



Global Markets

2024: Year-End Markets Review

As the year draws to a close, it feels as though the impossible has been achieved. With 75 basis points of rate cuts already delivered, 2024 has been defined by the U.S. market once again outperforming its peers, defying recession fears, alongside China's ongoing economic challenges and the continued surge of the AI boom. This year has been anything but ordinary, marked by significant economic, technological, and geopolitical developments. Looking ahead, 2025 promises to be a pivotal year for global markets, offering a mix of opportunities and risks on the horizon.

Monetary Easing: Central Banks Step Back

Central banks have steadily eased policy rates throughout the year. The Bank of Canada leads the way with a total of 125 basis points (bps) in cuts since mid-2024. Similarly, the European Central Bank (ECB) and the U.S. Federal Reserve (Fed) have each reduced rates by 75 bps, while the Bank of England has implemented a more modest 50 bps reduction. Entering 2025, FOMC members have surprised by halving their expectations for further easing next year to just 50 bps.

US Exceptionalism

2024 highlighted U.S. exceptionalism, with economic growth exceeding expectations and U.S. stocks outperforming global markets. SEDCO Capital's US Passive fund mirrored this success, delivering impressive returns closely aligned with the S&P 500 for the year. The U.S. dollar strengthened during the election period, rising 7.5% year-to-date, driven by favorable interest rate trends and robust economic performance. Despite global headwinds, GDP grew by 2.8% in Q3 2024. While we remain optimistic about the U.S. leading global growth, elevated U.S. equity valuations—unseen since the late 1990s—present potential risks if growth slows or uncertainties intensify.

Stimulus vs. Slowdown: China's Dilemma

China faces significant challenges, including geopolitical tensions, supply chain issues, and trade restrictions on semiconductors. While the immediate market impact has been limited, renminbi depreciation pressures post-U.S. election have forced FX intervention. Further rate cuts could add strain, especially with U.S. tariffs in play. GDP grew 4.6% in Q3 2024, slightly above forecasts but slower than Q2, reflecting property sector weakness, soft demand, and trade tensions. Our investors capitalized on the strong alpha generated by SEDCO Capital's China active fund, which delivered an impressive 12% YTD. The central bank faces a delicate balancing act, striving to stimulate the economy while maintaining currency stability and signaling long-term growth prospects. While the recovery potential remains high, U.S. tariffs continue to pose significant risks in 2025, leading us to maintain a neutral stance on equities.

The Magnificent Seven's Reign: How Long Can It Last?

Thematic narratives drove markets this year and are likely to continue doing so in 2025, especially the AI revolution. The "Magnificent 7" impressed investors again, solidifying their significant influence in the U.S. market. Nvidia, the investor-favorite AI chip giant, led the pack with a massive +177% YTD gain. The AI theme shows no signs of fading, and in response, SEDCO Capital launched its first Dow Jones concentrated tech strategy at the end of Q3. As the year comes to a close, the strategy has delivered an impressive 4% return. Additionally, the S&P 500 is up 25% YTD, with 53% of the return attributed to the performance of the MAG7, which now make up about 30% of the index. Without the MAG7, the rest of the S&P 493 would have contributed just around 12%. The growth of these companies is undeniably remarkable—Apple has delivered a 1,010% total return over the past decade, nearly five times that of the S&P 500, while Tesla has climbed more than 800% since early 2020. How much longer can the Magnificent Seven continue to outperform? No one can say for sure, and while it's true that cracks may be beginning to show in the fundamentals of these tech-related mega-cap stocks, predicting a market peak has always been challenging.

The Road Ahead: Themes and Uncertainties Defining 2025

This year we stopped at a number of stations covering multiple themes such as global monetary easing, U.S. exceptionalism, China's struggles and stimulus efforts, and the continuation of the AI revolution. 2025 brings significant uncertainties, from shifts in fiscal and trade policies to the extent U.S. campaign promises translate into actionable measures. Many asset managers, including SEDCO Capital, are adopting a "Buckle Up" approach given the degree of uncertainties and the unknown direction of the current macro-financial needle. One thing is clear: the winds of change will define 2025—get ready for the ride!



Global Market Indices

Global Data: As
End Of: 7-Jan-25

Saudi Market
Data: As End Of: 7-Jan-25

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2022 (%)	2023 (%)	2024 (%)
World	DJIM World TR	11,017.69	1.0	1.0	22.0	22.0	6.0	11.9	11.3	(24.2)	27.0	18.0
Developed	DJIDEV TR	6,361.30	1.0	1.0	22.5	23.5	6.8	12.9	11.9	(24.2)	29.4	18.5
Emerging Markets	DJIEMG TR	5,304.56	0.7	0.7	16.8	7.9	(2.3)	3.3	5.7	(24.2)	6.4	13.3
Saudi	TASI	12,113.29	0.6	0.6	(1.4)	7.2	1.9	8.1	4.1	(6.4)	14.2	0.6
NAREIT	All REITS (EM Inc) TR	2,959.37	(0.9)	(0.9)	2.5	4.2	(4.8)	(1.0)	2.6	(23.6)	9.8	1.6
GSCI	All Commodities	557.34	1.4	1.4	2.9	(1.4)	(1.2)	4.7	3.5	8.7	(12.2)	2.6
Currencies	Euro	1.03	(0.1)	(0.1)	(5.5)	(1.4)	(3.1)	(1.5)	(1.3)	(5.8)	3.1	(6.2)
	Yen	158.05	(0.5)	(0.5)	(8.5)	(8.6)	(9.9)	(7.3)	(2.8)	(12.2)	(7.0)	(10.3)
	GBP	1.25	(0.3)	(0.3)	(1.9)	1.6	(2.8)	1.3	1.1	(10.7)	5.4	(1.7)

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