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Management Report
4nd Quarter 2024

The final quarter of the year opened under a shadow of caution, as both equities and bonds registered losses. Over the summer, fears of a sharp economic downturn had loomed large, but those concerns eased thanks to stronger-than-expected US economic data that recalibrated expectations for monetary policy, diminishing the likelihood of aggressive interest-rate cuts by the US Federal Reserve.

Then came November, ushering in one of the most anticipated and defining moments of the year: the US presidential election. The race between Donald Trump and Kamala Harris gripped global attention, with polls predicting a tight contest. However, betting markets leaned toward a Trump victory – a projection that proved prescient. With Republicans claiming the presidency and both chambers of Congress, markets responded with enthusiasm, surging on the promise of a pro-growth agenda featuring deregulation, tax cuts, and a business-friendly environment.

Optimism about tax cuts and deregulation buoyed market sentiment, while concerns about tariffs and inflation spurred debates over potential long-term risks. Still, Fed Chair Jerome Powell disappointed investors in mid-December, when he signalled fewer interest-rate cuts ahead, saying it would take longer for inflation to hit its 2% target.

Across the Pacific, China took strategic steps to bolster its economy. Additional rounds of stimulus were deployed to sustain growth, though Beijing exhibited restraint, choosing to evaluate the cumulative impact of its measures before committing to further interventions.

Europe, however, found itself entangled in political discord. Germany and France – pillars of the European Union – struggled with fractious governments and collapsing coalitions, raising concerns about Europe's recovery efforts.

In the Middle East, geopolitical tensions flared, particularly with a direct Iranian attack on Israel that caused a spike in oil prices in October. In December, the Syrian regime collapsed, ending more than 50 years of autocratic government. The conflict between Ukraine and Russia also dragged on. Though markets largely shrugged off these developments, the persistent volatility in global geopolitics is likely to accompany investors into 2025.

Over the past three months, US equity markets continued to climb, fuelled (again) primarily by tech and AI-related stocks. The Fed's first interest-rate cut in September, encouraging economic data, election-driven optimism, and the prospect of potential fiscal stimulus sustained momentum. The S&P 500 Index gained 2.4% in the fourth quarter (in US dollars).

Emerging markets lagged behind, while European equities – especially those tied to Chinese demand – suffered sharp revenue declines, particularly in the consumer discretionary and industrial sectors, with luxury goods and Swiss watch exports hit hard. The Euro Stoxx 50 Index ended the quarter down 8.8%, while the Swiss Performance Index (SPI) declined 11.3%. Emerging-market stocks fell 7.8% (all in US dollars).

Within fixed income, bond yields rose in the quarter amid better-than-expected economic data and Trump's election victory, which many investors saw as more growth-friendly. The US government bond market was down 3.1% in the fourth quarter (in US dollars).

The US dollar remained at the centre of global currency market dynamics. Trump's aggressive trade stance and fiscal stimulus plans suggest potential strength for the dollar in the short term, particularly in a cyclical bull scenario. The euro, on the other hand, continued to face significant challenges, depreciating below 1.05 against the dollar in November, its weakest level in over a year. The ECB lowered interest rates for a third consecutive meeting in December and signalled more reductions are to come in 2025. The Swiss National Bank unexpectedly reduced rates by 50 basis points in an effort to stem the franc's appreciation.

And in commodities, gold stood out with its continued remarkable run, reaching an all-time high of USD 2,790 per ounce in late October.

Since the beginning of 2024:

the value of the A share increased by 7.00% from EUR 274.28 to EUR 293.48

the value of the B share increased by 4.05% from EUR 161.60 to EUR 168.14

the value of the C share increased by 4.95% from CHF 118.48 to CHF 124.35

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