

Investment Report

November 2024

Factum AG Current positioning:			
Portfolio balanced	Neutral	Current	Change*
Liquidity	3%	3%	→
Bonds	35%	35%	→
Shares	47%	46%	→
Alternative investments	15%	16%	→

**Changes since the last Investment Report (3 October 2024) & current assessment.*

Strategy overview

The U.S. election has concluded in favor of Donald Trump, making him the 47th President of the United States. This outcome has sent the U.S. stock market into a surge of enthusiasm, with major U.S. equity indices gaining up to five percent in value within the first five trading days following the election. The Dow Jones Industrial Average closed above 44,000 points for the first time, marking a new record high. Factors contributing to this include potential tax cuts and the easing of existing regulations. The U.S. remains the undisputed economic powerhouse, while Europe continues to struggle to gain momentum. Hopes for the announced stimulus measures in China remain clouded with uncertainties. In October, we made no changes to our managed portfolios and are maintaining our current positioning.

“U.S. Markets react euphorically to Donald Trump’s election.”

Dow Jones Industrial Average Index



Source: Bloomberg Finance L.P., Factum AG

Politics

Donald Trump's comeback is undeniably historic. Looking back through U.S. history, only one president has achieved a similar feat: Democrat Grover Cleveland in 1892. Trump likely didn't anticipate this landslide victory just four years after his initial defeat, but it has made him the 47th President of the United States. He secured 312 electoral votes, while Kamala Harris received 226. Notably, Trump won all the key "swing states." Furthermore, the Republicans have reclaimed a majority in the Senate, and even more comfortably than expected, with an estimated 53 to 47 seats. In the House of Representatives, it also appears that Republicans will maintain their majority, giving Trump significantly more leeway in governing. Trump and his party now have a two-year window to capitalize on the momentum of this electoral success. In 2026, a third of the Senate will be up for reelection, along with the entire 435-member House. It's worth noting, however, that the White House under President Trump will not have free rein; the Democrats still hold a blocking minority. Passing most legislation will require a qualified majority of 60 out of 100 senators.

"Republican sweep – Trump's triple victory."

Economy

As widely anticipated, the Fed lowered its target interest rate range by 25 basis points to 4.50%–4.75% on November 7. The labor market has noticeably cooled, thereby reducing concerns about inflationary pressures. Meanwhile, inflation rates have moved significantly closer to the 2% target. Given this backdrop, it is deemed appropriate to steer the key interest rate back toward a neutral level. The central bank's confidence in the ongoing disinflationary trend suggests another 25 basis point cut could be on the table for December. Looking into next year, the path for further rate cuts will largely depend on the economic policy measures implemented by the Trump administration.

"Fed lowers interest rate again by 25 basis points."

Equity Markets

Following the U.S. Elections, global financial markets were primarily occupied with digesting the outcome. Donald Trump's victory, along with the Republican majority in both chambers of Congress, spurred an expansion across asset classes of so-called "Trump trades." Other events, such as the Fed's interest rate decision, additional stimulus from the Chinese government, and the release of purchasing managers' indices—which would normally draw significant attention—took a back seat.

"U.S. election outcome drives markets upward."

The prospect of lower corporate taxes and reduced regulation in the U.S. provided a strong boost to the American market, leading to a new record high for the Dow Jones Industrial Average. This optimism also drove the U.S. dollar to a four-month high, while Bitcoin surged to USD 89,000, marking an approximate 30% increase within a single week. Major U.S. equity markets gained up to five percent over the first five trading days post-election, while European markets ceded some ground. Concerns over increased protectionism and potential trade tariffs put pressure on European markets, while the U.S. market reacted with particular enthusiasm to Trump's election. However, we advise caution, as much of the anticipated positive impact has already been factored into current prices. What can we expect through year-end? If we examine the performance of the S&P 500 Index over the last 18 U.S. presidential election cycles (since 1952), the index delivered positive returns in 14 out of 18 instances during November and December. On average, the S&P 500 Index achieved a gain of approximately 3.5% in this period.

"Trump trades" dominate market sentiment."

Bond Markets

The expectation that Trump's economic policies would further increase national debt and sustain inflationary pressure initially led to sharply rising yields across the entire maturity spectrum of U.S. government bonds. In Europe, however, the development was more nuanced. The prospect of a likely more restrictive U.S. trade policy dampened economic outlooks, fueling speculation around additional rate cuts by the European Central Bank, which even caused yields on the shorter end to decline slightly. These differences also strengthened the U.S. dollar, whose appreciation against the euro was particularly pronounced. Subsequently, however, a counter-movement began in the bond markets, with the yield on the 10-year U.S. Treasury starting to decline again. This was partly driven by rate cuts from the Bank of England and the U.S. Fed. The BoE, in light of the recent increase in public borrowing in the United Kingdom, pointed to the risk of renewed inflationary pressure—a signal to governments to avoid overburdening public finances. The Fed, meanwhile, emphasized that it would neither yield to external political pressures nor engage in speculation about potential interest rate implications of an as-yet unclear economic policy.

"The Fed reiterates its independence."

Yield on ten-year US-treasuries in %



Source: Bloomberg Finance L.P., Factum AG

Commodities

For the fourth consecutive month, OPEC has revised its demand forecast downward. According to the latest estimates, global demand is expected to increase by only 1.8 million barrels per day this year, reflecting moderate growth of just under 2%. With the election of Donald Trump, a significant unknown factor has been introduced. During his campaign, Trump indicated a plan to boost domestic production of fossil fuels, with intentions to streamline the approval process for drilling and support new natural gas pipelines. This approach is likely to increase global supply and put downward pressure on prices. Trump's stance toward Iran will also be of interest. During his first term, sanctions against Iran were intensified. However, Joe Biden implemented these sanctions less stringently, allowing Iran to expand its daily production by 1.5 million barrels over the past four years. Further downward pressure on oil prices could come from the likely imposition of higher tariffs, which could escalate into a global trade conflict. Such a development would particularly dampen economic growth in Europe and Asia.

“OPEC lowers its demand forecast for the fourth consecutive month.»

Currencies

The U.S. dollar has recently strengthened, gaining against the Swiss franc and especially the euro. A protectionist U.S. trade policy under Trump could have negative consequences for the Eurozone economy. Meanwhile, the strengthened U.S. currency is putting pressure on the gold price, which fell approximately 5% from the end of October to mid-November. This year, the price of the precious metal experienced a strong rally, reaching a record high of USD 2,790. Since the beginning of the year, the gold price remains about 26% up.

“Strong U.S. currency in recent days.”



Bitcoin has also benefited from Trump's victory. Since election day, the price of the leading cryptocurrency has risen from USD 68,000 to around USD 89,000, an increase of approximately 30%. During his campaign, Trump hinted at lighter regulation for the crypto sector and proposed building a strategic currency reserve in Bitcoin. He positioned himself as the first crypto-friendly president, promising to turn America into a "crypto superpower". He has already gained support from Silicon Valley, which has high expectations for his presidency. Trump has also indicated plans to dismiss Gary Gensler, the crypto-skeptical head of the SEC.

"Bitcoin price surges by a remarkable 30%."



Market overview 31 October 2024

Stock indices (in local currency)	Current	1 Mt (%)	YtD (%)
SMI	11,792.92	-3.09	9.32
SPI	15,711.55	-3.27	7.83
Euro Stoxx 50	4,827.63	-3.30	10.12
Dow Jones	41,763.46	-1.26	12.50
S&P 500	5,705.45	-0.92	20.96
Nasdaq	18,095.15	-0.49	21.24
Nikkei 225	39,081.25	3.06	18.64
MSCI Emerging Markets	1,119.52	-4.32	12.11

Commodities

Gold (USD/fine ounce)	2,743.97	4.15	33.01
WTI oil (USD/barrel)	69.26	1.60	-3.34

Bond markets

US Treasury Bonds 10Y (USD)	4.28	0.50	0.41
Swiss Eidgenossen 10Y (CHF)	0.41	0.00	-0.29
German Bundesanleihen 10Y (EUR)	2.39	0.27	0.37

Currencies

EUR/CHF	0.94	-0.13	1.23
USD/CHF	0.86	2.19	2.70
EUR/USD	1.09	-2.25	-1.40
GBP/CHF	1.11	-1.51	3.95
JPY/CHF	0.57	-3.48	-4.81
JPY/USD	0.01	-5.52	-7.22

Author: Christof Wille, Dipl. Private Banking Expert NDS
Editorial deadline: 13. November 2024

Please do not hesitate to contact us if you have any questions. Factum AG Vermögensverwaltung is a licensed, independent asset management company that is subject to the Liechtenstein Financial Market Authority. It is the exclusive purpose of this publication to inform; it is neither a request nor an offer nor a recommendation to purchase or sell financial instruments or to take any other decisions on investments. It is therefore not a financial analysis in terms of the Marktmissbrauchsgesetz (Act on Market Misuse), either. The information and opinions contained in this publication originate from reliable sources and have been prepared with the utmost diligence. Nevertheless, we exclude any liability for accuracy, completeness and topicality. All information contained and all prices stated in this publication may change at any time without notice. The value of financial instruments may rise or fall. Future performance cannot be deduced from the past development of prices. Under particular market-related or title-specific circumstances, financial instruments can be sold only with delay and the risks that it is subject to. We would like to point out that Factum AG Vermögensverwaltung and its employees are allowed in principle to hold, purchase, or sell the financial instruments mentioned in this document, without however putting clients at any disadvantage whatsoever. This publication and the information contained in it are subject to Liechtenstein law. In the event of any disputes, jurisdiction rests exclusively with the Liechtenstein courts at the legal venue of Vaduz.