

## 2024 Bingo

### A Look Ahead at The Events That Will Take Centre Stage in 2024

As we step into the new year, the world is bracing itself for a rollercoaster ride of events that will shape the course of the capital market landscape for 2024. From the hurried evolution of geopolitical powers to the emergence of cutting-edge technologies, 2024 promises to be a year of surprises and challenges. In this first article, I intentionally take a not-so-deep dive into the events I think will take center stage and be at the forefront of global news. I have cherry-picked and summarized a few of the headlines I am expecting to see happen this year and as the year progresses, I will provide more in-depth articles on each of them and expand on the factors behind why each of these will or will not have played out as expected. I will also aim to provide some context on how these events can be integrated into a cohesive investment case and play a role in tactical asset allocation and investment strategies. While the below will mostly be views I've thought about and read around and consider likely, as the year goes on, I will more often publish my thoughts when I consider my perspective to diverge from what looks like the consensus view or I come across a specific topic I think isn't being granted the attention it needs. With that being said, fasten your seatbelts as we dive into a brief overview of my 2024 bingo card.

#### Politics and Geopolitics



The most anticipated event of 2024 is the U.S. presidential election, which will deepen the country's political division and once again, test American democracy. The outcome of the election will have profound implications for the U.S.-China rivalry, the future of trade, and maybe even the global order over the next 4 years. 2024 is also set to be the biggest election year in history with more than half the world's population heading to the polls. While Russia's elections are unlikely to affect Putin's grip on power, Ukraine has yet to decide whether its own scheduled elections will go ahead amid the conflict. The U.S. will also face challenges from the Middle East, where the fighting in Gaza will expand, with several pathways for escalation into a broader regional war. The rise of new geopolitical powers, such as India, Brazil, and the rest of "BRICS+," will also shape the course of history, as they seek to assert their interests and influence in their regions and beyond.

#### Tech



The emergence and integration of technologies such as quantum computing, 5G, and AI into mainstream usage, will continue to revolutionize the way we live and work. Quantum computing will enable us to solve complex problems that are beyond the reach of conventional computers. For example, quantum computers could help us design new drugs, optimize supply chains, and simulate quantum systems. Wider accessibility of 5G will enable faster connection speeds for applications in other tech products such as autonomous vehicles, and augmented reality. I think we've passed peak sensationalisation of generative AI but can expect continued integration. By the end of the year, AI will likely be a feature underlying most of our interactions with products and services whether we fully acknowledge it's presence or not. These technologies, however, will also pose challenges, such as ethical, social, and regulatory issues, as well as cybersecurity risks. For example, quantum computers could threaten the security of current encryption systems, 5G could raise privacy and health concerns, and AI has been long suspected of creating bias in systems underlying job and credit screening for example. All to say, we need to be cautious regarding how we integrate the aforementioned tech developments into our everyday lives. I expect intensifying regulatory action during the year with the EU already setting the pace.



### Finance, Investment and Capital Markets

The global economy is forecast to slow down, triggering a global cost-of-living crisis, particularly for vulnerable groups. The rise of digital currencies will continue, with central banks exploring the possibility of issuing their own digital currencies. The increasing adoption of sustainable investing will also continue, with investors focusing on environmental, social, and governance (ESG) factors. Emerging markets will offer attractive investment opportunities, although they will also be associated with higher risks and potentially held back by falling commodity prices. Government bonds will remain a welcome exposure for investors, as they will offer stability amid the uncertainty of the aforementioned political landscape. Investors will also be more likely looking to lock in higher interest rates before central banks start to lower their rates. (Although interest rate cuts are more likely already priced into longer duration bonds). Corporate bonds will carry heightened risk, as they will be priced for a slowdown, but not necessarily a recession (which is still on the cards).

As mentioned above, one of the factors that will affect the bond market in 2024 is the Federal Reserve's monetary policy. The Fed is expected to cut interest rates at least three times in 2024, as the US economy shows signs of cooling down. The expectation is that other central banks will follow suit. The interest-rate cuts will start in the second quarter and extend well into 2025. The Fed's decision will be influenced by moderating inflation, a cooling jobs market, and a deteriorating outlook for consumer spending. The interest-rate cuts will have implications for the demand and supply of bonds in the market, as well as the borrowing costs of the government and the private sector. Investors who are looking for safety, income, and diversification may want to lock in the currently high rates while they can, as they may fall further in the future. This could lead to capital flows towards fixed income and away from traditional equity plays, especially if the stock market becomes more volatile and uncertain as the year progresses.

### Initial Asset Allocation Recommendations



Based on the events, trends and expectations discussed above, I would suggest the following asset allocation split for 2024:

- 50% in equities, with a focus on emerging markets, value stocks, and global contrarian plays for markets that underperformed expectation in 2024, such as the United Kingdom, Chinese technology, and Indian consumer sectors.
- 35% in bonds, with a focus on government bonds, especially from developed countries, and high-quality corporate bonds, especially from the financial, healthcare, and other Consumer non-discretionary sectors.
- 10% in alternative assets, such as REITs and Commodities, to provide diversification and inflation protection.
- 5% in digital currencies, such as Bitcoin, Ethereum to provide exposure to the growing and innovative sector of digital finance which could also include CBDCs by the end of the year.

## 2024 Bingo

# A Look Ahead at The Events That Will Take Centre Stage in 2024

---

### Sources

Visualizing 2024: Trends to Watch | Council on Foreign Relations

The World Ahead 2024 | The Economist

Middle East on the brink: The risks of war in 2024 | Brookings Institution

The Rise of New Geopolitical Powers | World Economic Forum

Climate Change 2024: What to Expect | National Geographic

Cybersecurity 2024: Trends and Challenges | Forbes

Quantum Computing 2024: A Primer | MIT Technology Review

5G 2024: What You Need to Know | CNET

AI 2024: Opportunities and Risks | McKinsey & Company

Ethical, Social, and Regulatory Issues of Emerging Technologies | RAND Corporation

Global Cost-of-Living Crisis 2024: Causes and Consequences | Bloomberg

Digital Currencies 2024: The Rise of CBDCs | IMF

Sustainable Investing 2024: Trends and Best Practices | Morningstar

Emerging Markets 2024: Outlook and Opportunities | Goldman Sachs

The Federal Reserve will cut interest rates 6 times in 2024 as the economy shows clear signs of cooling down, ING says | Business Insider

The Future of Trade 2024: Challenges and Opportunities | World Trade Organization

The Future of Inequality 2024: Drivers and Responses | OECD

The Future of Innovation 2024: The Next Wave of Breakthroughs | The Economist

### Disclaimer:

The asset allocation recommendation above is based on my expectations and assumptions, and it may not be suitable for every investor. Any comprehensive investment strategy will be specific to an individual's distinct needs, goals and/or objectives. Therefore, investors should consider their own risk tolerance, time horizon, and goals before making any investment decisions. Investors should also monitor the market conditions and adjust their portfolio accordingly, as the events and trends of 2024 may change over time.