
Boat harbor, city of Zug (Photo: Andreas Busslinger)

Positive equity momentum in the fall

The macroeconomic environment continues to support the positive sentiment on the equity markets. In addition, the bond markets are likely to continue their recent recovery phase in the coming months, as there are signs of several key interest rate cuts in the USA and Europe over the next six months. The nervous start to August does not change anything: the falling inflation trend is increasing real wages in many places and therefore purchasing power, which is why we continue to expect a pleasingly stable consumer and economic trend with a balanced labor market.

The long-awaited slowdown in the US economy is underway, but without risking a recession. The Federal Reserve (Fed) is expected to start the cycle of interest rate cuts in the US in September, gradually easing its restrictive monetary policy. This will certainly stimulate the acquisition and merger market, the transaction market for private market investments and the real estate market.

Even if more volatile equity markets are to be expected, our expectations regarding the overall risk and total return of individual asset classes remain intact. We expect a more attractive environment for real investments than for nominal values. The economic recovery in Europe is likely to continue in the fall. The quarterly results published so far for technology-related large caps have been just in line with (high) expectations. More importantly: In the USA as in Europe, falling interest rates should ensure a broad-based recovery in profits among small & mid caps and thus provide broader support for the upturn on the equity markets.

Good performance in July

The stock markets drifted apart in July. The US technology index Nasdaq (-0.7%) dipped into a consolidation phase. The broad US index S&P500 (+1.2%) was also barely able to distinguish itself from the European Stoxx Europe 600 (+1.4%). In contrast, the Swiss Market Index (+2.6%) was one of the strongest indices worldwide in July.

All asset classes rose in July, with real estate and infrastructure stocks (+5.5%) benefiting the most from lower interest rates. Bonds (+1.2%) also gained somewhat, but we are maintaining their weighting primarily for strategic reasons.

The Swiss Market Index (SMI, +10.6% since the beginning of the year) rose broadly in July. Among our SMI positions, Nestlé (-3% in July) was the weakest stock. The best performance came from the healthcare sector: Lonza (+20%) and Roche (+15%) gained significantly more than Alcon (+4%) and Novartis (+3%). The strongest performance came from Accelleron (+24%) and SGS (+20%) in Germany and Thermo Fisher Scientific (+11%), Vinci (+7%) and Axa (+6%) in the foreign part of our portfolios.

In defensive risk class 1 (e.g. Revo1 with a high proportion of bonds at +2.2%), the return has been clearly positive since the beginning of the year. In the “balanced” risk class 3 (e.g. Revo3 with +9.1% and R3 with +9.9% since the beginning of the year), the total return is at a very good level.

The dynamic risk classes 4 and 5 (e.g. Revo4 with +12.0% and Revo5 with +13.9% since the beginning of the year) are above the expected long-term annual returns. The performance of the dividend solutions (e.g. RDiv with +11.0%) benefited from their strong real estate and infrastructure component.

Strategies mainly based on individual titles	Strategy performance*	
	July 2024	YTD 2024
Zugerberg Finanz R1	+1.2% ↗	+2.4% ↗
Zugerberg Finanz R2	+1.7% ↗	+6.3% ↗
Zugerberg Finanz R3	+1.8% ↗	+9.9% ↗
Zugerberg Finanz R4	+2.1% ↗	+11.9% ↗
Zugerberg Finanz R5	+2.3% ↗	+12.3% ↗
Zugerberg Finanz RDividends	+3.0% ↗	+11.0% ↗
Zugerberg Finanz Revo1	+1.4% ↗	+2.2% ↗
Zugerberg Finanz Revo2	+1.7% ↗	+6.1% ↗
Zugerberg Finanz Revo3	+2.0% ↗	+9.1% ↗
Zugerberg Finanz Revo4	+2.5% ↗	+12.0% ↗
Zugerberg Finanz Revo5	+2.7% ↗	+13.9% ↗
Zugerberg Finanz RevoDividends	+4.1% ↗	+11.2% ↗
Zugerberg Finanz DecarbRevo3	+2.1% ↗	+2.2% ↗
Zugerberg Finanz DecarbRevo4	+3.0% ↗	+1.9% ↗
Zugerberg Finanz DecarbRevo5	+3.8% ↗	+1.4% ↗

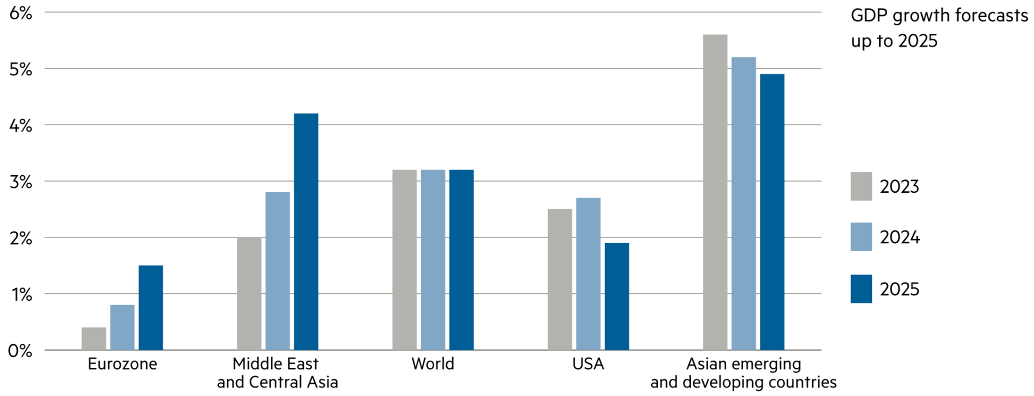
Zugerberg Finanz Vested benefits	Strategy performance*	
	July 2024	YTD 2024
Zugerberg Finanz Vested benefits R0.5	+1.2% ↗	+0.7% ↗
Zugerberg Finanz Vested benefits R1	+0.8% ↗	+2.3% ↗
Zugerberg Finanz Vested benefits R2	+1.1% ↗	+5.0% ↗
Zugerberg Finanz Vested benefits R3	+1.4% ↗	+7.9% ↗
Zugerberg Finanz Vested benefits R4	+1.1% ↗	+8.3% ↗

Zugerberg Finanz 3a pension solution	Strategy performance*	
	July 2024	YTD 2024
Zugerberg Finanz 3a Revo1	+1.4% ↗	+2.2% ↗
Zugerberg Finanz 3a Revo2	+1.7% ↗	+6.1% ↗
Zugerberg Finanz 3a Revo3	+2.0% ↗	+9.1% ↗
Zugerberg Finanz 3a Revo4	+2.5% ↗	+12.0% ↗
Zugerberg Finanz 3a Revo5	+2.7% ↗	+13.9% ↗
Zugerberg Finanz 3a RevoDividends	+4.1% ↗	+11.2% ↗
Zugerberg Finanz 3a DecarbRevo3	+2.1% ↗	+2.2% ↗
Zugerberg Finanz 3a DecarbRevo4	+3.0% ↗	+1.9% ↗
Zugerberg Finanz 3a DecarbRevo5	+3.8% ↗	+1.4% ↗

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

Macroeconomics

Stable macroeconomic outlook



GDP growth forecasts up to 2025 (Source: International Monetary Fund, 2024 | Graphic: Zugerberg Finanz)

The International Monetary Fund (IMF) expects global growth to remain at the 2023 level (+3.2%) until the end of 2025. However, this is expected to include a slowdown in the USA and China, which will be offset by accelerated growth in Europe and a number of emerging economies such as India and the Middle East. In the Asia-Pacific countries, the high growth rate is declining slightly due to the problems in China.

The economic slowdown in China is having an impact on its trading partners in Asia. But here too, the indices reflect the performance of the largest companies – not the performance of the economy as a whole. India and Japan continue to stand out in Asia thanks to rising corporate profits and strong fundamental data. However, momentum slowed in Japan in particular. In India, there were no particular sector- or stock-specific observations: The overall economy there is experiencing rapid growth. Our Indian equity baskets (+15% since the beginning of the year) have already made significant gains again.

The US economy is cooling down (+2.1% in the first half of the year). On the one hand, this is desirable because it will be accompanied by falling inflation and probably soon by falling key interest rates. In principle, the state can no longer afford the high interest rates. Government spending (including spending by the individual states and communities) has risen to 36%, even though significant parts of the education institutions and healthcare system are funded by the private sector. The high interest on government debt now accounts for more than 10% of tax revenues in the USA.

The true interest burden ratio determines what proportion of tax revenue is spent on interest by the respective local authority. In Switzerland, this figure is 0.5% and in Germany 2%. In much-criticized France, the interest burden ratio is already at 4%. However, nowhere is it as high as in the USA at over 10%. The gross debt of the USA now amounts to 125% of gross domestic product. According to the Congressional Budget Office, real and nominal debt will continue to rise unchecked in the coming years, as no political constellations are foreseeable that would significantly reduce the structurally high deficit.

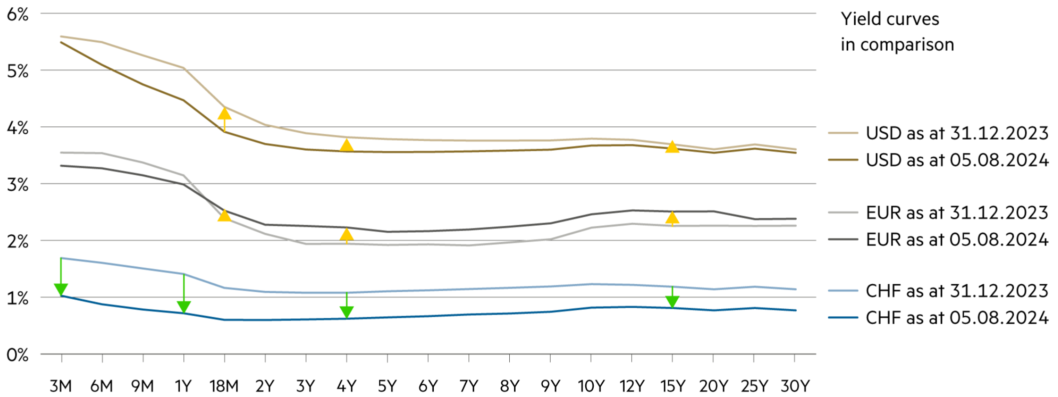
Despite geopolitical tensions, there is still reason for investors to be cautiously optimistic until the end of 2024: interest rate cuts in the industrialized and emerging markets are on the cards and obvious disinflation in the US is bringing inflation back into the Federal Reserve's (Fed) target range. PCE (Personal Consumption Expenditures) inflation was recently +2.5% above the previous year's figure. Over the last 12 months, goods prices have stagnated; only service prices (especially housing prices) have risen. This index is key for the Fed, as it tracks changes in the prices of goods and services purchased by consumers.

In Europe, the growth drivers are unmistakable, with Spain, France and Ireland growing significantly faster than Italy and Germany. In addition, there are attractive valuations in many emerging markets (e.g. India). Earnings growth for Swiss equities is likely to be close to double digits in the current and coming year – less so for large companies (+10%) than for medium-sized companies (+17%). In view of these prospects, we remain confident.

Region	3–6 months	12–24 months	Analysis
Switzerland	↗	↗	Valuations remain attractive for long-term investors. Improved demand from Europe and more investment are providing growth impetus.
Eurozone, Europe	↗	↗	In 1H24, Spain (+3.2% annualized) and France (+1.3%) grew stronger than Italy (+1.0%) and Germany (+0.4%). The eurozone is making solid progress.
USA	↗	↗	GDP growth is likely to remain above 2% this year despite restrictive monetary policy thanks mainly to expansionary fiscal policy and robust consumption.
Rest of the world	↗	↗	In India, growth rates in the region of +7% p.a. are expected thanks to a pro-growth government and a moderate monetary policy.

Liquidity, currency

Interest rates at the shorter end are more attractive



The yield curve in dollars, euros and francs. 3 months to 30 years; on 31.12.2023 and on 05.08.2024 (Source: Bloomberg Finance L.P. | Graphic: Zugerberg Finanz)

The fact that the US budget deficit continues to grow month after month should not be news to anyone. The timing of actual borrowing, i.e. when the US Treasury will have to issue and sell new bonds, is already more complex. This depends on the exact timing of maturing bonds that need to be rolled over, as well as larger expenditures such as the recent aid packages for Ukraine and Israel. The USA has to pay significantly more interest on its debt in the short, medium and long term than the eurozone or Switzerland.

The Ministry of Finance, led by Janet Yellen, recently sold more short-term debt instruments than usual – presumably because it expects interest rates at the short end of the yield curve to fall and is aiming to renew them at a significantly lower level in a year's time. However, selling short-term T-bills is no longer so easy, especially as demand from home and abroad is waning. Private investors are massively reducing their holdings because they also expect interest rates to fall and are increasingly shifting their capital to more promising markets.

In general, it is important to remember that the adjustment to the new environment with lower inflation and moderate macroeconomic risks has so far been largely orderly. This should not be taken for granted. When many attractive investment opportunities present themselves, the journey can be bumpier than expected.

To date, it remains remarkable that despite isolated inflation disappointments, there has been less bond volatility in the first half of 2024 than during the period when interest rates were on their way up. Many seem to realize: When interest rates are rising, the destination is worryingly uncertain; on the way down, despite the ups and downs of individual macroeconomic data, we know the end point is somewhere between zero and where we are now. This obviously has a calming effect and reduces volatility.

This also results in a focus for the next twelve months: the preference for the middle points of the yield curve. This is where interest rates will fall, particularly in the USA. Because yields at the shorter end of the yield curve are primarily determined by key interest rate expectations, the highest interest rates are effectively capped and will ensure an upward movement in the total yield of medium-term bonds.

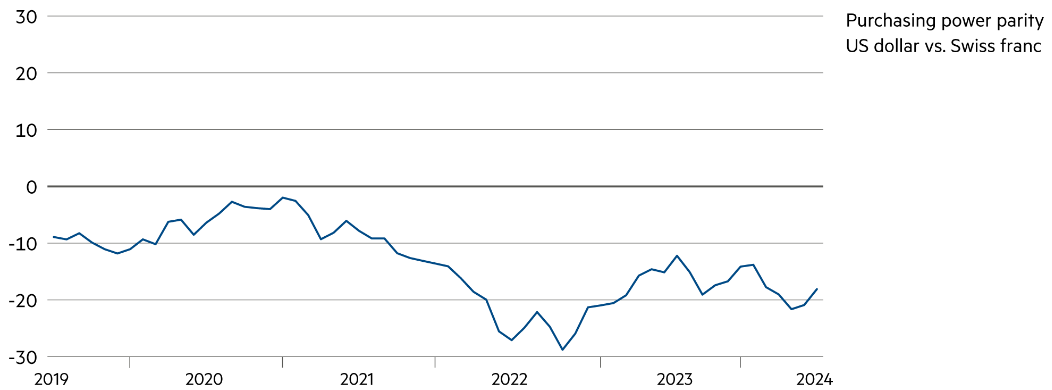
The extent of this remains uncertain, but we are keen to benefit from it. By contrast, the medium-term yield prospects on the Swiss franc yield curve have diminished due to the Swiss National Bank's rapid monetary policy adjustment to the renewed inflation environment.

Further out on the curve, interest rates are somewhat higher than at the start of the year (with the exception of Switzerland) and have caused price losses on the corresponding USD and EUR bonds. Added to this are the costs of currency hedging. A number of other factors are also determining yields at the longer end of the yield curve: for example, concerns about the sustainability of US government debt through to uncertainty about growth trends and the term premium. These considerations ensure that the upside and downside risks are currently symmetrical.

Asset class	3–6 months	12–24 months	Analysis
Bank account	↘	↘	There are further signs of easing on the inflation front. The interest rate on bank accounts is once again tending towards zero.
Euro / Swiss franc	→	→	The ECB is likely to cautiously lower its key interest rates further after the summer break. Purchasing power parity is roughly at the current level.
US dollar / Swiss franc	↘	↘	At just under 0.88, the dollar is at a low level due to interest rates (-2.3% in July). However, the annualized hedging costs of 4.2% (USD vs. CHF) remain high.
Euro / US dollar	→↗	→↗	The euro clearly gained against the dollar in July (+1.1%). This trend could continue until the end of the year.

Bonds

Hedging of dollar bonds necessary



Purchasing power parity US dollar vs. Swiss franc: The dollar is heavily overvalued (Source: Bloomberg Finance L.P. | Graphic: Zugerberg Finanz)

The dollar is currently almost 20% overvalued. This is evident from a comparison of the purchasing power parity with the Swiss franc. In the medium term, a devaluation (from currently just under 0.88) to 0.71 francs per dollar must therefore be expected; next year it is likely to trend towards 0.80. It therefore makes sense to hedge the dollar bonds completely, even if the costs are currently 4.2% per annum. Nevertheless, the high liquidity of the USD bond market makes it attractive.

The choice on the CHF bond market is about a hundred times smaller than on the USD bond market. This makes diversification (sectors, maturities, ratings) more difficult. Liquidity is also lower, which is almost more significant than the poor sector weighting. In the Swiss bond market there are many mortgage bonds, an indirect financing instrument of the banks, and direct bank bonds. Together with public corporations (state, cantons, municipalities), these account for around 75% of the market volume. Non-financial companies play a minor role in the Swiss Bond Index.

In fact, the larger Swiss companies also prefer to finance themselves on the more liquid EUR and USD bond markets. Whether Nestlé or Roche, SwissRe or Helvetia – transactions in CHF are rare.

In the current monetary policy environment, it is also important to be broadly diversified across numerous sectors in the second half of the year and to remain carefully selective at company level. There are still opportunities on the bond markets, but discipline is required, particularly in the area of top ratings.

Swiss hospitals are among the areas that we have consistently avoided. These made negative headlines due to deficits, among other things. Unsurprisingly, individual bonds are trading well below their issue price. The Seespital bond, which matures in one year, is currently trading 24% below its nominal value. Some are even trading 50% lower (e.g. Wetzikon).

The selection makes the difference. There are also solid hospital bonds, e.g. from the Bern University Hospital Foundation Inselspital and the University Hospital Foundation Children's Hospital Zurich. However, the spread of 125 basis points shows that investors want to be compensated for the credit risk – with a premium such as that paid by the Zug-based commodities trader Glencore with its BBB+ rating.

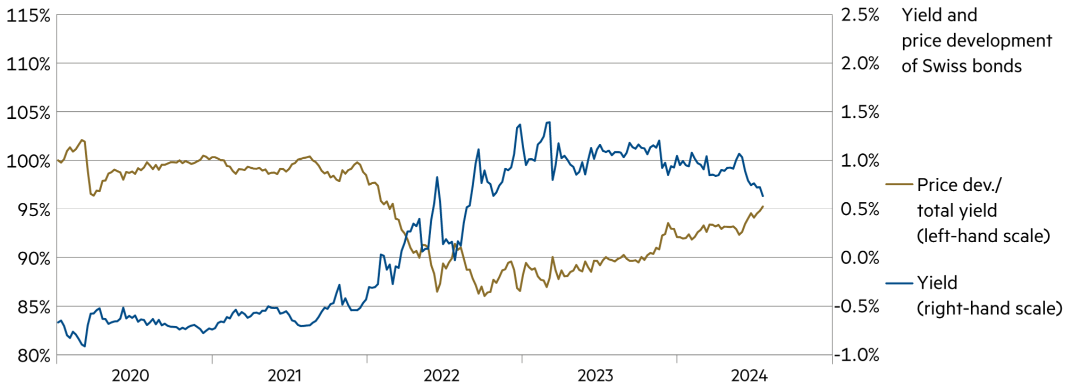
For the Swiss Bond Index (SBI Total AAA-BBB), the average redemption yield is only 1.0% (vs. 1.4% at the end of May). The duration is over seven years (7.2). If interest rates rise slightly, bond prices fall immediately. The higher bond prices in Swiss francs compared to the beginning of the year are due to the fact that the benchmark yields of the two-year Swiss Confederation fell by 43 basis points to 0.6% and those of the ten-year Swiss Confederation by 21 basis points to 0.4%. Yields rose and prices fell in all other European countries.

The long-awaited reverse scenario is now emerging on the major bond markets (USD, EUR, GBP). Key interest rates are falling and driving up bond prices. The risk of market distortions is low. Credit risk premiums remain stable.

Asset sub-class	3–6 months	12–24 months	Analysis
Government bonds	→	↗	The government bonds of top countries provide a portfolio with security in uncertain times - but perhaps no more than gold.
Corporate bonds	→↗	↗	We continue to see solid yield potential in corporate bonds with a medium credit rating - currency-hedged in CHF.
High-yield, hybrid bonds	↗	↗	On a risk-adjusted basis, subordinated bonds from financial and industrial companies remain particularly interesting.

Zugerberg Finanz bond solutions

Solid performance in the year to date



Yield and price development of Swiss bonds 01.01.2020 to 31.07.2024 (Source: Bloomberg Finance L.P. | Graphic: Zugerberg Finanz)

The World Bond Index is still significantly lower (global aggregate -10.8%) than in January 2020. Until June 2023, the trend was fairly parallel to the Swiss Bond Index. Because inflation rates in Switzerland fell faster than abroad and key interest rates were lowered earlier, the recovery began earlier. It is now “only” 4.3% lower. However, this means that the recovery potential has essentially already been exhausted, provided we do not fall back into a period of negative interest rates.

The current recovery potential of the Zugerberg Income Fund (ZIF), around 20% of which is linked to the Swiss Bond Index and 80% to the World Bond Index, is much greater than that of the Swiss Bond Index. This is likely to manifest itself over the next 12 to 18 months, as falling key interest rates will probably drive the World Bond Index up much more strongly than the Swiss Bond Index.

This is due to the fact that the key interest rates implicitly traded on the market are around 144 basis points (dollar) and around 124 basis points (euro) lower in one year. Over two years, they are 194 and 156 basis points respectively. We are therefore looking at a period in which significant interest rate cuts are expected.

After seven months, the total return on the ZIF is +0.6%, while the world bond index (-0.4%) is still in the red so far this year.

The ZIF improved further at the beginning of August. In the short term, however, we are already in the middle of a turnaround in key interest rates. Last July, the ZIF (+1.5%) rose noticeably more than the Swiss Bond Index (+1.2%) in the wake of expectations of monetary policy easing in the USA and the eurozone.

The Credit Opportunities Fund (COF) has achieved a return of +5.4% in the year to date. However, the main reason for this is not the expectations of interest rate cuts, but the robust economy. The duration risks are relatively low.

The current prospects of lower interest rates are in turn attracting more money to the credit markets favored by the COF. Although credit risk premiums have fallen somewhat over the course of the year, they remain attractive and make a constant and continuous contribution to sustainable returns, while the Swiss Bond Index, for example, has benefited from a one-off shift in the yield curve.

The COF (currency-hedged) generates monthly returns of +0.4%, which is significantly higher than those of the Swiss Bond Index (+0.1%) and also explains the long-term excess return over the Swiss Bond Index.

As we expect the Swiss franc to tend to strengthen over the next 12 months as a result of the economic cycle, it is worth consistently hedging the foreign currencies in the portfolio. The appreciation of the franc may not be comparable to that of 2023, but it is likely to be particularly strong against the dollar in the medium term.

	Zugerberg Income Fund	Credit Opportunities Fund
Yield in 2024 (since the beginning of the year)	+0.6%	+5.4%
Yield since the start (annualized)	-7.9% (-1.3%)	+31.9% (+2.4%)
Proportion of months with positive yield	53%	67%
Credit risk premium in basis points (vs. previous month)	109 BP (-8 BP)	431 BP (-92 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

Rising home prices

Oberwil, Canton Zug (Photo: Andreas Busslinger)

Home prices continued to rise in the second quarter of 2024 and were recently around 2.7% higher than a year ago: the increase was stronger for single-family homes (+3.1%) than for condominiums (+2.4%). Interestingly, prices fell in expensive lakeside locations around Zurich, Zug and Geneva. By contrast, mountain regions, particularly in the tourist destinations of the cantons of Graubünden and Valais as well as in Central Switzerland and the Bernese Oberland, showed the strongest price momentum.

The low supply of housing in the mountain communities favored the highest price increases in the mountains. The price trend in other regions was weaker. In many places in north-western and eastern Switzerland, prices are currently below the previous year's levels.

Current demand for owner-occupied homes is well below pre-pandemic levels. Even the lower key interest rates and thus falling financing costs are unlikely to change this, as the rules of affordability are based on the imputed interest rate of 5%, not on the actual interest charges, even if these are fixed for many years to come.

In order to assess whether the affordability requirements are met, the financial institutions must make the following calculation at the behest of the supervisory authorities: The annual cost of the property (imputed interest rate of 5% of the mortgage + amortization + ancillary costs 1% of the market value) should not exceed 33% of your gross income.

At least 20% of the value of the property must be financed with equity. At least 10% must be financed with equity capital that does not come from occupational benefits. For example, if a property costs CHF 800,000, CHF 160,000 must be financed from equity. There are only a few exceptions to this policy.

In addition, the higher the age, the stricter the requirements for granting mortgages. Financial circumstances can change considerably as a result of retirement.

Due to the yield curve, two- to four-year mortgage loans can be taken out at well below 2% in the current environment. For a loan of CHF 640,000, this means monthly interest charges of around CHF 1,067.

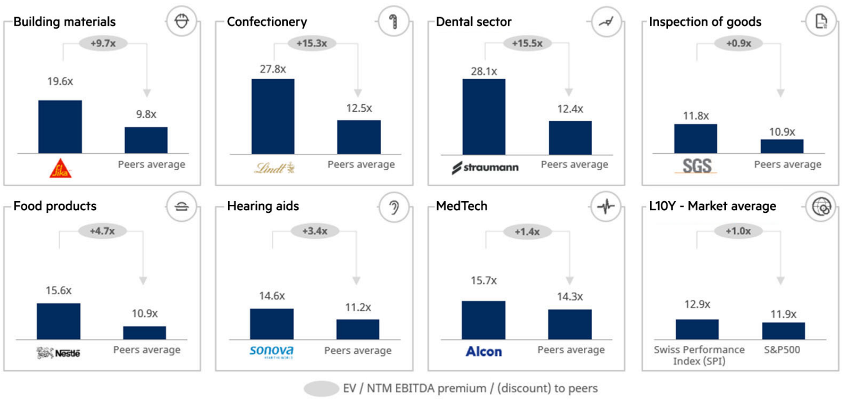
Back to the investment solutions: Our portfolios contain real estate and infrastructure investments, each with a broad diversification. In July, all values increased. Not all positions have been convincing this year. The infrastructure operator Vinci (-4% total return since the beginning of the year) is clearly lagging behind the leader, Zurich Airport (+19%). In between are the sustainable energy group BKW (+9%) and Veolia Environnement (+6%).

By adding real estate and infrastructure investments, the efficiency of a typical equity+bond portfolio can be increased over longer periods, as their volatility is lower than that of the overall equity market, while still achieving comparable returns.

Asset sub-class	3–6 months	12–24 months	Analysis
Residential properties CH	↗	↗	The rents (Homegate: +6% in 1 year) are based on advertisements. The longer they are up, the less they have to do with reality. Only the slow sellers are still there.
Office and retail properties CH	→	→↗	Property valuers have not yet realized that long-term interest rates have fallen significantly (to 0.4% yield on the ten-year Swiss Confederation).
Real Estate Fund CH	→	↗	As with a dividend portfolio, it is all about the present value of future payments. The lower discount rate is gradually increasing valuations again.
Infrastructure Equity / Fund	↗	↗	Disciplined selectivity is required in order to benefit sustainably from yield optimization through the inclusion of infrastructure stocks.

Equity

The Swiss equity market remains attractive



Leading Swiss companies trade at a valuation premium to their peer group; data as at May 2024 (Source: SIX | Graphic: Zugerberg Finanz)

All equity analysts are focusing on the USA. US equities dominate the world equity index with 70%. But it is worth looking at the Swiss equity market. Since the turn of the millennium, the Swiss equity market (+218% total return including dividends) has clearly outperformed the MSCI World (+148%). In addition, leading Swiss companies typically trade at higher valuations than their peer groups. This premium results from buyers valuing the perceived intrinsic value of the share higher than the fundamental value.

Over a longer term, the Swiss stock market beats the world stock index. When it comes to the purely economic-fundamental view of Nestlé in comparison with Unilever and Danone, for example, investors are obviously prepared to pay a premium. This is the case with various market-leading Swiss companies, such as Sika (construction chemicals), Alcon (ophthalmology), SGS (goods testing company) and also Holcim (building materials) and Partners Group (private market asset manager).

A consistently higher valuation is the result of years of communication with the capital market and the fulfillment of the company's own forecasts. It can also be attributed to greater market coverage (Nestlé) or a broader product range (Sika, SGS). Both of these factors ensure better diversification of earnings sources and thus lower fluctuations in actual results.

The Swiss stock market also offers a number of well-known companies that are on the verge of a major growth spurt. Liquidity is also high, which increases the attractiveness of listed shares. Swiss equities are valued worldwide, especially in volatile market phases, due to their defensive nature. Swiss quality stocks usually come through crises (e.g. pandemic) better than their competitors and have excellent resilience. And even if the US economy begins to flatten out, many Swiss companies are recording robust earnings growth.

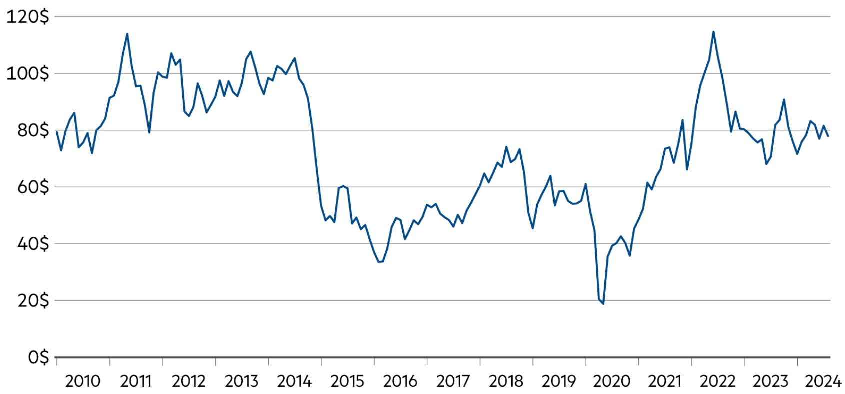
Another advantage over many equities is the Swiss corporate culture, which distributes a significant portion of total earnings to shareholders in the form of dividends. And because total earnings increase in a growing economy, the sum of all distributions also increases. From a risk perspective, high-dividend companies are interesting because they often operate in defensive, mature markets and are therefore less susceptible to economic cycles. In technical terms, this results in lower volatility.

An equity portfolio also requires sector diversification. We therefore consider it important to hold US tech giants in the portfolio, as this segment could not be covered in Switzerland. Thanks to the 18% share of technology stocks in the equity portfolio in risk class 5, we did not miss out on the ongoing technology rally. We realized some of the price gains following the sharp rise, but remain exposed to above-average levels. According to UBS, the average equity portfolio of a Swiss bank client contains only around 5% tech stocks.

Asset sub-class	3–6 months	12–24 months	Analysis
Equity Switzerland	→↗	↗	The upside potential may be limited, but the dividend yield in our selection of high-quality Swiss equities remains attractive.
Equity Eurozone, Europe	→↗	↗	Specific strengths and opportunities characterize our selection of market leaders such as SAP (+42% ytd total return), Schneider Electric (+24%) and Axa (+17%).
Equity USA	→↗	↗	Media attention in the AI sector is still concentrated on a small number of stocks, although AI applications are expanding at a rapid pace.
Equity Emerging markets	↗	↗	We are primarily interested in structural, high-quality growth potential over a longer period of time. We find this (selectively) in India.

Alternative investments

Energy prices of minor importance



Price development of a barrel of crude oil

Price development of a barrel of crude oil 2010 to 2024 in Dollar (Source: Bloomberg Finance L.P. | Graphic: Zugerberg Finanz)

Few things are as misjudged as commodity prices. At the beginning of the year, there were expectations that the price of oil would rise to a range of 150 to 200 dollars per 159 liters (1 barrel) in the wake of geopolitical tensions. The current price is currently around half of the lower forecast range – at the average price level of the past 15 years, not to mention, i.e. the oil price has fallen in real terms, and in Swiss francs anyway.

Despite global economic growth and the resulting increase in energy demand, particularly in emerging markets, and despite production cuts by the oil-producing cartel OPEC+, the price of crude oil remains stable.

The last major downward spikes occurred in March 2020 (outbreak of the coronavirus pandemic) and upward spikes in March 2022 (war of aggression against Ukraine). Overall, however, crude oil prices have hardly caused any more worrying developments over a longer period of time. Nevertheless, it will be interesting to see how the various economies deal with this issue.

Significant parts of the European economy, for example, are now decoupled from crude oil. The energy intensity of GDP development there has decreased and energy sources have been successfully diversified. This remains important in order to steer value creation in the right direction.

Importing crude oil not only worsens the balance of trade, but also pollutes the environment and creates political dependencies. It is also incomprehensible when productive activities with low added value are maintained with imported resources (crude oil, foreign factory workers) in the middle of Europe. It would be much more logical to relocate energy-intensive production facilities to the sources of energy.

Countries like France that have a robust nuclear power production can certainly afford energy-intensive industrial production. However, if, like Germany, you want neither nuclear power nor coal-fired power generation (from domestic coal, nota bene) without any real alternatives to an energy transition, you should not be surprised at the migration of industrial production and low sales figures for electric vehicles in a country with high electricity prices.

In terms of energy policy, the production of wind and solar power is in disarray, as is the electricity transmission infrastructure (sluggish planning and approval procedures). Shutting down its own nuclear power plants and then importing electricity primarily from France (10 terawatt hours so far this year) does not make German policy any more credible.

European economies that are not robust energy producers in particular should focus on high value-added, low-energy sectors and activities.

Those who promote local energy sources create added value in their own economies. Switzerland does this, for example, with its important hydropower production. Hydropower produces 37 TWh annually in this country. By 2040, two additional TWh will be available in winter – thanks to additional reservoirs. On the Grimsel alone, the dam, which has been raised by just 23 meters, has almost doubled the reservoir volume: instead of 94 million cubic meters of water, it will soon be 170 million cubic meters.

Asset sub-class	3–6 months	12–24 months	Analysis
Commodities	→	→↗	According to BP forecasts, demand for fossil fuels in the global energy system is likely to continue to increase significantly, albeit without a major price effect.
Gold, precious metals	↗	→	China's central bank has officially stopped buying gold for the first time in 18 months. 5% of its reserves are now invested in gold. There is still room for more.
Insurance Linked Securities	→↗	↗	We continue to be satisfied with the ILS solutions, which are used exclusively in vested benefits strategies due to their liquidity.
Private equity	↗	↗	We are extremely positive about the prospects for diversified private market solutions over the next 12 to 18 months thanks to low interest rates.

Market data

Asset class		Price (in local currency)		Monthly / YTD / Annual performance (in CHF)			
Equity		**31.07.2024**	**07/2024**	**2024 YTD**	**2023**	**2022**	**2021**
SMI	CHF	12'317.4	+2.7%	+10.6%	+3.8%	−16.7%	+20.3%
SPI	CHF	16'356.3	+2.7%	+12.3%	+6.1%	−16.5%	+23.4%
DAX	EUR	18'508.7	+0.3%	+13.3%	+13.1%	−16.3%	+10.4%
CAC 40	EUR	7'531.5	−0.5%	+2.3%	+9.6%	−13.9%	+23.6%
FTSE MIB	EUR	33'763.9	+0.7%	+14.0%	+20.4%	−17.3%	+17.3%
FTSE 100	GBP	8'368.0	+2.0%	+14.2%	−0.3%	−8.8%	+16.7%
EuroStoxx50	EUR	4'872.9	−1.6%	+10.5%	+12.1%	−16.0%	+16.0%
Dow Jones	USD	40'842.8	+2.3%	+13.7%	+3.5%	−7.7%	+22.2%
S&P 500	USD	5'522.3	−0.9%	+21.5%	+13.1%	−18.5%	+30.6%
Nasdaq Composite	USD	17'599.4	−2.7%	+23.0%	+30.6%	−32.3%	+25.0%
Nikkei 225	JPY	39'101.8	+3.4%	+14.7%	+8.6%	−19.7%	−2.6%
Sensex	INR	81'741.3	+1.0%	+18.1%	+7.4%	−4.8%	+23.2%
MSCI World	USD	3'571.6	−0.3%	+18.2%	+10.8%	−18.5%	+23.7%
MSCI EM	USD	1'084.8	−2.1%	+11.2%	−2.6%	−21.5%	−1.8%
Bonds (mixed)		**31.07.2024**	**07/2024**	**2024 YTD**	**2023**	**2022**	**2021**
Glob Dev Sov (Hedged CHF)	CHF	154.1	+1.4%	−0.8%	+2.2%	−13.2%	−3.0%
Glob IG Corp (Hedged CHF)	CHF	184.3	+1.7%	0.0%	+4.2%	−16.7%	−2.0%
Glob HY Corp (Hedged CHF)	CHF	350.5	+1.4%	+3.2%	+8.7%	−13.6%	+1.4%
USD EM Corp (Hedged CHF)	CHF	270.1	+1.4%	+1.7%	+4.5%	−18.2%	−2.7%
Government bonds		**31.07.2024**	**07/2024**	**2024 YTD**	**2023**	**2022**	**2021**
SBI Dom Gov	CHF	184.9	+1.9%	+3.0%	+12.5%	−17.0%	−4.2%
US Treasury (Hedged CHF)	CHF	140.0	+1.7%	−1.2%	−0.5%	−15.0%	−3.5%
Eurozone Sov (Hedged CHF)	CHF	179.3	+2.0%	−1.3%	+4.8%	−18.9%	−3.7%
Corporate bonds		**31.07.2024**	**07/2024**	**2024 YTD**	**2023**	**2022**	**2021**
CHF IG Corp (AAA-BBB)	CHF	186.6	+1.1%	+2.7%	+5.7%	−7.5%	−0.5%
USD IG Corp (Hedged CHF)	CHF	187.3	+1.9%	−0.6%	+3.5%	−18.5%	−2.3%
USD HY Corp (Hedged CHF)	CHF	598.7	+1.5%	+2.1%	+8.5%	−13.7%	+4.1%
EUR IG Corp (Hedged CHF)	CHF	165.8	+1.4%	+0.7%	+5.9%	−14.1%	−1.2%
EUR HY Corp (Hedged CHF)	CHF	294.4	+1.0%	+2.5%	+9.8%	−10.9%	+3.2%
Alternative investments		**31.07.2024**	**07/2024**	**2024 YTD**	**2023**	**2022**	**2021**
Gold Spot CHF/kg	CHF	69'090.1	+2.1%	+22.7%	+0.8%	+1.0%	−0.6%
Commodity Index	USD	96.4	−6.4%	+2.6%	−20.4%	+15.1%	+30.8%
SXI SwissRealEstateFunds TR	CHF	2'485.7	+2.7%	+6.2%	+5.4%	−17.3%	+7.6%
Currencies		**31.07.2024**	**07/2024**	**2024 YTD**	**2023**	**2022**	**2021**
US dollar / Swiss franc	CHF	0.8780	−2.3%	+4.3%	−9.0%	+1.3%	+3.1%
Euro / Swiss franc	CHF	0.9507	−1.3%	+2.3%	−6.1%	−4.6%	−4.0%
100 Japanese yen / Swiss franc	CHF	0.5852	+4.8%	−1.9%	−15.4%	−11.0%	−7.5%
British pound / Swiss franc	CHF	1.1288	−0.7%	+5.3%	−4.2%	−9.3%	+1.9%