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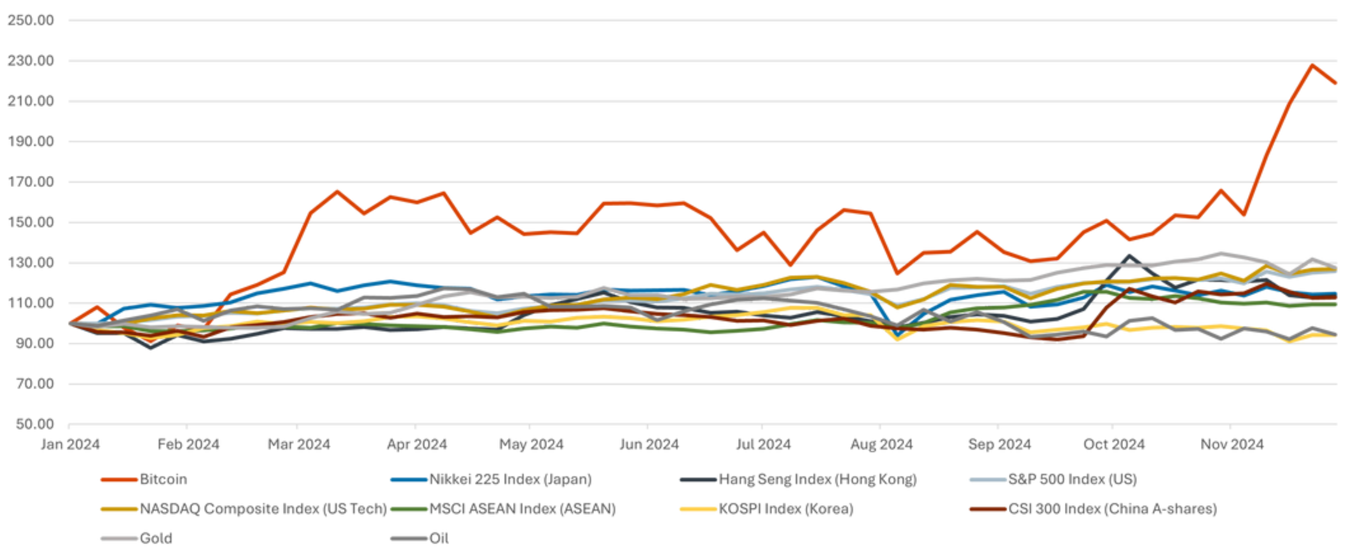
2025 OUTLOOK

EXECUTIVE SUMMARY

- **Overview:** This report examines the 2024 review and 2025 outlook for major asset classes, focusing on the US, China, Japan and crypto.
  - **2024 Review:** The market experienced diverse performance trends.
    - **US:** The US economy showed resilience with strong corporate earnings and robust stock market performance, fueled by advancements in AI and resilient consumption.
    - **China:** Aggressive policy measures, including rate cuts and fiscal stimulus, sparked a market rally.
    - **Japan:** Japan's economy was shaped by its first interest rate hike in decades which supported its equity market with a weak yen.
    - **Crypto:** Bitcoin outperformed other assets with remarkable gains driven by institutional adoption, ETFs listing and the 2024 halving.
    - **Gold:** Gold delivered strong returns as a safe-haven asset amid inflation concerns and global economic uncertainties.
    - **Oil:** Oil underperformed, recording negative returns due to weak global demand and concerns over economic growth.
  - **2025 Outlook:** The market expects the economy to maintain stable growth.
    - **US:** Expectations center on continued economic growth and potential rate cuts, bolstered by supportive government policies such as tax reductions and deregulation.
    - **China:** The focus will be on the scale and speed of policy execution to sustain recovery, especially in addressing structural challenges like weak housing market and potential deflationary risks.
    - **Japan:** Japan is projected to maintain growth with support from increased domestic spending and a competitive export environment due to a weak yen.
    - **Crypto:** Market optimism remains high for 2025, supported by favorable political developments, regulatory easing and historical positive trends following Bitcoin halving events.

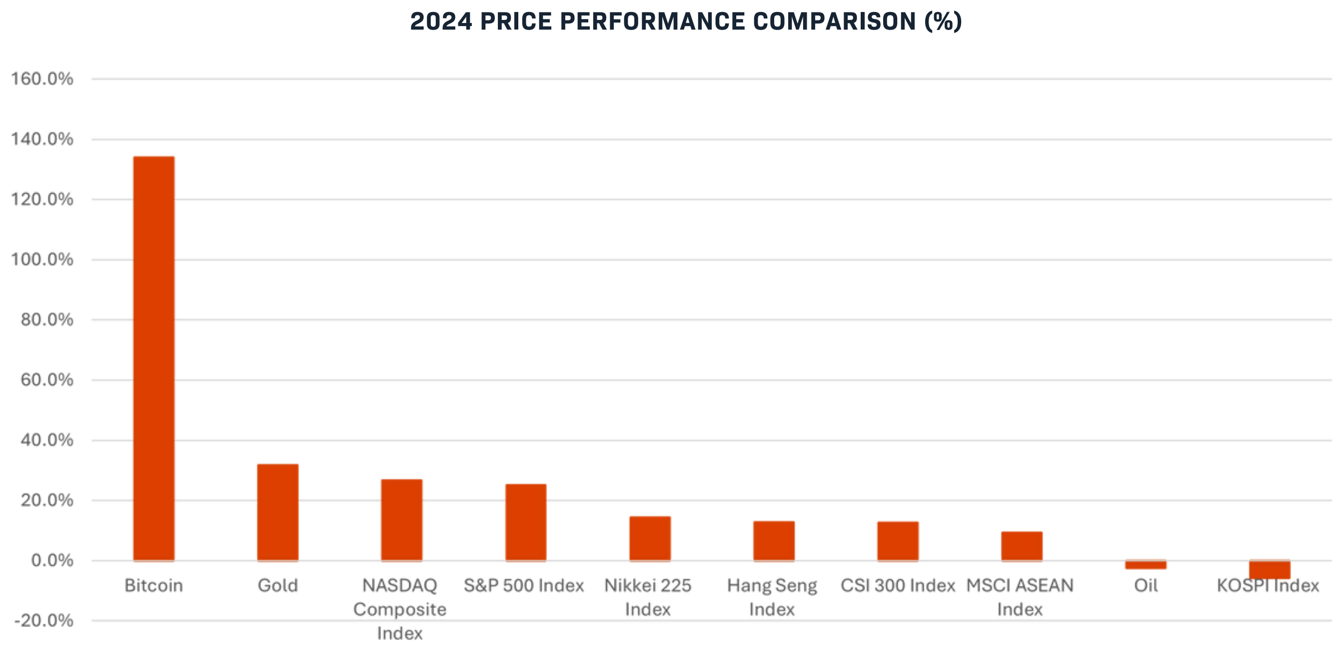
2024 ASSET PRICE PERFORMANCE (%) (REBASED)



Source: Bloomberg

MARKET REVIEW

As of November 22, 2024, various asset classes exhibited distinct performance trends in 2024.



Bitcoin (+134%): Bitcoin's substantial rise was driven by increased institutional adoption, favorable regulatory developments and heightened interest in digital assets.

Gold Price (+32%): Gold's appreciation was driven by its role as a safe-haven asset amid economic uncertainties and inflationary pressures.

NASDAQ Composite Index (+27%): The NASDAQ's performance was bolstered by the AI-driven growth and technology sector's development.

S&P 500 Index (+25%): The S&P 500's gain reflected robust corporate earnings and investor optimism amid strong US economic growth.

Nikkei 225 Index (+14%): The rise of Nikkei 225 was supported by Japan's monetary policy and low-interest rate environment.

Hang Seng Index (+13%): The Hang Seng Index benefited from China's economic stimulus measures and improved investor sentiment.

CSI 300 Index (+13%): The CSI 300's increase was due to policy support and easing measures in China's financial markets.

MSCI ASEAN Index (+9%): The MSCI ASEAN Index experienced modest growth, reflecting a cautious but stable economic recovery in the ASEAN region.

Oil Price (-2%): Oil prices decreased slightly due to fluctuating global demand and supply dynamics.

KOSPI Index (-6%): The KOSPI Index declined, impacted by global trade trends and challenges in Korea’s technology sector.

Source: Bloomberg

US

The S&P 500 Index continued its strong performance in 2024, building on the impressive gains achieved in 2023. Despite operating in a high-interest-rate environment, the US economy demonstrated resilience, maintaining robust growth and a low unemployment rate. This economic strength was supported by strong economic growth and solid consumer spending. US companies delivered strong earnings growth across sectors, which fueled investor confidence and drove the index to new highs.

A major contributor to the S&P 500's success was the continued strength of the technology sector, particularly driven by advancements in artificial intelligence (AI). The "AI thesis" gained significant traction as companies invested heavily in AI technologies to enhance productivity and unlock new revenue streams. The rapid adoption of AI across industries such as finance and manufacturing boosted valuations for tech giants, contributing to the index's robust performance.

Donald Trump's election as the 47th President of the United States has significantly influenced financial markets. His proposed policies, including potential tax reductions, deregulation, increased tariffs and support for crypto, have collectively contributed to a notable rise in the US stock market following the election results.

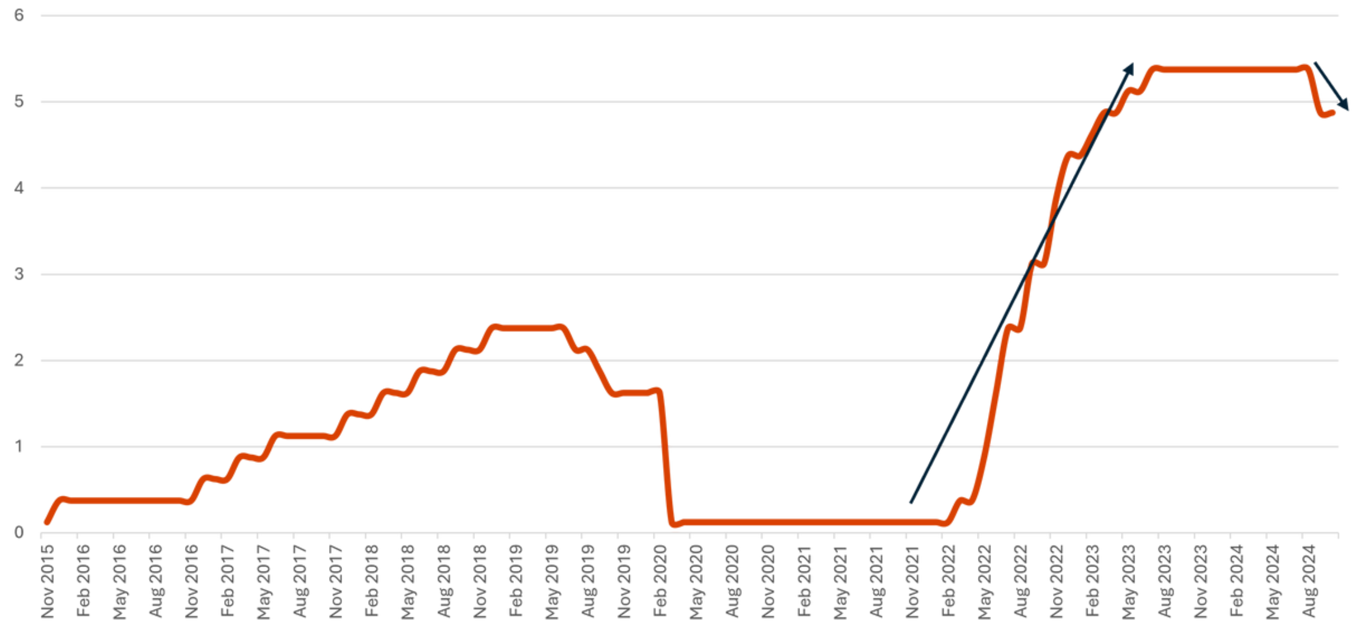
Investors are optimistic about the prospect of tax cuts and deregulation, anticipating that these measures will enhance corporate profitability and stimulate economic growth. However, the proposed increase in tariffs introduces a degree of uncertainty, as it may affect international trade dynamics and potentially lead to higher costs for consumers and businesses.

Additionally, President-elect Trump's endorsement of Bitcoin has positively impacted the crypto market, with Bitcoin's value reaching unprecedented high levels. This surge reflects growing confidence in digital assets and their potential integration into mainstream financial systems.

Source: Bloomberg

US FED RATES HIKE

US FED TARGET RATE MID POINT OF RANGE (%)

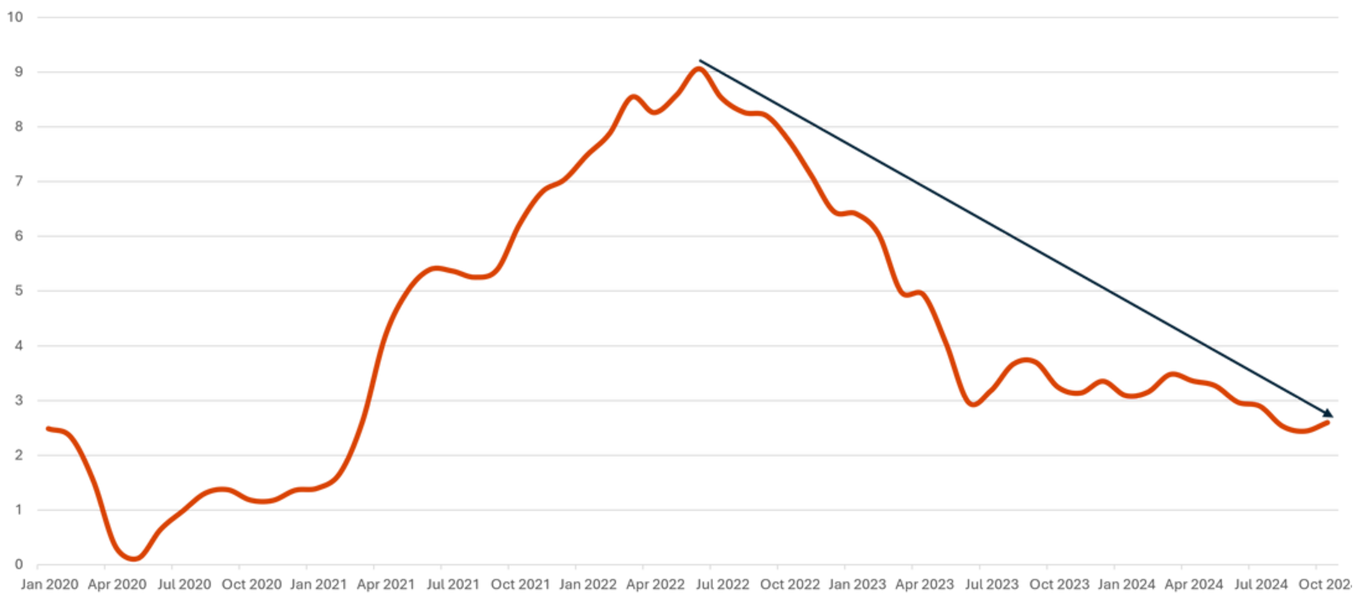


In the second half of 2024, the Federal Reserve initiated a series of interest rate reductions to support economic growth amid signs of slowing inflation and a cooling labor market. In September, the Fed implemented a significant 50 basis point cut, lowering the federal funds rate to a target range of 4.75% to 5%. This decisive action marked the first rate decrease in four years, signaling a shift from the previous tightening cycle.

Building on this momentum, the Fed proceeded with a 25 basis point reduction in November, adjusting the target range to 4.5% to 4.75%. This move aimed to further stimulate economic activity and maintain favourable financial conditions.

Looking ahead, market participants are anticipating an additional rate cut in December, reflecting expectations of continued accommodative monetary policy to bolster the economy. The Fed's actions underscore its commitment to fostering economic stability and achieving its dual mandate of maximum employment and price stability.

US CPI YOY (%)



Source: Bloomberg

The US CPI has steadily declined throughout 2023 and 2024, driven by the high-interest-rate environment implemented to curb inflation. This downward trend has led the market to anticipate further interest rate cuts by the Fed in 2025 to support economic activity.

At the same time, concerns are emerging regarding the potential inflationary impact of President Trump's proposed policies. Measures such as raising tariffs, tightening immigration controls and revitalizing US manufacturing have sparked debate about their effects on costs and prices. While these policies aim to bolster domestic industry, they could introduce upward pressure on inflation, creating a complex challenge for economic management in the coming year.

THE US DOLLAR INDEX

Between April and September 2024, the US Dollar Index declined, influenced by market expectations of Federal Reserve interest rate cuts in the latter half of the year. These expectations were realized as the Fed implemented rate reductions to stimulate economic activity.

However, President-elect Trump introduced a shift in market dynamics. His proposed policies, such as corporate tax cuts, deregulation and increased infrastructure spending, are anticipated to stimulate economic growth. These initiatives have bolstered investor confidence, leading to a strengthening of the US dollar. The prospect of higher corporate profits and enhanced financial performance under these policies has contributed to the dollar's appreciation.

Additionally, the anticipated increase in government spending on infrastructure is expected to further stimulate economic activity, supporting the dollar's value. These factors combined have reversed the earlier downward trend of the US Dollar Index, reflecting the market's positive response to the new administration's economic agenda.

Source: Bloomberg

CHINA

HANG SENG INDEX

In the second half of 2024, the long-anticipated announcement of substantial policy measures by the Chinese government provided a significant and unexpected boost to market sentiment. These actions demonstrated the government's strong commitment to revitalizing the economy and addressing key economic challenges.

The policies introduced included a 50 basis point cut in the reserve requirement ratio, a 50 basis point reduction in mortgage rates, initiatives to encourage corporate share buybacks and measures to facilitate asset pledging for investment. Additionally, the outcomes of a surprising Politburo meeting highlighted a renewed focus on economic support, complemented by housing policies to stabilize the property market.

These comprehensive measures, combining aggressive monetary easing with fiscal stimulus, successfully restored confidence in the financial markets. This renewed optimism has driven a robust rally in Chinese stock indices, with significant gains seen in the Hang Seng Index and the CSI 300 Index in September 2024.

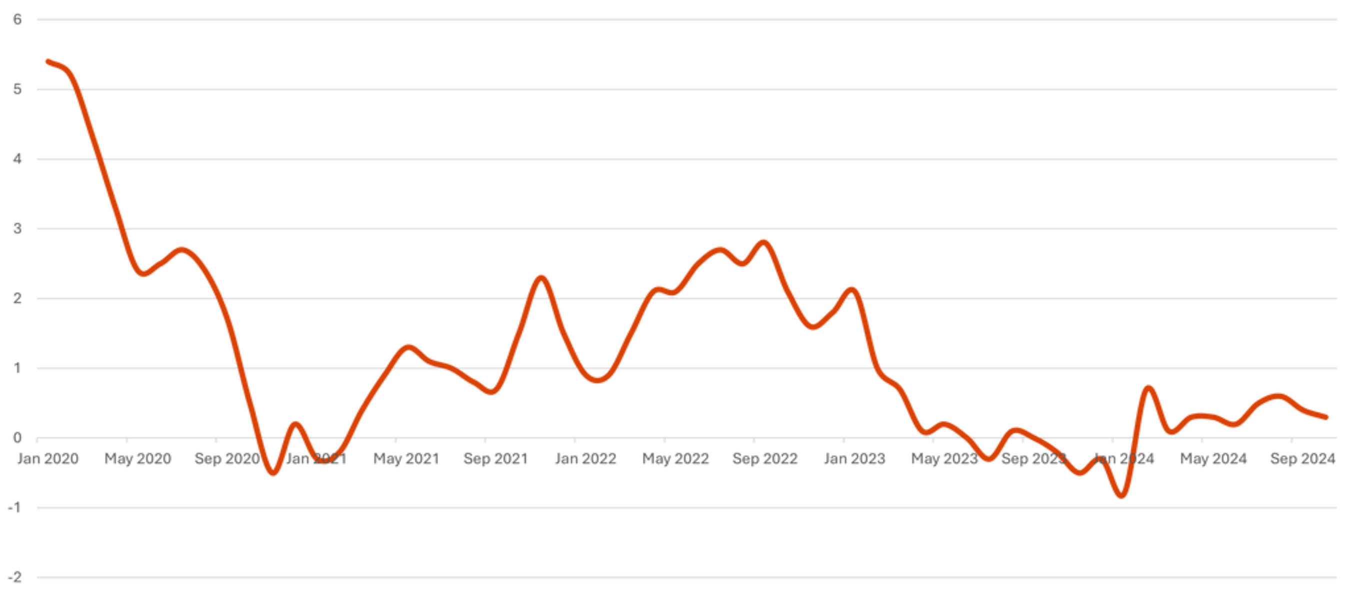
The combination of interest rate cuts, liquidity injections and easing policies has laid the groundwork for a potential recovery in the Chinese economy. However, following the initial wave of announcements in September, the market faces a potential void in new policy measures that could deliver further positive surprises.

As the initial optimism fades, the market has largely absorbed the benefits of these announcements, leading to a gradual decline. This pullback is not unexpected, as investors often take profits after a strong but short-term rally, such as the one observed in September.

The longevity and strength of this rally will ultimately hinge on the sustained execution and impact of these policies. In particular, the focus will need to remain on addressing structural challenges, including weaknesses in the property sector and subdued domestic consumption, which are critical to fostering long-term economic stability and growth.

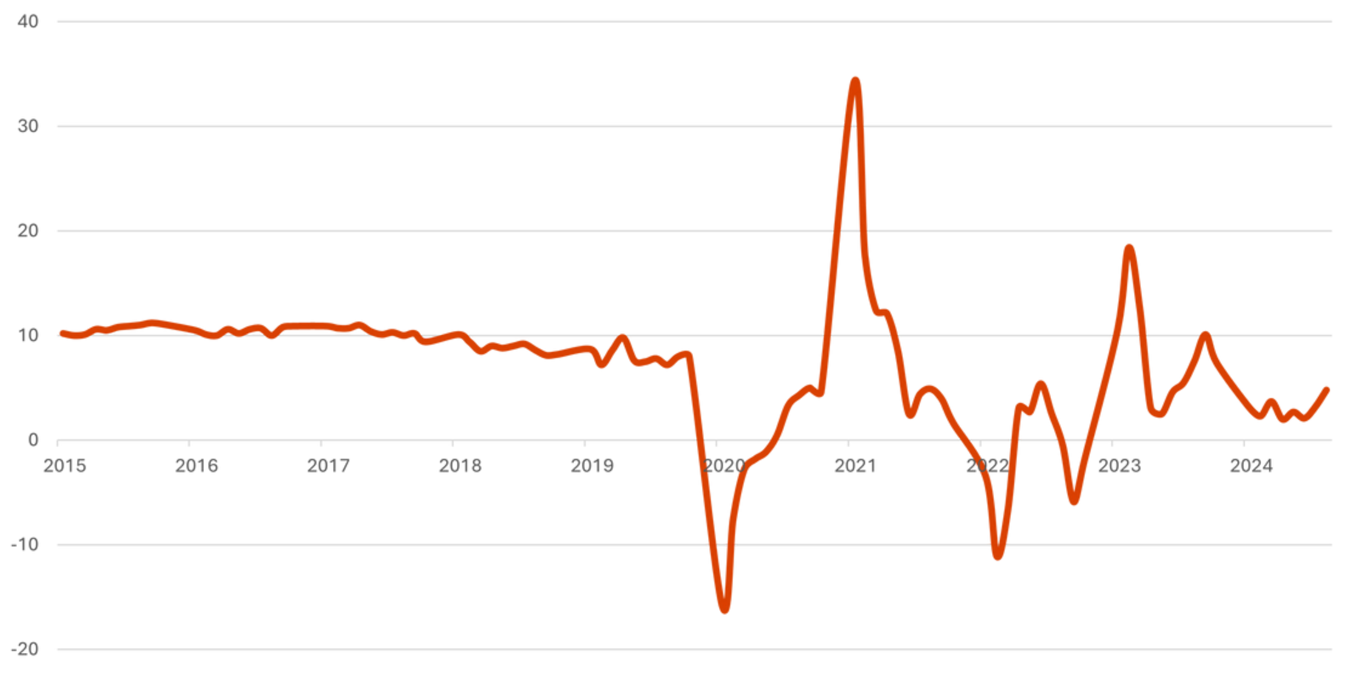
Source: Bloomberg

CHINA CPI YOY (%)



At the start of 2024, China experienced deflation, raising alarms about weakened consumer sentiment and a potential economic slowdown. While the second half of the year saw a slight return to positive inflation, the pace of price growth remained subdued. The primary concern lies in the persistent reluctance of consumers to increase their spending, reflecting underlying uncertainties and cautious sentiment about the economic outlook.

CHINA RETAIL SALES VALUE YOY

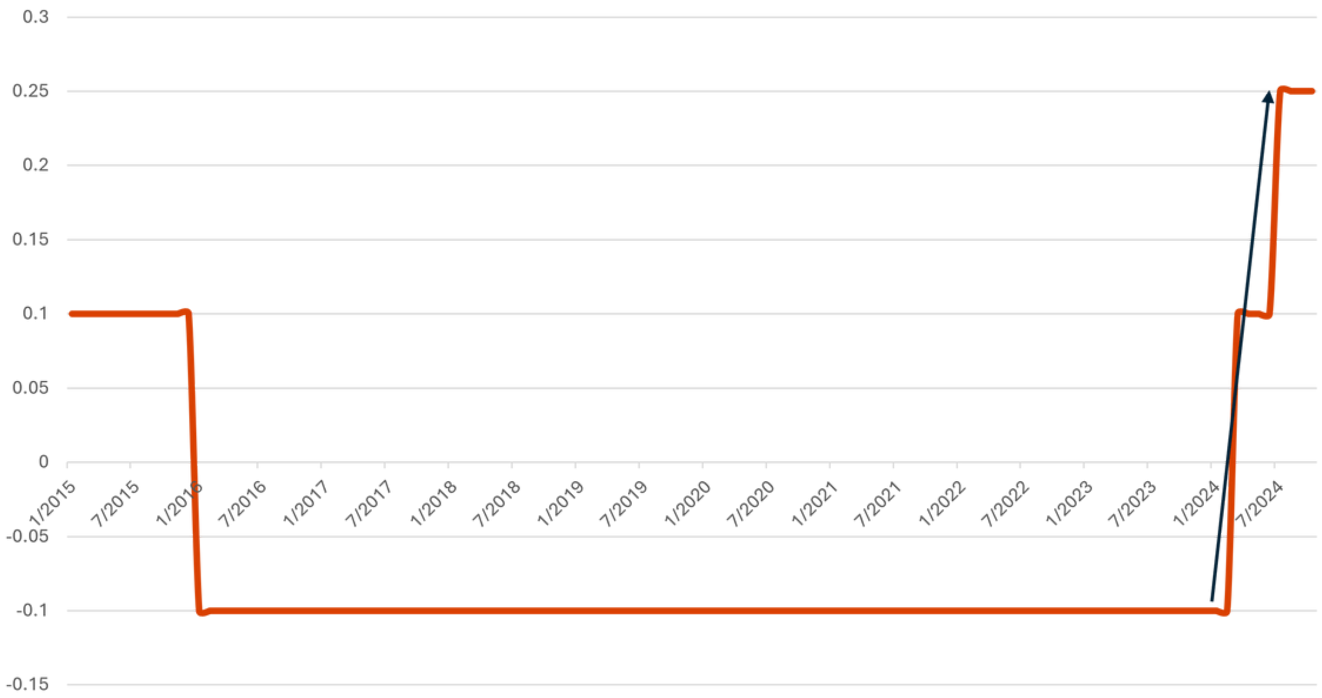


The market's primary concern in 2024 is the lack of a strong and sustainable rebound in consumption growth, even after the economy's reopening. Recent retail sales growth, ranging between 2% and 4.8%, falls below the levels seen (6-10%) before the COVID-19 pandemic. This underperformance has raised concerns about the diminished potential for high consumption growth, which had previously been a key driver of China's economy. The subdued retail growth is also a contributing factor to the persistently low inflation rates, further fueling concerns about potential deflationary pressures in the economy.

Source: Bloomberg

JAPAN

BANK OF JAPAN'S SHORT-TERM INTEREST RATE (%) (2015 - 2024)



In 2024, the Bank of Japan (BOJ) raised its short-term interest rates for the first time in 17 years, marking a pivotal shift from its longstanding negative interest rate policy. The initial hike in March moved the rate from -0.1% to between 0 and 0.1% and by July, further adjustments brought it to approximately 0.25%. These changes signal the BOJ's transition towards more neutral monetary policies aimed at managing inflation, which had begun to exceed their 2% target and stabilizing the economy.

Historically, Japan's rates have been negative since 2016 to combat deflation and stimulate growth. The recent rate increases reflect a strategic pivot as Japan aligns more closely with global central banking trends, focusing on inflation control and economic stability. This move could lead to a new economic environment in Japan, impacting investors and reshaping conditions across the stock, bond and foreign exchange markets.

Recently, BOJ has expressed caution regarding the pace of interest rate increases. In October 2024, BOJ board member Seiji Adachi emphasized the importance of a "very moderate" approach to rate hikes, highlighting potential economic uncertainties and the need to avoid premature tightening. (Source: Reuters)

This sentiment reflects the BOJ's careful consideration of economic conditions to ensure that any adjustments to monetary policy do not disrupt Japan's economic stability.

USD JPY EXCHANGE RATE

This stance led to a depreciation of the Japanese yen, as market participants adjusted their expectations for future monetary policy actions. The yen's decline was further influenced by the BOJ's decision to maintain its short-term interest rate at 0.25%, reinforcing perceptions of a prolonged low-rate environment.

NIKKEI 225 INDEX

As observed, the Japanese Yen began depreciating again starting in September, influenced by a strong US dollar. This depreciation has been beneficial for the Japanese stock market, particularly evident in the resilience and gradual recovery of the Nikkei Index after its significant drop in August 2024.

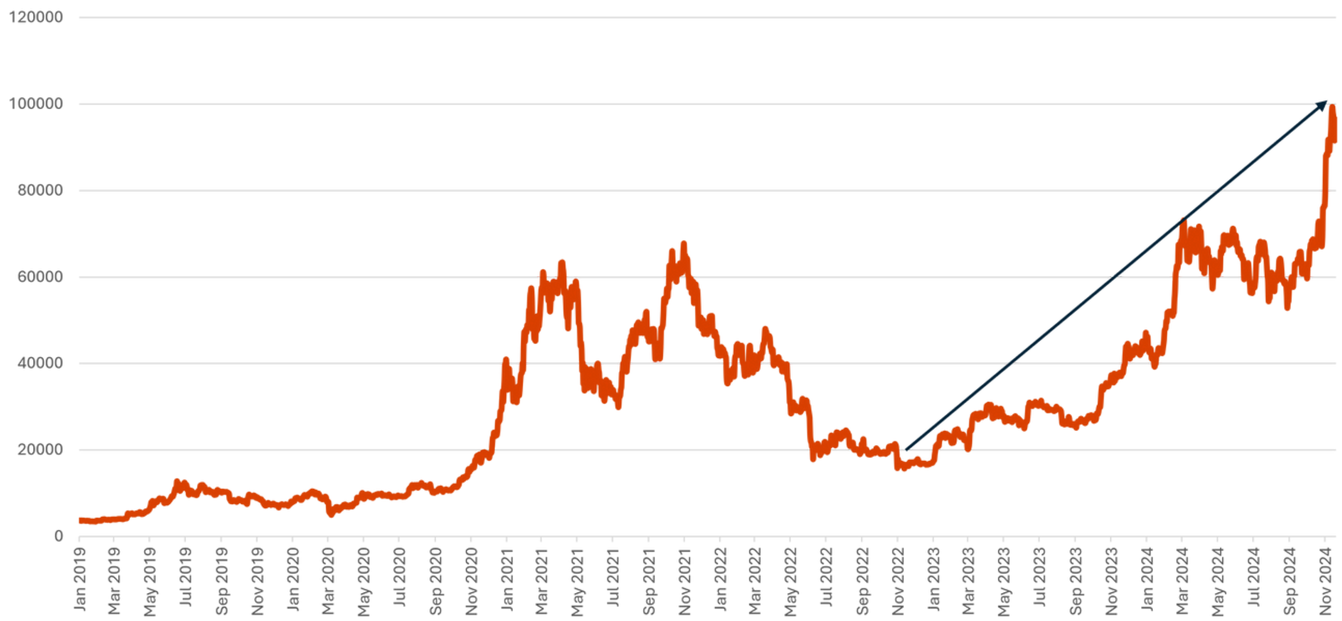
The sharp decline in August 2024 was primarily triggered by a hike in Japan's interest rates and an appreciation of the Yen, which together exerted pressure on stock valuations.

Source: Bloomberg

CRYPTO

BITCOIN

BITCOIN PRICE (USD)



As of November 22, 2024, Bitcoin has achieved a remarkable year-to-date return of 134%, building upon its impressive 157%gain in 2023. This sustained growth can be attributed to several key factors that have bolstered investor confidence and market dynamics.

A significant driver of Bitcoin's ascent has been the approval and listing of Bitcoin ETFs. The introduction of these financial instruments has provided investors with more accessible and regulated investment products to gain exposure to Bitcoin, thereby broadening its appeal. The subsequent surge in ETF inflows has amplified demand, contributing to upward price momentum.

Another pivotal event is the Bitcoin halving that occurred in April 2024. This programmed reduction in mining rewards effectively decreased the rate at which new Bitcoins enter circulation, tightening supply. Historically, such halvings have been associated with price increases, as reduced supply coupled with steady or rising demand exerts upward pressure on value.

The political landscape has also played a crucial role. President Donald Trump's endorsement of Bitcoin, along with discussions about creating a dedicated White House position for crypto policy, has signaled potential for more supportive regulatory frameworks. This prospective policy support and deregulation have further enhanced market sentiment, encouraging both institutional and retail investors to participate more actively in the Bitcoin market.

In addition, the increasing adoption of Bitcoin by major corporations and financial institutions has significantly contributed to its price appreciation. Companies such as MicroStrategy (MSTR US), Tesla (TSLA US) and Block (SQ US) have integrated Bitcoin into their balance sheets, thereby increasing demand and enhancing the crypto's legitimacy in mainstream finance.

For instance, MicroStrategy has made substantial investments in Bitcoin, holding approximately 331,200 bitcoins as of November 17, 2024. It also announced it would issue convertible senior notes of USD 2.6bn to fund additional Bitcoin purchases and support general corporate activities. Similarly, Tesla has incorporated Bitcoin into its corporate treasury, further solidifying its acceptance among leading enterprises. These strategic moves by prominent companies have played a pivotal role in bolstering Bitcoin's credibility.

Source: Bloomberg

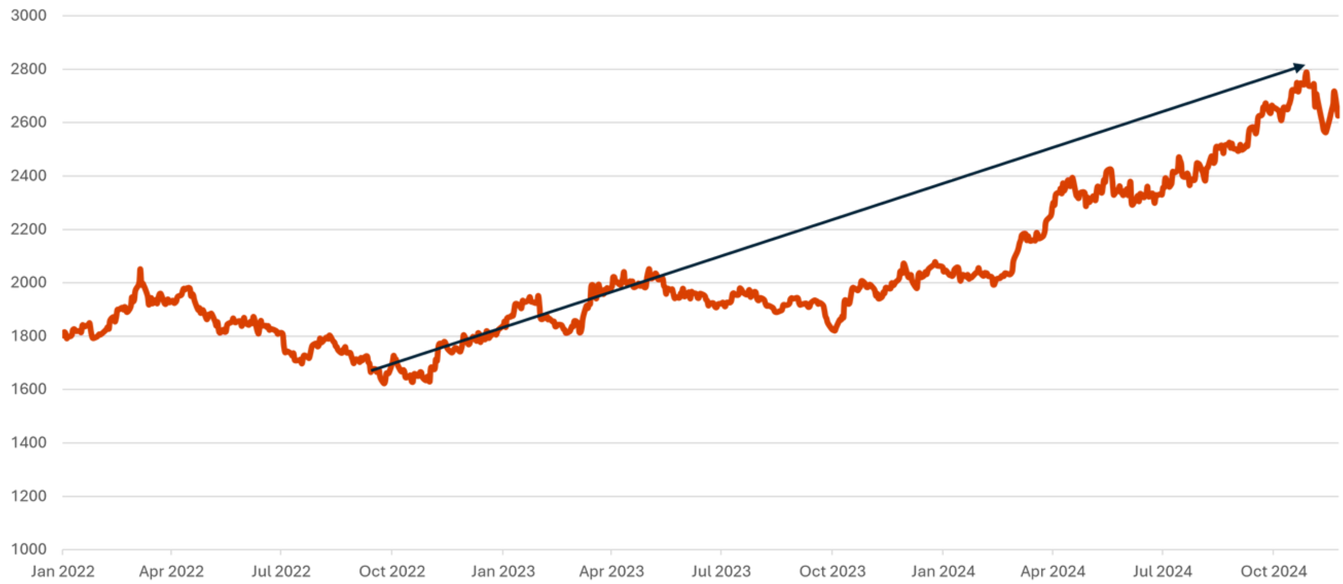
ETHEREUM

ETHEREUM PRICE (USD)

As of November 22, 2024, Ethereum achieved a year-to-date return of 46%, following a 90% gain in 2023. Although strong, this performance lags behind Bitcoin's returns. Several factors contribute to this underperformance. The approval of Bitcoin ETFs has attracted significant institutional investment, enhancing Bitcoin's market appeal. In contrast, Ethereum's ETF approvals have been slower, limiting similar inflows. Secondly, Bitcoin's dominance in the crypto market has increased, drawing more investor attention and capital. This shift has resulted in a relative decline in demand for Ethereum. Ethereum faces growing competition from other blockchain platforms, such as Solana, that offer faster transaction speeds and lower fees. This competition has affected Ethereum's market share and investor confidence.

GOLD

GOLD PRICE



Source: Bloomberg

Gold demonstrated a strong year-to-date performance, surpassing traditional equity indices like the S&P 500 and Nikkei 225. Its resilience can be attributed to its role as a safe-haven asset during periods of global uncertainty and rising inflationary pressures. Investors sought refuge in gold amid economic concerns and geopolitical risks, reinforcing its appeal as a protective store of value.

This trend highlights the cautious sentiment prevailing in global markets, where uncertainties about the economic outlook have prompted investors to allocate funds into safer assets. Gold's ability to preserve value in volatile environments has made it a preferred choice for diversification and risk mitigation, reflecting a prudent approach to asset allocation.

OIL

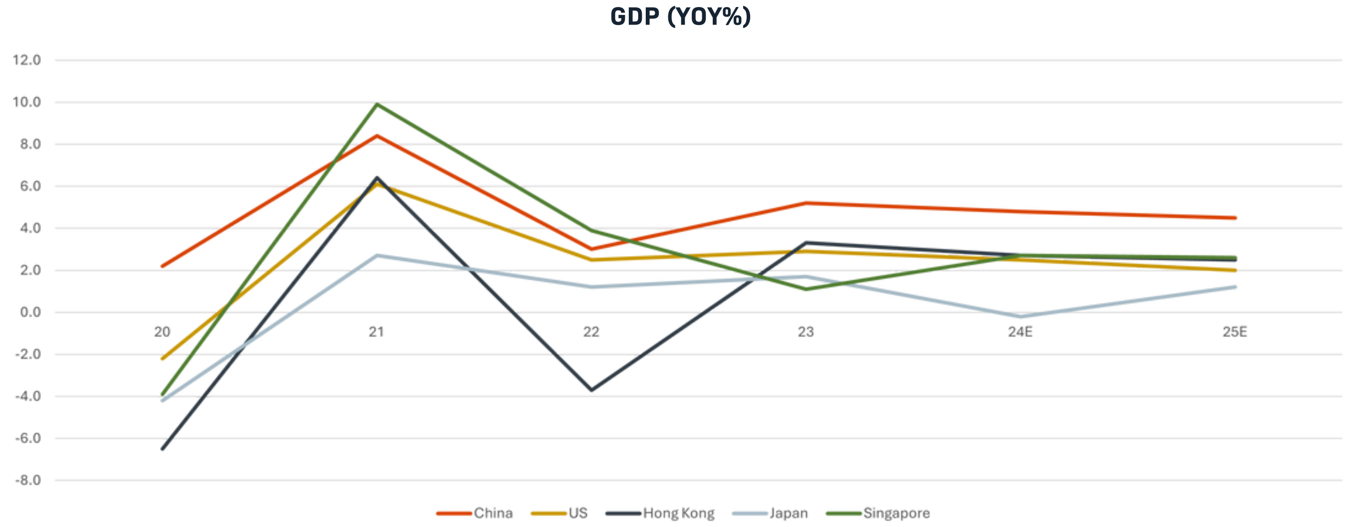
OIL PRICE

However, unlike other major assets, oil is one of the few assets to record a negative return year-to-date. This decline is primarily driven by reduced global demand amid an uncertain economic outlook, which has weighed heavily on oil prices.

2024 was a year of mixed performance across asset classes, driven by significant economic and policy shifts. The US economy demonstrated resilience with robust stock market growth, supported by strong corporate earnings and advancements in AI. China's markets experienced a short-term rally fueled by aggressive policy measures, Japan marked a pivotal shift with its first interest rate hike in decades, boosting equity markets amidst a weaker yen. Bitcoin emerged as a standout performer, propelled by ETF listings, institutional adoption and regulatory developments, while gold maintained its role as a safe-haven asset. In contrast, oil struggled with negative returns, reflecting weak global demand and economic uncertainties. This diverse landscape underscores the complexity of markets in 2024.

Source: Bloomberg

2025 OUTLOOK

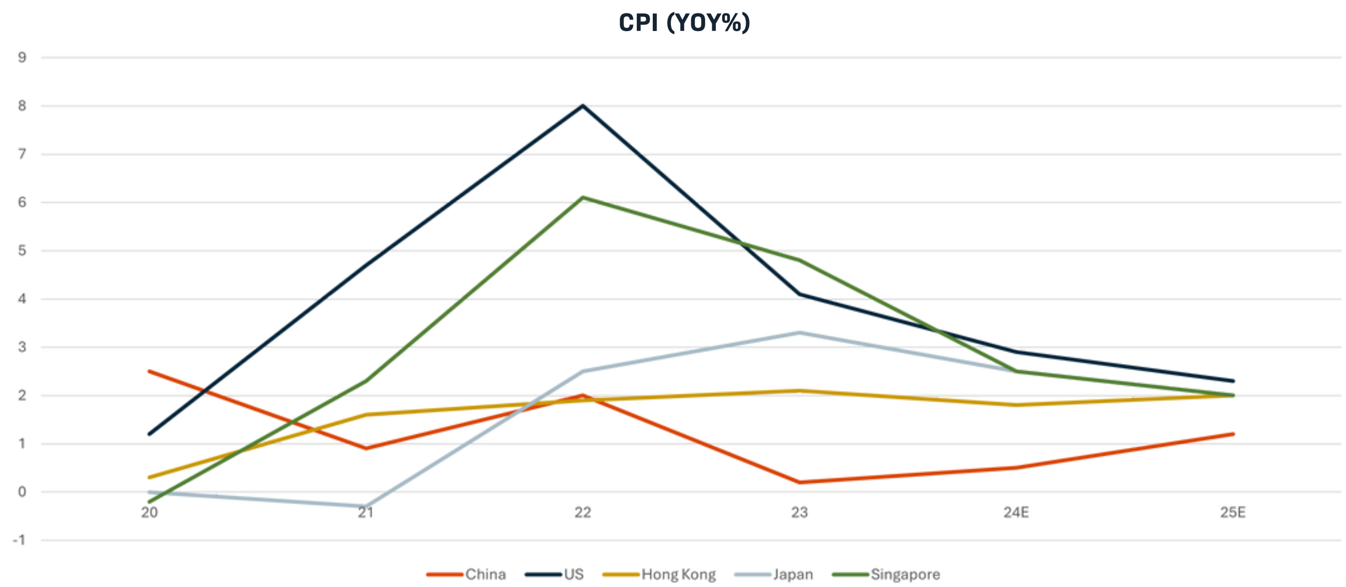


After reviewing the major events of 2024, we can now examine the outlook for 2025. Overall, the economy is expected to maintain stable GDP growth, with a slight deceleration anticipated but still reflecting positive expansion.

In the US, despite a high-interest-rate environment, the economy demonstrated robust growth in 2024. Looking ahead, the market anticipates continued growth in 2025, supported by potential interest rate cuts. The stock market has also factored in supportive government policies under President-elect Donald Trump, including proposed tax reductions, increased infrastructure spending and deregulation efforts.

In China, the primary market focus is on the scale, speed and execution of the government's supportive policies aimed at bolstering the economy. The effectiveness of these measures will be crucial in determining China's economic trajectory in 2025.

For Japan, the market expects an acceleration in GDP growth in 2025. This optimism is driven by several factors. The BOJ's accommodative monetary stance is likely to maintain favorable financial conditions, encouraging borrowing and investment. A weak yen may boost exports by making Japanese goods more competitive internationally, supporting economic growth. Anticipated wage increases are expected to boost consumer spending, thereby stimulating domestic demand.



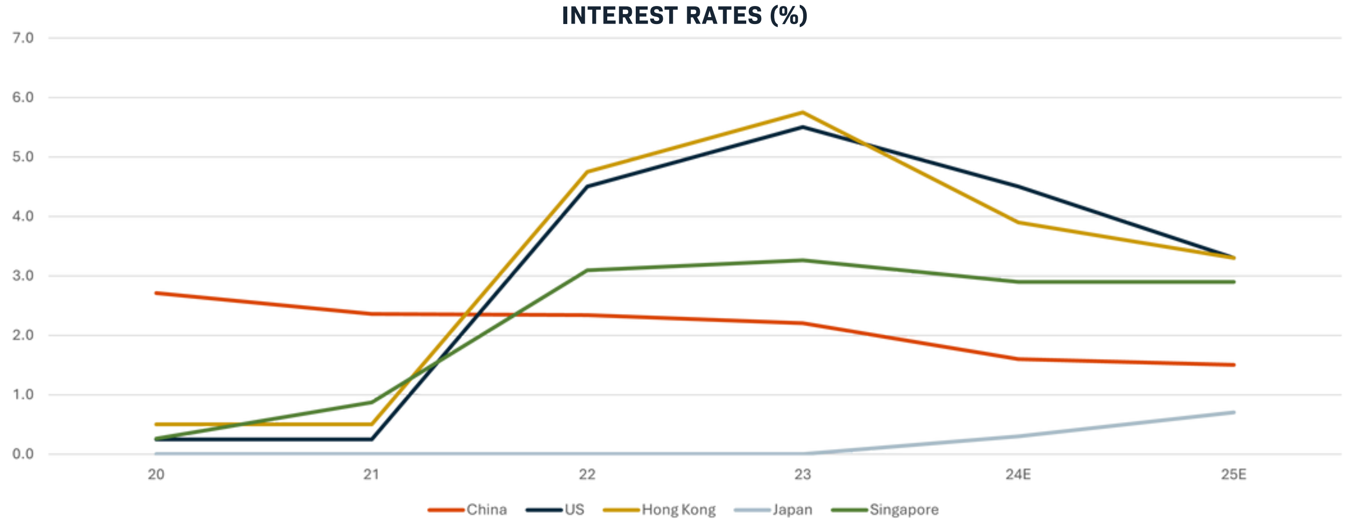
Source: Bloomberg

In the US, the high-interest-rate environment throughout 2024 contributed to a decline in inflation, bringing it below 3%, down from 4.1% in 2023. This trend aligns with the Fed's long-term inflation target of 2% while maintaining a balance with employment levels.

Conversely, China is grappling with deflationary pressures, as subdued consumer sentiment has led to decreased demand, affecting the price levels of consumer goods. This deflationary trend poses challenges for economic stability and growth.

In Japan, the shift from a prolonged period of monetary easing to initiating interest rate hikes in 2024 has influenced inflation dynamics. Inflation began to rise in 2024 but is expected to moderate slightly in 2025 because of the effect of tighter monetary policy. This adjustment aims to stabilize prices while supporting economic growth.

INTEREST RATES (%)



In 2025, both the US and China are anticipated to continue their interest rate cut cycles. In the US, with the federal funds rate currently at 4.5% to 4.75%, there is considerable scope for further cuts. The prevailing interest rates exceed the GDP growth rate, and with inflation on a downward trend, the Fed is supported in its decision to lower rates to stimulate economic activity.

China, following substantial policy measures and a reduction in the reserve requirement ratio in the latter half of 2024, is expected to persist in lowering interest rates throughout 2025. Facing potential deflationary pressures, the PBOC has ample room to implement rate cuts aimed at invigorating the economy without concern over inflation risks.

Conversely, Japan stands out as a major economy projected to continue raising interest rates in 2025, having commenced its rate hike cycle in 2024. This position Japan uniquely among developed nations, as it shifts towards a tightening monetary policy to address its specific economic conditions.

CRYPTO OUTLOOK

Following bullish trends in 2023 and 2024, the market currently holds high expectations for the crypto outlook in 2025. President-elect Donald Trump, known for his favorable stance toward digital assets, has bolstered market optimism. His coming administration's consideration of appointing a dedicated crypto role within the White House underscores a commitment to integrating digital assets into the broader economic framework.

The impending resignation of SEC Chair Gary Gensler on January 20, 2025, is anticipated to lead to a more lenient regulatory environment for crypto. Gensler's tenure was marked by stringent oversight and legal actions against major crypto firms for securities law violations. His departure may result in fewer such lawsuits, fostering a more conducive atmosphere for industry development.

Historically, Bitcoin has demonstrated strong returns in the years following its halving events. For instance, post-halving years have seen significant gains: 2013 recorded a 5,428% increase, 2017 saw a 1,375% rise and 2021 experienced a 60% uptick. Can 2025 replicate the positive trend observed after the 2024 halving?

Source: Bloomberg

BITCOIN DOMINANCE

Bitcoin's dominance rate has shown a decline since mid-November, indicating that altcoins have outperformed Bitcoin during the last two weeks of the month. This shift suggests a "catch-up" phase for altcoins, which lagged behind Bitcoin throughout 2023 and 2024 year-to-date. While Bitcoin surged to new all-time highs in 2024, many prominent altcoins, including Ethereum, Ripple, Dogecoin, Cardano, Avalanche, Polkadot and Polygon, remain below their historical peaks from 2021. This divergence highlights the uneven recovery within the crypto market, as altcoins attempt to regain their footing after years of underperformance compared to Bitcoin.

The recent uptick in altcoin performance has sparked a lively debate within the crypto community about the potential return of an "altcoin season" in 2025. The last such period occurred in 2021, following a pattern where Bitcoin outperformed altcoins in 2020 but altcoins outperformed Bitcoin in 2021. Many are questioning whether a similar shift could take place, with Bitcoin having led the market for the past two years. If altcoins continue their recent momentum, it could signal a broader diversification of gains across the crypto market, potentially reigniting interest.

The 2025 market outlook reflects cautious optimism, with GDP growth expected to remain stable. In the US, supportive government policies and potential interest rate cuts are anticipated to sustain economic momentum. China's recovery hinges on the effective execution of fiscal and monetary measures to address structural challenges like deflation and a weak housing market. Japan is poised for steady growth, driven by increased domestic spending, competitive exports supported by a weaker yen and favorable monetary conditions. Meanwhile, the crypto market remains promising, bolstered by favorable regulatory shifts and historical post-halving performance trends. Overall, 2025 is set to be a pivotal year shaped by policy implementation and economic resilience.

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Source: CoinGecko

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