Rapeseed fields near Niederwil, Cham (Photo: Andreas Busslinger)

The Sound of Resilience

Markets remain surprised by the underlying tone of resilience. Recent macroeconomic data has been far from pristine, but strong enough to shake up the bond markets. Yields on ten-year government bonds rose massively last month. In the USA, the increase from 4.3% to 4.7% also caused considerable fluctuations on the stock markets. In Europe, the swings in both bonds and equities were less pronounced.

The growth outlook strengthened globally. The recent upturn in industry is remarkable. In view of this, it is surprising that inflation data in Europe (and Switzerland) landed within the central banks' target range. Looking back 18 months, we can see that inflation has been tamed but not yet sufficiently defeated everywhere. The last mile in the US economy remains a challenge.

Although growth in the US was moderate in the first quarter of 2024, it will probably take a few more months for inflation to fall back to the targeted "average inflation target of 2%", particularly in the service sector. Nevertheless, both the European Central Bank and later the US Federal Reserve will follow the Swiss example and begin to lower key interest rates in the course of this year. In addition to the continuing geopolitical challenges, it is above all the issue of sovereign debt that we see as the main risk going forward.

Based on the encouraging quarterly report, we assume that the global sentiment will remain constructive in the coming weeks and months and that risk assets will withstand the geopolitical challenges. Both implied and realized volatility are likely to remain somewhat higher, as in April, compared to the first quarter. Finally and most important to know, there are fewer and fewer good reasons to be skeptical about the numerous capital market opportunities.

Stock markets suffered badly in April

The equity-related Swiss Market Index (SMI) posted its weakest April result in its 35-year history (-4.0%). Only in April 2010 (-3.7%) was the monthly performance anywhere near as poor as in April 2024. The dividend-adjusted losses of stocks such as Zurich (-3%), Roche (-4%), Swisscom (-5%) and Partners Group (-8%) weighed heavily. The global bond index continued to suffer from rising bond yields and ended April at -2.9% (since the beginning of the year), a full 14% lower than three years ago.

In defensive risk class 1 (e.g. Revo1 with a high proportion of bonds), we slipped slightly into negative territory, which can be attributed almost exclusively to the contribution from bonds. In the "balanced" risk class 3 (e.g. Revo3 with +3.8% and R3 with +4.7% since the beginning of the year), the total return remains pleasingly well above the SMI with its meagre performance of +1.1%.

The dynamic risk classes 4 and 5 (e.g. Revo4 with +5.4% and R4 with +5.6% each) are doing well. The performance of the popular Revo5 with +6.4% is slightly above the performance of the dividend solutions (RevoDividends with +5.7% and RDividends with +6.2%).

In general, it should be emphasized that the returns in the vested benefits solutions are practically on a par with those in the free assets. Around 15% of the investment volume in vested benefits is parked in low-volatility, monthly tradable investment foundations, as is typically the case with pension fund-like investment strategies. As a result, the low-risk FZ R1 solution, for example, is up +0.4%.

Strategies mainly based on individual titles	Strategy performance*	
	April 2024	YTD 2024
Zugerberg Finanz R1	−2.2% ↘	−0.2% ↘
Zugerberg Finanz R2	−1.9% ↘	+2.1% ↗
Zugerberg Finanz R3	−1.4% ↘	+4.7% ↗
Zugerberg Finanz R4	−1.1% ↘	+5.6% ↗
Zugerberg Finanz R5	−0.6% ↘	+5.7% ↗
Zugerberg Finanz RDividends	−1.5% ↘	+6.2% ↗
Zugerberg Finanz Revo1	−1.8% ↘	−0.4% ↘
Zugerberg Finanz Revo2	−1.5% ↘	+1.9% ↗
Zugerberg Finanz Revo3	−1.2% ↘	+3.8% ↗
Zugerberg Finanz Revo4	−1.2% ↘	+5.4% ↗
Zugerberg Finanz Revo5	−1.2% ↘	+6.4% ↗
Zugerberg Finanz RevoDividends	−1.7% ↘	+5.7% ↗
Zugerberg Finanz DecarbRevo3	−0.5% ↘	−0.5% ↘
Zugerberg Finanz DecarbRevo4	−0.6% ↘	−1.4% ↘
Zugerberg Finanz DecarbRevo5	−0.7% ↘	−2.5% ↘

Zugerberg Finanz Vested benefits	Strategy performance*	
	April 2024	YTD 2024
Zugerberg Finanz Vested benefits R0.5	−1.9% ↘	−1.4% ↘
Zugerberg Finanz Vested benefits R1	−1.6% ↘	+0.4% ↗
Zugerberg Finanz Vested benefits R2	−1.3% ↘	+1.9% ↗
Zugerberg Finanz Vested benefits R3	−1.0% ↘	+3.7% ↗
Zugerberg Finanz Vested benefits R4	−1.1% ↘	+3.8% ↗

Zugerberg Finanz 3a pension solution	Strategy performance*	
	April 2024	YTD 2024
Zugerberg Finanz 3a Revo1	−1.8% ↘	−0.4% ↘
Zugerberg Finanz 3a Revo2	−1.5% ↘	+1.9% ↗
Zugerberg Finanz 3a Revo3	−1.2% ↘	+3.8% ↗
Zugerberg Finanz 3a Revo4	−1.2% ↘	+5.4% ↗
Zugerberg Finanz 3a Revo5	−1.2% ↘	+6.4% ↗
Zugerberg Finanz 3a RevoDividends	−1.7% ↘	+5.7% ↗
Zugerberg Finanz 3a DecarbRevo3	−0.5% ↘	−0.5% ↘
Zugerberg Finanz 3a DecarbRevo4	−0.6% ↘	−1.4% ↘
Zugerberg Finanz 3a DecarbRevo5	−0.7% ↘	−2.5% ↘

* The stated performance is net, after deduction of all running costs, excluding contract conclusion costs

Macroeconomics

Economic rays of hope in Europe

Early indicators in Europe paint a picture of a sustained economic recovery that is likely to accelerate in the coming year. The economic trough has been overcome without a recession. In contrast, the economic momentum in the USA appears to be slowing. The latest estimate for the first quarter (+1.6% GDP growth) was surprisingly low – lower than growth rates in Spain and Portugal (+2.4%) and in Eastern Europe.

According to the Bundesbank, the German economy is likely to have avoided a winter recession thanks to a revival in manufacturing, rising exports and a strong increase in construction activity at the beginning of the year. Lower interest rates and financing costs as well as cheaper energy prices are already causing house prices to rise again. Investment activity is returning.

Beyond Germany, it is positive to note that consumption continues to benefit from the generally tight labor markets in all OECD economies. Since the last publication of the indicator, the unemployment rate has risen slightly in Japan, the UK, Canada – where population growth continues to outstrip job creation – and Australia, while it has fallen in the USA.

In the USA, however, economic growth has slowed noticeably from the pace of +4.1% in the second half of last year. Despite high interest rates, there is still a clear increase in residential construction investment. In addition, car production has risen above pre-pandemic levels. The record-breaking construction of factories ("re-shoring") is also ensuring a recovery in the manufacturing sector. Looking ahead, we expect GDP growth to slow to a still solid pace of slightly above 2% on an annualized basis, also reflecting increased immigration, continued strength in real personal incomes and the boost from improved financial conditions.

The savings rate remains above pre-pandemic levels in the eurozone, but below in the US. This suggests that the high propensity to save among European households is largely due to a decline in financial assets, the availability of historically attractive deposit rates and cautionary motives. Nevertheless, we assume that a decline in the European savings rate until the end of 2024 will support growth in European consumption with the economic upturn.

In most European countries, falling inflation rates, healthy labor markets and still firm wage growth are supporting real income growth. The fundamentals are also supported by low debt service ratios in the euro area. Despite a general deterioration in housing affordability, house prices and economic activity have held up better than feared in 2023 and early 2024. Falling house prices are a thing of the past and mortgage debt growth appears to have bottomed out.

Commodity prices, and oil prices in particular, have risen since the start of the year. This raises the question of whether this increase could lead to a rise in inflation and a continuation of the restrictive monetary policy. The rise in oil prices (+14% since the start of the year) is likely to push global headline inflation up by around 40 basis points year-on-year in 2024, but will hardly raise core inflation. The impact of the rise in oil prices on inflation, growth and monetary policy in the major economies will therefore remain correspondingly low.

Region	3–6 months	12–24 months	Analysis
Switzerland	↗	↗	The development of the labor market led to low unemployment figures. This resulted in a revenue surplus of CHF 2.76 billion for unemployment insurance.
Eurozone, Europe	↗	↗	The macroeconomic surprise index is clearly positive. Real GDP growth in the eurozone is therefore likely to be surprisingly good.
USA	↗	↗	GDP growth has weakened significantly from the fourth quarter of 2023 (+3.4%) to the first quarter of 2024 (+1.6%). Monetary policy tightening leaves its mark.
Rest of the world	↗	↗	We will see significantly higher economic activity in emerging Asian countries in the coming months, particularly in India.

Liquidity, currency

The USA is decoupling

	Yield from dividends	Yield on 10-year government bonds	Difference
US	1.4%	4.7%	Δ -3.3%
Eurozone	3.1%	2.6%	Δ +0.5%
Switzerland	3.2%	0.6%	Δ +2.6%

Higher Dividend Yields than Government Bond Returns in Europe (Graphic: Zugerberg Finanz)

The yield landscape has changed considerably in recent times. This is due to the fact that the global economy is not moving in sync. The USA decoupled for a while, recording stronger growth rates and therefore more persistent inflation rates than Europe. This results in very different yield differentials, which are currently also having a strong impact on currencies.

In the USA, the yield on ten-year treasury bonds rose to 4.7% at the end of April. The yield on two-year treasury bonds is now as high as 5.0%. Both are significantly more than you get as a dividend if you invest in US equities. It also explains the strength of the dollar in the first four months of this year. At 0.92, the USD/CHF exchange rate is back at the same level as at the end of September 2023. It temporarily fell to 0.84 when a recession was predicted for the US economy with a correspondingly large number of interest rate cuts.

But this did not happen, on the contrary. At present, there is no longer even talk of a soft landing. If anything, the economic signals are pointing to further expansion, i.e. in terms of the economic cycle, there appears to be a “no landing”. The economy is being pushed by fiscal policy in the last two or three quarters before the important presidential and congressional elections in November 2024 to such an extent that the Federal Reserve’s hands are tied in terms of monetary policy. The strong increases in consumer spending (+2.5% in the first quarter) and especially spending on services (+4.0%) have brought the falling inflation path of 2023 to an abrupt halt. Inflation is particularly persistent in the services sector.

As a result, yields on US treasury bonds have risen from 3.9% to 4.7% since the beginning of the year. This has led to considerable price losses for bonds. In Switzerland, on the other hand, inflation appears to have been successfully combated. In any case, investors on the capital market are content with a 0.6% yield on the ten-year Swiss Confederation bond – as at the beginning of the year. The higher yield caused the dollar exchange rate to rise, but the significantly higher inflation rate means that there is even greater potential for price losses in the medium term.

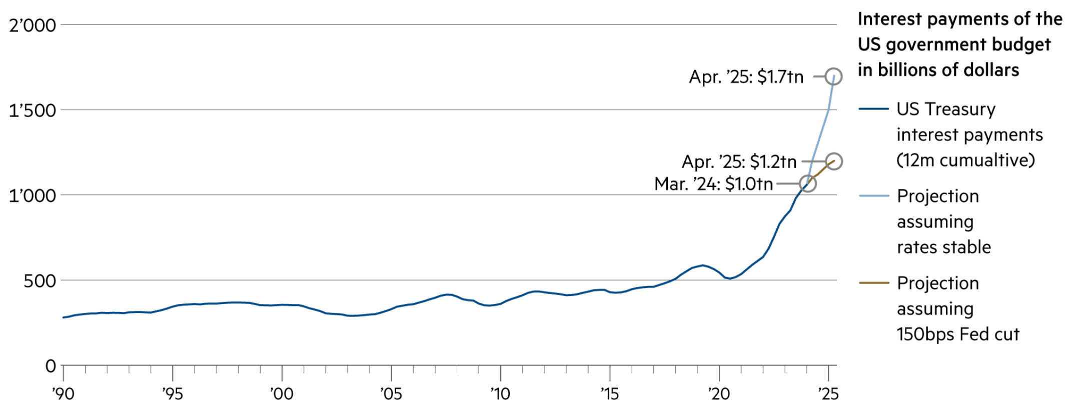
The stock markets in Europe (with the exception of Switzerland) recorded higher price gains in the first four months than in the USA. On the one hand, this is probably due to the surprising economic recovery in Europe. However, another important factor is the observation that dividends alone generate a higher yield than benchmark government bonds in the eurozone.

In the USA, on the other hand, the dividend yield is significantly lower than the yield that can be safely achieved on the money and capital markets. Accordingly, many are also taking a cautious view of the relatively highly valued US equity markets, while the European markets (including in Switzerland!) are characterized by relatively moderate valuations in view of rising corporate profits and higher profit expectations.

Asset class	3–6 months	12–24 months	Analysis
Bank account	↘	↘	Low inflation (1.4% in April YoY) gives reason to hope for further interest rate cuts by the SNB. Some banks are already lowering their interest rates again.
Euro / Swiss franc	↗→	↗→	The strong momentum for the euro (+5.7% ytd) is likely to continue. The exchange rate is back at the same level as a year ago.
US dollar / Swiss franc	→↘	↘	At the beginning of May, the spot rate was 0.92. On the futures market, the dollar is trading significantly lower (0.88 in 1 year and just under 0.85 in 2 years).
Euro / US dollar	↗	↗	At 1.07, the euro gains further ground at the beginning of May. Risk-sensitive investors are supporting the euro.

Bonds

The USA risks a debt crisis



Interest payments from the US government budget go through the roof (Source: Bank of America Global Research | Graphic: Zugerberg Finanz)

Most of the world's bonds are denominated in dollars, and a significant proportion of these are US government bonds and bonds issued by government-related institutions. The markets are still calm for the time being, but Washington risks a debt crisis. Interest payments on US government debt are rising exponentially. Every month with key interest rates at the current two-decade high exacerbates the trend. The USA is heading for an explosive development in which in just one year around twice as much will have to be spent on interest payments as on the defense budget.

Bond markets are constantly moving and offer a wide range of opportunities. However, the market situation is rarely stable, and psychological tipping points are difficult to predict. Nobody is currently interested in the fear of a debt crisis in the USA, but risk premiums are rising. The USA already has to pay 200 basis points more for its debt than Germany. In contrast to the eurozone, the USA is at risk of falling into a vicious circle of rising refinancing costs and a further deterioration in debt sustainability. We highlight two important aspects of this.

On the one hand, the USA is heading straight for an economically unsustainable future. It is spending too much and taking in too little. The result is a gigantic deficit. The mountain of debt is growing and interest payments are accelerating the longer the Federal Reserve keeps its key interest rates high. Around 1,000 billion dollars in interest must be paid annually on the current national debt. As cheap short-term debt from the low-interest phase is replaced by new, more expensive debt instruments, the interest burden will rise to around 1,700 billion dollars within the next 12 months – out of a GDP of 28,500 billion. This is the largest debt burden since 1946.

The second important aspect is inflation. The USA is far more indebted than the entire eurozone. In contrast to Italy, the most important debtor nation in the eurozone, the USA is already running a deficit in its primary budget (income minus expenditure excluding interest payments). In addition, Italy is able to finance its entire government deficit through domestic savings. In contrast, the USA is dependent on foreign borrowing (approx. 30%) and the Federal Reserve holds 20% of its debt securities. Private households hold relatively few Treasuries.

Dependence on foreign creditors weakens the geostrategic role of the USA. The only measure that the US Treasury is probably secretly hoping for is continued inflation. This would allow the debt to be "inflated away". This would have devastating social consequences. Inflation would further impoverish poorer sections of the population. Those with real assets such as shares, private equity and real estate are protected against this.

We expect the USA's credit rating to be downgraded further. A structural improvement in the budget situation remains illusory even after the elections, i.e. the pressure for further cuts in government spending on transport, education, defense and healthcare is increasing. The same applies to the huge potential for the dollar to depreciate.

Asset sub-class	3–6 months	12–24 months	Analysis
Government bonds	→↗	↗	The 10-year government bonds in dollars are yielding 4.7% and in euros 2.6% (Germany) to 3.9% (Italy) - in any case lower than in the USA.
Corporate bonds	↗	↗	We continue to see positive risk/return prospects in corporate bonds compared to the various government bonds.
High-yield, hybrid bonds	↗	↗	With European high-yield and hybrid bonds, we hold extremely attractive, superior risk-adjusted return generators in our portfolios.

Zugerberg Finanz bond solutions

Good prospects for bonds

Implenia trade fair presentation (Image source: implenia.com)

The most important message from Jerome Powell at the Federal Reserve (Fed) media conference on May 1 was that inflation has already come a long way. With calm, objectivity and foresight, he also addressed special factors that have recently halted the inflation trend. Corona caused inflation to rise to over 9%. Values between 2.6% and 3.5% (USA) and even lower in Europe are now being measured again. The potential for key interest rate cuts remains considerable and makes investments in longer-term corporate bonds attractive.

In view of the robust economy, which is accompanied by stubborn inflation and significant wage increases (+4.6% in April compared to the previous year), the US Federal Reserve has maintained its existing key interest rates. The market had anticipated this and pushed down bond prices accordingly in recent weeks. However, the Fed Chairman's latest assessment is a wake-up call. He practically ruled out increases. Instead, he stated that the Fed expects inflation to fall over the course of the year and that a further rate hike is "unlikely". May thus opened with noticeably higher bond prices.

GDP in both the eurozone and the European Union as a whole grew by +1.2% annualized in the first quarter of 2024, exceeding forecasts. In contrast to comparable growth in the US (+1.6%), there were no significant inflation drivers in Europe. In the eurozone, inflation was in line with expectations and remained at a low 2.4% in April. In the three largest nations (Germany, France and Italy), it is even lower and therefore within the ECB's target range. We therefore expect the ECB to decide on lower key interest rates at its next meeting on June 6.

We used this environment to further align our bond portfolios with the promising future. The interest rate-sensitive Zugerberg Income Fund had to cope with the deduction of withholding tax in April. These can be reclaimed with the tax return. This has resulted in a price performance of -2.7% and a total return of -1.8% for the year to date. This puts the ZIF between the Swiss Bond Index (-0.3%) and the World Bond Index (-2.9%; hedged in Swiss francs). Apart from the often macroeconomically induced price fluctuations, the ZIF achieved a monthly return of +0.37% compared to the Swiss Bond Index with only +0.12%.

By contrast, the Credit Opportunities Fund (COF), which is consistently geared towards corporate credit risk premiums, is clearly in positive territory after four months at +3.0%. The average price of the bonds is 95.0% and the modified duration is 3.2, i.e. the COF has a different character to the ZIF. Its duration is typically much lower than in the ZIF, but its main sources of income are not in the yield curve but in the company-specific risk premiums. Typical for the average rating of BB+ in the COF, the four-year bond from Implenia, which has a coupon of 3.0%, was included in the portfolio. Implenia is strongly committed to a more sustainable construction and real estate industry and has a AAA rating in ESG terms. The company is ideally positioned to benefit from all the opportunities in the industry, especially with its competence in infrastructure projects.

	Zugerberg Income Fund	Credit Opportunities Fund
Yield in 2024 (since the beginning of the year)	-1.8%	+3.0%
Yield since the start (annualized)	-10.1% (-1.8%)	+28.9% (+2.2%)
Proportion of months with positive yield	51%	67%
Credit risk premium in basis points (vs. previous month)	110 BP (-10 BP)	482 BP (-12 BP)
Average rating (current)	A-	BB+

You can find more information in the factsheets on the Zugerberg Income Fund and the Credit Opportunities Fund.

Real estate, infrastructure

Real estate prices on the rise again

Implenia building the Sursee campus (Image source: implenia.com)

The financing and investment environment for residential investment properties has improved significantly. A resilient economy with moderate population growth, slightly falling interest rates and lower construction costs are providing the necessary tailwind. As rental income is trending upwards in the current year, existing properties are likely to appreciate in value due to lower discount rates.

Net immigration in Switzerland amounted to around +29,900 people in the fourth quarter of 2023. Calculated over 12 months, the balance is likely to reach just under the 120,000 mark, which is higher than ever before. According to the annual statistics, the permanent foreign resident population is growing primarily due to employment. The second most common reason for immigration was family reunification, followed by those who moved to Switzerland for education and training.

With this in mind, it is also clear that the demand for housing was mainly concentrated in the cities and their agglomerations. Both the vacancy rate (mostly old apartments in rural areas far from dynamic labor markets) and the unemployment rate are low. As the economic outlook continues to brighten, real estate prices are likely to rise as financing costs fall.

In fact, prices for condominiums in Switzerland rose significantly in the first quarter of 2024 compared to the same quarter of the previous year (+3.9%), particularly in the lower segment, as shown by the FPRE real estate price indices. In contrast, the upmarket segment saw the strongest increase in prices for single-family homes. Over the year as a whole, the SWX IAZI Private Real Estate Price Index shows an above-average increase in value of +4.2%.

The supply indicators in building construction are clearly improving. In residential construction, which will generate sales of around CHF 32 billion this year, construction activity is likely to decline slightly, ensuring high occupancy rates even in older existing properties. Conditions have improved for construction investors. In building construction, the Federation of Master Builders reported lower production costs in the final quarter of 2023 (-3.3%); only in stone and concrete construction did prices increase slightly (+0.9%).

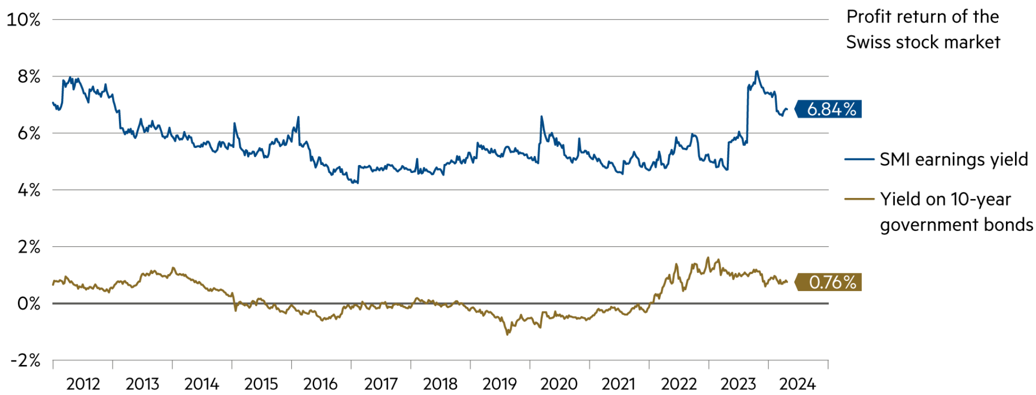
The Swiss construction price index published by the Federal Statistical Office changed only minimally in the second half of 2023 compared to the previous six months (+0.5%). The period of high construction price changes (2021 and 2022) is over. Low price changes ensure greater planning certainty and robust construction activity.

In terms of performance on the direct and indirect real estate markets, Fahrländer Partner reports that cash flow yields were around 3.0% last year: slightly higher on the Central Plateau and slightly lower in Zurich. At around -9.0%, the return on changes in value was not only negative, but also exceptionally high, resulting in a negative total return. With lower discount rates in 2024, there should be at least a partial reversal in valuations.

Asset sub-class	3–6 months	12–24 months	Analysis
Residential properties CH	↗	↗	In 2023, the market for apartment buildings experienced an exceptionally high, negative return on changes in value due to the sharp rise in interest rates.
Office and retail properties CH	→	→	In 2023, office properties recorded a negative return on changes in value for the fourth time in seven years (as in 2017, 2018 and 2020).
Real Estate Fund CH	↗	↗	At their current price level, the listed funds have a distribution yield of 2.9%, which is below the SMI dividend yield.
Infrastructure Equity / Fund	↗	↗	The interest rate cuts have not been canceled, but postponed in many places. They will soon lead to higher valuations for infrastructure investments.

Equity

High market pessimism



Profit return of the Swiss stock market from 2012 until 2024 (Source: Bloomberg Finance LP | Graphic: Zugerberg Finanz)

After a brilliant start to the 2024 equity year, the markets entered a phase of consolidation in April. However, where indices fell significantly, we interpret this as a clear increase in pessimism. We do not consider this to be permanent or justified due to its pronounced nature. There are a number of attractively valued stocks with a rock-solid business model.

In principle, every investor is faced with a wide range of investment opportunities. Some are liquid and can be traded daily (shares and bonds). Others are considered semi-liquid, such as the private market investment "The Partners Fund", which is managed by Partners Group and can be subscribed to on a monthly basis. This is more of an investment opportunity in long-term vehicles, e.g. when it comes to pension fund or vested benefits assets. Another investment option is real estate, but the corresponding tradability is limited and the transactions are correspondingly expensive.

There are now listed funds in every illiquid asset class. For example, there are real estate funds whose net assets are hardly subject to any fluctuations because the underlying properties are also traded extremely rarely. This is of little interest to investors. Daily valuations are therefore used to measure whether the market value is higher or lower than the asset value by means of the so-called premium and discount. The average premium for the most important Swiss real estate funds at the end of April was 11%, i.e. investors pay a premium over the asset value. At the same time, they receive an annual distribution of 2.9%.

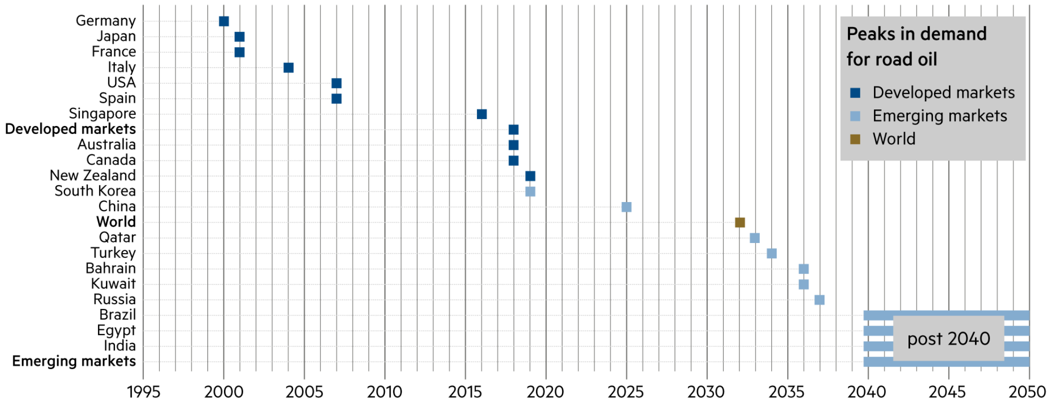
In the case of equities, there is another indication that can be drawn on. Capital can be invested risk-free in Swiss government bonds. However, this only yields an annual return of 0.6% over the next ten years, which does not even cover inflation. With Swiss equities, on the other hand, I get a return that is around 5% to 7% higher. This has been a principle for many decades, because shareholders want to be rewarded for their higher risk.

Because the yields on bank savings solutions and government bonds are so low as alternatives, it is only a question of scale for long-term investors whether they want to invest 20%, 40% or more in equities. As asset managers, we also take care to make a convincing selection from the large number of shares. As we repeatedly point out in our weekly and monthly reports, there is currently a whole range of attractively valued shares with a rock-solid business model.

Asset sub-class	3–6 months	12–24 months	Analysis
Equity Switzerland	↗	↗	In the SMI, the outliers in April were ABB (+7%) and Novartis (+2%) at the upper end and UBS (-10%) and Logitech (-11%) at the lower end.
Equity Eurozone, Europe	↗	↗	The Euro Stoxx 50 (+8.8% ytd) embodies the surprisingly strong improvement in leading macroeconomic indicators from the eurozone.
Equity USA	↗	↗	The US markets lost over 4% in April: the Dow Jones (-5.0%) fell slightly more than the Nasdaq technology index (-4.4%).
Equity Emerging markets	↗	↗	In India, the MSCI India rose significantly in April (+2.4%). Narendra Modi, who has been head of government for ten years, is likely to remain prime minister.

Alternative investments

Road traffic ensures growing demand for oil



Global oil demand for road transport reaches its peak in 2032 (Source: International Energy Agency IEA | Graphic: Zugerberg Finanz)

In a few countries such as Germany, France or Japan, the peak of the fossil fuels (petrol, diesel) consumed by road traffic is behind us. In terms of population, however, we remain realistic: large parts of the world's population live in emerging countries. Many of them are likely to have a significantly increasing demand for oil for their road traffic by 2040. Due to a lack of infrastructure, new electric vehicles will not be a real alternative in many places for a long time yet.

Brent crude oil prices have risen to a 5-month high. This is due to disruptions in Russian refineries, the ongoing conflict in the Middle East and the growing global economy – particularly in the populous Asian countries. It is becoming apparent that "black gold" will play a much greater role in the global economy than some might have hoped.

The entire energy sector is currently being supported by both macroeconomic and microeconomic factors. Historical oil consumption, for example, continues to rise. We are currently at around 100 million barrels per day. Road traffic remains a key driver and is likely to continue to increase in the most populous countries for at least another two decades.

In terms of price, it remains important that fundamentally too little money has been invested in exploration (discovery and development of new resources) for at least a decade. Production cuts by Saudi Arabia, disappointing production figures and the sanctions imposed by Iran and Venezuela on trade with Western countries have led to an imbalance between supply and demand.

This means that the outlook for higher oil prices is likely to remain within a broad price range of 70 to 120 dollars per barrel, which is likely to last for years to come. The interesting thing is that the European Union's (EU) boycotts of Russian oil, gas and coal have lowered their prices. This has made fossil fuels all the more attractive for emerging countries. Turkey, for example, is benefiting massively from cheaper Russian raw materials.

According to the British energy NGO Ember Climate, Turkey is therefore now relying less on renewable energy sources and more on climate-damaging coal to generate electricity. Until the Ukraine war, Turkey imported four million tons of coal from Russia at peak prices of up to 450 dollars per ton. By 2023, this figure had risen to 17.4 million tons, as the price plummeted to 120 dollars per ton – without the additional discount from Russia because Turkey did not support the Western sanctions.

Turkey has already overtaken Poland in terms of coal-fired power generation, and probably Germany, too. While only 12% of electricity is generated from coal in the EU, this figure has climbed to 36% in Turkey, taking the country off the path to the energy transition, even though it has enormous potential for generating solar and wind energy. This is just one example from a large number of similar emerging country developments.

Asset sub-class	3–6 months	12–24 months	Analysis
Commodities	→	↗→	At 79 dollars per barrel (WTI Crude), crude oil prices are just under 10% below the annual high from the beginning of April. This has a slightly disinflationary effect.
Gold, precious metals	↗	↗→	Gold is in a cyclical uptrend driven by structural demand trends from China (Chinese Central Bank!) and the historical debt levels in the US.
Insurance Linked Securities	↗	↗	We remain convinced of the risk-adjusted attractiveness of subordinated insurance bonds and selective ILS solutions.
Private equity	↗	↗	The private market vehicle "The Partners Fund" currently has a valuation of +3.9% since the beginning of the year. The Rosen Group is an exciting new investment.

Market data

Asset class		Price (in local currency)			Monthly / YTD / Annual performance (in CHF)		
Equity		**30.04.2024**	**04/2024**	**2024 YTD**	**2023**	**2022**	**2021**
SMI	CHF	11'260.9	−4.0%	+1.1%	+3.8%	−16.7%	+20.3%
SPI	CHF	15'066.7	−2.4%	+3.4%	+6.1%	−16.5%	+23.4%
DAX	EUR	17'932.2	−2.3%	+13.0%	+13.1%	−16.3%	+10.4%
CAC 40	EUR	7'984.9	−2.0%	+11.7%	+9.6%	−13.9%	+23.6%
FTSE MIB	EUR	33'746.7	−2.2%	+17.4%	+20.4%	−17.3%	+17.3%
FTSE 100	GBP	8'144.1	+3.3%	+12.9%	−0.3%	−8.8%	+16.7%
EuroStoxx50	EUR	4'921.2	−2.5%	+14.9%	+12.1%	−16.0%	+16.0%
Dow Jones	USD	37'815.9	−3.3%	+9.7%	+3.5%	−7.7%	+22.2%
S&P 500	USD	5'035.7	−2.4%	+15.4%	+13.1%	−18.5%	+30.6%
Nasdaq Composite	USD	15'657.8	−2.7%	+14.1%	+30.6%	−32.3%	+25.0%
Nikkei 225	JPY	38'405.7	−7.0%	+12.3%	+8.6%	−19.7%	−2.6%
Sensex	INR	74'482.8	+2.8%	+12.4%	+7.4%	−4.8%	+23.2%
MSCI World	USD	3'305.3	−2.2%	+14.1%	+10.8%	−18.5%	+23.7%
MSCI EM	USD	1'046.0	+2.0%	+11.7%	−2.6%	−21.5%	−1.8%
Bonds (mixed)		**30.04.2024**	**04/2024**	**2024 YTD**	**2023**	**2022**	**2021**
Glob Dev Sov (Hedged CHF)	CHF	151.0	−1.8%	−2.8%	+2.2%	−13.2%	−3.0%
Glob IG Corp (Hedged CHF)	CHF	178.6	−2.3%	−3.1%	+4.2%	−16.7%	−2.0%
Glob HY Corp (Hedged CHF)	CHF	341.7	−1.0%	+0.7%	+8.7%	−13.6%	+1.4%
USD EM Corp (Hedged CHF)	CHF	262.5	−1.9%	−1.2%	+4.5%	−18.2%	−2.7%
Government bonds		**30.04.2024**	**04/2024**	**2024 YTD**	**2023**	**2022**	**2021**
SBI Dom Gov	CHF	178.5	−0.3%	−0.6%	+12.5%	−17.0%	−4.2%
US Treasury (Hedged CHF)	CHF	135.2	−2.7%	−4.6%	−0.5%	−15.0%	−3.5%
Eurozone Sov (Hedged CHF)	CHF	176.4	−1.6%	−2.9%	+4.8%	−18.9%	−3.7%
Corporate bonds		**30.04.2024**	**04/2024**	**2024 YTD**	**2023**	**2022**	**2021**
CHF IG Corp (AAA-BBB)	CHF	183.0	0.0%	+0.7%	+5.7%	−7.5%	−0.5%
USD IG Corp (Hedged CHF)	CHF	180.5	−2.9%	−4.3%	+3.5%	−18.5%	−2.3%
USD HY Corp (Hedged CHF)	CHF	581.8	−1.3%	−0.8%	+8.5%	−13.7%	+4.1%
EUR IG Corp (Hedged CHF)	CHF	162.6	−1.1%	−1.2%	+5.9%	−14.1%	−1.2%
EUR HY Corp (Hedged CHF)	CHF	288.9	−0.3%	+0.6%	+9.8%	−10.9%	+3.2%
Alternative investments		**30.04.2024**	**04/2024**	**2024 YTD**	**2023**	**2022**	**2021**
Gold Spot CHF/kg	CHF	67'578.5	+3.2%	+20.0%	+0.8%	+1.0%	−0.6%
Commodity Index	USD	101.7	+4.1%	+12.7%	−20.4%	+15.1%	+30.8%
SXI SwissRealEstateFunds TR	CHF	2'375.9	−4.5%	+1.5%	+5.4%	−17.3%	+7.6%
Currencies		**30.04.2024**	**04/2024**	**2024 YTD**	**2023**	**2022**	**2021**
US dollar / Swiss franc	CHF	0.9194	+2.0%	+9.3%	−9.0%	+1.3%	+3.1%
Euro / Swiss franc	CHF	0.9807	+0.8%	+5.6%	−6.1%	−4.6%	−4.0%
100 Japanese yen / Swiss franc	CHF	0.5824	−2.2%	−2.4%	−15.4%	−11.0%	−7.5%
British pound / Swiss franc	CHF	1.1485	+1.0%	+7.2%	−4.2%	−9.3%	+1.9%