Market Commentary
4th Quarter 2024

Business Activity and Global Economy

The last quarter of 2024 was dominated by the US presidential election in November. In the run-up to the election, uncertainty among investors was high as a close race and no clear winner was expected. With the scenario of a prolonged period of uncertainty and vote recounts looming, investors sought refuge in safe havens such as gold.

In the end, however, Donald Trump won the election by a clear margin and the Republicans also won a majority in both chambers of Congress. The direction for the next few years in the USA is therefore clear: "America first". Thanks to quick clarity about the future government, continuous interest rate cuts by the US Federal Reserve and solid quarterly figures from major companies, both the US stock market and the US dollar have risen. Nevertheless, unanswered questions remain about Trump's time in office: Will he introduce the announced tariffs, tax cuts and immigration laws and, if so, to what extent? And what form will cooperation with Europe and the rest of the world take with regards to the numerous geopolitical trouble spots?

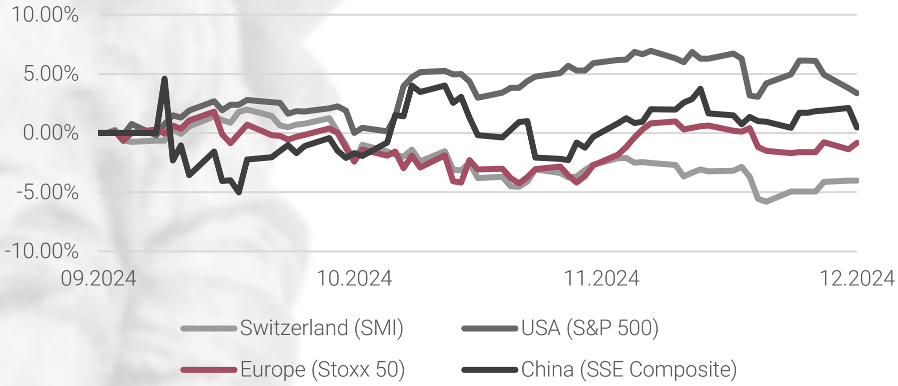
The loser of the election in the eyes of investors was Europe - the majority of European stock indices fell after the election winner was announced. Nevertheless, some of the problems are home-made: Demographic ageing, bureaucracy and overregulation are hurdles for European companies, which are also struggling with falling global demand. In addition, there is a lack of clear leadership in both France and Germany. Accordingly, companies have been signaling restraint in the regular surveys on the economic climate for some time now.

Switzerland, which exports a large proportion of its goods and services to Europe, also suffered from Europe's weakness. In addition, the strong Swiss franc continues to be a headwind for export-oriented companies. Accordingly, the Swiss National Bank decided to lower its key interest rates to 0.5% in view of the overall economic situation and the low inflation in Switzerland.

Key Takeaways

- The year 2024 was a positive surprise for investment markets
- The avoidance of a recession, despite the previous sharp interest rate hikes and the consistently good economic situation drove especially stock markets to new highs
- Gold also had one of its best years in decades, whether measured in US dollars, Euros or Swiss francs
- The upcoming inauguration of Donald Trump in the US in January 2025 is the next major event that will also have a significant impact on the coming years

Figure 1: Stock Indices in Local Currency in the 4th Quarter



Source: Refinitiv, Datastream as of 31.12.2024

Monetary Policy

The interest rate policy of the previous quarters was continued, with the Swiss, European and US central banks lowering their key interest rates further.

In the US, however, inflation rose steadily over the last quarter after we had observed a decline in inflation in the third quarter of 2024 until August. It initially rose to 2.6% in October before increasing again to 2.7% in November. In contrast, the monthly inflation rate increased only slightly, with core inflation not changing at all over the quarter. Accordingly, part of the inflation can be attributed to base effects, which is why the US Federal Reserve decided to cut interest rates in October and December to the range of 4.25% - 4.5%. The labor market figures are also likely to have had a strong influence on the interest rate decision. In October, sentiment in the manufacturing sector in the US took a surprising turn for the worse and fewer jobs were created as a result. At the same time, the unemployment rate rose slowly but steadily while wage growth, an important factor in assessing the riskiness of inflation, declined.

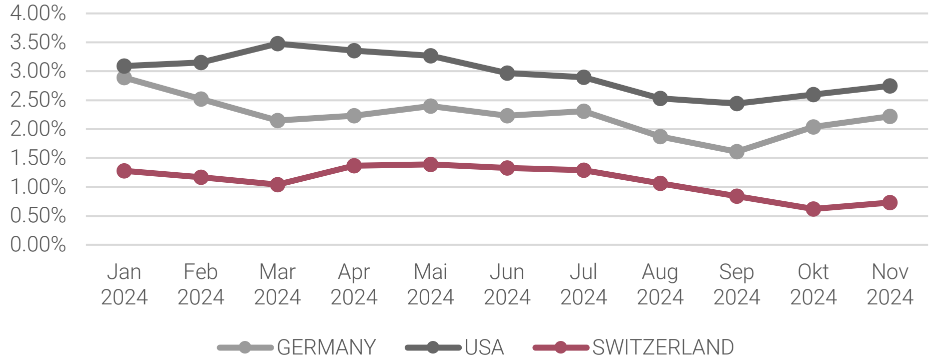
Beyond the actual interest rate decision, investors also pay attention to the language in which it is communicated. At the press conference in December, Fed Chairman Powell also gave hints that interest rate cuts may not continue at the same pace in 2025, particularly with regards to the persistently high inflation. The Fed is also likely to wait and evaluate the impact of the new administration's fiscal policy, as many of the measures announced have the potential to drive up inflation, although the specific extent is unclear as of now.

At the end of the third quarter, inflation in most of Europe was back below the central banks' 2% mark. However, in the fourth quarter of 2024, inflation in Europe also rose again and exceeded this threshold. Nevertheless, the European Central Bank also decided to cut interest rates in October and November. Particularly in light of the manager surveys, which reflected a difficult economic situation. The surveys showed, among other things, that the economic situation in the economic heavyweights Germany and France remained challenging.

The Chinese economy recovered slightly in the second half of 2024. The support measures announced at the end of September in particular led to the Shanghai Composite Index rising sharply, with the slightly more positive outlook also reflected in company surveys - sentiment brightened in both November and December. Nevertheless, issues remain and a substantial part of the gains on the stock markets could not be maintained.

In Switzerland, the National Bank implemented a double interest rate cut in December. Even in view of the low inflation rate of less than one percent and the poor economic sentiment in the important European export market, few experts had expected this. The exchange rate is also likely to have played a role; a lower interest rate differential between the Euro and the Swiss franc would have led to a further appreciation of the Swiss franc, which may ultimately have placed too great a burden on the export industry.

Figure 2: Inflation Rates Over Time (Annualized Rates)



Market Data

Equity Markets Perf.	2024*
SPI	6.18%
DAX	18.85%
Euro Stoxx 50	11.86%
S&P 500	25.02%
Nasdaq Composite	28.64%

Yield to Maturity of Government Bonds	in %
10Y Swiss Federal Bond	0.28%
10Y German Federal Bond	2.36%
10Y US Treasury	4.56%

Gold (oz.) Perf.	2024*
in CHF	36.86%
in EUR	35.60%
in USD	27.11%

Commodities Perf.	2024*
Oil Brent	-4.00%

* Performance in local currency, as of 31.12.2024

Source: Refinitiv, Datastream

Source: Refinitiv, Datastream as of 31.12.2024

Financial and Capital Markets

"America first" was already the motto of investors for much of 2024. American stocks rose, in particular after the election winner in the USA was confirmed and relatively solid economic data was released. American financial firms, which were already hoping for less regulation under the new administration, benefited particularly from the election. The manufacturing sector in the US also rose in investors' favor in light of the announced tariffs. In addition, Trump's election helped American energy producers' share prices to jump due to the expected more relaxed environmental regulations and an increased focus on fossil fuels. It was not until the end of the year that the high valuations in the US seemed to return to the focus of investors and in the last trading days of the year, US stocks lost more than their counterparts in other parts of the world for the first time in a long time. However, this can of course also be interpreted as profit-taking before the end of the year.

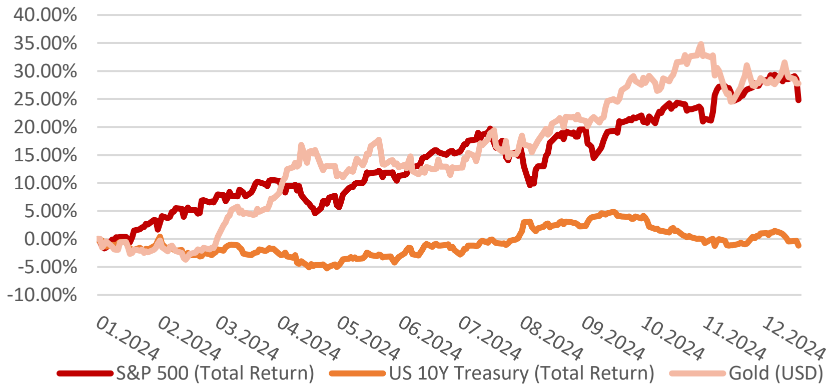
As mentioned, the majority of European indices lost ground after Trump's election. An isolation of the USA means that it will be more difficult for European companies in this important sales market. This is particularly true against the backdrop of continued weak demand from Asia. Markets in Latin America and Asia were also affected by the same concerns, as Trump threatened to impose high tariffs on China and Mexico in particular.

A trend reversal manifested itself on the bond markets at the beginning of the last quarter. Yields on 10-year government bonds have been falling since mid-spring. At the start of the fourth quarter of 2024, however, they rose again, particularly in the US. This was primarily due to Trump's election victory, as investors feared that the planned tax cuts could blow holes into the national budget. Another reason is the potentially inflationary measures such as tariffs and stricter immigration laws, which may slow down the decline in inflation, making sharp interest rate cuts less likely.

Political developments aside, US companies also published solid financial statements in the fourth quarter. However, investors were not impressed by the good figures from major technology companies. Despite strong growth, most of them left the market with losses on the day of publication because some investors seemingly wanted to realize profits. In Europe, the reporting season was more mixed, but there were also some positive outliers. Among others, Novartis presented very strong quarterly figures for the third quarter of 2024 with double-digit sales and profit growth.

Up until the US presidential election, gold was able to make noticeable gains before it suffered some price losses following Donald Trump's victory, as the feared scenario of an unclear election winner did not materialize.

Figure 3: Total Return of the S&P 500, 10Y Treasuries and Gold for the year 2024



Asset Allocation

Asset Class	Positioning
Cash	Overweight
Fixed Income	Underweight
Equity	Small Underweight
Gold	Strong Overweight

- We continue to maintain an elevated liquidity position to be able to act dynamically in the event of corrections. Where possible, we invest our liquidity in interest-bearing investments
- Bond investments developed very differently from region to region. While in Switzerland they almost reached the level of the domestic equity markets with a plus of around 5.5%, rising USD interest rates slowed down the US bond markets towards the end of the year
- Towards year end, global stock markets weakened somewhat, but still managed to achieve sizeable gains for the year
- We remain overweight in gold in view of the continuing high level of uncertainty

Quelle: Refinitiv, Datastream as of 31.12.2024

Current Asset Allocation

We remained true to our strategy in the fourth quarter and did not make any fundamental changes to our asset allocation. We continued to be defensively positioned and rebalanced certain positions by increasing out allocation in stocks that we still believe in. At the same time, we took some profits on some positions that had performed very well last year.

Our asset management clients benefited from a very good annual performance in 2024 after an already good 2023. Rising prices for both bonds and equities, not to mention gold, pushed returns up to exceptionally high levels. It is also very pleasing that we once again performed very well against our competitors in 2024 and were able to outperform most of our peers.

Our defensive positioning was chosen not least in light of what might come in 2025. Geopolitical uncertainties continue to accompany us and Donald Trump's second term in office is likely to cause additional nervousness. In addition, most global stock markets as well as gold have had two good years and although the basic conditions for further price increases are intact, high expectations, some possibly too high, must be met. A breather or even some price setbacks should therefore not be ruled out.

Figure 4: Asset Allocation as of 31 Dec 2024

Asset Class	Balanced CHF
Liquidity	16%
Fixed Income	30%
Corporate Bonds Inv. Grade	15%
Government Bonds	10%
Inflation-Protected Government Bonds	5%
Equities	39%
Switzerland	12%
Europe incl. GB	9%
USA	10%
International	4%
Japan	2%
Emerging Markets	2%
Precious Metals (physical gold)	15%
In percentages %	10 20 30 40 50 60 70 80 90 100

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Disclaimer

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