

Investment and market outlook for 2024



**A good
year
overall**

**Market
performance
in 2023**

2023 A good year for the markets

2021	2022	2023
Private Equity	Commodities	Private Equity
37,4%	13,8%	33,6%
Commodities	Hedge funds	RV EE.UU.
27,4%	1,0%	24,2%
RV EE.UU.	Monetario USD	HY EE.UU.
27,2%	0,7%	13,4%
RV Europa	Monetario EUR	HY Emergentes
22,5%	-0,9%	13,1%
Hedge funds	HY Europa	HY Europa
6,2%	-11,1%	12,8%
HY EE.UU.	HY EE.UU.	RV Europa
5,3%	-11,2%	12,7%
HY Europa	HY Emergentes	IG Emergentes
4,2%	-12,4%	11,0%
Monetario USD	RF EE.UU.	IG EE.UU.
0,1%	-12,5%	8,5%
Monetario EUR	RV Europa	IG Europa
-0,6%	-12,9%	8,2%
RF EE.UU.	IG Europa	RV Emergentes
-0,6%	-13,6%	7,0%
RF Europa	IG EE.UU.	RF Emergentes
-0,7%	-15,8%	6,8%
RF Emergentes	RF Europa	Hedge funds
-0,8%	-16,9%	5,1%
IG Europa	IG Emergentes	Monetario USD
-1,0%	-17,4%	5,0%
IG EE.UU.	RF Europa	RF EE.UU.
-1,2%	-18,5%	4,3%
IG Emergentes	RV EE.UU.	RF Europa
-2,4%	-19,4%	3,5%
HY Emergentes	RV Emergentes	Monetario EUR
-3,2%	-22,4%	2,8%
RV Emergentes	Private Equity	Commodities
-5,3%	-31,7%	-12,6%

Returns, by asset class, during 2023

US Stocks **+24.2%** US HY **+13.4%** Europe HY **+12.8%** Europe Stocks **+12.7%**

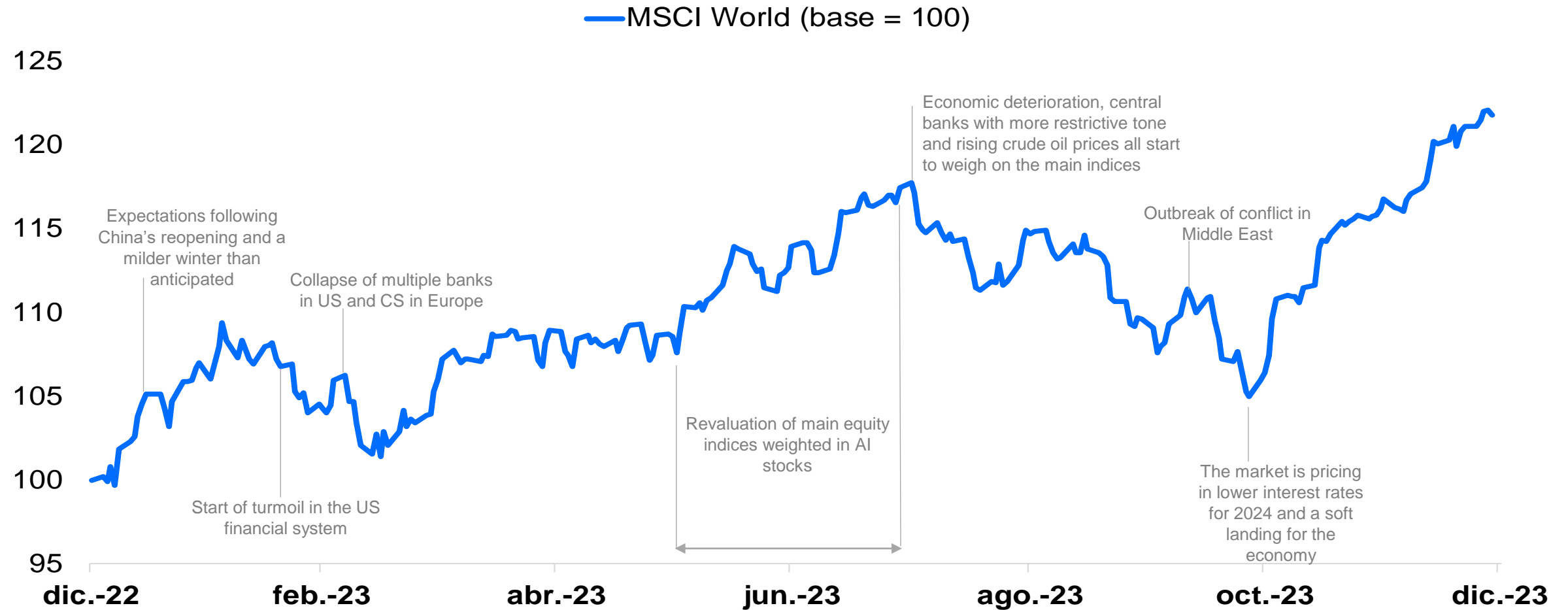
US IG **+8.5%** Europe IG **+8.2%** Emerging Stocks **+7.0%** Emerging Bonds **+6.8%**

Hedge funds **+5.1%** US Bonds **+4.3%** Europe Bonds **+3.5%** Commodities **-12.6%**

With a steadier economy than anticipated, assets recovered some of the ground lost during 2022. **The winners were assets with higher risk.**

2023 Main events

Global equity index performance, 2023



A year of many changes, difficult to manage, where tensions in the financial system, the tone of central banks, deteriorating economic activity and artificial intelligence set the pace for market movements.

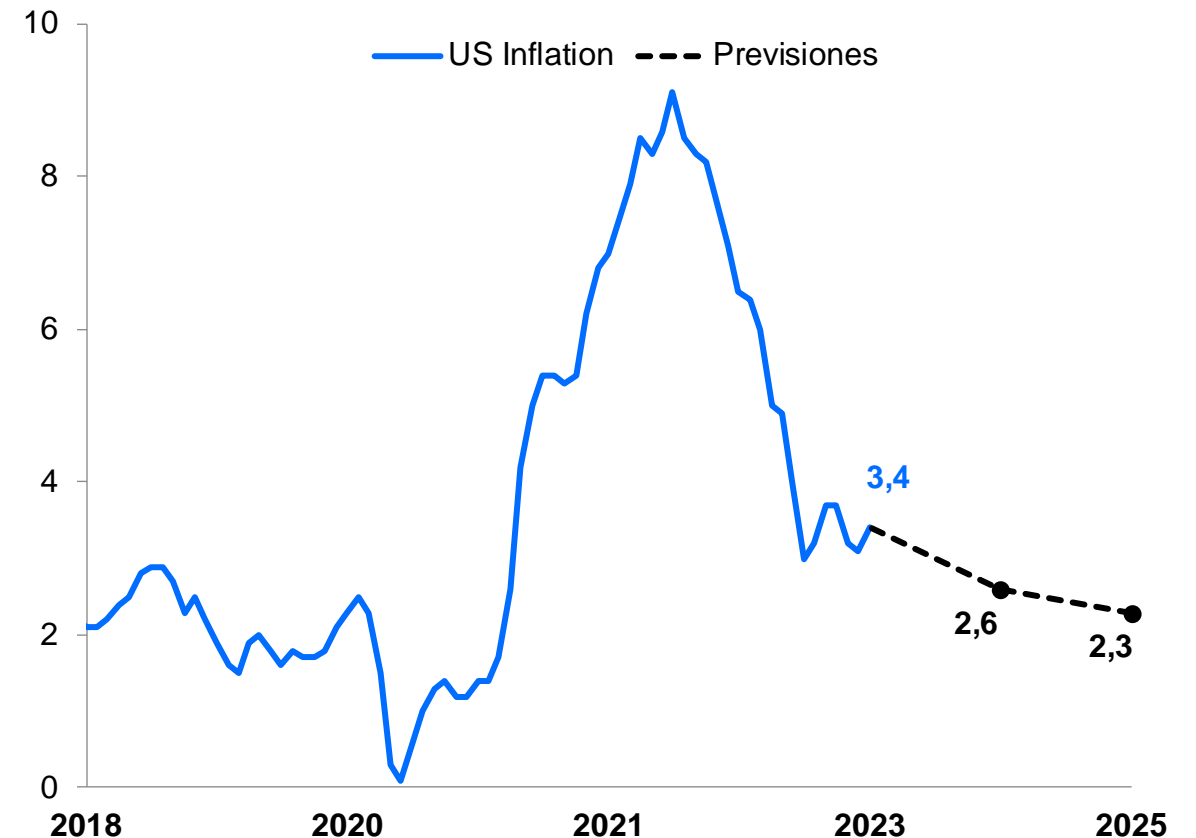
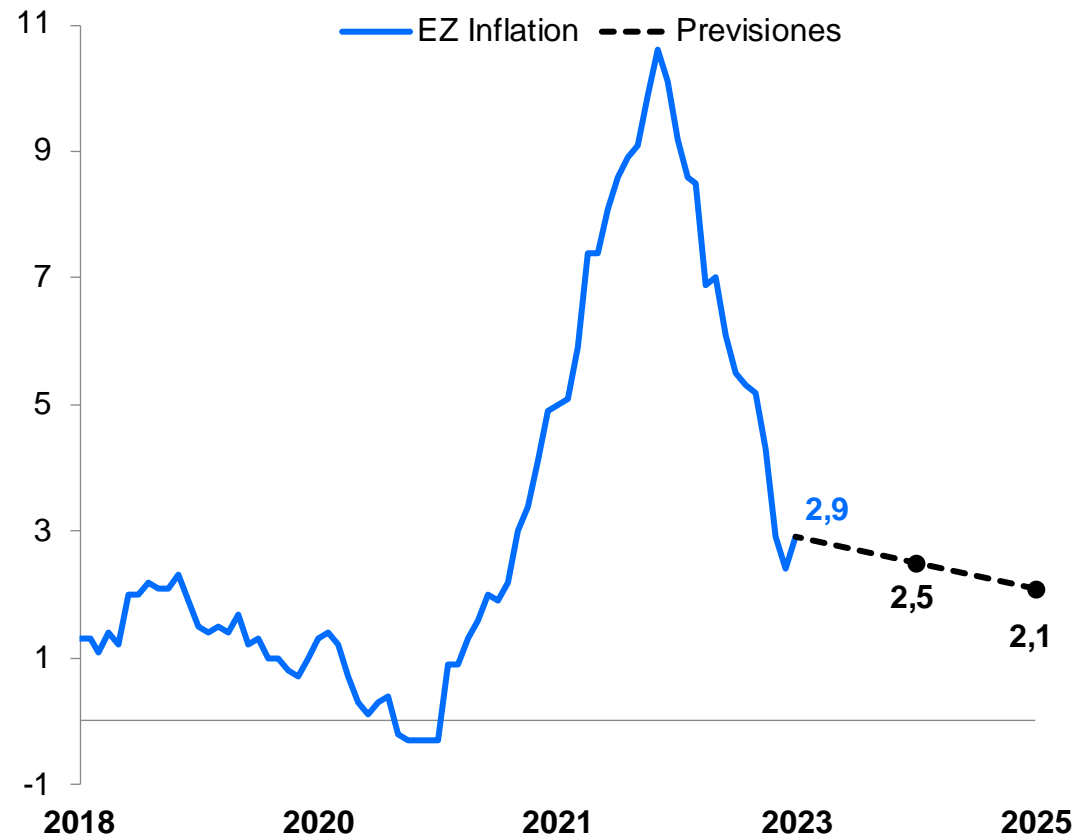


“The last mile”

Inflation no longer the main concern for central banks

2024 Inflation no longer the centre of attention

Inflation evolution and forecasts



Inflation is starting to be more controlled, nearing its target level and **ceasing to be a problem** and the main centre of attention for central banks.

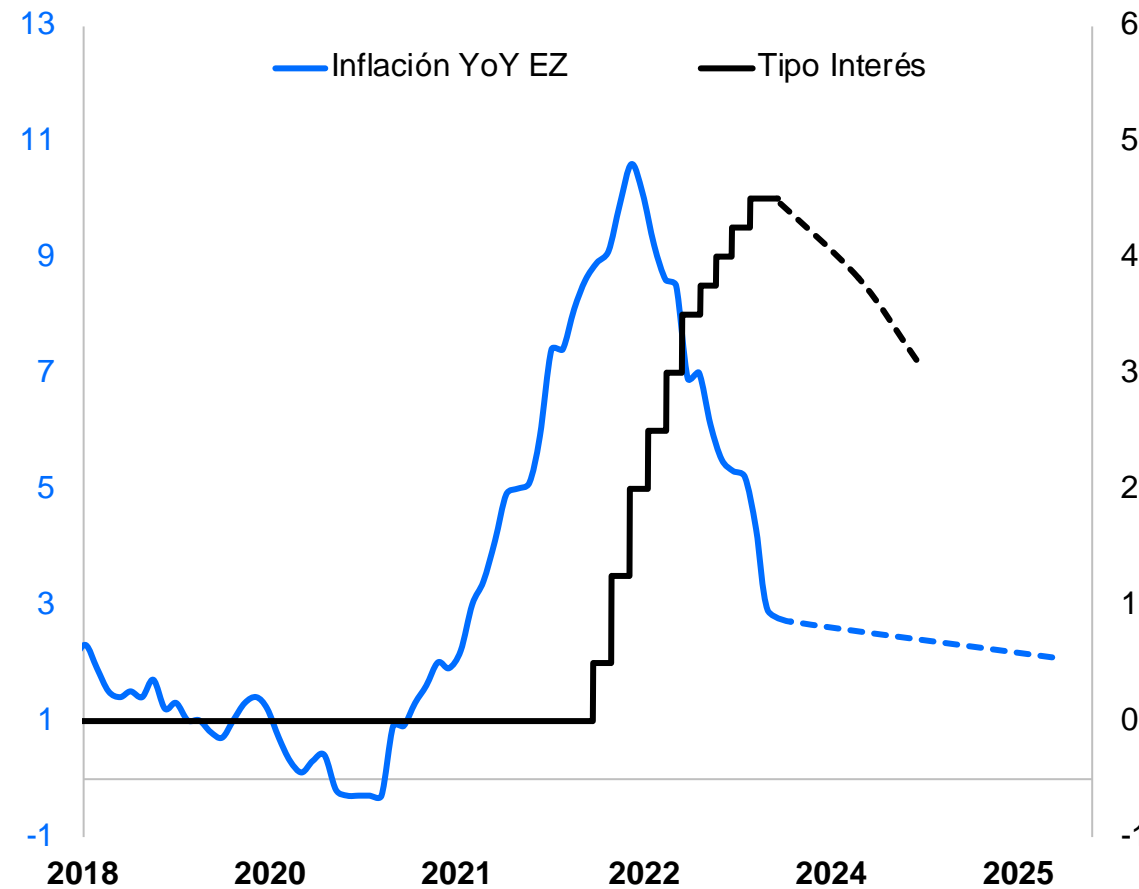
Change of course

Central banks go
from a rate hike
pause to rate
cuts

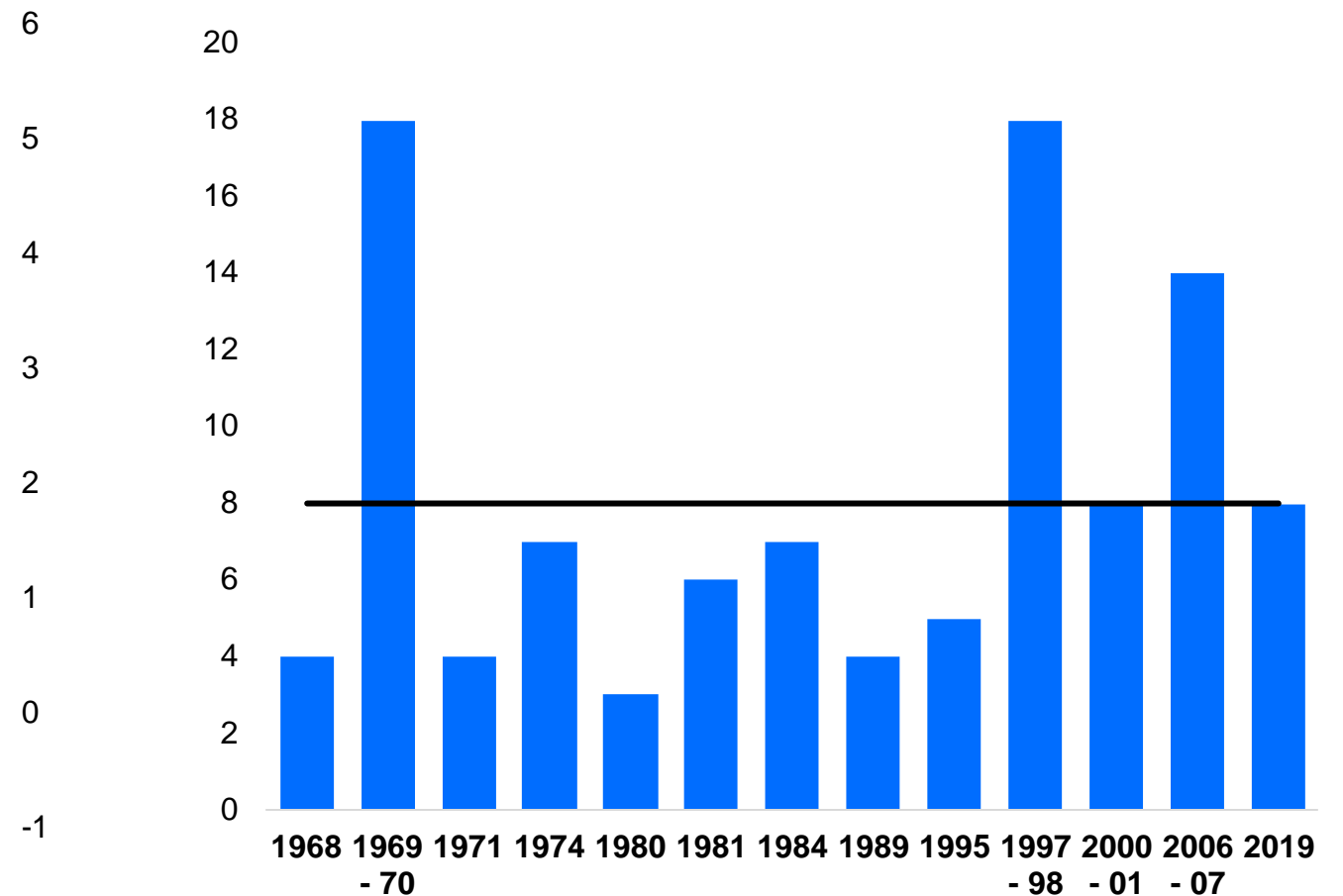


2024 From the pause to the first cuts

1 With inflation under control, interest rates start to come down

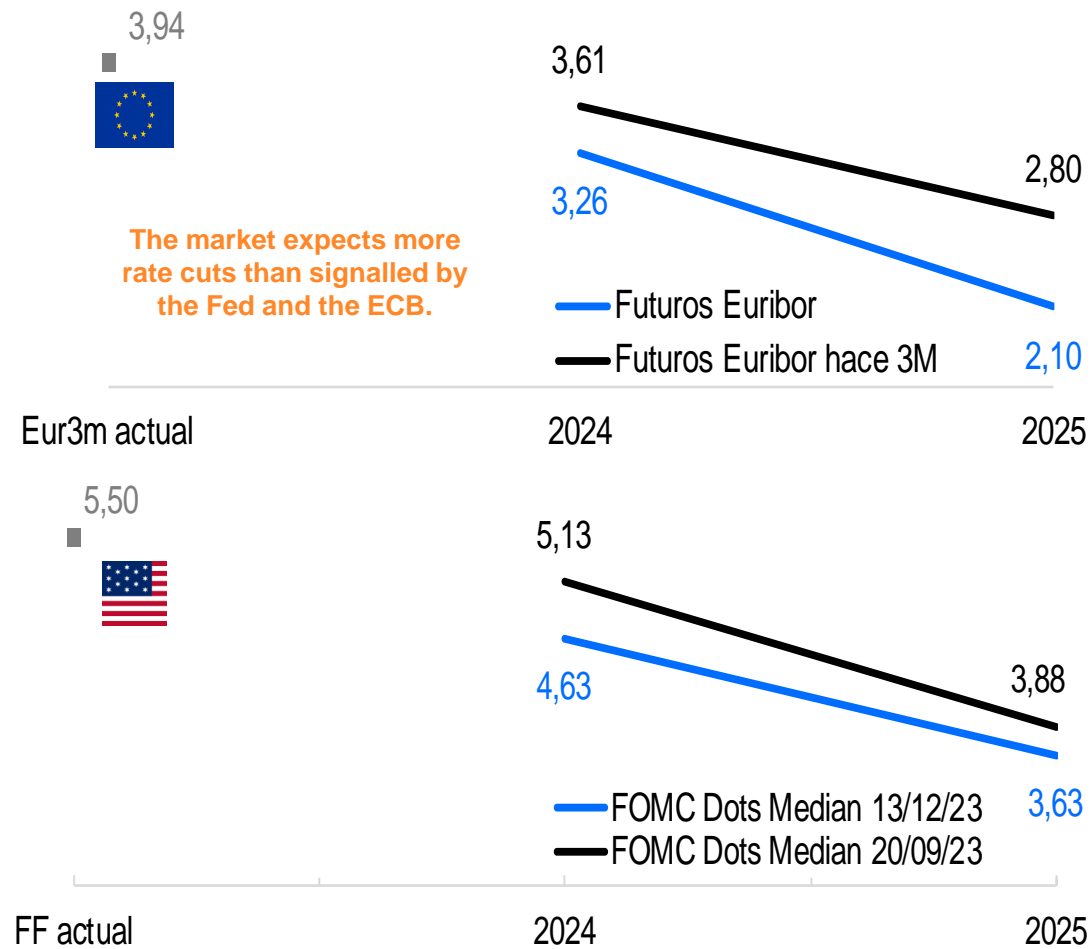


2 Average of 8 months between last hike and first cut

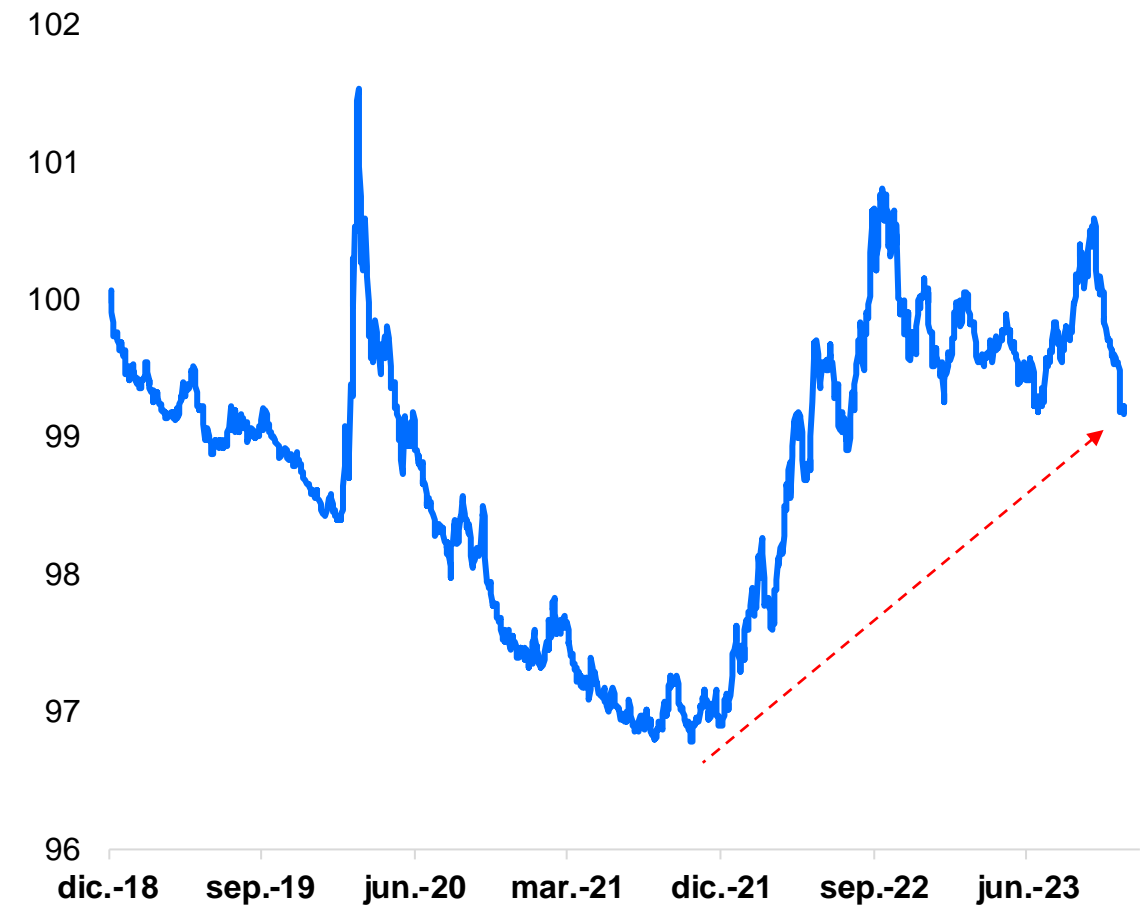


2024 From the pause to the first cuts

3 The market is pricing in several rate cuts in 2024



4 Financial conditions will remain tight despite the first interest rate cuts



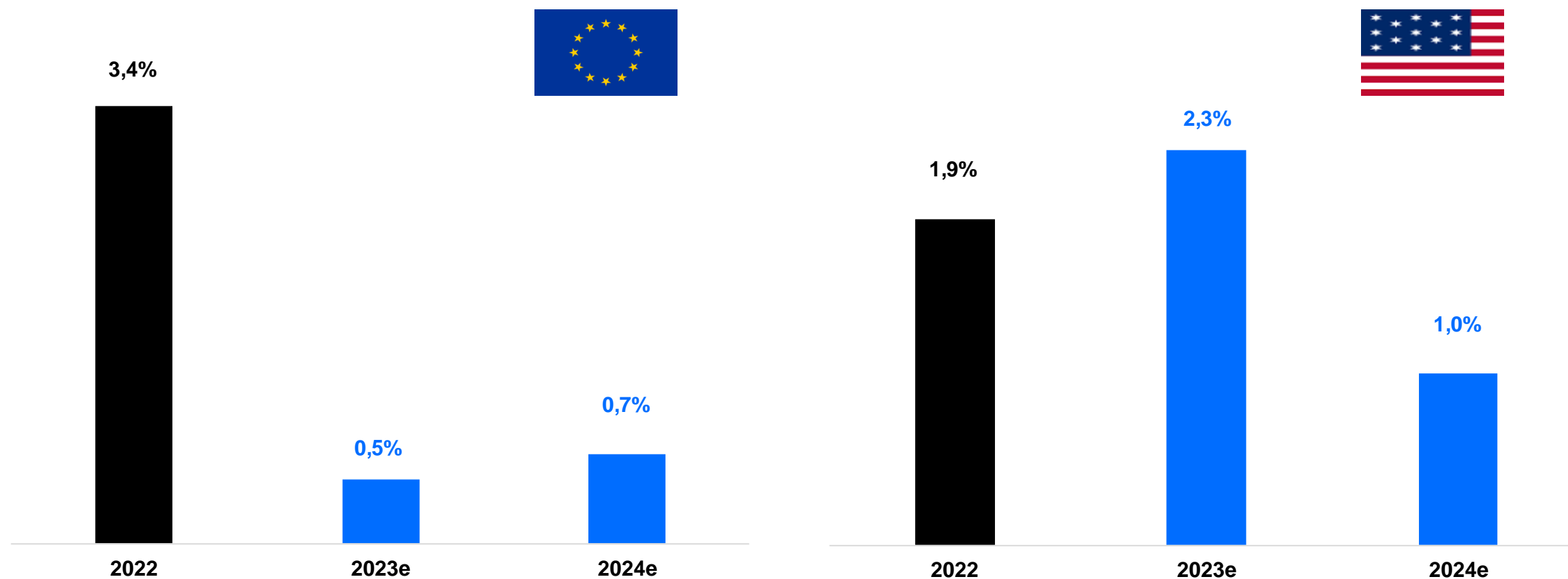
Economic stagnation

Economic weakness on both sides of the Atlantic



2024 Stagnation of the economic cycle

Gross Domestic Product growth expectations Bloomberg consensus





Market outlook

The focus for investment continues to be the opportunities offered by bonds



Investment scenario 2024

Market environment



Inflation

Inflation is no longer a problem and central banks have shifted their focus elsewhere.



Official rates

Central banks have hit pause before **implementing the first cuts** in benchmark rates.



Activity

Stagnation of activity in Europe, with effects starting to be felt in the US.

How to invest



A **year of continuity** when it comes to investment strategy:

The **biggest opportunities** are still in **bonds**, although **good options** do remain for **stocks**.

Main risks



Recession

Deeper recession than expected, triggered by significant tightening of financial conditions following the increase of benchmark rates.



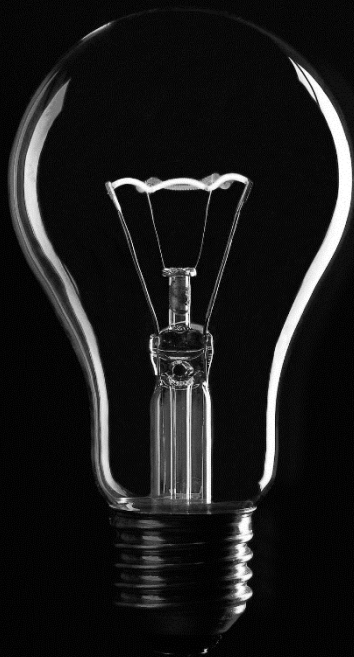
Geopolitical tensions

Geopolitical tensions feed into each other at a global level.



2024

**Investment
ideas**



Opportunities

Monetary policy and the foreseeable reduction of interest rates in the second half of 2024 will offer opportunities.



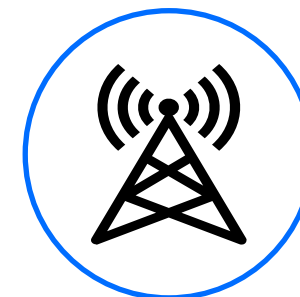
High-quality fixed income

in the form of government bonds and Investment Grade credit, where we will gradually increase the duration.



Short-term High Yield

of up to approx. 2 years and with quality close to investment Grade, which pays well given its relatively limited risk.



Utilities and infrastructures

at their lowest valuations and underpinned by interest rates that have stopped rising and are set to start coming down.



Spanish stock markets

as Spain has the most dynamic economy in Europe and its stock market valuations are not overly tight.



Diversification

Diversification between traditional assets is increasingly difficult. Add assets with weak correlations, prioritising quality over yield.



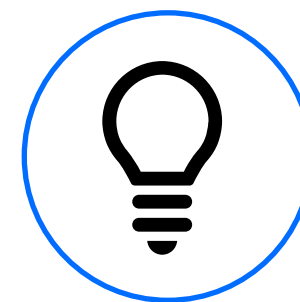
Monetary assets

particularly in the first half of the year, as interest will gradually wane as rates come down.



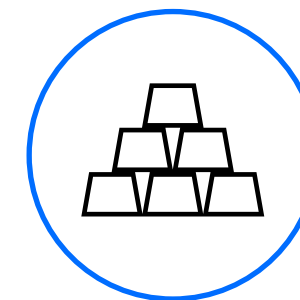
Japanese equities

not only offer opportunities but also play a role in diversification and benefit from a yen that is currently at an all-time low.



Alternative investments

add diversification to portfolios through non-correlated assets, and generate alpha.



Gold

as the quintessential safe-haven asset in a year of considerable weakness and economic uncertainty and as a hedging item in portfolios.



India and Brazil

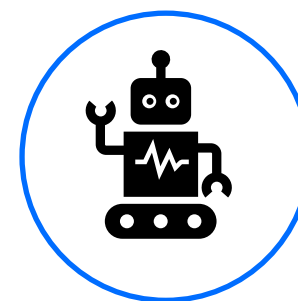
India: an enormous market with increasing capacity for consumption that has already overtaken China.

Brazil: a country with good fundamentals and at a strong stage of the economic cycle.



Defence and cybersecurity

in an environment of growing uncertainty, with various ongoing geopolitical conflicts and an increasingly digital world, this sector is becoming increasingly vital.



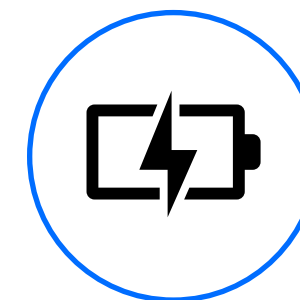
Robotics and technology

Artificial Intelligence and robotics deserve a special mention. Closely linked, these will grow faster than the rest of the economy put together.



Sustainability and biodiversity

after corrections in 2023 due to interest rate hikes that affected certain companies needing to invest heavily in projects, interest rate cuts will help these trends that still remain today.



Energy

not only crude oil, which has limited structural supply, but also other energies that benefit from this situation (gas, uranium, etc.).

Thematic investments

Thematic investments are accounting for a larger portion of portfolios, allowing horizons to be lengthened with structural growth themes.

B Sabadell Urquijo

Banca Privada

¿Necesitas un banco?