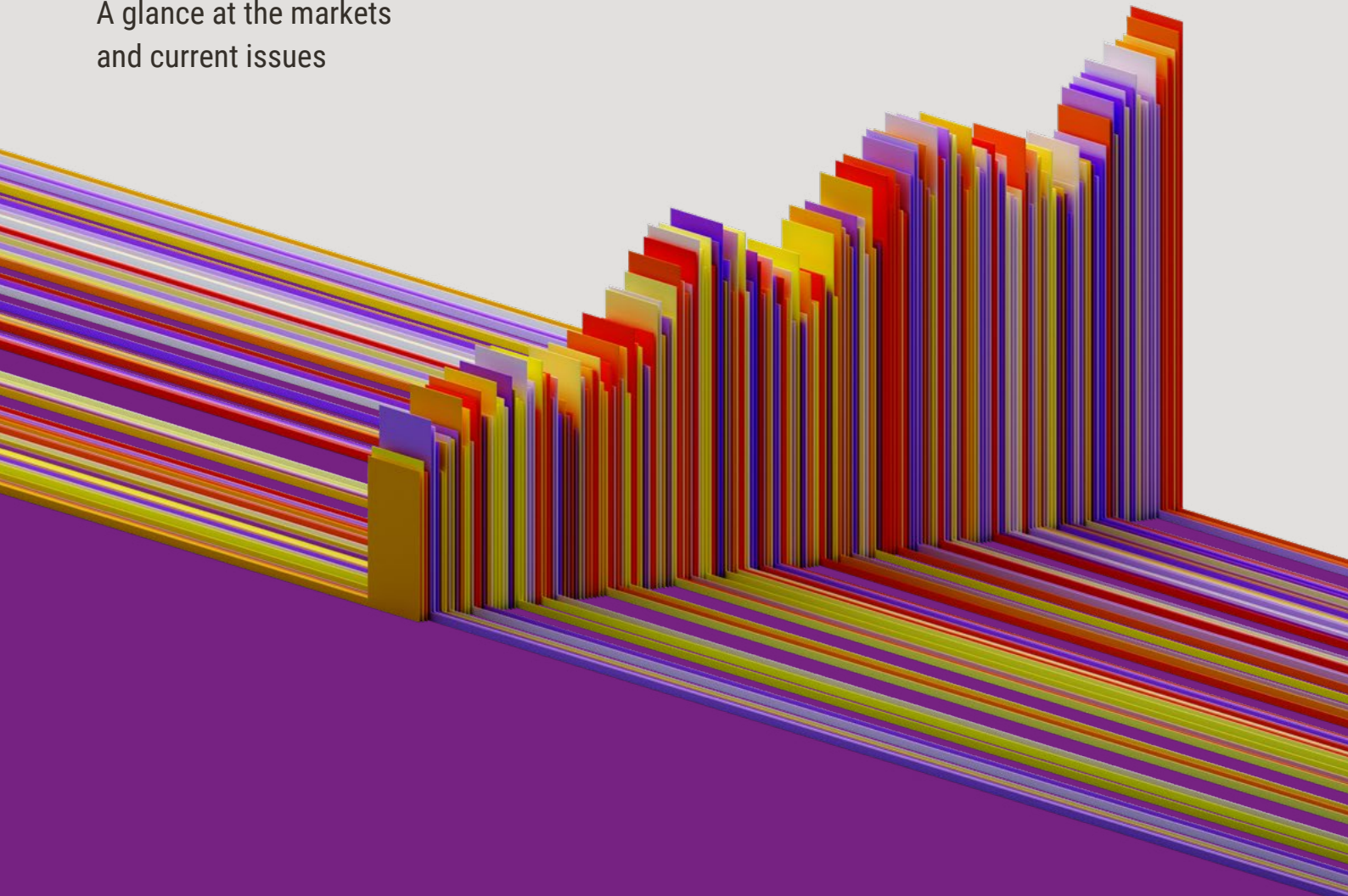


## Market Overview 09 | 2024

A glance at the markets  
and current issues



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## Equities

# Equities: Interest rate cuts boost the markets

Photo by NASA on Unsplash

At the start of a cycle of interest rate cuts, utilities stocks perform best. Current Bank of America data is already showing this for securities from utilities and real estate companies: both sectors are closely linked to the economic cycle, but as defensive groups, they also develop steadily when the economy cools down.

### **Switch to utilities and real estate companies**

Although prices initially reacted somewhat negatively to the interest rate cut by the US Federal Reserve, a positive view is now gaining traction. The Fed's decision is primarily fuelling technology stocks, which are sensitive to interest rates, especially the recently hard-hit chip sector. There has also already been a rotation in the securities of utilities and real estate companies. In addition, stocks with high dividend yields are in demand. However, the most important factor will be the corporate results for Q3, expected in mid-October, as this quarter is the main driver for strong outperformance.

### **Further interest rate cuts expected**

The Fed may now shift its focus to avoiding economic stress due to its interest rate policy. In other words, it wants to keep up the probability of a desired soft landing. The latest data suggest that the economy is still strong compared to other easing phases. Unemployment stands at 4.2%, which is higher than in the previous year (but at a level indicating full employment), and GDP grew at an annual rate of 3.0% from the second quarter of 2024. Further interest rate cuts are generally expected by the end of the year and in 2025.

### **Strong supportive action for China**

The People's Bank of China (PBoC) announced a comprehensive monetary stimulus, along with measures to support the real estate sector. Governor Pan Gongsheng said the central bank would reduce the reserve ratios in the short term by 50 basis points and, depending on market liquidity, by another 25 to 50 basis points over the course of the year. The PBoC will also reduce the 7-day repo rate, its new benchmark, by 20 basis points to 1.5%. The interest rate for the medium-term credit facility will decrease by around 30 basis points, and the key interest rate for loans by 20 to 25 basis points. Also announced was a lowering of the average interest rates on existing mortgages by 50 basis points and a reduction in the minimum payment for all homes to 15%. The Shanghai Shenzhen CSI 300 responded positively: After hitting new lows in mid-September, it

recovered significantly. However, it takes time for the economic effects of the stimulus measures in China to materialise and support Europe. The news from China is probably not yet sufficient to eliminate the downside risks to the European economy.

**Are Indian markets now benefiting?**

Indian equities reached new record highs in the last week of September, boosted by the expectation of increased foreign inflows. After the interest rate cut by the US Federal Reserve fuelled the risk appetite of investors, they could now also direct their attention to India. At the time of this writing, the NSE Nifty 50 Index had closed above 26,000 points, which corresponds to an increase of around 20% YTD.

**Precious metal prices rise after interest rate cuts**

In recent weeks, the price of gold has risen to new highs (USD 2,670 per ounce), driven by the strong physical demand of central banks, private investor purchases and the return of institutional investors to the sector. Silver is also benefiting from an upturn in sentiment and rising industrial demand, in particular from the expanded production of solar PV cells. Precious metal mines are reacting to rising gold and silver prices. With the beginning of the interest rate cut cycle in the US, the macroeconomic environment for the precious metals sector is becoming more favourable. Periods of falling US interest rates have historically been very positive for gold, silver and mining companies. Previous upward cycles have shown that precious metals can generate significant returns for investors.



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**Indicative interest rates\* as of May 2024**

	3 Years	1.40 %
<b>Fixed-rate mortgage</b>	5 Years	1.45 %
	7 Years	1.55 %
	10 Years	1.65 %
<b>SARON mortgage**</b>	SARON + 0.70 % 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

# How much farther will interest rates fall?

Bond yields fell significantly over the course of the month. This was driven by a combination of factors, including expectations of further US interest rate cuts, China's stimulus measures and increasing tensions in the Middle East.

### Interest rate cuts due to weakening economy

The manufacturing sector in the eurozone remains under pressure, while it is contracting at a slower pace in the US in August. US job growth disappointed, but the lower unemployment rate placated investors. US headline inflation is weakening, but core inflation remains stubborn. The central bank meetings of the ECB and the Fed took place in September against this backdrop. Both chose to cut key interest rates. While interest rates are being cut worldwide, the Bank of Japan (BoJ) still seems to be prepared to increase interest rates because inflation is rising in Japan. As expected, the ECB lowered interest rates again, with the deposit rate now running at 3.5%. This follows a similar cut in June, as inflation is approaching its target of 2% and the European economy stands on the verge of a recession. The ECB also lowered its GDP growth forecasts for 2024 (from 0.9% to 0.8%) and 2025 (from 1.4% to 1.3%).

### Fed sees potential for further interest rate cuts

The Federal Reserve started its cycle of interest rate cuts with a cut of 50 basis points (to 5%). According to Chairman Powell, the Fed is confident that "strength in the labour market can be maintained in a context of moderate economic growth and inflation moving sustainably down to 2 percent." However, the decision was not unanimous. The Fed's updated forecasts anticipate further interest rate cuts. After the cut of 50 basis points, it is now expecting further interest rate cuts totalling 0.5% by the end of the year (which corresponds one more "large" or two "small" interest rate cuts) and cuts of 1% in 2025 and 0.5% in 2026, which would result in a spread of 2.75% to 3.00%.

### In Japan, interest rates could rise

The BoJ left interest rates unchanged on Friday. However, it found that private consumption is exhibiting a "moderately rising trend" – an improvement compared to its earlier wording. Recent data also show that the country's inflation rate rose in August for the fourth consecutive month (to 2.8%). Many economists expect the BoJ to raise interest rates again this year, with most betting on an increase in December.

### Sentiment of German investors worse than expected

The Centre for European Economic Research (ZEW) reports that German investor sentiment deteriorated more than expected in September as the economic outlook worsened. The economic sentiment index fell to 3.6 points from 19.2 points in August, significantly below the 17 points forecast by analysts. The HCOB Purchasing Managers' Index for the eurozone, which is compiled by S&P Global, remained unchanged at 45.8 in August. This value indicates a continuous deterioration in the manufacturing sector, with the index residing below the neutral mark of 50.0 since July 2022. Germany and France contributed significantly to the poor performance of the sector. In contrast, Greece, Spain and Ireland experienced growth. The most recent survey also showed that Germany's economic activity recorded the sharpest decline in seven months in September. This is fuelling concerns that Europe's largest economy could fall into recession. The HCOB Purchasing Managers' Index for Germany fell from 48.4 points in August to 47.2 points. A value below 50 is indicative of a contraction.

**USA: Various economic indices improve**

The Bureau of Labor Statistics reported that the number of US non-farm jobs increased by 142,000 in August, following a revised increase of 89,000 in July. This was below the projected growth of 160,000 jobs. The decrease in the unemployment rate (to 4.2%) somewhat eased concerns about a drastic deterioration in the labour market situation. In August, the contraction in the US manufacturing sector also slowed. This is reflected in the ISM index for the manufacturing sector, which rose slightly to 47.2 from 46.8 in July, still below expectations of 47.5. Employment improved, with the index rising from 43.4 to 46. However, orders declined, and the index of prices, which reflects inflationary pressure, rose.

*The decrease in the unemployment rate (to 4.2%) somewhat eased concerns about a drastic deterioration in the labour market situation.*

**Core inflation remains stubborn**

The rise in consumer prices slowed to 2.5% year-on-year in August, after coming in at 2.9% in July. Month-on-month, prices rose by 0.2%, reflecting the increase in July. Core inflation remained stubborn and unchanged at 3.2%. In addition, contrary to expectations, US retail sales rose in August by 0.1%, after rising in July by 1.1% (adjusted upward). Economists had predicted a decline in retail sales of 0.2%, mainly related to goods and not inflation adjusted. Stubborn core inflation and solid consumer demand could prevent the Fed from cutting interest rates significantly (i.e. 50 basis points) at its next meetings.

**The influence of the US elections**

US voters see Kamala Harris as the winner of the TV debate with Donald Trump. According to a Reuters/Ipsos poll, Harris is ahead of Trump 47% to 42% in the presidential race in advance of the election on 5 November. Her lead has thus increased compared with a poll conducted at the end of August. The new poll also found that a majority of voters who watched the debate between the two candidates thought that Harris won.

## Alternative investments

# Current trends in private equity

2023 was challenging for the private equity sector for several reasons: High interest rates made it more expensive to finance deals. Inflation not only weighed on companies' operating costs, but also put pressure on profit margins. Many companies were highly valued after the 2021-22 boom. And changes in market conditions led to different price expectations for buyers and sellers and made it more difficult to conclude deals. What about the industry today?

### Signs of a recovery

Following a challenging 2023, the sector is now showing signs of a recovery. On an annual basis, private equity generated a return of 8.3% in US dollars, highlighting the resilience of the asset class in a difficult environment. The difference between the best and weakest managers (discrepancy between the top and bottom quartiles) remains large, making it crucial to carefully select managers.

### Private markets react with delay

Compared to listed equities, private equity has recently been quite underwhelming in terms of performance. Why is this the case? Since private markets react with a delay, valuations are not adjusted immediately. This was also evident in 2022, when equities lost massively worldwide, but private equity only fell by a few percent. In addition, the "Magnificent Seven" are currently dominating public markets: The rally is being driven by a few strong companies. However, this did not give rise to any opportunities for private equity, neither for exits nor for new bases for adjusting valuations upwards.



### **Long wait for the exit**

Deal activity improved by 12% in the first half of 2024 compared to the previous year, but remains below the top figures from 2021-22. Despite the more encouraging market developments, exit options for portfolio companies remain restricted. The holding period for a target company has increased considerably: In 2023, the average holding period was seven years (median), significantly higher than the usual and expected three to five years (data from Preqin). The trend is likely to become even more accentuated as PE managers take time to maximise the value of the target firms and patiently wait for better market conditions for their exit.

### **Secondary market is becoming more important**

It is therefore expected that secondary market solutions (secondaries) in particular will continue to grow in popularity when liquidity is needed. Secondaries reached record highs, with a volume of USD 68 billion in the first half of 2024 – an increase of 58% compared to the previous year. Continuation vehicles are predominantly used for this purpose. In a continuation vehicle, investors buy units in a new fund, which in turn takes over the units of the specific company from a previous vintage of the respective manager.

### **Plenty of capital for established managers**

Fundraising also remained resilient despite a difficult economic environment. In the first half of 2024, around 130 funds were closed at USD 155 billion. Established managers had an easier time in securing capital, while smaller and new managers struggled. Mega funds (over USD 5 billion) attracted 47% of all capital commitments, while 52% was collected by mid-market funds. Evergreen funds without a fixed term, which are mainly subscribed to by HNWI clients, also recorded robust inflows.

### **Stronger going forward**

All asset classes go through periods of over- and underperformance. Private equity has regularly been in the lead in recent years, but it cannot be the top performer every year. Yet it is likely that private equity will emerge from the current challenging phase in a stronger position.

**Source:**

- UBS Investment Research, Quarterly Private Markets Update, September 2024

## Tellco-Products

### Tellco Classic

	ISIN	Tranche	September 30th	% September	% YTD	Web
Tellco Classic II Global Equities**	CH0443816621	V	237.04	2.19	17.73	<a href="#">More Infos</a>
Tellco Classic Swiss Equities	CH0421075018	V	193.08	-0.93	11.45	<a href="#">More Infos</a>
	CH0421074961	R	114.05	-0.97		
Tellco Classic Best Idea	CH0442770316	V	101.43	4.41	1.59	<a href="#">More Infos</a>
	CH0442615701	R	109.46	4.41	1.60	
Tellco Classic Sustainable Heritage	CH0583763542	V	78.77	2.34	10.03	<a href="#">More Infos</a>
	CH0583763534	R	69.61	2.32	9.86	
Tellco Classic Bonds CHF	CH0421043669	V	105.83	0.87	3.67	<a href="#">More Infos</a>
	CH0421043594	R*				
Tellco Classic Bonds in foreign currency	CH0421043768	V	86.07	1.33	2.84	<a href="#">More Infos</a>
	CH0421043743	R*				
Tellco Classic Bonds in foreign currency hedged	CH0469074956	V	91.93	0.93	-0.36	<a href="#">More Infos</a>
	CH0469074865	R	86.55	0.93	-0.35	
Tellco Classic Inflation Protection	CH1101347354	V	96.05	0.84	-5.72	<a href="#">More Infos</a>

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

### Tellco Classic Strategy

	ISIN	Tranche	September 30th	% September	% YTD	Web
Tellco Classic Strategy 10	CH0450199770	V	122.98	1.22	3.44	<a href="#">More Infos</a>
	CH0544445619	R*				
Tellco Classic Strategy 25	CH0450201261	V	133.90	1.06	5.33	<a href="#">More Infos</a>
	CH0544465658	R	102.85	1.01	2.85	
Tellco Classic Strategy 45	CH0450201329	V	152.39	1.19	7.29	<a href="#">More Infos</a>
	CH0544465757	R*				
Tellco Classic Strategy 100	CH0450382632	V	136.79	1.15	14.17	<a href="#">More Infos</a>
	CH0544465773	R	101.68	1.14	14.20	

\* 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

	September 30th	% September	% YTD
MSCI AC World	460.54	2.32	18.66
SMI	12,168.87	-2.15	9.26
SPI	16,241.87	-1.59	11.47
DAX	19,324.93	2.21	15.36
EuroStoxx 50	5,000.45	0.86	10.59
EuroStoxx 600 Price Index	522.89	-0.41	9.17
FTSE 100	8,236.95	-1.67	6.51
DOW Transportation	16,294.50	1.56	2.49
S&P500	5,762.48	2.02	20.81
NASDAQ 100	20,060.69	2.48	19.22
Shenzen-Shanghai CSI300	4,017.85	20.97	17.10
Emerging Market	1,170.85	6.45	14.37
Nikkei	37,919.55	-1.88	13.31
Volatilität	16.73	11.53	34.38

### Commodities

	September 30th	% September	% YTD
WTI-CrudeOil	68.17	-7.31	-4.86
Brent Oil	71.77	-8.92	-6.84
ThomReuters /JefferiesCRB	284.94	2.86	8.00
Gold	2,634.58	5.24	27.71

### LIBOR

	September 30th	% September	% YTD
Saron 6M CHF	0.75	-9.54	-52.69
Euribor 6M	3.11	-7.59	-19.58
Libor 6M USD	4.68	-8.86	-16.18

### Alternative Investments

	September 30th	% September	% YTD
S&P Leveraged Loan TR Index	3,971.97	0.74	6.59
Swiss RE Cat Bond TR Index	498.98	2.69	13.03

## Numbers

### Currencies

	September 30th	% September	% YTD
EUR/USD	1.114	0.79	0.87
USD/CHF	0.846	-0.47	0.50
USD/JPY	143.630	-1.74	1.84
EUR/CHF	0.942	0.27	1.37
GBP/CHF	1.131	1.36	5.54
CAD/CHF	0.625	-0.70	-1.31
AUD/CHF	0.585	1.72	1.81
JPY/CHF	0.588	1.22	-1.37
BRL/CHF	0.155	1.97	-10.92
CNY/CHF	0.120	0.42	1.52
INR/CHF	0.010	-0.73	0.01
RUB/CHF	0.009	-3.09	-3.19
TRY/CHF	0.025	-0.96	-13.58
ZAR/CHF	0.049	2.73	6.52

### Countries / GDP

	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	2023	2024	2025
USA	4.90 %	3.30 %	1.60 %	1.90 %	2.00 %	1.40 %	2.50 %	2.60 %	1.80 %
Euro Area	0.10 %	0.10 %	0.40 %	0.50 %	0.80 %	1.00 %	0.50 %	0.70 %	1.30 %
Japan	-2.10 %	-0.40 %	-2.00 %	3.10 %	1.70 %	1.20 %	1.90 %	0.00 %	1.20 %
China	4.90 %	5.20 %	4.90 %	4.70 %	4.54 %	4.60 %	5.20 %	4.80 %	4.50 %
Schweiz	0.40 %	0.65 %	0.70 %	1.40 %	1.80 %	1.70 %	0.80 %	1.40 %	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 %	3.20 %	2.60 %	2.50 %	4.10 %	2.90 %	2.20 %
Euro Zone	5.00 %	2.70 %	2.60 %	2.50 %	2.20 %	2.30 %	5.40 %	2.40 %	2.10 %
Japan	3.10 %	2.95 %	2.60 %	2.70 %	2.65 %	2.20 %	3.30 %	2.50 %	2.00 %
China	-0.05 %	-0.30 %	0.00 %	0.30 %	0.50 %	1.00 %	0.20 %	0.50 %	1.40 %
Schweiz	1.65 %	1.60 %	1.20 %	1.40 %	1.20 %	1.20 %	2.10 %	1.30 %	1.10 %

## Numbers

### Rates

	September 30th	in bps September	in bps YTD
10j. EUR (Swap)	2.35	-19.10	-14.18
10j. UK (Swap)	3.62	-7.12	33.32
10j. CHF (Swap)	0.59	-15.96	-57.54

### Bonds

	September 30th	in bps September	in bps YTD
US Govt 10Y	3.78	-12.25	-9.81
GER Govt 10Y	2.12	-17.57	10.04
Swiss Govt 10Y	0.37	-6.40	-28.86
UK Govt 10Y	4.00	-1.20	47.24
IT Govt 10Y	3.45	-24.94	-23.96
ESP Govt 10Y	2.92	-20.72	-5.81

### Generic iTRAXX

	September 30th	in bps September	in bps YTD
Europe Main	58.82	6.27	0.61
Finl Sen	67.15	6.84	0.13
Finl Sub	120.58	13.32	-2.07
X-Over	310.85	22.36	0.38

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