Zürcher Kantonalbank

# Mixed start to the year

**Swiss edition**

Dr. Anja Hochberg
Head of Multi Asset solutions

### Market review

International financial markets closed the first quarter with marked regional differences. While the equity markets in the US visibly corrected, they were able to gain significantly in Europe. The interest rate landscape could not be more diverse either. In the eurozone and Switzerland, capital market returns rose despite further cuts in interest rates. In the US, on the other hand, long-term capital market rates have fallen. Gold surpassed the USD 3,000 mark, while the oil price finished the quarter almost unchanged.

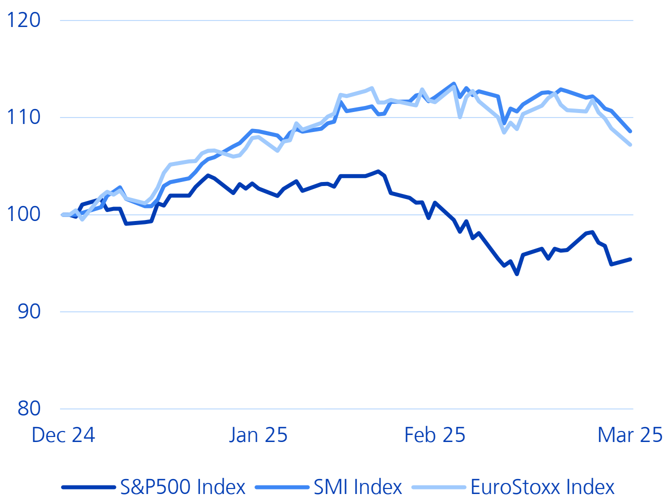
### Positioning

With the market development of the first quarter, two of our three main theories for 2025 have already become reality. On the one hand, the market breadth has increased and the dominance of the so-called "Mag 7" in particular has decreased significantly. On the other hand, interest rate curves have also continued to normalise. Our portfolios benefited from both trends. We have implemented our call via greater regional differentiation (e.g. emerging countries or UK), more pronounced sectoral allocation (e.g. financials) and broader thematic investments. We countered the challenging interest rate environment, particularly in Switzerland, with an underweight in Swiss bonds, an overweight in foreign government bonds (including a switch from EUR to AUD bonds), an addition of convertible bonds or our overweight in emerging market bonds. In addition, we took profits after the gold price jumped above USD 3,000.

### Outlook

The sharp stock market correction at the beginning of the second quarter has altered the conditions for the current investment strategy. The risks of recession have increased due to the announced tariffs. A significant slowdown in growth is certainly priced in at current levels (7 April 2025). However, a pronounced recession would require further adjustments, particularly in valuations. This would lead to an extended correction. Given the low visibility, we have a neutral weighting in equities and are focusing on a defensive implementation in all asset classes. Within equities, this is reflected in investments in the healthcare sector, and within bonds, in our overweight of government bonds relative to corporate bonds. We are underweight in commodities and favour a defensive positioning in currencies (CHF and Yen).

**Performance of stock markets (local currency)**




Source: Zürcher Kantonalbank, Bloomberg

## Review of the financial markets

| | | 31.03.2025 | 31.12.2024 | Performance YtD in local currency | Performance YtD in CHF |
|---|---|---|---|---|---|
| **Returns (%)** | 10-year Swiss Confederation bonds / Swiss Bond Index | 0.58 | 0.33 | -1.4 | -1.4 |
| | 10-year German Federal Bonds / GER Govt Bond Index | 2.74 | 2.37 | -2.0 | -0.3 |
| | 10-year US Treasuries / US Govt Bond Index | 4.21 | 4.57 | 2.9 | 0.3 |
| **Equity markets** | Switzerland, SMI | 12'598 | 11'601 | 8.6 | 8.6 |
| | Europe, Euro Stoxx 50 | 5'248 | 4'896 | 7.2 | 9.1 |
| | USA, S&P 500 | 5'612 | 5'882 | -4.6 | -7.0 |
| | Japan, Nikkei | 35'618 | 39'895 | -10.7 | -8.5 |
| | Emerging Markets, MSCI Emerging Markets | 1'101 | 1'075 | 2.4 | -0.2 |
| **Currencies** | EUR/CHF | 0.956 | 0.940 | - | 1.7 |
| | USD/CHF | 0.884 | 0.907 | - | -2.5 |
| | GBP/CHF | 1.142 | 1.136 | - | 0.6 |
| | EUR/USD | 1.082 | 1.035 | - | 4.5 |
| **Commodities/ precious metals (USD)** | Crude oil, Brent | 74.74 | 74.64 | 0.1 | -2.4 |
| | Gold, Ounce | 3'124 | 2'625 | 19.0 | 16.0 |

Source: Bloomberg, figures rounded: Performance of the bonds is based on indices

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