

# Getting the jump on 2024

## Summary

### The December and positive Q1 outlook

Markets have surged, pulling some returns forward, but been largely fundamentally driven. The rest of December will likely see Fed push-back vs too-soon investor interest rate cut pricing, and Dec. 19th BoJ meet is an important wild-card. First quarter is front loaded with events from +5% Q4 earnings recovery and key Taiwan and US presidential politics. We are positive 2024 with interest rate cuts, stronger earnings, and a big stocks rotation. [See Page 4](#)

### 'Everything' rally pauses for breath

The big cross-asset rally paused; even as the underlying cyclical rotation continued. US 10-yr bond yields fell to 4.1%, BTC hit \$44,000, whilst DAX and Gold hit all-time-highs. The oil plunge deepened, and surging JPY hit the Nikkei. GOOG and AMD boosted by AI progress; SPOT slashed jobs; BAT.L did a huge write-down; fast fashion SHEIN readied its IPO. See Q4 Markets Outlook [HERE](#) and at twitter [@laidler\\_ben](#). [See Page 2](#)

### Market taking on the Fed again

Market quickly loosened [financial conditions](#) and priced five rate cuts for 2024, setting up a Fed showdown. But stage set for mid-2024 cuts and big country, sector, style rotation. [See Page 2](#)

### The earnings growth contradiction

S&P 500 [EPS growth](#) accelerating to 12% next year, despite slower GDP and analysts usual cuts during year, as AI adoption, less inflation margin pressure, and a lower base offset. [See Page 2](#)

### The strange anatomy of global debt

Understanding differences across world's [huge debt](#) goes long way to understanding Europe's weak growth, China's property woes, US and EM resilience, and Japan rate constraints. [See Page 2](#)

### Where to find most 'ten-bagger' stocks

They are [holy grail](#), but a rare 2.7% of global stocks. Whilst tech and US are well represented it is Australian miners that lead. [See Page 2](#)

### Bitcoin hits \$44,000 as rally resumes

BTC dramatic YTD rally hits 160% with combo of Fed rate cut hopes and imminent spot ETF approval. AVAX and SHIBxM lead all crypto, with TRX lagging. MSTR to El Salvador now in green on recent investments. HOOD reports strong crypto pick up, and ARKK trims COIN position. See latest [Weekly Crypto Roundup](#). [See Page 3](#)

### Commodities big slump deepens

Broad commodities fell 4%, continuing worst asset class performance of year. Led by Brent <\$80 as US supply surge and recession fear trumped OPEC+ voluntary cuts. Lithium plunge hit 80% vs last year on supply build. Breakfast commodity YTD leaders' sugar and coffee eased back. WDS and STO.ASX merger talk. [See Page 3](#)

### The week ahead: Inflation, FOMC, TripleWitch

1) US inflation most important markets number See decline toward 3% on lower oil (Tue). 2) FOMC to hold rates and push back on early rate cut talk (Wed), like ECB and BoE (Thu). 3) Results from ADBE, ORCL, ITX.MC, COST, LEN, and DRI. 4) Triple-witching US futures and options expiry (Fri) a top-four volume day of year. [See Page 3](#)

### Our key views: Outlook for a different 2024

See a stronger but very different 2024. Lower inflation and coming interest rate cuts as growth slows, and the earnings outlook idiosyncratically accelerates. Will drive a investor rotation from 2023 US and big tech winners to rate sensitive losers from Europe to real estate. [See Page 5](#)

### Top Index Performance

	1 Week	1 Month	YTD
DJ30	0.01%	5.73%	9.35%
SPX500	0.21%	4.28%	19.92%
NASDAQ	0.69%	4.39%	37.62%
UK100	0.33%	2.63%	1.38%
GER40	2.21%	10.01%	20.37%
JPN225	-1.32%	0.63%	25.67%
HKG50	-2.95%	-7.29%	-18.33%

\*Data accurate as of 11/12/2023

## Market Views

### 'Everything' rally pauses for breath

- The recent big cross-asset rally paused; even as the underlying cyclical rotation continued. US 10-yr bond yields fell to 4.1%, BTC hit \$44,000, whilst DAX and Gold hit all-time-highs. The oil plunge deepened, and surging JPY hit the Nikkei. GOOG and AMD boosted by AI progress, whilst SPOT slashed jobs, BAT.L did a huge write-down, fast fashion SHEIN readied its IPO. **See Q4 Outlook [HERE](#)**. See [Page 6](#) for resources and videos.

### Market taking on the Fed again

- Rate cut hopes and lower bond yields triggered a big early-Santa rally. Markets now optimistically price five US rate cuts next year, starting in March. This is a frontal assault on Fed's outlook.
- We expect a reality check at Wednesday's [FOMC meet](#) as Fed pushes back with new forecasts. But market now less-afraid taking on data-dependent Fed. We think the foundations are set for 2024 rate cuts and rotation from defensive growth US and big tech stocks towards more rate sensitive assets, from real estate to Europe. [See Page 2](#)

### The earnings growth contradiction

- Earnings are back [in pole position](#) as the big stock market driver for 2024. After gains this year led by re-rating valuations, that are now back above long-term averages. S&P 500 earnings growth forecasts are for a strong rebound to 12%, from this year's 1%. Scepticism is high we'll see such an acceleration. With contradiction of the building US economic slowdown and analysts typically cutting estimates as the year progresses.

- But the 2024 earnings drivers are less-GDP driven than normal, and earnings cuts are typically modest at -2% on average outside of crises. We see double-digit profits growth healthily broadening out from tech into healthcare and industrials. [See Page 2](#)

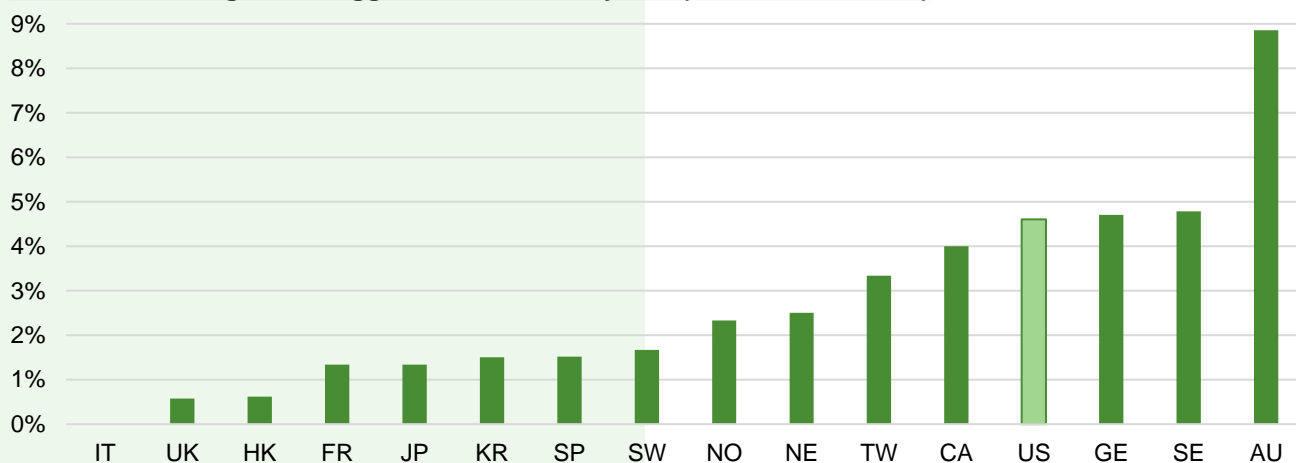
### The strange anatomy of global debt

- Global [debt trends matter](#). Levels are eye-popping high. But with big differences. Across segments of governments, companies, or households. With very disparate sensitivity to interest rate changes given duration and floating vs fixed rate differences. And whether they borrow from banks or bond market.
- This helps explain Europe's sharp growth slowdown this year versus the US's outperformance. China's efforts to reign in its property sector versus emerging markets surprise macro resilience. And is a question mark for Japan now as it starts to raise interest rates for the first time in fifteen years against the backdrop of by far the world-leading sovereign debt levels. [See Page 2](#)

### Where to find the most ten-bagger stocks

- Investing in a stock that multiplies by ten is the elusive [holy grail](#) for many. Our analysis shows these are very rare, at only 2.7% of the sixteen indices we looked at over the past ten years.
- It helps to start as a tech-sector midcap, with strong sales growth. This leads to rising profit margins and a valuation rerating from investors. Whilst the tech and NVIDIA-led US ranks very well (see chart), its surprisingly Australia's miners that dominate, followed by Sweden and Germany. [See Page 2](#)

### Chances of hitting a ten-bagger stock over ten-years (% of current index)



Source: Refinitiv. IT=Italy Refinitiv (RF) 120. UK=FTSE 350. HK=HKong RF 650. FR=France RF 150. JP=Nikkei 225. KR=Kospi 200. SP=Spain RF 66. SW=Switzerland RF 120. NO=Norway RF 129. NE=Netherlands AEX 120. TW=Taiwan RF 540. CA=Canada RF 350. US=S&P 500. GE=Germany RF 170. SE=Sweden RF 251. AU=Australia RF 350. Illustration purposes only

## Market Views

### BTC hits \$44,000 on Fed and spot ETF outlook

- BTC hit \$44,000 continuing its dramatic over 160% rally this year and making it by far the world's best performing major asset. Driven by the combination of accelerating Fed rate cut hopes, and looming spot BTC ETF deadline.
- Weekly gains led by AVAX and SHIBxM, with TRX the notable laggard among major coins. The big BTC rally has helped take many, from MSTR to El Salvador, into the green on their recent holdings.
- HOOD reports crypto trading volumes surged 75% last month. Whilst ARRK trims holdings in COIN. See latest [Weekly Crypto Roundup](#).

### Commodities YTD slump deepens

- Commodities slumped 4% on week, deepening their asset-class leading decline this year. Brent fell below \$80/bbl. taking its 3-month plunge to near 20%. Investors ignored the recent voluntary extension of OPEC+ cuts, more focused on surge in US supply and the slowing economic outlook.
- Focus elsewhere included the further plunge in lithium prices, now over -80% the past year, on rising supply concerns. This fall is offsetting the continued EV volume growth and outlook and is helping make EV car batteries cheaper.
- Ag commodities saw a broad dispersion. With good wheat gains on upped China demand. Whilst YTD price leaders sugar and orange juice both eased on outlook for better Brazil supply.

### The week ahead: Inflation, FOMC, Triple witching

1. US **inflation** remains most important number in markets. Tuesday's November headline report est. to see a grind down toward 3%, helped by latest oil plunge, to support early rate cut hopes.
2. Big week for **central banks** with US Fed FOMC (Wed) on hold, publishing new 'dot plot' forecasts, and likely to push back against early rate cut hopes. Like the ECB and Bank of England (Thu).
3. Week of **earnings** w/ techs ADBE, ORCL, retailers ITX.MC, COST, homebuilder LEN, restaurant DRI. Plus, the INTC 'AI Everywhere' event. Is just over month before Q4 earnings season starts.
4. Friday is the quarterly '**triple witching**' US futures and options expiry day. This is typically one of the four heaviest volume days of the year and comes in one of lowest volume weeks as holidays near.

### Our positive key views for 2024

- See a stronger 2024 performance as investors look ahead to the final <3% hard inflation yards, a slowing but not recessionary US economy, and coming mid-year interest rate cuts on both sides of the Atlantic. This is set to come alongside an idiosyncratic and broadening AI and profit margin led 10% US earnings growth acceleration.
- Early focus on defensive growth and long duration assets, from healthcare to big tech, and bonds to crypto. With coming big rotation away from the 2023 US and big tech winners to the interest rate sensitive 'losers' from Europe to real estate.

### US Equity Sectors, Themes, Crypto assets

	1 Week	1 Month	YTD
IT	0.79%	3.98%	50.32%
Healthcare	0.27%	5.32%	-1.79%
Cyclicals	0.99%	7.31%	30.37%
Small Caps	0.98%	10.29%	6.79%
Value	-0.27%	4.77%	1.59%
Bitcoin	13.73%	18.51%	166.69%
Ethereum	12.78%	13.05%	97.33%

### Fixed Income, Commodities, Currencies

	1 Week	1 Month	YTD
Commod*	-3.79%	-3.92%	-13.46%
Brent Oil	-2.25%	-7.57%	-11.11%
Gold Spot	-1.60%	3.34%	10.13%
DXY USD	0.31%	-1.52%	0.49%
EUR/USD	-0.66%	0.63%	0.58%
US 10Y Yld*	-0.72	-38.44	37.20
VIX Vol.	-2.22%	-12.84%	-43.01%

Source: Refinitiv, MSCI, FTSE Russell

Source: Refinitiv. \* Broad Bloomberg index. \* Basis points

# Focus of Week: Getting the jump on 2024

## Surviving December and looking ahead to the 2024 rotation

It's been a stellar few weeks, with S&P 500 up 10% from their end October low. And on track to close the year up nearly 20%, an above average result, and a lot better than most forecast coming into the year. This recent 'everything' rally has also seen bonds to crypto prices soar, with the dollar and oil taking the back seat. This has undoubtedly pulled some returns forward and set markets up for some possible indigestion ahead. But the [2024 outlook](#) is a positive one, meaning any meaningful weakness should be bought.

## Short term challenges are focused on inflation, the Fed, and now the BoJ

The remaining days of the year are dominated by this week's US inflation report. This continues to be the most important number in markets, driving the outlook for Fed rate cuts. Another move lower towards 3%, helped by the 20% oil plunge in recent months, would be positive. We expect the Fed to [push back](#) against the market's early rate cut expectations at its Wednesday meeting. As they undo much of its tightening wishes. But expect this to only have limited effect if the labour and inflation data continue to ease. Focus may be more on Thursday's ECB meet, with markets now pricing it to cut before the Fed in 2024. And Friday's China data to show activity recovery, easing mounting concern there. The year could end with a bang, as last year, with the BoJ December 19<sup>th</sup> meet, after Chair Ueda's newly hawkish tone.

## First quarter is front loaded with earnings and politics

The first quarter of 2024 is front-loaded with a very busy January. The highlight is Q4 earnings season. This is set to see improving US earnings growth, whilst Europe's earnings inch off their tough levels. Other company focuses range from the CES electronics show to the World Economic Forum in Davos. Elections are also prominent and a trend for 2024. An opposition victory in Taiwan could ease cross-strait tension. Whilst the US election primaries kick off. Crypto could also see the long-awaited spot BTC approval.

## 2024 view of interest rate cuts, stronger earnings, and the big rotation

We are positive on 2024. Of mid-year interest rate cuts by Fed, ECB, and Bank of England as inflation eases and US economy sees a soft landing. Supported by still resilient labour market and a Fed 'put'. Of stronger [earnings growth](#), despite slower economies, as AI benefits spread, lower inflation releases pressure on profit margins, and punished sectors from healthcare to commodities lap big declines. This should drive a big rotation from US stocks and big tech towards the interest rate sensitive underperformers of this year. Crypto, stocks, real estate, and bonds [should benefit](#) versus cash, commodities, and the US dollar assets.

### Key events to watch in Q1 2024

Date	Country	Event
Jan. 09	Global	Las Vegas consumer electronics show ( <b>CES</b> ), from 5G to Web3
Jan. 12	Global	JP Morgan kicks off Q4 <b>earnings</b> season. S&P 500 est. +5%
Jan. 13	Taiwan	Incumbent nationalist <b>DPP leads</b> opposition in narrowing polls
Jan. 15	USA	Iowa presidential first <b>primary</b> caucus to choose candidates
Jan. 15	USA	Final Blackrock iShare <b>Bitcoin</b> Trust SEC approval deadline
Jan. 15	Global	World Economic Forum ( <b>WEF</b> ), Davos, focused on new tech
Jan. 25	EU	<b>ECB</b> meeting with odds of continued hold at peak 4.5% level
Jan. 25	US	US advance Q4 <b>GDP</b> growth. NOWCast est. +1.8% slowdown
Jan. 31	USA	<b>Fed</b> meeting with c90% probability of no change from 5.25%
Feb. 10	China	Chinese New Year holiday, starting <b>Year of Dragon</b>
Feb. 14	Indonesia	Defence minister <b>Subianto leading</b> polls to replace Jokowi
Feb. 24	Europe	2nd anniversary of Russia's invasion of <b>Ukraine</b>
Mar. 05	USA	<b>Super Tuesday</b> ' largest number of presidential primaries
Mar. 07	EU	<b>ECB</b> policy meeting with outlying chance of an early rate cut
Mar. 15	China	Combined January/February <b>New Year</b> major economic data
Mar. 17	Russia	<b>Putin</b> to win another 6-year term, in Ukraine war referendum
Mar. 20	USA	<b>Fed</b> meeting balanced 50/50 in futures markets w/ first rate cut

# Key Views

## The eToro Market Strategy View

**Global Overview** 'High wall-of-worry from geopolitics and high oil to surging bond yields continuing summer breather. But oil and bond yields self-correcting as GDP growth slows, easing market 'vice', whilst fundamentals of peaked interest rates, resilient growth, turning earnings, supportive low sentiment and better seasonality. **See NEW Q4 Outlook [HERE](#).**

### Traffic lights\* Equity Market Outlook

<b>United States</b>	World's largest equity market (60% of total) seeing slowing but resilient GDP and earnings growth. Valuations led the rebound this year and are supported high company profitability and peaked bond yields. Focus on cash-flows defensives, like healthcare and high dividend. And Big-tech supported by defensive growth, cost cutting, and AI. See gradual 'U-shaped' rebound as inflation slowly falls and de-risks market and boosts tech and crypto appetite.
<b>Europe &amp; UK</b>	Favour defensive and cheap UK ('Economies not stock-markets') and continental European equities. Recession risk easing with lower natgas prices and reopening China with high 'buffers' of rising fiscal spending (defence and refugees) and weak Euro (50%+ sales overseas). Even as ECB hikes aggressively. Equities cushioned by lack of big tech sector and 30% cheaper valuations vs US. Banks better capitalised and regulated but loans/GDP much higher.
<b>Emerging Markets (EM)</b>	China, Korea, Taiwan dominate EM (60% wt.), and more tech-centric than US. Positive China as economy reopens, supports property sector, eases tech regulation pressure. Valuations 30% cheaper than US and markets out of favour. Recovery helps global sectors from luxury to materials. EM needs weaker USD and peak US rates catalyst.
<b>Other International (JP, AUS, CN)</b>	Canada and Australia have benefitted from strong equity market weight in commodities and financials, as global growth resilient and bond yields risen. Now could be becoming headwinds. Japanese equities among worlds cheapest with own and China-proxy growth and governance improving but threats of tighter monetary policy and stronger Yen.

### Traffic lights\* Equity Sector & Themes Outlook

<b>Tech</b>	'Tech' sectors of IT, communications, consumer discretionary (Amazon, Tesla), dominate US and China. Expect better performance as 1) lower bond yields take pressure off valuations and 2) high profit margins and fortress balance sheets make defensive to recession risks. 2) Cost cuts and AI add to growth. 'Disruptive' tech much more vulnerable.
<b>Defensives</b>	More attractive as recession risks rising and bond yields have peaked. Consumer staples, utilities, (some) real estate attractive with defensive cash flows, less exposed to rising economic growth risks, and with robust dividends. Healthcare is the most attractive, with cheaper valuations, more growth, some rising cost protection.
<b>Cyclicals</b>	High risk cyclical sectors - like discretionary (autos, apparel, restaurants), industrials, energy, materials, and small caps - have cheap valuations, many with depressed earnings, and have been out-of-favour for many years. But they are significantly exposed to rising recession risks. Some especially cheap (energy) or see growth recovery (airlines).
<b>Financials</b>	Current stresses likely individual not systemic. Post GFC reforms boosted capital and size/speed of authority's response. But outlook for 1) less GDP growth, 2) lower bond yields and interest rates, and 3) valuation sensitivity after recent surprises, worsens outlook. Insurance and Diversifieds (like Berkshire Hathaway) more defensive.
<b>Themes</b>	Dividends and buyback themes attractive with resilient cash flows, rising pay-outs, and investor search for defensives. Power of compounding dividends under-estimated, at up to 1/2 of total long-term return. Small caps pressured by rising recession risk. Secular growth of Renewables and Disruptive Tech investment themes.

### Traffic lights\* Other Assets

<b>Currencies</b>	USD 'wrecking ball' driven by Fed interest rates and 'safer-haven' bid. DM currencies hurt by still low interest rates and struggling growth. Strong USD hurt EM, commodities, US foreign earners like tech. But helps big EU and Japan exporters. See a stabler USD outlook in 2023 as near top of the Fed cycle and global risks remain high.
<b>Fixed Income</b>	US 10-yr bond yields supported around 4% by higher Fed rate hike and stickier inflation expectations. Set to ease as recession risks slowly build and inflation expectations gradually fall. US has widespread to other market bond yields, and headwinds of high debt, poor demographics, and low productivity. 5% bill yields an attractive cash alternative.
<b>Commodities</b>	Strong USD and rising recession fears hit commodities. But still above average prices helped by GDP growth, 'green' industry demand, supply under-investment, recovering China, Russia supply crisis. Oil helped by slow return of OPEC+. But commodities not to repeat their 2021 and 2022 performance leadership. Gold benefits from safer haven demand.
<b>Crypto</b>	Potential 'surprise' after dramatic and early asset class sell-off and later specific risk events from Luna to FTX. See long term asset class development with small size \$1 trillion, correlations low, regulation growing, development/catalysts continuing - Ethereum merge to proof-of-stake and coming BTC halving.

**\*Methodology:** Our guide to where we see better risk-adjusted outlook. Not investment advice.

**Positive** Overall positive view and expected to outperform the asset class on a 12-month view.

**Neutral** Overall neutral view, with elements of strength and weakness on a 12-month view.

**Cautious** Overall cautious view, and expected to underperform the asset class on a 12-month view.

# Analyst Team

## Global Analyst Team

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## Research Resources

### Research Library

[eToro Plus](#): In-Depth Analysis. Dive deeper into market insights: Read daily, weekly and quarterly summaries, catch up on the latest market trends and get the most recent, in-depth overview of markets.

### Presentation

Find our twice monthly global markets presentation on the multi-asset investment outlook.

### Webinars

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