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Portfolio Update

March 2025

Markets in conflict: Uncertainties weigh on equities and drive up bonds

While European stock markets were very volatile higher despite uncertainty over possible US tariffs, US indices recorded declines due to weak economic data. The S&P500 and Nasdaq100 fell several times, with significant losses among the 'Magnificent Seven'. In Asia, the market was mixed: while Chinese tech stocks benefited from hopes of government support, geopolitical tensions weighed on general market sentiment.

The technology sector in particular was in focus. Nvidia presented strong figures and exceeded expectations, but concerns about the sustainability of the AI boom led to profit-taking. Tesla lost 8.4 %, causing its market capitalisation to fall below the USD 1 trillion mark. Super Micro Computer gained in late trading following the presentation of overdue financial reports, but lost ground in the following days. Rolls-Royce impressed with an increased profit forecast and an announced share buyback, which drove the share price up 16% to a record high. WPP, on the other hand, suffered a severe setback with a 17% slide in its share price after its sales forecast disappointed. Walmart posted its biggest two-day drop since 2022 on a weak forecast, while Home Depot showed cautious confidence about a return to sales growth this year. In the financial sector, Berkshire Hathaway impressed with strong insurance profits, while PayPal scored with a positive outlook for transaction margins.

Interest rate expectations shifted over the course of the month, as weak US economic data strengthened hopes that the Fed would cut rates soon. Yields on 10-year US government bonds fell to their lowest level of the year in the meantime. Bond yields also remained relatively stable in Europe and the UK.

There was also movement in commodities and currencies: Gold reached a record high in the meantime, but fell back towards the end of the month. The oil price remained depressed, while the dollar lost ground against the yen. Bitcoin fluctuated strongly and was able to recover after a setback below USD 80.000.

Financial markets 2025 total return

Equities	February	2025
S&P 500 (US)	-1.3%	1.4%
Dow Jones Industrial Average (US)	-1.4%	3.3%
EURO STOXX 600 (EU)	3.4%	10.0%
DAX (DE)	3.8%	13.3%
SMI (CH)	3.2%	12.1%
MSCI Emerging Markets (EM) in USD	0.5%	2.3%
Fixed Income	**February**	**2025**
US Corporate Bonds Inv. Grade	2.0%	2.6%
US Corporate Bonds High Yield	0.7%	2.0%
Pan-European Corporate Bonds Inv. Grade	0.8%	1.1%
Pan-European Corporate Bonds High Yield	1.2%	1.7%
Alternative Investments	**February**	**2025**
Gold	2.1%	8.9%
Oil (brent)	-4.6%	-0.9%

Source: Bloomberg

Mandate returns gross

	Euro			Swiss Franc			US Dollar			British Pound		
	Cons	Bal	Dyn	Cons	Bal	Dyn	Cons	Bal	Dyn	Cons	Bal	Dyn
2012	6.6%	7.4%	10.5%	4.3%	6.5%	10.9%	5.9%	8.4%	11.8%			
2013	1.5%	6.5%	13.5%	1.9%	8.3%	16.7%	2.9%	9.4%	18.5%			
2014	6.1%	8.0%	10.2%	4.9%	6.5%	9.2%	1.6%	2.2%	3.1%			
2015	2.7%	6.3%	9.9%	-0.8%	0.0%	1.8%	-0.3%	0.0%	1.0%			
2016	2.3%	5.3%	7.1%	1.3%	3.9%	5.7%	2.8%	6.2%	7.2%	4.6%	9.5%	12.1%
2017	3.5%	7.3%	10.8%	4.3%	8.9%	15.0%	7.1%	12.7%	18.1%	4.7%	8.7%	14.2%
2018	-4.3%	-9.0%	-10.5%	-5.6%	-10.1%	-12.1%	-2.5%	-7.9%	-9.8%	-3.3%	-8.6%	-10.4%
2019	9.2%	15.7%	21.6%	8.3%	14.8%	19.6%	11.5%	17.5%	22.0%	9.4%	15.3%	19.8%
2020	3.2%	5.3%	8.6%	2.6%	5.5%	9.0%	6.7%	9.7%	13.6%	4.6%	6.5%	10.3%
2021	5.3%	10.5%	16.5%	4.3%	8.9%	14.2%	4.2%	8.4%	13.9%	4.2%	8.7%	14.4%
2022	-9.6%	-11.7%	-14.7%	-10.7%	-13.2%	-16.4%	-8.8%	-10.8%	-13.6%	-8.3%	-9.5%	-12.2%
2023	9.1%	10.7%	12.3%	6.1%	7.5%	8.6%	11.2%	13.4%	15.1%	10.1%	12.7%	12.8%
2024	7.8%	9.7%	11.9%	6.1%	7.1%	9.2%	8.7%	9.6%	11.4%	8.9%	9.6%	11.6%
Jan 25	1.6%	2.2%	3.2%	1.8%	3.1%	4.4%	1.8%	2.5%	3.5%	1.9%	2.6%	3.6%
Feb 25	-0.1%	-0.5%	-1.2%	-0.1%	-0.4%	-0.8%	-0.1%	-0.4%	-1.1%	0.1%	-0.6%	-1.3%
2025	1.5%	1.7%	2.0%	1.7%	2.8%	3.5%	1.7%	2.0%	2.3%	2.0%	2.0%	2.2%

Actual portfolio returns may differ from the values shown above owing to the level of implementation, costs and restrictions on implementation.

TRANSACTIONS IN FEBRUARY

For a detailed overview of the transactions for each strategy, please do not hesitate to contact us.

POSITIONING

Liquidity (underweight)

Traditional	
Balanced	6.5%
Dynamic	4.0%
Fund solutions	
Conservative	8.0%
Balanced	3.0%
Dynamic	1.0%

- Excess liquidity is invested in money market funds or fiduciary investments where possible.
- In a challenging market environment, an increased cash allocation offers the opportunity to temporarily park surplus liquidity in order to participate in investment opportunities at a later date.
- Depending on the base currency, bonds are currently attractive. By utilising different rating classes and actively managing the interest rate risk, it is possible to achieve a return in different scenarios.

Bonds (neutral)

Traditional	
Balanced	40.0%
Dynamic	20.0%
Fund solutions	
Conservative	55.0%
Balanced	40.0%
Dynamic	22.0%

- In lower ratings, the focus is on broadly diversified investments in order to act cautiously. Carefully selected active managers can generate added value here.
- The interest rate level has become attractive due to the measures taken by the central banks, although a steady easing of interest rate policy is currently less pronounced, but is nevertheless priced into expectations. The attractive absolute interest rate level and the somewhat more cautious expectations of market participants open up the possibility of slightly increasing duration in order to be diversified in the event of an easing due to an economic slowdown.

Equities (neutral)

Traditional	
Balanced	47.5%
Dynamic	70.5%
Fund solutions	
Conservative	30.0%
Balanced	50.0%
Dynamic	70.0%

- Within the equity allocation, investments in the USA and globally are favoured over Europe. The Swiss equity market remains attractive due to its defensive orientation and the uncertain political situation in Europe. The subdued growth of the global economy makes investments in the emerging markets less attractive; accordingly, developed markets are favoured over emerging markets.
- Despite the subdued global economy, corporate earnings prospects remain positive and are likely to become more broadly based across sectors. Investors are focussing in particular on the trade policy of the new US government.
- Within the individual sectors, technology, basic materials, energy and financials are considered attractive and are accordingly overweighted in the portfolios.
- Real estate and cyclical consumer goods are neutrally weighted.
- The outlook for the healthcare, non-cyclical consumer goods, communication services, industrials and utilities sectors remains negative due to valuation, consumer behaviour or other macroeconomic factors.

Alternative Investments (overweight)

Traditional	
Balanced	6.0%
Dynamic	5.5%
Fund solutions	
Conservative	7.0%
Balanced	7.0%
Dynamic	7.0%

- A high level of liquidity (usually UCITS) is the basic prerequisite and determines which strategies are considered.
- The aim is to achieve a positive market return in a normal market environment.
- With a market-unrelated cat bond fund, we aim to participate in the continued attractive premiums, while we believe that a gold ETF should be rewarded for geopolitical risks and sovereign debt burdens.
- We do not rule out considering offensive strategies in the segment of long-short equity or long-short credit.

TRUMP DISAPPOINTS INVESTORS

Expectations of the new US government were high - perhaps too high. Investors had high hopes for Trump and Co. and drove the stock markets up, true to the motto: 'Buy the rumour, sell the fact.' A lot was hoped for from the self-proclaimed deal-maker. However, there is an increasing impression that there is no clear strategy behind the many announcements and that impulsive action is being taken instead. This uncertainty is noticeably weighing on investors. The key question on Wall Street is now: have Trump and his team been overestimated? Anyone who has lost track of the latest tariff announcements can find a summary in the table below.

Trump tariffs

Trump Tariffs So Far

Effective Date*	Target Countries	Tariff Rate	Goods Targeted	Bloomberg Economics Forecast	Retaliation?
2/4/25	China	10%	All	Hike nearly as large as Trade War I, impact manageable	Restrained
3/4/25	China	Another 10%	All	Hike close to twice Trade War I, risks more than 50% drop in China exports to US	Undetermined
3/4/25	Canada, Mexico	25%, but 10% for Canadian energy	Most	Risks 1% hit to US GDP, severe shock to Mexico and Canada	Pledged
3/12/25	Major exporters	25%	Steel, aluminum	Marginal impact on US. Canada exposed	Pledged
4/2/25	European Union	25%	All	Risks 70% cut in EU exports to the US - hitting 1.5% of EU GDP	Threatened
4/2/25	Major exporters	25%	Cars, chips, pharma	Awaiting details	Undetermined
4/2/25	All	Unspecified recipricols vs VAT, other barriers	Undetermined	Matching VAT and non tariff measures would be a major shock	Undetermined
11/22/25	Major exporters	Unspecified	Copper	Marginal impact on US. Chile, Canada most exposed	Undetermined
12/31/25	EU, UK, Canada	Unspecified vs digital taxes	Undetermined	Awaiting details	Undetermined

Source: Bloomberg
Note: Future dates subject to change; for tariffs targeting digital taxes, date hasn't yet been set yet.
Bloomberg

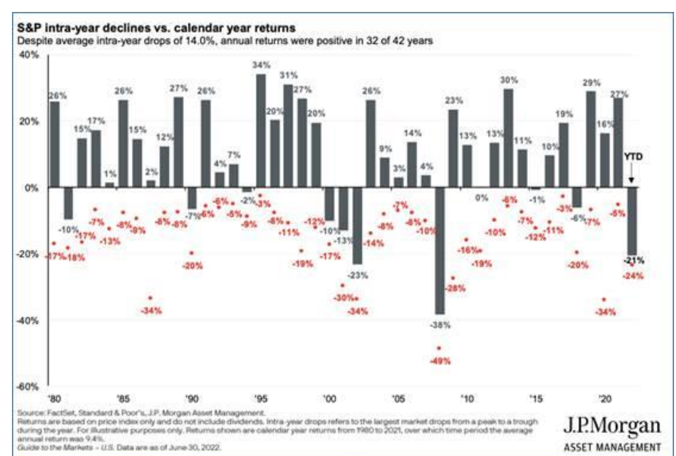
Source: Bloomberg Economics

The fact is: we knew what was coming. Numerous market reports, including ours, had already stated that the period of steadily rising stock markets could come to an end with Trump's inauguration. Volatility is returning and the markets are swinging between euphoria and panic - mostly depending on the latest news on social media. This is exactly where we are now. Initially, it seemed as if things might be different this time, but in fact the starting position has hardly changed. We have to come to terms with what has been apparent since 5 November. This means that the focus on a medium to long-term portfolio strategy must be maintained, while strong price fluctuations are once again part of everyday stock market life - a fact that we will have to get used to.

However, one aspect that we believe deserves a little more attention is the increasing trend towards weaker US economic data. The easiest way to see this is the US Citi Economic Surprise Index, which compares economic data with economists' expectations. However, a look at the past year shows that this index has only limited significance for the direction of the stock markets, as the index trended in negative territory for months while share prices continued to rise. The situation is different for US yields. A weaker economic performance or the threat of job losses would have to be combated by the US Federal Reserve, which can ultimately be achieved through a lower interest rate environment. We can see the latter in the rising market expectations for US interest rate easing in 2025. While further interest rate cuts have been priced in for some time in Europe and Switzerland, the most recent assumption in the US was that rates would remain at 4.5% for the year as a whole. However, even the largest economy now recognizes the need for at least two interest rate cuts of 0.25%. Positive price gains in bonds were the result, which provided the necessary diversification in the portfolio in view of the weak US share prices.

We know from the past how quickly the stock markets can turn upwards again if the Fed hints at interest rate cuts. Trade agreements also still seem to be in Trump's interest, as recent talks between the UK and the US suggest. Last but not least, there also seems to be movement on the Ukraine issue. In view of the recent market weakness, particularly in US stocks, it is also worth recalling the chart below. Corrections of 20 % or more are not uncommon in both positive and negative stock market years. On average, a 14% correction must be expected every year. Those who remain calm during such phases or use them as targeted entry points will be rewarded in the long term.

Corrections and annual returns in the S&P500



Source: JP Morgan

Last updated: 5pm CET, 3th March 2025

This publication was prepared by:

Investment Management & Solution

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