In this edition of Laser Focus:

- Bitcoin is nearing a key technical support
- **MACRO FOCUS** – as gold hits new all-time highs, we assess how much further it can rise this year and beyond. We consider a correction in the S&P500 after it fell -10.4% from its all-time high in February. The ECB cut rates by 25bps this month, but the future rate path looks uncertain amid tariff negotiations. European bonds have sold off a lot recently, making them attractive to Japanese investors on a cross currency hedging basis. We focus on Europe's expenditure, with attention to investments in reconstruction and defense stocks receiving support.
- Stablecoins are getting fast-tracked in the US, while Europe backs CBDCs

Bitcoin -23% from all-time highs, but key support still safe for now

The big swings in the price of Bitcoin over the last two weeks reflect what has been going on in the broader markets. Fixed Income has been moving around on growth concerns amid softer economic data from the US and falling inflation, while stock markets have been reacting to tariff and trade war headlines. Commodities such as gold and silver are enjoying safe haven status while Oil faces increasing supply issues. The recent Bitcoin price action scouted below the 39-week moving average around $78,825, which is typically a region for some support for longer term trends.

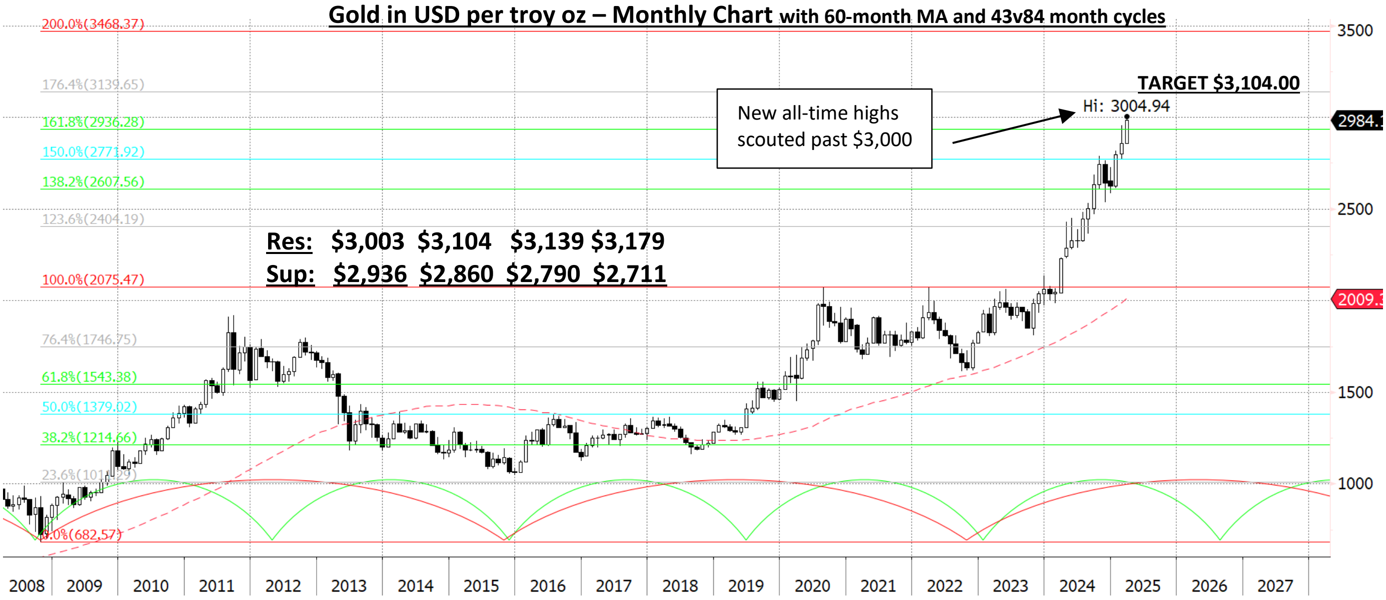
Technical analysis suggests that there is support near the 100% Fibonacci projection at approximately $73,797. Historically this level has been significant, as the 161.8% Fibonacci projection previously aligned with resistance at the all-time high in January. Looking ahead, the market may experience a trading range between $78,000-$88,000 over the coming weeks. There is a potential bias towards a rebound towards the upper end of this range, possibly reaching near $90,000 by April. However, this outlook is contingent on various factors, including how market sentiment and risk appetite are influenced by external narratives such as tariffs. [1]

[1] *It's important to note that past performance is not a guarantee of future results, and investors should consider their own risk tolerance and financial goals before making any investment decisions.*

MACRO FOCUS

Gold - new all-time highs breach the $3,000 an ounce level

We have been perennial bulls of Gold, no matter the G10 currency in which it's held. This non-yielding asset last year was +27.4% in US dollars outperforming the World ACWI stock index by more than 10% and had intra-year been as much as +35% in 2024. As of now, Gold is up +13.7% ytd, which is noteworthy given the current market conditions, particularly in US. Our bull target for Gold this year has been $3,104, which is another +4.04% from Friday's close. But our longer-term consideration over time is towards $3,468, thus another +16.05% from Friday's levels[2]. On average since 2000 you make 10.1% in USD terms per annum holding Gold, so this year has already surpassed that average.



Source: Bloomberg

Tariff uncertainty still makes investors uncertain of the future as reflected in US stock market oscillations recently of 1.5%+ moves per day in major indices. Gold is a safe haven play, and US gold is above other international benchmarks as dealers rush to bullion in America before tariffs play out in early April. More than 23 million ounces of gold, ($70B value) went into depositories of New York's Comex futures exchange between election day and March 12th. The numbers were so big it actually helped drive the US trade deficit to a record in January, (the US imported a record $329.5B worth of goods in January, driven largely by a surge in gold imports, accounting for 60% of the monthly increase in merchandise imports). One factor driving US gold imports is a concern that it might get included in import duties. Gold bars from London go to the US via Switzerland, since UK bars are 400oz's as a standard and have to be refined to 100oz standard bars for the US. This means the US trade department is now seeing a 3x increase in imports from Switzerland into the US since November. From a technical perspective, **a potential correction back below $2,900 could present a buying opportunity for those with a long-term view towards higher price levels, such as $3,450 or more.** However, it's important to note that past performance is not a reliable indicator of future results, and investors should consider their own risk tolerance and financial goals before making any investment decisions. Additionally, market conditions and external factors can significantly influence price movements.

S&P 500 now reaching interesting corrective levels

The S&P500 was -4.13% ytd on Friday, having been -10.46% earlier last week from the all-time high printed on the 19th of February at 6,147.43. Friday had produced a positive session but looking at historical draw-downs for this index, it has reached interesting levels for the longer-term investor to consider.

Last week, the index hit a 2025 low of 5,504. The last time it dropped more than 10% was in early 2018 during Trump 1.0. It took 9 days to fall that much, then subsequently took 137 days to recover those losses. Looking back at the data we find that

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there have been 24 occasions when the stock market has lost -10% or more from a record and managed to avoid a bear market. Bloomberg data shows that it has typically taken 8 months to recover to a former peak. In the last decade, a correction of 10% has triggered deeper selloffs, such as 2020 (Covid-19), and 2022 (the 60/40 model portfolio lost on both bonds and stocks).

Technically, a bear market is when a correction of -20.5% is triggered, and we are still a long way off that. News flow has made navigating recent events much tougher to handle, with 1.0% swings per day for risk markets. However, disciplined risk-aware investment strategies – including diversification, defensive asset allocation, position sizing and active management – can support resilient long-term investment performance and mitigate the impact of investor behaviour, such as emotional reactions like panic selling, which can lead to permanent losses.

One of the most critical challenges investors face is drawdown – a temporary decline in portfolio value from its peak. While short-term market fluctuations are common, significant drawdowns can disrupt long-term financial plans, trigger emotional decision-making, and delay wealth accumulation due to the compounding effect of losses. Understanding the causes, impact and management of drawdowns is essential for an investor seeking to minimize risk and maximize long-term returns.

The bottom-line is that last week's decline in the Nasdaq was its 95th worst ever single trading day. But after each of the previous 94 poor trading days, over time we saw rebounds and new highs.

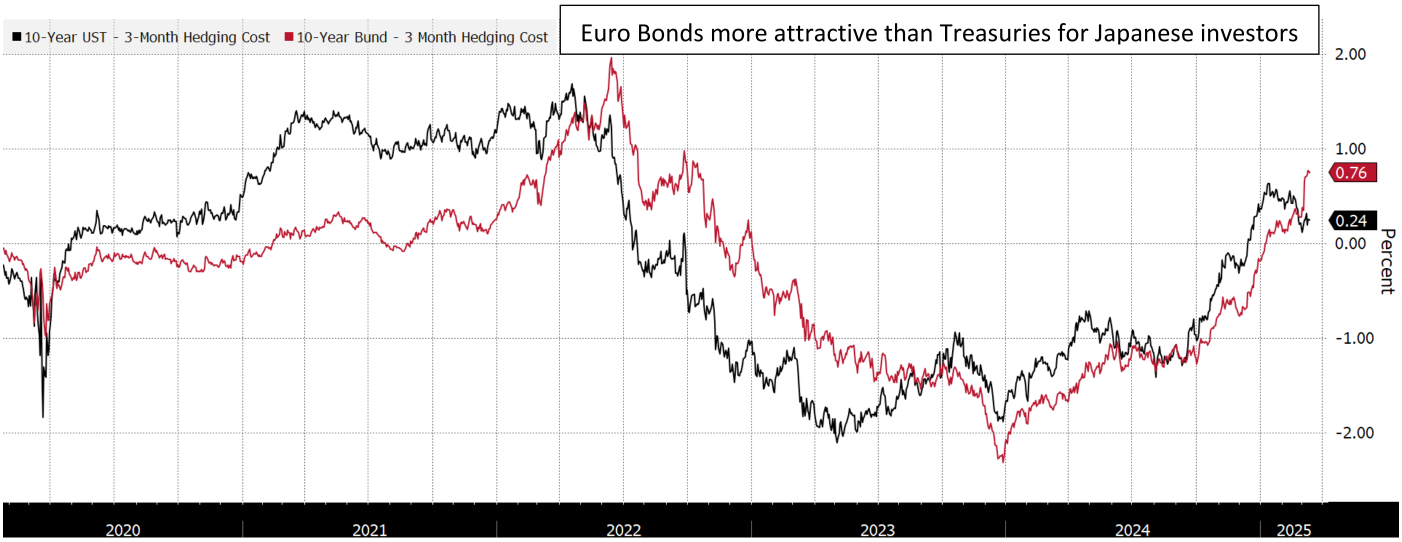
Our analysis suggests that despite the current volatility and uncertainty surrounding near-term news events, there is potential for the S&P500 to reach new highs by the end of the year if the uncertainty diminishes. That being said, the latest tech-driven sell-off in US equities does not signal the beginning of a bear market, but it is clear at present tariff uncertainty from the Trump administration has changed perceptions towards American assets. It's worth citing Treasury Secretary Scott Bessent's comments from NBC's Meet the Press on Sunday, "I'm not worried about the markets. Over the long term, if we put good tax policy in place, deregulation and energy security, the markets will do great."

Source: Bloomberg

ECB cut interest rates by 25 basis points, but the future is uncertain

After cutting rates by 25bp in March, the path for future rate cuts from the ECB is now unclear. President Christine Lagarde warned on Friday that the risk of a trade war with the U.S. would harm the global economy, including that of the country imposing the measures. "If we were to go to a real trade war, where trade would be dampened significantly, that would have severe consequences" for growth and prices around the world, "particularly in the United States," she told the BBC in an interview on Friday. Lagarde expressed concern over Trump's decisions and counter-decisions, describing them as "a cause for concern and a reason for us to be extremely vigilant." She added that this has created "a level of uncertainty we have not seen for a long time." "Every trade war will harm the global economy," noted the ECB president. "Everyone will suffer, that's a constant in the history of trade." Lagarde noted that such measures are already dampening business activity by increasing uncertainty for companies, consumers, and investors. Speaking at an ECB conference last week, she acknowledged that maintaining stability in an era of exceptional uncertainty is a "formidable task," noting that the ECB "cannot provide certainty about the rate path", as the environment is different now.

Meanwhile the German bond market has seen a huge sell-off, which has driven 10-Year German cash yields close to testing 3.0%. This came after Chancellor-elect Fredrich Merz won political support for a debt-funded spending package to boost defence and infrastructure over the next decade. The sell-off in longer dated bonds recently witnessed the biggest moves since 1990 and bear steepening in the curve spread, namely 2s10s. Germany had a 62% debt to GDP ratio until this, and these spending plans could raise it to 72%+. But that's still well below the US at 125% of debt to GDP, and its huge debt burden and cost of servicing that debt nearing $1trillion of interest per year. The sell-off in German bonds will now look increasingly attractive to Japanese investors on a currency hedged basis.



Source: Bloomberg

Economics has shifted for Japanese investors. It's cheaper to buy Bunds than Treasuries on a currency hedge basis, for the first time since 2023. That said, historically Japanese investors have tended to keep buying US government bonds even when it's been less economical for them to do so. The BoJ may raise rates sooner than September, and as early as July now. Lenders are reluctant to buy domestic bonds as they think rates will continue to go higher. To avoid losing money from rising interest rates banks have been opting for floating-rate products in their foreign bond portfolios including Collateralised Loan Obligations (CLO's). We like the JPY currency, as a stronger economy means a stronger currency. CAD/JPY as a net importer vs net exporter of oil should trade a lot lower over time.

Stablecoins in the US have a bill with the senate vs CBDCs

A landmark stablecoin bill is on a fast track for consideration by the full US Senate after the body's banking committee voted 18-6 to advance it last Thursday. The legislation (S. 394), a priority of President Donald Trump, would govern privately issued, dollar-based stablecoins, which the industry claims will enable cheaper and faster transactions across the globe for anyone with a smartphone. There was opposition from Senator Elizabeth Warren (Democrat) arguing it failed to do enough to protect consumers, taxpayers, or the economy and it could give more power to tech billionaires and others. Republicans blocked numerous Democratic amendments, which Warren said would ban taxpayer bailouts and make it harder for child pornographers, terrorists, foreign adversaries, and drug traffickers to use private stablecoins. Stablecoins are already used daily in billions of dollars of transactions, though traditional credit and debit cards dominate retail transactions. We believe in time digital payments will go through a major transition, and because of this we like companies like Visa.

Treasury Secretary Scott Bessent and Trump have been bullish on stablecoins, with Bessent saying they would extend dollar "dominance." One reason we think the government is pushing the agenda of stablecoins is because they are not intending to push ahead with a Central Bank Digital Currency (CBDC), unlike Europe which is way ahead with MiCA regulation and the digital Euro project. By October 2025, the ECB has indicated a second phase of the Digital Euro comes into play, so Europe is backing CBDCs and the US stablecoins.

The US is hoping stablecoins will lower merchants' costs by increasing competition between an assortment of fintech companies and banks. It would likely have mixed results: some banks might lose money, while others may benefit by issuing their own stablecoins or acting as custodians for related reserves. Trump's team sees stablecoins as an innovative financial product with safeguards. They believe it would be dollar positive as the tokens drive up demand for US dollars because they are backed by the currency, short-term government debt or similar assets approved by regulators.

Remember stablecoins are still a small market. Crypto itself remains minor relative to US capital markets. Globally, the estimated stablecoin market size is $227 billion in market capitalization, as compared to $6.22 trillion for US capital markets and $3.39 trillion for global cryptocurrency markets. If current double-digit growth rates for stablecoins continue, they could constitute a considerable proportion of overall crypto market capitalization, if not capital markets themselves.
More importantly, the vast majority of stablecoins are pegged to the US dollar, so let's wait and see.

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