

Tactical Perspective:

Macro ▼

Bonds ▶

Equities ▶

Other Asset Classes ▶

## Executive Summary

- The upcoming election for the US presidency will be between Trump and Biden.
- The robust US economy is now showing signs of a slight slowdown.
- Overall, economic output from industry is weak and this is offset by a stronger service sector.
- The BoJ has raised key interest rates for the first time in 17 years, but the central bank's monetary policy stance remains supportive for the economy.
- The SNB has lowered its key interest rate by 25 basis points. It is therefore the first important central bank to begin lowering rates. The ECB, the BoE and the Fed have so far judged it premature to cut rates.
- Yields on government bonds in the most important markets are consolidating at the upper end of the ranges that have existed since the beginning of the year.
- The major stock markets have for the most part performed very well since the beginning of the year.
- The US dollar is well supported. The Swiss franc has come under pressure following Switzerland's latest inflation figures and the SNB's interest rate cut.
- Gold has set new highs. We maintain our gold position.

## Our macroeconomic assessment

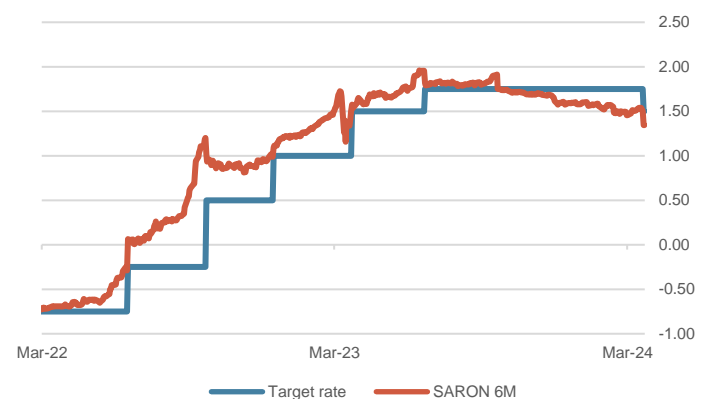
### Business cycle

- The stable development of the labor market, higher wages, the effect on wealth of increased asset values and a lower tax burden are among the reasons for positive consumer sentiment reports in the US.
- Recent US readings for core inflation of 3.8% and for core personal consumption inflation of 2.8% leave the Fed little scope to meet the market's previous rate cut fantasies.
- Europe's industrial sector appears to be weakening again based on the latest surveys of purchasing manager. However, consumer sentiment in the Eurozone improved slightly.
- In China, the consumer price index rose by 0.7% in February, indicating a much-reduced risk of deflation.
- In Switzerland, the economy is growing slightly, driven by the service sector. Industrial output is declining. Positive impetus is expected from the recent move to a looser monetary policy.

### Monetary policy

- As expected, the Bank of Japan raised its key interest rate for the first time in 17 years. However, the tiny increase from minus 0.1% to a range of 0.0 to 0.1% disappointed the market. Moreover, even though the upper band for 10-year government bond yields of 1% has been abandoned, interest rates are falling because the central bank continues to buy government bonds and this spending may even increase. On the other hand, purchases of ETFs and REITs are being halted.
- At its March meeting, the Fed's FOMC decided to leave interest rates unchanged at 5.25-5.5%, but Fed communication to the

### SNB key interest rate vs. SARON 6M rate, last 2 years



Source: Bloomberg Finance L.P.

markets now more directly points to prospective easing. The "dot plots" signal three possible rate cuts, each of 25 basis points, this year. These might start as early as June, given that the Fed will not want to make any move close to the presidential elections. A further interest rate cut would be possible at the December meeting.

- The SNB made a bold and "unexpected" 25 basis point interest rate cut on March 21. Notwithstanding the market's surprise, recent good inflation reports and the expectation that inflation will fall further certainly justify this move. The 6-month SARON once again correctly anticipated the decision. And this market rate is already indicating a further interest rate cut in June.

# Our investment policy conclusions

## Bonds

- Yields on government bonds in the most important markets have been relatively stable recently, trading at the upper end of the ranges established since the beginning of the year.
- Reduced expectations for rate cuts, relative to those current at the start of the year, have now worked their way into the bond markets. This is a consequence of inflation figures that are no longer falling, something mirrored in rising inflation expectations. Such influences have led to a flattening of yield curves, although they are still inverted.
- Spreads on corporate bonds remain very tight, indicating that a recession is not generally expected. For new investments in corporate bonds, we continue to consider the short to medium maturity range relatively attractive due to the higher yields on offer in this segment, a consequence of inverted yield curves.

## Equities

- Major stock markets have generally been performing very well since the start of the year. While the US market is still the clear leader, the Swiss market has been catching up and is now also well "in the green".
- Whereas a narrative of rapid prospective interest rate cuts dominated stock markets at the beginning of the year, the "soft landing" scenario is currently favored and is also supportive for markets. The notion that a recession can be avoided appeared to gain support at the last FOMC meeting.
- Geopolitical trouble spots remain problematic. If anything, risks seem to have increased. However, markets are not currently focused on risk. This is evidenced by the record lows being reported for stock market volatility. If you want to hedge your assets, you can do so cheaply today.
- Overall, we remain cautiously constructive in our assessment of equities and, given the abundant liquidity in the system, we assume the most important markets will develop positively over the balance of the year.

## Forex

- The US dollar has managed to break away from the lows recorded at the end of 2023. Gaining against all major currencies it is currently around 3.5% higher year to date. The shift in US interest rate expectations is supporting the greenback.
- This year's recovery of the US dollar against the Japanese yen, around 7%, is striking. Perhaps this may reflect surprise that the BoJ has only raised its key interest rates by a homeopathic 0.1% (to 0%), while indicating it will only slowly move away from its low interest rate policy.
- The euro has continued to recover against the Swiss franc and the "cross" is now just under 0.98. Lower than expected inflation figures lie behind the weakening of the Swiss franc and the recent interest rate cut by the SNB. Over the long term, we continue to assume that the franc will appreciate against the euro due to Switzerland's structural advantages.

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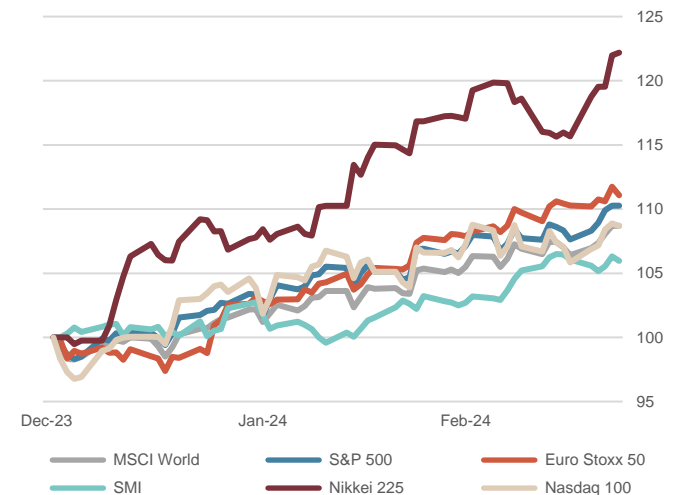
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10 year government bond yields in %, last 5 years



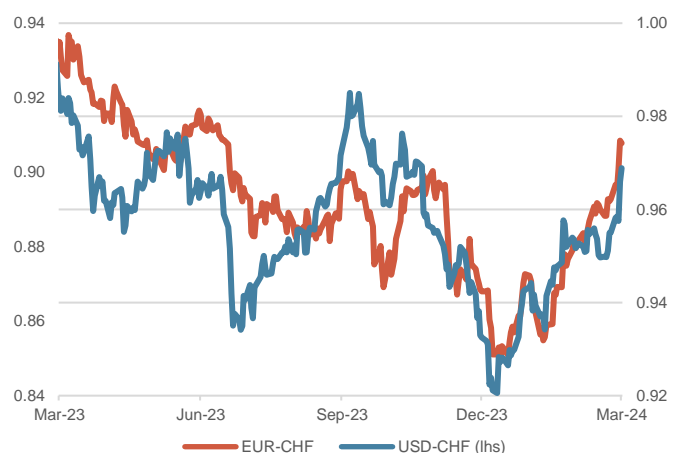
Source: Bloomberg Finance L.P.

Equity markets, performance year to date, indexed



Source: Bloomberg Finance L.P.

Euro and dollar vs Swiss franc, last 12 months



Source: Bloomberg Finance L.P.



## Investment Strategy 2<sup>nd</sup> Quarter 2024

sensusPLUS

Meeting of the  
investment advisory committee

19.03.2024

		Investment Strategy							
Asset class		Income	+/-	Balanced	+/-	Growth	+/-	Capital gain	+/-
Defensive	Liquidity	8%	0%	7%	0%	5%	-2%	5%	-2%
	Fixed Income incl. Bond Funds	60%	0%	35%	0%	15%	0%	0%	0%
	Stocks incl. Stock Funds and ETF	25%	0%	50%	0%	70%	+5%	85%	+5%
Offensive	Others Real Estates, Commodities, Gold, Structured Products, Alternatives	7%	0%	8%	0%	10%	-3%	10%	-3%
		100%		100%		100%		100%	

### Additional parameters

Reference currency CHF

### Currency allocation

CHF	min.	50 %
EUR	max.	20 %
USD	max.	20 %
GBP	max.	15 %
Other	max.	20 %

(max 10 % per currency)

**Variations +/- 5 % are possible for the various investment categories.**

The geopolitical situation has not calmed down in the first quarter of 2024. The Russia/Ukraine and Israel/Hamas fronts remain rigid. Furthermore, once again, two old men are competing in the race for the Presidency in the US. The development of the inflation rate in the US and Europe is not providing any impetus for the markets, either. Only the good consumer sentiment can be seen as a positive sign.

The SNB was the only central bank having the courage to lower key interest rates. This move was not necessarily expected. It seems that the SNB has inflation under control and does not expect any spikes in the near future. The interest-rate cut has led to a weakening of the Swiss franc against the euro and the dollar. We are curious to see whether a further reduction will follow in June. It never ceases to amaze us how small and medium-sized Swiss companies react to the fluctuations on the currency markets and are able to hold their own in this difficult environment.

Despite the unpleasant conditions, the stock markets have developed positively since the beginning of the year. The geopolitical trouble spots seem to be of little interest to the markets at the moment. Therefore, we are expecting a further moderate rise of share prices in the second quarter of 2024.

We have made small adjustments to the investment strategy categories "Growth" and "Capital Gains". We have taken our expectations into account and increased the equity quotas by 5%, in each case. Conversely, we have reduced "Liquidity" and "Other Investments".

We wish you a pleasant spring and thank you for placing your trust in us.