Blackmont Capital House View

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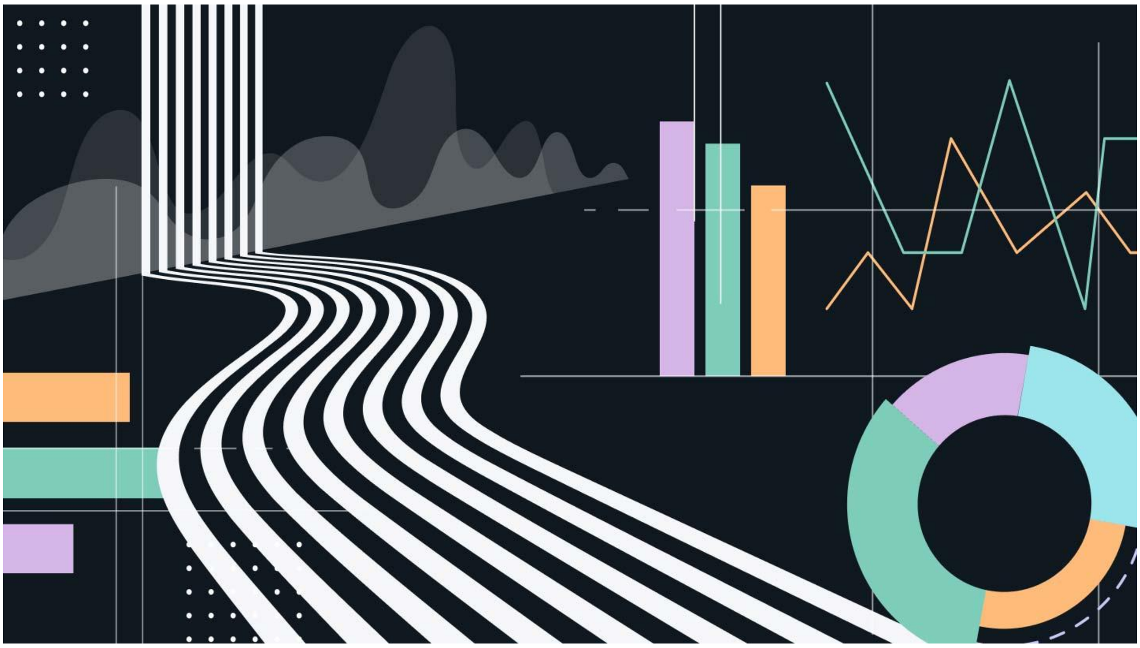
Equities on the Rise, Divergent Fixed Income Trends, and Commodities in Focus: A Global Market Summary



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Introduction:

As we approach the end of 2024, global markets are grappling with significant volatility and uncertainty, driven by a confluence of economic, geopolitical, and regulatory factors. Both traditional commodities and digital assets are experiencing dynamic shifts that require astute observation and strategic planning.

In the commodities sector, the landscape is marked by contrasting movements across different asset classes. Gold, long regarded as a safe-haven asset, has seen its price stabilize below $2,510 per ounce as investors await signals from the Federal Reserve on potential interest rate cuts. The prospect of a dovish monetary policy, coupled with persistent geopolitical tensions, continues to support gold's appeal, although the market remains cautious in the face of upcoming economic data releases. Meanwhile, the oil market is under pressure, with Brent crude futures slipping below $79 per barrel. The decline reflects concerns over weakening global demand, particularly in key markets like China and Europe, where economic slowdowns and shifts towards electric vehicles are dampening fuel consumption.

Industrial metals and energy commodities are similarly affected by these broader economic trends. Natural gas prices have plummeted below $1.90/MMBtu, hit by high storage levels and declining demand as summer wanes in the Northern Hemisphere. The oversupply situation is exacerbating bearish sentiment, with major producers scaling back production in an effort to balance the market. Meanwhile, agricultural commodities like coffee and cocoa are experiencing upward price pressures due to adverse weather conditions in major producing regions. Brazil's coffee crop faces challenges from prolonged dryness, driving prices to their highest levels since 2011, while cocoa prices remain elevated due to concerns over insufficient rainfall in West Africa.

In parallel, the cryptocurrency market is undergoing a period of recalibration after a year of remarkable gains. Bitcoin, the market leader, has seen a 12.20% decline over the past month, reflecting broader risk-off sentiment and regulatory pressures. Ethereum, despite a recent surge, faces a similar outlook with forecasts suggesting a slowdown in momentum. Other cryptocurrencies, including Binance Coin, Solana, and Cardano, are also contending with significant volatility as investors reassess their positions in the face of economic headwinds.

Overall, the current environment presents a complex and challenging landscape for investors. The interplay between macroeconomic factors, regulatory developments, and market-specific dynamics underscores the need for a cautious and well-informed approach to navigating these turbulent times. As we move forward, staying attuned to these evolving trends will be crucial for making informed investment decisions.

Equity Markets Outlook - September 2024

Global equity markets have experienced mixed performance in August, with key indices showing varied returns amidst divergent economic signals and geopolitical uncertainties. The ongoing rally in technology stocks, particularly those linked to AI, has bolstered markets in the U.S. and parts of Europe, while commodity-linked sectors have seen pressure due to fluctuating global demand and supply constraints.

Recent Performance Analysis

The U.S. equity market, as represented by the S&P 500 (US500), continues to lead global performance with a robust 17.29% gain since the start of 2024. This surge is driven primarily by the strength in technology stocks, with investors heavily focusing on Nvidia's anticipated earnings, which are expected to reflect significant AI-related growth. Similarly, Japan's Nikkei 225 (JP225) has climbed 14.21%, supported by tech and industrial giants like Toyota and Sony, along with a weaker yen.

European markets have shown more modest gains, with the Euro Stoxx 50 (EU50) rising 8.66% since the beginning of the year. In the UK, the FTSE 100 (GB100) has increased by 7.88%, though gains have been tempered by sector-specific downgrades and cautious investor sentiment ahead of key earnings reports. Canada's TSX Composite has gained 10.62% year-to-date, supported by financials, even as energy and mining sectors struggled with lower commodity prices.

In contrast, China's Shanghai Composite (SHANGHAI) has declined by 4.62% this year, as economic uncertainty and geopolitical tensions weigh on investor confidence. Russia's MOEX has seen an even steeper decline of 12.83%, driven by recession fears and lower oil prices, compounded by aggressive rate hikes from the Bank of Russia.

Current Valuations

Current valuations across global markets present a mixed picture. The U.S. markets, particularly the tech sector, are trading at elevated valuations compared to historical averages, reflecting strong investor optimism around AI and tech-driven growth. However, this raises concerns about sustainability, particularly as economic data remain mixed and interest rate uncertainty persists.

European markets are closer to their historical averages, with sectors like travel and insurance offering relative value amidst expectations of more stable economic conditions. Emerging markets like China and Russia are trading at significant discounts, reflecting heightened economic and political risks, but could present value opportunities for long-term investors.

Favored Countries and Sectors

Given the current market environment, we favor the U.S. and Japan for their continued leadership in technology and industrials. The AI revolution is expected to drive further gains, especially in companies leading the semiconductor and software sectors.

Europe also presents opportunities, particularly in the financial and insurance sectors, which are benefiting from a more favorable interest rate environment. Conversely, caution is warranted in China and Russia due to ongoing economic challenges and geopolitical risks.

In terms of sectors, technology remains our top pick, followed by financials in North America and Europe. However, we remain cautious on energy and commodities, particularly in markets like Canada and Australia, where these sectors are heavily weighted and currently under pressure.

Fixed Income Markets Outlook

Interest Rate Forecast and Impact on Global Bonds

In the evolving landscape of global fixed income, interest rate expectations are increasingly pivotal. The US 10-year Treasury yield recently climbed to 3.84%, reflecting a cautious balance between recession fears and expectations of imminent Federal Reserve rate cuts. Market sentiment indicates a 50-basis-point (bps) rate cut by year-end, with a potential 25-bps reduction as soon as September. Similarly, bond yields in other key economies, such as Canada and the Eurozone, have dipped on the back of anticipated monetary easing. As central banks across North America and Europe prepare to shift toward more accommodative policies, sovereign bond yields are expected to decline, leading to potential price appreciation in these fixed-income assets.

Corporate Bond Market Health and Credit Spreads

The corporate bond market remains under pressure as credit spreads reflect a mix of economic concerns and fluctuating investor sentiment. In the US, recession worries are keeping credit spreads elevated, although a possible easing of monetary policy could provide some relief. In Europe, the expectation of rate cuts by the ECB has kept spreads relatively stable, despite ongoing economic and political uncertainties, particularly in Germany and France. High-yield corporate bonds, while offering attractive spreads, pose increased risks in this environment, especially if the anticipated economic slowdown materializes. Investors should remain cautious, as deteriorating corporate earnings and tightening financial conditions could lead to a widening of credit spreads, particularly in lower-rated securities.

Portfolio Duration Management Recommendations

Given the current environment of fluctuating interest rates, active duration management will be crucial for fixed-income investors. With the US and European central banks likely to initiate rate cuts, shorter-duration bonds may underperform as yields decline. Therefore, extending portfolio duration could be advantageous to capture capital gains from falling yields. However, investors should remain nimble, as any delay or reversal in the anticipated easing cycle could lead to renewed volatility. In regions like Japan and Switzerland, where rates are expected to remain low or even decrease further, longer-duration bonds could offer compelling opportunities. Conversely, in emerging markets such as Brazil and South Africa, where yields are high but political and fiscal risks remain, a more cautious approach is recommended, with a preference for higher-quality credits and moderate duration exposure.

In summary, the global fixed income market is poised for significant shifts as central banks adjust their monetary policies. Investors should prepare for potential volatility by managing duration actively and focusing on high-quality credits, especially in an environment where economic uncertainties continue to loom.

Currency Market Outlook: Dovish Fed, Global Divergences, and Investment Implications

The currency markets in August were marked by significant movements, primarily driven by the anticipation of dovish monetary policies from the U.S. Federal Reserve and other central banks. As investors recalibrated their expectations, global currencies displayed varying trends, offering both opportunities and risks for international investments.

The **U.S. Dollar Index (DXY)** showed some resilience, recovering above 101 after dipping to 13-month lows. This rebound was supported by stronger-than-expected U.S. economic data, such as a surge in durable goods orders, which injected some uncertainty into the market's expectations for Federal Reserve rate cuts. While the consensus still points to a 100 basis points reduction by year-end, doubts about the magnitude of these cuts have tempered the dollar's decline. The DXY is projected to inch higher, potentially reaching 104.90 in the next 12 months. This moderate dollar recovery could temper gains in other currencies, affecting international investment returns, particularly in emerging markets that benefit from a weaker dollar.

In contrast, the **Euro** experienced a slight pullback, dipping to $1.113 as cautious sentiment ahead of Eurozone inflation data weighed on the currency. Although the

European Central Bank (ECB) is expected to maintain a cautious stance, markets are pricing in rate cuts, which could further pressure the euro. The currency is forecasted to trade lower at 1.07 over the next year, a trend that could diminish returns on euro-denominated assets, particularly if the ECB accelerates its easing cycle.

The **British Pound** continued its robust performance, trading around $1.32, buoyed by diverging monetary policies between the U.K. and the U.S. While the Bank of England has adopted a cautious approach to rate cuts, the Fed's dovish outlook has supported sterling. However, the pound is expected to weaken to 1.25 over the next 12 months, suggesting potential headwinds for U.K. equities and fixed-income investments as the currency's strength wanes.

The **Canadian Dollar** strengthened towards 1.35 per USD, reflecting the market's response to the Fed's dovish tilt. Despite domestic economic concerns and bearish bets on the loonie, the currency's rally highlights the complex interplay between global central banks' policies. As the Canadian dollar is forecasted to weaken to 1.41 in the coming year, investors should brace for potential volatility in Canadian assets.

Meanwhile, **Asian currencies** like the **Japanese Yen** and **Chinese Yuan** saw varying impacts from global monetary shifts. The yen remained relatively strong at 144 per dollar, with potential rate hikes by the Bank of Japan (BoJ) offering support. In contrast, the yuan depreciated past 7.13, pressured by geopolitical developments and weaker domestic demand. The yen's relative strength versus the yuan underscores the divergent economic paths in Asia, presenting both risks and opportunities in currency-hedged investments.

Finally, the **emerging market currencies** such as the **South African Rand** and **Mexican Peso** exhibited sensitivity to global risk sentiment and local economic challenges. The rand weakened slightly amid uncertainty over U.S. economic data, while the peso faced pressure from domestic political risks. These movements suggest a cautious approach to emerging market currencies, especially in regions facing political or economic instability.

In summary, August's currency market trends reflect a complex global environment where the anticipated dovish policies of the Federal Reserve are influencing global currency valuations. As these trends evolve, investors should remain vigilant, considering both the potential benefits of currency diversification and the risks posed by fluctuating exchange rates on global portfolios.

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Commodities Market Outlook: September 2024

A Mixed Outlook as Economic Uncertainty Weighs on Commodities

As we move into the final quarter of 2024, the commodities landscape presents a varied picture, with economic uncertainties and regional developments playing pivotal roles in shaping market dynamics across different sectors. Here's a closer look at the key commodity markets:

Energy Markets: Oil and Natural Gas Under Pressure

Brent crude oil has experienced a decline, currently trading below $79 per barrel. The downward trend is primarily driven by concerns about weakening global demand, particularly from major economies like China, where economic slowdowns and the shift to electric vehicles are significantly reducing fuel consumption. In Europe, diesel demand is also expected to fall below pre-pandemic levels due to sluggish manufacturing activities and changes in the automotive sector. The modest reduction in US crude inventories, as reported by the EIA, was not sufficient to counterbalance these bearish signals. Looking ahead, oil prices are likely to remain under pressure, with Brent projected to trade around $77.42 per barrel by the end of the quarter and slightly higher at $80.38 by mid-2025.

In the natural gas sector, futures have dropped below $1.9/MMBtu, marking a four-week low. This decline is attributed to high storage levels, weakening demand as summer ends, and delayed impacts from production cuts. The surplus in storage, which stands 12.6% above the five-year average, has exacerbated the bearish outlook for natural gas. With cooling temperatures expected, demand is likely to decrease further, keeping prices subdued in the near term.

Precious Metals: Gold's Uncertain Path Amidst Fed Moves

Gold has eased below $2,510 per ounce as investors await clarity on the Federal Reserve's upcoming interest rate decisions. The market anticipates a 25-50 basis point cut in September, which could reduce the opportunity cost of holding non-interest-bearing assets like gold. Despite this, gold's safe-haven appeal continues to be bolstered by geopolitical tensions, particularly in the Middle East. After a strong rally this year, gold is expected to stabilize at $2,464.46 per ounce by the end of the quarter, with a potential rise to $2,549.74 over the next 12 months.

Agricultural Commodities: Weather Woes Support Coffee and Cocoa Prices

The agricultural sector is seeing significant volatility, particularly in coffee and cocoa markets. Arabica coffee futures have surged to $2.6 per pound, the highest since 2011, driven by adverse weather conditions in Brazil, the world's largest coffee producer. The ongoing dry spell is stressing coffee trees, potentially reducing yields for the 2024/25 crop. Similarly, cocoa prices are near record highs due to insufficient rainfall in West Africa, which could severely impact global supply. Both markets are likely to remain tight, with coffee and cocoa prices expected to remain elevated in the coming months.

Industrial Metals: Mixed Signals from the LME Index

The LME Index, which tracks a basket of industrial metals, has risen by 10.14% since the start of the year, reflecting the ongoing demand for metals in various industries. However, the outlook remains mixed, with global economic uncertainties and varying demand dynamics across regions influencing prices. The index is forecasted to trade at 3,911.84 points by the end of the quarter, with a modest increase to 4,070.13 points by mid-2025.

In conclusion, the commodities market is navigating through a period of significant uncertainty, with divergent trends across different sectors. While energy prices face downward pressure due to weak demand, precious metals and agricultural commodities are finding support from geopolitical tensions and adverse weather conditions, respectively. Investors should remain vigilant as these dynamics evolve in the coming months.

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House View Summary

Stocks

Stocks	Price	Q3/24	Q4/24	Q1/25	Q2/25
S&P 500 Index	5592	-8.0%	-9.1%	-10.2%	-11.3%
S&P/TSX Composite Index	23171	-5.2%	-6.3%	-7.5%	-8.6%
Euro Stoxx 50 Index	4911	-9.2%	-10.3%	-11.5%	-12.6%
FTSE 100 Index	8340	-5.0%	-6.0%	-6.9%	-7.8%
Swiss Market Index (SMI)	12340	-7.4%	-8.4%	-9.4%	-10.4%
S&P/ASX 200 Index	8032	-5.6%	-6.7%	-7.8%	-8.8%
S&P/NZX 50 Index	12471	-2.6%	-3.6%	-4.5%	-5.5%
KOSPI Index	2690	-8.8%	-10.4%	-11.9%	-13.5%
Nikkei 225 Index	38205	-17.1%	-18.7%	-20.3%	-21.8%
Shanghai Composite Index	2837	-0.6%	-1.9%	-3.3%	-4.6%
MOEX Russia Index	2702	4.4%	2.9%	1.4%	0.0%
Nifty 50 Index	81786	-5.5%	-6.7%	-7.9%	-9.1%
Bovespa Index	136455	-9.0%	-10.3%	-11.5%	-12.7%
IPC Mexico	52761	-2.6%	-4.2%	-5.8%	-7.4%
FTSE/JSE Top 40 Index	84019	-7.8%	-9.3%	-10.7%	-12.0%

Bonds

Bonds	Yield	Q3/24	Q4/24	Q1/25	Q2/25
10-Year Treasury Note	3.8	-2.8%	-4.0%	-5.1%	-6.3%
Canadian 10-Year Bond Yield	3.1	-4.4%	-5.8%	-7.1%	-8.5%
German 10-Year Bond Yield	2.3	-7.1%	-8.7%	-10.3%	-11.9%
UK 10-Year Gilt	4.0	-5.4%	-6.6%	-7.8%	-9.0%
Swiss 10-Year Bond Yield	0.4	-17.2%	-20.3%	-23.3%	-26.2%
Australian 10-Year Bond Yield	4.0	-2.6%	-3.7%	-4.8%	-6.0%
New Zealand 10-Year Bond Yield	4.3	-3.4%	-4.4%	-5.3%	-6.2%
South Korea 10-Year Bond Yield	3.1	-7.3%	-8.4%	-9.4%	-10.4%
Japan 10-Year Bond Yield	0.9	-14.9%	-17.3%	-19.6%	-21.8%
China 10-Year Bond Yield	2.2	-3.9%	-4.6%	-5.2%	-5.9%
Russia 10-Year Bond Yield	15.8	-2.9%	-3.6%	-4.4%	-5.1%
India 10-Year Bond Yield	6.9	1.4%	1.1%	0.8%	0.6%
Brazil 10-Year Bond Yield	11.7	0.6%	-0.1%	-0.8%	-1.6%
Mexico 10-Year Bond Yield	10.0	-1.1%	-2.1%	-3.2%	-4.2%
South Africa 10-Year Bond Yield	9.3	1.5%	0.7%	0.0%	-0.8%

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Cash

Currencies	Price	Q3/24	Q4/24	Q1/25	Q2/25
U.S. Dollar Index (DXY)	101.0	2.2%	2.7%	3.3%	3.9%
CAD/USD	1.3	3.6%	4.1%	4.6%	5.1%
EUR/USD	1.1	-2.1%	-2.7%	-3.3%	-3.9%
GBP/USD	1.3	-3.7%	-4.3%	-5.0%	-5.6%
CHF/USD	0.8	1.9%	2.6%	3.3%	4.0%
AUD/USD	0.7	-5.9%	-6.7%	-7.6%	-8.3%
NZD/USD	0.6	-6.0%	-6.8%	-7.6%	-8.4%
KRW/USD	1335.2	3.2%	4.0%	4.8%	5.6%
JPY/USD	144.4	0.0%	1.0%	1.9%	2.8%
CNY/USD	7.1	0.4%	0.8%	1.2%	1.6%
RUB/USD	91.6	-5.5%	-3.8%	-2.2%	-0.5%
INR/USD	83.9	0.1%	0.4%	0.6%	0.8%
BRL/USD	5.5	4.5%	5.7%	6.8%	8.0%
MXN/USD	19.5	2.1%	3.4%	4.7%	6.0%
ZAR/USD	17.8	5.3%	6.7%	8.0%	9.4%

Commodities

Commodities	Price	Q3/24	Q4/24	Q1/25	Q2/25
Gold Futures	2508.7	-1.8%	-0.6%	0.5%	1.6%
Brent Crude Oil Futures	79.2	-2.2%	-1.0%	0.3%	1.6%
Natural Gas Futures	2.1	-4.0%	-0.8%	2.6%	6.0%
Coffee Futures	256.2	-7.7%	-5.0%	-2.2%	0.6%
Cocoa Futures	9700.8	-18.4%	-14.2%	-9.8%	-5.2%
LME Index	4143.7	-5.6%	-4.3%	-3.1%	-1.8%
Goldman Sachs Commodity Index	540.2	-3.4%	-4.7%	-6.0%	-7.2%
S&P GSCI Agriculture Index	6878.8	5.0%	3.2%	1.5%	-0.3%
Containerized Freight Index	3097.6	12.2%	17.1%	22.1%	27.4%

Crypto

Crypto	Price	Q3/24	Q4/24	Q1/25	Q2/25
Bitcoin/USD	58787	-13.4%	-16.8%	-20.0%	-23.2%
Ethereum/USD	2493	-9.7%	-13.7%	-17.6%	-21.3%
Binance Coin/USD	533	-22.0%	-25.6%	-29.1%	-32.4%
Cardano/USD	0	-17.2%	-22.1%	-26.7%	-31.1%
Solana/USD	144	-20.9%	-27.0%	-32.6%	-37.8%
Ripple/USD	1	-20.7%	-24.6%	-28.3%	-31.9%
Polkadot/USD	4	-11.9%	-17.2%	-22.3%	-27.0%
Litecoin/USD	61	-15.2%	-19.7%	-24.0%	-28.0%
Uniswap/USD	6	-16.1%	-23.1%	-29.4%	-35.3%
Dai/USD	1	-1.1%	-2.1%	-3.1%	-4.2%

Latam Markets

Latam Equities: Divergent Performances Amid Economic Challenges and Opportunities

Equity Markets Overview:

Latin American equities have experienced a diverse set of performances in 2024, shaped by both global and regional economic forces. From the soaring Merval index in Argentina to the steep declines in Mexico's IPC and Peru's S&P/BVL, the region's equity markets reflect varying degrees of investor sentiment and economic resilience.

Recent Performance Analysis

Argentina's Merval index has been the standout performer, surging by 70.37% since the start of 2024. This remarkable rally is largely driven by investor expectations surrounding the upcoming presidential elections, where market-friendly policies are anticipated. Additionally, Argentina's equity market has benefitted from capital flight from the peso to equities as a hedge against hyperinflation, which remains a significant economic challenge.

On the other end of the spectrum, Mexico's IPC has seen a sharp decline, falling by 7.55% year-to-date. This downturn is largely attributable to slowing economic growth, rising interest rates, and a cautious outlook on domestic consumption. Similarly, Peru's S&P/BVL index has dropped 11.08% in 2024, impacted by political instability and declining mining revenues, a critical sector for the country's economy.

In contrast, Brazil's Ibovespa has shown resilience with a recent rally, closing at 130,615, a five-month high. This uptrend has been fueled by positive corporate earnings reports, particularly in the retail and financial sectors, despite broader economic concerns such as rising inflation. Colombia and Chile have also posted modest gains, with their main indices increasing by 9.64% and 1.66%, respectively, driven by stable commodity prices and relatively stable political environments.

Current Valuations Compared to Historical Averages

Valuations across the region vary significantly. Argentine equities, despite their strong performance, are still trading below historical averages due to the risk premium associated with the country's economic volatility. Brazilian stocks, after their recent rally, are closer to their historical average valuations, reflecting both optimism from corporate earnings and caution from macroeconomic uncertainties. In contrast, Mexican and Peruvian equities are trading at a discount, signaling investor concerns over economic growth prospects and political risks.

Favored Countries and Sectors

Given the current landscape, Argentina and Brazil appear to be the favored markets. In Argentina, sectors tied to consumer goods and financial services are likely to continue benefiting from the ongoing economic conditions. In Brazil, the retail sector shows promise, especially companies that have demonstrated strong earnings growth. Additionally, Brazil's energy sector, despite recent setbacks in companies like Petrobras, remains a key area to watch as global oil prices stabilize.

In summary, while Latam equities present a mixed picture, selective opportunities remain, particularly in markets with robust corporate earnings and sectors poised for recovery. Investors should, however, remain vigilant of the macroeconomic risks that continue to shape these markets.

Latam Fixed Income: Changing Rate Landscape

Fixed Income Markets Overview:

The Latin American fixed income landscape is currently characterized by varying yields and evolving interest rate expectations across key markets. As global and regional economic conditions shift, investors are closely monitoring interest rate trajectories and their implications for sovereign and corporate bonds in the region.

Interest Rate Forecast and Impact

In Brazil, the yield on the 10-year government bond has stabilized at 12%, a decline from its recent high of 12.2% in late July. This stabilization follows a broader trend of falling bond yields in major economies, driven by expectations of forthcoming rate cuts, particularly in the US. The Central Bank of Brazil's decision to maintain the Selic rate at 10.50% reflects ongoing concerns about inflation, necessitating a restrictive monetary policy. Despite this, Brazil's manufacturing PMI improvement to 54.0 suggests a strong economic rebound, potentially influencing future policy adjustments.

Looking ahead, Brazil's 10-year bond yield is projected to slightly decrease to 11.76% by the end of this quarter, with a longer-term estimate of 11.51% in 12 months. This forecast aligns with global expectations of a more dovish stance from central banks and improved domestic economic indicators.

In Chile, the 10-year government bond yield was 5.82% as of early August. This yield is expected to rise marginally to 5.87% by the end of the quarter but to ease to 5.75% over the next year. The modest yield levels reflect Chile's stable economic environment and relatively low inflationary pressures compared to its regional peers.

Colombia's 10-year bond yield stood at 10.05% in mid-August. With expectations of a slight reduction to 9.96% by the end of the quarter and further down to 9.63% in the following year, Colombia's yields reflect a stable economic outlook amidst improving inflation dynamics and fiscal discipline.

Mexico's 10-year bond yield of 9.74% is anticipated to decline to 9.92% by the quarter's end and 9.62% in 12 months. This forecast incorporates ongoing economic adjustments and monetary policy considerations amid a challenging economic backdrop.

In Venezuela, the 10-year bond yield remains high at 10.43%, with little expected change in the near term. This stability reflects the country's ongoing economic and political instability.

Credit Spreads and Corporate Bond Market

Credit spreads across Latin American corporate bonds have shown widening trends due to regional uncertainties and specific sector challenges. Corporate bonds in Brazil and Mexico exhibit higher spreads compared to Chile and Colombia, reflecting varying degrees of risk and economic stability. Brazilian corporates, in particular, face higher spreads due to lingering inflation concerns and economic volatility.

Recommendations on Portfolio Duration Management

In this fluctuating rate environment, it is crucial for investors to manage portfolio duration carefully. Given the expected gradual decline in bond yields, a shorter duration may mitigate interest rate risk while allowing investors to capitalize on potential future rate cuts. Diversification across sovereign and high-quality corporate bonds can also help balance risk and enhance yield potential.

In summary, navigating the Latam fixed income markets requires a nuanced understanding of regional economic conditions, interest rate expectations, and credit risk. Strategic adjustments in portfolio duration and sector allocation will be key to optimizing returns in this evolving environment.

Latam Currencies: Evaluating Trends and Forecasts Amid Rate Shifts

Currencies Market Overview:

The Latin American currency landscape is currently marked by significant volatility and shifting trends as regional and global factors interplay. Key currencies in the region are experiencing diverse movements, driven by changes in interest rates, economic conditions, and broader market sentiment. Here's an analysis of the major currency trends and their implications for Latam investments.

Mexican Peso (MXN)

The Mexican Peso has strengthened past 19 per USD, rebounding from its lowest level since December 2022. This recovery follows the Bank of Mexico's (Banxico) unexpected decision to lower the benchmark rate from 11.00% to 10.75%, a move that defied expectations of a hold. Core inflation continues its downward trend, reaching 4.05%, which has been a positive signal for the Peso. However, headline inflation remains elevated at 5.57% as of July, and Banxico has hinted at further rate adjustments due to persistent inflationary risks. The anticipation of the US Federal Reserve’s rate cuts in September also supports the Peso's recovery. The MXN is expected to trade at 19.95 by the end of this quarter and at 20.69 in 12 months, reflecting ongoing adjustments to monetary policy and inflationary pressures.

Brazilian Real (BRL)

The Brazilian Real has appreciated to 5.5 per USD, recovering from a two-and-a-half-year low of 5.75 earlier this month. This rebound is attributed to improved global risk sentiment and hawkish expectations for the Brazilian central bank. Despite a rise in annual inflation to 4.5%, Brazil's strong manufacturing PMI, which shows robust economic growth, supports the Real. The BRL is projected to trade at 5.79 by the end of this quarter and at 5.98 in 12 months, reflecting a cautiously optimistic outlook amid high fiscal spending and ongoing inflation concerns.

Argentine Peso (ARS)

The Argentine Peso has experienced a slight depreciation to 936.74 per USD, reflecting ongoing economic challenges in Argentina. The Peso's volatility is partly due to Argentina’s high inflation and economic instability. Forecasts indicate that the ARS will trade at 1009.42 by the end of this quarter and at 1277.26 in 12 months, highlighting the currency’s continued vulnerability to economic fluctuations and inflationary pressures.

Colombian Peso (COP)

The Colombian Peso has weakened significantly, trading above 4,000 per USD, driven by concerns over the country's fiscal deficit and economic management. Despite recent fiscal adjustments, such as a substantial spending cut, investor confidence remains low due to the country’s reliance on hydrocarbon revenues and economic challenges. The COP is expected to trade at 4103.47 by the end of this quarter and at 4261.90 in 12 months, reflecting ongoing economic uncertainties.

Chilean Peso (CLP)

The Chilean Peso has strengthened slightly to 932.33 per USD, supported by a relatively stable economic environment compared to its regional counterparts. The CLP is anticipated to trade at 964.82 by the end of this quarter and at 1008.27 in 12 months, driven by steady economic performance and a stable inflation outlook.

Other Currencies

Other Latin American currencies, including the Peruvian Nuevo Sol, the Guatemalan Quetzal, and the Dominican Peso, are expected to show minor fluctuations, reflecting relatively stable economic conditions in their respective countries. The Venezuelan

Bolivar remains highly volatile, trading at 36.62 per USD, with limited changes projected due to persistent economic instability.

In summary, Latam currencies are experiencing diverse trends influenced by local economic conditions, monetary policy adjustments, and broader market dynamics. Investors should stay attuned to these factors and adjust their strategies accordingly to navigate the region's complex currency landscape effectively.

Metals Market Update: Trends and Drivers Shaping the Commodity Landscape

Metals Market Overview:

The metals sector continues to exhibit dynamic shifts driven by evolving economic conditions, geopolitical tensions, and market sentiment. Here's a comprehensive look at the key metals—gold, silver, copper, steel, iron ore, lithium, platinum, titanium, and hot-rolled coil (HRC) steel—and the primary factors influencing their markets.

Gold

Gold remains a focal point for investors, trading near $2,430 per ounce. The metal's resilience is largely attributed to its safe-haven appeal amidst ongoing geopolitical tensions and uncertainties surrounding U.S. monetary policy. Despite the Federal Reserve's anticipated rate cuts, which are expected to be as much as 100 basis points this year, the market remains cautious. Positive U.S. job data has eased recession fears, but inflation concerns persist, particularly with core inflation showing signs of moderation. Gold's price has increased by 18.34% since the beginning of 2024 and is projected to trade at $2,464.46 by the end of this quarter, with a 12-month outlook of $2,549.74. The metal's appeal is further supported by continued geopolitical unrest, including conflicts in Gaza and tensions between Russia and Ukraine.

Silver

Silver prices have stabilized above $27 per ounce after a recent decline to a three-month low of $26.80. The rebound is driven by expectations of a dovish Federal Reserve policy and broader stabilization in the precious metals market. Silver's performance is influenced by both its investment appeal and its industrial applications. However, a weaker outlook for global manufacturing, highlighted by declining PMIs in both the U.S. and China, has tempered some of the metal's industrial demand. Silver has risen by 17.31% since the start of the year and is expected to trade at $28.94 by the end of this quarter, with a 12-month target of $31.05.

Copper

Copper has experienced a significant drop, falling below $4 per pound in August, reflecting broader economic concerns and diminished industrial demand. This decline is largely driven by fears of economic slowdown in major markets, particularly China and the U.S., alongside muted stimulus measures from China. The metal's price has increased by 3.89% year-to-date but is expected to trade at $4.14 per pound by the end of this quarter and $4.35 in 12 months. Copper's current weakness is compounded by news of increased production and output from Chinese smelters, which has alleviated some supply concerns.

Steel

Steel rebar futures have plunged to approximately CNY 2,975 per tonne, approaching levels not seen since 2016. This drop reflects oversupply issues and weakened demand in China, the world's largest steel consumer. Factors such as new quality standards set by the Chinese government, a significant drop in home prices, and a declining construction PMI have contributed to the bearish outlook. The steel market has decreased by 23.63% since the beginning of 2024 and is projected to trade at CNY 2,999.87 per tonne by the end of this quarter, with a 12-month estimate of CNY 2,882.53.

Iron Ore

Iron ore prices have stabilized above $101 per tonne after recent declines, supported by hopes of improved economic data from China. Despite the recent decrease of 25.75% year-to-date, driven by weak construction sector performance and increased Australian shipments, the market is looking for positive economic indicators from China. Iron ore is expected to trade at $102.13 per tonne by the end of this quarter and $96.71 in 12 months. The outlook remains uncertain, with market sentiment heavily dependent on China's industrial production and consumption data.

Lithium

Lithium carbonate prices have fallen to CNY 80,000 per tonne, marking a significant decline amid oversupply concerns. The surge in global lithium production capacity and increased competition from government subsidies have led to an oversupply situation. Additionally, recent tariffs imposed by the EU and the U.S. on Chinese electric vehicle producers are adding to the bearish sentiment. Lithium prices have decreased by 19.69% year-to-date and are projected to trade at CNY 78,196.20 per tonne by the end of this quarter, with a 12-month forecast of CNY 74,412.00.

Platinum

Platinum prices have declined to below $920 per troy ounce, nearing lows last seen in early April. The metal's drop is linked to weak demand from both the automotive and industrial sectors amid a broader slowdown in global manufacturing activity. Despite supply concerns, such as weak output from major mines, the overall demand outlook remains weak. Platinum prices have decreased by 5.10% since the start of 2024 and are expected to trade at $953.19 per troy ounce by the end of this quarter, with a 12-month projection of $1,011.50.

Titanium

Titanium prices have increased by 6.52% since the beginning of the year, trading at CNY 47.86 per kilogram. This rise is influenced by ongoing demand from aerospace and industrial applications, despite overall market volatility. Titanium is expected to trade at CNY 47.86 per kilogram by the end of this quarter and $45.97 in 12 months.

HRC Steel

Hot-rolled coil (HRC) steel prices have sharply decreased by 37.79% year-to-date, reflecting broader weakness in the steel market. This decline is driven by oversupply and weak demand, particularly from the construction sector. HRC steel is expected to trade at $662.07 per tonne by the end of this quarter, with a 12-month outlook of $608.41.

Conclusion

The metals market is traveling through a complex environment influenced by geopolitical tensions, economic data, and shifts in supply and demand dynamics. Investors should remain vigilant of these factors as they adjust their portfolios to align with the evolving landscape of metal commodities.