Policy pivot and election uncertainty

The monetary policy turnaround was confirmed by central bank statements and interest rate cuts, easing pressure on the economies in a context of weak growth. However, concerns remain about services inflation and signs of deterioration in employment, so it is early to talk about a soft landing.

The focus is now shifting to fiscal policy, where budget deficits remain high. Although fiscal dynamics have supported growth, concerns about fiscal sustainability are increasing. Markets are closely analyzing the potential tax changes proposed by both U.S. presidential candidates.

Looking at past U.S. elections, it is difficult to discern the impact of political change on the markets. A better strategy for investments' decision has been to focus on market fundamentals and economic variables. Nevertheless, volatility usually increases prior to the election date. It might be exacerbated by the future fiscal agenda. The current scenario calls for a cautious investment strategy until there is clarity on the fiscal outlook, particularly with respect to corporate taxes.

Policy pivot and election uncertainty

01 Monetary pivot confirmed

The central banks' statements at Jackson Hole and the subsequent announcements of interest rate cuts have confirmed the shift in monetary policy. The pivot toward a global monetary policy easing is a relief for economic agents in a context of gradually deteriorating growth. The focus of concern is shifting from inflationary pressures to emerging signs of deterioration in the labor market. It is premature to describe the economic outlook as a soft landing in a context of persistent inflation in services and growing weakness in manufacturing sector.

02 Fiscal consolidation pending

While monetary policy eases, fiscal policy continues to run high deficits across developed economies. This fiscal stimulus has been crucial in underpinning economic growth, particularly in the face of recent global challenges. However, concerns are mounting regarding the long-term sustainability of public accounts. The bond and equity markets are awaiting the candidates' fiscal policies proposals to assess their potential fiscal impact.

03 Volatility increases with elections

The historical analysis of market behavior and the evolution of US election results does not allow for any major conclusions. For strategic positioning in asset allocation, it makes more sense to focus on the analysis of macroeconomic variables and risk premia than on the criteria of political change. However, a certain seasonality occurs in election years, due to an increase in volatility in the months leading up to the elections. From a tactical point of view, it is advisable to maintain moderate risk positions until potential changes in fiscal policy (corporate tax hikes) become clear.

01 Change of focus of monetary policy

The **Jackson Hole Symposium** in August is an annual gathering of major central bankers and is often a high-profile forum for communicating monetary policy priorities. This year's statements revealed significant changes, and in particular, Federal Reserve (FED) Chairman **Jerome Powell** affirmed that **"the time has come to adjust policy,"** indicating that were are ready to start cutting interest rates after a long period of monetary tightening. European Central Bank (ECB) President **Christine Lagarde highlighted the structural changes that are redefining the global economy,** such as digitalization and geopolitical tensions, and emphasized the **importance of being flexible** and having a vision for the future to face these uncertainties. The statements -and the measures announced in September- confirm that **central banks are on the move towards neutral interest rate levels.**

The monetary pivot has been firmly established, as evidenced by recent central bank statements and the start of the easing cycle by the FED

In particular, the **FED expressed the utmost confidence that inflation will continue to decline and remain around the 2% target.** The chart on the left shows how core inflation, measured by the core PCE*, has declined significantly from its recent peak of March and September 2022, in line with five-year inflation expectations based on the TIPS** market, which have also moderated and are approaching the 2% target. **Inflationary pressures are diminishing, allowing monetary policy to shift its focus from inflation to growth and job creation.**

Increasing confidence of monetary authorities to achieve 2% inflation target

The change in focus is also explained by the **emerging signs of moderation in the labor market,** as shown in the right chart. The rise in the unemployment rate, which is already up more than 0.5% since April 2023, and the convergence between the vacancy rate and the unemployment rate suggests that the labor market is rebalancing. The mismatch between job supply and demand is no longer the primary focus of inflation, and analysts are beginning to focus on the health of the labor market. There are mixed signs in the labor market, with some indicators still strong (wage growth, low layoffs, immigration...) while others are already weakening (vacancies, Sahm*** rule, resignation rate...). While indicators are sending mixed signals, **the message from the FED is clear: it no longer sees the cooling of the labor market as positive.** From here it considers the deterioration of the labor market to be a sign of an economic slowdown that will require adjustments in monetary policy to prevent further deterioration.

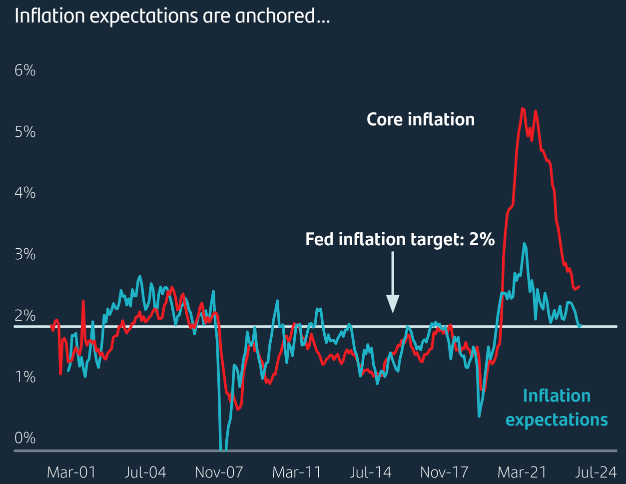
The cooling of the labor market is no longer perceived as a necessary adjustment to balance inflation, but as a source of concern

The Federal Reserve is confident about its inflation goal

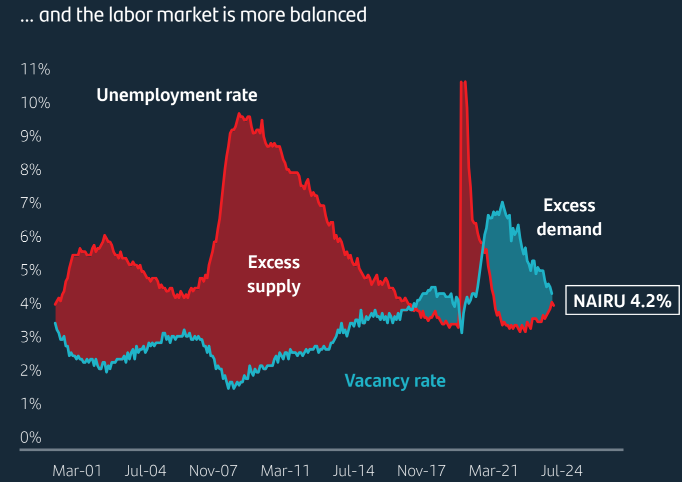
Source: Bloomberg. Data as of 9/30/2024

Inflation is on track, now the focus shifts to the labor market

Inflation expectations are anchored...



... and the labor market is more balanced



NAIRU. Non-Accelerating Inflation Rate of Unemployment

*PCE: Personal Consumption Expenditure Price Index
** TIPS: Treasury Inflation Protected Securities
*** Sahm rule: Leading indicator predicting a recession when an upward move in average unemployment triggers the 0,5% threshold

Clearer interest rate horizon

The recent and expected evolution of the benchmark rates of the major western central banks (U.S. Federal Reserve, European Central Bank and Bank of England) is shown in the left chart. Starting with the **European Central Bank (ECB), past September meeting confirmed expectations of a 0.25%** reduction in its deposit rate, bringing it down to 3.5%. The cut was in response to continued declines in inflation, which is close to the 2% target projected by the end of 2025. The **message on additional rate cuts was cautious, emphasizing a "meeting-by-meeting" approach** which will depend on incoming data releases without committing to a predetermined trajectory for interest rates. Concerns remain about services inflation and rising wages in selected sectors in a context of fragile growth and private consumption. **Favorable September inflation data supports further rate cuts towards neutrality.**

Pace and timing of further rate cuts will depend on incoming economic data but the path towards further easing is clear

At its September meeting, **the Fed decision was to cut interest rates by fifty basis points (bps) to a range of 4.75%-5.0%, marking the beginning of an easing cycle** in response to signs of economic slowdown and labor market pressures. Fed officials emphasized that **future rate cuts will be data dependent,** particularly on inflation and employment, and that they will take a cautious and evidence-based approach to adjusting monetary policy as needed over the coming months. However, **the market is pricing in an aggressive cutting cycle (264 bps) compared to the average of easing periods in recent decades (185 bps)** as shown in the right chart. Therefore, we believe that current market expectations may be excessive for an economic scenario that does not currently point to a sharp slowdown.

We expect to see continued rate cuts that will allow monetary policy to become neutral

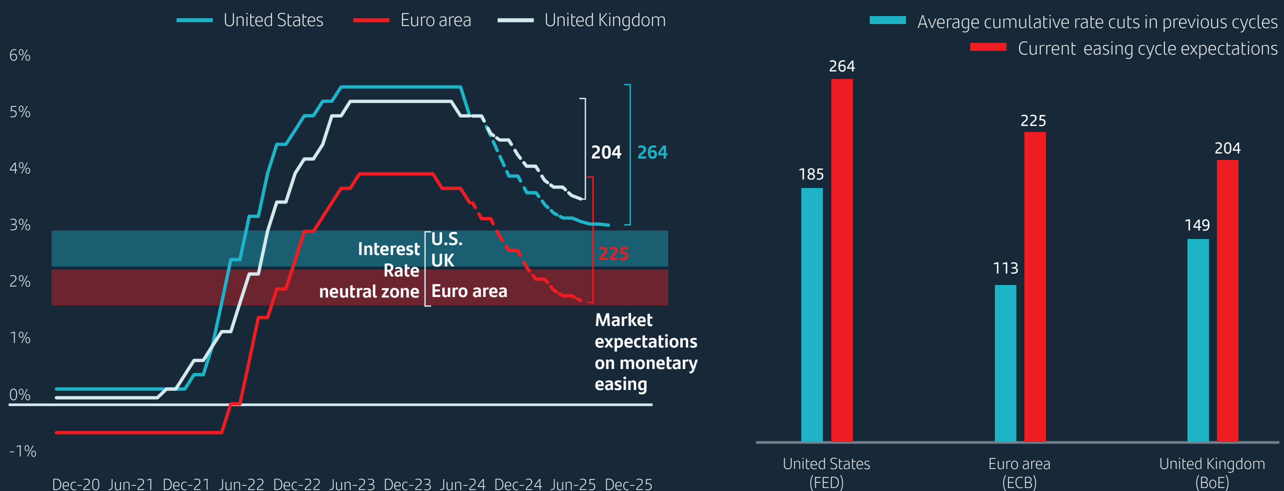
The **economic costs of offsetting price pressures have so far been limited,** reinforcing the soft-landing narrative of analysts who argue that the current monetary tightening may not lead to a recession in the short term. However, it is key to keep an eye on economic indicators as there are pockets of weakness in many sectors, particularly in the Euro area where recent data shows increasing weakness in business confidence. **Inflation is now a secondary concern for investors and monetary authorities, and attention shifts towards assessing signs of a slowdown in job creation and business investment.**

The economic costs of monetary tightening have been relatively limited to date and are below market expectations

Major central banks benchmark interest rates

Source: Bloomberg and in-house. Data as of 09/27/2024

Rate cuts expected by the market over the next 18 months seem aggressive compared with other easing periods



* Rate projections calculated by an interest rate futures model (Bloomberg WIRP function). Data as of 09/27/2024
** Own calculations based on previous eight easing cycles (for FED and BoE) and four in the case of ECB. Data in basis points (bp).

02 Fiscal consolidation pending

As central banks shift their focus from inflation to economic slowdown, **financial markets are beginning to shift their attention from monetary policy to fiscal policy.** The severity of the pandemic-related economic slowdown forced economic authorities to implement extraordinary monetary and fiscal stimulus measures. We pointed out how central banks have made considerable progress in controlling inflationary pressures, allowing them to begin to reroute elevated interest rates toward neutral levels. **The next challenge -and focus of uncertainty- is how to manage the fiscal consolidation process** with the least possible impact on economic growth and investor confidence.

Investors begin to question fiscal variables as monetary policy normalizes

With the US elections approaching, debates on fiscal policy are beginning to take center stage, and it is worth to analyze evolution of US budget variables. The graphs below depict US public revenue (taxes) and expenditure as a percentage of GDP, as well as the fiscal deficit or surplus under different administrations (Democrat and Republican). **The gradual deterioration of the fiscal balance has been occurring regardless of the ruling political party and due to different political reasons and strategies.** At the beginning of his first term in office G.W. Bush (2001-2004) conducted a tax cut to stimulate the economy after the 2 tech crisis. Later, in his second term (2005-2008), the 2008 Financial Crisis led to an unexpected increase in spending, which added to the expansionary plans of Obama's initial years (2009-2012). Trump (2017-2020) began his term by cutting taxes sharply and then COVID-19 forced a spending increase that has carried over to the current Biden administration (2021-2024) who also added spending programs. **The consequence has been a structural widening of the public deficit to levels of 6% of GDP.**

With elections approaching, markets will focus on the fiscal proposals from both candidates

The chart also shows **10-year projections from the Congressional Budget Office (CBO).** It suggests that if current spending and tax policies remain unchanged, the budget deficit will remain high over the next decade, which could lead to an extreme accumulation of public debt. The projections do not consider either presidential candidate's future fiscal plans.

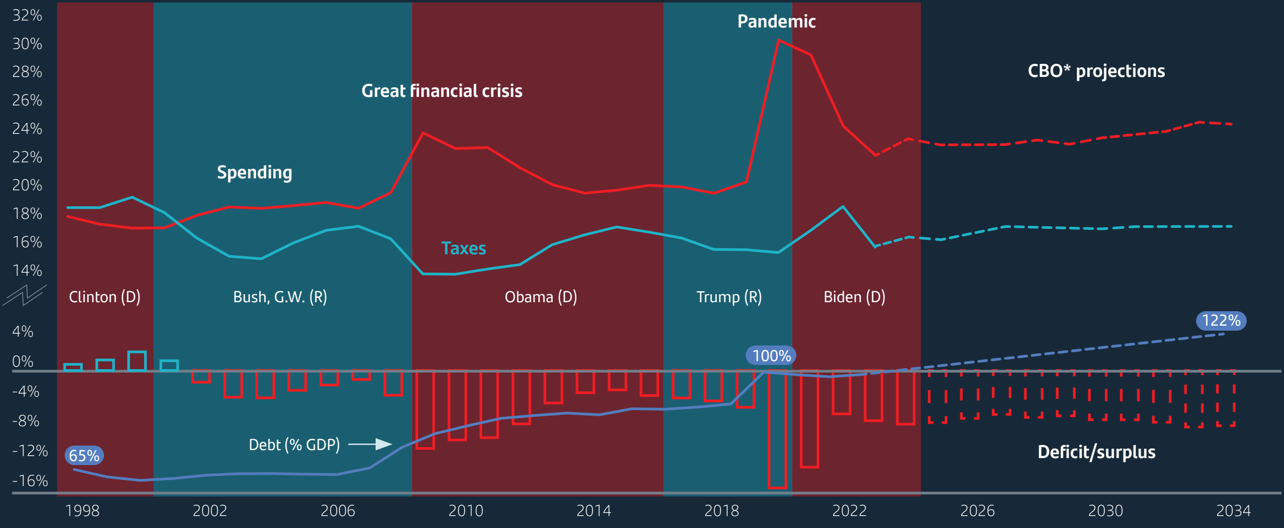
The continuation of high fiscal deficits raise concerns about rising public debt

CBO projections indicate that the federal budget deficit for the 2024 fiscal year will reach $2.0 trillion in 2024 and is projected to increase to $2.8 trillion by 2034. With such adjustments, the deficit is projected to reach 7.0 percent of gross domestic product (GDP) in 2024 and 6.5 percent of GDP in 2025. By 2034, the adjusted deficit is projected to reach 6.9 percent of GDP.

Government taxes and spending (% GDP)

Source: Bloomberg. Data as of 8/31/2024

The gap between government spending and revenue continues to weaken the fiscal balance



D: Democratic Government. R: Republican Government
*CBO: Congressional Budget Office

Trump and Harris fiscal proposals

As the election approaches (November 5th), the race between Kamala Harris and Donald Trump remains close. Polls as of September 27 from PredictIt and Real Clear Politics give Harris a slight edge, but the outcome will hinge on seven key states: Pennsylvania, Georgia, Arizona, Nevada, North Carolina, Michigan, and Wisconsin. These states have historically been highly contested, and neither candidate has a decisive lead so far. According to election poll aggregator 270toWin.com in House, Republicans could maintain control and in the Senate race, which Democrats currently control, there is no clear winner now. Overall, Republicans would control the Congress and the presidency, although a divided government is also likely, with Harris in the White House and Republicans controlling one or both houses of the Congress.

High uncertainty is expected about the electoral scenario and a divided government is likely to be maintained

Equity markets will pay more attention to fiscal measures because of their impact on growth in various sectors and the potential redistribution of the tax burden. The chart below shows how one of the aspects that has contributed to the spectacular performance of the US stock market in recent decades has been the gradual decline in corporate taxes during Republican administrations. This momentum could continue in the event of a Trump victory (his program includes a corporate tax cut from 21% to 15%) or moderate in the event of Democrat proposals (Kamala Harris advocates for an increase from current 21% to 28%). Most probably either proposal will be modified during congressional approval. Neither party has prioritized tackling the budget deficit.

Equity investors assess the impact of potential tax changes on corporate earnings

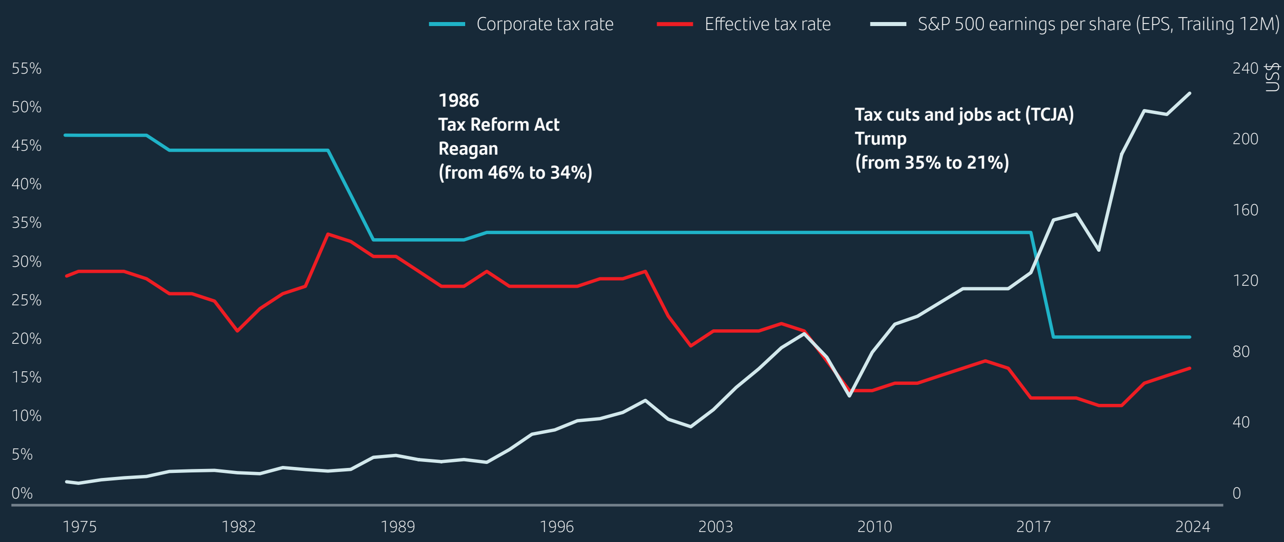
Conversely, **a couple of areas where the new president will have greater ability to implement policy** -as these policies can be implemented directly by the executive branch-, often without congressional approval **- are trade (tariffs) and immigration. These policies would have an impact on inflation, which would negatively affect expectations of rate cuts.** Another aspect that could cause volatility in the bond markets is the **potential increase in the public deficit,** as both electoral programs, if fully implemented, would have a negative impact on fiscal stability. In any case, fiscal policy is taking over from monetary policy in the coming months. A unique and highly consequential election is just weeks away and investors should focus on areas such as tax, energy, trade, and regulation for the investment implications.

Bond markets weigh tariff and immigration proposals' impact on inflation and fiscal deficit

Corporate tax rate in the United States and S&P 500 earnings per share (EPS)

Source: Bloomberg, Data as of 17/09/2024

Tax reforms have provided a tailwind for corporate earnings since Reagan



03 Navigating electoral volatility

The Federal Reserve's rate decision last September comes against the backdrop of an economic outlook that reflects a perfect **balance between inflation and growth risks.**

Inflation has shown signs of moderating, especially outside the services sector, suggesting that the past policy of aggressive rate hikes is beginning to take effect. At the same time, the labor market continues to show strength, albeit with signs of cooling, reducing the risk of the economy overheating. This points to a "soft landing" in which the economy adjusts without a sharp recession or a runaway rise in inflation. **However, the proximity of U.S. elections, rising geopolitical risks in Taiwan and the Middle East, and increasing signs of a slowdown elsewhere (China and the eurozone) make it prudent to take a balanced stance in the face of potential bouts of volatility.**

The pre-election economic backdrop is one of a soft landing with a balance between inflation and slowdown risks

One of the potential sources of volatility can come from an election process as complex as the current one, where there have been noteworthy events such as a change of candidate and two assassination attempts. Political noise will be a constant in the coming weeks, and it will be difficult to abstract from the analysis of headlines and changes in campaign messages and polls. However, **an analysis of past U.S. elections suggests a greater focus on the economy in a long-term context.** The chart on the bottom left reinforces the idea that the **returns of financial assets (and especially equities as a benchmark risk asset) are less correlated with the political sign of the incumbent president and more dependent on the swings of the economic cycle.** The chart shows how stock market returns have been positive in every term except for three occasions marked by economic events. For example, during the Nixon and George W. Bush administrations, returns were negative not for political reasons, but because of global economic crises: the 1974 oil embargo under Nixon, the bursting of the tech bubble in 2001, and the 2008 Great Financial Crisis under Bush. These examples illustrate hat external economic events, such as supply shocks or financial crises, are the real drivers of market returns, beyond the political context and short-term volatility. Therefore, **from an investment perspective, investors should focus on economic fundamentals rather than political changes when managing their portfolios.**

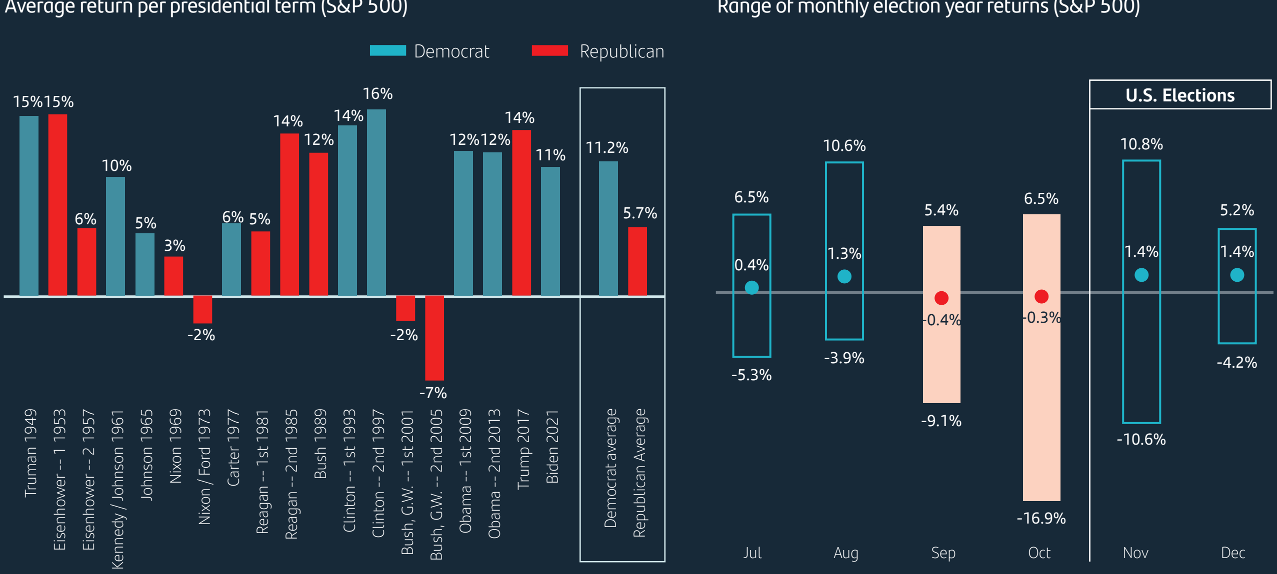
Politics and party have not been a reliable indicator of stock market performance in the U.S.

Investment returns in the U.S. stock market have been driven primarily by the economic cycle rather than political shifts

Average U.S. equity investment performance as a function of the presidential cycle

Source: Bloomberg and in-house. Data as of 09/30/2024

Short-term impact of political change but more relevant is the economic cycle in the long term



Neutral positioning with balanced risks

The U.S. elections will undoubtedly have high political and economic significance and **as we approach the November 5th, market jitters are likely to increase.** The right-hand chart on the previous page shows that the months leading up to the election usually have a negative impact on the average stock market returns and come together with a marked increase in volatility. Polls and messages regarding potential new initiatives in regulation, energy policy, taxes and foreign affairs are likely to lead to significant gyrations in the share prices of the most sensitive sectors. **This environment of increased volatility may be managed with appropriate diversification and a reinforcement of hedging and capital preservation strategies.**

High volatility is expected in the sectors most affected by potential changes in taxation and trade policy

Investors face the last quarter of 2024 with a **clearer outlook from a monetary standpoint, signs of moderation in global activity (but without entering recessionary dynamics for the time being) and a complex geopolitical and institutional environment.** This is a scenario in which investors have options to continue building portfolios suited to their objectives without the need being overweight is any one asset. Investors with a greater focus on minimizing risk can combine the -still high- yield of short-dated fixed income with options to extend the opportunity to longer maturities via longer duration bonds, credit risk premia in high quality corporate bonds and diversification into more complex spread fixed income strategies.

An environment of monetary easing with moderate economic growth is ideal for building diversified fixed income portfolios

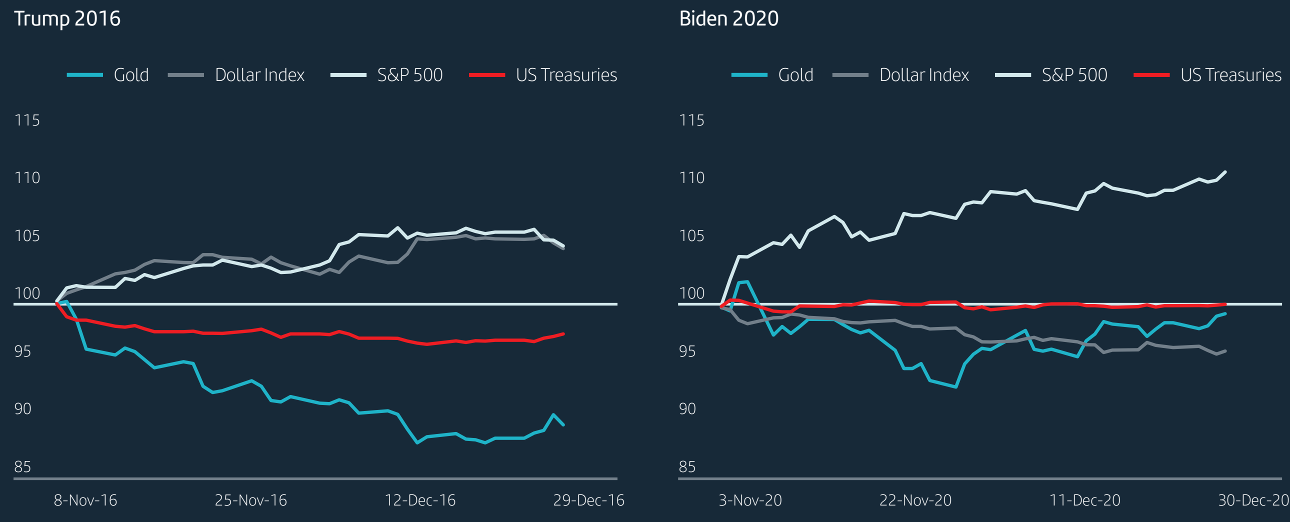
Investors with a longer investment horizon could further diversify portfolios by combining the more predictable returns of fixed income with the potential of earnings and dividend growth provided by equity exposure, where it would be reasonable to adopt a balanced sector positioning. A portfolio combining defensive and moderate cyclical sectors, balancing risk between growth and stability, seems the most prudent approach in this economic context. **Eventual corrections caused by electoral uncertainty or geopolitical risk may represent windows of opportunity to broaden exposure to risk assets,** given that the months following elections (see chart below with the performance after Trump and Biden's victories) are usually periods of stock market appreciation.

Election uncertainty may provide windows of opportunity to position in growth sectors

Market performance in the two months following presidential election

Source: Bloomberg. Data as of 9/17/2024

After elections risk-off asset classes (gold and Treasuries) tend to correct as uncertainty is cleared



These investments may not be suitable for all types of clients. The suitability will depend on the client's risk profile. For more information, please consult your private banker.

Annex tables

Main asset returns over the last 10 years

Source: Bloomberg and own elaboration

Data as of 9/30/2024							Returns				Annualized returns
	2018	2019	2020	2021	2022	2023	YTD	1 Years	3 Years	5 Years	10 Years
Liquidity (USD) [1]	**1.9%**	**2.2%**	**0.4%**	**0.1%**	**1.7%**	**5.2%**	**4.2%**	**5.6%**	**3.7%**	**2.4%**	**1.7%**
Liquidity (EUR) [2]	**-0.4%**	**-0.4%**	**-0.5%**	**-0.5%**	**0.1%**	**3.4%**	**3.0%**	**4.1%**	**2.1%**	**1.1%**	**0.4%**
R. Fixed Global USD [3]	**-1.2%**	**6.8%**	**9.2%**	**-4.7%**	**-16.2%**	**5.7%**	**3.6%**	**12.0%**	**-3.1%**	**-0.8%**	**0.6%**
R. Fixed USD [4]	**0.0%**	**8.7%**	**7.5%**	**-1.5%**	**-13.0%**	**5.5%**	**4.4%**	**11.6%**	**-1.4%**	**0.3%**	**1.8%**
R. Fixed Governments (USD) [5]	1.4%	5.2%	5.8%	-1.7%	-7.8%	4.3%	4.2%	8.4%	-0.1%	0.8%	1.5%
R. Fixed Corporate (USD) [6]	-2.5%	14.5%	9.9%	-1.0%	-15.8%	8.5%	5.3%	14.3%	-1.2%	1.1%	2.9%
R. Fixed High Yield (USD) [7]	-2.1%	14.3%	7.1%	5.3%	-11.2%	13.4%	8.0%	15.7%	3.1%	4.7%	5.0%
Euro Fixed Income [8]	**0.4%**	**6.0%**	**4.0%**	**-2.9%**	**-17.2%**	**7.2%**	**2.5%**	**9.2%**	**-3.3%**	**-2.1%**	**0.5%**
R. Fixed Governments (EUR) [9]	1.0%	6.8%	5.0%	-3.5%	-18.5%	7.1%	2.0%	9.3%	-4.0%	-2.6%	0.5%
R. Fixed Corporate (EUR) [10]	-1.3%	6.2%	2.8%	-1.0%	-13.6%	8.2%	3.8%	9.6%	-1.2%	-0.4%	1.2%
R. Fixed High Yield (EUR) [11]	-3.6%	12.3%	1.8%	4.2%	-11.1%	12.8%	7.0%	13.0%	2.4%	3.1%	3.8%
R. Global Emerging Fixed Income (USD) [12]	**-2.5%**	**13.1%**	**6.5%**	**-1.7%**	**-15.3%**	**9.1%**	**8.2%**	**16.9%**	**-0.2%**	**1.3%**	**3.2%**
R. Latam Emerging Fixed Income (USD) [13]	-4.9%	12.3%	4.5%	-2.5%	-13.2%	11.1%	11.0%	22.3%	2.4%	2.4%	3.3%
MSCI World (USD)	**-8.7%**	**27.7%**	**15.9%**	**21.8%**	**-18.1%**	**23.8%**	**18.9%**	**32.4%**	**9.1%**	**13.3%**	**10.1%**
S&P 500 (USD)	-4.4%	31.5%	18.4%	28.7%	-18.1%	26.3%	22.1%	36.4%	11.9%	16.3%	13.4%
MSCI Europe (EUR)	-14.9%	23.8%	5.4%	16.3%	-15.1%	19.9%	12.8%	25.2%	6.7%	9.2%	5.6%
MSCI Emerging Markets (USD)	-14.6%	18.4%	18.3%	-2.5%	-20.1%	9.8%	16.9%	26.1%	0.4%	5.8%	4.0%
MSCI Asia Pac. Ex Japan (USD)	-13.9%	19.2%	22.4%	-2.9%	-17.5%	7.4%	19.9%	29.4%	1.8%	6.9%	5.5%
MSCI Latin America (USD)	-6.6%	17.5%	-13.8%	-8.1%	8.9%	32.7%	-12.5%	2.8%	7.2%	2.2%	0.6%

[1] Barclays Benchmark Overnight USD Cash Index; [2] Barclays Benchmark 3mEUR Cash Index; [3] Bloomberg Barclays Global Aggregate Total Return Index Value Un; [4] Bloomberg Barclays US Agg Total Return Value Unhedged USD; [5] Bloomberg Barclays US Intermediate Treasury TR Index Value Unhedged U; [6] Bloomberg Barclays US Corporate Total Return Value Unhedged USD; [7] Bloomberg Barclays US Corporate High Yield Total Return Value Unhedged USD; [8] Bloomberg Barclays EuroAgg Total Return Index Value Unhedged EUR; [9] Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR; [10] Bloomberg Barclays Euro Aggregate Corporate Total Return Index Value Unhedged EU; [11] Bloomberg Barclays Pan-European Aggregate High Yield TR Index Value Unhedged; [12] Bloomberg Barclays EM USD Aggregate Total Return Value Unhedged; [13] Bloomberg Barclays Emerging Markets Latam Total Return Value Unhedged USD.

Equities

Source: Bloomberg and own elaboration

Data as of 9/30/2024

			Variation	Range last 10 years			Returns			Annualized returns			
		Last price	12 months	Minimum	Range	Maximum	2022	2023	YTD	1 year	3 years	5 years	10 years
EEUU	S&P 500	5,762		1,920		5,762	-19.4%	24.2%	20.8%	34.4%	10.2%	14.4%	11.5%
	DOW JONES INDUS.	42,330		16,285		42,330	-8.8%	13.7%	12.3%	26.3%	7.7%	9.8%	9.7%
	NASDAQ	18,189		4,558		18,189	-33.1%	43.4%	21.2%	37.6%	8.0%	18.1%	15.2%
Europa	Stoxx 50	523		2,701		4,551	-12.9%	12.7%	9.2%	16.1%	4.8%	6.1%	4.4%
	Euro Zone (EuroStoxx)	5,000		2,787		5,083	-11.7%	19.2%	10.6%	19.8%	7.3%	7.3%	4.6%
	Spain (IBEX 35)	11,877		6,452		11,877	-5.6%	22.8%	17.6%	26.0%	10.5%	5.3%	1.0%
	France(CAC 40)	7,636		4,233		8,206	-9.5%	16.5%	1.2%	7.0%	5.4%	6.4%	5.8%
	Germany (DAX)	19,325		9,327		19,325	-12.3%	20.3%	15.4%	25.6%	8.2%	9.5%	7.5%
	United Kingdom (FTSE 100)	8,237		5,577		8,377	0.9%	3.8%	6.5%	8.3%	5.1%	2.3%	2.3%
	Italy (MIB)	34,125		16,198		34,750	-13.3%	28.0%	12.4%	20.8%	9.9%	9.2%	5.1%
	Portugal (PSI 20)	6,793		3,945		6,871	2.8%	11.7%	6.2%	11.5%	7.5%	6.5%	1.8%
	Switzerland (SMI)	12,169		7,808		12,876	-16.7%	3.8%	9.3%	11.0%	1.5%	4.1%	3.3%
LatAm	Mexico (MEXBOL)	52,477		34,555		57,386	-9.0%	18.4%	-8.6%	3.1%	0.7%	4.1%	1.7%
	Brazil (IBOVESPA)	131,816		40,406		136,004	4.7%	22.3%	-1.8%	13.1%	5.9%	4.8%	9.6%
	Argentina (MERVAL)	1,697,401		8,490		1,717,565	142.0%	360.1%	82.6%	201.7%	180.0%	124.0%	64.8%
	Chile (IPSA)	6,491		3,487		6,644	22.1%	17.8%	4.7%	11.3%	14.2%	5.2%	5.3%
Asia	Japan (NIKKEI)	37,920		15,576		40,369	-9.4%	28.2%	13.3%	19.0%	8.8%	11.6%	9.0%
	Hong-Kong (HANG SENG)	21,134		14,687		32,887	-15.5%	-13.8%	24.0%	18.7%	-4.9%	-4.1%	-0.8%
	Corea (KOSPI)	2,593		1,755		3,297	-24.9%	18.7%	-2.3%	5.2%	-5.5%	4.6%	2.7%
	India (Sensex)	84,300		23,002		84,345	4.4%	18.7%	16.7%	28.1%	12.6%	17.1%	12.2%
	China (CSI)	4,018		2,508		5,352	-21.6%	-11.4%	17.1%	8.9%	-6.2%	1.0%	5.1%
World	MSCI WORLD	3,723		1,547		3,723	-19.5%	21.8%	17.5%	30.5%	7.4%	11.5%	8.3%

Equities by Style and by Sectors

Source: Bloomberg and own elaboration

Data as of 9/30/2024

			Change	Last 10 years			Returns			Annualized returns				Ratios	
		Last Price	12 months	Low	Range	High	2022	2023	YTD	1 year	3 years	5 years	10 years	PE Ratio	Dividend Yield
	MSCI World	11,750		4,204		11,750	-18.1%	23.8%	18.9%	32.4%	9.1%	13.3%	10.2%	20.94	1.76
Style	MSCI World High Dividend Yield	2,868		1,352		2,868	-4.7%	9.1%	14.6%	22.6%	8.4%	8.3%	6.9%	15.00	3.45
	MSCI World Momentum	4,669		1,454		4,669	-17.8%	11.8%	29.9%	45.6%	8.1%	13.5%	12.5%	21.67	1.18
	MSCI World Quality	5,114		1,456		5,114	-22.2%	32.4%	22.4%	37.6%	11.6%	16.8%	13.5%	26.22	1.28
	MSCI World Minimum Volatility	5,286		2,481		5,286	-9.8%	7.4%	15.3%	23.0%	6.1%	6.3%	8.2%	18.69	2.25
	MSCI World Value	14,345		6,429		14,345	-6.5%	11.5%	16.4%	27.2%	9.1%	9.7%	7.2%	15.70	2.80
	MSCI World Small Cap	726		318		726	-18.8%	15.8%	11.0%	24.9%	2.2%	9.2%	8.1%	19.86	2.03
	MSCI World Growth	11,403		3,389		11,403	-29.2%	37.0%	21.3%	37.5%	8.4%	16.1%	12.8%	30.79	0.76
Sector	Energy	486		164		508	46.0%	-2.5%	5.7%	1.4%	18.2%	10.2%	2.5%	11.74	4.09
	Materials	649		229		611	-10.7%	-12.9%	10.3%	24.3%	7.5%	11.6%	7.7%	19.50	2.42
	Industrials	645		238		597	-13.2%	-18.8%	18.4%	34.7%	10.2%	12.4%	9.9%	22.48	1.67
	Consumer Discretionary	598		218		595	-33.4%	-26.0%	11.8%	24.3%	2.9%	11.7%	10.9%	22.24	1.18
	Consumer Staples	504		268		470	-6.1%	-2.3%	13.0%	19.0%	5.9%	6.4%	6.8%	20.09	2.76
	Health Care	581		246		549	-5.4%	-3.6%	14.1%	20.8%	6.5%	11.8%	9.1%	21.75	1.65
	Financials	327		125		299	-10.2%	-13.9%	21.8%	37.9%	9.7%	11.8%	8.4%	13.75	2.71
	Information Technology	919		152		905	-30.8%	-34.8%	27.0%	49.2%	15.1%	23.6%	20.0%	34.70	0.64
	Real Estate	2,261		1,283		2,450	-25.9%	-9.2%	13.1%	33.6%	2.0%	3.7%	6.1%	35.79	3.45
	Communication Services	235		106		228	-36.9%	-31.3%	25.5%	39.0%	4.2%	12.0%	7.7%	20.78	1.15
	Utilities	384		186		343	-4.7%	-0.3%	22.9%	35.8%	9.3%	6.7%	7.1%	16.89	3.39

Sovereign Bonds

Source: Bloomberg and own elaboration

Data as of 9/30/2024

	Rating (S&P)	Interest rate			Change	Last 10 years			10 years		Pending
		B. Central	2 years	10 years	12 months	Minimum	Range	Maximum	YTD	At 1 year	10-2 years
Developed											
USA	AA+	5.00%	3.64%	3.78%		0.53%		4.93%	-10	-115	0.14
Germany	AAA	3.50%	2.07%	2.12%		-0.70%		2.84%	10	-68	0.06
France	AA-	3.50%	2.31%	2.92%		-0.40%		3.43%	36	-51	0.61
Italy	BBB	3.50%	2.52%	3.45%		0.54%		4.78%	-25	-127	0.93
Spain	A	3.50%	2.40%	2.93%		0.05%		3.93%	-7	-96	0.53
United Kingdom	AA	5.00%	3.98%	4.00%		0.10%		4.51%	47	-51	0.02
Greece	BBB-	3.50%	2.03%	3.11%		0.61%		15.42%	5	-107	1.08
Portugal	A-	3.50%	2.17%	2.70%		0.03%		4.19%	4	-82	0.53
Switzerland	AAA	1.00%	0.40%	0.37%		-1.05%		1.58%	-29	-72	-0.03
Japan	A+	0.25%	0.39%	0.86%		-0.27%		1.07%	25	-9	0.47
Emerging											
Brazil	BB	10.75%	12.40%	12.43%		6.49%		16.51%	207	56	0.04
Mexico	BBB	10.50%	9.62%	9.36%		5.24%		10.20%	41	-84	-0.25
Chile	A	5.50%	5.03%	5.14%		2.19%		6.79%	-34	-162	0.11
Argentina	CCC	40.00%	n.d.	n.d.		0.00%		0.00%	n.d.	n.d.	n.d.
Colombia	BB+	10.75%	8.18%	10.07%		5.39%		13.79%	11	-169	1.89
Turkey	B+	50.00%	35.09%	26.63%		6.98%		26.73%	297	26	-8.46
Poland	A-	5.75%	4.73%	5.26%		1.16%		8.37%	6	-40	0.53
China	A+	2.32%	1.43%	2.17%		2.14%		3.91%	-39	-52	0.74
India	BBB-	6.50%	6.65%	6.72%		5.84%		8.28%	-47	-64	0.07

* Intervention rate, except in Euro Zone countries, where the marginal deposit facility is used.

Currencies

Source: Bloomberg and own elaboration

Data as of 9/30/2024

	Last Price	Change 12 months	Last 10 years Low	Range	High	Return YtD	Annualized returns 1 year	3 years	5 years	10 years
EUR/USD	1.1135		0.98		1.25	0.9%	5.3%	-1.3%	0.4%	-1.2%
EUR/GBP	0.83		0.70		0.92	4.1%	-3.9%	-1.1%	-1.3%	0.7%
EUR/CHF	0.94		0.93		1.21	-1.3%	2.8%	4.6%	2.9%	2.5%
EUR/JPY	160		114		172	2.7%	-1.2%	-6.9%	-5.9%	-1.5%
EUR/PLN	4.28		4.04		4.86	1.4%	7.9%	2.5%	0.4%	-0.3%
GBP/USD	1.34		1.12		1.60	5.1%	9.6%	-0.2%	1.7%	-1.9%
USD/CHF	0.85		0.84		1.03	-0.5%	8.2%	3.3%	3.3%	1.2%
USD/JPY	144		101		161	-1.8%	4.0%	-8.2%	-5.6%	-2.7%
USD/MXN	19.69		13.48		24.17	-13.8%	-11.5%	1.6%	0.1%	-3.7%
USD/ARS	968.72		8.47		968.72	-16.5%	-63.9%	-53.3%	-43.1%	-37.8%
USD/CLP	899		578		979	-2.2%	-0.8%	-3.4%	-4.1%	-4.0%
USD/BRL	5.45		2.48		5.75	-10.9%	-7.6%	0.0%	-5.3%	-7.6%
USD/COP	4.207		2.058		4.940	-8.4%	-3.3%	-3.3%	-3.6%	-7.0%
USD/CNY	7.02		6.11		7.32	1.2%	4.0%	-2.8%	0.4%	-1.3%
EUR/SEK	11.31		9.17		11.88	-1.6%	2.1%	-3.6%	-0.9%	-2.1%
EUR/NOK	11.74		8.45		11.86	-4.4%	-3.6%	-4.8%	-3.2%	-3.6%

Raw materials

Source: Bloomberg and own elaboration

	Last Price	Variation 12 months	Range last 10 years Minimum	Range	Maximum	Profitability 2022	2023	YTD	Annualized profitability 1 year	3 years	5 years	10 years
Crude oil (Brent)	72.9		18		124	5.5%	-4.6%	-6.1%	-24.3%	-1.7%	3.8%	-2.3%
Oil (W. Texas)	68.2		19		115	6.7%	-10.7%	-4.9%	-24.9%	-3.1%	4.9%	-2.8%
Gold	2,636.1		1.060		2,641	-0.1%	13.4%	27.2%	42.6%	14.5%	12.2%	8.1%
Copper	9,829.0		4.561		10,375	-13.9%	2.2%	14.8%	18.8%	3.2%	11.6%	3.9%
CRB Index	284.9		117		317	19.5%	-5.0%	8.0%	0.1%	7.6%	10.4%	0.2%
Natural Gas (USA)	2.9		2		6	37.8%	-29.4%	-5.4%	-21.8%	-2.3%	2.1%	-5.1%
Natural Gas (Europe)	39.0		15		108	8.5%	-57.6%	20.7%	-6.7%	-26.4%	18.4%	4.8%

"Periodic table" of asset returns.

		Calendar Year Returns										
Type of Asset	Index	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
US Equities	S&P 500 TR	16.7% Spain Government	12.1% Japan Equities	14.8% Global High Yield	37.3% Emerging Market Equities	2.6% Spain Government	31.5% US Equities	18.4% US Equities	38.5% Commodities	22.0% Commodities	28.3% Japan Equities	22.1% US Equities
Japan Equities	Topix TR	13.7% US Equities	6.4% Europe Equities	12.0% US Equities	22.4% Global Equities	2.4% Eurozone Government	28.2% Europe Equities	18.3% Emerging Market Equities	28.7% US Equities	0.1% Liquidity	28.0% Spain Equities	21.6% Spain Equities
Spain Equities	Ibex35 TR	10.3% Eurozone Government	1.6% Spain Government	11.2% Emerging Market Equities	22.2% Japan Equities	-0.4% Liquidity	27.7% Global Equities	15.9% Global Equities	23.2% Europe Equities	-2.0% Spain Equities	26.3% US Equities	18.9% Global Equities
Emerging Markets Equities	MSCI EM TR	10.3% Japan Equities	1.4% US Equities	9.7% Commodities	21.8% US Equities	-1.2% Europe IG	18.4% Emerging Market Equities	8.0% Global High Yield	21.8% Global Equities	-2.5% Japan Equities	23.8% Global Equities	16.90% Emerging Market Equities
Europe Equities	Eurostoxx50 TR	8.6% Spain Equities	0.3% Eurozone Government	7.5% Global Equities	11.3% Spain Equities	-3.3% Global High Yield	18.1% Japan Equities	7.4% Japan Equities	12.7% Japan Equities	-9.5% Europe Equities	22.2% Europe Equities	14.2% Japan Equities
Commodities	Commodity RB TR	8.3% Europe IG	-0.1% Liquidity	4.8% Europe IG	10.2% Global High Yield	-4.4% US Equities	16.6% Spain Equities	4.4% Spain Government	10.8% Spain Equities	-13.2% Global High Yield	13.4% Global High Yield	13.1% Europe Equities
Global Equities	MSCI World TR	4.9% Global Equities	-0.5% IG Europa	4.2% Spain Government	9.2% Europe Equities	-8.7% Global Equities	13.7% Global High Yield	3.0% Eurozone Government	1.4% Global High Yield	-14% IG Europa	9.8% Emerging Market Equities	12.4% Commodities
Europe IG	ERL0 TR	4.0% Europe Equities	-0.9% Global Equities	4.0% Eurozone Government	2.5% Europe IG	-10.7% Commodities	11.8% Commodities	2.7% Europe IG	-0.5% Liquidity	-17.7% Spain Government	8.0% Europe IG	8.7% Global High Yield
Liquidity EUR	Eonia TR	0.1% Liquidity	-3.5% Spain Equities	3.7% Europe Equities	1.7% Commodities	-11.5% Spain Equities	8.6% Spain Government	-0.5% Liquidity	-1.1% Europe IG	-17.8% Eurozone Government	6.9% Spain Government	3.8% Europe IG
Global High Yield	HW00 TR	-0.1% Global High Yield	-4.2% Global High Yield	2.6% RV España	1.1% Spain Government	-12.0% Europe Equities	6.3% Europe IG	-3.2% Europe Equities	-2.50% Emerging Market Equities	-18.1% US Equities	5.6% Eurozone Government	3.1% Spain Government
Spain Government	SPAIN 10 YR	-2.2% Emerging Market Equities	-14.9% Emerging Market Equities	0.3% Japan Equities	-0.4% Liquidity	-14.6% Emerging Market Equities	3.0% Eurozone Government	-9.3% Commodities	-2.7% Eurozone Government	-18.1% Global Equities	3.4% Liquidity	3.0% Liquidity
Eurozone Government	GERMANY 10 YR	-17.9% Commodities	-23.4% Commodities	-0.3% Liquidity	-1.4% Eurozone Government	-16.0% Japan Equities	-0.4% Liquidity	-12.7% Spain Equities	-3.1% Spain Government	-20.1% Emerging Market Equities	0.0% Commodities	1.1% Eurozone Government

+ Returns -

*Data as of 9/30/2024
*Total return indices track both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index.

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