

Setting the scene

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Overview



1. MACRO



2. BONDS



3. EQUITIES

2024 was an election bonanza

60 countries went to the ballot

In Developed markets the incumbents lost

For the first time ever the incumbents lost three elections in a row in the US:

>>>2016 : Democrats lost , Trump won

>>>2020: Republicans lost , Biden won

>>>2024: Democrats lost, Trump won

2024 was an election bonanza

- There is a lot of discontent among the voters
- Inflation is still hurting
- Did politicians promise too much?

• Source Pew research

many are dissatisfied with the economy and functioning of democracy

% who say the current economic situation in their country is ...



% who are ___ with the way democracy is working in their country

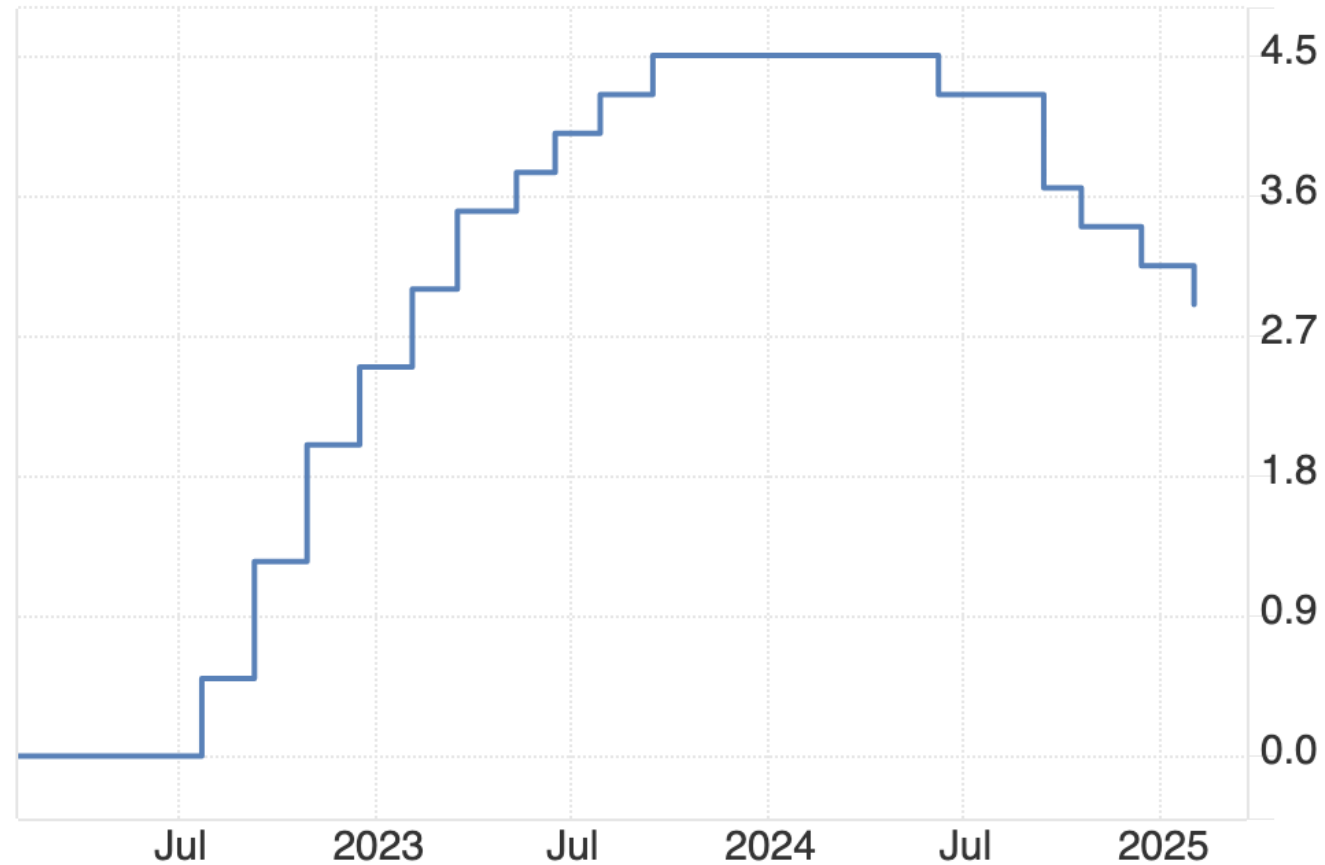


Note: Economy percentages are medians based on 34 countries.

Powell cut 25 bp in December/ Will he pause in 2025?

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500
19/03/2025			0.0%	0.0%	0.0%	0.0%	16.5%	83.5%	0.0%	0.0%
07/05/2025	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	36.1%	59.1%	0.0%	0.0%
18/06/2025	0.0%	0.0%	0.0%	0.0%	2.0%	17.9%	45.7%	34.3%	0.0%	0.0%
30/07/2025	0.0%	0.0%	0.0%	0.5%	6.0%	24.8%	42.9%	25.8%	0.0%	0.0%
17/09/2025	0.0%	0.0%	0.2%	2.3%	12.2%	30.8%	37.3%	17.3%	0.0%	0.0%
29/10/2025	0.0%	0.0%	0.6%	4.2%	15.7%	32.0%	33.5%	14.0%	0.0%	0.0%
10/12/2025	0.0%	0.2%	1.4%	7.0%	19.6%	32.4%	28.8%	10.6%	0.0%	0.0%
28/01/2026	0.0%	0.3%	2.0%	8.2%	20.9%	32.0%	27.0%	9.6%	0.0%	0.0%
18/03/2026	0.0%	0.5%	2.6%	9.5%	22.0%	31.5%	25.3%	8.6%	0.0%	0.0%
29/04/2026	0.1%	0.6%	3.0%	10.2%	22.6%	31.1%	24.2%	8.1%	0.0%	0.0%
17/06/2026	0.1%	0.5%	2.7%	9.4%	21.1%	30.1%	25.1%	10.1%	1.0%	0.0%
29/07/2026	0.1%	0.6%	2.9%	9.7%	21.4%	29.9%	24.6%	9.8%	1.0%	0.0%
16/09/2026	0.1%	0.6%	2.7%	9.1%	20.3%	29.1%	25.1%	11.1%	1.8%	0.1%
28/10/2026	0.1%	0.5%	2.5%	8.6%	19.3%	28.4%	25.4%	12.4%	2.6%	0.2%
09/12/2026	0.4%	2.1%	7.4%	17.2%	26.6%	26.0%	14.9%	4.5%	0.7%	0.1%

So ECB cut rate in January again! 3 more 25 bp cuts are priced in (via the short term futures mkt)



2. 10 yr Yield Treasurys last 6 months

(source Trading economics)



2. 10 yr Bunds yields last 6 months

(source Trading economics)



10yr Bund yield are tied to 10 yr treasury yield

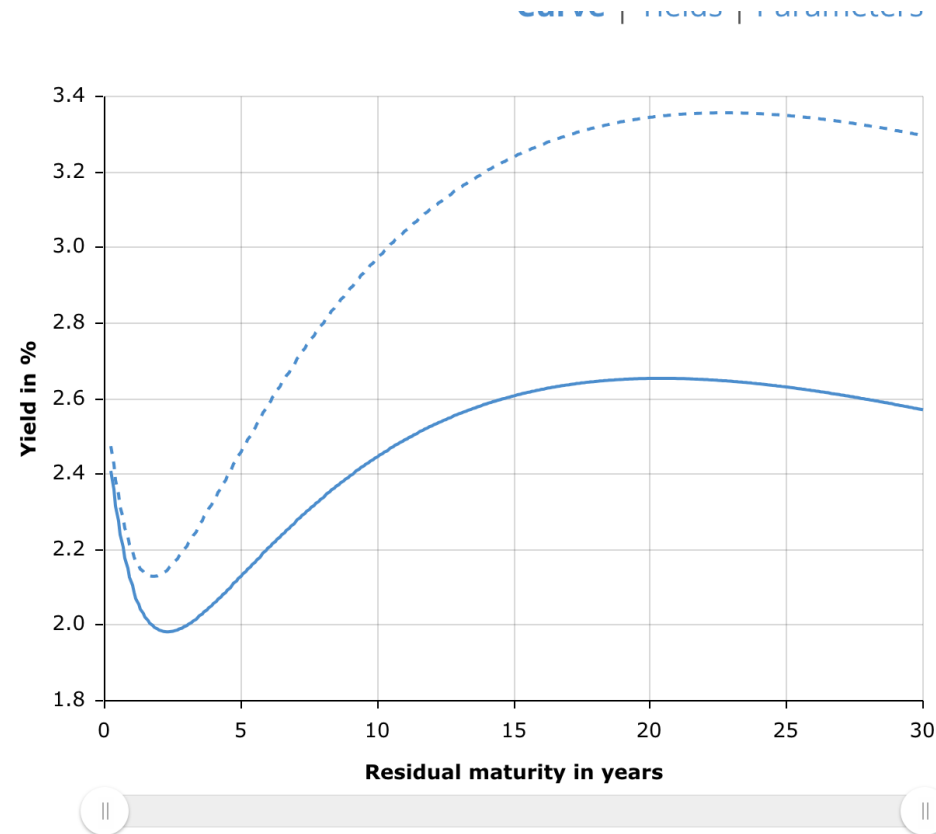
(source investing.com)

- Even when the Central bank rates diverge



2. And the curve is gradually normalizing (source ECB)

AAA bonds vs all bonds in Eurozone



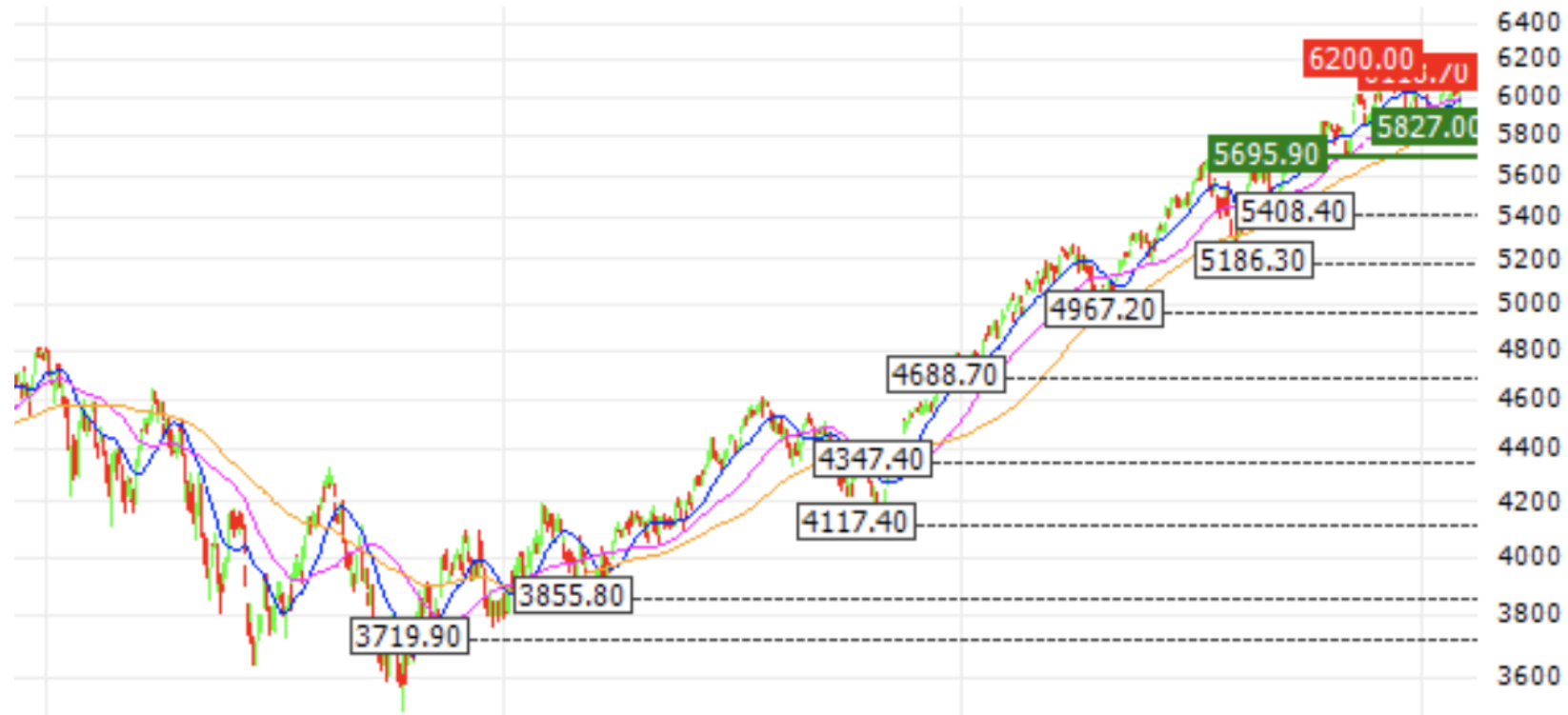
*Dashed lines indicate the spot rate based on all government bonds;
solid lines on AAA-rated bonds only.*

3. Equities : No correction since Oct 2022



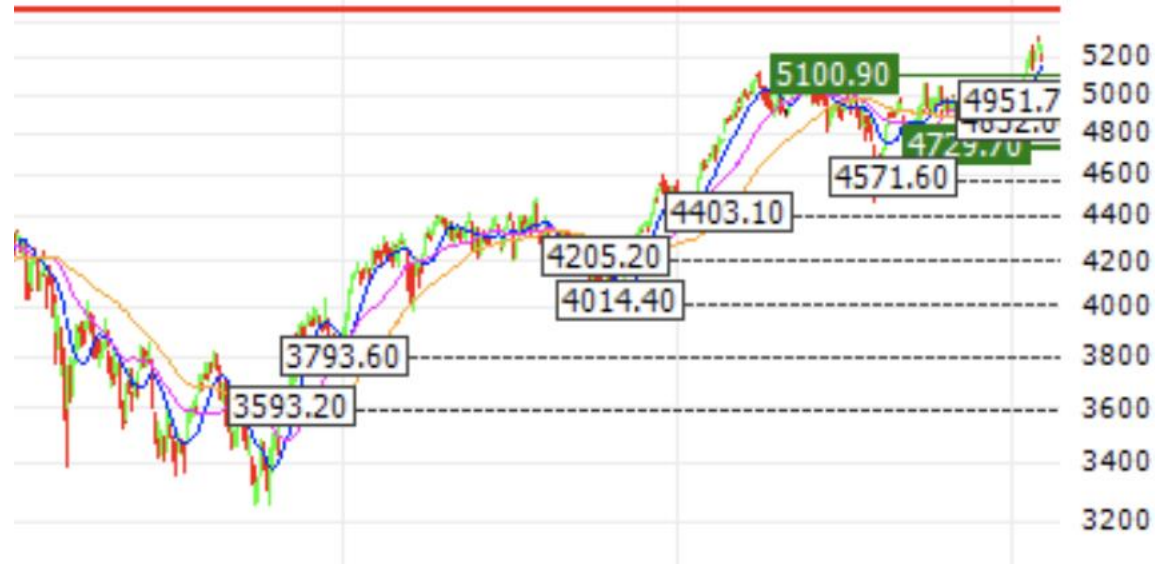
3. Equities : returns on S&P500 since 2022 (source

Marketscreener)



3. Equities : returns on Eurostoxx 50 since 2022

(source marketscreener)



Word of the year: Hangmatbelegger.

(based on a book bij Tim Nijsmans on a passive strategy)

- MSCI world is more than 2/3rds US
- Magnificent 7 is 21 % of MSCI World
- With rates rising in the US treasury market
- Deficit ballooning to 2 trillion USD even before Trump started
- The US debt stands at 36 trillion and costs 1.2 trillion per year
- There are a lot of alarm bells going off

Food for thought

