

Very good, but unbalanced

Market commentary | 4th quarter 2024 | Swiss edition



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Market review

We can look back on an above-average but also unbalanced multi-asset year in 2024. Both gold and the US equity market shone with price gains of over 30% (in CHF), while commodities and bonds only posted single-digit returns. The difference in performance between US and Swiss equities is particularly striking, with the latter returning just 4% after a very weak second half.

Positioning

The relatively disappointing performance of the Swiss equity market can be attributed to three main factors. Firstly, the dominance of the US with its highly profitable IT stocks. Second, the healthcare sector, which is relevant to Switzerland, barely made any gains globally due to the political debate on drug prices in the US. Thirdly, the 20% fall in Nestlé shares wiped around 3.5 percentage points off overall market performance. On the international markets, however, equities held up well against the backdrop of only a moderate slowdown in growth and falling key interest rates. Our portfolios were able to benefit from this trend by overweighting equities, for example in emerging markets, but also in the Nasdaq. Our fundamental caution on bonds also paid off this year, although we were too defensive with an underweight in corporate bonds. By buying gold in February and selling it at the end of March, as well as taking a short-term position in US banks in November, we were able to exploit the tactical potential there.

Outlook

The constructive macroeconomic environment should continue, particularly in the US, with robust consumption and rising

investment. The outlook for Switzerland also remains constructive. By contrast, Europe and Germany in particular are suffering from home-made problems. As inflation rates stabilise (for the time being), the central banks are likely to cut interest rates further. In Switzerland, we will be dangerously close to another zero interest rate environment. In addition, valuations for both equities (especially IT) and bonds are quite high, so we expect rather moderate returns next year. We are focusing on an increasing market breadth, which, due to rising profits, is also offering opportunities to sectors other than IT, telecommunications and financials. In addition to more granularity in the portfolio, we will increasingly focus on alternative investments in 2025, which, depending on the portfolio, will include private equity as well as real estate, commodities, gold and insurance-linked securities (ILS).

Stock market imbalances



Source: Zürcher Kantonalbank, Bloomberg

Review of the financial markets

		31.12.2024	31.12.2023	Performance YtD in local currency	Performance YtD in CHF
Returns (%)	10-year Swiss Confederation bonds / Swiss Bond Index	0.33	0.70	5.3	5.3
	10-year German Federal Bonds / GER Govt Bond Index	2.37	2.02	0.6	1.8
	10-year US Treasuries / US Govt Bond Index	4.57	3.88	0.6	8.5
Equity markets	Switzerland, SMI	11'601	11'138	4.2	4.2
	Europe, Euro Stoxx 50	4'896	4'521	8.3	9.6
	USA, S&P 500	5'882	4'770	23.3	33.0
	Japan, Nikkei	39'895	33'464	19.2	15.2
	Emerging Markets, MSCI Emerging Markets	1'075	1'024	5.1	13.6
Currencies	EUR/CHF	0.94	0.93	-	1.2
	USD/CHF	0.91	0.84	-	7.8
	GBP/CHF	1.14	1.07	-	6.0
	EUR/USD	1.04	1.10	-	-6.2
Commodities/ precious metals (USD)	Crude oil, Brent	74.64	77.04	-3.1	4.5
	Gold, Ounce	2'625	2'063	27.2	37.2

Source: Bloomberg, figures rounded. Performance of the bonds is based on indices

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