LOM

Weekly Global Market Commentary

May 27, 2024

Investing in the Infrastructure Boom

by Bryan Dooley, CFA, Chief Investment Officer

Infrastructure spending is a powerful secular trend poised to benefit many companies across several key sectors. According to the Global Infrastructure Hub (GIH), a G20 initiative, an estimated $94 trillion in investments will be needed by 2040 to address economic and demographic shifts, as well as to bridge existing infrastructure gaps.

GIH projects a substantial global infrastructure investment gap of approximately $15 trillion by 2040, representing a 16% deficit in infrastructure investment. Closing this gap will necessitate an increase in annual infrastructure investment from the current 3.0% of global GDP to 3.5%. Moreover, fulfilling the Sustainable Development Goals (SDGs) will require an additional $3.5 trillion, elevating the investment gap to around $18 trillion and the investment requirement to 3.7% of global GDP.

Governments worldwide have acknowledged the urgent need to upgrade aging infrastructure in order to bolster sustainable economic growth, enhance public safety, and drive post-pandemic recovery efforts. Significant investment is being channeled into upgrading transportation networks, such as roads, bridges, and railways, as well as expanding digital infrastructure to support the growing demand for high-speed internet and 5G connectivity.

Additionally, the global push towards greener, more resilient infrastructure to combat climate change is driving substantial spending on renewable energy projects, water management systems, and sustainable urban development.

Investing in infrastructure-related stocks presents a promising opportunity due to the robust and sustained demand generated by these projects. Companies operating in construction, engineering, materials, and technology sectors are already benefiting from heightened government spending, with many securing long-term contracts that provide stable revenue streams and predictable cash flows.

Furthermore, the emphasis on sustainability and resilience in new infrastructure projects offers growth prospects for firms specializing in innovative solutions. Given the fundamental role of infrastructure development in economic advancement, stocks in this sector typically exhibit lower volatility compared to other sectors, making them attractive for both growth-oriented and income-focused investors.

The U.S. Infrastructure Investment and Jobs Act (IIJA) enacted in November 2021 authorizes $1.2 trillion for transportation and infrastructure spending with $550 billion of that figure going toward "new" investments and programs. Companies engaged in transportation infrastructure, construction equipment manufacturing, and natural resource production, such as Caterpillar, Deere, United Rentals, Eaton and CRH, are poised to experience substantial growth opportunities.

Notably, the demand for copper, a critical industrial metal extensively used in various sectors including construction, automotive, and renewable energy, is expected to rise significantly. Companies like Freeport McMoran, which operates copper mines in the U.S. and overseas, should continue to see further benefit from the increasing demand for copper driven by infrastructure projects and the growing adoption of electric vehicles.

The global momentum towards sustainable infrastructure development, coupled with government commitments to substantial investment in this sector, positions infrastructure-related investments favorably for long-term income and growth potential.

LOM Asset Management Ltd., The LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda

Weekly Global Market Commentary

Stock Market Performance				
	5/24/2024	W-o-W	M-o-M	Y-o-Y
DJIA	39,070	-2.3%	1.6%	19.1%
S&P 500	5,305	0.0%	4.6%	28.9%
MSCI World	3,462	-0.3%	4.2%	24.1%
SP/TSX	22,321	-0.6%	2.0%	12.0%
BSX	2,510	0.0%	10.2%	28.1%
FTSE100	16,300	-1.2%	3.9%	13.4%
DAX	18,693	-0.1%	3.3%	18.0%
CAC	8,095	-0.9%	0.0%	11.6%
Nikkei	38,646	-0.4%	0.5%	26.0%
Hang Seng	18,609	-4.8%	8.2%	-2.7%
Shanghai	3,089	-2.1%	1.4%	-3.6%

Key Rates and Prices			
Currencies	5/24/2024	Month Ago	Year Ago
EUR	$1.08	$1.07	$1.08
GBP	£1.27	£1.25	£1.24
JPY	¥156.99	¥155.35	¥139.47
CAD	C$0.73	C$0.73	C$0.74
CHF	CHf1.09	CHf1.09	CHf1.11
AUD	A$0.66	A$0.65	A$0.65
Fixed Income			
3M LIBOR	5.60	5.59	5.42
3M Treasury Bill	5.41	5.43	5.34
2Yr Treasury Note	4.95	4.93	4.38
10Yr Treasury Note	4.47	4.64	3.75
Fed Funds Rate	5.50	5.50	5.25
Commodities			
Gold/oz.	2,333.83	2,316.17	1,957.16
Silver/oz.	30.26	27.16	23.06
Copper/lb.	4.68	4.43	3.58
Oil	77.72	82.81	74.34

Global Economic Calendar (May 27th to 31st)	
Monday	IFO Business Climate (GE)
Tuesday	IBGE Inflation IPCA-15 MoM (BZ);
Wednesday	
Thursday	GDP Annualized QoQ (US); Initial Jobless Claims (US); Industrial Production MoM (JN)
Friday	CPI YoY (FR)

LOM Asset Management Ltd., The LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda
Licensed to conduct Investment Business by the Bermuda Monetary Authority.