

HIGHLIGHTS

Ushering The End Of Easy Money

- ❖ November's market surge highlighted the immense volatility brought about by the exit from an era of easy money.
- ❖ With interest rates expected to be higher in the next decade than they were in the past, investors have to grapple with lower overall economic growth. Counterintuitively, this means that there are more investment opportunities; investors just have to look beyond the broad markets that did well in the era of easy money.
- ❖ This includes adjusting expectations for asset valuations downward as they need to be valued more competitively against a cash risk-free rate that is now higher and more attractive than before.

Don't Be Lulled into Complacency

- ❖ Despite November reflecting a strong vote for soft landing, investing is never so binary: key risks including potential inflation resurgence and the ongoing impact of higher rates on the economy.
- ❖ Certain signs of economic cooling like reduced job openings and decreased consumer spending, mean that investors should not take an 'all-in' approach.
- ❖ Rather than stay on the sidelines and miss out on significant market gains such as those seen in November, portfolios can be structured to withstand market fluctuations and capitalize on gains, balancing stability with growth potential.

Riding The Rollercoaster Up

- ❖ The strong gains in November point to 'soft landing' as the base case as the Federal Reserve indicated an end to its rate hike cycle.
- ❖ Emerging Market equities and US small-caps which have been very volatile amid shifts in interest rates performed exceptionally well, with room for further upside.
- ❖ Poor sentiment continued to weigh on China despite strong fundamentals, presenting opportunity for long-term investors.
- ❖ Historical trends indicate positive equity returns after rate hikes end, but investors must be discerning, focusing on areas with solid fundamentals and valuations for sustainable growth, considering that interest rates remain higher than in the past decade.

Yield-phoria of Returns

- ❖ The current landscape offers a range of yield opportunities for different investors:
- ❖ Risk-Free Return: Cash has regained its role as a risk-free return option, offering low single-digit returns, though barely keeping pace with inflation.
- ❖ High Income with Market Volatility: High-yield bond markets across developed and emerging markets offer equity-like returns from credit investments.
- ❖ High Income with Little Market Volatility: Alternative income markets, often overlooked by investors, provide over 10% returns with less traditional market risk.

Read the full commentary [here](#)