McLaren
wealth management

Global Market Strategy – January 2025

2024 another year of 20%+ gains on the S&P500

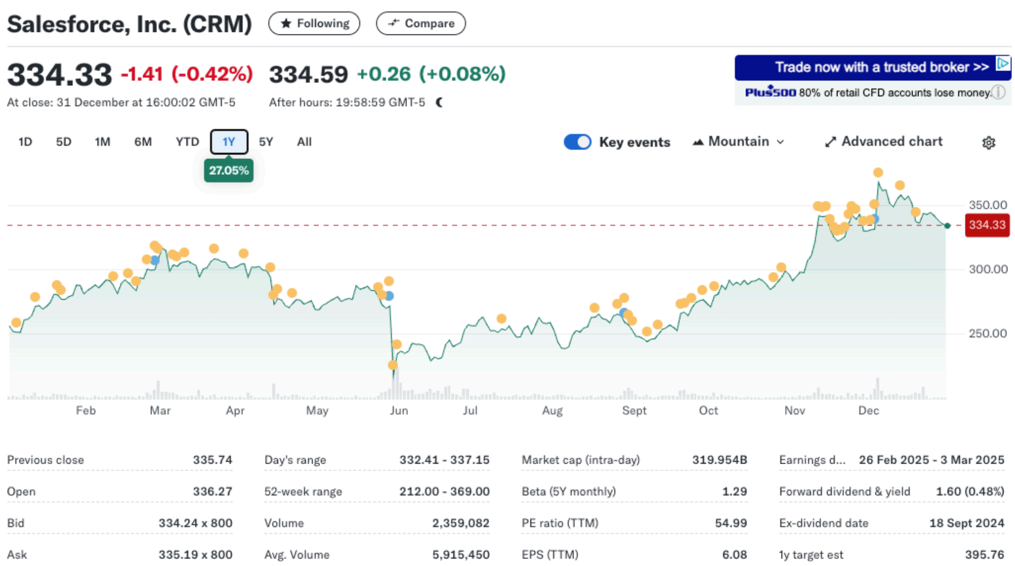
Nasdaq up 29% eases past 20,000, Bitcoin rises 124% (40% since the election)

FTSE100 up 9%, FTSE250 up 4%, FTSE AIM down 6%

(Individual stock mentions here are observations and not recommendations to buy.
Individual stock purchases are highly speculative and strict 15% stop-loss limits should be observed.)

2024 was a year when, once again, technology dominated gains from real asset investment, with the 'MAG7' driving twice the gains of the rest of the S&P500, and the Nasdaq moving through 20,000 for the first time ever.

AAPL, TSLA, MSFT, GOOGL, AMZN, NVDA, META continued to attract new capital in the belief Artificial Intelligence (Ai) will drive their earnings higher amid a new wave of demand for Ai across most sectors of the economy, and it is worth noting that the amount spent ($250bn) by these seven companies on research and development is 1.5x the amount spent by the entire healthcare and biotech sectors combined. The threat from Ai is that unemployment will rise as humans are replaced by robotic human mimicry but one company at the forefront of Ai although not [yet] one of the MAG7 is Salesforce (CRM), a business which, simply put, seeks to detect for companies how they may best use their resources to drive greater profitability. (The company's trading 'ticker' symbol stands for Customer Relationship Management). Founder and CEO, Marc Benioff, believes its new 'Agentforce' technology - less of a chatbot and more of an automated PA - is truly revolutionary. Such is the company's success in the rollout of Agentforce that internally Salesforce is repositioning many of its own administrative workforce into other areas of its business. At 55x earnings however, it is expensive.



(Source: uk.finance.yahoo.com)

Apple, which looked tired for most of the first half of 2024, had a barnstorming second half and is now worth nearly $4 trillion, equal to the gross domestic product (GDP) of the UK. Apple has become, if it wasn't already, the ultimate defensive stock. Gene Munster of Deepwater Asset Management believes Apple goes to $315 per share in 2025 from its current level of $250. He says we are in the early part of the second year of a five year bull market for technology which ultimately takes the sector from current earnings multiples of mid to high twenties, to the mid-fifties which would then be bubble territory similar to the 100 multiple experienced in the dot-com bubble of 1999/2000.

Apple Inc. (AAPL) ★ Following Compare

250.42 -1.78 (-0.71%) **250.45** +0.03 (+0.01%)

At close: 31 December at 16:00:02 GMT-5 After hours: 19:59:59 GMT-5

Previous close	252.20	Day's range	249.44 - 253.28	Market cap (intra-day)	3.785T	Earnings date	30 Jan 2025 - 3 Feb 2025
Open	252.66	52-week range	164.08 - 260.10	Beta (5Y monthly)	1.24	Forward dividend & yield	1.00 (0.40%)
Bid	248.03 x 400	Volume	39,065,518	PE ratio (TTM)	41.12	Ex-dividend date	8 Nov 2024
Ask	253.97 x 400	Avg. Volume	43,508,500	EPS (TTM)	6.09	1y target est	246.85

Two-thirds expanding multiple (ie market *expectation* for a stock which drives its price higher as more and more investors want to participate in owing it) and one third expanding earnings will drive Microsoft and Nvidia also through valuations of $4 trillion, ultimately peaking probably at around $5trillion. Apple continues to develop its services business but these will expand quickly on the back of its Apple Intelligence Ai offering, and injecting Ai into Apple hardware will add meaningful upside for sales of new iPhones. Apple users will be able to select which large language model (LLM) they wish to download from the app store to use alongside other features of the phone. (LLMs are "a type of machine learning/deep learning model that can perform a variety of natural language processing (NLP) and analysis tasks, including translating, classifying, and generating text; answering questions in a conversational manner; and identifying data patterns", according to Google search.)

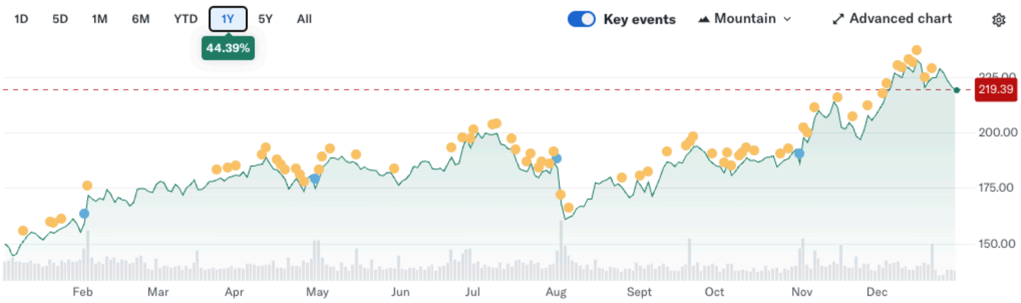
AAPL will reach $4 trillion valuation at $264 a share.

AMZN too has had a good year. Investments in drone delivery technology and strategic moves into India and South-East Asia are bearing fruit, giving investors optimism for higher earnings and prompting a consistent wave of buying. Third quarter results were strong, especially from web services and advertising.

Amazon.com, Inc. (AMZN) ★ Following Compare

219.39 -1.91 (-0.86%) **219.72** +0.33 (+0.15%)

At close: 31 December at 16:00:02 GMT-5 After hours: 19:59:51 GMT-5



Previous close	221.30	Day's range	218.94 - 223.21	Market cap (intra-day)	2.307T	Earnings date	30 Jan 2025 - 3 Feb 2025
Open	222.96	52-week range	144.05 - 233.00	Beta (5Y monthly)	1.15	Forward dividend & yield	--
Bid	211.61 x 100	Volume	24,663,048	PE ratio (TTM)	46.98	Ex-dividend date	--
Ask	221.30 x 300	Avg. Volume	37,739,404	EPS (TTM)	4.67	1y target est	240.39

President-elect Trump has effectively placed a 'put' under the market, ie his election has made investors wary of selling because they are cheered by his tax-light, business-friendly, anti-regulation, pro-share ownership, pro-wealth creation approach.

Trump is also pro-crypto. He wants the US to be the leader in crypto ownership. Following the US election on November 5th bitcoin rose 45% to $108,000 in six weeks before pulling back below $100,000 on profit-taking. Crypto is now an asset class in its own right and has risen 30,000% since 2014, like Nvidia. Its breakthrough now provides a launchpad for those who hitherto have stood back, namely institutions and the retail investor. The US dollar doesn't have a reserve currency. Instead it owns $600 billion worth of gold, equivalent to 11 million years worth of American wages. To some it makes some sense that the US should instead have its reserves as digital assets.

The Financial Conduct Authority (FCA) has to date discouraged investment in bitcoin. Investment platforms are not allowed to make it available for trade, so the only way for UK investors to purchase a position in crypto is to open an account with a US dealing company such as Coinbase (COIN). That could change in 2025. 5-10% of one's portfolio allocated to crypto (the mainstays of which are Bitcoin and Etherium), or 5% crypto and 5% gold, could become a popular portfolio allocation. Tom Lee of Fundstrat market research (https://fundstrat.com/) believes bitcoin could reach $250,000 by the end of 2025 but for those who are wary of opening another account with another trading entity, one approach may be to invest in shares of one of the main bitcoin investors such as Microstrategy (MSTR). To quote Yahoo Finance's profile description of MSTR: "MicroStrategy Incorporated provides artificial intelligence-powered enterprise analytics software and services in the United States, Europe, the Middle East, Africa, and internationally. It offers MicroStrategy ONE, which provides non-technical users with the ability to directly access novel and actionable insights for decision-making; and MicroStrategy Cloud for Government service, which offers always-on threat monitoring that meets the rigorous technical and regulatory needs of governments and financial institutions. The company also provides MicroStrategy Support that helps customers achieve their system availability and usage goals through highly responsive troubleshooting and assistance; MicroStrategy Consulting, which provides architecture and implementation services to help customers realise their desired results; and MicroStrategy Education that offers free and paid learning options. In addition, it engages in the development of bitcoin. The company offers its services through direct sales force and channel partners. It serves the U.S. government, state and local governments, and government agencies, as well as a range of industries, including retail, banking, technology, manufacturing, insurance, consulting, healthcare, telecommunications, and the public sector. The company was incorporated in 1989 and is headquartered in Tysons Corner, Virginia".

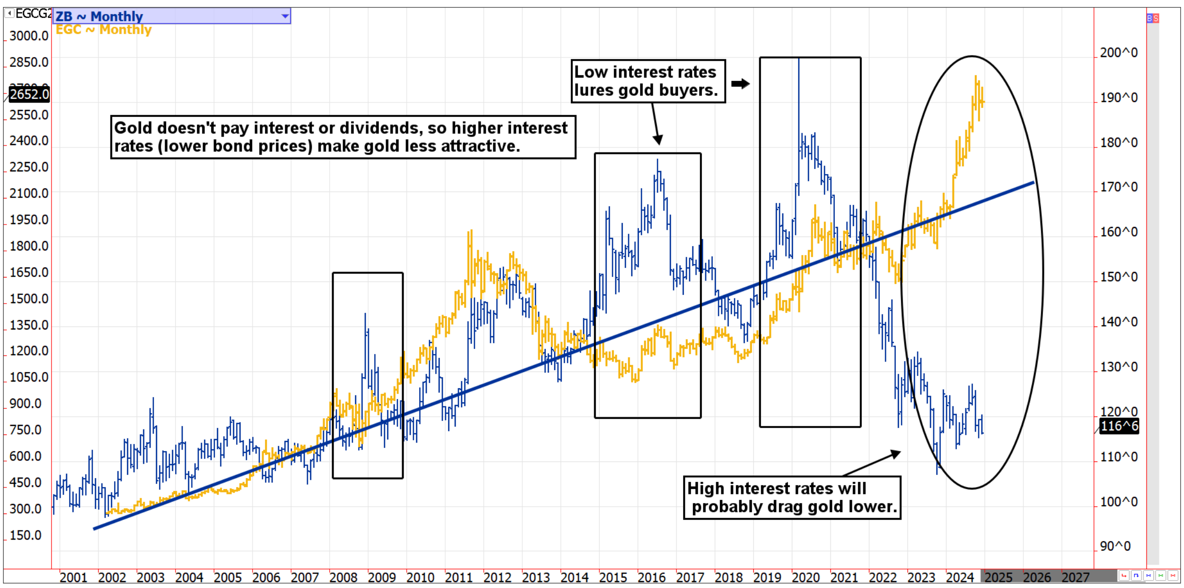
MSTR's meteoric performance in 2024 (+422%) is almost entirely on the back of the rise in the price of bitcoin, acting as a leveraged speculative play in the same way as gold miners' share prices rise and fall disproportionately to the price of gold. Despite this, and the fact the company is unprofitable, Bernstein and Canaccord rate the stock as a 'buy':

Upgrades & downgrades

Reiterates	Bernstein: Outperform to Outperform	12/12/2024
Maintains	TD Cowen: Buy to Buy	25/11/2024
Maintains	Barclays: Overweight to Overweight	25/11/2024
Maintains	Benchmark: Buy to Buy	25/11/2024
Maintains	Bernstein: Outperform to Outperform	25/11/2024
Maintains	Canaccord Genuity: Buy to Buy	25/11/2024

Microstrategy analyst estimates for 2025 (source: uk.finance.yahoo.com)

Bitcoin's rise has been mirrored to some extent by gold's decline. Whether gold's modest price fall to $2630 per troy ounce is due to reinvestment into bitcoin or, more probably, due to higher bond yields is debatable but the Federal Reserve's more hawkish statement in December that markets should only expect two quarter percentage point cuts in 2025 rather than four is the most likely catalyst. A stronger-for-longer US dollar will impede not only gold but emerging markets (EM) from gains in 2025 but the current headwinds for both gold and EM are probably temporary.



Source: DeCarleyTrading.com

The US economy in 2025 is expected to see inflation fall to 2.1% from its current level of 2.7% according to Goldman Sachs, with US GDP growing to 2.5% on a full year basis (which is well above Bloomberg average survey responses of 1.9%). This assumes the threat of tariffs is largely bluster. The US economy is in a heathy state despite a very strong dollar. The dollar is probably about as strong now as it's going to be. Trump wanted a weak dollar during his first term, and with interest rates reducing, the start of his second term should see the beginning of a gently weaker currency. Not only will this boost earnings from overseas but both gold and EM should benefit - gold especially, as Trump's tax-break policies are expected to inflate the country's debt.

A weaker dollar will also aide US small caps. These were expected to rally strongly in 2024. Although they have had their moments, their five year underperformance relative to the S&P500 is unusual. Never have small caps underperformed for six straight years. Trump's tax-relieving agenda, lower interest rates and a weaker dollar should converge to see a big year ahead for US smaller companies.

For the UK, it is usual to be optimistic at the start of a new year, yet despite anticipation of interest rates declining to 4% by the end of 2025, despite unemployment falling to 4.1% in 2025, despite inflation predicted at 2.6%, business confidence is low following the October budget. Thankfully, Britain's sport and culture attracts millions of international visitors each year, and there is is considerable scope for UK based companies to prosper because of this. UK stocks have seen values lose momentum following a reduction in international investment since Brexit but with average price/earnings in the UK less than half that of the US, there is potential for UK shares to climb higher in 2025.

In Europe, despite some political upheaval over the last 12 months, most stockmarket indices have done well in 2024. France and Portugal are the exceptions with negative returns for the year. Ahead, the ECB is anxious to avoid stagflation and seems set to continue gradual rate-cutting to give some relief to the consumer and help business expansion. With an oversupply of oil likely to see oil prices fall to $55 per barrel in 2025, the likes of Europe, Asia and India should benefit.

The Santa Claus rally, traditionally the 7 trading days December 24th to January 2nd, petered out, as it did in 23/24. Undoubtedly, selling is due to profit-taking after a successful year for stocks but it is also a warning to investors that US shares at least are fully priced. It would not be surprising to see a 10% correction to share portfolios during January. Further ahead for 2025, those areas which should do well are again technology (specifically large US tech), US smaller companies, emerging markets as the dollar begins to weaken, gold and crypto. China equities could also do well if tariffs prove to be less of an issue than feared. China is systematically rolling out economic stimulus measures to, like Europe, prevent stagflation. China's share of the electric car market is now 76%. They produced 14.1 million cars between January and October and 69% of them were bought by the Chinese. The Guardian newspaper reported last month that Chinese sales of EVs to Russia have increased by 109% over the last two years while EV sales to the US are down 23%. President Biden has increased tariffs on EV sales to the US to 100%, and in Europe tariff levels are at around 40%. Tariffs have a history of being counter-productive (notably when Bush had to abandon steel tariffs in December 2003) as they lead to inflation, job losses and no-win tit-for-tat. Companies like Apple need China. Political heavy-handed missteps such as tariffs and too high for too long interest rates are the issues which could derail another good year for equities in 2025, although perhaps not quite so good as 2024.

Stock Market Indexes

	Date	Level	Ch.	This Week ch.	Mon. ch.	Ann. ch.	YTD
DOW [+]	12/30/2024	42,573.73	-0.97%	-0.97%	-5.20%	12.96%	12.96%
NASDAQ [+]	12/30/2024	19,486.78	-1.19%	-1.19%	1.40%	29.81%	29.81%
S&P 500 [+]	12/30/2024	5,906.94	-1.07%	-1.07%	-2.08%	23.84%	23.84%
STOXX 50 [+]	12/30/2024	4,869.45	-0.60%	-0.60%	1.36%	7.69%	7.69%
FTSE 100 [+]	12/30/2024	8,121.01	-0.35%	-0.35%	-2.01%	8.98%	8.98%
DAX [+]	12/30/2024	19,909.14	-0.38%	-0.38%	1.44%	18.85%	18.85%
CAC 40 [+]	12/30/2024	7,313.56	-0.57%	-0.57%	1.08%	-3.04%	-3.04%
NIKKEI [+]	12/30/2024	39,894.54	-0.95%	-0.95%	4.58%	52.88%	52.88%
TOPIX [+]	12/30/2024	2,784.92	-0.60%	-0.60%	3.89%	47.22%	47.22%
IBEX 35 [+]	12/30/2024	11,536.80	0.05%	0.05%	-0.90%	14.20%	14.20%
FTSEMIB [+]	12/30/2024	34,186.18	0.07%	0.07%	2.31%	12.63%	12.63%
PSI20 [+]	12/30/2024	6,367.38	-0.10%	-0.10%	-0.79%	-0.45%	-0.45%
ASE [+]	12/30/2024	1,456.31	-0.07%	-0.07%	4.51%	12.62%	14.19%
ISEQ [+]	12/30/2024	9,718.40	0.19%	0.19%	1.14%	36.71%	36.71%
MERVAL [+]	12/30/2024	2,533,634.75	-1.70%	-1.70%	12.19%	1,153.75%	1,153.75%
S&P/ASX 200 [+]	12/31/2024	8,159.10	-0.92%	-1.24%	-3.28%	15.92%	15.92%
ATX [+]	12/30/2024	3,663.01	0.90%	0.90%	3.50%	6.64%	6.64%
BSE Bahrain [+]	12/29/2024	1,985.46	-0.03%	-0.43%	-2.29%	1.23%	0.71%
BEL20 [+]	12/30/2024	4,225.99	-0.90%	-0.90%	-0.03%	13.98%	13.98%
SASX-10 [+]	12/31/2024	1,231.57	0	0.22%	1.02%	16.41%	16.41%
IBOV [+]	12/30/2024	120,283.00	0.01%	0.01%	-4.29%	9.61%	9.61%
SOFIX [+]	12/27/2024	892.74	-0.04%	0.21%	5.98%	20.48%	48.42%
CSX Index [+]	12/31/2024	412.75	0.49%	1.52%	2.82%	-12.68%	-12.68%
S&P/TSX 60 [+]	12/30/2024	1,476.70	-0.70%	-0.70%	-4.03%	26.33%	26.33%
IPSA [+]	12/30/2024	6,710.02	0.10%	0.10%	2.03%	27.51%	27.51%
SHANGAI [+]	12/31/2024	3,354.29	-1.56%	-1.35%	0.84%	8.58%	8.58%

Current favoured investment plays *(in **Bold** immediate, Non-bold long term)*

Cautious risk: Cash / National Savings Premium Bonds
Balanced risk: **Managed / Multi-asset funds**
Market risk: **Multi-asset funds, UK equity**
Adventurous risk: **Asia**, Europe, **US equity**
Speculative risk: **Technology,** Healthcare/Biotech, New Energy, **Emerging Markets, China, India, US smaller companies, Gold & Silver**

Disclosure:
Nicholas Chappell has the following personal investment exposure: Technology (all US, including fintech) 51%, (Old) Energy 2%, New/Green Energy 1%, Crypto 3%, Pharmaceuticals (US) 2%, Global Multi-Asset 7%, US smaller companies 13%, [Other] US Equity (infrastructure) 2%, UK Equity 3%, India 2%, China 10%, Gold/Silver 3%, Cash 1%