



SUNLINE

WEALTH MANAGEMENT

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Trump's Induced Market Rally Already Over?

As we commented last month, with Bitcoin and Cryptos the exception, the Trump-induced boost to US small caps, domestically exposed companies, energy, banks, and the US Dollar, appeared already to diminish, if not wane.

President-elect Trump still has over a month to go before taking over, yet he is already acting as if he is in charge of the economy and politics, both international and domestic.

Some of his appointments, such as vaccine skeptic RF Kennedy roiled the healthcare sector, while the appointment of Bessent to the US Treasury calmed the bond market.

The appointment of the duo Elon Musk & Vivek Ramaswamy to the newly created Department of Government Efficiency (DOGE), sent defense stocks plunging. Trump has said he will not touch entitlements, the core of mandatory spending and two-thirds of the budget. Discretionary spending is largely defense, and Musk has been very vocal when criticizing the F35 fighter jet program or the US postal service. As a result, an index of government contractors lost 7% since after the election, whilst an index of US defense companies, sponsored by Goldman Sachs, lost 10%.

What happened to the two darlings of deregulation, energy (Drill Baby Drill) and banks?

Since the election, the energy sector is down over 3%, led lower by companies such as Exxon Mobil, down over 8%. Large and regional banks are still up 8% to 10% since early November, however they have since corrected 6 to 7% from the peak.

As pointed out earlier, frenzied speculation continued in the crypto space. The Bitcoin continued its surge, crossed the 100'000 USD mark, and is now up 55% since the election. Similarly, flows towards levered exchange traded funds accelerated.

The popularity and enthusiasm in levered single stock ETFs, such as on crypto-exposed MicroStrategy, also surged, leading to liquidity issues for its managers, which in turn provided further fuel to the stock's rally. The managers of two of these levered ETF, T-rex and Defiance - that, combined, have a market cap of USD 5 billion - resolved to purchase outright options in the regular market, due to the lack of counterparties for the necessary swaps on the underlying.

Is the 6.2-million-dollar price tag for a banana taped on the wall part of this frenzied speculation? We do not know.

What we do know is the handsome return on investment for Elon Musk. Mr Musk spent an estimated 280 million dollars to help Trump in his reelection bid. Whether justified or not, the value of Tesla went from 800 billion to 1.5 trillion since the election. Then there is also the surge in value of his SpaceX, which also increased since a fan and private astronaut of his company was designated to lead the US space agency NASA.

Going back to our initial comment about the waning Trump-induced rally, for a few weeks now the market has been led higher by the usual group of the Magnificent 7 (or maybe we should call them Magnificent 6 plus Broadcom). Broadcom, the latest company to cross the 1-trillion valuation line, post its quarterly results, appears to have at least partially supplanted Nvidia as the AI-darling by investors. In contrast, Nvidia has lost over 10% from its peak.



Europe, over the same timeframe, apart from the politically plagued and China exposed French market, has outperformed the US (without the mega caps) by 4.5 to 7%: the S&P 493 (The S&P 500 - minus the magnificent 7) over the last 4 weeks has indeed returned 0%, while the much-hyped US small caps have returned just 0.8%.

Gold, who took a punch in the nose following Trump's election, losing 6.5%, (and was likely at least partially the source of cash for equity and crypto investments), regained some ground and stabilized around the 2,650 level.

As for crude oil, it continues to be trapped between supply & demand dynamics, which are negative, and the geo-political issues in the Middle East, that seem to grow more uncertain by the day, with the recent collapse of the Syrian regime.

Strategy

In terms of asset allocation, and as discussed last month, (see Strategy paragraph in our November publication), we are proceeding these days to move some of our equity allocation from the Eurozone to the 'rest' of the US, (i.e. ex the mega caps). As expected, and highlighted above, the markets over the last four weeks have moved back in our favor, and we think now is the right time to implement the switch. The overall exposure to equities will not change.

Equity

We keep an overweight in Eurozone equities versus the US broader market, while being neutral in the technology sector.

Fixed income

We continue to favor exposure to credit versus duration. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt, US municipal infrastructure and Asian hard currency debt.

Foreign Exchange

The Japanese YEN exposure is mostly hedged, and we maintain a 5% exposure to the US Dollar

Gold

We continue to keep our allocation to Gold at about 5%: whilst it doesn't provide any yield, it continues to be a good diversifier in a multi-asset portfolio. This year it is the best relative contributor to the portfolios.

Conclusion

The perspective of lower rates going forward and continuing disinflationary trends are supportive for equity markets, fixed income, and thus a balanced portfolio.



Positioning

Overall Exposure

We are now Neutral Equities, and Neutral Fixed Income, with a Gold position, partially USD and JPY hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Slight Underweight US technology, Overweight Nasdaq 100 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, Health Improving Technologies and Services, European Champions.

Fixed Income: Neutral

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD.

Thematic Fixed Income

Long US Municipal Infrastructure Bonds, Long Hybrids, Long Subordinated Financial Credit & Long Asian Bonds in hard currency.

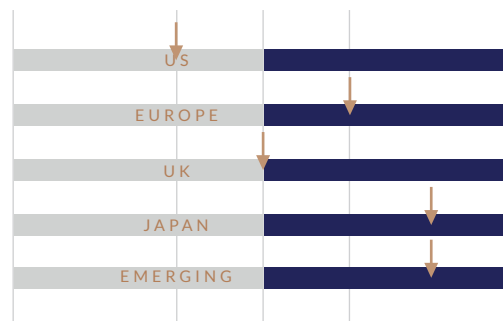
Currencies: Portfolios have a 5 % USD exposure.

Commodities: Overweight

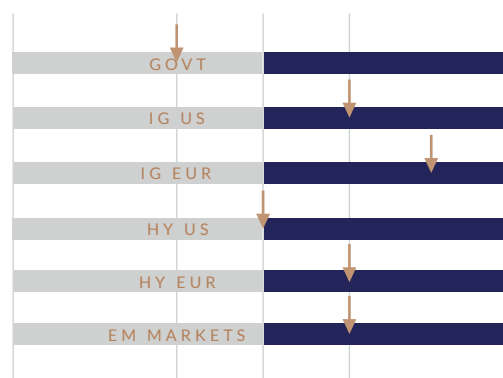
Long Gold.

Conviction thermometer

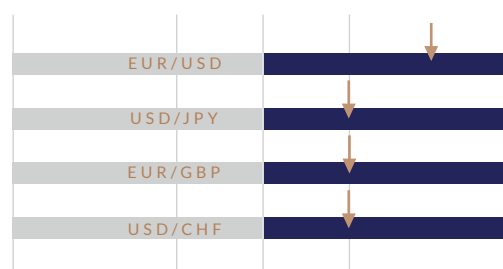
Equities



Bonds



Currencies



Commodities



■ Negative view

■ Positive view



Market overview as of 30th November 2024

Equities (local ccies)	Level	5D	MTD	YTD	2023
MSCI WORLD	3 810,14	1,20%	4,62%	22,37%	24,44%
US S&P500	6 032,38	1,08%	5,87%	28,06%	26,26%
NASDAQ 100	20 930,37	0,75%	5,31%	25,31%	55,13%
RUSSELL 2000	2 434,73	1,19%	10,97%	21,57%	16,88%
EUROPE EURO STOXX 50	4 804,40	0,33%	0,32%	9,77%	23,21%
GERMANY DAX	19 626,45	1,57%	2,88%	17,16%	20,31%
FRANCE CAC40	7 235,11	-0,25%	1,53%	1,20%	20,10%
BELGIUM BEL20	4 227,31	-0,02%	0,48%	17,18%	3,51%
SWISS MARKET INDEX	11 764,20	0,41%	0,24%	9,06%	7,06%
UK FTSE100	8 287,30	0,36%	2,60%	11,02%	7,68%
JAPAN TOPIX	2 680,71	-0,58%	0,54%	15,77%	28,28%
MSCI EMERGING	1 078,57	-0,77%	3,58%	8,10%	10,20%
BRAZIL IBOVESPA	125 668	-2,68%	3,12%	6,35%	22,28%
CHINA CSI 300	3 916,58	1,35%	0,75%	17,55%	-9,14%
HS TECH	4 353,55	2,59%	3,18%	16,83%	-8,25%
INDIA SENSEX	79 802,79	0,87%	0,57%	11,90%	20,34%
KOREA KOSPI	2 455,91	-1,81%	3,92%	6,32%	20,52%
HONG KONG HANG SENG	19 423,61	1,02%	4,23%	18,99%	10,46%
AUSTRALIA ALL-SHARE	4 524,88	0,44%	2,49%	10,69%	7,70%
SAUDI ARABIA TADAWUL	11679,50	-1,68%	3,10%	-0,12%	18,10%

US: Sectors	Level	5D	MTD	YTD	2023
COMMUNICATION SVCS	330,15	1,92%	3,10%	35,38%	55,80%
CONSUMER DISCRETIONARY	1 789,44	2,36%	13,34%	27,10%	42,30%
CONSUMER STAPLES	900,88	1,58%	4,74%	20,89%	0,52%
ENERGY	724,06	-2,00%	6,93%	16,79%	-1,42%
FINANCIALS	851,98	1,11%	10,28%	38,04%	12,10%
HEALTH CARE	1 713,71	2,15%	0,28%	9,37%	2,06%
INDUSTRIALS	1 214,04	0,90%	7,51%	27,48%	18,08%
INFORMATION TECHNOLOGY	4 558,68	0,25%	4,65%	35,05%	57,84%
MATERIALS	594,62	0,76%	1,63%	11,96%	12,55%
REAL ESTATE	281,69	1,97%	4,12%	15,12%	12,35%
UTILITIES	418,72	1,75%	3,69%	34,07%	-7,08%

EUROPE: Sectors	Level	5D	MTD	YTD	2023
BASIC MATERIALS	2 794,31	-0,28%	-2,58%	-4,07%	5,95%
CONSUMER GOODS	3 816,96	0,12%	-0,03%	0,58%	-2,46%
CONSUMER SERVICES	1 485,22	0,85%	0,54%	0,77%	21,53%
FINANCIALS	1 073,81	0,33%	2,42%	25,80%	25,42%
HEALTH CARE	3 799,64	0,25%	0,94%	10,45%	8,75%
INDUSTRIALS	4 223,83	0,42%	2,71%	16,94%	27,43%
OIL & GAS	1 435,20	-1,87%	1,65%	-1,03%	9,01%
TECHNOLOGY	1 856,31	1,05%	4,25%	9,72%	34,72%
TELECOMS	632,79	1,62%	3,27%	25,85%	8,86%
UTILITIES	2 076,45	0,21%	0,09%	6,17%	14,75%



Market overview as of 30th November 2024

Fixed Income	Level	5D	MTD	YTD	2023
Pan-Euro 3-5 yrs IG	213,57	0,50%	1,53%	3,89%	6,68%
Euro Aggregate	246,33	1,01%	1,96%	3,72%	7,19%
Pan-Euro HY Hedged Eur	450,56	0,16%	0,55%	7,68%	12,32%
Global Inflation hedged EUR	238,27	1,06%	0,66%	0,19%	2,02%
US Corp High Yield	2 264,90	0,44%	1,15%	8,66%	13,45%
EM USD Aggregate TR	1 260,87	0,96%	1,11%	7,86%	9,09%
EM Aggregate TR Local Ccy	149,73	0,88%	-0,21%	2,32%	6,91%
EUR Banks CoCo Tier 1	158,77	0,27%	0,73%	10,41%	5,04%
EU GOVT HEDGED EUR	217,09	1,20%	2,16%	2,20%	6,31%
Global Aggregate	2 554,99	1,80%	0,34%	0,47%	5,72%
Commodities	Level	5D	MTD	YTD	2023
GOLD	2 643,15	-2,69%	-3,67%	28,12%	13,10%
COPPER	408,05	-0,13%	-5,98%	4,88%	2,10%
OIL WTI	68,00	-4,55%	-1,82%	-5,09%	-10,73%
OIL BRENT	72,94	-2,97%	-0,30%	-5,32%	-10,32%
Currencies	Rate	5D	MTD	YTD	2023
EURUSD	1,0577	1,53%	-2,82%	-4,19%	3,12%
GBPUSD	1,2735	1,64%	-1,27%	0,03%	5,36%
USDJPY	149,7700	-3,24%	-1,49%	6,19%	7,57%
USDCHF	0,8810	-1,44%	1,96%	4,71%	-8,99%
AUDUSD	0,6512	0,17%	-1,06%	-4,40%	-0,01%
EURCHF	0,9320	0,10%	-0,88%	0,34%	-6,13%
USDCNY	7,2467	-0,02%	1,81%	2,07%	2,92%
USDKRW	1 397,20	-0,63%	1,47%	1,72%	1,79%
USDINR	84,4925	0,04%	0,49%	1,54%	0,57%
USDIDR	15 845,00	-0,19%	0,94%	2,91%	-1,10%
USDBRL	4,8572	-0,08%	-1,27%	-7,55%	-8,01%
USDTRY	34,7020	0,39%	1,30%	17,52%	57,82%
BITCOIN	97 460,39	-1,97%	39,35%	132,41%	152,94%



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