Dear readers,

We would firstly like to wish you an excellent year in 2024 on behalf of Createrra Finance.
May this New Year bring enormous satisfaction to you and your loved ones, and in particular good health, successful ventures and initiatives and abundant happiness, from one day to the next.

After a catastrophic 2022 for most asset classes, 2023 was a good year for the equity and bond markets. Despite a few sharp declines – in March as well as between end-July and end-October – equity markets trended positively over the year, despite the war in Ukraine (now in its second year) and the conflict in the Middle East.

The first quarter was marked by a serious banking crisis caused by the sharp rise in interest rates that the world’s major central banks initiated in early 2022. The collapse of Credit Suisse followed by its enforced takeover by UBS was the most significant event of this crisis, which was fortunately short-lived thanks to the banking sector being much more solid than in 2008-2009.

The loss of confidence in banks saw investors immediately return to cash-rich big tech companies, ushering in a strong outperformance by these companies beginning in the second quarter. Having plummeted in 2022, the technology sector consequently saw a significant revaluation in 2023.

The third quarter was negative, with a major dive in stock markets beginning in early August, triggered by fears of further rate hikes. This saw August and September end in the red.

The fourth quarter also started in the red before recovering significantly at the end of October, when the European Central Bank (ECB) decided to keep its key rates unchanged after ten consecutive increases, for the first time since July 2022. In mid-December, the ECB again left interest rates unchanged. The Frankfurt institution pointed to the observed slowdown in inflation to justify this continued stance, as well as to its concern about the impact of previous rate hikes on growth.

On the other side of the Atlantic, at their meetings in early November and mid-December the members of the US Federal Reserve (Fed) also decided to leave US rates unchanged at 5.5%, again on grounds of falling inflation. The Fed hinted that key rates could start to be cut at the end of the first quarter of 2024.

The pauses initiated by the two major central banks as well as the fresh publication in early November of encouraging inflation figures on both sides of the Atlantic triggered a drop in bond yields and the start of a significant rebound in stock markets and bonds. These falling inflation prints indeed suggested that we are at the end of the major central banks’ monetary tightening cycle, and as a result the last quarter ended in positive territory.

The past year was unprecedented in stock index performance terms, with flows directed in particular into the US’ appropriately named “Magnificent Seven” big tech firms (Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia and Tesla), which boosted the performances of the S&P 500 and the Nasdaq stateside. More traditional and less technology-oriented indices put in a less flamboyant performance, however.

On the currency front, the US dollar ended 2023 down 3.1% against the euro. As for commodities, gold performed glitteringly over the past year with a rise of 13.1%. A victim of the economic slowdown and abundant supply, oil lost 10.7% in 2023 despite the various geopolitical tensions.

In 2024, we expect the global economy to gradually slow down and inflation to stabilise again. Most economists expect key rates to be cut in Europe and the United States. While their size is difficult to predict, we are factoring in a cycle of several rate cuts over the course of the year. Three 0.25% cuts are being billed in the United States, starting as early as the first quarter of the year. The rate cycle should therefore continue to dictate the direction of the stock market.

Even if corporate earnings and the economic cycle were to slow, this would not be a major problem as rates are likely to continue to drive the markets. Rate cuts will be favourable for equities and bonds as well as listed real estate.

Performance of the main markets in 2023

	December 2023	du 01/01 au 31/12/2023
Euro Stoxx 50	+3,18%	+19,19%
Stoxx Europe 600	+3,77%	+12,74%
S&P 500	+4,42%	+24,23%
S&P 500 Equal weighted	+6,41%	+11,72%
BEL 20	+5,07%	+0,18%
MSCI WORLD	+4,81%	+21,77%
Nikkei 225	-0,07%	+28,24%
Hang Seng (Hong Kong)	+0,03%	-13,82%

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