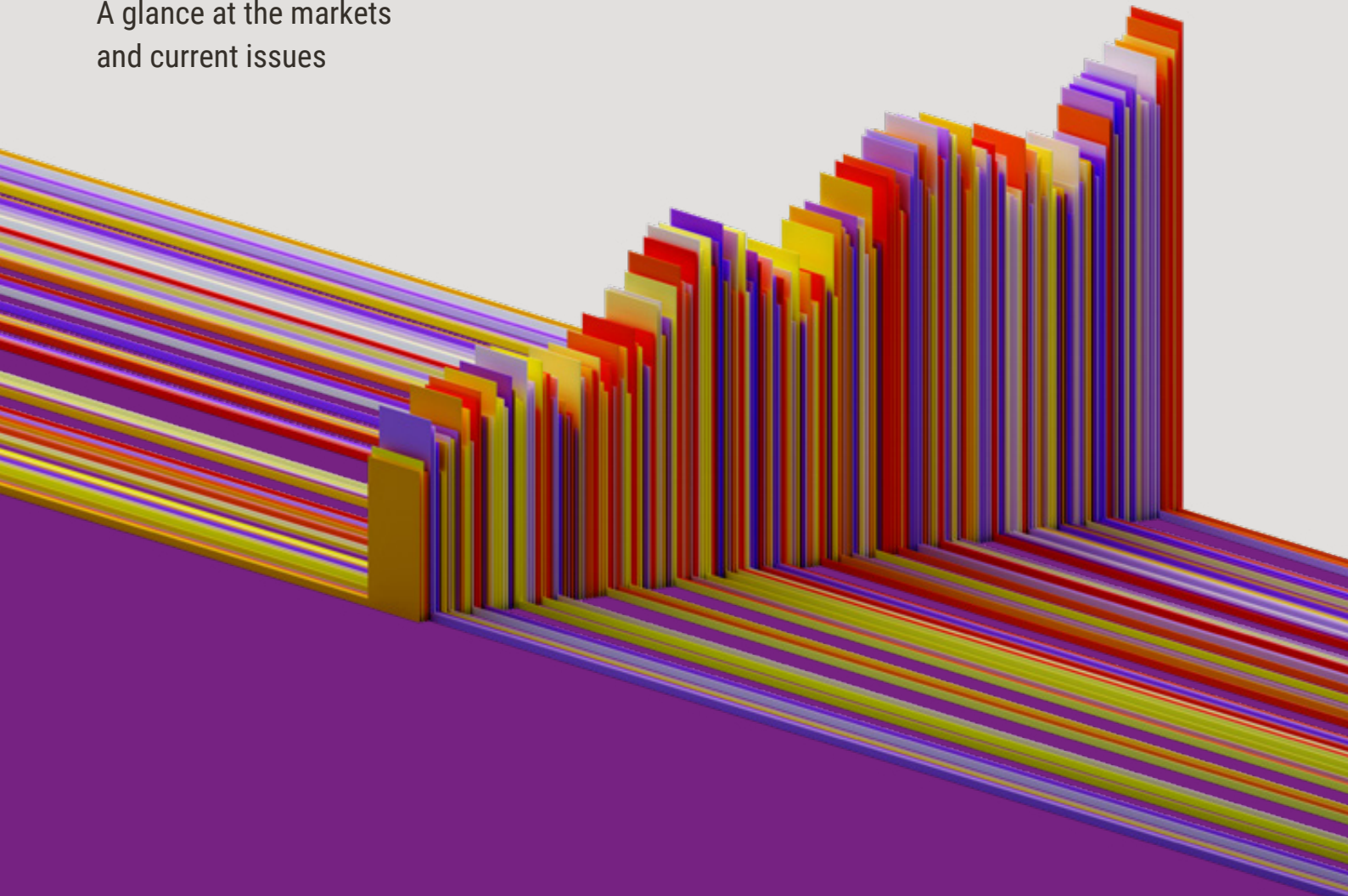


## Market Overview 01 | 2025

A glance at the markets  
and current issues



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**Equities**

# Year in review 2024

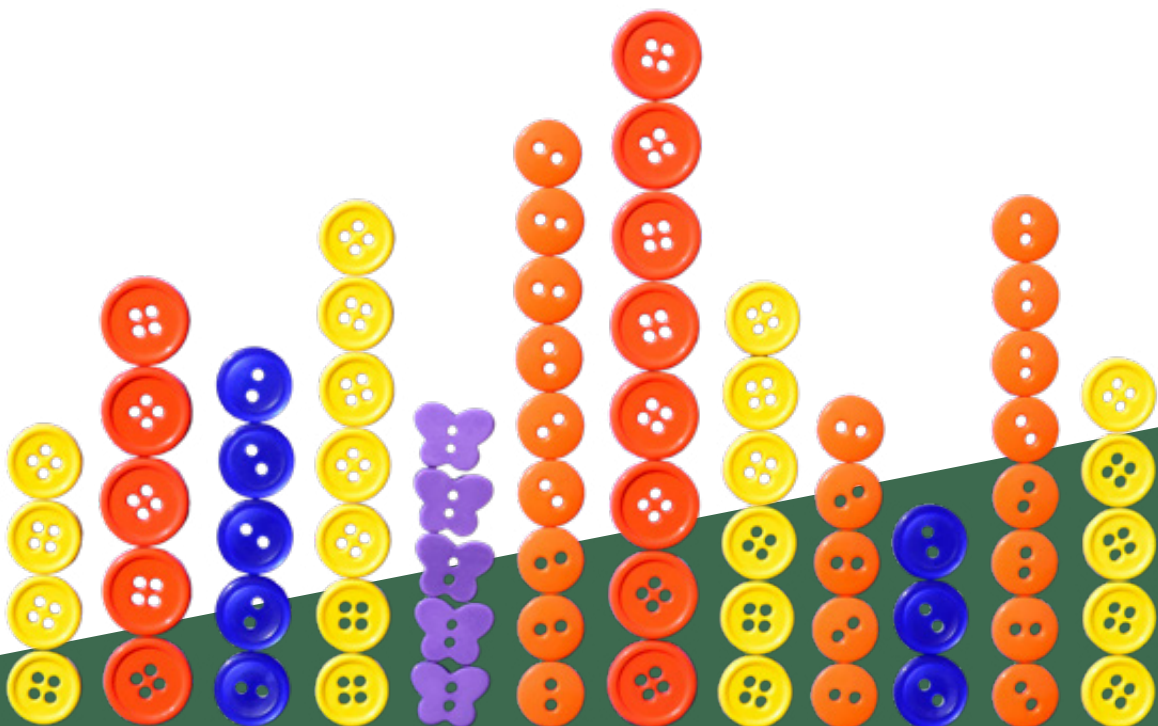
An exciting year on the financial markets, characterised by economic resilience, geopolitical tensions and renewed challenges in the energy sector – that’s 2024 in a nutshell. In this year in review, we offer a more in-depth analysis and also look ahead.

**Economic developments**

At the beginning of the year there was a prevailing mood of optimism on the stock market. The unemployment rate remained at a historically low level and economic activity showed impressive resilience despite the difficult global climate. Economic momentum was characterised by differences between sectors. While the technology industry continued to flourish, driven by innovations in artificial intelligence and renewable energies, traditional industrial production has been struggling with higher raw material costs and slower export growth.

**Banks and financial system**

Turbulence in the banking sector made for headlines again in the spring, especially in the case of regional banks in the USA. Some institutions were under pressure owing to liquidity shortages, forcing the Federal Reserve and the Treasury Department to take new emergency action. However, this time they were better prepared than in 2023, so the impact on the broader economy remained small. On the global scale, the operating environment for banks was marked by stricter regulatory requirements and higher capital ratios.



### **Inflation and interest rate policy**

Inflation fell further, to 2.8% in July, its lowest level since 2021. This is mainly due to falling energy prices and stabilisation in supply chains. The Fed used this opportunity to cut key interest rates gradually, for the first time in March and then again in October, providing relief for both consumers and companies. However, inflation picked up again in the final months of the year, particularly with regard to food and housing costs.

### **Commodities and energy**

The energy market remained volatile in 2024. Oil prices rose further after OPEC members, led by Saudi Arabia, announced production cuts. At the same time, US oil output set new records, further impacting the global market. The increase in renewable energy investments was particularly noteworthy. Countries such as Germany and China increased their efforts to reduce dependence on fossil fuels, stoking the market for solar and wind energy.

### **Geopolitical tensions and trade relations**

Geopolitical events played a key role last year. Tensions between the USA and China continued, particularly in the semiconductor technology space. New export controls and countermeasures created uncertainty in global supply chains. At the same time, the USA stepped up its efforts to strengthen trade deals with Latin American countries to secure their strategic resources such as lithium and rare earths.

### **Debt and fiscal challenges**

The topic of national debt dominated the headlines in autumn, as the USA exceeded the USD 35 trillion mark in September. Once again, this led to political debates on fiscal responsibility and long-term viability. The US Congress adopted measures to suspend the debt ceiling up to 2026, but only under significant political tensions. Debt levels also continued to rise in Europe as many governments continued to support stimulus programmes while financing the transition to a more sustainable economy.

### **Year-end surge on the equity markets**

The major indices had a mixed year. While the S&P 500 advanced in the first half of the year, rising oil prices and persistent uncertainty about future interest rate policy led to greater volatility in the third quarter. However, the year-end surge generated profits as the markets took an optimistic view of economic stabilisation and still-relaxed monetary policy.

### **US companies dominate the stock markets**

The USA dominated among the world's stock exchanges as never before, and it was a great year for the US equity market. Having risen rapidly in 2023, the S&P 500 index gained another 25% last year. The index is now 50% up on two years ago. Equity valuations are now as high as last seen in the late 1990s, and the USA's appeal to financial capital is greater than ever. After all, in market capitalisation terms, US companies are now worth more than all companies in the rest of the world combined. US companies now also account for 74% of the MSCI World index for developed markets. This means the US stock markets left all other equity markets in Europe and Asia in the dust. The Euro Stoxx 50 rose by 9% last year, the SMI only 4%. In Europe, only the DAX showed a similar trend, although there were significant gains for the technology sector in particular.

**Outlook 2025**

The prospects for 2025 remain mixed. While stable inflation and moderate interest rate policies are viewed as positive, geopolitical tensions, declining economic momentum and potential turbulence in the financial sector could pose challenges. Investors will therefore focus on diversification and defensive strategies in order to navigate these uncertainties as unscathed as possible.



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 t 058 442 41 01

**Indicative interest rates\* as of January 2025**

	3 Years	1.10 %
<b>Fixed-rate mortgage</b>	5 Years	1.20 %
	7 Years	1.30 %
	10 Years	1.40 %
<b>SARON mortgage**</b>	SARON + 0.80 % 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

# Outlook for the new year

Contrary to all expectations the US economy grew robustly last year and inflation fell, albeit not to the extent hoped. This moved the major central banks, especially the Fed and the ECB, to begin cutting key interest rates, leading to a decline in international bond yields. What does this mean for the new year?

### **Bonds on a rollercoaster ride**

Strong economic data, stable inflation figures and labour market data were reflected in risk investments, where credit spreads reached record highs. Towards the end of the year, bond risk premiums achieved levels not seen since 1997. Despite international geopolitical crises and the extraordinary elections in France, bond investors bought up more and more expensive low-rated corporate bonds. Last but not least, Trump's second term appears to be growth-oriented, despite uncertainty about the possible inflationary pressures that the planned tariffs and tax cuts might produce. Yields on US government bonds rose in autumn because inflation did not fall as expected. Expectations of further interest rate cuts receded as a result. Newly elected President Trump then announced tariffs on imports and an increase in government spending, causing the yield on 10-year government bonds to rise again. In contrast, credit spreads and bond yields have been trending downwards in the eurozone, despite the marked economic slowdown in Germany and France's government crisis. A remarkable development can be observed in this context. The yield spreads between 10-year government bonds in Italy and Germany contracted to just under 100 basis points. Bear in mind that Germany has an AAA rating, while Italy has a BBB rating owing to its high national debt. This example illustrates the record high bond credit spreads ever seen.



### What happens next?

Falling interest rates, close-to-target inflation and steady, moderate and global growth are creating an optimistic climate for 2025, but there are also dampening aspects. Given that yield premiums in all sectors are close to historical lows, there may be phases of expansion in response to potential catalysts such as tenacious inflation, new US tariffs or geopolitical risks.

### Lasting effects of the pandemic

The quarterly US business survey provides important insights from the past year. With the exception of tech giants, most US companies report weak sales, poor or even zero credit growth and low and middle-income consumers under increasing financial pressure. The contrast between these figures and solid GDP data has never been so striking. It is almost as if we were looking at two separate economies. The unusual developments in the US economy over the past four years can be explained if they are viewed as ongoing impacts of the major pandemic-related shocks. In other words, these are the fiscal package of 15% of GDP in 2020 and 2021, the monetary stimulus to finance it, and lockdown restrictions that prevented consumers from buying services and interrupted goods deliveries and supply chains. In the second phase from the end of 2021, fiscal and monetary incentives came to an end and restrictions were lifted. Then came the huge aftershocks. Spending from surplus savings and the supply side responding positively to excess stock and pent-up demand led to an increase in wages and profits. Since companies are highly dependent on debt to finance expansion, there is a risk that creditors will get cold feet and put an end to the boom.

### The legacy of the Biden administration

The Trump administration is inheriting a slowing economy that has much ahead. It is likely that the new president will respond over time by loosening fiscal and monetary policy, as it is much easier to reduce taxes than government spending. The result will probably be longer reflation and possibly inflation in the next cycle. Trump has also announced additional 10% tariffs on Chinese goods, as well as 25% on products from Mexico and Canada. Economists expect global growth to remain moderate and robust in 2025, despite a slowdown in many parts of the world. However, it is difficult to predict with accuracy the effect of the new US tariffs on the global economy. It is quite possible that they will not be nearly as comprehensive as announced, and are used instead as negotiating tactics.

*In the eurozone, economic growth is likely to remain weak in the new year.*

### Where is inflation going?

In the eurozone, economic growth is likely to remain weak in the new year. The latest economic stimulus from the Chinese government might lead to a sustained upswing. Central banks are expected to continue their interest-cutting policies, albeit to a lesser extent than previously assumed, as inflationary pressure continues. The biggest puzzle in 2025 will again be the direction that inflation will take. The Fed and the ECB are shaping market expectations with their inflation target of 2%. However, more and more market participants are challenging the credibility of central banks, believing that actual consumer price inflation will be 3%.

Were this to be the case, expectations of lower interest rates would fall significantly and bond yields would rise, especially at the long end. The US Federal Reserve ended 2024 with its third interest rate cut in a row, although emphasising that inflation was once again its chief concern. Fed Chairman Jerome Powell nonetheless admitted that the central bank's inflation forecast had "kind of fallen apart" at the end of the year. America's central bankers are now assuming that it will take longer for inflation to reach its target of 2%.

The prospect of interest rate cuts in the new year has been curtailed. Further adjustments will depend on progress in cooling inflation. As at December 2024, the market was pricing in a key interest rate cut of 50 basis points from the Fed and -100 basis points from the ECB in 2025.

### **Switzerland, a pioneer of interest rate cuts**

Last year, the Swiss National Bank (SNB) was the first international central bank to cut its key interest rates, encouraged by falling inflation and robust economic growth. Europe's powerhouse, Germany, suffered an abrupt economic slowdown owing to a decline in industrial exports. Among other things, this led to an appreciation of the Swiss franc against the euro. In this situation, the SNB seeks to ensure the stability of the currency through its interest rate policy. The yield curve for CHF-denominated bonds was practically flat throughout the year, with short-term yields in line with their long-term counterparts. To avoid further appreciation in the CHF, the SNB decided in December to make an unexpected key rate cut of 50 basis points. The market had only priced in a 25-basis-point reduction. At the press conference, the SNB chairman said that the policy rate remains the bank's main instrument if monetary policy is to be relaxed further. At the same time, the SNB would be prepared to intervene in the foreign exchange market if required. Where negative interest rates are concerned, he said that although the SNB does not favour this means, it would use it again if necessary to curb speculation on the Swiss franc. The market now expects interest rate cuts of 25 basis points in March and a total of 50 basis points for the rest of the cycle to September, with the closing rate expected to be slightly above 0%. If true, this could lead to negative CHF bond yields in 2025.

### **Outlook for risk premiums**

Risk premiums (credit spreads) will likely depend on the macroeconomic climate and geopolitical crises. From a macroeconomic perspective, the outlook is moderately positive and the USA will certainly be the centre of attention. Economic growth is a goal that the Trump administration aims to accelerate with lower interest rates. This raises the question of the Fed's independence in terms of interest rate policy, as the White House will exert pressure. If tariffs, rising budget deficits, rising national debt and the need for large-scale new issues coincide, inflationary pressure could cause long-term interest rates to rise. The absolute dominance of Republicans in both chambers of Congress opens up the opportunity to implement President Trump's promised economic policy, i.e. tax cuts, higher budget deficit, and the introduction of trade tariffs. The risks of this constellation lie in mushrooming public debt, a possible economic slowdown in Europe as a result of US tariffs, and a trade war with China. Added to this are all-time low credit spreads, which are at risk of expanding rapidly in response to any geopolitical catalyst or certain countries' uncontrolled over-indebtedness.

## Alternative investments

# 2024 in alternative investments

Alternative investment performance was a mixed bag. While many asset classes remained stable or recovered, fundraising fell short of expectations in some areas. Below is an overview of the most important asset classes from hedge funds, infrastructure and private equity to private debt, with a focus on performance, fundraising and key trends.



### Hedge funds

In 2024, hedge funds generated an average dollar yield of 9.7% (HFRI FoF Composite). Performance was thus lower than the strong equity returns, but higher than bond results, demonstrating stability in a volatile market environment. Strategies more aligned with equity markets tended to achieve the highest returns (HFRI Equity Hedge +12.3%). Fundraising for hedge funds remained challenging. Net inflows were negative over large parts of the year, although they rebounded in the third quarter with inflows of USD 25.5 billion. The general trend shows a shift to larger, established funds, while smaller funds are struggling to attract new capital. Investors favoured strategies with a low correlation to the broader markets, such as Global Macro and CTAs. This reflects the search for risk-adjusted returns in an uncertain economic environment.

## Infrastructure

Here, too, fundraising remained subdued in 2024, with only USD 70 billion in the first three quarters, compared with an annual average of USD 136 billion in the previous five years. There was a decline in North America, in particular, while the Asia Pacific region saw an increase in fund sizes. The energy transition and renewable energy expansion remain a key driver of investment. At the same time, there are uncertainties about US policy that could potentially affect subsidies going forward.

## Private debt

Private debt proved resilient in 2024, with a dollar yield of 4.45% until the second quarter. Direct lending in particular remained a preferred segment. Fundraising for private debt amounted to USD 118 billion by the end of the third quarter. Although this picked up in the second half, this suggests an annual result of around USD 157 billion, below the prior year's USD 214 billion but close to the 10-year average of USD 161 billion. Direct lending continued to dominate fundraising, while interest in riskier strategies such as mezzanine and special situations weakened. Investors favoured established fund managers and larger funds.

## Private equity

The past year was more muted for private equity. The higher interest rate climate affected market demand and made it difficult for investors to sell their holdings at their desired valuations. Private equity-based companies are feeling the effect of rising financing costs, in particular because of variable interest rates. By contrast, large listed companies mostly have long-term financing from banks and the bond market. In addition, other private asset classes such as private debt and infrastructure have drawn capital away from private equity to some extent. Nevertheless, the number of deals was on a par with the previous year. By the end of the third quarter of 2024, 69% of deals had already been done. This was 74% of the 2023 figure. In the first three quarters of 2024, less capital was collected for private equity than in the same period in 2023. Despite a decline in closed funds by 25.1% (646 funds), the total volume fell by only 11.8%, to USD 482 billion.

### Sources:

- Prequin Global Report: Private Equity, December 2024
- Prequin Global Report: Private Debt, December 2024
- Prequin Global Report: Infrastructure, December 2024
- Prequin Global Report: Hedge Funds, December 2024

## Conclusion

The 2024 investment year demonstrated that, despite challenges in fundraising, alternative investments continue to play an important role in diversified portfolios. Hedge funds benefited from stable returns, infrastructure investments focused on renewable energies, and private debt showed resilience despite weaker capital inflows. The outlook for 2025 remains cautiously optimistic, particularly in view of potential interest rate cuts and political developments.

## Telco-Products

### Telco Classic

	ISIN	Tranche	December 31st	% December	% YTD	Web
Telco Classic II Global Equities**	CH0443816621	V	253.71	0.44	25.62	<a href="#">More Infos</a>
Telco Classic Swiss Equities ESG	CH0421075018	V	184.57	-1.29	6.37	<a href="#">More Infos</a>
	CH0421074961	R	106.93	-1.32	3.98	
Telco Classic Best Idea ESG	CH0442770316	V	114.21	1.26	13.94	<a href="#">More Infos</a>
Telco Classic Best ESG	CH0442615701	R	123.25	1.25	13.94	
Telco Classic Sustainable Heritage ESG	CH0583763542	V	77.92	-2.17	8.72	<a href="#">More Infos</a>
	CH0583763534	R	68.82	-2.18	8.51	
Telco Classic Bonds CHF ESG	CH0421043669	V	106.75	-0.31	4.53	<a href="#">More Infos</a>
	CH0421043594	R*				
Telco Classic Bonds in foreign currency ESG	CH0421043768	V	86.08	-0.19	2.56	<a href="#">More Infos</a>
	CH0421043743	R*				
Telco Classic Bonds in foreign currency hedged ESG	CH0469074956	V	90.2	-1.59	-2.33	<a href="#">More Infos</a>
	CH0469074865	R	81.21	-1.60	-6.60	
Telco Classic Inflation Protection ESG	CH1101347354	V	93.8	-1.92	-7.92	<a href="#">More Infos</a>
	CH1101347347	R*				
Telco Classic Aktien Alkimia ESG	CH0544465831	V	143.02	-3.01	5.01	<a href="#">More Infos</a>
	CH0544465823	R	135.13	-3.04	4.82	
	CH1116144333	P	104.79	-3.01	4.96	

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

### Telco Classic Strategy

	ISIN	Tranche	December 31st	% December	% YTD	Web
Telco Classic Strategy 10	CH0450199770	V	123.81	-0.61	3.97	<a href="#">More Infos</a>
	CH0544445619	R*				
Telco Classic Strategy 25	CH0450201261	V	134.17	-0.60	5.34	<a href="#">More Infos</a>
	CH0544465658	R	103.05	-0.59	2.85	
Telco Classic Strategy 45	CH0450201329	V	152.35	-1.04	7.02	<a href="#">More Infos</a>
	CH0544465757	R*				
Telco Classic Strategy 100	CH0450382632	V	136.49	-1.01	13.46	<a href="#">More Infos</a>
	CH0544465773	R	85.54	-1.01	-4.31	

\* Not yet launched

## The Telco Top Products

### Top-Performer



#### Telco Classic Best Idea

The Telco 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



#### Telco Classic Sustainable Heritage

The Telco 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

	December 31st	% December	% YTD
MSCI AC World	457.32	-2.37	17.49
SMI	11,600.90	-1.39	4.16
SPI	15,472.33	-1.28	6.18
DAX	19,909.14	1.44	18.85
EuroStoxx 50	4,869.28	1.91	8.28
EuroStoxx 600 Price Index	504.85	-0.52	5.98
FTSE 100	8,121.01	-1.38	5.69
DOW Transportation	15,886.79	-9.78	-0.02
S&P500	5,906.94	-2.50	23.31
NASDAQ 100	21,197.09	0.39	24.88
Shenzen–Shanghai CSI300	3,999.06	0.47	14.68
Emerging Market	1,078.40	-0.29	5.05
Nikkei	39,894.54	4.41	19.22
Volatilität	17.40	28.42	39.36

### Commodities

	December 31st	% December	% YTD
WTI–CrudeOil	70.99	5.47	0.10
Brent Oil	74.39	2.33	-3.12
ThomReuters / JefferiesCRB	296.73	3.41	12.47
Gold	2,606.50	-0.71	27.22

### LIBOR

	December 31st	% December	% YTD
Saron 6M CHF	0.23	-31.49	-81.35
Euribor 6M	2.56	-4.71	-33.49
SOFR 6M USD	4.26	-3.05	-17.60

### Alternative Investments

	December 31st	% December	% YTD
S&P Leveraged Loan TR Index	4,061.47	0.59	9.01
ILS Advisers Index	237.74	2.45	13.86
Swiss RE Cat Bond TR Index	517.80	1.47	17.29

## Numbers

### Currencies

	December 31st	% December	% YTD
EUR/USD	1.0407	-2.11	-5.73
USD/CHF	0.9037	3.00	7.40
USD/JPY	156.8400	4.96	11.20
EUR/CHF	0.9405	0.86	1.25
GBP/CHF	1.1343	1.21	5.85
CAD/CHF	0.6296	0.30	-0.62
AUD/CHF	0.5622	-2.11	-2.09
JPY/CHF	0.5761	-2.02	-3.42
BRL/CHF	0.1460	-0.68	-16.09
CNY/CHF	0.1239	2.39	4.47
INR/CHF	0.0106	1.34	4.89
RUB/CHF	0.0082	-3.14	-12.98
TRY/CHF	0.0255	0.75	-10.64
ZAR/CHF	0.0481	-1.23	4.57

### 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 %	2.80 %	2.30 %	2.50 %	2.70 %	2.10 %
Euro Area	0.10 %	0.10 %	0.40 %	0.50 %	0.90 %	1.05 %	0.50 %	0.80 %	1.00 %
Japan	-2.10 %	-0.40 %	-2.00 %	3.10 %	0.90 %	1.30 %	1.90 %	-0.20 %	1.20 %
China	4.90 %	5.20 %	4.90 %	4.70 %	4.60 %	4.90 %	5.20 %	4.80 %	4.50 %
Schweiz	0.40 %	0.65 %	0.70 %	1.40 %	1.80 %	1.70 %	0.80 %	1.30 %	1.30 %

### 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 %	2.70 %	4.10 %	2.90 %	2.50 %
Euro Zone	5.00 %	2.70 %	2.60 %	2.50 %	2.20 %	2.20 %	5.40 %	2.40 %	2.00 %
Japan	3.10 %	2.95 %	2.60 %	2.70 %	2.80 %	2.65 %	3.30 %	2.60 %	2.20 %
China	-0.05 %	-0.30 %	0.00 %	0.30 %	0.50 %	0.30 %	0.20 %	0.30 %	0.85 %
Schweiz	1.65 %	1.60 %	1.20 %	1.40 %	1.10 %	0.70 %	2.10 %	1.10 %	0.65 %

## Numbers

### Rates

	December 31st	in bps December	in bps YTD
10j. EUR (Swap)	2.36	20.30	-12.98
10j. UK (Swap)	4.11	27.85	78.16
10j. CHF (Swap)	0.38	6.63	-78.82

### Bonds

	December 31st	in bps December	in bps YTD
US Govt 10Y	4.53	40.15	69.20
GER Govt 10Y	2.37	27.81	34.30
Swiss Govt 10Y	0.27	6.76	-38.48
UK Govt 10Y	4.61	32.43	103.51
IT Govt 10Y	3.52	24.57	-16.95
ESP Govt 10Y	3.06	26.77	7.60

### Generic iTRAXX

	December 31st	in bps December	in bps YTD
Europe Main	57.77	1.91	-0.56
Finl Sen	63.98	1.26	-3.24
Finl Sub	113.04	1.17	-10.53
X-Over	314.65	15.19	2.59

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