

Asset Allocation Survey 2024Q4

US Assets to Trump the Rest of World

But at the Risk of Higher US Core Inflation and Higher Bond Yields

AUTHORS:

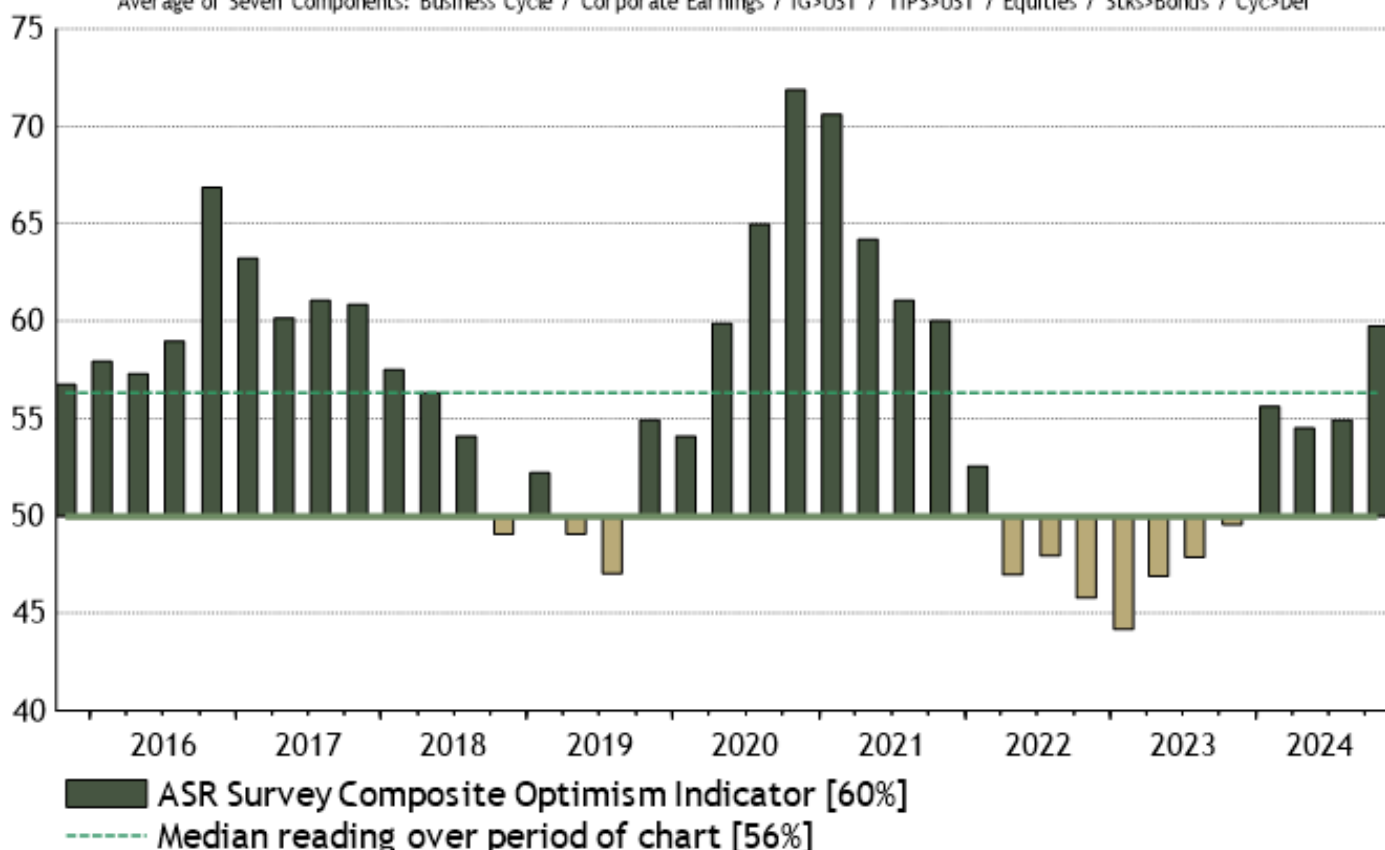
David Bowers and Charles Cara

- First major market survey since President Trump was elected
- The majority of questions have seen probabilities shift by 5% points, or more
- The move likely reflects fears that additional fiscal stimulus, higher tariffs, and the rapid deportation of migrants could exert upward pressure on US core inflation

The Survey's Composite Optimism Index rose to **60% in Q4** from **55% in Q3**

ASR Asset-Allocation Survey: Composite Optimism Indicator

Average of Seven Components: Business Cycle / Corporate Earnings / IG>UST / TIPS>UST / Equities / Stks>Bonds / Cyc>Def





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US assets are back in favour, as capital shifts to where it believes that capital will be treated best over the next 12 months.

David Bowers, Co-founder and Chairman, Absolute Strategy Research

Investors React Positively to Trump's Election Victory

Asset allocators' initial reaction to Trump's victory paints a more positive picture for risk assets in 2025. Absolute Strategy's Asset Allocation survey shows investors think there's a **64% probability** that Global Stocks will beat Bonds next year, with preferences for US Equities and for USD.

Fears of Higher US Core Inflation have Upset Prospects for Bonds

However, this optimism is tempered by fears of higher US core inflation, to the detriment of US Bonds, prompting a preference for Inflation-Linked over Conventionals. But investors still expect an easing in Global Monetary Conditions.

Asset Allocation Expectations

58%



Probability that US core inflation will be higher a year from now

Up 18% points on Q3

64%



Probability that Equities will outperform Bonds

Up 6% points on Q3 - highest probability since 2021

53%



Negative view of US Treasuries: The probability of higher 10yr yields on a 12-month view rose 10% respectively on the quarter



Intra-Equity Expectations

There is no alternative to US Equities, according to our panel. They have adopted the most positive stance on US vs non-US Equities since our survey began, with an implied probability of 63%.

65%



European panellists - US vs. non-US

68%



North American panellists - US vs. non-US

43%



Probability of EM outperforming DM

Loss of confidence in former - down 7% points vs. Q3

Little Alternative to US Equities, but Neutral on Tech vs. Financial

Within Equities, there is little interest outside US stocks, but our panel has doubts whether Tech will drive equities higher, preferring Cyclical over Defensives.

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Younger panellists, born in or after 1990, expect Bitcoin to rally in 2025 while older ones, born before 1990, are sceptical. Instead they still place faith in Gold, Bitcoin's analogue equivalent.

Charles Cara, Head of Quant Strategy, Absolute Strategy Research

New Question to Panellists



57% PROBABILITY THAT BITCOIN WILL BE HIGHER IN 12 MONTHS TIME....



COMPARED WITH 61% PROBABILITY FOR GOLD

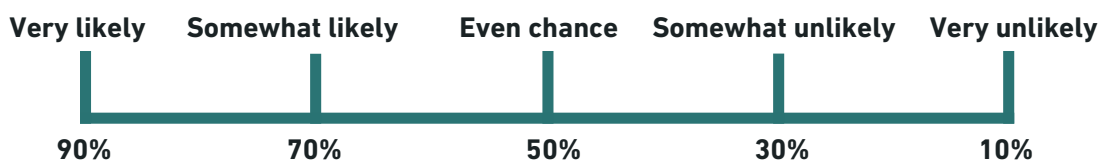


Benchmarking Financial Probabilities

For over 10 years, ASR has surveyed CIOs and asset allocators on the financial market outlook for the next 12 months:

- The survey serves as a **Global Benchmark of Financial Probabilities**
- Fieldwork was conducted from November 14th-20th, 2024
- The panel included 282 responses, overseeing \$11.1 trillion AUM

The survey requires respondents to assess the likelihood of various financial and economic events occurring in the next year, consisting of thirty questions with five options and assigned probabilities:



This approach calculates overall probabilities, providing a more advanced analysis compared to traditional surveys with "net balance." These "implied probabilities" allow for comparisons with market probabilities, personal views, and historical baselines.

About Us

Absolute Strategy Research Limited (ASR) has been recognized as the top independent macro research provider by Extel for 11 years. It offers unbiased investment strategy guidance to institutional clients globally, focusing on equity strategy and asset allocation.

Contact our media representative to arrange a Q&A session with David Bowers and Charles Cara w/c: 2nd December 2024

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