# SAGICOR INVESTMENTS MUTUAL FUNDS

QUARTERLY NEWSLETTER Q4 | DECEMBER 31, 2024

Sagicor Investments TRINIDAD & TOBAGO

## THE FUND MANAGERS' UPDATE

2024 was a year in which stocks, particularly those of US technology companies, outperformed all other asset classes. In Q4, US gains were more subdued with returns led by the communication services, information technology and consumer discretionary sectors with some of the "Magnificent Seven" stocks performing strongly. The weakest sector was materials. However, while US stocks performed well Global stocks fell slightly in Q4 with emerging markets and UK equities declining along with the Eurozone amid fears of a recession. There was political instability in France and Germany as well as worries over trade wars after Donald Trump won the US election.

Fixed income markets experienced considerable volatility in the last quarter of 2024, primarily driven by geopolitical tensions, central bank decisions and fluctuating inflation rates. Notably, the period was marked by sell-offs in major government bond markets, with various factors influencing investor sentiment across the globe. Inflation figures saw an unexpected uptick, leading to a rise in bond yields as markets priced in fewer rate cuts for 2025. The 10-year US Treasury yield experienced a notable rise, finishing the year at 4.58%, indicating market uncertainty regarding the Fed's future actions if President-elect Trump were to implement all his economic policies. The 10-year German Bund yield closed the year at 2.37% whilst the euro weakened against the dollar, reflecting the apprehensions in the market. In the UK, the 10-year gilt yields rose, and the pound depreciated against the dollar, reflecting investor anxiety. Fixed income has been volatile for several quarters. Most yields are lower than their peaks over the last couple years, but the recent increase offers an opportunity to fixed income investors.

Global economic growth remained stable in 2024 despite ongoing geopolitical conflicts in Eastern Europe and the Middle East. The US election had a number of short-term impacts on the market this quarter, although what the lasting impacts are remains to be seen. The US economy GDP for Q4 is projected to rise to 2.1% (real annualized rate), based on the median estimate and will be the softest advance since Q1 2024's sluggish 1.6%.

| Key Metrics | Dec-2023 | Mar-2024 | Jun-2024 | Sep-2024 | Dec-2024 | QT Variance | YTD Variance |
|---|---|---|---|---|---|---|---|
| Crude Oil - Brent | USD 77.04 | USD 87.48 | USD 86.41 | USD 71.77 | USD 74.64 | ↑ 4.00% | ↓ -3.12% |
| Crude Oil - WTI | USD 71.65 | USD 83.17 | USD 81.54 | USD 68.17 | USD 71.72 | ↑ 5.21% | ↑ 0.10% |
| Natural Gas - Henry Hub | USD 2.51 | USD 1.76 | USD 2.60 | USD 2.92 | USD 3.63 | ↑ 24.29% | ↑ 44.51% |
| US Federal Reserve Bank Rate | 5.50% | 5.50% | 5.50% | 5.00% | 4.50% | ↓ -10.00% | ↓ -18.18% |
| YOY US Inflation | 3.40% | 3.50% | 3.00% | 2.40% | 2.70% | ↑ 12.50% | ↓ -20.59% |
| CBTT 365-day Rate | 1.79% | 2.29% | 3.40% | 3.68% | 3.94% | ↑ 7.07% | ↑ 120.11% |
| TT Headline Inflation | 0.70% | 0.80% | 0.70% | 0.40% | 0.50% | ↑ 25.00% | ↓ -28.57% |
| BSE Index | 665.73 | 721.95 | 722.87 | 701.54 | 681.07 | ↓ -2.92% | ↑ 2.30% |
| TTCOMP Index | 1,214.05 | 1,197.97 | 1,127.79 | 1,052.80 | 1,073.23 | ↑ 1.94% | ↓ -11.60% |
| JSE Index | 325,700 | 327,799 | 318,920 | 318,326 | 335,795 | ↑ 5.49% | ↑ 3.10% |
| S&P 500 Index | 4,769.83 | 5,254.35 | 5,460.48 | 5,762.48 | 5,881.63 | ↓ 2.07% | ↑ 23.31% |
| Dow Jones Index | 37,689.54 | 39,807.37 | 39,118.86 | 42,330.15 | 42,544.22 | ↑ 0.51% | ↑ 12.88% |
| Nasdaq Composite Index | 15,011.35 | 16,379.46 | 17,732.60 | 18,189.17 | 19,310.79 | ↑ 6.17% | ↑ 28.64% |
| Blommberg US Aggregate Index | 2,162.00 | 2,145.23 | 2,146.63 | 2,258.17 | 2,189.03 | ↓ -3.06% | ↑ 1.25% |
| Blommberg Global Aggregate Index | 471.40 | 461.58 | 456.48 | 488.36 | 463.44 | ↓ -5.10% | ↓ -1.69% |
| MSCI ACWI Index | 727.00 | 783.58 | 802.01 | 851.78 | 841.33 | ↓ -1.23% | ↑ 15.73% |
| MSCI ACWI Net Total Ret. USD Index | 388.11 | 419.92 | 431.97 | 460.54 | 455.99 | ↓ -0.99% | ↑ 17.49% |

Data as of December 2024: Data has been sourced from Bloomberg: BSE Index represents Barbados Stock Exchange Index price return, TTCOMP Index represents Trinidad and Tobago composite Index price return, JSE Index represents Jamaica Stock Exchange Index price return, S&P 500 Index represents S&P 500 price return, Dow Jones Index represents Dow Jones Industrial Index price return, MSCI All Country World Net Return represents MSCI All Country World Index USD price return.

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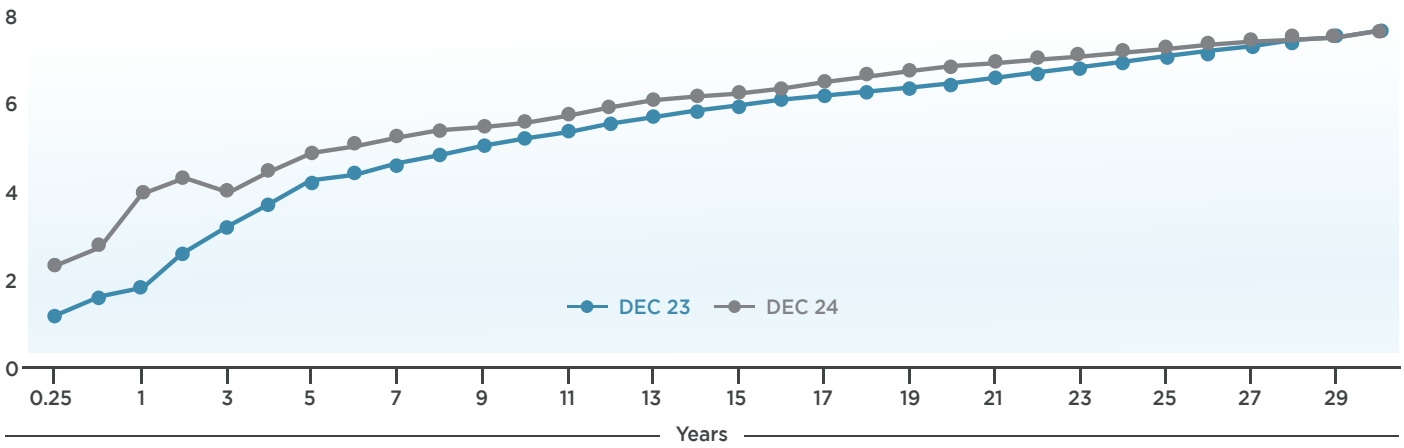
## THE FUND MANAGERS' UPDATE

In the December 2024 meeting, the US Federal Reserve cut its federal funds rate by 25bps to a target range of 4.25% to 4.50% - its third rate cut since March 2020. Although further rate cuts are expected they would continue at a slower pace and at smaller increments than the previous cuts in 2024 to bring the range down to 3.9% - 4.00% at the end of 2025. When compared to September 2024 the US yield curve experienced a decrease in the under 1-year rates while all other tenors increased as of end of December 2024.

Domestically, macroeconomic conditions appear favourable and inflation remains low. Recent data from the Central Statistical Office show that headline inflation remains low and was recorded at 0.5% in November, up from 0.2% in the previous month. Food inflation rose to 3.1% from 2.4% in September. In terms of economic activity, preliminary data for the energy sector output over the period July to August 2024 suggests a partial improvement from the second quarter's performance with crude oil production declining by 3.1%, while natural gas output increased by 2.8% over the period. Indicators monitored by the Central Bank suggest that constraints in natural gas availability negatively affected the energy sector. With respect to financial indicators, liquidity was quite comfortable as excess reserves at the Central Bank averaged $6.4 billion in the first two weeks of December. Relatively high domestic Government financing helped to push up local treasury bill rates. Combined with the policy rate cuts by the US Fed in late 2024, this resulted in a narrowing of the (negative) TT/US interest differential on 3-month treasuries from -251 basis points to -206 basis points between September and December 2024.

### Standardized Trinidad and Tobago Treasury Yield Curve (TTTYC)

Source: Central Bank of Trinidad and Tobago




Sagicor Investments Trinidad and Tobago Limited remains vigilant to position our Mutual Funds to take advantage of any opportunities in the market.

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