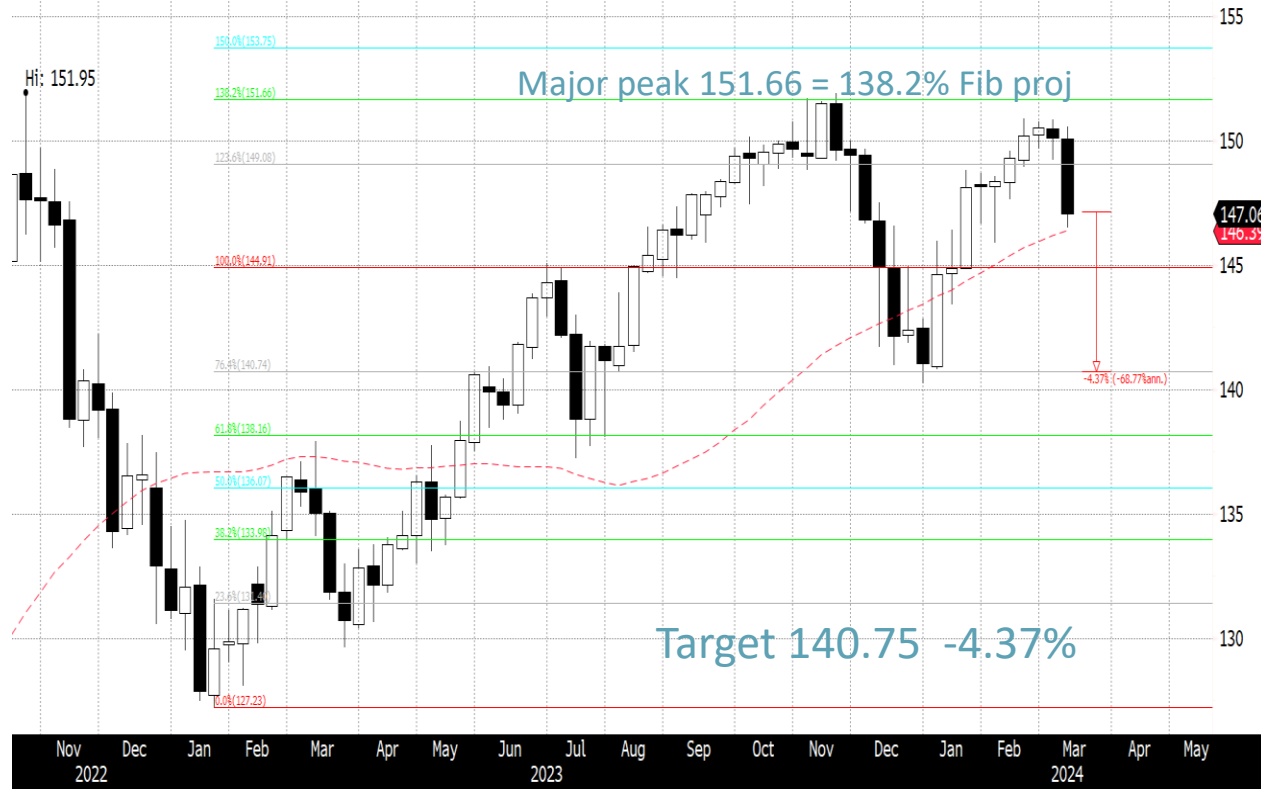
UK GBP Trade weighted Index (Weekly)



Only 11 currencies have outperformed Sterling in 2024.
GBP better than 90% of worlds 140 currencies.
Why? Economy in UK more resilient than feared = Rates to stay higher for longer than US and EU.

FOREIGN EXCHANGE

USD/JPY weekly



Inflation

CPI ex food & energy	3.5%
CPI ex fresh food	2.0%
CPI nationwide	2.2%

EUR/JPY Daily



CAD/JPY Daily



FOREIGN EXCHANGE

AUD/USD daily chart



CHF/JPY daily chart



EUR/CAD daily chart



EUR/PLN weekly

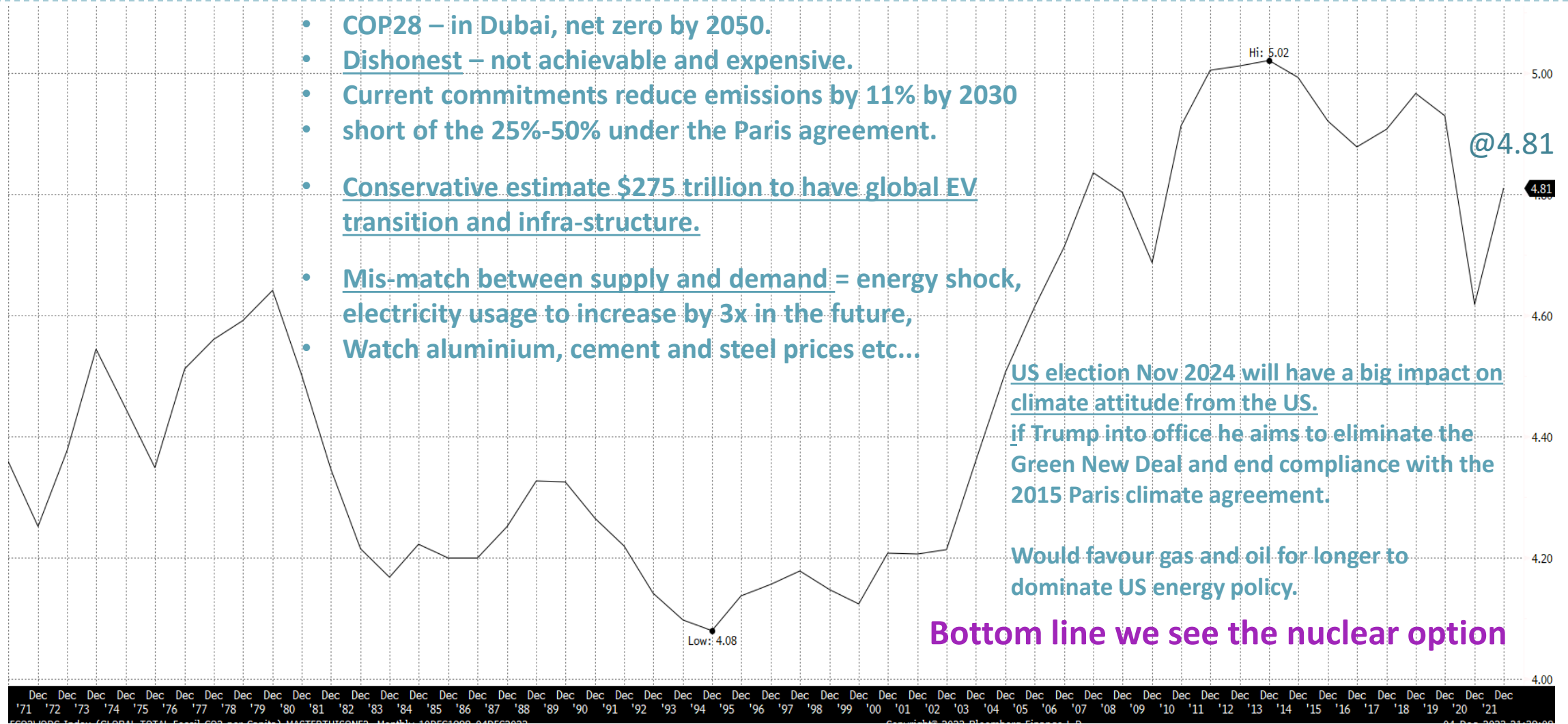


COMMODITIES

The green agenda is not working....

Global Carbon Emissions rising – Tons of CO2 per capita, 1971-2021

- COP28 – in Dubai, net zero by 2050.
- Dishonest – not achievable and expensive.
- Current commitments reduce emissions by 11% by 2030
- short of the 25%-50% under the Paris agreement.
- Conservative estimate \$275 trillion to have global EV transition and infra-structure.
- Mis-match between supply and demand = energy shock, electricity usage to increase by 3x in the future,
- Watch aluminium, cement and steel prices etc...



US election Nov 2024 will have a big impact on climate attitude from the US.

if Trump into office he aims to eliminate the Green New Deal and end compliance with the 2015 Paris climate agreement.

Would favour gas and oil for longer to dominate US energy policy.

Bottom line we see the nuclear option

Source: Emissions Database for Global Atmospheric Research

COMMODITIES

Uranium themes remain bullish – use EFT's, swaps or mining stocks

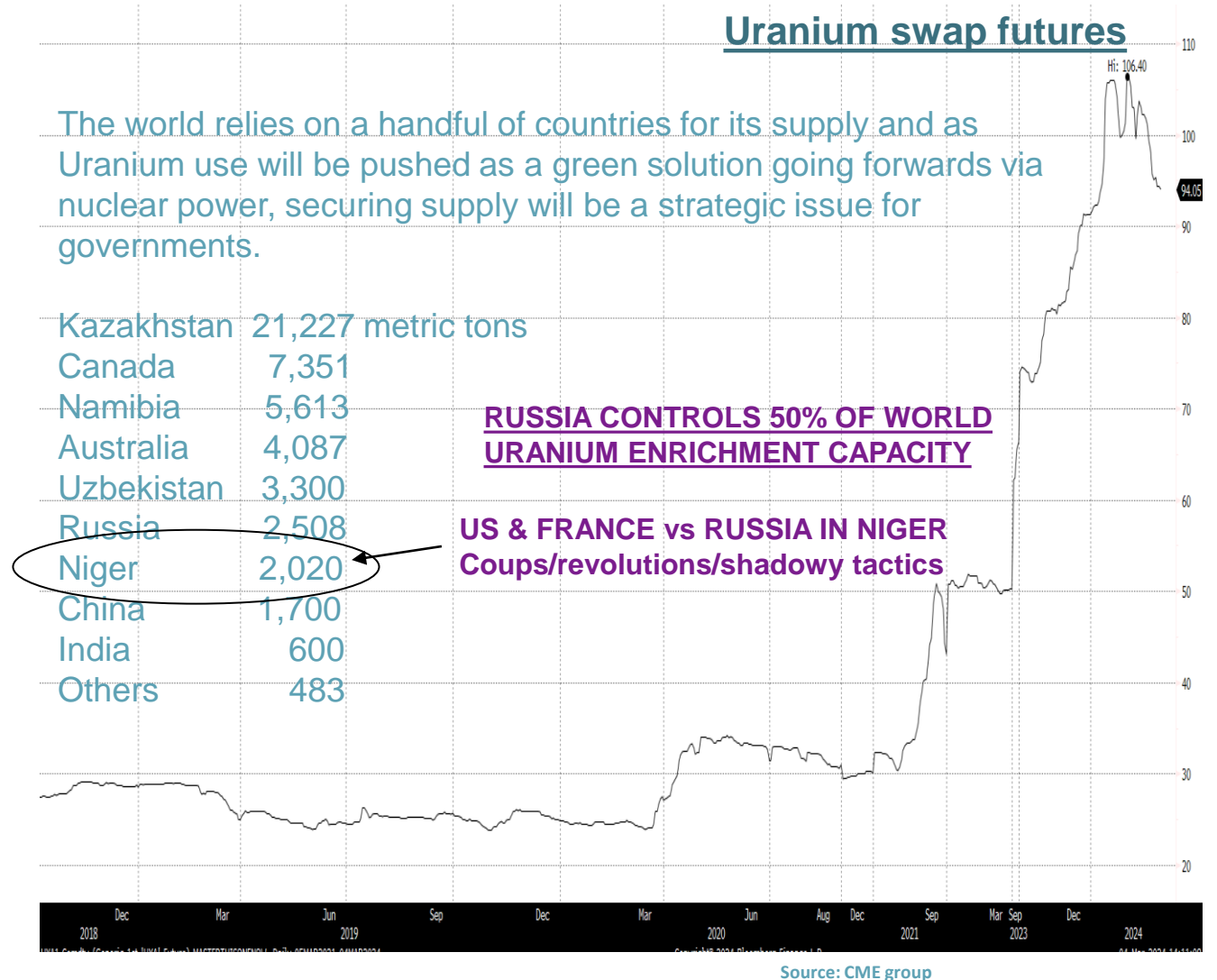
5 US mines being revived for Uranium mining is one small example, of trying to get away from Russia dependence on enriched uranium.

The international Atomic Energy Agency estimates the world will need >100,000 metric tons of uranium by 2040 = need to double current mining capacity.

There have been signals from miners of supply setbacks looming thus production squeezes near term.

Remember back in 2019 Uranium production in US was at all-time lows.

Kamala Harris in Dubai, with U.S. climate envoy John Kerry also joined French President Emmanuel Macron pushing for development of nuclear energy, which doesn't produce greenhouse gas emissions, even if it also presents security and waste challenges. **Overall, a group of more than 20 nations called for a tripling of nuclear energy generated in the world by 2050.**



COMMODITIES

2023 Price performance (Futures return calculation basis front-month spot contract prices (not roll adjusted))

Cocoa	+61.4%
Robusta Coffee	+57.9%
Orange Juice	+53.1%
S&P500	+24.2%
Feeder Cattle	+21.0%
Gold	+13.4%
Arabica Coffee	+12.6%
BRLFx	+8.9%
White Sugar	+7.5%
Live Cattle	+6.7%
Oats	+5.0%
EURFx	+3.1%
Sugar No.11	+2.7%
Copper	+2.1%
Silver	+0.2%
Aluminium	+0.1%

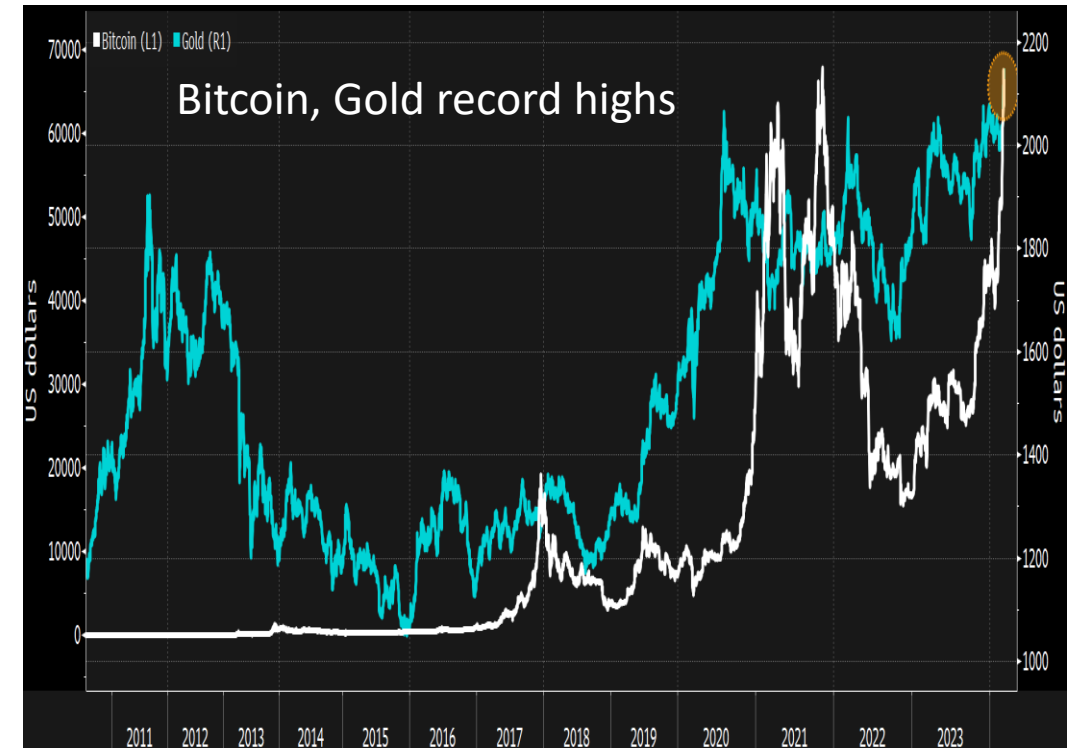
We were pleased with the Gold performance being net +13.4% in USD terms as we have been Gold bulls outright for the year and a new all-time high was made at \$2,135 late in 2023, and the close of the year \$2,062 near the old all-time high of \$2,075. This was the 2nd highest ever monthly close for gold in USD terms.

USD Index	-2.1%
Cotton	-2.8%
CNYFx	-2.9%
Rough Rice	-4.7%
Dalian Soybeans	-6.6%
BCOM ags Index	-9.3%
Brent Crude Oil	-10.3%
WTI Crude Oil	-10.7%
Palm Oil	-11.2%
Zinc	-11.6%
BCOM Index	-12.6%
Dalian Bean Oil	-13.8%
DalianMeal	-14.5%
Soybeans	-14.8%
RBOB Gasoline	-15.0%
Soybean Meal	-18.0%
Chicago Wheat	-20.7%
Lean Hogs	-22.5%
Spring Wheat	-22.9%
Heating Oil	-23.3%
Canola Seed	-24.5%
Soybean Oil	-24.8%
Matif Rapeseed	-25.0%
Kansas Wheat	-27.7%
Matif Wheat	-28.1%
Corn	-30.5%
Ethanol	-32.2%
Natural Gas	-43.8%
Nickel	-45.0%

Gold note: in Feb 2023 PBoC 16 months in a row of buying +390,000 ounces in Feb.

Holdings 72.58m ounces (2,257 tons)

Combined Central bank buying 1,000 tons per year.



Source: Bloomberg

COMMODITIES

Gold Performance in major currencies since 2000

SINCE 2000-2022

THE AVERAGE RETURN IN

USD 9.2%

GBP 10.7%

INR 11.9%

Gold has only 6 negative years in USD terms since 2000, and 4 in GBP terms.

The average in 9 major currencies was 11.86%

Year	USD	EUR	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2000	-5.3%	1.2%	2.4%	11.2%	-1.9%	-5.4%	5.8%	-4.2%	1.4%	0.6%
2001	2.4%	8.4%	5.3%	12.0%	8.8%	2.4%	18.0%	5.5%	5.8%	7.6%
2002	24.4%	5.5%	12.3%	13.2%	22.9%	24.4%	12.2%	3.5%	23.7%	15.8%
2003	19.6%	-0.2%	8.0%	-10.7%	-1.3%	19.6%	8.1%	7.4%	13.9%	7.2%
2004	5.6%	-2.0%	-1.7%	1.5%	-2.0%	5.6%	0.8%	-3.1%	0.1%	0.5%
2005	18.1%	35.2%	31.6%	25.9%	14.1%	15.1%	35.9%	36.3%	22.8%	26.1%
2006	23.0%	10.4%	8.1%	14.3%	23.3%	19.0%	24.2%	14.1%	20.7%	17.5%
2007	30.9%	18.4%	29.2%	18.0%	12.0%	22.5%	22.5%	21.8%	16.9%	21.4%
2008	5.4%	10.0%	43.0%	30.5%	28.7%	-1.5%	-14.2%	-0.8%	30.0%	14.6%
2009	24.8%	21.8%	13.0%	-1.6%	7.9%	24.8%	27.9%	21.1%	19.2%	17.6%
2010	29.5%	38.6%	34.2%	13.9%	22.8%	25.1%	13.2%	16.8%	24.8%	24.3%
2011	10.2%	13.8%	10.6%	9.9%	12.7%	5.2%	4.5%	10.7%	30.7%	12.0%
2012	7.1%	5.0%	2.4%	5.3%	4.2%	6.0%	20.7%	4.5%	11.1%	7.4%
2013	-28.0%	-30.9%	-29.4%	-16.1%	-23.0%	-30.1%	-12.6%	-29.8%	-19.1%	-24.3%
2014	-1.8%	11.6%	4.4%	7.2%	7.5%	0.7%	11.6%	9.4%	0.2%	5.6%
2015	-10.4%	-0.2%	-5.3%	0.6%	6.8%	-6.2%	-9.9%	-9.7%	-5.9%	-4.4%
2016	8.5%	12.1%	29.7%	9.4%	5.3%	16.1%	5.4%	10.3%	11.4%	12.0%
2017	13.1%	-0.9%	3.3%	4.6%	5.9%	6.0%	9.0%	8.3%	6.3%	6.2%
2018	-1.5%	3.0%	4.3%	9.0%	6.8%	4.1%	-4.2%	-0.8%	7.3%	3.1%
2019	18.3%	21.0%	13.8%	18.7%	12.6%	19.7%	17.2%	16.6%	21.3%	17.7%
2020	25.0%	14.7%	21.2%	14.1%	22.6%	17.2%	18.8%	14.3%	28.0%	19.5%
2021	-3.6%	3.6%	-2.6%	2.2%	-4.3%	-6.1%	7.5%	-0.6%	-1.7%	-0.6%
2022 YTD	-3.3%	5.7%	8.5%	3.5%	2.7%	7.9%	16.0%	0.3%	5.7%	5.2%
Average	9.2%	9.0%	10.7%	8.6%	8.5%	8.4%	10.4%	6.6%	11.9%	9.2%

2023 13.4% 9.18% 6.9% 12.94% 10.36% 16.29% 21.76% 2.35% 13.61% 11.86%

Bigger picture Gold over the last 50 years returned +4,084% (gross of costs since the end of 1971), has beaten the cost of living (582%) and all assets except US equities (18,529%), REITs (11,457%) and non-US stocks (6,561%) in USD terms.

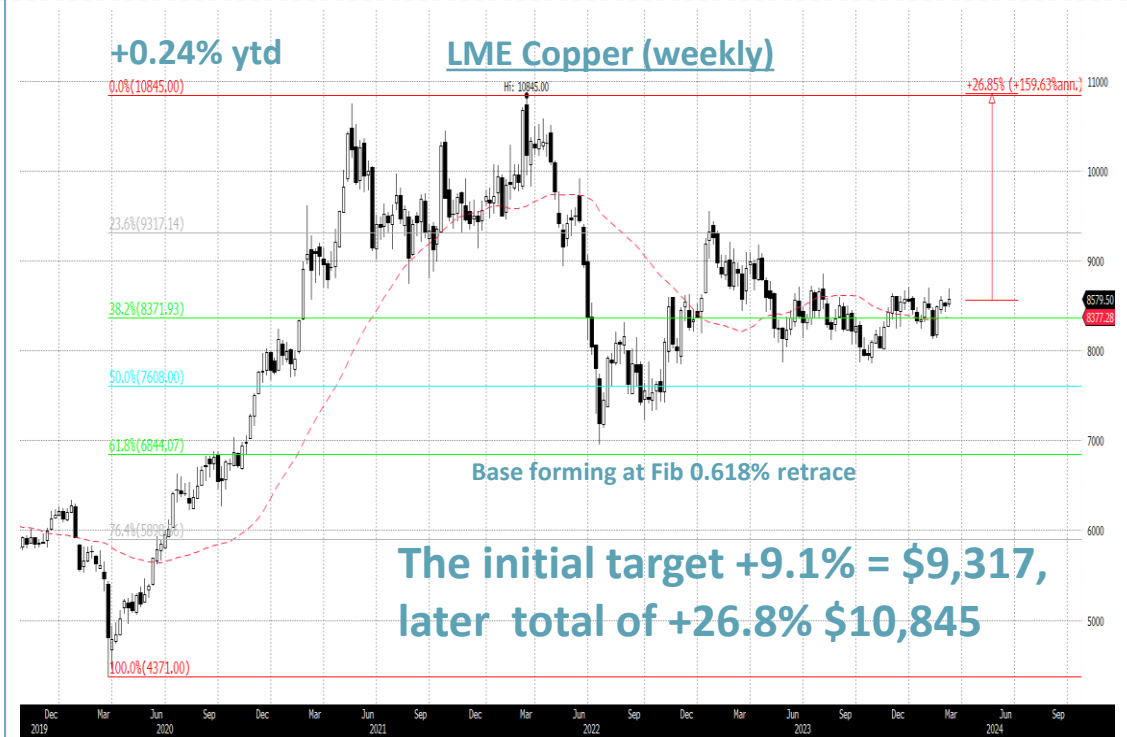
Note in the past 5/7 US recessions Gold has produced positive returns.

Metals to get more expensive over the medium to long term



Nickel products: Space industry: Military-industrial complex: Medicine.
Stainless steel sector consumes about 65% of output.
Batteries for EV and mobile gadgets are the second main application area.

Nickel market is in surplus supply but in coming years by 2028 there could be deficits on battery grade nickel, and other supply issues in time as miners closed when the price fell over the last year. By 2050 prices likely to be greater than 2x



Uncertainty has surrounded copper demand this year and has had a significant impact on prices. Copper had experienced price volatility in 2023, driven by China's slow economic recovery.

About 50% of the world's copper mines have been in service for more than 50 years and face the problem of aging mines. The decline in copper ore grades will constrain the growth of global copper concentrate supply, increase the difficulty of controlling mining costs, and raise the cost of ore dressing.

COMMODITIES

GOLD at all time highs and more to go..

Gold up even if there is big
ETF outflows 9 weeks in
a row = but there is CB buying



Source: Bloomberg

EQUITIES

Some History of past performance might give clues for this year

S&P 500 2024 target 5,693

Major bank predictions for S&P500 2023 for year end. Nobody was bullish enough even me.

Actual 4,769

BMO:	4,300
J.P. Morgan:	4,200
Wells Fargo:	4,200
RBC:	4,100
Credit Suisse:	4,050
Goldman Sachs:	4,000
HSBC:	4,000
Citi:	4,000
Bank of America:	4,000
UBS:	3,900
Morgan Stanley:	3,900
Barclays:	3,725

Pelc Enterprises 4,325

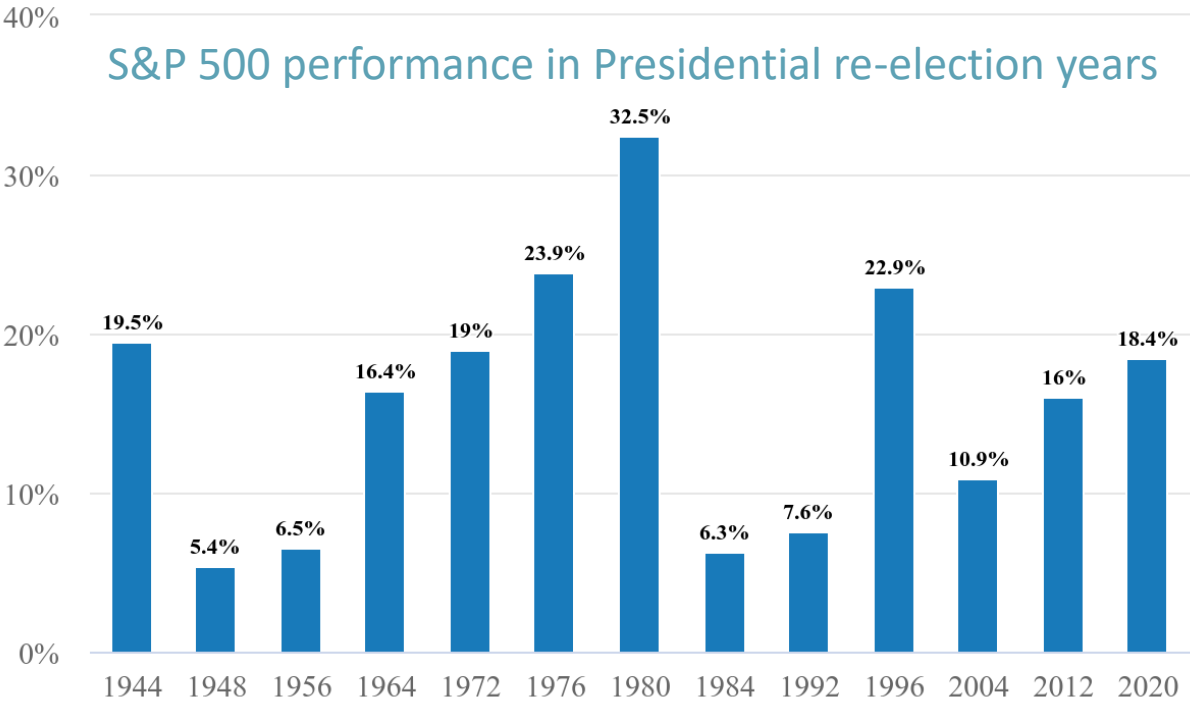
Reminder 2022 performance

Dow Jones	-8.78%
S&P 500	-19.40%
Nasdaq Comp	-32.97%
Russell 2000	-21.56%
DAX	-12.35%
CAC	-26.00%
FTSE100	+0.91%
NIKKEI	-9.37%
CSI	-21.63%

The S&P500 surpassed the psychological 5,100 barrier marking its 15th record high this year.

With nearly all S&P 500 companies results on earnings out it was a strong result with growth around 8% vs what the market had been thinking more like 1.2%.

S&P 500 performance in Presidential re-election years



S&P history since 1950 whenever both January and February have finished higher, full year returns for the index have averaged +19.8%.

76% of companies surprised to the upside

EQUITIES

The 60/40 model did not work in 2022

-16.25% Global aggregate bond index
-19.80% MSCI All country index

but what a difference in 2023.

In 2023 60/40 surged back. Stocks, bonds both rallied for the second-best month since 1991.

Bloomberg US Agg Index, S&P500 7.29%

AI we said to add 10% to global GDP over the coming years it will take many forms and shifting from chips to software...

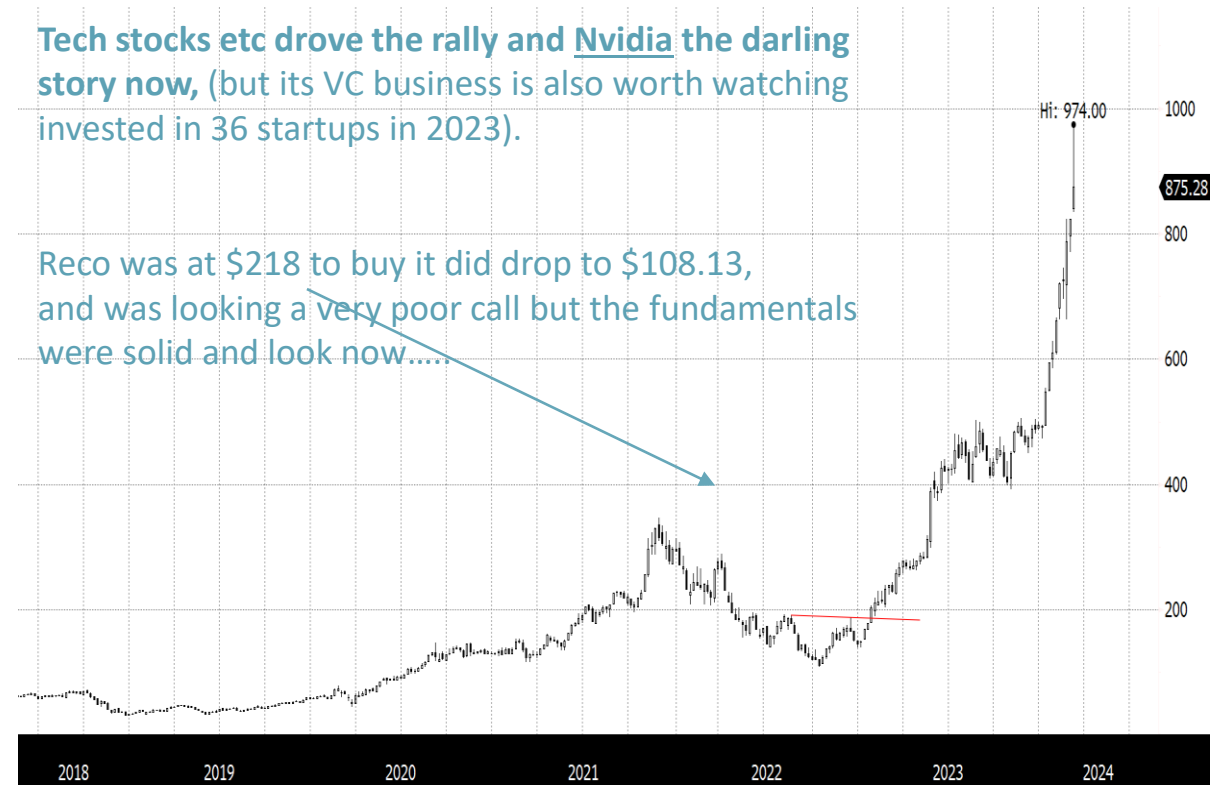
The semiconductor industry is rapidly shifting,

with leading fabrication players aggressively implementing advanced process nodes. This is driven by the ever-increasing demand for more powerful and efficient chips, fuelled by growth of the AI, high-performance computing and other data-intensive applications.

Nvidia +237.72% in 2023

Tech stocks etc drove the rally and Nvidia the darling story now, (but its VC business is also worth watching invested in 36 startups in 2023).

Reco was at \$218 to buy it did drop to \$108.13, and was looking a very poor call but the fundamentals were solid and look now.....



Quantum computing is evolving fast with tech giants racing to build machines. This race is driven by the potential to revolutionise ai, medicine and materials science. 2024-26 will be a breakthrough time for quantum computing commercialisation

EQUITIES – TECH TRENDS TO WATCH

Quantum computing will be more spoken about this decade

Traditional computers operate on binary code (either 0 or 1), quantum computers use qubits, which allows a piece of data to exist in two states at the same time (both 0 and 1). All of this tech = increased speed of computation.

IBM is ahead with Osprey, IBM's quantum computer, unveiled in Nov 2022 and has 433 cubits, by 2025 4,000 cubits expected but not until 2027 will it be fully functional needing millions of cubits to work.

Alphabet has been operating a quantum computing division for the past six years and, in March 2022, announced it would become a standalone company called **Sandbox AQ**. They received 9 figure funding in 2022 and had raised another \$500m by February 2023.

Lesser-known companies competing and raising funding in the space.

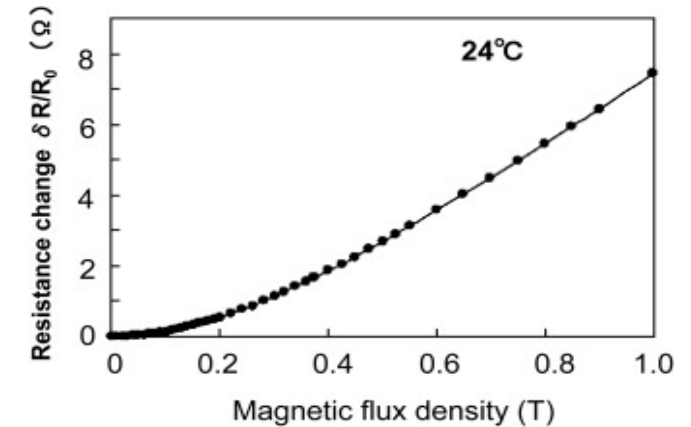
Origin Quantum, a Chinese company, raised \$148.2m in 2022, the largest amount of the quantum computing industry for the year.

Q-CTRL was 2017 Australia's first VC-backed quantum tech company. Company leaders are focused on overcoming the industry's challenges associated with hardware error and instability through quantum control infrastructure software.

The sector to be big in the future (Q-CTRL) +2,200% in last 5 years gives you a flavour of what could come, read up on quantum computing it will be worth it.

MRAM (magnetoresistive random access memory)

A magnetoresistance element with short bar electrodes



MRAM (magnetoresistive random access memory) is a method of storing data bits using magnetic states instead of the electrical charges used by devices such as dynamic random access memory.

The rising demand for the next generation memory technologies for enterprise storage applications and the surging adoption of these emerging memory technologies across smartphones and smart wearables (e.g. smart sleeves).

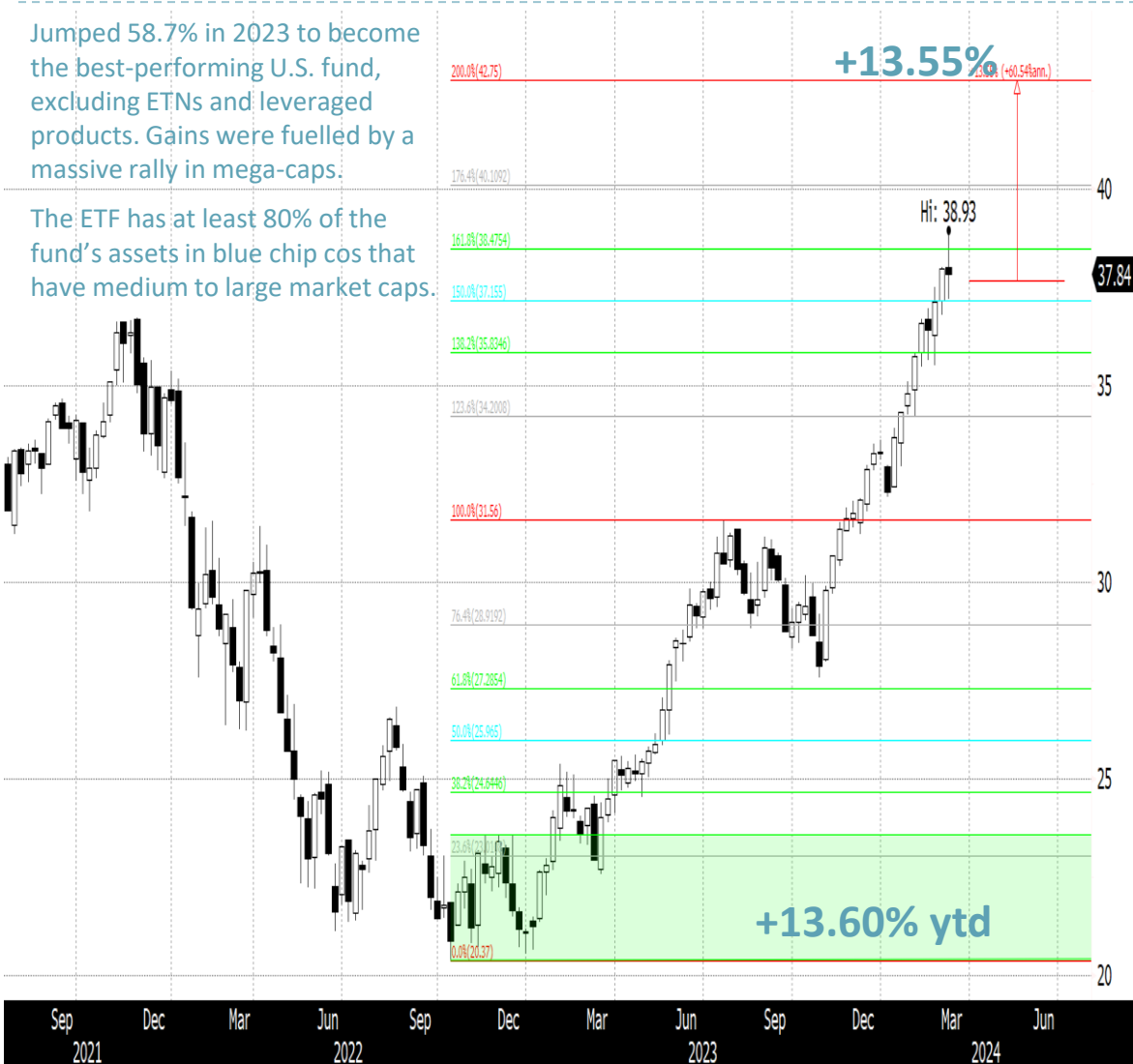
Hewlett Packard Enterprise, Matsushita, NEC, Fujitsu, Toshiba, Hitachi, Siemens and other companies have all invested in MRAM technology. Watch Everspin ticker MRAM.

EQUITIES – ETF'S

Fidelity Blue Chip Growth ETF

Jumped 58.7% in 2023 to become the best-performing U.S. fund, excluding ETNs and leveraged products. Gains were fuelled by a massive rally in mega-caps.

The ETF has at least 80% of the fund's assets in blue chip cos that have medium to large market caps.



ETF's strong 2023, around \$580 billion in net inflows with assets climbing to a record \$8.1 trillion by the end of 2023.

ETFs tracking the large-cap benchmark S&P 500 index SPX, which had risen 24.6% in 2023, had seen the strongest net inflows in 2023 among the nearly 700 funds. The SPDR S&P 500 ETF Trust SPY, the world's largest and oldest ETF with \$493 billion assets under management, had recorded the largest net inflows of over \$47 billion in 2023.

SPDR S&P 500 ETF



EQUITIES - INDICES

S&P500 with 33 week cycle

Target +10.8% more this year, but not in a straight Line, 5,693



Remember it was not big tech supporting everything but industrials, financials and healthcare notable sectors.

In late Q4 2023, 90% of the stocks in the S&P 1500 index moved above their 50-day moving average, a technical indicator of market breadth.

Nasdaq

Target +12.05% 20,000



Palantir pet favourite AI stock, may face some headwinds near term trading at 67.7x forward earnings and 16.4x forward sales and 10.9x book which may make professional investors think it is overvalued for now. Note last quarter it did beat estimates with revenues +17%. +53.63% ytd.

EQUITIES – SMALL CAPS

Are we likely to see a 1970s value small cap resurgence in the US?

1973	1974	1975	1976	1977	1978	1979
Inflation 9%	Inflation 12%	US small cap 53%	US small cap 57%	US small cap 25%	US small cap 45%	US small cap 43%
Cash 7%	Cash 8%	Staples 36%	Banks 37%	Inflation 7%	Tech 12%	Energy 39%
Energy 2%	US Gov Bonds 4%	Discretionary 36%	Energy 29%	Cash 5%	Pharma 9%	Inflation 14%
US Gov Bonds -1%	Telecoms -15%	Utilities 33%	Telecoms 25%	Utilities 1%	Inflation 9%	Industrials 11%
Telecoms -6%	Pharma -18%	S&P500 32%	Utilities 22%	US Gov bonds -1%	Banks 7%	S&P500 12%
Pharma -11%	US small cap -20%	Industrials 32%	Tech 22%	Telecoms -5%	Cash 7%	Pharma 11%
Banks -11%	Energy -26%	Tech 28%	S&P500 19%	Tech -5%	Industrials 5%	Cash 10%
Industrials -12%	Staples -27%	Banks 26%	Industrials 18%	Energy -8%	Energy 4%	Banks 7%
S&P500 -17%	Discretionary -27%	Energy 20%	US Gov bonds 17%	Industrials -11%	S&P500 1%	Utilities 4%
Tech -21%	Utilities -29%	Telecoms 17%	Discretionary 10%	S&P500 -12%	Telecoms -1%	Discretionary 3%

- **Compelling value if a soft landing:**

- US small caps are trading at a 45.6% price-to-earnings discount to large caps—well below the historical average.

- But 2024 could be a good accumulate strategy for small caps – depends what a soft landing means or no landing?

- Like companies in value small cap with little debt – especially energy stocks longer term.

- But this story is fore much later in the year...

EQUITIES

Would be overweight US big cap vs Europe, but in Europe stay overweight Growth over Value.

Dow +8.05% target 41,735



Russell 2000 +11.3% target 2,312



Euro Stoxx 50 up to +9.39% target 5,400



Euro Stoxx 600 maybe +11.38% target 560



EQUITIES

Granola's remain supportive for Europe

acronym from Goldman Sachs:

11 European stocks 60% of gains.

Over the last two years primarily driven by these stocks.

GSK (GSK)

Roche Holding (RHHBY)

ASML Holding (ASML)

Nestle (NSRGY)

Novartis (NVS)

Novo Nordisk (NVO)

L'Oreal (LRLCY)

LVMH Moët Hennessy Louis Vuitton (LVMUY)

AstraZeneca (AZN)

SAP (SAP)

Sanofi (SNY)



EQUITIES

INDIA – NIFTY 50 (weekly)



Steady domestic growth momentum but risk that interest rates remain high until July-Sep for a cut. April there are elections in India.

Bullish on the infra-structure theme, pet fav stock has been Power Grid (PWGR). Also like Tata Motors Ltd <TTMT IN> is focused on developing electric vehicles Tata Tagore, Tata Nexon.

JAPAN – NIKKEI (weekly) new all-time highs



New all time highs, old high Dec 29th 1989 just before the bubble then -60% after and the lost decade.

A stronger JPY will make imports cheaper and help consumer and companies that rely on foreign energy, food and other goods.

Jan saw \$14bn of foreign money into the market. Strong corporate sector and earnings last quarter 45% higher yoy (helped by weak fx).

CRYPTO'S

ETF inflows leading to increased demand for CME futures as Bitcoin is outperforming other assets this year,

Up to Mar 8th 2024

Bloomberg Galaxy Bitcoin index	+65.77%
Bloomberg World Stock Index	+6.1%
Gold	+5.3%
Bloomberg Global Aggregate Bond Index	+0.28%
Bloomberg Commodity Spot Index	-0.65%

January 10th 2024 that the US SEC approved 11 spot ETF funds that invest directly in Bitcoin leading to a new wave of investors with the same access to bitcoin, bought for cash on the spot market.

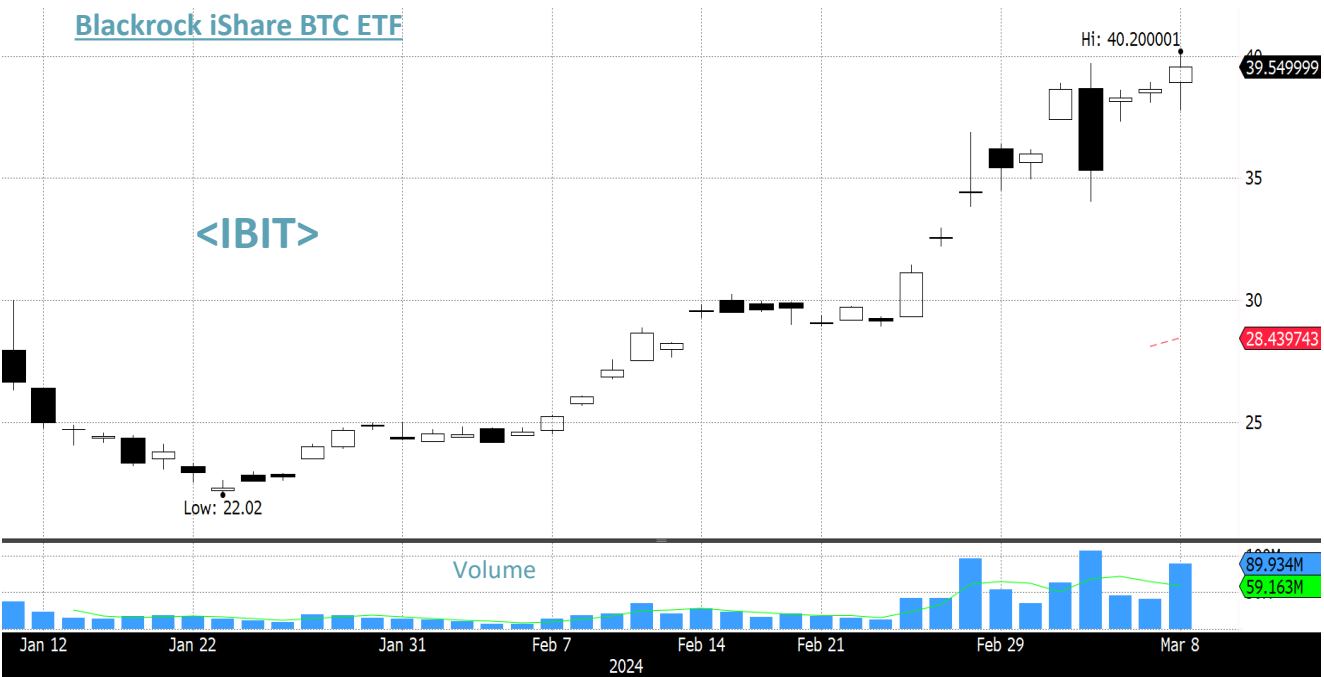
As a result increased inflows into US Bitcoin ETFs have led to record volumes in CME Group's digital asset products.

Investors seek traditional routes for hedging their risk exposure to the crypto asset class.

Notional trading volume across all of CME's Bitcoin and Ether products reached \$10 billion last week.

Note: Gold ETFs lost \$3bn in 2024 as BTC ETFs hit record volumes.

The most significant gold ETF outflows came from BlackRock's iShares Gold Trust Micro and iShares Gold Trust, with \$230.4 million and \$423.6 million existing, respectively. This is a nod to the broad acceptance of Blackrock's iShare BTC ETF which has quickly raced to the top of the Bitcoin ETF holdings, and see this theme continuing up to the halving on 19th of April of Bitcoin.



CRYPTO'S

What next?

Issuers are already thinking about which other cryptocurrencies could be the next to gain approval for a spot ETF.

Ether and XRP have emerged as potential candidates with the most speculation.

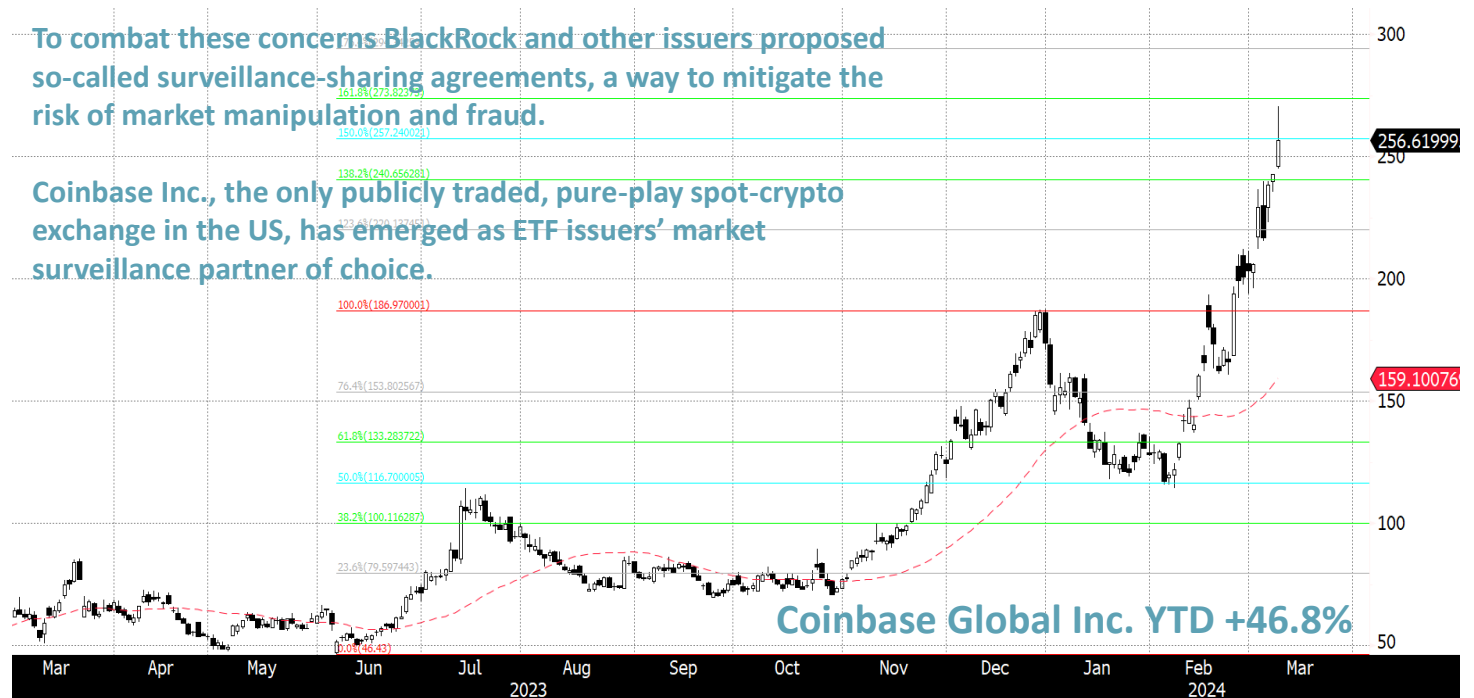
BlackRock and Franklin Templeton have already applied for a spot Ether ETF.

Remember regulators expressed concern that Bitcoin's volatility might be too intense for ordinary investors — Bitcoin +60% in 2021, -64% in 2022, 2x in 2023, and again in 2024.

The SEC had also questioned whether funds would have the information necessary to adequately value tokens like Bitcoin, including whether they could validate who owns the underlying coins.

In 2021, SEC Chair Gary Gensler testified to the Senate Banking Committee that the lack of regulatory oversight and surveillance in crypto markets had led to “concerns about the potential for fraud and manipulation.”

Jan 9th 2024, Gensler posted on the X social platform that crypto assets posed “serious risks.”



CRYPTO'S

New Bitcoin ETF's record inflows

<u>Funds</u>	<u>YTD Flow</u>
iShares Bitcoin Trust	7,756.4M
Fidelity Wise Origin Bitcoin Fund	4,766.1
ARK21Shares Bitcoin ETF	1,573.0
Bitwise Bitcoin ETF	1,135.8
Invesco Galaxy Bitcoin ETF	248.8
Valkyrie Bitcoin Fund	136.5
VanEck Bitcoin Trust	126.8
Franklin Bitcoin ETF	118.8
WisdomTree Bitcoin Fund	36.7
Grayscale Bitcoin Trust BTC	-8,406

As a group, ETF inflows broke one record after the next, attracting \$1.7 billion in a span of three days. The iShares Bitcoin Trust (ticker IBIT) fund has accumulated \$10 billion in just seven weeks — the fastest an ETF has ever hit such a milestone.

Compare this to the \$54 billion SPDR Gold Shares (GLD) launched in 2004, which Bitcoin funds are often compared to, took over two years to hit that level.

- 1st Bitcoin halving date — November 28, 2012 — Reward down: 50 BTC to 25 BTC
- 2nd Bitcoin halving date — July 9, 2016 — Reward down: 25 BTC to 12.5 BTC
- 3rd Bitcoin halving date — May 11, 2020 — Reward down: 12.5 BTC to 6.25 BTC
- 4th Bitcoin halving date — April 22, 2024 — Reward down: 6.25 BTC to 3.125 BTC

Next halving April 22nd 2024 will reduce block reward to 3.125BTC.

96.875% of bitcoin will have been mined.

Typically one year halving big rallies occur

Bitcoin – weekly chart in USD



The Bitcoin halving will ultimately cap the total supply of Bitcoin at 21 million coins. Each Bitcoin has 100,000,000 satoshis in it.

This fixed supply is one of the fundamental characteristics differentiating Bitcoin from traditional fiat currencies.

CRYPTO'S

Ether (Weekly chart)



Ether has a market cap of more than \$400 billion, second only to Bitcoin, whose market cap exceeds \$1.2 trillion.

In May, the SEC will likely pass final judgment on nine spot ether ETF applications.

Key issue to watch is whether the SEC sees Ether as a security, in which case it will insist on ETF issuers resting it as such on application approval.

Most likely it will be seen as a commodity.

XRP (weekly chart)



XRP's one-day circulation was 1.16 billion last week. The increase in circulation implies that a high number of XRP have been engaged in transactions. For the price action, this might be a warning to bulls.

In most cases, low circulation means that there is less likelihood to sell.

But the high circulation XRP experienced suggests that traders might be involved in selling the token especially as it brought in some gains recently.

ASSET ALLOCATION 2024

Think about a broadening of stock performance in a rate cut environment

Equities	49%	
US Equities	11%	
EU equities -UK	8%	
UK equities	7%	(Energy weighting helps here)
Japan equities	12%	(Like banking stocks in Japan, exporters, semi-conductors)
Global EM	9%	(US rate cuts good for EM)
China Equities (onshore)	2%	(Still need some China exposure especially in Green initiatives and EV's)
Govt Bonds	14%	
US Treasuries	8%	(protection for portfolio) 5 year TSY looks interesting now
Peripheral Bonds	3%	
EM	3%	(Bonds & debt priced in non-dollar local currencies)
Inflation-Linked Bonds	7%	
expectation for persistent inflation over time has fallen we look to be underweight inflation-linked bonds.		
Corporate Bonds	12%	(split between EU and US investment credit grade) but watch default rates...
Higher yields and strong balance sheets suggest investment grade credit may do well.		
Catastrophe bonds	1%	
Cash	4%	
Commodities	10%	
Gold	5%	
Split (Palladium/Uranium/Copper)	5%	
Crypto	3%	(split between BTC and ETH, Solana)

CURRENCY EXPOSURE SUGGESTION

USD	= 22.0%
EUR	= 20.0%
EM	= 13.0%
JPY	= 15.0%
GBP	= 7.0%
CHF	= 5.0%
CMTY FX	= 10.0%
CNY	= 3.0%
CAD	= 5.0%

The next few years thematic investing is **back** - we like certain sectors such as cyber security, rebounds in healthcare, military and space.

Next generation memory devices such as Magnetoresistive Random-access Memory (MRAM), Phase Change Memory (PCM), and Resistive RAM (ReRAM) are the focus for 2024 and beyond.

*****Plan not just for 6G but 7G and AGI for stock selection

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