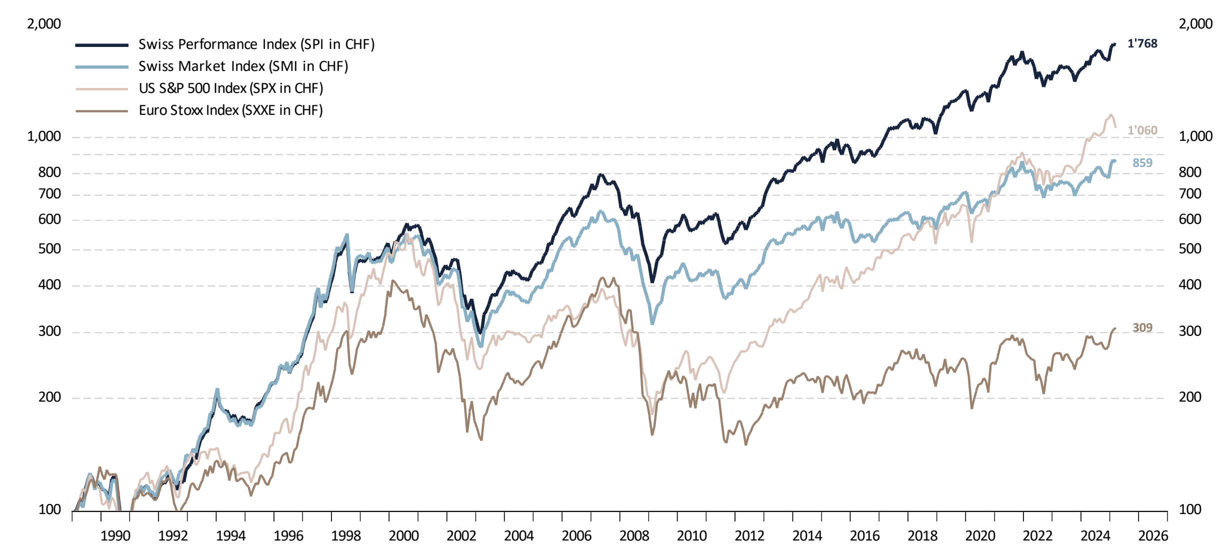
weekly investment focus

The flexiweekly that reaches new heights - published on 31 March 2025

"STONES ARE THROWN ONLY AT FRUIT-BEARING TREES"

- In Switzerland, growth is resilient and inflation under control
- Fiscal and monetary policies underpin activity
- High-quality listed companies export all over the world
- But the Trump administration is likely to put pressure on Switzerland as early as 2 April

CHART OF THE WEEK: "Swiss or international equities?"

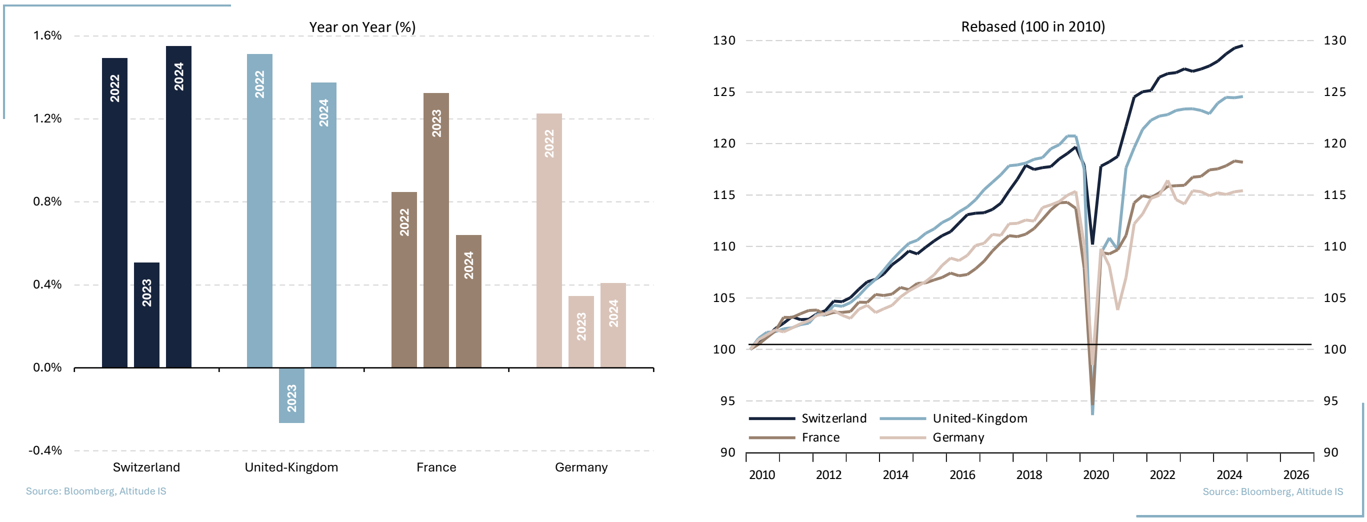


Source: Bloomberg, Altitude IS

FINANCIAL MARKETS ANALYSIS

In the heart of the Alps, the Swiss economy is in danger of growing at below its potential. This economic slowdown is due to a recessionary international environment and temporary domestic constraints. Investments and exports are being adversely affected by the taxes imposed by the Trump administration and the uncertainty they engender. Private consumption is growing slowly, held back by rising rents and health insurance premiums. **Despite this, the fundamentals remain excellent**. Gross Domestic Product (GDP) growth will be stronger in 2025 than in the main European countries (see Fig. 2), accentuating a gap that has been structural for more than a decade (see Fig. 3).

Fig. 2 & 3 - Economic growth in Switzerland and the main European countries



Better still, inflation is perfectly under control. Since June 2023, annual price growth has been below 2%, which has enabled **the Swiss National Bank (SNB)** to ease monetary policy five times (see Fig. 4). By cutting its main key rate from 1.75% to 0.25% between March 2024 and March 2025, the central bank aims to stimulate lending to businesses and households, and to counter the strength of the Swiss franc. This action, which is being taken in a counter-cyclical manner, **is helping to support activity at a time when it lacks dynamism.**

Fig. 4 - Inflation rate and key rate

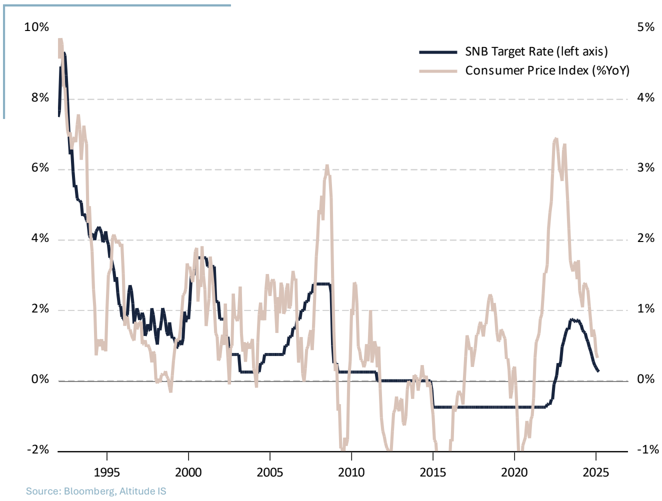
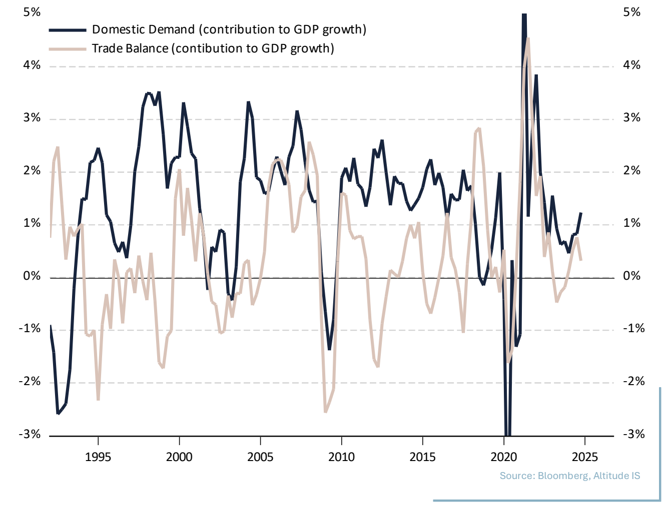


Fig. 5 - Domestic demand and foreign trade



At present, although the trade balance is very positive and is close to the all-time high it reached during the pandemic, **it is essentially domestic demand that is driving growth** (see Fig. 5). Private consumption, which accounts for 'only' 51% of GDP, is contributing 69% to growth. To cope with rising unemployment and weak wage growth (see Fig. 6), households cut back on discretionary spending, such as cars and travel, but continued to consume everyday goods and services (see Fig. 7): food, housekeeping products and healthcare. Over the next few quarters, the domestic dynamic should make it possible to resist the economic crisis well.

Fig. 6 - Unemployment rate and wages

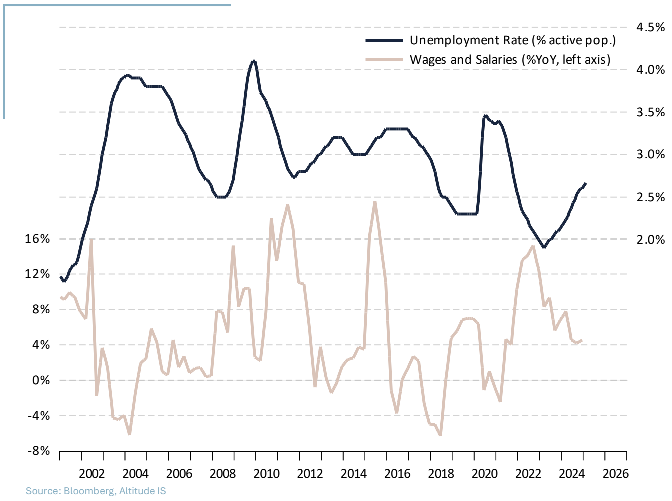
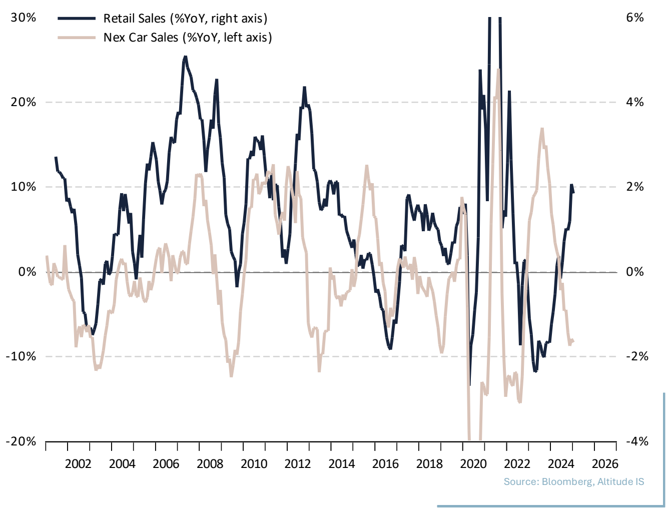


Fig. 7 - Retail and car sales



On the other hand, the trade surplus is likely to face major challenges, particularly in the pharmaceuticals industry. This sector alone accounts for 38% of exports, and the United States is the main trading partner. This explains why, despite its small size, Switzerland is ranked eleventh on the Trump administration's "Dirty 15" list of countries with unfair trade policies (see Fig. 8). Most of these countries are considered as such simply because they have a large trade surplus with the United States.

In two days, on Wednesday 2 April, US Treasury Secretary Scott Bessent is due to announce the next phase of his tariff plan: "reciprocal tariffs". He is likely to focus on this list of countries, and could particularly target the semiconductor and pharmaceutical sectors. The inclusion of the latter would penalise Swiss companies. Small and mid-sized companies are already expressing concern about the potential impact of tariffs on their exports to the United States. A quarter of them expect their sales to fall. The most pessimistic expect an impact of -20% if taxes of +10% are imposed. Faced with this challenge, and with the aim of securing access to the US market, Berne is considering relaunching talks on a free trade agreement.

Fig. 8 - US "dirty 15" list

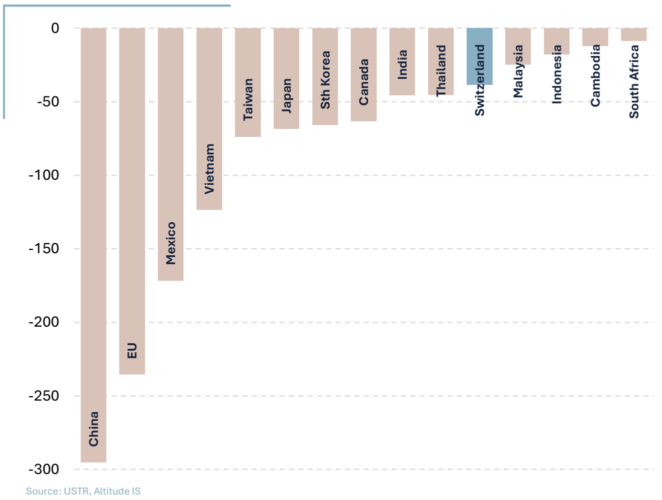


Fig. 9 - Performance of Swiss bonds

	3-Month	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
Current Yield	0.17%	0.20%	0.14%	0.19%	0.29%	0.35%	0.41%
	2025 expected returns						
+100 bp	0.2%	0.1%	-0.3%	-1.5%	-2.1%	-3.9%	-4.8%
-100 bp	0.2%	0.3%	0.6%	2.1%	3.3%	5.2%	6.6%
Asymetry	0.0%	0.2%	0.3%	0.6%	1.2%	1.3%	1.8%

	6-Year	7-Year	8-Year	9-Year	10-Year	15-Year	20-Year
Current Yield	0.46%	0.51%	0.54%	0.60%	0.64%	0.80%	0.80%
	2025 expected returns						
+100 bp	-5.7%	-7.1%	-7.1%	-9.5%	-10.4%	-15.1%	-20.4%
-100 bp	7.6%	9.6%	9.4%	12.9%	14.2%	20.8%	28.5%
Asymetry	1.9%	2.5%	2.3%	3.4%	3.8%	5.7%	8.1%

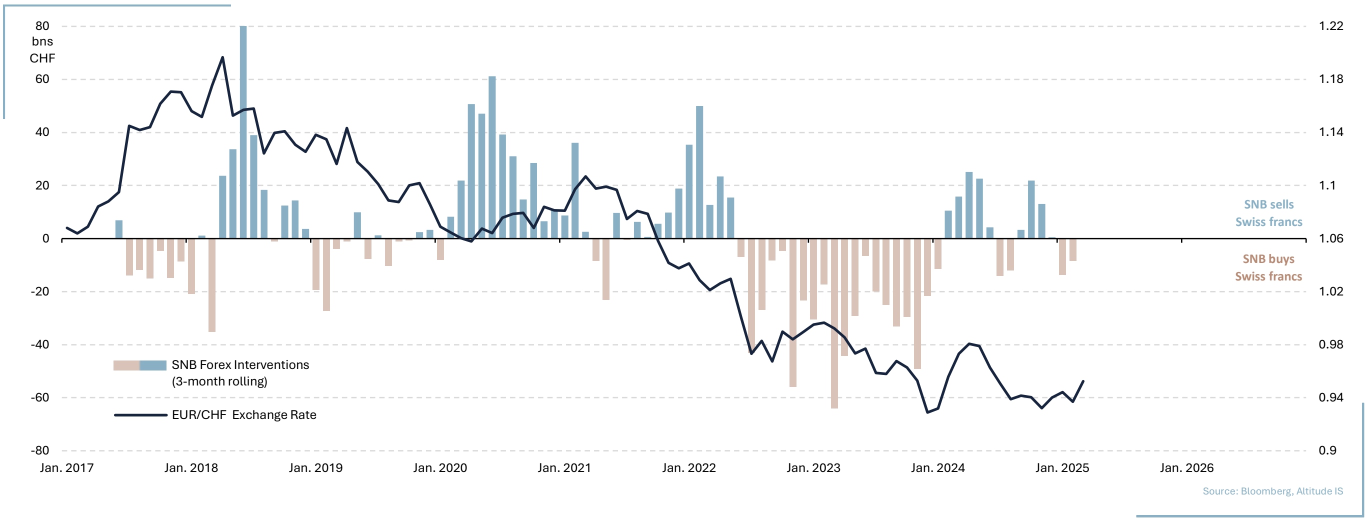
Source: Bloomberg, Altitude IS

On financial markets, Switzerland is an unavoidable alternative. Its bonds, equities and currency are not without risk, but Swiss franc assets complement those of other financial centres.

With rates ranging from 0.17% to 0.80%, Swiss government bonds look anything but attractive. However, at a time when the main developed countries are flirting with excessive debt and their sovereign bonds are considered as increasingly less safe, **bonds issued by the Swiss Confederation could represent the ultimate "risk-free" asset for international investors.** An acceleration in capital flows could easily push Swiss yields into negative territory, as they did between 2015 and 2021, and drive-up bond prices. Even with the current low carry, thanks to duration and roll-down, such a scenario would generate excellent returns, particularly on the long end of the yield curve (see Fig. 9).

In 2024, with the Swiss franc depreciating, investors were not likely to be interested in the low returns offered by fiduciary investments in Swiss francs. This is less and less true. In 2025, the fall of the greenback gives an additional advantage to this arbitrage strategy. It is not yet enough (+2.8%) to compensate for the yield differential (-4.1%), but this will be the case if the dollar continues to slide towards its equilibrium value (see [Weekly Investment Focus, 4 February 2025]).

Fig. 10 - SNB interventions & EUR/CHF rate

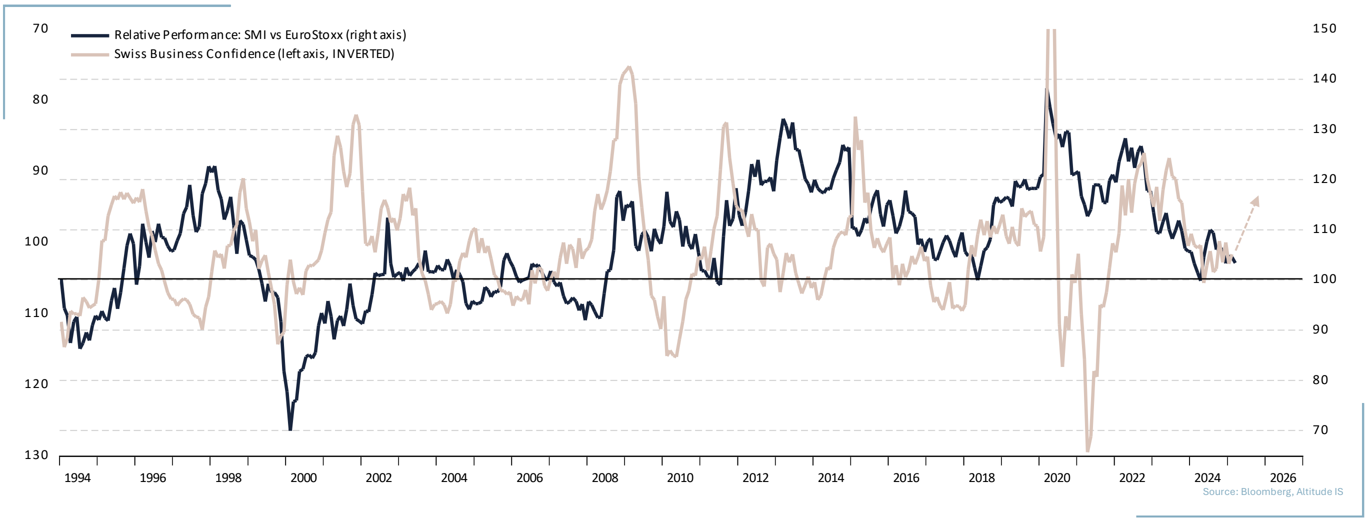


Against the euro, expectations are less easy because the Swiss National Bank (SNB) regularly intervenes on the foreign exchange market. In 2023, the central bank deliberately allowed the franc to appreciate beyond its economic fundamentals, in order to combat inflationary pressures. Since 2024, with price growth under control, the SNB has sought, on the contrary, to facilitate the franc's depreciation. Forex traders have understood this and follow the trend. Indeed, after having had to inject some CHF 45 billion into the foreign exchange market over 11 months (to weaken the franc), the SNB has managed the feat of reabsorbing CHF 19 billion over the last four months without the franc appreciating (see Fig. 10). Its credibility seems sufficient for it not to need to fight speculation.

As long as the SNB is determined to stabilise the real effective exchange rate of the Swiss franc, the euro will have to stay above 0.92 Swiss francs. We will not take the step from there to seeing it exceed the psychological threshold of parity. The central scenario is therefore one of oscillation in the 0.92-1.00 channel, until the floor finally breaks down, certainly in 2026.

On the stock market, Swiss equities have two compelling advantages: they outperform in the long term (see Chart of the week) **and they offer natural protection during economic downturns** (see Fig. 11) or **bear markets.** These two advantages make them a must-have in any portfolio. Over the past two years, investors may have been tempted to doubt, to the point of wanting to get rid of them. Indeed, the two main Swiss indices have clearly underperformed. The SMI, which includes the 20 largest companies, gained just +6%, while the S&P 500 gained +54%. The SPI, which includes almost all listed public limited companies, i.e. more than 200 stocks, did no better: +10%.

Fig. 11 - Relative performance of Swiss equities over the economic cycle



2025 is nothing like 2023 or 2024. Stock markets, particularly in the US, are in turmoil, and sector rotation is shifting towards defensive companies such as healthcare and consumer staples. This was all it took for the Swiss indices to generate some+ 10% since January 1st, putting them right at the top of the podium. **This trend should continue throughout 2025,** despite the negative impact of tariffs. Conversely, investors are beginning to doubt the ability of US companies to generate the earnings expected by analysts' consensus, and are questioning the high level of valuations in some cases.

Conclusion:

Switzerland has been attracting investors' attention for the past three months. It has a number of advantages: world-leading companies, resilient growth, controlled inflation, a strong currency, low debt levels that favour bond prices, and a defensive equity market that is structurally outperforming. Just as stones are only thrown at the tree that bears fruit, the Trump administration is likely to unveil tariffs targeting Swiss exports, particularly pharmaceuticals. Should this possible stock market correction be considered a bargain?

RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2025 Year-to-Date (%)	2024 (%)	2023 (%)
Equities							
World (MSCI)	829.9	39.01	-1.3%	-3.6%	-0.9%	18.0%	22.8%
USA (S&P 500)	5 581	37.86	-1.5%	-6.2%	-4.8%	25.0%	26.3%
USA (Dow Jones)	41 584	39.34	-1.0%	-5.0%	-1.9%	15.0%	16.2%
USA (Nasdaq)	17 323	36.55	-2.6%	-8.0%	-10.1%	29.6%	44.7%
Euro Area (DJ EuroStoxx)	551.1	44.77	-1.6%	-1.4%	9.5%	10.2%	19.5%
UK (FTSE 100)	8 659	49.91	0.3%	-1.2%	7.1%	9.6%	7.7%
Switzerland (SMI)	12 840	46.27	-1.2%	-0.1%	12.0%	7.5%	7.1%
Japan (Nikkei)	35 710	40.93	-0.7%	0.7%	-6.1%	21.3%	31.0%
Emerging (MSCI)	1 121	48.67	-0.9%	2.4%	4.8%	8.0%	10.2%
Brasil (IBOVESPA)	131 902	62.30	-0.3%	7.4%	9.7%	-10.4%	22.3%
Mexico (IPC)	53 173	54.78	1.0%	1.7%	7.6%	-11.0%	22.4%
India (SENSEX)	77 415	63.00	0.7%	5.8%	-0.7%	9.6%	20.3%
China (CSI)	3 891	46.82	0.0%	0.6%	-0.3%	18.2%	-9.1%
Com. Services (MSCI World)	122.0	36.44	-2.4%	-5.8%	-2.1%	31.9%	38.1%
Cons. Discretionary (MSCI World)	392.6	37.85	-0.5%	-5.9%	-6.7%	20.7%	29.5%
Cons. Staples (MSCI World)	285.0	52.58	1.1%	-1.1%	5.0%	4.7%	3.2%
Energy (MSCI World)	258.9	62.31	0.9%	4.2%	8.8%	2.9%	6.0%
Financials (MSCI World)	189.9	48.96	-0.1%	-1.5%	6.3%	25.1%	16.4%
Health Care (MSCI World)	364.5	40.81	-1.2%	-2.2%	5.0%	1.5%	4.1%
Industrials (MSCI World)	386.6	42.09	-1.6%	-0.9%	3.1%	12.8%	22.5%
Info. Tech. (MSCI World)	683.3	34.83	-3.6%	-8.2%	-11.0%	31.9%	51.4%
Materials (MSCI World)	321.3	43.07	-0.9%	0.7%	5.8%	-7.7%	12.6%
Real Estate (MSCI World)	969	46.00	0.3%	-2.6%	1.9%	-0.4%	5.3%
Utilities (MSCI World)	169.9	62.16	0.7%	2.6%	6.4%	13.0%	1.6%
Bonds (Bloomberg)							
World (Aggregate)	3.64%	58.67	0.0%	0.5%	2.5%	-1.7%	5.7%
USA (Sovereign)	4.14%	58.74	0.0%	0.0%	2.6%	0.6%	4.1%
Euro Area (Sovereign)	2.89%	50.92	0.3%	-1.8%	-1.3%	1.9%	7.1%
Germany (Sovereign)	2.44%	49.59	0.3%	-2.1%	-2.0%	0.6%	5.6%
UK (Sovereign)	4.62%	49.79	0.1%	-0.9%	0.6%	-3.0%	5.6%
Switzerland (Sovereign)	0.70%	56.61	0.8%	-1.1%	-1.9%	5.4%	7.9%
Japan (Sovereign)	1.33%	40.28	-0.2%	-1.0%	-2.7%	-2.1%	0.9%
Emerging (Sovereign)	6.92%	44.78	-0.3%	-0.9%	2.0%	7.0%	11.0%
USA (IG Corp.)	5.17%	53.58	0.2%	-0.5%	2.1%	2.1%	8.5%
Euro Area (IG Corp.)	3.27%	53.96	0.2%	-0.9%	0.2%	4.7%	8.2%
Emerging (IG Corp.)	6.43%	61.85	0.1%	0.0%	2.6%	7.0%	6.7%
USA (HY Corp.)	7.72%	40.50	-0.7%	-1.0%	1.1%	8.2%	13.4%
Euro Area (HY Corp.)	5.91%	43.10	-0.2%	-0.8%	0.9%	8.2%	12.1%
Emerging (HY Corp.)	8.53%	42.16	-0.3%	-0.7%	1.7%	14.9%	13.1%
World (Convertibles)	447.4	43.53	-1.0%	-0.7%	1.6%	9.4%	12.3%
USA (Convertibles)	593.5	41.17	-1.3%	-2.5%	-0.8%	10.1%	14.6%
Euro Area (Convertibles)	255.6	54.82	-1.0%	3.1%	9.8%	14.7%	7.3%
Switzerland (Convertibles)	257.2	69.74	1.7%	1.2%	6.8%	-10.5%	5.8%
Japan (Convertibles)	229.1	55.95	-0.2%	1.0%	1.1%	6.4%	7.6%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 623	79.49	n.a.	-0.6%	0.8%	11.1%	7.8%
Macro	1 348	68.07	n.a.	-1.2%	0.4%	7.4%	1.6%
Equity Long Only	2 158	63.11	n.a.	-2.3%	-2.4%	12.0%	15.9%
Equity Long/Short	1 695	77.93	n.a.	-0.7%	1.1%	14.0%	7.7%
Event Driven	1 739	77.52	n.a.	-0.2%	0.8%	8.7%	7.3%
Fundamental Equity Mkt Neutral	1 668	96.81	n.a.	0.3%	1.0%	12.4%	6.6%
Quantitative Equity Mkt Neutral	1 690	85.78	n.a.	-0.4%	1.6%	9.8%	7.8%
Credit	1 624	97.86	n.a.	0.7%	1.7%	8.5%	8.1%
Credit Long/Short	1 644	100.00	n.a.	0.5%	1.0%	10.0%	11.2%
Commodity	1 804	85.39	n.a.	-0.3%	0.8%	14.7%	7.3%
Commodity Trading Advisors	1 320	55.76	n.a.	-2.8%	-1.6%	7.9%	-3.6%
Volatility							
VIX	21.65	54.38	12.3%	10.3%	24.8%	39.4%	-42.5%
VSTOXX	20.60	55.65	4.6%	10.6%	21.1%	25.3%	-35.0%
Commodities							
Commodities (CRB)	546.3	n.a.	0.7%	1.3%	1.8%	5.1%	-8.0%
Gold (Troy Ounce)	3 118	n.a.	3.6%	9.1%	18.8%	27.2%	13.1%
Silver (Troy Ounce)	34.35	n.a.	4.0%	10.3%	18.9%	21.5%	-0.7%
Oil (WTI, Barrel)	69.36	n.a.	1.1%	-0.6%	-3.3%	0.1%	-10.7%
Oil (Brent, Barrel)	74.44	n.a.	2.7%	1.4%	0.4%	-4.6%	-4.5%
Currencies (vs USD)							
USD (Dollar Index)	103.87	39.05	-0.4%	-3.5%	-4.3%	7.1%	-2.1%
EUR	1.0830	59.19	0.3%	4.4%	4.6%	-6.2%	3.1%
JPY	148.85	55.65	1.2%	1.2%	5.6%	-10.3%	-7.0%
GBP	1.2959	61.58	0.3%	3.0%	3.5%	-1.7%	5.4%
AUD	0.6284	46.73	0.0%	1.2%	1.6%	-9.2%	0.0%
CAD	1.4321	50.88	0.0%	1.0%	0.4%	-7.9%	2.3%
CHF	0.8792	62.29	0.4%	2.7%	3.2%	-7.3%	9.9%
CNY	7.2520	51.54	0.1%	0.4%	0.7%	-2.7%	-2.8%
MXN	20.412	43.63	-1.8%	0.7%	2.0%	-18.5%	14.9%
EM (Emerging Index)	1 757.1	56.67	-0.1%	0.8%	1.7%	-0.7%	4.8%
XBT	81 976	n.a.	-6.1%	-2.7%	-12.5%	120.5%	157.0%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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