ANALYST WEEKLY

Facing the Ides of March

MARCH. 04. 2024

Summary

Markets narrow but supported into March

March has negative connotations and stocks may be overdue a pullback, but fundamentals remain strong. February' 5% surge driven by big tech led earnings surprise, with crypto's 40% rally taking lead again. With March likely to see a refocus on inflation and interest rates, alongside a heavy dose of politics. The rally has been supported by twin earnings growth and rate cut pillars, with a broadening rotation set to come. **See Page 4**

New stock market highs whilst BTC soars

Reassuring US PCE and EU inflation prints closed out a very strong tech-led February 'leap' month for stocks. The US government avoided a shutdown again. Whilst Bitcoins surge stole the asset class limelight. SNOW to AMC saw sharp post-results sell-offs, whilst NCL led gains. CVX big deal to buy HESS saw problem with XOM. AAPL shut self-driving efforts. See 2024 Outlook **HERE** and twitter @laidler_ben. **See Page 2**

China's 'two-sessions' make-or-break catalyst

A 5% GDP target at two-sessions meets, backed by fiscal support would help stabilization of China's long-suffering and derated stocks but stop short of igniting bull market. **See Page 2**

Europe's own magnificent seven

Its GRANNNOLAS'S stocks driven Stoxx 600 to similar concentrations as US. Europe's 'Mag 7' tech stocks benefit from a scarcity premium with same similar valuations to US peers. **See Page 2**

Leap days matter, a little

The four-yearly 'Leap Day' is a minor but real disruption for companies and markets, from earnings reporting through to calculating bond interest and paying workers. **See Page 2**

China still in commodity drivers-seat

Commodities struggled w/ China slowdown. India starting to take up growth baton and crucial from gold to sugar, but still nowhere near big enough to replace China demand **See Page 2**

New Bitcoin all-time-high coming into view

BTC rallied over $60,000, up 50% YTD, by far best performing asset class, nearing $68,000 2021 all-time high. Driven by now $7 billion of spot ETF inflows, and outlook for ETH Dencun March upgrade and April BTC halving catalysts. Volume spike saw COIN outage. MSTR bought more BTC. See latest Weekly Crypto Roundup. **See Page 3**

Commodities supported by dollar and China

Stable performance week, with stable US dollar and China two-sessions outlook. Depressed nickel prices helped by Indonesia quota delay and naming to Australia critical mineral list. Whilst SQM profits fell 80% on lithium plunge. Ag saw cocoa rebound from profit taking and cotton continue 40% surge from November. See Page 3

The week ahead: China, ECB, Payrolls

1) Triple politics dose w/ China 'two sessions' GDP target, UK pre-election spring budget (Tue), and US 'Super Tuesday' primaries. 2) Macro focus ECB meet (Thu) w/ unchanged 4.5% rate and first cut view, and US payrolls (Fri) ease to <200k. 3) Last Q4 results from AVGO, ORCL, COST, NIO, JD. 4) International Women's Day (Fri). **See Page 3**

Our key views: Outlook for a different 2024

We 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 an 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	-0.11%	1.12%	3.71%
SPX500	0.95%	3.60%	7.70%
NASDAQ	1.74%	4.13%	8.42%
UK100	-0.31%	0.88%	-0.66%
GER40	1.81%	4.83%	5.87%
JPN225	2.08%	10.38%	19.26%
HKG50	-0.82%	6.80%	-2.69%

*Data accurate as 04/03/2024

Market Views

New stock market highs whilst BTC soars

- Reassuring US PCE and EU inflation prints closed out a very strong tech-led February 'leap' month for stocks. The US government avoided a shutdown again. Whilst Bitcoins surge stole the asset class limelight. SNOW to AMC saw sharp post-results sell-offs, whilst NCL led gains. CVX big deal to buy HESS saw problem with XOM. AAPL shut self-driving efforts. See 2024 Outlook **HERE** See **Page 6** for resources and videos.

China's 'two-sessions' make-or-break catalyst

- Next week annual leg sessions are make-or-break for China' nascent stock rebound. As authorities shift from combating weak stock symptoms, with shorts bans. To property, confidence, industrial slump cause, combated with reserve requirement and rates cuts, and fiscal spending. But stop short of big stimulus that may worsen debt concerns.

- We see an ambitious 5% GDP growth goal and more fiscal support. Enough to boost low expectations and valuations but not drive a big turnaround. With impact from Australia to luxury. @ChinaCar, @ChinaTech. **See Page 2**

Europe's own Magnificent Seven stocks

- US tech stock leadership and rising stock concentration are being echoed in Europe. It's much smaller 'magnificent 7' tech stocks have led European performance (see chart) and potentially benefitted from a scarcity valuation premium. Whilst the broader-mix of quality-growth 'GRANNNOLAS'S' that are Europe's equivalent of US big-tech have driven recent performance.

- They are now a quarter of the Stoxx 600 index, and trade at a similarly big local valuation premium. We see a broadening of performance as the year progresses. Into smaller, more cyclical, and cheaper segments most sensitive to lower interest rates and GDP recovery. @EuropeEconomy. **See Page 2**

Leap days matter, a little

- February 29th was a rare 'leap day', the extra day we receive once every four years to realign with the solar calendar. It's a minor but real disruption for companies and markets, from earnings reporting through to calculating bond interest.

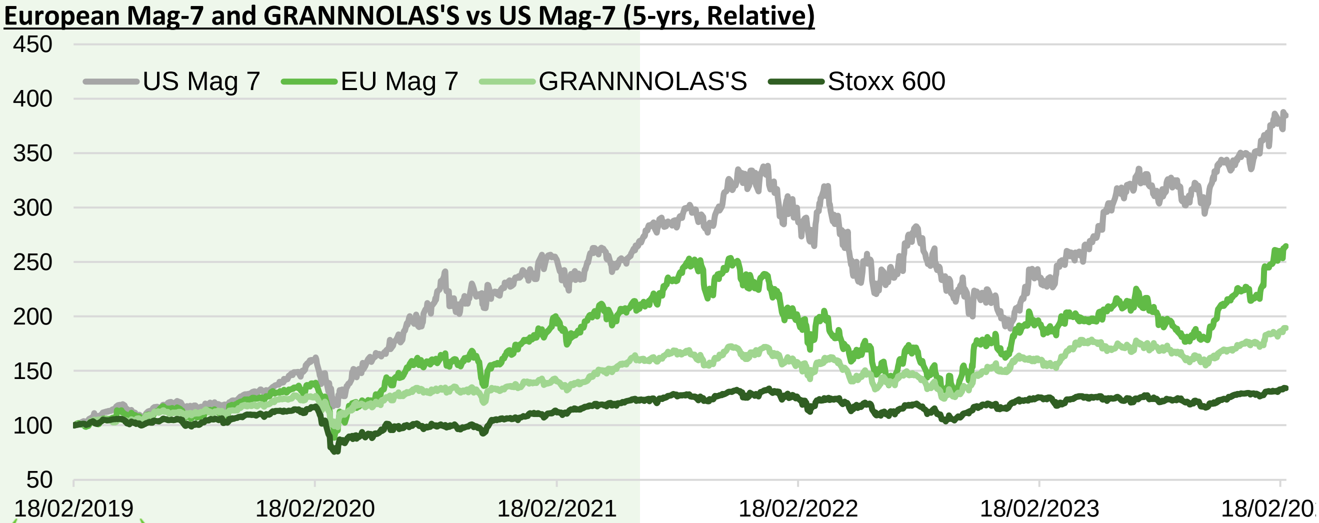
- It's typically been a poor day for markets. Though does make for a better year, maybe as aligns with US presidential elections. And this 'leap day' was a reminder that just four years ago we were starting to deal with the first covid lockdowns, markets plunging, and authorities intervening. **See Page 2**

China still in the commodities driving seat

- It's the worst asset class (DJP) this year, like last. China's GDP slowdown been a key factor, alongside strong dollar and global manufacturing recession. Near term hopes are pinned on a bigger China policy stimulus. Longer term from the rise of India as the next big long-term demand driver.

- But world's fifth economy is still too small, with its $4 trillion GDP sandwiched btw. Japan and UK. Even as it drives specific commodities from sugar, to cotton, and wheat. It is under a quarter China's $18 trillion GDP, that accounts for half of all demand for iron ore, copper, aluminium, soybeans. **See Page 2**

European Mag-7 and GRANNNOLAS'S vs US Mag-7 (5-yrs, Relative)



Source: Refinitiv, eToro calculations. Illustration purposes only

Market Views

Bitcoin new all-time-high coming into view

- Bitcoin (BTC) rally accelerated to over $60,000, up 50% just this year, and putting within sight of the 2021 all-time-high near $69,000 and making it by far the best performing of all asset classes.
- Rally was driven by accelerating inflows into the new spot Bitcoin ETF's. They have now seen over $7 billion of net inflows since January 11 launch, and already own c. 4% of all BTC. With catalysts ahead including Ethereum (ETH) Dencun upgrade in March, and April's four-yearly BTC halving.
- The spike in crypto exchange trading volumes saw outages at the COIN exchange. Whilst MSTR announced latest BTC purchases took holdings to 193,000. See latest Weekly Crypto Roundup.

Commodities helped by dollar and China outlook

- Commodities saw a strong end to the week, helped by a more stable US dollar, and hopes for more policy stimulus from China's 'two sessions' event next week. But the asset class is still -2% this year, the weakest alongside bonds.
- Depressed nickel prices saw further relief as Indonesia, the world's largest producer, delayed announcing new production quotas, and Australia added to its 'critical minerals' list. Lower lithium prices drove a 80% plunge in SQM profits.
- Agricultural commodities saw cocoa rebound from sharp profit taking after its dramatic gains, whilst cotton continued its rally from November.

US Equity Sectors, Themes, Crypto assets

	1 Week	1 Month	YTD
IT	1.85%	6.10%	11.51%
Healthcare	-0.72%	3.23%	7.03%
C Cyclicals	2.14%	6.92%	5.97%
Small Caps	2.96%	5.16%	2.43%
Value	0.66%	2.85%	4.28%
Bitcoin	22.38%	45.01%	48.41%
Ethereum	16.41%	49.04%	48.61%

Source: Refinitiv, MSCI, FTSE Russell

The week ahead: China, ECB, and Payrolls

1. Politics to dominate with a) **China** 'two-sessions' GDP target and fiscal spending outlook, b) **UK** pre-election Spring Budget (Tue) tax cuts. 3) Decisive **US** 'Super Tuesday' presidential primaries.
2. Macro focus on outlook for **ECB's** 4.5% interest rate (Thu) w/ inflation under 3% for a 5th month. US **non-farm-payroll**s (Fri) est. fall to resume cooling to <200k after last month 353k blowout.
3. Tail end of better-than-expected US and European **earnings** season with highlights including tech names ORCL, AVGO, CRWD plus consumer COST, TGT, KR. And overseas NIO, JD.US, FERG.L, AHT.L,
4. Also see **International Women's Day** (Fri). A strong industry turnout at the San Fran Morgan Stanley (MS) **TMT** conference**. Investor days** from America Airlines (AA) and General Electric (GE).

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 these 2023 US and big tech winners to the interest rate sensitive 'losers' from Europe to real estate in 2H.

Fixed Income, Commodities, Currencies

	1 Week	1 Month	YTD
Commod*	1.90%	0.56%	-1.45%
Brent Oil	3.36%	7.45%	8.28%
Gold Spot	2.24%	1.68%	0.96%
DXY USD	-0.05%	-0.04%	2.52%
EUR/USD	0.17%	0.49%	-1.78%
US 10Y Yld*	-6.60	16.23	30.41
VIX Vol.	-4.65%	-5.34%	5.30%

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

Focus of Week: Ignoring the Ides of March

March has negative connotations, and markets due a pullback, but fundamentals remain strong

March has a negative vibe for many. These 'ides' are traced to the date of Julius Caesar's assassination and immortalised by William Shakespeare. For market's, its less life-or-death. It's historically been an average performance month as strong year-ahead seasonality ebbs. We are overdue a breather or pullback. After the S&P 500's 24% rally since October. With year-to-date return annualising over 40%. A level not seen since 1954. And the Q4 earnings growth 10% surprise over. And a March refocus on the inflation and rate cut reality. But the rally is fundamentally driven, set to broaden, and the inevitable pullbacks to be bought.

February was driven by the big tech led earnings surprise, with crypto taking the lead again

February was a month of records. NVIDIA results saw the biggest one-day market cap. gain ever, validating AI optimism. Big tech led Q4 earnings season to 10% growth. As 80% beat low expectations. Offsetting concerns from small banks to commercial real estate. S&P 500 rose 5.2% and blew through psychological 5,000. Europe's Stoxx 600 saw first new all-time-high in 2 years. And Japan's Nikkei 225 first in 34. China stepped-up policy stimulus after new year holiday. M&A rose with COF's $35 billion credit card buy of DFS. US jobs market and economy continued to surprise, with Q1 NOWCAST over 3%, and January 3.1% inflation worse-than-feared. This saw 10-yr bond yields rise to 4.3% and made the dollar the best performing G-10 currency this year. Whilst the Yen broke 150 again. Bitcoin surged over $60,000 as ETF inflows picked up.

March to see a refocus on inflation and interest rates, alongside a heavy dose of politics

With earnings season over until Q1 starts on April 12th, attention will refocus on the inflation and interest rate outlook. With busy inaction from major central banks as prep for rate cuts later in the year. But a new Fed dot plot, with markets back in line with its last 3-cut outlook. And BoJ girding for its first-rate change in April, since 2007. The political calendar stays frenetic, from China' make-or-break two-sessions, US 'Super Tuesday' primaries, UK's 'spring budget', and Russia's election. Ethereum's Dencun upgrade is the next, of many catalysts for crypto, the best performing asset again this year. Whilst commodities focus on OPEC+ likely rollover of its big supply cuts with Brent now over $80. We have off-cycle earnings from FDX and NKE.

Rally supported by twin earnings growth and rate cut pillars, with a broadening rotation delayed

This rally is being fundamentally driven. By 10%+ earnings growth expectations and coming interest rate cuts. It's strong pace and heavy big-tech concentration bring some risks. But inevitable pullbacks should be bought as long as these twin pillars remain in place. Any pullbacks may also be shallow with investor sentiment still a significant contrarian support. The big tech earnings blowout, and push back of rate cuts, has also delayed not derailed the biggest trade of year. The rotation and healthy broadening to cheaper, more interest rate sensitive laggards, from financials to small caps, and Europe to Emerging Markets. These are the biggest beneficiaries of the base case economic soft landing and rate cuts later this year.

Key events to watch in March 2024

Date	Country	Event
Mar. 04	China	Key policy making '**two sessions**' NPPCC and NPC event, incl. GDP target
Mar. 05	USA	'**Super Tuesday**' largest number of presidential primaries, sets candidate
Mar. 06	UK	'**Spring budget**' of likely tax cuts as government prepares for election
Mar. 07	EU	**ECB** meeting with 4.5% rates unchanged but likely first of 'big 4' to cut
Mar. 12	USA	February US **inflation** report focus, after prior 'hot' 3.1% Jan. headline
Mar. 13	Global	**Dencun** Ethereum upgrade the biggest catalyst prior to spot ETF decision
Mar. 15	Russia	**Putin** to win another 6-year term, in defacto Ukraine war referendum
Mar. 15	USA	'**Triple-witching**' quarterly futures + options expiry, a top 4 volume day
Mar. 18	China	Combined January/February **New Year** major economic data
Mar. 19	Japan	Maybe last no-change -0.1% **BoJ** decision before first hike since 2007
Mar. 20	USA	**Fed** to leave rates unchanged at 5.5% but publish new 'dot plot' forecasts
Mar. 31	Global	**OPEC**+/Saudi deadline to extend voluntary cuts that = 5% global supply

Source: Refinitiv, eToro. For illustration purposes only.

Key Views

The eToro Market Strategy View

Global Overview	We see a stronger but very different 2024 rally than in 2023. With lower inflation and coming interest rate cuts as growth slows, and the earnings outlook idiosyncratically accelerates. This should drive an investor rotation from 2023 US and big tech winners to interest rate sensitive losers from Europe to real estate. See our 2024 Outlook **HERE** .

Traffic lights*	Equity Market Outlook
United States	World's largest equity market (60% of total) seeing strong but slowing GDP growth and <4% inflation, opening door to 4+ rate cuts starting mid-year. Earnings growth accelerating back to 10% with idiosyncratic AI and profit margin drivers. But Valuations already full and dominant big tech performed well. See rotation and leadership change.
Europe & UK	First into the 2023 economic slowdown, with Germany firmly in recession, and inflation plunged to 3%, setting ECB up for 4+ rate cuts this year, starting by mid-year. Against backdrop of already heavily discounted valuations and much more cyclical market, led by financials, and with earnings depressed and set to rebound later in 2024.
Emerging Markets (EM)	China, Korea, Taiwan dominate EM (60% wt), and more tech-centric than US. China a contrarian call with growth stabilising and policy easing, with valuations and sentiment very depressed. Rest of EM to benefit from similarly depressed valuations and poor sentiment, alongside benefits of lower interest rates and a weaker US dollar.
Other International (JP, AUS, CN)	Japan remains in focus with JPY rallying off world's most depressed levels as BoJ moves to slowly tighten policy, and equity performance in world's no3 market rotates from exporters to domestic sectors, alongside stronger growth. Australia and Canada held back by their commodity and financials heavy markets with little tech.

Traffic lights*	Equity Sector & Themes Outlook
Tech	'Tech' sectors of IT, communications, consumer discretionary (Amazon, Tesla), dominate US and China. Expect more subdued performance after huge 2023 outperformance, with earnings already growing strongly and valuations full. But are structural stories with good growth, high margins, fortress balance sheets, and AI tailwinds.
Defensives	In focus as economic growth slows along with interest rates and bond yields. Consumer staples, utilities, real estate attractive defensive cash flows, Healthcare most attractive, with cheaper valuations, more growth, and misspriced weight loss drug risks. Real Estate the most leveregaed sector and biggest rate cut beneficiary.
Cyclicals	We expect cyclicals - consumer discretionary (autos, apparel, restaurants), industrials, energy, and materials - to be the most positively benefitted by our base case macro view of a 2024 economic soft landing and significant interest rate cuts. Valuations are cheap, and earnings depressed and set to pick up significantly.
Financials	Similarly sensitive to base case of soft landing and rate cuts. Reduces loan loss risks and boost capital markets activity. Lower interest rates boost bond portfolios but trim net interest margins. One of the cheapest sectors, with significant dividend yield. Is biggest sector in Europe and much of EM.
Themes	A better year for high dividend yield, after huge 2023 underperformance, as interest rate competition eases. And for lagging and sensitive small cap, as economic growth bottoms and turns up, and valuation discount to large caps near record. Overweight Value rotation and recovery in 2024 vs Growth.

Traffic lights*	Other Assets
Currencies	USD to gradually be undermined by outlook for 4-6 Fed interest rate cuts during 2024, providing support to other currencies, commodities, EM, and US tech. JPY to benefit from slowly tightening BoJ policy and world's cheapest major FX valuation. EUR to see stronger 2H as leads 2024 growth recovery after ECB starts cutting rates.
Fixed Income	Prices to benefit from outlook for steadily easing inflation and policy rate cuts, after unprecedented three years of poor returns, focused on longer duration assets. Returns moderated by big pull forward of gains with Q4 2023 rally. Credit to benefit from economic soft landing.
Commodities	A better year after leading 2023 asset class losses. As Chinese growth stabilises as policy response builds, the USD weakens modestly as Fed cuts interest rates, and remains heavily under-invested on supply side with carbon transition demand picking up further. But held back by weaker US economic growth and demand.
Crypto	Supported by many 2024 catalysts, from spot ETF's for BTC and ET; the April BTC halving; mid-year Fed interest rate cuts; US accounting and Global bank reg changes to encourage ownership; and eventual central banks BTC ownership. All significant in context of still very small, very young, and very retail dominated asset class.

*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.

Source: eToro

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