



Converging Market Currents: Economics, Politics, and Financials

August 29, 2024



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Meet Our Investment Committee

Monty Guild
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Anthony Danaher
*President/Portfolio
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Senior Research Analyst





Global Economy

- **Moderate growth**
- **Many nations are starting to cut interest rates, which is positive**



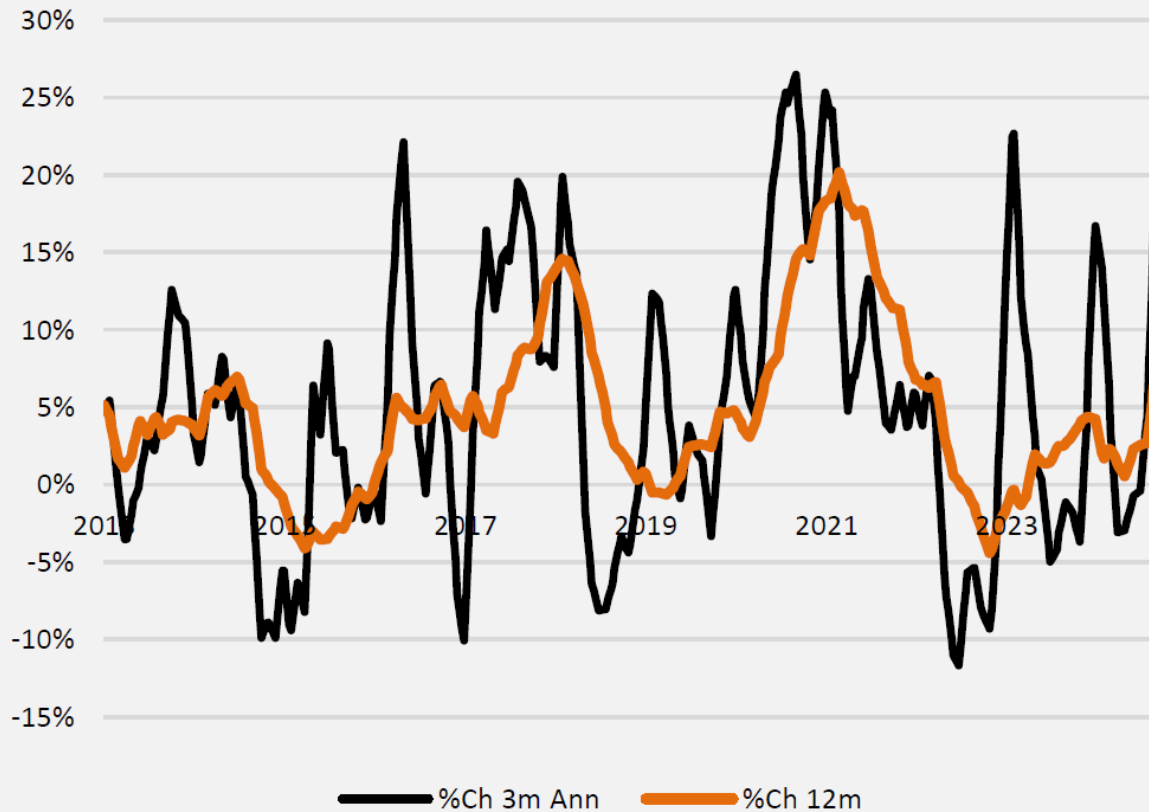
Global Liquidity

- **Strong liquidity growth globally as China, the U.S., Europe, and other regions cut interest rates.**
- **Bond/collateral growth another positive.**
- **We expect that increased liquidity will particularly benefit American high-tech growth companies.**



Global Liquidity

Weekly, 3m Annualised and 12m YoY% Changes





Market Valuations (P/E Ratios)

- **P/E ratios are high in some countries.**
- **European and U.S. tech stocks are expected to grow earnings the fastest.**
- **Emerging markets are less attractive unless the dollar weakens against their currency and exports drive growth.**



Market Valuations (P/E Ratios)

- **Most emerging markets do not fit this scenario; India is an exception.**
- **Latin America is fairly chaotic, with high interest rates needed in growth countries to combat inflation.**
- **Europe is OK due to low valuations accompanying low growth**
- **U.S. attractiveness is intact, but election outcomes may require investors to reassess tax, spending, regulation, and inflation expectations**



Asia

- **Favorable outlook for Singapore, Korea, Japan, and India.**
- **Continuing to avoid China due to President Xi's shift back towards a Marxist command economy, which is creating a challenging environment for growth.**
- **Less favorable for emerging markets heavily dependent on commodity exports**



Commodities

- **Gold looks attractive.**
 - **Oil's outlook may be improving.**
- **Copper could be OK due to infrastructure demand.**
- **Other commodities are less attractive, though uranium may gain interest with the prospect of small modular reactors (SMRs) being used for data centers.**



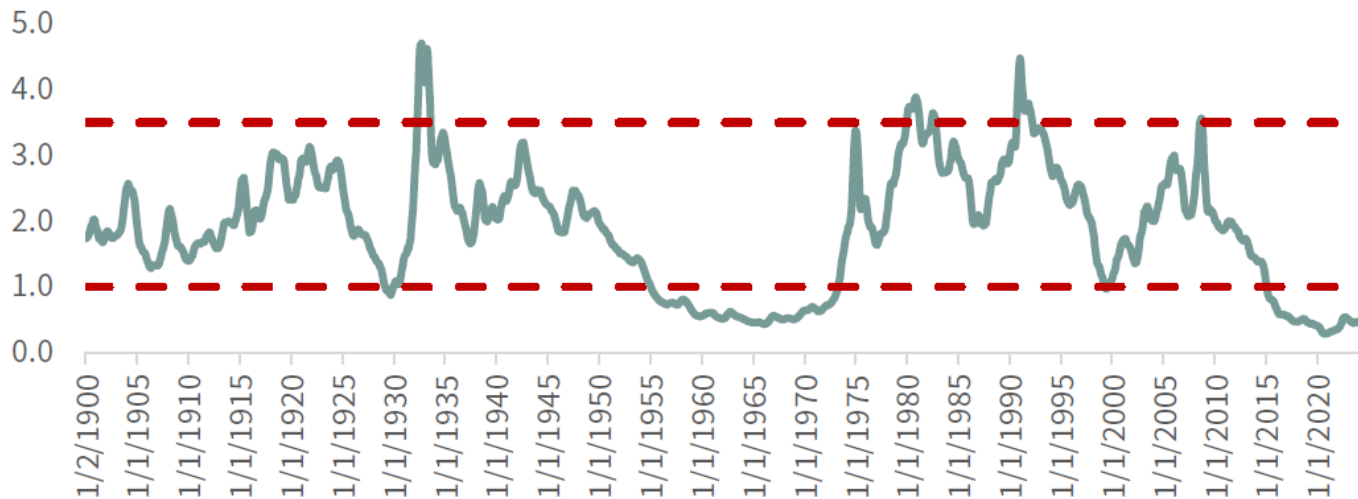
Commodities

- **In general, improving tech contributes to increased production and decreased economic intensity of commodities.**
- **Relative to bonds, equities, and other assets, commodities as a whole are highly underweighted.**



Commodities

FIGURE 1 Commodities - Dow Jones Ratio



Source: Bloomberg, G&R Models.

**We can't predict a turn, but when a turn occurs,
we will be watching for it.**



Currencies

- **Strongest currencies over the next six months: euro and Swiss franc.**
 - **U.S. dollar likely to fall slightly**
 - **Japanese yen beats to a different drum**
 - **Canadian dollar likely to fall more**
- **Bitcoin benefits from the same dynamics that benefit gold, and also has a good outlook.**

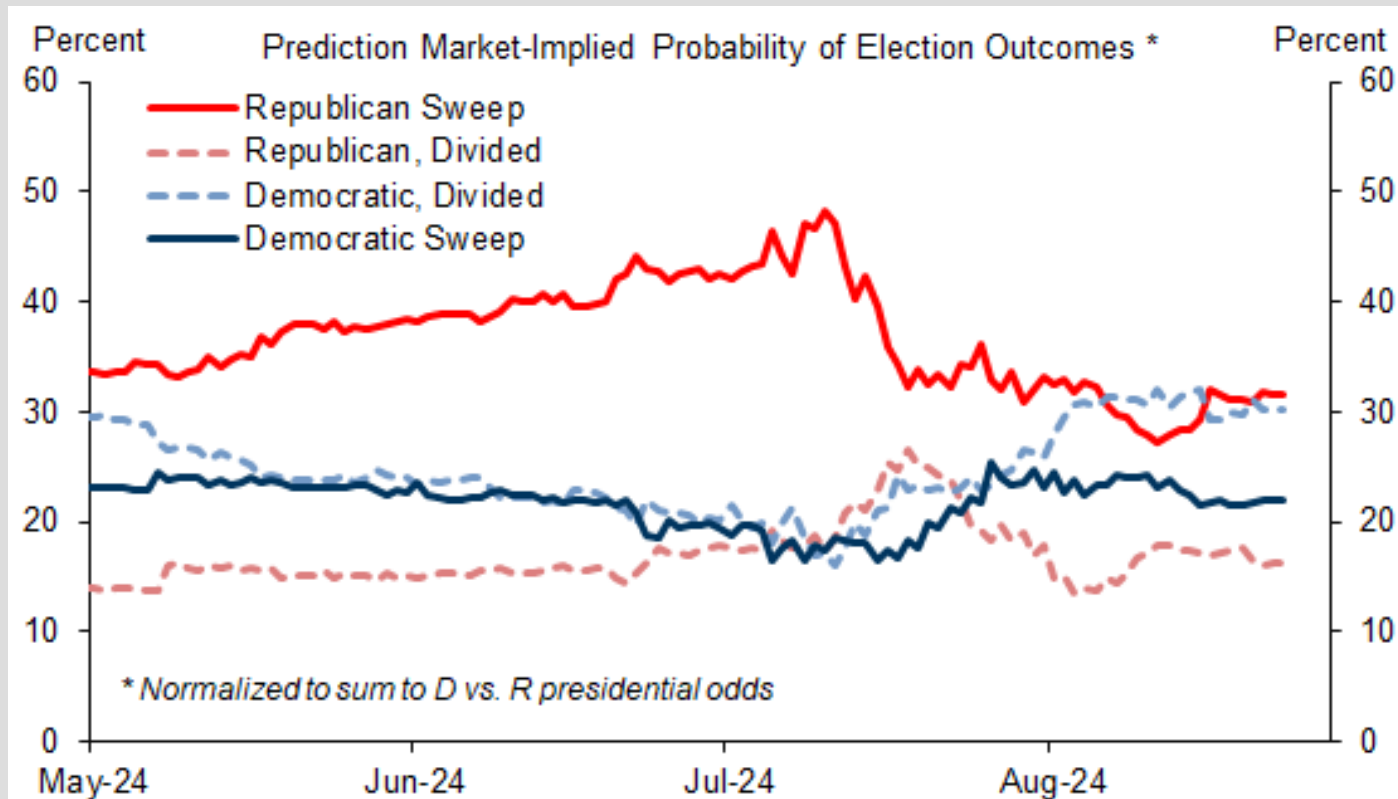


U.S. Election Volatility

- **Potential volatility surrounding the U.S. election, with candidates offering divergent policy directions on critical factors like taxes and regulatory reform.**
- **Some commonalities, such as likely tolerance of deficit spending, but with significant differences in other areas, leading to varying market outcomes.**



U.S. Election Volatility (Prediction-Market Data As Of Aug 28)





Nvidia Earnings and Implications For the AI Theme

- **Nvidia selloff after better-than-expected but not blow-the-doors-off results means – normalizing growth rates at a high level, but not an “insane” level**
 - **Outlook for moderating growth**
 - **Theme is intact, but rationalization is happening**





Investment Strategy

- **Favor the U.S., India, Korea, Japan, and selected European countries for investment.**
- **Prefer growth stocks over value stocks, as growth stocks can outpace inflation.**
- **Rising inflation is expected to return within a year, but the market remains an excellent hedge against inflation.**
 - **Gold and bitcoin benefit from inflation.**
- **Higher taxes may hurt corporate profits, and the market in the short term -- but managements and investors adjust.**
- **Real estate: Favor single-family residences over commercial real estate for offices or shopping centers.**



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