

Letter from the President and the Fund Managers

July 2024

Global equity markets ended the first half of 2024 on a high. The first quarter saw markets boosted somewhat by positive economic surprises and, in particular, by the lower risk of recession in the United States. In this context, the gradual, albeit slow progress made in the fight against inflation and the accompanying first cut in interest rates (Swiss National Bank) have been well received. Despite this, the second half of 2024 started with a decline. The continuing vitality of the US economy and the publication of higher-than-expected US inflation figures fuelled investors' doubts as to any change of course by the US Federal Reserve (Fed) in the near future. The situation was then reversed, however, and the profits that were achieved had a positive impact on investor mood. There is also increasing evidence that the US economy – and the US labour market in particular – is slowly but surely starting to cool. At the same time, the US economy presented (more) encouraging inflation figures at the end of the quarter. This revived investors' hopes of a rate cut. Even though the Fed failed to make any moves during the first half of the year, the European Central Bank (ECB) reduced its key rate in June, as had been widely announced, without, however, committing itself to a future rate trajectory. The Swiss National Bank (SNB) proceeded to cut its key rate for the second time while also reducing its inflation forecast.

The global stock markets are thus confirming their recovery, with a net increase of 13.5% in the first half of the year (MSCI All Country World Index in local currency). European equities made a positive comeback (MSCI EMU +9.5) without matching the increase in the MSCI USA Index (+14.9%). On the Old Continent, eurozone equities experienced a massive sell-off in June, due essentially to (geo)political factors. On the one hand, investors were unsettled by the shift to the right in European elections while, on the other hand, trade policy developments also had a negative impact on the investment climate. In the USA, a number of technological stocks surged, driven by a wave of enthusiasm for artificial intelligence. The S&P 500 thus reached a new all-time high of 11 961 points in June. The “technology” and “communication services” sectors showed a particularly impressive performance in this respect, rising by 26.1% and 23.4% respectively in local currency.

The strong economic performance seen during this period, coupled with the fact that investors lowered their expectations of a Fed rate cut, resulted in a negative performance (–1.5% in local currency) for government bonds (JPM Government Bond Index). At corporate level, European stocks (+0.5%) outperformed US stocks (–0.5%).

When it comes to currency, the first half of the year was marked by the weakness of the Swiss franc. Of the major and secondary currencies, the franc was only able to hold its ground against the yen. The SNB contributed greatly to the weakening of the franc when it surprised everyone by lowering its key rate by 25 basis points in March. Added to this, the resilience of the US economy prompted an increase in yields in the United States and also in other developed economies.

Among the commodities, gold registered a clear gain of 12.6%, despite a slight increase in real yields (TIPS) over the past few months. It is primarily physical demand from the central banks, and especially from China which continues to significantly support this precious metal.