

Month Overview

The key event of the month was the re-election of the Republican candidate for a second term in the White House, signaling notable policy shifts compared to the current administration when he takes office in January. Markets reacted swiftly, with U.S.-linked assets gaining momentum, while European and Asian markets declined. A central campaign theme is implementing protectionist measures, including higher import tariffs. This drove significant U.S. dollar strengthening, a rebound in U.S. equity markets reversing October's downtrend, and higher interest rates amid inflation concerns, also shifting the European yield curve upward. Geopolitical tensions are also a key priority, with plans for swift action, though resolutions may prove complex. If tensions ease, the global economy could benefit

Economic Environment

The agenda of the president-elect is perceived as supportive of growth, though not without trade-offs, at a time when the economy continues to show surprising signs of robustness. The core of the plan involves lowering taxes while increasing import tariffs to incentivize domestic production. However, this strategy could lead to a larger deficit—already above 7% last year—and potentially drive higher inflation. Regardless of the elections or their location, there is often a significant gap between campaign promises and their actual implementation. It should not be too different this time either. Consequently, some form of unilateral negotiation can be anticipated, either before or after the implementation of punitive tariffs. Moreover, the president-elect is known for his focus on striking deals, and tariff negotiations would provide an ideal platform to pursue this objective. Similarly, while the implementation of the planned immigration policies may encounter significant challenges, tax reduction is more likely to be realized.

Since the election, the Federal Reserve has likely been reassessing economic scenarios to adapt its monetary policy in response to the upcoming political changes. This forces the Fed to reconsider the trajectory of its policy while it has been carefully managing a soft landing for the U.S. economy. As a result, the institution may hold off on making any decisions regarding its policy rate at the upcoming December meeting. The Chairman often emphasizes that the Fed is data-dependent in its decision-making, so it may choose to await further "data" from the White House before determining whether to continue the rate-cutting cycle.

For Europe, particularly Germany as one of the largest exporters to the U.S., China, and Mexico, the future remains uncertain. However, one thing is clear: adaptation will be necessary. The challenge will be particularly steep for China and Europe, both of which are already dealing with struggling economies. China faces a depressed real estate market coupled with weak consumer demand, while Europe contends with low

growth and elevated energy costs but can count on the ECB to pursue its cuts interest rates in the coming months.

Equity market

The prospect of hefty imports tariffs did not disturb equity markets, abiding more by the growth speech of the new administration. US markets outperformed all the other international markets. Markets in countries directly exposed to potential tariffs did also well such as Germany, Canada or even China. Mexico did not enjoy the same enthusiasm and recorded a small loss. The other emerging markets also recorded losses.

Fixed Income Market

Government bond yields rose following the election results, reflecting expectations of higher inflation and a larger deficit, potentially driving increased debt issuance. However, during Thanksgiving week, the U.S. 10-year yield declined, closing at 4.19%, below the previous month's end. Fixed income markets are now adopting a "wait-and-see" stance, seeking clarity from the new administration on fiscal policies and their potential impact on market dynamics. Additionally, attention remains on the Federal Reserve's approach, as it continues to balance efforts for a soft economic landing while minimizing disruptions to the labor market. Investors are closely monitoring the Fed's December meeting for further guidance on potential adjustments to monetary policy considering evolving fiscal measures.

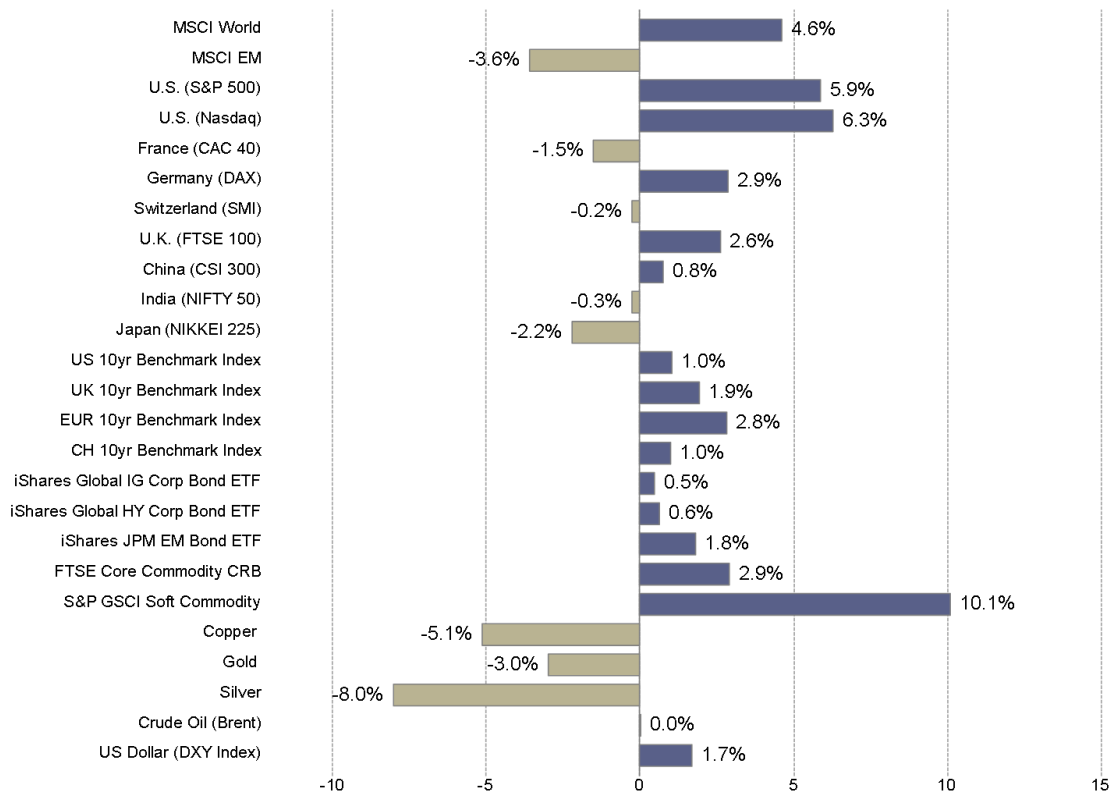
Commodity

Changes are anticipated in the energy sector, potentially pressuring prices. The new administration's skepticism about climate change suggests a policy shift toward increased fossil fuel exploration and production, supported by lifting export restrictions. Oil prices remain low, with Brent crude closing at \$72.94 for the month, and no significant rises expected. This challenges OPEC members, who will meet in December to discuss extending production cuts. Energy stocks outperformed the broader S&P 500 index this month, reflecting sector resilience. Meanwhile, gold saw its steepest decline since September 2023, dropping 3.29% due to a stronger dollar and rising long-term interest rates.

Currency

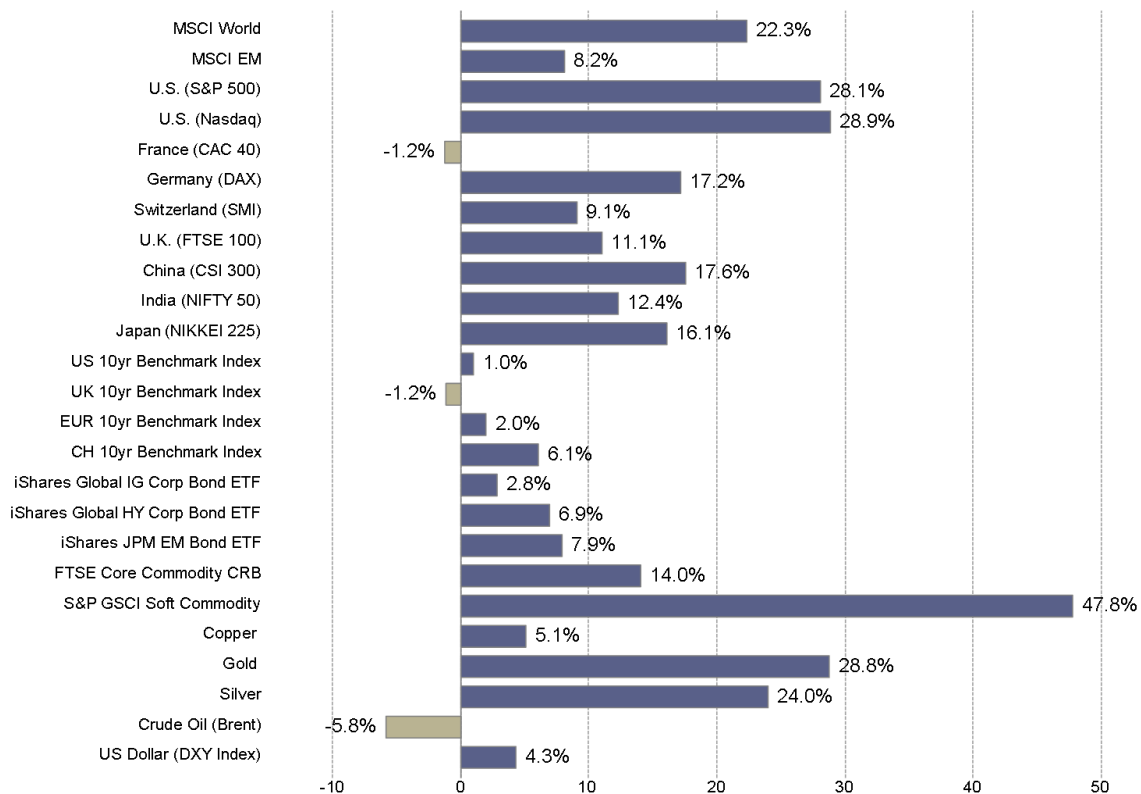
The U.S. dollar appreciated against all major currencies except the yen following the election, with the DXY index, which measures the dollar against six major currencies, rising 1.67%. Supported by rate normalization policies, the yen gained 1.51% against the dollar. For countries targeted by the new administration's tariff policies, currency depreciation may provide some relief by mitigating the punitive impact of tariffs. However, foreign exchange market volatility could intensify if the administration implements a proposed 100% tariff on imports from BRICS nations, should they advance efforts to establish a trading currency that challenges the U.S. dollar's dominant role in global trade.

November 2024 Performance



Source: LSEG Datastream, Anarosa Asset Management AG

Year-To-Date Performance (until 30.11.2024)



Source: LSEG Datastream, Anarosa Asset Management AG

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