ASAS CAPITAL

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Regulated by the DFSA

Of Predictions and Preparedness (Part 2)

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CIO View (1/5)

At the end of two years in which US financial markets delivered 20%+ returns, and a new year that is beginning with a new Administration declaring the beginning of a new 'golden age' for the United States, where we do stand as investors?

Our word for 2025 financial markets is **'turbulence'**.

Why do we say this?

US equities are very richly priced

US stock markets are trading at or near All Time Highs.

On most valuation metrics, the market appears expensive compared to history.

The **S&P 500 PE Ratio** is ~ 30.465, against a long-term average of 24.68.

S&P 500 Shiller CAPE Ratio, also known as the Cyclically Adjusted Price-Earnings ratio, is calculated by dividing the current price of the S&P 500 by the 10-year moving average of its inflation-adjusted earnings. This is currently at ~ 38.45, compared to a long-term average of 30.56.

The **Buffett Indicator**, which looks at the total market cap of US financial markets compared to GDP to assess the fairness of value, is at 208.8%, double its long-term average.

The estimated net profit margin (based on aggregate estimates for revenues and earnings) for the S&P 500 for 2025 is 13.0%, which is above the 10-year average (annual) net profit margin of 10.8%.

The **price-to-book ratio** for the S&P 500 is at its highest level in this century.

Higher forward P/E ratios and other valuation metrics are linked to lower subsequent long-term returns, especially in large-cap, growth and broad equity indices.

CIO View (2/5)

US exceptionalism has resulted in extreme concentration.

The U.S. market, worth a whopping $63 trillion as of December, now holds **two-thirds of the world stock market cap**, while representing 26% of global GDP.

The combined market capitalization of the so-called Magnificent Seven group of tech behemoths reached $17.6 trillion as of Dec. 31, surpassing the European market's $16.1 trillion total market cap.

In ten years, the US' share of global market capitalization has moved from slightly more than 50% to 64%. Over this 10-year period, **the US received roughly 73% of the world's capital flow.** For it to grow its market share to just 67% by 2026, 83% of all capital invested would need to go to the US.

Global financial markets also appear to be too dependent on the policy directives of the US government, which is itself controlled by a relatively small number of people.

Investors are excessively optimistic

Despite high valuations, the market doesn't appear to be in a hurry to hedge downside risks. **At ~ 15, VIX remains relatively subdued by historical standards**, while the put/call ratio also does not reflect heightened anxiety.

According to a research report on global financial institutions by Natixis Investment Managers (Natixis IM), **almost 95% of GFIs researched are overweight US equities** going into 2025 compared with just over half who said the same at the start of 2024.

62% of US adults own stocks. The only time that this was higher in this century was in 2007, when it was 65%.

The **ICE BOFA US High Yield Index Option-Adjusted Spread is at 2.61,** suggesting that the market is comfortable about corporates' ability to finance their requirements. The last time we saw these levels was also in 2007.

CIO View (3/5)

The (Geo)political situation is both muddy and fluid

The new Trump administration has made certain campaign promises that it has now started to implement. These include tariffs, mass deportations, deregulation and lower taxes.

The road to this implementation is not likely to be a straight line. There are some decisions that the President can execute on his own authority; others need approval from the Congress. Further, the impact of all of these changes is likely to take shape over a number of months, maybe even years. Finally, these measures are likely to invite counter measures by the countries that are affected by them.

So we have a situation where **we do not know the extent to which the measures will be applied, the impact of those measures, or the counter measures will be put in place by the affected parties.**

Interest rates may disappoint

The narrative around this has taken many twists and turns, and opinions are strongly divided on the future direction. Currently, the core view among Fed officials seems to be that while inflation will continue to move steadily towards 2%, **the process could take longer than previously expected, signaled by two rate cuts totaling 50 bps in 2025.**

How fast and in what direction Trump's policies spool out in coming months are likely to influence this.

Long-term rates have moved in a different direction. Yields on 10-year U.S. Treasuries are over 100 basis points higher than their September lows. There appear to be many drivers for this divergence: stronger growth expectations, heightened macroeconomic uncertainty, concerns around the ever increasing debt pile of the US and poor uptake by large buyers.

A sustained rise in inflation and interest rates is likely to have a dampening effect on company earnings and financial markets.

Some other things that could go wrong include a rapid increase in climate-related challenges, the potential for a policy mistake, deglobalization decreasing non-US sales by US firms, antitrust law breaking up Big Tech, a US-centric crisis, above-average inflation-reducing consumption, failure to monetize AI capital expenditure, a US debt downgrade that leads to a run on the dollar, etc.

CIO View (4/5)

So what is one to do as an investor?

Experience teaches us that timing the market is almost impossible, and staying out of the market for long periods of time can actually be detrimental to your long term financial prosperity. Instead, we recommend the following:

Diversification

Even as US markets have reached valuations that are expensive by both historical and relative measures, several other markets have been struggling and have valuations that are significantly more attractive.

Indications of a turnaround in their fortunes, even if small, could result in outsized gains. We saw one instance of that in late 2024 when the Chinese markets skyrocketed, when investors took a positive view of the impact of the measures put in by the CCP. We saw another instance in August 2024 when a relatively small change in the Japanese interest rate regime resulted in a sharp up move in Japanese markets.

Given the uncertainty that we see going forward, we strongly advocate that investors consider diversifying their portfolio adequately.

Active risk management

Given the expected volatility in markets, we believe returns can be protected and amplified by active risk management. This could be as simple as paying attention to sizing one's positions to suit one's ability to absorb volatility and write downs. More sophisticated investors can consider using options, especially in view of the relatively low prices.

Increase allocation to cash

Increased volatility should present attractive opportunities to deploy the cash at valuations that are attractive and likely to generate outsized returns. In the event of a sharp correction in the markets, having access to ready cash would significantly improve the possibility of locking into better prices than what is currently available.

CIO View (5/5)

Increase allocation to alternatives

Even though alternatives have not fully escaped the froth that has contaminated the listed markets, the degree of such contamination is far lower. Also, many alternatives are less volatile and more long term oriented in nature. We recommend that investors consider increasing their allocation to alternatives in a manner that is most appropriate to their liquidity and risk needs. In our view, adding exposure to this asset class is likely to be a good source of portfolio performance without commensurate increase in Portfolio volatility.

We will, of course, continue to monitor markets closely and update you as and when we see the need for any change in approach.

From all of us at Asas Capital, we wish you a profitable investment journey in 2025.

Trump's Love For Tariffs

Trump is taking office on the 20th of January, and he has come back with his favourite threat - tariffs. However, is it for his "America First" message or just a mere bargaining tactic?

Bargaining Tactic?

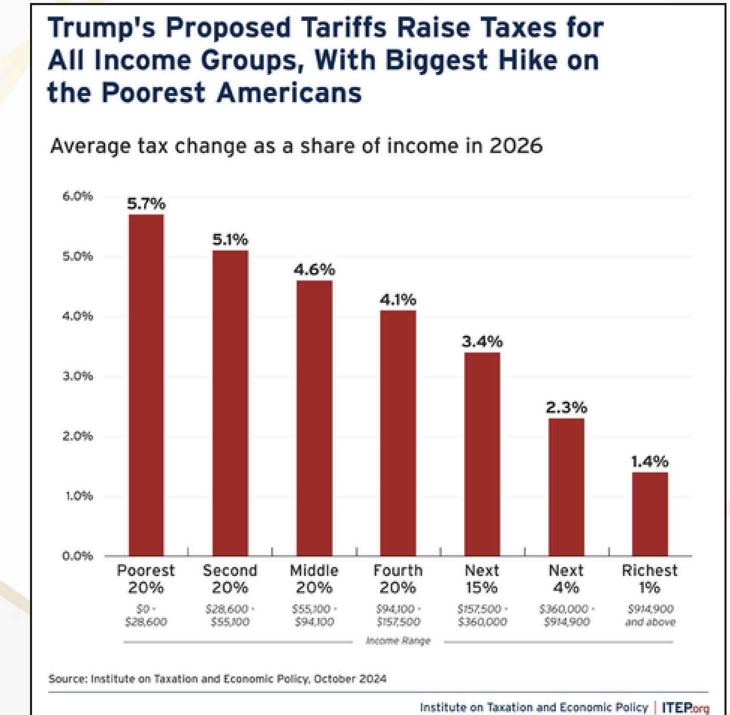
- Back in 2019, Trump threatened to impose Tariffs on products from Mexico but just to get the Mexican government to control the immigration issue.
- The extreme nature of some proposals (e.g., 100% tariffs) suggests they're starting points for negotiation rather than final policies
- However, these tariffs will bring in a big chunk of revenue for the US government

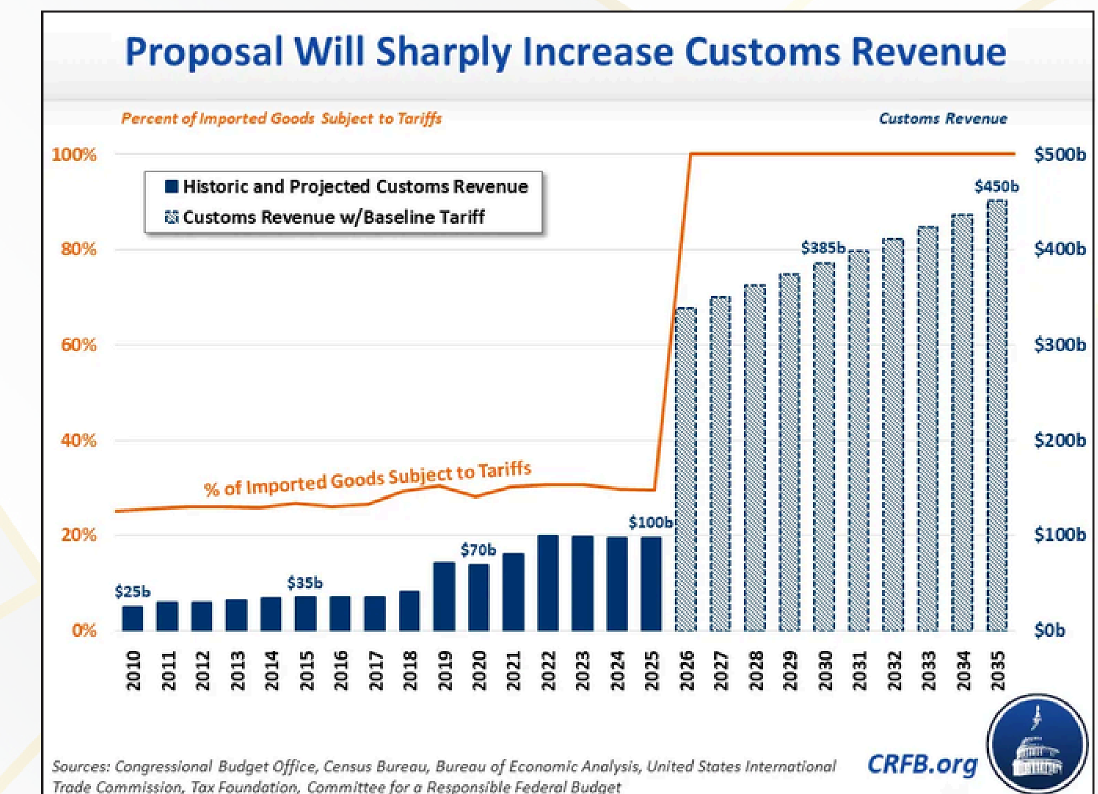
Feasibility of the Tariffs:

- The power of imposing taxes and tariffs unequivocally lies within the hands of the Congress. However, there are a few ways that Trump can bypass them.
- Trump can essentially impose tariffs on the first day if he uses the IEEA act which gives him the power to go over congressional approval and impose tariffs on whoever he wants
- He could invoke the trade acts which would lead to the Department of Commerce or the Office of the US trade to start an investigation if American workers are getting affected and if tariffs are required to remit unfair trade practices. This usually takes 30-60 days.

Effects on the US Economy:

- Higher input prices, higher production costs, lower margins, higher unemployment and, inflation.
- It is estimated that if Trump imposes all the tariffs he intends to, inflation can rise as high as 9.1% by 2028, where prices of laptops, phones and TVs could increase by $350, $210 and $50, respectively.
- Aside from inflation and other adverse macroeconomic effects, higher tariffs might cause a significant retaliation from US's trading partners, leading to chaos in the global supply chain.



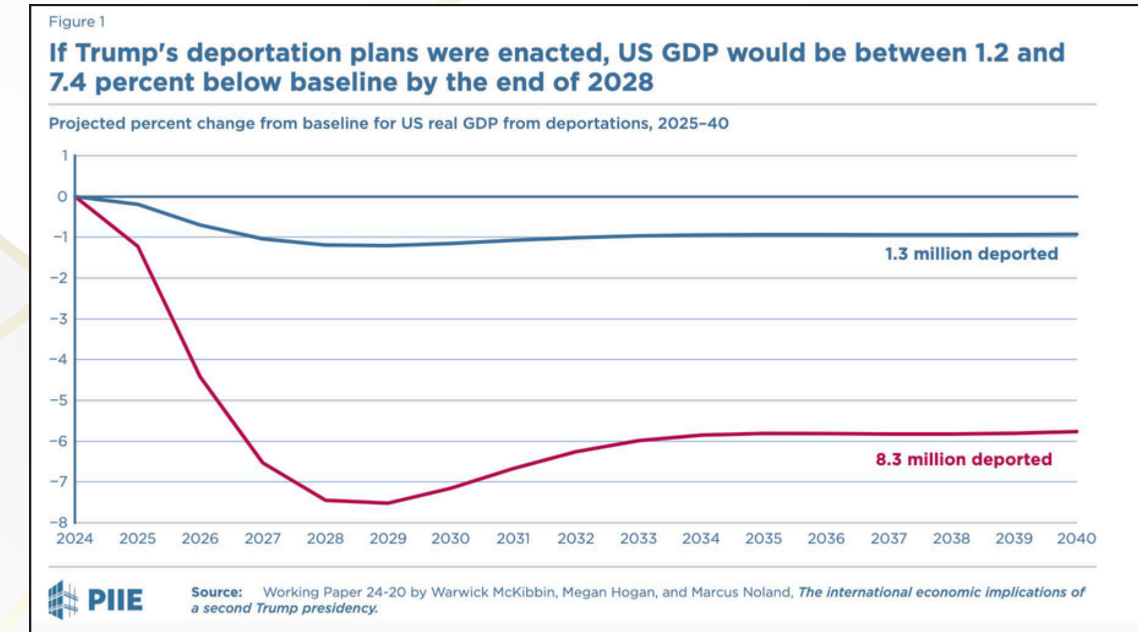


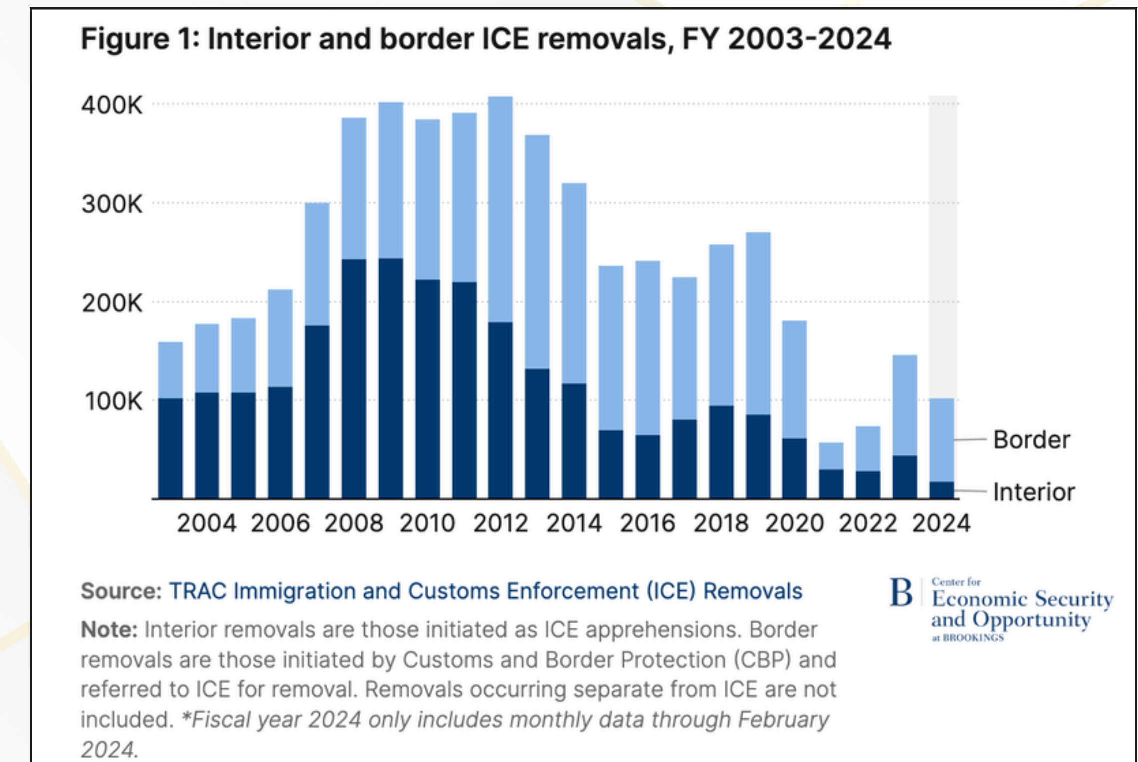
Deportation – A Boon Or A Bane?

- Donald Trump plans on launching mass deportation across the US no matter the price tag which would affect millions and millions of undocumented immigrants in the US.
- He is planning to remove 1-2 million immigrants this term, targeting the ones with criminal records in the beginning.

Economic impact:

- To deport undocumented immigrants might sound easy but it comes with a hefty price tag. According to Vance, it will cost USD 88B in taxpayers money to deport 1 million people every year.
- The GDP could reduce by 1.2% if 1.3M people are deported and up to 7.4% if 8.3M deportations take place.
- Undocumented immigrants are consumers as well. Deporting them would mean lower consumption which in turn would reduce the employment in the economy.
- The employment rate would reduce by 1.1% if 1.3M are deported and up to 6.7% if 8.3M deportations take place.
- A study from the Journal of Labor economics found that 44,000 U.S.-born workers could lose their jobs for every 500,000 immigrants removed from the labor force.
- Historically, native workers are not easily replaced by immigrants that are deported. The net result would be fewer people employed in key sectors such as agriculture, services, and manufacturing.
- Approximately 42% of crop farmworkers are undocumented immigrants and deporting them could cause a turmoil in the agricultural industry and raising food prices.
- The construction industry would take a big hit as 13.7% of construction works are undocumented. With loss of cheaper labor, we could see a jump in real estate costs.





The Ambitious 3-3-3 Plan

- Treasury Secretary Scott Bessent's 3-3-3 plan is an economic strategy , that consists of three main objectives

Reducing the budget deficit to 3% of the GDP by 2028:

- This goal remains challenging, as the current federal budget deficit stands at 6.4% of GDP
- Extending the 2017 tax cuts could add $4 trillion to the deficit over the next decade, complicating deficit reduction efforts
- Bessent suggests offsetting tax cut extensions with budget cuts from programs like the Inflation Reduction Act

Boost GDP growth to 3%:

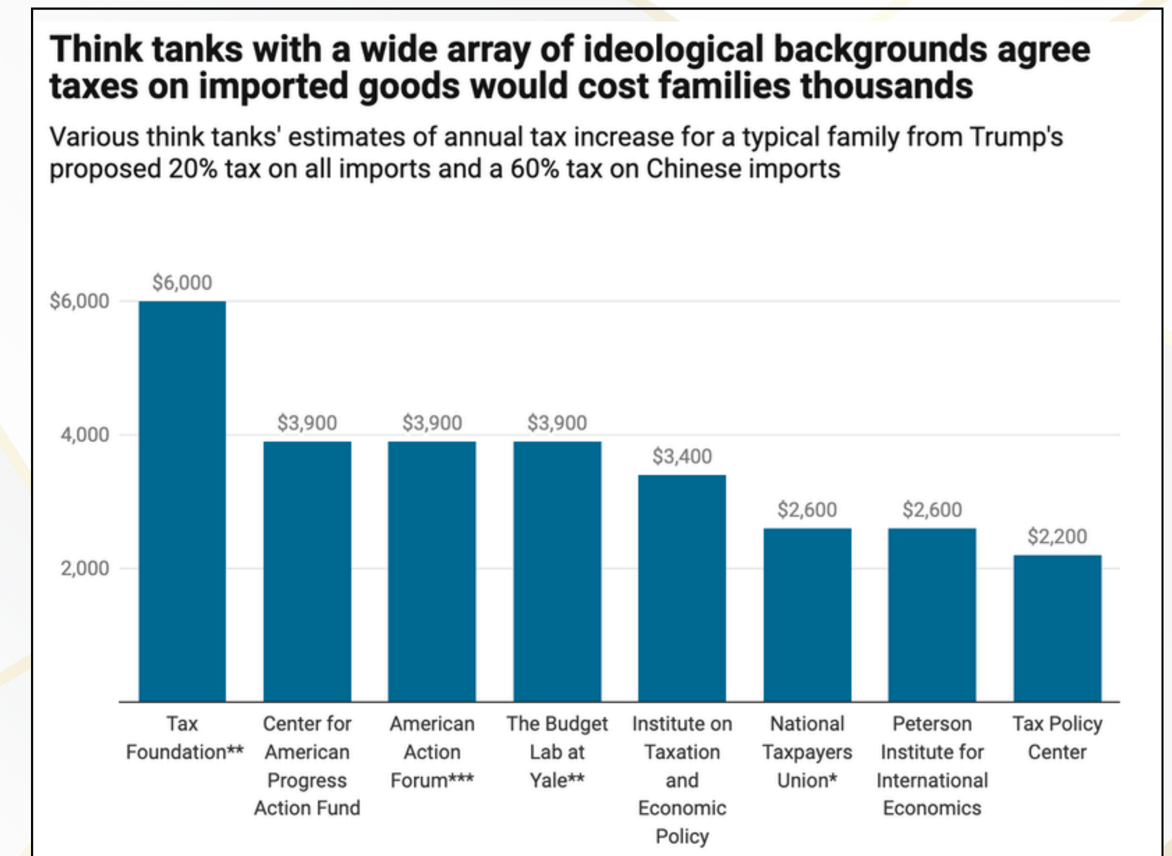
- Scott is planning to focus on deregulation and pro-growth policies to stimulate business investment
- He also emphasizes increasing U.S. energy production and "slaying inflation" to achieve this growth target
- Sustaining such growth consistently may be difficult, especially if deficit reduction measures impact government spending.

Increase US energy production by 3 million barrels of oil equivalent per day:

- The increase in oil production would lead to a reduction in prices helping reduce inflation
- Increase in domestic production would help reduce energy dependance from imports
- This goal may face geological constraints and environmental opposition. Additionally, it could conflict with effort to transition to renewable energy sources.

2028 Congressional Budget Office (CBO) baseline deficit	**+5.8%**
Policies Scott Bessent has backed	**+0.2%**
Assume 2.5% real GDP growth in 2025 followed by three years of 3% GDP growth	-0.5%
Extend 2017 tax law's individual and estate provisions	+1.1%
Eliminate Inflation Reduction Act energy investments	-0.3%
Freeze nondefense discretionary spending	-0.1%
Debt service	+0%
Additional policies required to hit 3% deficit target	**-3%**
Enact a 20% tariff on all imported goods and a 60% tariff on all goods from China	-1.3%
Cuts to Medicaid; the Supplemental Nutrition Assistance Program; veterans' compensation and benefits; and other mandatory non-Medicare, non-Social Security programs	-1.4%
Debt service	-0.3%
Scott Bessent's 2028 deficit goal	**+3%**

Source: US gov. agencies



Source: US gov. agencies

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Trump's Tax Cuts: Keeping The Market Momentum Going

What Happened

- Trump’s tax cut proposal (corporate tax from 21% to 15%).
- Post-election surge: S&P 500 increased 3.5%.
- Historical S&P 500 performance post-tax cuts: 5.2% in 12 months, 12.3% in 24 months.

Outlook 2025

- Goldman Sachs expects 20% EPS growth in the S&P 500 by 2025, with a 1% tax cut boosting EPS by 0.9%.
- Sectors like Manufacturing, Tech, and Financials are set to benefit.
- REITs could gain as the 20% pass-through tax deduction from the TCJA extended, boosting dividends.
- Market growth projection: 7-10% growth in S&P 500 over the next year due to tax cuts.

Key Risks and Uncertainties

- $673 billion federal revenue loss from tax cuts (to 15%), increasing fiscal deficit to 1 Trillion annually
- Credit downgrades and interest rate hikes due to rising debt levels, potentially increasing borrowing costs.
- Tariff risks: Proposed 10%-20% tariffs may reduce S&P 500 EPS growth by 2% and harm consumer spending.

YEAR CORPORATE TAX CUT TAKES EFFECT	ANNUAL S&P 500 RETURN (12 MONTHS)
1970	0%
1971	11%
1979	12%
1987	2%
1988	12%
2018	(6%)
Average	5.2%

Sources: Goldman Sachs

Sources: OCED, Comparative Tables of Revenue Statistics in OECD Member Countries

Bond Market Focus Returns To Inflation As Upside Pressures Increase

Treasury

We see minimal downside (and high possibility of further upside) to yields in the near term given the below headwinds:

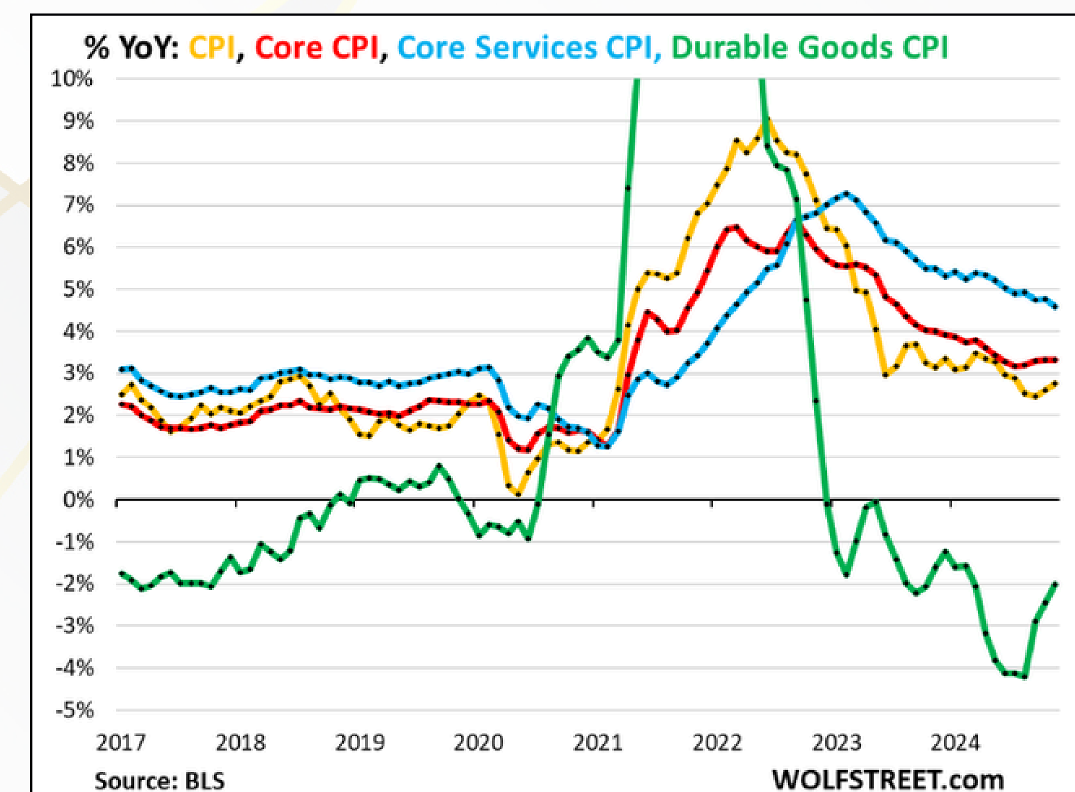
- **Inflation:** a number of metrics show price pressures are rising again.
- **Treasury supply:** $14.6 trillion of Treasury debt maturing over the next two years.
- **Buyers of treasury**: International holders (rate insensitive) have been replaced by domestic and rate sensitive buyers.
- **Policy uncertainty**: Most of the policy rollout could see extended timelines given the lengthy approval process leaving a big part of 2025 exposed to uncertainty.

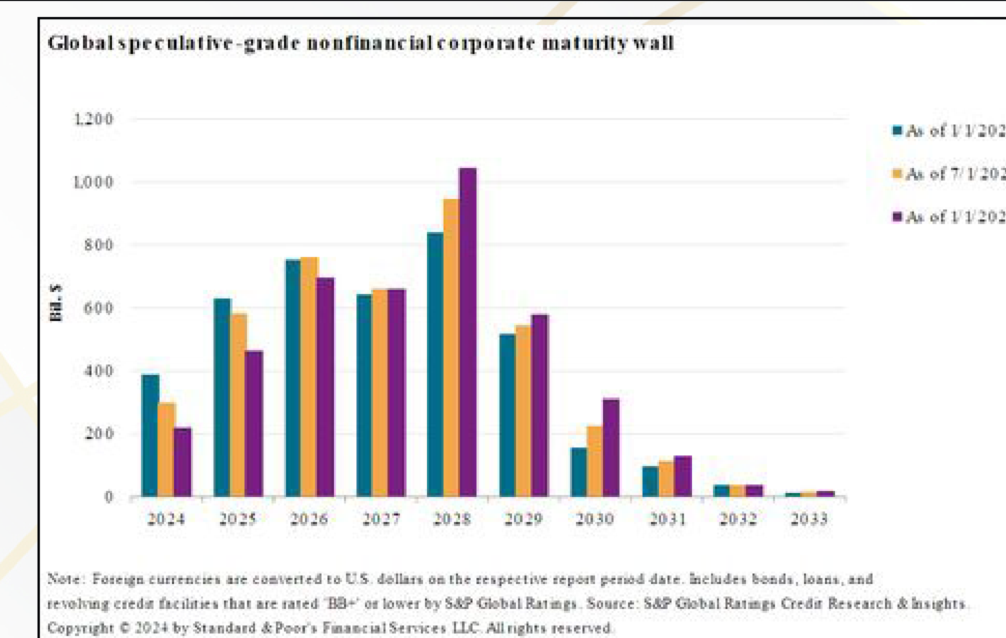
Investment Grade

- **The first 7 days of 2025 has seen ~$75B of IG bond supply** - the busiest through the first full week of a new year in history as rising yields pushed companies to complete funding before any further increases in yields.
- Investor demand at higher yields however has been robust pressuring corporate credit spreads.
- We advise exposure to short and medium term notes which provide good return without the risks embedded in the long end.

High Yield

- Credit spreads remain low compared to 20Y averages and do not seem to be suitable for the implicit risks.
- Any extended weakness in the economy could lead to heightened pressure on businesses.
- A bottom-up approach is warranted for any exposure to HY.





China Faces A Tough Year With External Forces Adding to Internal Woes

Domestic Consumption

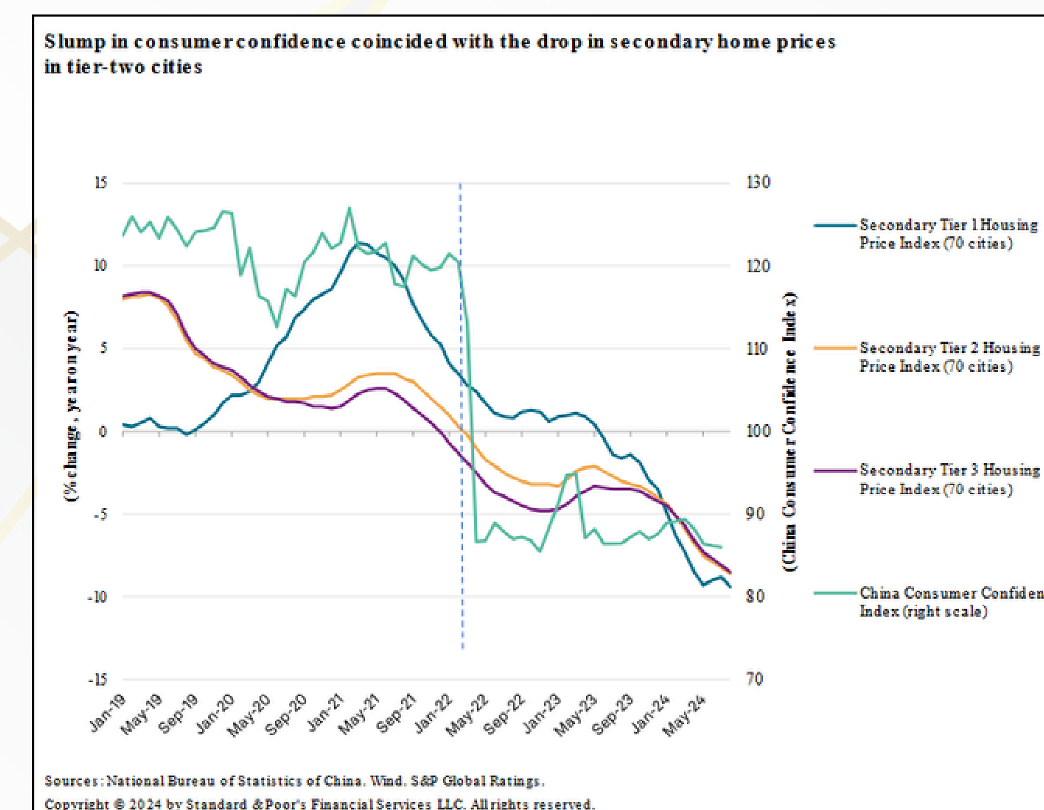
- **Consumer confidence remains low**, Nov retail sales fell to a 3-month low of 3%, CPI slowed to 0.1% YoY.
- This is with the trade-in program in place to boost consumption. Beijing has announced ramp up of the program by including more consumer goods.
- **PBOC announced shifting focus more towards improving consumption** in their latest statement on 13th Jan.

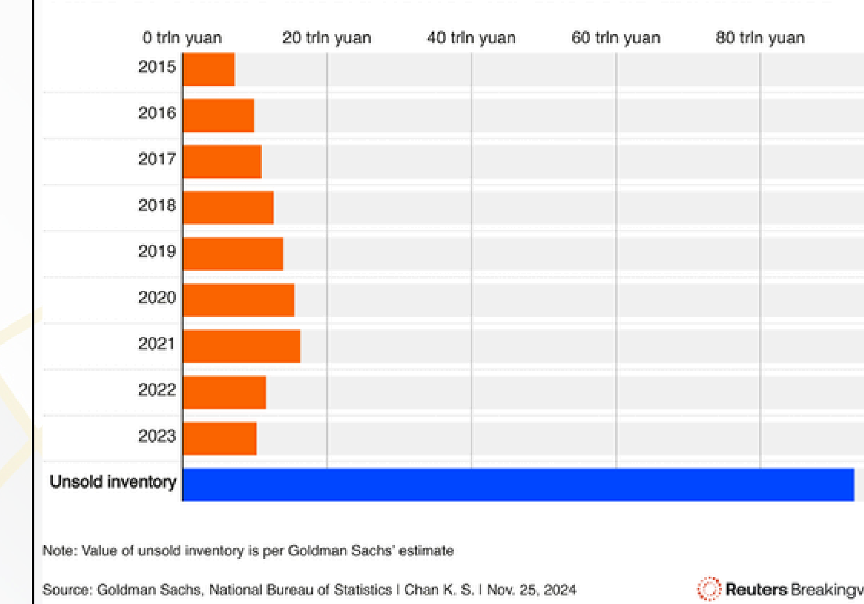
Net Exports

- **Net exports were biggest contributor to 2024 GDP**. Exports rose 6.7% in value terms YTD through Nov.
- **Outlook for 2025 remains highly dependent on the scope, timing & enforcement capacity of Trump's tariffs.**
- China's response to tariffs would likely be to allow yuan to depreciate to offset some of the effect. China may retaliate with its own tariffs on rare minerals. **The biggest source of uncertainty is how rest of the world responds as China would seek other markets.**

Property Sector

- **The property market decline continued in 2024**, with new starts down by 23% through November and completions down 26.2%.
- Unsold homes and unfinished projects remain the biggest challenges given their immense scale.
- Primary driver of current demand is upgraders. Therefore, **demand has shifted from lower-tier cities to tier-1 cities.** Higher supply has led to amplified loss in price levels in lower-tier cities.
- **Secondary market continues to be a bigger share** (30% in 2022 to 47% in 2024) of total transactions due to developer related risks.
- As developers continue seeing cash crunch and restructuring, **confidence in the property market could remain low in 2025.**





Foreign Dependency and Political Uncertainty Is Weighing Europe Down

Germany

- At -**0.2% growth, German GDP** contracted for a second consecutive year.
- **German automakers pay 2x in energy costs v/s Chinese counterparts and 3x what US automakers pay.**
- **Public debt to GDP sits at a healthy 64%**, however a constitutional brake limits their borrowing.
- **Consumer sentiment remained low** due to high food & energy costs with **fears of job cuts, plant closures and relocation of production abroad adding to concerns.**
- Amidst a weak macro, **DAC40 grew an impressive 18.4% in 2024** driven by SAP (69%) which accounted for 40% of gains.
- The **P/E ratio for German equities is 16.75 which is above the 10Y avg. of 13.23.**

France

- GDP growth is poised to slow to <1% in 2025 owing to **reduced business and household spending due to political uncertainty.**
- **Fiscal deficit stood at 6.1% in 2024. French politicians are unable to align on a plan to reduce deficit.** Last year saw 4 French PMs as a result of political turmoil.
- **Public Debt to GDP stood at 127%.** Gov. spending accounted for 58% of GDP in 2023.
- **CAC40 fell by 2.2% in 2024** due to political turmoil and also drawdown in heavyweight luxury stocks as Chinese shoppers scaled down.
- Clarity on policy direction, US tariffs and effective Chinese stimulus would be tailwinds to French equities.

Italy

- Italy's Istat has halved its forecast for **2024 GDP to 0.5% due to soft manufacturing growth and feeble domestic consumption.**
- Italy was able to successfully pass the first part of 2025 budget to boost spending and increases tax revenues. Italy's FM has pledged to craft a budget to cut the deficit over next 2 years.
- Positive factors (listed below), favorable trends in consumption and an export recovery would fuel a pickup to 0.8% expansion in 2025 and 1.1% in 2026 as per market estimates.
  - **Household debt remains low at 58%** remains far lower than 87% in the Euro Area.
  - **Very resilient SMEs**, with historically-low default rates, high liquidity and improved financial leverage.
  - Export-oriented companies highly diversified in terms of industries and markets and **exports have outperformed Germany by ~9% over last 5 years.**

India's Thriving Consumer Market Driving Stock Market

What Happened:

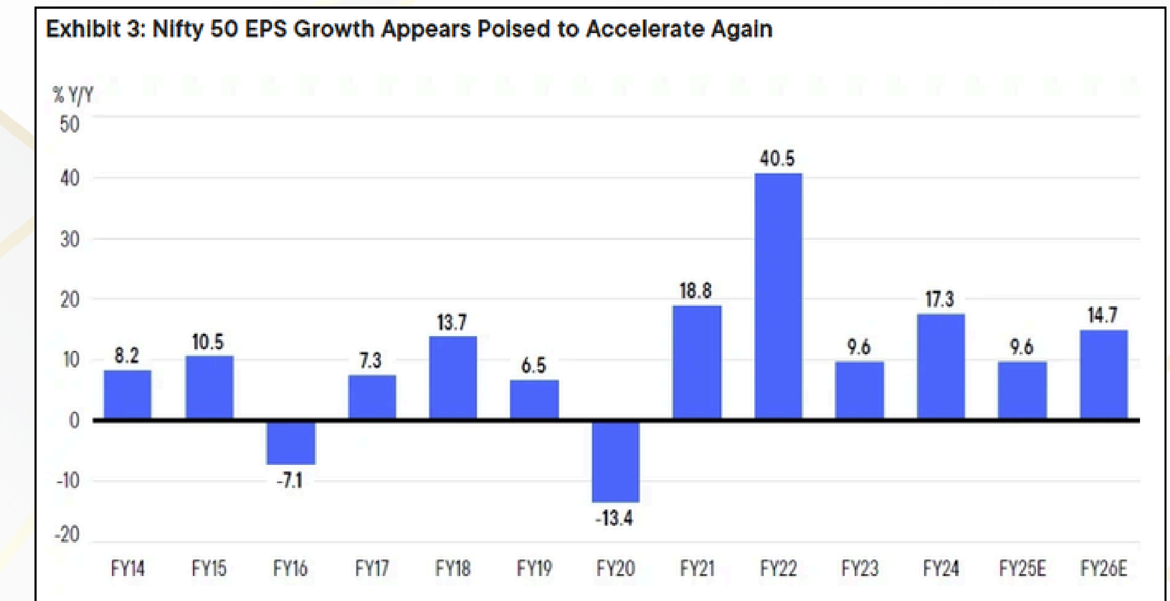
- 5.4% YoY in Q2 FY25, slow down, delayed government spending, monsoon disruptions.
- Corporate Earnings Growth forecasted at high-single digits, with sectors like energy and consumer staples face earnings revisions, contributing to subdued market performance.
- Fiscal deficit of INR 458 billion (US$ 5.4 billion), delayed fiscal spending impacting market sentiment.
- GDP of 5.7% in Q3 FY25, cost pressures, delayed monetary easing, dampened market activity.

Stock Market Outlook 2025:

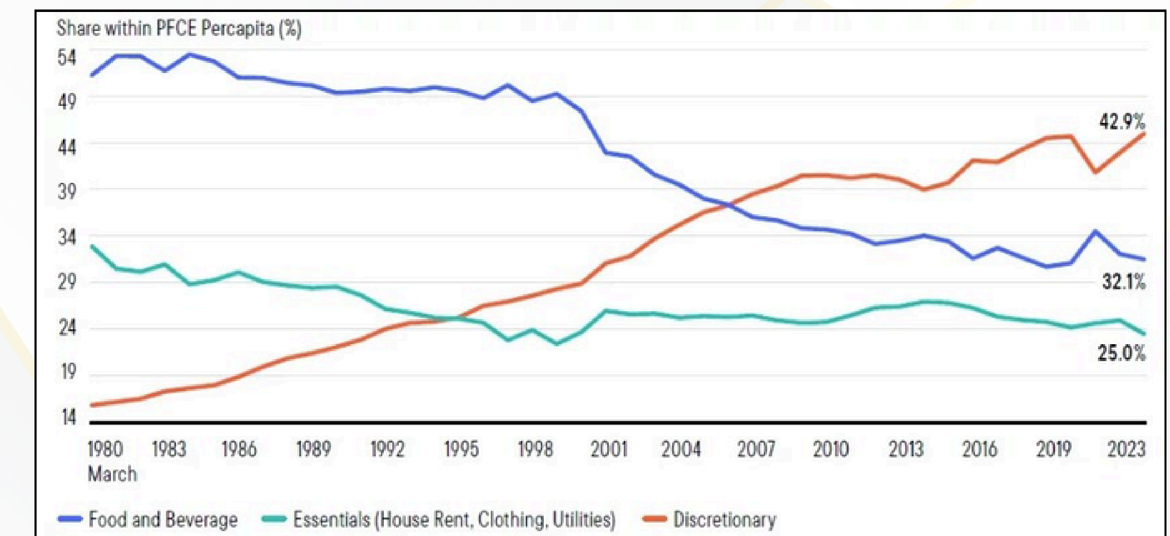
- Expected at 14.7% in FY26, as per Franklin Templeton, driven by economic recovery and key sectors like digital economy and health care.
- Increased spending, tax cuts, income transfer schemes boosting consumer demand and private sector investment.
- Discretionary spending (CAGR of 17.3% FY24-26), government-led digital transformation supporting equity growth.
- Anticipated in 2025, stable inflation, easing pressure benefiting interest-sensitive sectors.

Key Risks:

- US tariffs could impact exports like electrical equipment (13% of India's US exports), but pharmaceuticals and precious stones should remain resilient.
- Global economic slowdowns or geopolitical risks affecting export demand and foreign investments.
- Fiscal policies focused on deficit reduction may limit flexibility for further growth-stimulating measures, impacting market performance.



Source: Franklin Templeton



Source: CEIC, ICICI Securities

GCC: Steering Towards Robust Economic Growth

The GCC in 2025 :

- **GCC's Approximate Real GDP Growth is targeted at 4.9%**
- Continued investments in the **non-oil sectors** and **advancements in AI** highlight the region's commitment to building a globally-competitive, future-ready economy.

Kingdom of Saudi Arabia

- 2025 Outlook : The Kingdom's economy is expected to grow at **3.7% to 4.8%** in **2025** as per market forecasts.

What happened

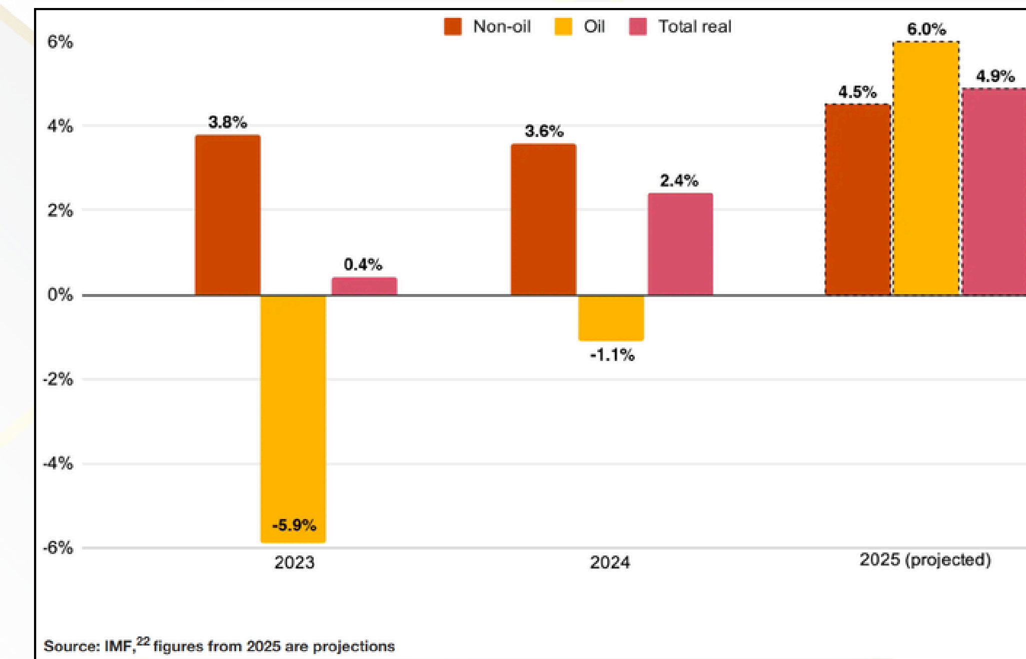
- Oil Production Declined almost **7% YoY** in **2024.** GDP from Oil sector contracted by almost **8.9% in Q2 2024,** modest recovery began in Q3 2024.
- The non-oil private sector showed strong performance, **3.5% growth in non- oil sector** despite **only 1.5% overall GDP Growth (PWC). Financial** and **insurance** sectors were key drivers of non-oil growth

Key economic indicators for 2025 include

- Consumer Spending: Expected rise of **4.5%.**
- Inflation: Stable at **1.9% to 2%**.
- Current Account: Surplus of **0.7%** of GDP.
- Fiscal Deficit: Estimated at **2.9%** of GDP.
- Debt-to-GDP Ratio: Expected to rise to **29.5%.**

Top 3 IPOS in Saudi

- Riyad Capital: Planning a $2.5 billion IPO, expected in mid-2025
- Tabby: The Riyadh-based tech unicorn is anticipated to make its Tadawul debut in 2025
- Derayah Financial: Reportedly planning a $2 billion listing



United Arab Emirates

2025 Outlook: Ranging from 4.1% forecast by World Bank to 6.2% forecasted by Central Bank of UAE, Fastest Growing Economy in the region and Leading GCC Growth. Non-Oil Projected growth of **5.4%** in non-hydrocarbon GDP.

What happened

- The UAE's real GDP grew by **3.6%** in H1 24, reaching AED 879.6 billion
- Non-oil sectors contributed significantly, accounting for **75% of the GDP** and growing by **4.4%** in the same period.
- The nominal GDP registered a growth rate of **5.6%**

Key economic indicators for 2025 include

- **Economic Diversification:** Growth in tourism, construction, and financial services.
- **FDI:** UAE to remain a global leader in FDI relative to its economy.
- **Strategic Investments:** Focus on AI, infrastructure, & Oil

Has Gold Peaked? ....

CHART 1: GOLD

Patterns show that Gold has completed a continuation pattern of a bull run and it has reached its target which is around $2,645/oz levels. The RSI indicator which shows Gold currently is in the overbought zone and the divergence indicates a pullback from current levels

CHART 2: DXY V/S GOLD

Historically, we have seen an inverse relationship between the Gold and the Dollar Index.

Since we are currently seeing a rise in the Dollar index, There is a chance that Gold will start showing signs of a slowdown and retreat from current levels.

Base Case	Bull Case	Bear Case
We expect that Gold should remain rangebound at the current levels between $2400/oz-$2900/oz	We can expect one more rally towards $3160/oz	If any escalation in geopolitical scenarios we might see a pullback to $2200/oz which is a major support level for Gold.

2025 Outlook: Gold

Tailwinds

- The consumer demand in China and India is growing, with local gold Mutual funds and the increase in ETFs, along with regulations encouraging the holding of Gold, are driving demand
- Loose monetary policies and the fiscal policies of the Trump administration may increase the USA's deficit and drive inflation, which will reduce the appeal of purchasing Gold compared to the dollar or US Treasury bonds

Headwinds

- A stronger-than-expected dollar could put downward pressure on gold prices, as the two often have an inverse relationship. This could occur if the U.S. economy outperforms expectations or if global economic uncertainties drive investors to the dollar as a safe haven.
- If central banks, particularly the Federal Reserve, reverse course and raise interest rates instead of cutting them as expected, this would likely create challenges for gold prices. Higher interest rates typically make yield-bearing assets more attractive compared to non-yielding gold.
- A significant reduction in global conflicts and trade disputes could diminish gold's safe-haven appeal. This might lead investors to shift towards riskier assets in search of higher returns.

Outlook

- Gold has a had a good run in 2024, approximately 27% gain. If the Dollar gets stronger for H1 2025, we can see a slowdown in Gold and could be very rangebound.
- We feel Gold can stay in the range of $2400/oz - $2800/oz .

2025 Outlook: Oil

Tailwinds

- Oil prices are set for a volatile year. a significant reduction in Russian oil output or exports, triggered by conflict disruptions, could squeeze the global supply, propelling prices to new heights.
- Ongoing conflicts, such as the one between Israel and Hamas, which was joined by Iran, may lead to further geopolitical uncertainties, contributing to higher oil prices.
- To manage Production increases in Oil by the Trump administration, OPEC+ could shrink supplies to manage prices

Headwinds

- Scott Bessents 3-3-3 plan which talks about increasing U.S. energy production to the equivalent of an additional 3 million barrels of oil per day could put some downward pressure on Oil Prices.
- Oil production is forecasted to rise by 1.6 million barrels per day in 2025 (IEA), with 90% of this growth coming from non-OPEC+ sources. However, OPEC+ may need to extend production cuts to protect oil prices in an oversupplied market

Outlook

- Amid a sluggish 2024 in the oil market, OPEC+ interventions and geopolitical influences are set to stabilize supply in Q1'25, potentially driving prices up in H2 2025. The anticipated oil prices by year end 2025 could see an increase in BRENT Crude oil up to $85/bbl,

Brent Crude Chart:

Oil has managed to show very strong support at $70/bbl, which is also the 50% Fibonacci retracement level which is a strong pivot point.
In the near-term Oil could experience some volatility due to various geopolitical factors and move towards $85/bbl which is the next resistance level.

2025 Outlook: Currencies

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Currency	2024 Performance	H1 2025 Outlook	H2 2025 Outlook	Support and Resistance levels
DXY (USD)	USD +7% (monetary tightening, global divergence, reduced QT).	Continued upward momentum, driven by post-election optimism, trade tariffs, and seasonal inflation trends. ↑	Weakening expected due to slowing growth and Fed rate cuts. USD likely to weaken. ↓	DXY Support – 107.34/ 105.43 Resistance – 110 /114
JPY (Yen)	JPY -10% vs USD (140.96 to 156.78), 10-year JGB yield +49bps to 1.10%, BoJ rate +35bps.	BoJ expected to raise rates to 0.50%, pushing USD/JPY higher, but intervention risks remain. ↓	Further BoJ rate hikes to 0.75%, Fed rate cuts, JGB yield up to 1.40%, leading to USD/JPY decline. ↑	Support – 140 Resistance -162 / 174
EUR (Euro)	EUR/USD -7% (1.1059 to 1.0400), ECB rate cuts to 3.00%, continued QT, 10-year bund yield +35bps to 2.37%.	EUR/USD pressure, with ECB cutting rates further to 2.50%. Political uncertainty (Germany, France) adds to downside risks. ↓	EUR/USD recovery expected as ECB pauses rate cuts at 2.00%, with bund yields rising to 2.30%.↑	Support - 0.96 Resistance – 1.202
GBP (Pound)	GBP/USD -1.7% (1.2739 to 1.2538), BoE cuts rates to 4.75%, continued QT.	GBP/USD recovery as BoE cuts rates by 50bps to 4.50%, supported by weaker labor market and slowing wage growth. ↑	BoE further cuts by 100bps to 3.75%, leading to GBP underperformance and EUR/GBP rise. Gilt yield falls to 4.20%. ↓	Support – 1.203 / 1.181 Resistance – 1.317/ 1.342
CHF (Swiss Franc)	USD/CHF -5.3% (0.9225 to 0.8736), driven by USD softening, global uncertainties.	Fed cautious stance, strong US labor market likely to keep USD/CHF above 0.8858. Focus on economic resilience. ↑	USD/CHF rise expected, reaching 0.9225 to 0.9440, as US economy remains steady, and inflation persists. ↑	Support -1.08 / 1.06 Resistance - 1.20

Can Bitcoin Be The New Gold Of This Century? AFAF

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Bitcoin has taken the world by storm. Since bitcoin touched $100K, people have started believing the power of the decentralized currency. It has survived for 15 years, with transactions worth $15 trillion without a single fraudulent transaction

Sudden Rise in 2024:

- In January, the SEC gave regulatory approval for cryptocurrency ETFs, including spot bitcoin ETFs. This increased prices from USD 42K in January to $70K by March
- Trump getting elected skyrocketed the price of bitcoin to an all time high of $108K from $68K at the end of November
- Trump has also promised to reduce the capital gains taxes on cryptocurrency and vows to make America the crypto capital of the world.
- Major institutions like Tesla, Blackrock, etc. have added bitcoin to their portfolios.

What makes bitcoin unique:

- Bitcoin's supply is capped at 21 million, ensuring its scarcity. With 19.7 million coins already in circulation, the remaining supply becomes increasingly limited as mining progresses.
- Seen as a store of value and hedge against inflation. It is portable, divisible, and accessible globally.
- Traded 24/7 across global exchanges and available to retail and institutional investors alike

Key Risks:

- Unlike companies and commodities, it has no intrinsic value and is not backed by anything.
- Prices can fluctuate significantly, driven by market sentiment and speculation.
- Vulnerability to hacking if stored on insecure platforms and irreversible transactions increase risks of fraud
- Bitcoin is also used to fund illegal activities. Approximately 0.14% of all BTC transactions were used for illicit activities.

Source: tradingview.com

Asset Class Correlation Matrix[1,2]
(12-Month As Of December 2023)

High correlation: coefficient value lies between ± 0.66 and ±1
Moderate correlation: coefficient value lies between ± 0..4 and ± 0.66
Low correlation: coefficient value lies below ± 0.4

	Bitcoin	Gold	Commodities	Real Estate	Bonds	Equities	Emerging Markets
Bitcoin		0.2	0.1	0.4	0.26	0.41	0.23
Gold	0.2		-0.03	0.28	0.46	0.26	0.34
Commodities	0.1	-0.03		0.42	-0.12	0.43	0.5
Real Estate	0.4	0.28	0.42		0.57	0.86	0.68
Bonds	0.26	0.46	-0.12	0.57		0.48	0.46
Equities	0.41	0.26	0.43	0.86	0.48		0.73
Emerging Markets	0.23	0.34	0.5	0.68	0.46	0.73	
AVERAGE	0.27	0.25	0.21	0.53	0.35	0.53	0.49

Source: ARK invest

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