

BBVA

Market
highlights
in 2024



MARKET HIGHLIGHTS IN 2024

2024: a certain return to normalcy



The year 2024 has been marked by a certain return to normalcy in the global economic situation and its key variables, such as economic growth and inflation.

After the extreme volatility of the previous two years resulting from the effects of COVID on the economy, financial markets have returned to a more stable environment, which has restored investor confidence and allowed them to take a more strategic and long-term approach to their portfolios.

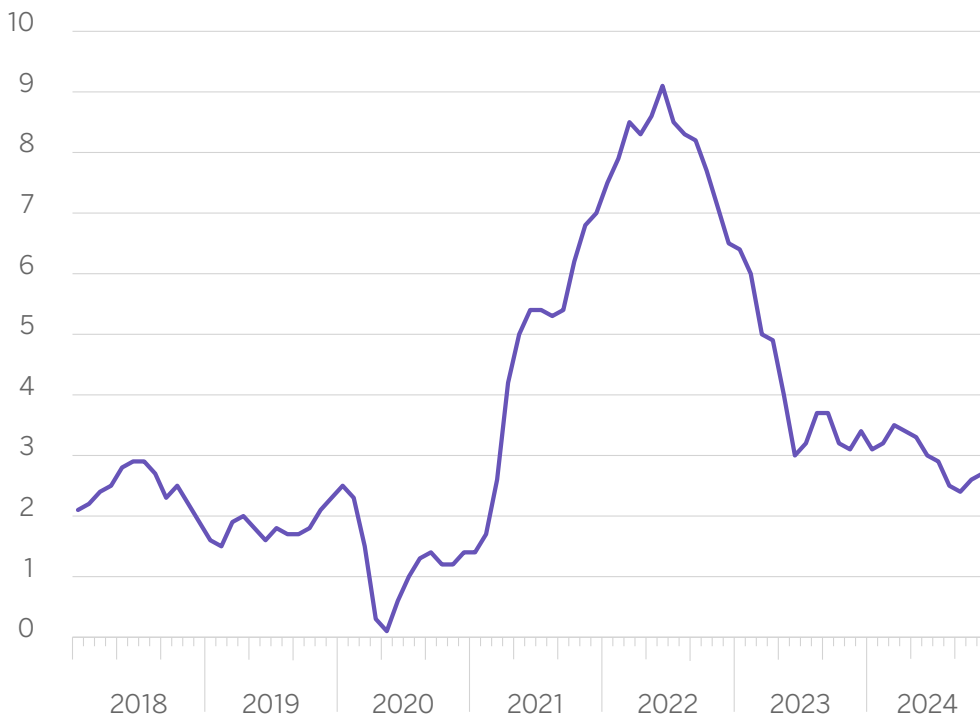
For instance, inflation in the United States has remained around 3% after averaging 4% in 2023 and 8% in 2022. A similar trend has been observed in other regions, such as the Eurozone, where inflation fell from 3.5% in 2023 [AC1] to 2% in 2024.

INFLATION 2024

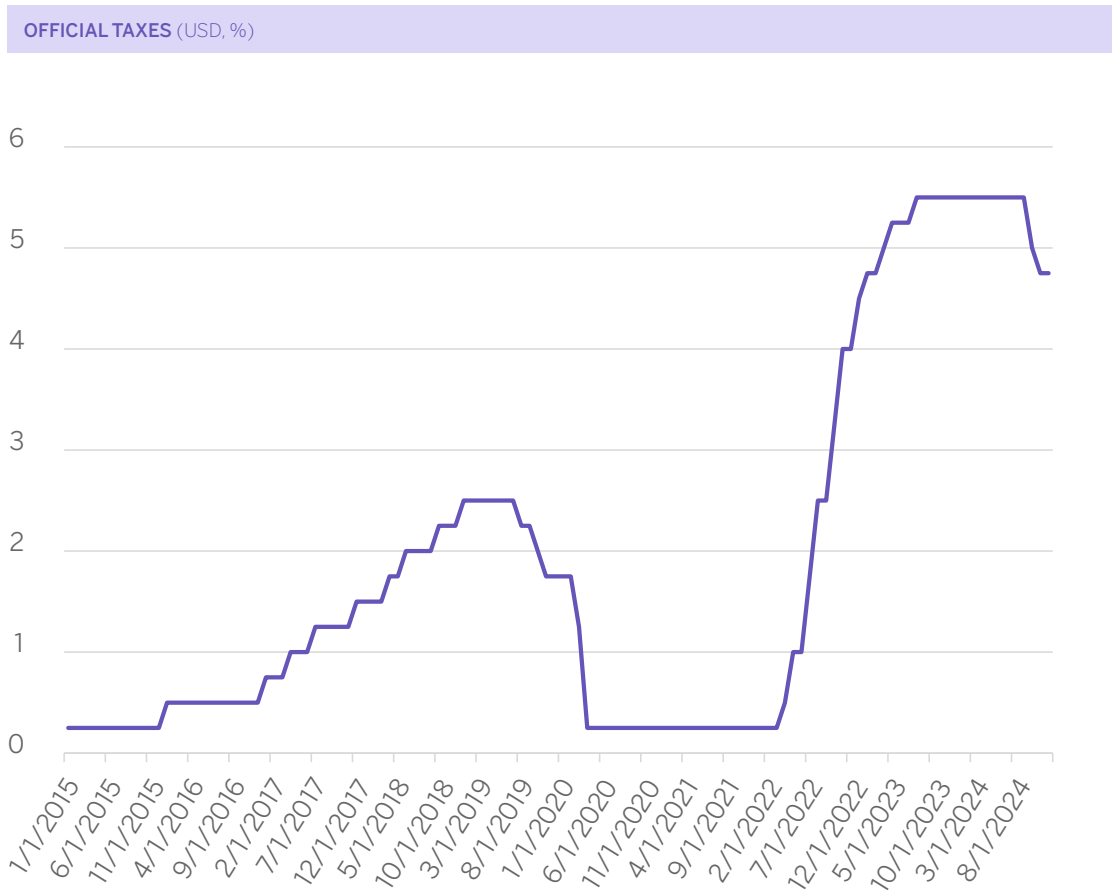
USA **2.7%**

Eurozone **2.2%**

INFLATION IN THE UNITED STATES 2018-2024 (%)



The most significant development for investors has been the **beginning of interest rate cuts by major central banks**, which has prompted us to reconsider our investment strategies in light of expectations for further rate cuts and a significant decline in short-term deposit yields. Central banks have begun decisively lowering benchmark rates, driven by the steady containment of inflation since its peak in 2022.



The most
significant
development
from an
economic
tandpoint

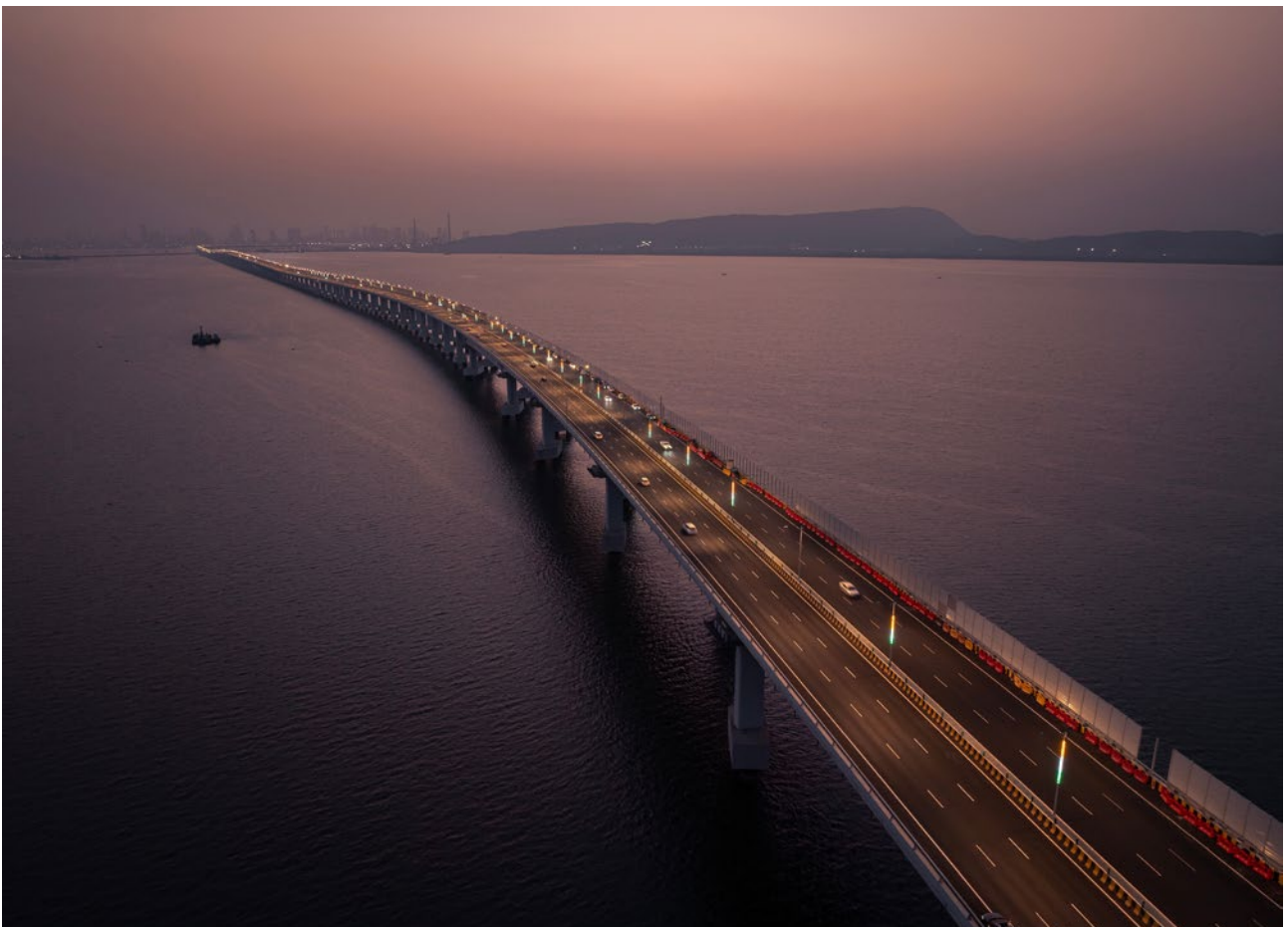


The global economy has grown by approximately 2.9%, led by emerging markets, with India standing out with nearly 7% growth and China at almost 5%. China's case is particularly noteworthy, as its stimulus policies have begun to yield results following the deep crisis in its real estate sector.

Meanwhile, the Eurozone and Japan have been the regions with the lowest growth. Specifically, the Eurozone grew by 0.8%, while the Japanese economy contracted by 0.2%. The United States has been the most stable country, with positive growth of 2.7%.

ECONOMIC GROWTH

India	7% <small>aprox.</small>
China	5% <small>aprox.</small>
USA	2.7%
Eurozone	0.8%
Japan	-0.2%



The most significant developments by asset class

Fixed income

The fixed-income markets have been an area of focus in 2024, since they determine the interest rates at which savings are remunerated for both short- and long-term investors.

The most popular benchmark is the short-term rate, which represents the rates banks and financial institutions pay on deposits. The short-term USD rate has started to decline, dropping from 5.5% at the beginning of 2024 to the current 4.75%. The decline in euro rates has been slightly steeper, reflecting the region's greater economic fragility. Specifically, euro rates fell from 4% to 3%.

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The most surprising market in terms of strength has been Asian high-yield USD bonds, in which we hold a significant position. These bonds, representing all corporate debt issuances from Asian countries excluding Japan, have offered yields exceeding 20% annually in USD, and currently provide an annual yield above 10%. As a result, the index's return has exceeded 16% for 2024.

Currencies

El mercado de divisas ha estado caracterizado por la fortaleza del USD frente al resto. Concretamente, ha pasado de cotizar de 1,11 a 1,05 frente al euro, y del 1,19 al 1,13 frente al CHF, que como sabemos se caracteriza por ser históricamente la divisa más fuerte del mundo.

Strength of the USD. It has gone from 1.11 to 1.05 against the euro and from 1.19 to 1.11 against the CHF.

La lira turca merece una mención especial, dadas las elevadas tasas del país, cercanas al 50% anual y la inestabilidad de su economía. Durante el año 2024 la lira turca se ha depreciado frente al USD, comenzando el año en niveles de 29,5 y cerrando en 35.

Equities

Equity markets have once again demonstrated remarkable strength, with U.S. stock markets being the most profitable, particularly in sectors linked to major technology companies.

Specifically, the S&P 500 has gained 26%, in stark contrast to the Eurostoxx's 9%, weighed down by peripheral countries and the financial sector. The global index has risen 21%, driven primarily by American companies.

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Small-cap companies have been the biggest losers, highlighting the fact that a third of them are reporting losses despite the overall economic strength.

Commodities

Lastly, the performance of commodity prices has been mixed, a relatively uncommon occurrence over longer periods. Specifically, the price of Brent crude oil has fallen by 9% as a consequence of increased supply and reduced inflationary pressures.

The standout performer has undoubtedly been gold, which has appreciated by nearly 30%, making it one of the year's most profitable assets.



MARKET HIGHLIGHTS IN 2024

Cryptoassets: BTC Retrospective 2024

2024 has undoubtedly been a great year for Bitcoin. As the year comes to a close, we look back to highlight some of the milestones achieved over the past 12 months.

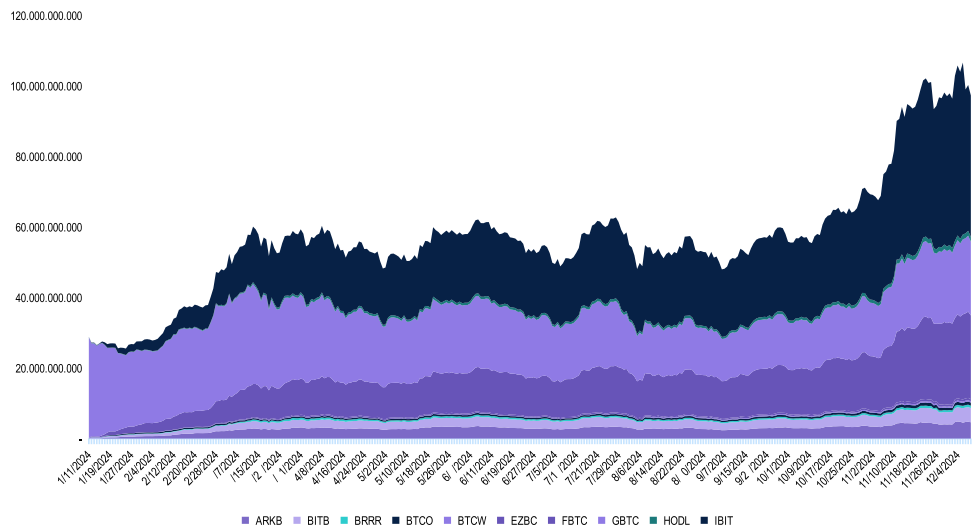
JANUARY

Launch of Bitcoin ETFs

On January 11, the SEC (U.S. Securities and Exchange Commission) approved 11 spot Bitcoin ETFs. This approval was a significant milestone for Bitcoin, as it solidified its legitimacy as an investment asset while lowering barriers to entry, allowing both retail and institutional investors to gain exposure to Bitcoin without needing a Bitcoin wallet.

The launch of spot Bitcoin ETFs has been, by far, the most successful ETF launch in history. Since January, these ETFs have recorded net inflows worth \$34 billion and currently hold 1.1 million bitcoins, valued at over \$100 billion.

U.S. BITCOIN SPOT ETFs AUM



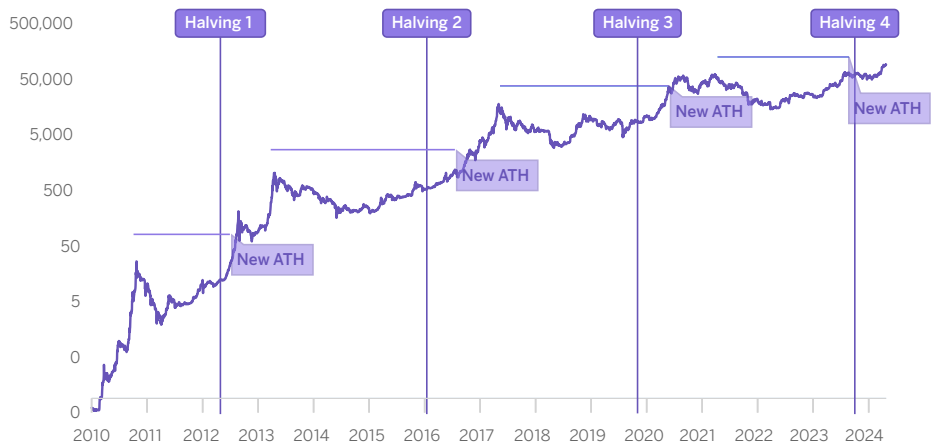
Data as of 09/12/2024
Source: NewHedge

MARCH

Bitcoin sets a new all-time high

The launch of spot Bitcoin ETFs triggered a strong rally for Bitcoin at the start of the year, and on March 5, Bitcoin reached a price of \$69,000, surpassing its previous all-time high set in November 2021. This marked the first time in Bitcoin's history that a previous cycle's high was exceeded before the halving event.

BITCOIN PRICE (USD)



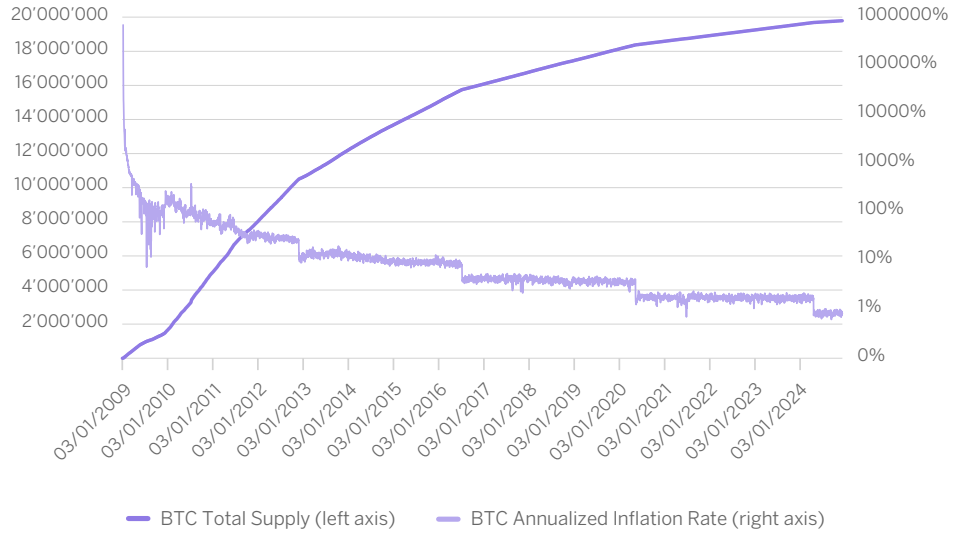
Data as of 09/12/2024
Source: BBVA CH analysis

APRIL

The fourth Bitcoin halving event takes place

On April 19, Bitcoin underwent its fourth halving event, reducing the block reward from 6.25 BTC to 3.125 BTC. This event lowered Bitcoin's annual inflation rate from approximately 1.75% to around 0.84%. Bitcoin's inflation rate is now lower than that of gold and traditional fiat currencies and, due to its design, will only decrease further over time. As a reminder, Bitcoin halving is a process that occurs every 210,000 blocks (roughly every four years), during which the amount of Bitcoin created with each new block is halved. Once Bitcoin's total supply reaches 21 million, no new Bitcoin will ever be created.

BITCOIN TOTAL SUPPLY AND INFLATION RATE



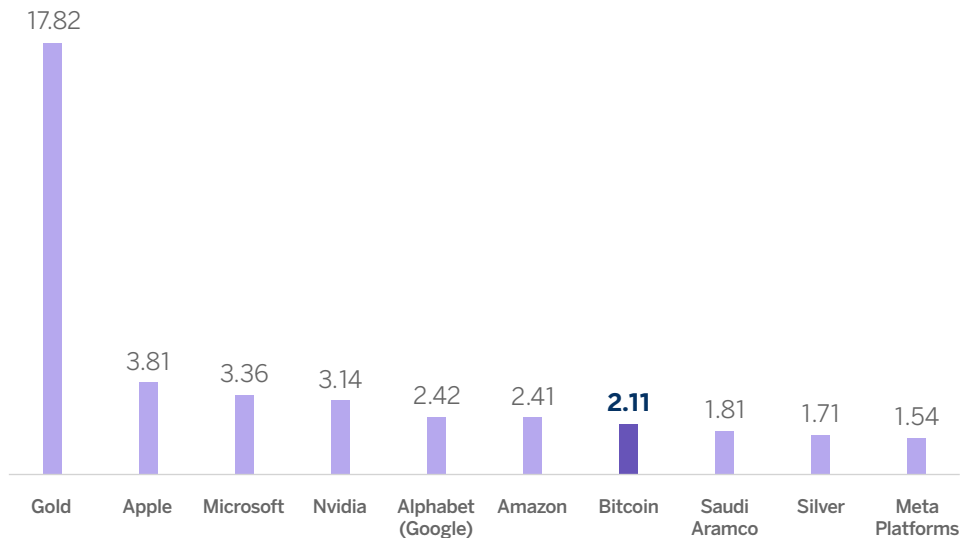
Data as of 08/12/2024
Source: bitcoinvisuals.com

NOVEMBER

Bitcoin surpasses silver’s market cap and becomes the 7th largest asset in the world

On November 11, Bitcoin surpassed the market capitalization of silver, reaching \$1.77 trillion and becoming the eighth-largest asset in the world. Just a couple of days later, Bitcoin exceeded Saudi Aramco’s \$1.8 trillion market cap, securing its position as the seventh-largest asset globally. Bitcoin surpassing silver’s market cap is particularly remarkable if we consider that it took silver thousands of years to achieve its value, while Bitcoin has done so in just 15 years.

LARGEST ASSETS IN THE WORLD (PER MARKET CAP, USD TRILLION)



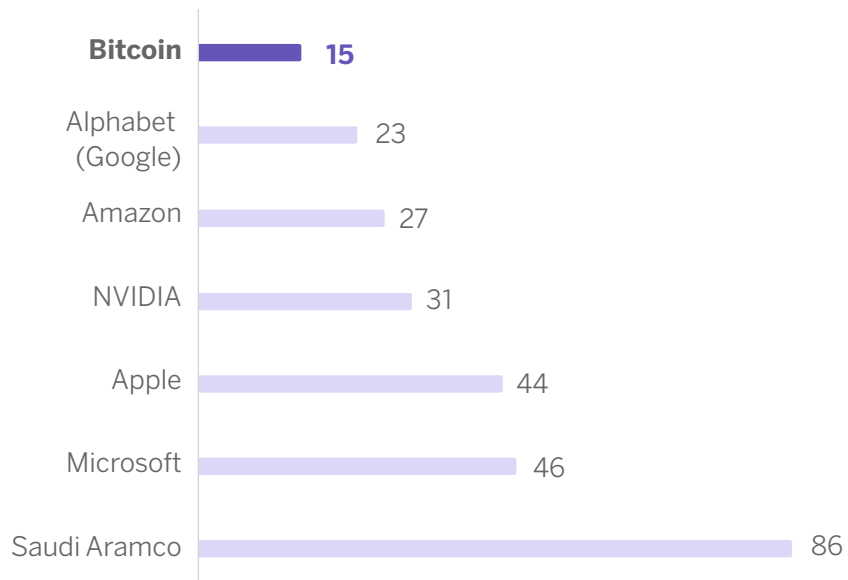
Data as of 09/12/2024
Source: Inifnite Market Cap (8marketcap.com)

DECEMBER

The price of Bitcoin reaches \$100,000, and its market capitalization hits \$2 trillion.

On December 6, Bitcoin achieved its latest milestone, with its price surpassing \$100,000 and its total market capitalization reaching \$2 trillion. That day, Bitcoin set a new all-time high, with a price of \$103,719.

YEARS TO REACH USD 2 TRILLION MARKET CAP



Data as of 07/12/2024
Source: BBVA CH Analysis

More milestones in 2025?

2025 should be another interesting year for Bitcoin. Gary Gensler is set to step down as SEC Chair in January, and someone more crypto-friendly is expected to take his place. This transition could significantly benefit the cryptocurrency industry by fostering a more favorable regulatory environment. Institutional adoption is also likely to continue, with more companies potentially following the lead of Microstrategy (which acquired 234,500 BTC this year alone) and adding Bitcoin to their treasuries. It remains to be seen what all this means for the price of Bitcoin, and at BBVA Switzerland, we will be monitoring developments closely.



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