

Behind the Markets: Navigating global markets with five important trends

Published 8 July 2024

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Key Takeaways

- Philippe discussed how central banks worldwide are navigating inflationary pressures, which he sees as longer-lasting.
- Philippe believes a combination of ageing, debt, climate change and the energy transition will extend an inflationary wave. The fact that the world is shifting more in the direction of 'reshoring' or 'deglobalisation' relative to the past decades of globalisation is also, effectively, an inflationary force.
- With the US 'weaponising' the US dollar due to the Ukraine war, it is clear that many central banks have taken note and bought gold. Thus far, the upward price of gold has been driven primarily by central bank-buyers.
- Philippe expects gold to cross \$4,000 per ounce over the coming years.
- Philippe does believe that what we are seeing in AI does have a basis and is real, and he emphasized that the current behavior of the market basically forces investment managers not to stray too far from the largest companies, like Microsoft, Alphabet, Amazon, Apple, Nvidia, and Meta, or else risk their performance being way behind their peers.
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In a captivating episode of Behind the Markets, Philippe Gijssels, Chief Strategy Officer at BNP Paribas Fortis, shared profound insights into the current state and future outlook of the economy and global markets.

Global economic outlook

Philippe began the discussion by noting the challenges we face but believing significant opportunities exist in various global markets. He emphasised the resilience of the European markets amidst political changes and economic policies that continue to evolve in response to global economic pressures.

Higher inflationary waves for longer

Most of the conversation revolved around the impact of interest rate changes and monetary policies on global investments. Philippe discussed how central banks across the world are navigating inflationary

pressures, and he sees this as being longer-lasting. His view was that, even though the stated target for inflation is 2%, it's possible that central banks will allow inflation to run at 3-4%, as this could be helpful in alleviating some of the massive debt pressure faced by many Western countries after the COVID-19 pandemic.

Philippe believes a combination of ageing, debt, climate change and the energy transition will extend an inflationary wave. The fact that the world is shifting more in the direction of 'reshoring' or 'deglobalisation' relative to the past decades of globalisation is also, effectively, an inflationary force. Possible productivity benefits from innovation, particularly AI, could potentially reverse some of the other inflation tailwinds.

The role of gold and metals in current market conditions

Philippe believes there is a massive opportunity in the commodity space and that we are in the very first inning of what could be the largest commodity bull market in history.

Philippe emphasised that while gold prices have fluctuated, the underlying demand for gold as a safe asset remains strong. With the US 'weaponising' the US dollar due to the Ukraine war, it is clear that many central banks have taken note and bought gold. Thus far, the upward price of gold has been driven primarily by central bank buyers. It's possible that individuals could become excited by gold's prospects further on in the rally, and it was noted that the overall portfolio allocation to gold, at present, is quite low – Philippe citing it as being perhaps even below 1%. In his opinion, it's fairly reasonable to see this allocation going more toward 3% over time.

These details combined to buttress Philippe's outlook is for gold to cross \$4,000 per ounce over the coming years.

We also explored the critical role of commodities essential for the energy transition, such as lithium, cobalt, and copper. Philippe highlighted these commodities as the backbone of green technology, from electric vehicles to renewable energy infrastructures like wind turbines and solar panels. The shift towards sustainable energy solutions rapidly increases the demand for these materials, creating significant investment opportunities. One must always remember how bringing further supply online, usually through more mines, is something that can take 7 to 10 years, so the current picture massively favours the demand side of the ledger.

Technological innovations and market impact

Philippe pointed out how innovations in fintech and green technologies create new investment opportunities and drive market sectors towards more sustainable practices. Philippe believes the next Apple or Microsoft, meaning the next \$3 trillion market cap company, could come from these climate transition sectors. Then again, the resources that the current set of the world's biggest companies can bring to bear may even allow them to participate in climate transition activities, possibly as they seek to secure power sources for data centres, to name one important area of current focus.

Technology stocks and historical analogies

Investors like to compare the current excitement around AI to the internet excitement that was present in the 1990s. Since we know that the equity market's performance began to falter in 2000, around the time that Professor Jeremy Siegel wrote his op-ed, "Big Cap Tech Stocks are a Sucker Bet¹." 1995 indicates that there is a perception that the current rally can have some significant time yet to run.

Philippe's view was that where we are presently is more akin to 1998-1999, indicating less potential time to run. Philippe indicated that investors are often asking him the following three questions:

1. Is what we are observing in AI 'real'?
2. If it is real, how should we invest to benefit?
3. Should we buy Nvidia at current prices?

Philippe believes that what we see in AI has a basis and is real. He emphasised that the market's current behaviour basically forces investment managers not to stray too far from the largest companies, like Microsoft, Alphabet, Amazon, Apple, Nvidia, and Meta, or else risk their performance being way behind their peers. He also noted that, while Nvidia is certainly not an inexpensive stock, the company is delivering exponential increases in its fundamentals—like a 7x year-over-year growth in its profits², which is difficult for the human mind to come to grips with. While this cannot last indefinitely, there is also nothing that says it has to falter in 2024.

I really enjoyed reading Philippe's book *The New World Economy in 5 Trends*. At the close of each chapter, Philippe presents 10 ideas to remember and 10 investment concepts to consider – this format is great. You can listen to our full conversation [here](#).

1 Source: Siegel, Jeremy J. "Big Cap Tech Stocks are a Sucker Bet." Wall Street Journal. March 14, 2000.

2 Source: https://s201.q4cdn.com/141608511/files/doc_financials/2025/q1/NVDA-F1Q25-Quarterly-Presentation-FINAL.pdf

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