Santander Select Moderate

12 / 2024

Fund commentary

December was characterized by increases in both the US and Eurozone yields, while the stock market performance was mixed. The rise in bond yields was progressive throughout the month, reflecting an adjustment of investor positions in anticipation of the impact on inflation that the potential measures of the new US Administration may have. Likewise, the upward movement in yields was accentuated after the Fed meeting, which lowered the rate by -25bp as expected, but modified its interest rate estimates for 2025, forecasting only a -50bp reduction in 2025. In the Eurozone, the ECB also lowered rates by -25bp as expected by the market.

In the stock market, December was mixed with a better tone in the Eurozone stock markets, which in general, recorded slight increases in the month, led by the German stock market. In the US, where indices had accumulated gains of more than 25% in the year, the month was profit-taking and the S&P500 fell by -2.5%. In addition, the strength of the dollar continued to stand out in the currency market, which appreciated by more than +2% against the euro in the month and stood below 1.04$/€.

Regarding fund positioning, we remain positive on equities, with a slight preference for American equities over European equities. However, the strong revaluation of American equities throughout the year makes us, tactically, more cautious for the beginning of 2025, so, throughout December, we have reduced exposure to the US through the sale of S&P index futures. Additionally, we have slightly reduced exposure to Emerging Markets. Thus, after the sales made, we ended the year with an equity level of 40.4%, 6% lower than the close of last month.

On the fixed-income side, we maintain the overweighting in European duration. The weakness of the Eurozone economic data leads us to believe that interest rate cuts will continue, so holding positions in European Fixed Income can generate returns both by carry and duration throughout 2025. We maintain the duration at 2.56 years, similar to last month.

We maintain around 20% exposure to the dollar given the US macroeconomic and monetary policy outlook, which reflects a stronger economy compared to the rest of the regions.

The good performance of equities and the high level of interest rates have contributed to the fund ending 2024 with very good returns.