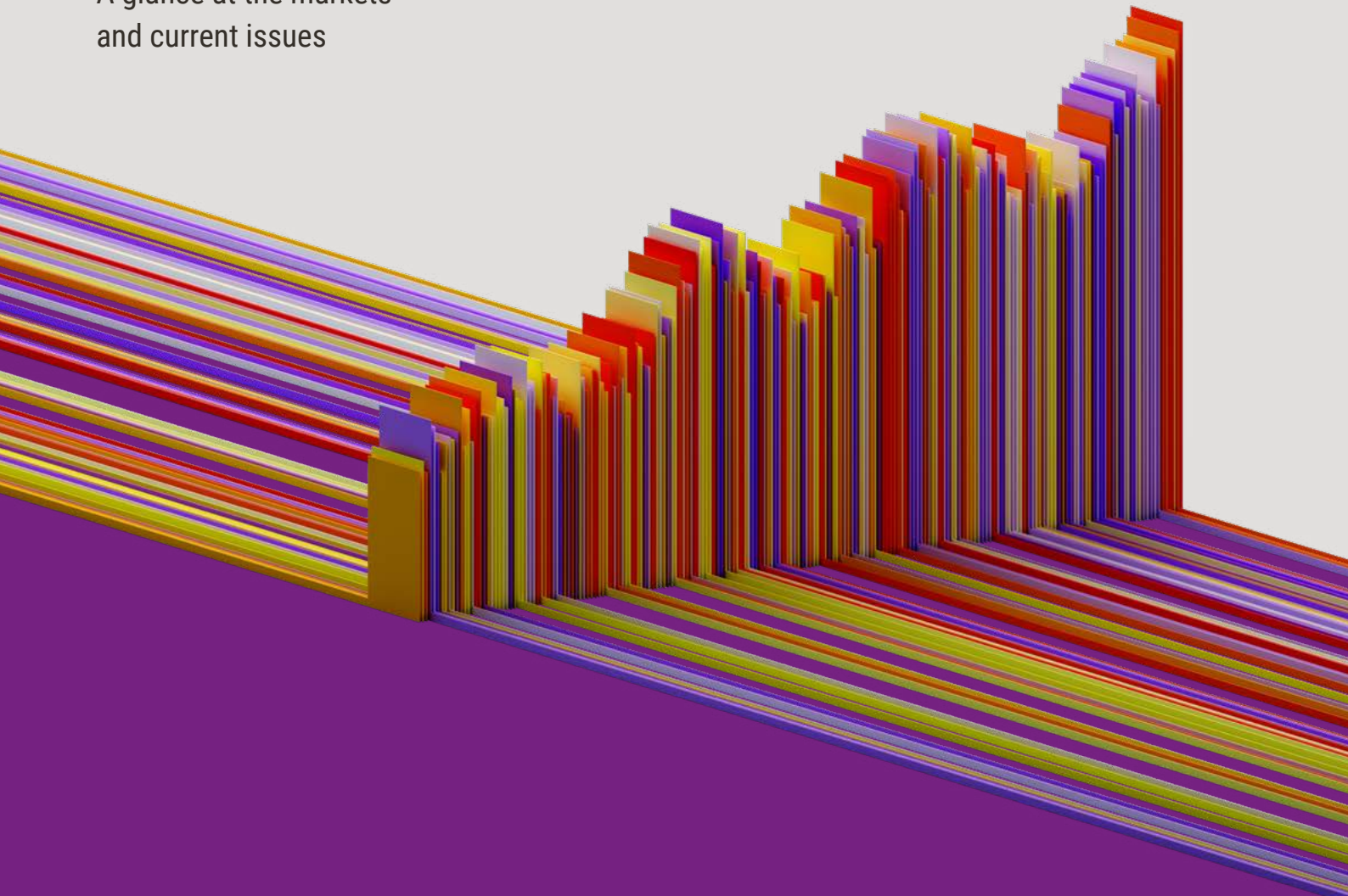


## Market Overview 03 | 2024

A glance at the markets  
and current issues



### **Equities**

s. 2

- New highs for the DAX and other indices
- Is a new bubble emerging with momentum stocks?
- Scenarios for the future

### **Fixed Income**

s. 4

- Key interest rates remain largely unchanged
- Interest rate cuts expected this year
- The SNB and BoJ have made a start

### **Alternative investments**

s. 6

- Booming infrastructure investments
- How can pension funds benefit?
- Our collective foundation as a trailblazer

## Equities

# Momentum rally evokes past experience

The stock exchanges in many markets climbed to new heights in the last few weeks. The DAX, for example, recently achieved a new record with over 18,000 points. It did so while economic growth continued to be weak, inflation persisted in certain cases and expectations of interest rate cuts by central banks declined.

### Is a new bubble emerging?

Strong momentum can now be seen in the USA among other places. The excess return of the S&P 500 Momentum Index over the conventional, broad-market S&P 500 Index has only once been higher over a six-month period since 1981 – namely in spring 2000. At the same time, the US equity market remains highly concentrated. The market weighting of the largest companies in the overall market is comparable to phases such as the dot-com bubble in 2000 or the “Nifty Fifty” period around 1973 (phase of strong outperformance by a group of US companies with seemingly invulnerable business models, but ultimately excessive company valuations).

### Not just fantasy

This evokes disquieting memories for the overall market and the soaring momentum stocks. In defence of the current heavyweights, however, they may be high, but substantially less so than at the beginning of the millennium, and far more profitable than their counterparts in the early 1970s with a similar valuation. A strong correlation can generally be noted between the current momentum rally and fundamental quality factors such as earnings development and profitability; in other words, it seems to be more than just fantasy. Moreover, the momentum rally is occurring in an environment of surprisingly robust US growth, which helps the vast majority of equities. For instance, the US small-



## All eyes on gold

Following the Fed meeting in March, gold once again soared and approached the price level of USD 2,200 per ounce. It appeared to successfully cross this threshold for a short time, but the energy fizzled out, not least as the USD ended its phase of weakness on 21 March. From a technical analysis perspective, the trading days ahead will be of huge importance for gold. The precious metal will need to resist the formation of a double-top. To escape this scenario once again, gold should therefore not fall back below USD 2,150, otherwise it risks a price drop towards USD 2,080. The upside target is clear: gold must sustain a price above USD 2,200.

cap index Russell 2000 gained well over 20 % since the low at the end of October 2023 – here too with an advantage for the momentum factor. Observed over the long run, those equities that are “on a roll” appear to fare better than the average.

### Scenarios for the future

However, it is not rare for momentum rallies like these to be accompanied intermittently by considerable setbacks. Then, the predominant assessment usually changes into an important market driver. For the current situation, this could mean that if growth continues to be robust in the USA and stabilises further in other major regions, the success of momentum stocks could be halted as the stocks left behind catch up. Conversely, if inflation proves to be tougher than previously thought and the soft landing expected for economic growth fails to materialise, the valuations of “high-flyers” could turn out to be excessive.



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### Indicative interest rates\* as of April 2024

<b>Fixed-rate mortgage</b>	3 Years	1.60 %
	5 Years	1.65 %
	7 Years	1.70 %
	10 Years	1.80 %
<b>SARON mortgage**</b>	SARON + 0,60 % Margin	

\* These interest rates represent benchmarks for first-ranking mortgages on owner-occupied residential property. They apply to first-class residential properties and borrowers with impeccable credit ratings.

\*\* The interest rate is at least 0 %, plus the margin



Fixed Income

# Almost everything remains the same

Photo by Edryc James on Unsplash

Highlights in March include the various central bank meetings, which were unable to provide any clarity on inflation development for the year 2024. In July 2022, the ECB ended the years of zero and negative interest rates in order to get a handle on temporarily record-high inflation. It raised interest rates ten times in a row. In view of struggling economic growth, there are now increasingly calls to reduce interest rates again.

Overall, price development is namely moving towards the ECB target of 2 % for the medium term. The central bankers consider prices to be stable at this target, while higher rates of inflation diminish the purchasing power of consumers.

### **Interest rate cuts are coming, but when?**

Economists expect the ECB will cut interest rates in the current year. However, the monetary authorities have so far abstained from specifying an exact date. In recent weeks, leading central bankers have warned against declaring victory over inflation too soon. Lagarde believes it is too early for interest rate cuts. Inflation is on the decline, she argues, but the target has not yet been achieved. In a press conference, the ECB President reaffirmed earlier assessments that the inflation rates should continue to decrease. However, before any policy changes are made, the ECB Governing Council first needs to be confident that the central bank's inflation target has been sustainably achieved. The Fed also stressed the downward trend in consumer prices and left the door open for an initial cut in key interest rates in June. Bonds responded to the central bank meetings with a substantial decline in yields, as both announced a slowdown in inflation in 2024, which revived the market expectations of a near-term reduction in key interest rates.

## *In the wake of the Fed and the ECB, the BoE also left its key interest rate unchanged.*

### **Elections in 70 countries**

The central banks need more economic data to assess the merit and extent of any future interest rate cuts. For example, the central banks are looking at data while politicians are preparing for elections. Elections are planned in around 70 countries. The voting results will likely have consequences for the financial market; monetary policy, economic growth and geopolitical tensions affect the economy and bonds. While the US economy continues to stand out as an economic engine, Europe and China appear to have not yet been able to gain momentum. Interest rate decisions in Europe and political interventions in China could further revive economic growth and bond returns. Although the path of disinflation is visible, strong fiscal support, solid labour markets and geopolitical uncertainties could prevent the swift return to the 2 % target and delay the anticipated interest rate cuts. The entire month of March was characterised by this backdrop, while interest rates demonstrated major and abrupt fluctuations.

### **ECB now expects annual inflation of 2.3 %**

In the course of the month, the ECB decided to leave key interest rates unchanged for the fourth time in a row. Of particular interest was the question of whether the central bankers will change their guidance to signal an upcoming easing of monetary policy and the prospect of interest rate cuts. Sure enough, the central bank seemed open to a possible cut in key interest rates in the second half of the year if inflation continues its downward trend. The central bankers expect a swifter decline in inflation, which will have greater momentum in the eurozone according to the ECB than was anticipated in December. For the current year, the ECB now expects an inflation rate of 2.3 % after having forecast 2.7 % back in December.

### **The Fed also maintains its current interest rate**

As expected, the Fed left the key interest rate at 5.25 to 5.5 %. Despite elevated inflation, it continues to assume three interest rate cuts in 2024 in its updated forecasts. For 2025, however, the Fed anticipates fewer cuts (now three instead of four). Powell evaded the question of whether the central bank still expects to have the “necessary trust” for interest rate cuts soon. In the wake of the Fed and the ECB, the BoE also left its key interest rate unchanged. The only exceptions to the central bank policy of “doing nothing” were the SNB and the Bank of Japan (BoJ). The latter braved a step out of the ultra-loose monetary policy and raised interest rates for the first time in 17 years (a range of 0 to 0.1 % now applies).

It also abandoned its policy of yield curve control (which it had been pursuing since 2016). However, the BoJ announced that it will continue to buy government bonds in “largely the same scope” as before and that it would increase buying if bond yields were to rise quickly. Against all expectations, the SNB lowered its key interest rate by 25 basis points to 1.5 % (previously: 1.75 %).

### **US labour market not as strong as previously thought**

The US labour market report painted a contradictory picture. The number of workers outside of agriculture amounted to 275,000 in February, exceeding the expectation of 200,000. Conversely, the strong January data were revised significantly downward (from 353,000 to 229,000). Moreover, the unemployment rate rose from 3.7 % to 3.9 %. The US labour market thus continues to be strong, but not quite as strong as previously thought.



## Alternative investments

# Infrastructure takes centre stage

Infrastructure investments are the fastest growing asset class among private market investments. With USD 1.3 trillion now under management, this corresponds to impressive annual growth of 15 % since 2010. This asset class is taking on a central role in the implementation of two megatrends: digitalisation and decarbonisation. McKinsey estimates that USD 9 trillion of additional investment will be needed each year in decarbonisation in order to achieve the ambitious global climate targets.

### **Investment managers secure access**

Major investment managers that did not yet have any or only small infrastructure departments have recently become active in securing a slice of the pie for themselves. For instance, BlackRock, the world's largest asset manager, acquired the third largest infrastructure manager Global Infrastructure Partners (GIP). BlackRock already had a presence in infrastructure, but this acquisition also makes it a giant in this segment with USD 150 billion in assets under management. Most of the 20 largest infrastructure managers meanwhile own larger groups or are listed on the stock market.

### **Denominator effect leads to a short breather**

In the last year, the collected capital for new investments declined considerably, but this only equates to a short breather in the long-term trend. One of the reasons for this was the denominator effect. This occurs when the market value of equities and bonds de-

creases in a portfolio due to downward market movements. This was the case in 2022. At the same time, the valuation of infrastructure investments changed little, which increased the percentage weighting in the overall portfolio, thereby automatically fulfilling the tactical or strategic allocation. At this year's infrastructure conference in Berlin, however, the managers believed that interest has increased again.

### **Hesitancy among Swiss pension funds**

The long-term trend towards more infrastructure investments is not yet reflected in the asset allocation of Swiss pension funds. According to the Swisscanto Pension Fund Study from 2023, only around 1 % of investments were made in infrastructure. This is rather little compared to 27 % in real estate investments. The Federal Council amended the BVV2 pension fund regulation in August 2020, thereby defining infrastructure as a discrete asset class with a limit of up to 10 %. This amendment is expected to encourage pension funds to make new investments in infrastructure. It is somewhat surprising that the weighting of this segment continues to be so low, as the pension funds tend to follow the BVV2 regulation closely according to experience. However, expanding investments in this segment will also take time since capital commitments are usually drawn only over multiple years.

### **Infrastructure investments take time**

How much infrastructure belongs in an investment portfolio depends on numerous factors such as risk-bearing capacity and liquidity requirements. In terms of the amount of an infrastructure allocation, it makes sense to target an allocation of at least 5 % in the medium to long term as the asset class is difficult to implement and requires patience due to the long-term development via closed structures. Only then can the risk/return properties of the asset class and the diversification advantages in the overall portfolio context gain in importance.

### **Growing infrastructure allocation at Telco pk**

Our collective foundation Telco pk has a strategic infrastructure allocation of 6 %, which is still currently being developed. This activity has been ongoing for quite some time, with the first successful infrastructure investments having been made in 2012. The portfolio strategy is closely aligned with sustainability criteria and supports the climate targets of the federal government and the Paris Climate Agreement.

## Tellco-Products

### Tellco Classic

	ISIN	Tranche	March 28th	% March	% YTB	Web
Tellco Classic II Global Equities**	CH0443816621	V	231.90	5.46	26.89	<a href="#">More Infos</a>
Tellco Classic Swiss Equities	CH0421075018	V	183.27	3.72	11.24	<a href="#">More Infos</a>
	CH0421074961	R*				
Tellco Classic Best Idea	CH0442770316	V	105.36	2.42	29.17	<a href="#">More Infos</a>
	CH0442615701	R	113.69	2.42	29.16	
Tellco Classic Sustainable Heritage	CH0583763542	V	78.67	6.01	-2.78	<a href="#">More Infos</a>
	CH0583763534	R	69.59	5.99	-3.02	
Tellco Classic Bonds CHF	CH0421043669	V	102.44	0.60	6.64	<a href="#">More Infos</a>
	CH0421043594	R*				
Tellco Classic Bonds in foreign currency	CH0421043768	V	87.11	3.05	1.29	<a href="#">More Infos</a>
	CH0421043743	R*				
Tellco Classic Bonds in foreign currency hedged	CH0469074956	V	91.01	0.36	0.57	<a href="#">More Infos</a>
	CH0469074865	R	85.69	0.37	0.59	
Tellco Classic Inflation Protection	CH1101347354	V	97.79	0.36	-3.90	<a href="#">More Infos</a>

\* Not yet launched \*\*available only to swiss pension funds

### Tellco Classic Strategy

	ISIN	Tranche	March 28th	% March	% YTB	Web
Tellco Classic Strategy 10	CH0450199770	V	120.58	1.87	4.03	<a href="#">More Infos</a>
	CH0544445619	R*				
Tellco Classic Strategy 25	CH0450201261	V	131.50	2.15	7.53	<a href="#">More Infos</a>
	CH0544465658	R*				
Tellco Classic Strategy 45	CH0450201329	V	149.03	2.67	10.26	<a href="#">More Infos</a>
	CH0544465757	R*				
Tellco Classic Strategy 100	CH0450382632	V	132.19	4.25	18.20	<a href="#">More Infos</a>
	CH0544465773	R	98.27	4.25	16.01	

\* Not yet launched

## The Tellco Top Products

### Top-Performer



#### Tellco Classic Best Idea

The Tellco Classic Best Idea fund aims at a long-term appreciation of invested capital, by investing in listed equities issued by companies whose expected growth is a multiple of global GDP growth, thanks to innovations primarily, and without limitation, in the technology, healthcare and energy fields.

### Top-Seller



#### Tellco Classic Sustainable Heritage

The Tellco Classic Sustainable Energy fund invests in all industries that benefit from a sustainable future. The investment universe includes themes such as renewable energy, energy storage, green and smart transport solutions, water and waste-water treatment, the digitalisation of energy systems and the integration of smart and efficient technologies in cities (smart cities).



## Numbers

### Equity markets

	March 28th	% March	% YTD
MSCI AC World	419.70	3.09	32.15
SMI	11,730.43	2.55	9.33
SPI	15,442.86	3.94	12.44
DAX	18,492.49	4.61	32.81
EuroStoxx 50	5,083.42	4.22	34.00
EuroStoxx 600 Price Index	512.67	3.65	20.66
FTSE 100	7,952.62	4.23	6.72
DOW Transportation	16,211.62	2.34	21.06
S&P500	5,254.35	3.10	36.85
NASDAQ 100	18,254.69	1.17	66.87
Shenzen-Shanghai CSI300	3,520.97	0.14	-9.06
Emerging Market	1,040.39	1.91	8.78
Nikkei	40,168.07	2.56	53.93
Volatilität	13.01	-2.91	-39.96

### Commodities

	March 28th	% March	% YTD
WTI-CrudeOil	83.17	6.27	3.63
Brent Oil	87.48	4.62	1.83
ThomReuters /JefferiesCRB	290.29	5.53	4.52
Gold	2,229.87	9.08	22.25

### LIBOR

	March 28th	% March	% YTD
Saron 6M CHF	1.33	-8.96	8.50
Euribor 6M	3.85	-1.46	43.00
Libor 6M USD	5.65	-1.00	9.87

### Alternative Investments

	March 28th	% March	% YTD
S&P Leveraged Loan TR Index	3,816.91	0.78	16.04
Swiss RE Cat Bond TR Index	461.65	1.11	25.16
HFRX Global Hedge Fund Index	1,445.72	1.26	5.69

## Numbers

### Currencies

	March 28th	% March	% YTD
EUR/USD	1.079	-0.14	0.78
USD/CHF	0.902	1.91	-2.47
USD/JPY	151.380	0.91	15.45
EUR/CHF	0.973	1.81	-1.70
GBP/CHF	1.138	1.85	1.74
CAD/CHF	0.666	2.20	-2.46
AUD/CHF	0.588	2.24	-6.88
JPY/CHF	0.596	1.10	-15.54
BRL/CHF	0.180	1.12	2.86
CNY/CHF	0.125	1.62	-6.49
INR/CHF	0.011	1.85	-2.98
RUB/CHF	0.010	0.62	-21.89
TRY/CHF	0.028	-1.63	-43.88
ZAR/CHF	0.048	3.47	-12.34

### Countries / GDP

	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	2023	2024	2025
USA	4.90 %	3.30 %	2.00 %	1.40 %	1.20 %	1.50 %	2.50 %	2.20 %	1.70 %
Euro Area	0.10 %	0.10 %	0.15 %	0.30 %	0.70 %	1.05 %	0.50 %	0.50 %	1.30 %
Japan	-2.10 %	-0.40 %	0.15 %	1.45 %	1.25 %	1.20 %	1.90 %	0.70 %	1.10 %
China	4.90 %	5.20 %	4.34 %	4.94 %	4.69 %	4.70 %	5.20 %	4.60 %	4.30 %
Schweiz	0.40 %	0.65 %	0.60 %	1.10 %	1.20 %	1.40 %	0.80 %	1.20 %	1.50 %

### Countries / CPI

	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	2023	2024	2025
USA	3.60 %	3.20 %	3.20 %	3.00 %	2.80 %	2.70 %	4.10 %	2.90 %	2.40 %
Euro Zone	5.00 %	2.70 %	2.60 %	2.50 %	2.10 %	2.25 %	5.40 %	2.40 %	2.10 %
Japan	3.10 %	2.95 %	2.60 %	2.50 %	2.30 %	1.80 %	3.30 %	2.30 %	1.75 %
China	-0.05 %	-0.30 %	0.10 %	0.40 %	0.70 %	1.40 %	0.20 %	0.80 %	1.60 %
Schweiz	1.65 %	1.60 %	1.30 %	1.40 %	1.50 %	1.50 %	2.10 %	1.50 %	1.25 %

## Numbers

### Rates

	March 28th	in bps March	in bps YTD
10j. EUR(Swap)	2.58	-14.53	-62.21
10j. UK (Swap)	3.67	-17.60	-8.30
10j. CHF(Swap)	1.15	-6.40	-93.25

### Bonds

	March 28th	in bps March	in bps YTD
US Govt 10Y	4.20	-4.98	32.46
GER Govt 10Y	2.30	-11.28	-26.77
Swiss Govt 10Y	0.63	-12.59	-95.45
UK Govt 10Y	3.93	-18.95	26.69
IT Govt 10Y	3.68	-16.32	-102.17
ESP Govt 10Y	3.16	-12.82	-49.10

### Generic iTRAXX

	March 28th	in bps March	in bps YTD
Europe Main	54.25	-1.02	-36.35
Finl Sen	63.30	-0.86	-35.99
Finl Sub	114.10	-3.11	-57.99
X-Over	297.03	-8.17	-177.08

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