

The race that stops a nation and 9 other Surprises for 2024

No doubt 2024 will serve up a number of surprises. As food for thought, here are 10 suggestions we believe are not currently priced by the market. Any comments most welcome.



China is world's best performing major equity market

Sentiment towards Chinese equities is at rock bottom, the property market remains weak and economic data is sporadic. While international investors have abandoned ship, we think it won't take much in the way of fiscal stimulus to turn things around. Fasten your seatbelts.

Music streaming turned on its head

Universal, Warner and Sony control approximately 70% of the music content market. Could they band together and launch their own streaming service? And cut out the middleman (ie Spotify)? If so, it would give them full control over pricing and further increase their share of the pie.

Federal Reserve re-commence Quantitative Easing

The US Government is spending money like a drunken sailor which is unlikely to change as we head into an election year. While the Fed has been shrinking their balance sheet and taking money out of the system, this is not sustainable. Someone will need step up and buy the bonds to fund the government largesse and the Fed will likely have no choice.

AI regulation

Artificial Intelligence (AI) is all the rage. Any company with a remote association has experienced significant share price appreciation. However, the technological and social impacts of AI remain unknown, and regulation needs to catch up. A change in the White House could be the catalyst.

GLP-1 euphoria dissipates

Is the US FDA sleepwalking into another oxycontin catastrophe? If you believe the hype, GLP-1 drugs are a solution to the western world's obesity problems. Just like oxycontin was going to relieve the world of pain. The side effects from GLP-1 can cause a host of other issues and what happens when you try to wean off them? Despite what the share prices of manufactures like Novo Nordisk and Eli Lilly suggest, the jury is very much still out.



US front loads interest rate cuts

Bond markets are factoring in 140 bps of rate cuts during 2024, while the Fed's dot plot says 75 bps. It will probably land somewhere in the middle. We think the timing of cuts, rather than the magnitude may be the surprise. With cuts possibly starting as early as January. It is an election year, and the political risk of any economic downturn is not acceptable.

Costco increases membership fee by \$10

Company management have indicated an increase is on the agenda. Historically, the fee has increased by \$5 every 5-6 years with the last increase in 2017. To keep the hot dog and soda combo at \$1.50 and roast chickens at \$4.99, a larger fee increase might be needed this time around.

USD weakens considerably

The USD has remained stubbornly high for the majority of 2023. In what might be a glimpse of things to come, the USD recently fell 3% against the Japanese Yen in a single day. This was likely an orchestrated policy decision made by the Japanese. A weaker dollar improves global and will help fund the US budget deficit.

The big get even bigger

The so called magnificent 7 stocks (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla) have all risen in price this year by 50-250%. Despite this they may still be under-owned with further to run as foreign investors prefer them as a safer alternative to US government bonds. However, it is worth reminding that in the famous movie of the same name, only 3 of the 7 survive to the end...

The race that stops a nation

Also held on the first Tuesday in November but thankfully only every four years - we are talking about the US election. Trump winning won't really be a surprise. But what will be a surprise is if he is blocked by the courts from taking office. It will be no holds barred. So, get the popcorn ready as the soap opera that is US politics could explode (again).