Vontobel

Investors' Outlook

Staying ahead, reaching beyond

December 2023 / January 2024

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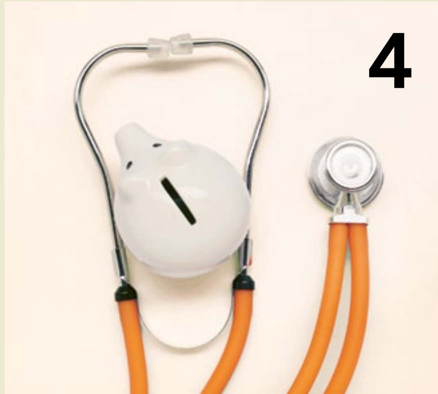

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Staying ahead, reaching beyond

—
Dan Scott
Head of Vontobel Multi Asset,
Vontobel

Dear readers,

We're approaching the last stretch of the year, and markets are in early Christmas-rally mode, pricing in a pivot by the US Federal Reserve following two important data points: Inflation is continuing its downward path after a brief spike, with all components heading in the right direction, and October payrolls showed that job growth has started to decelerate. Here, bad news is good news, because it means the economy is slowing down and the Fed is probably done hiking due to its dual mandate of pursuing both price stability and maximum employment.

Most of the hard work has been done to battle inflation. The last mile to get to 2 percent will be arduous—mission impossible in the short term. We understand the Fed's hawkish tone, but we also remember that the Fed didn't care that inflation was below that target for a decade, so we believe it doesn't really care if it's a bit above 2 percent either. The hawkish narrative needs to stay in place just to keep up appearances. It will be hard to get to 2 percent without a recession, though, so markets shouldn't get carried away with the idea of a soft landing.

As the recession debate goes on, economist Paul Samuelson's quip, "The stock market has predicted nine out of the last five recessions," comes to mind. We stick to our recession view, as we believe that the longer interest rates stay high, the more likely something will break. And while we're confronted with varying forecasts, it comes down to what one chooses to wear. We will be walking around with an umbrella handy.

We foresee a tricky environment, unlike what we've experienced in the past. We would expect to see risk-off sentiment as the typical reaction to going into a recession. But things are different this time around. The bulk of companies are healthy, with strong balance sheets and the lowest debt-servicing costs they've ever had at 20 percent of net profit; compare that to 80 percent before the global financial crisis. What's concerning investors is government debt (which is why we see gold and crypto doing so well) and geopolitical fault lines, both of which are likely going to stay with us through the course of 2024.

We don't think it's the right time to make significant changes to our portfolio, though we did tap into our cash position to upgrade alternative funds for diversification purposes. In this Investors' Outlook, you can pore over our outlook for 2024, read up on the US dollar, and find a Q&A with our experienced ESG analyst on the energy transition and what it means for investors.

This publication will return in early February. In the meantime, reflecting on the dynamics of the past year, we remain vigilant and proactive in navigating the ever-evolving economic landscape and are ready and excited to embrace the opportunities that the coming year holds.

⟶ Webcast
To view the Multi Asset Boutique's 2024 Outlook webcast, click **here.**

—
Frank Häusler
Chief Investment Strategist,
Vontobel

Taking the economy's vital signs

Central banks spent November emphasizing the need to keep monetary policy restrictive for long enough. Macroeconomic data that showed signs of a weakening US labor and housing market, however, had investors questioning how long "long enough" will actually be. More evidence of a weakened US economy is likely to come as the full impact of the aggressive interest-rate hikes has yet to be felt, which is why we reiterate our view that the US will ultimately enter a recession in the first half of 2024.

Many of the factors that have supported the US economy and helped it stave off a recession so far are poised to fade away in the coming weeks and months. They include pandemic savings and a more robust-than-expected labor market. Hence, the elephant in the room is the question of how much longer US consumers can prop up the economy.

The global economy is too weak to manage the strong rise in bond yields. So, even without a recession, the Fed may soon need to cut rates as monetary policy is too tight for current inflation levels. US consumer price inflation, for instance, dropped to 3.2 percent from 3.7 percent year-on-year in September. And producer price inflation fell to 1.3 percent from 1.9 percent in that period. This hasn't gone unnoticed; investors are currently pricing in a nearly 60 percent chance of a rate cut of at least 25 basis points by May 2024.

Across the pond, Eurozone economic growth looks worrisome through the lens of purchasing managers' indices (PMIs). These indicate that it is "stuck in the mud" and may very well be up for a second consecutive quarter of shrinking gross domestic product (i.e., a technical recession). Given the dire state of the Eurozone economy and the significant slowdown in inflation, the European Central Bank may even start cutting ahead of the Fed. In China, we don't expect any meaningful stimulus before the second half of 2024.

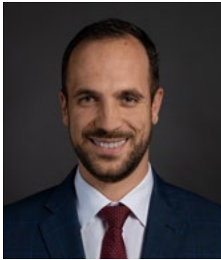
See the details for our asset allocation on page 5.

	UNDERWEIGHT		NEUTRAL	OVERWEIGHT		
	significantly	slightly		slightly	significantly	
1 Liquidity		↘				The Vontobel Investment Committee expects higher returns from alternative investments than from cash, which is why we tapped into our cash position to finance the upgrade on alternative investments to neutral from underweight. Cash has moved to underweight from neutral.
2 Bonds			→			We hold on to our neutral view on fixed income and maintain a defensive tilt on sub-asset classes. This translates into a positive stance on government bonds considering our expectation for lower yields, as well as a negative view on high-yield bonds, given our concerns about increasing defaults. We stay neutral on investment-grade bonds and continue to seek exposure to emerging-market bonds, where we have a small overweight. This asset class should benefit from a weaker US dollar going forward, which is our base case when the Fed turns “dovish.”
3 Equities			→			We stay neutral on equities and retain our defensive positioning on a regional level. We see the asset class as stuck between a rock and a hard place, particularly after the November rally. The prospect of possible rate cuts in the first half of 2024 and an absence of “excessive greed” among investors argues against going underweight, while the anticipated recession and shrinking central bank balance sheets are a case against going overweight. This may make investors even more selective. We prefer high-quality, high-margin companies with high earnings predictability in defensive regions such as the US and Switzerland. We consider the Eurozone equity class to be the “weakest link” due to its vulnerability to higher commodity prices, as well as its higher exposure to cyclical sectors—and, as such, it is exposed to the risk of earnings revisions. The lack of positive earnings surprises in third-quarter results tends to support our view.
4 Gold				→		We maintain a slightly positive view on gold. The yellow metal rallied strongly after the conflict in the Middle East sparked a flight to safety among investors, though they looked past it as the weeks progressed. Gold held onto its gains as developments in bond yields and the US dollar outweighed decreased safe-haven demand. The recent batch of softer-than-expected US economic data and easing inflation have made the case for a first Fed rate cut in 2024, providing a supportive backdrop for gold, as lower interest rates decrease the opportunity cost of holding the non-yielding asset.
5 Commodities			→			We are neutral on commodities. Our economic baseline scenario of lower inflation, lower growth, and an eventual recession means that commodities have their best days behind them. But we do like that they can generate returns that are uncorrelated with equity and bond markets, and they may also serve as a hedge against inflation should we be wrong on our inflation call.
6 Alternative strategies				↗		Diversification is key, especially in uncertain times. We have hence increased our exposure to alternative funds, within which we like insurance-linked securities as they tend to have a low correlation with traditional financial markets (their performance is linked to specific insurance events and can therefore help to reduce overall portfolio risk).

Changes month-on-month: same → higher ↗ lower ↘

Outlook for the economic landscape in 2024

As 2023 draws to a close, investors are likely to be able to look back at a pretty decent year on the stock market, especially following a dreadful 2022. This is partly due to economic developments, with growth surprising to the upside and inflation to the downside. Will it be the same story next year?



—
Stefan Eppenberger
Head Multi Asset Strategy,
Vontobel

Global economic growth exceeded expectations practically across the board in 2023 (see chart 1), despite posting below-average growth. The majority of economists expected a recession that never ended up materializing this year as high levels of inflation and the steep cycle of interest-rate hikes didn't harm businesses and consumers as much as had been feared. Companies deferred taking on new loans at high interest rates and reduced vacancies instead of resorting to laying off employees. Consumers were able to tap into the significant savings they accumulated during the pandemic and benefit from a stable labor market. In addition, fiscal policy was surprisingly expansionary, especially in the US, where government support remained generous.

The recession debate—will there, won't there?
The key question facing us in 2024 is whether it will be possible to defeat inflation without triggering a recession. This is something that has never been achieved before, and we are highly skeptical of the mantra, "This time is different." Higher interest rates come at a cost and are already exposing the first cracks in the economy; just think of last spring's banking crisis. The longer interest rates stay high, the greater the impact—something to bear in mind when considering we are dealing with the most significant surge in real interest rates since the early 1980s (see chart 2). Inflation-adjusted rates have reached a 15-year peak, but unlike back then, we live in a significantly more indebted world.

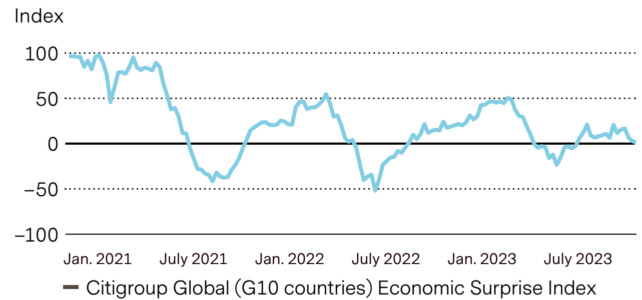
Corporate earnings are no longer on the rise, except at a few major US technology companies and European luxury goods producers. Surveys show that companies keep scaling back planned capital expenditures. Many companies are also forced to meet high wage demands as workers (a commodity in short supply) seek compensation for inflation. If this trend continues, some firms will have no choice but to lay off employees to protect their margins.

US consumers' purse strings
Shoppers have been quite happy splurging, boosting the economy long after pandemic lockdowns were lifted. What if consumers aren't ready to tighten their purse strings just yet? They are currently spending more than they earn, which means their savings are dwindling or they're accumulating new debt. In fact, US credit card debt recently reached an all-time high of more than 1 trillion US dollars. At the same time, interest rates of more than 20 percent have sparked an increase in payment delinquencies (see chart 3). It seems rather unlikely to us that US consumers will be able to save the global economy from a recession for much longer.

Circling back to our recession scenario, we see the writing on the wall for inflation and central bank policy: Softening demand for goods and services would ultimately push inflation back to pre-pandemic levels, especially considering the fact that global supply chains are running smoothly again and many goods manufacturers are grappling with rising inventory levels. Global central banks would be forced to slash interest rates if unemployment rises and inflation falls.

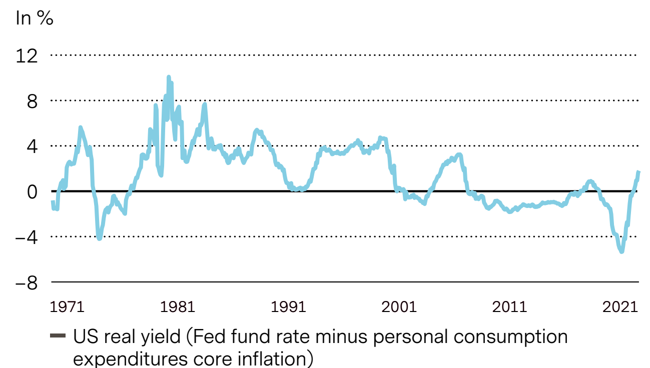
Potential curveballs
So, where could we encounter unexpected surprises in this forecast? One important factor would include a faster-than-anticipated decline in inflation, which would relieve pressure on companies and consumers alike. This would then also lead to faster-than-expected interest rate cuts, providing the economy with further support. Another one to watch would be a larger fiscal stimulus package in China to help the world's second-biggest economy gain momentum. On the other side of the coin, further escalation in the Middle East could be a catalyst for a second wave of inflation. In that case, central banks would likely remain restrictive.

Chart 1: Global growth surprised to the upside most of the year
Index



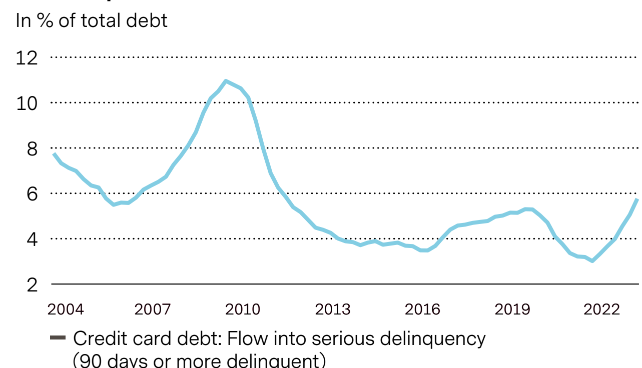
Source: LSEG, Vontobel; data as of November 23, 2023

Chart 2: We see the fastest and biggest rise in real yields since the early 1980s
In %



Source: LSEG, Vontobel; data as of November 23, 2023

Chart 3: An increasing share of debt holders run into problems
In % of total debt



Source: LSEG, Vontobel; data as of November 23, 2023

Navigating the energy transition: the road ahead

—
Veronika Stolbova, PhD
Senior ESG Analyst,
Vontobel

In the face of geopolitical escalation, societal division, inflation, and a looming recession, one might ask, "Who cares about climate change?" Irrespective of investors' views on this topic, their eyes should turn to Dubai to watch the COP28 negotiations, where representatives of close to 200 countries are sitting at a roundtable to set the agenda for the next five to 30 years. We believe that the topic has become too big to ignore for any investor looking to capitalize on emerging opportunities associated with the biggest climate change challenge yet: the energy transition. Positioning for the energy transition may flip the switch between winners and losers for the next decade.

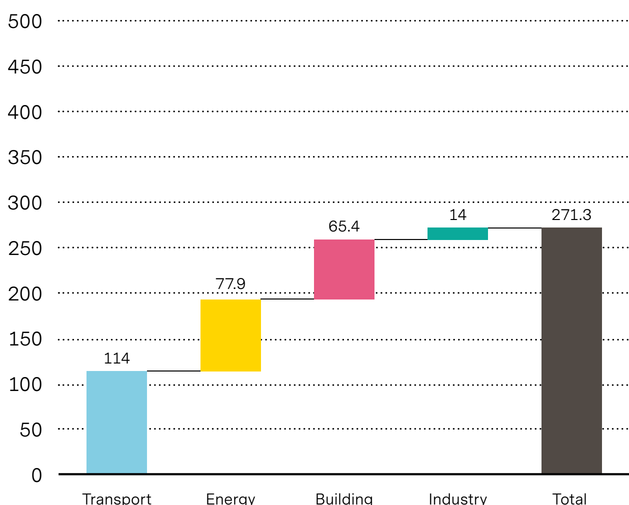
Why now?
The United Nations Conference of Parties held in 2015 (COP21) marked a remarkable milestone in climate change negotiations with the Paris Agreement, where parties agreed on limiting global warming to 2°C and set commitments to achieve it. As this year marks a midpoint on the road to 2030 targets, the ambition is far from being achieved. Many believe that COP28 can be considered a success only if governments agree on bold actions: more than USD 270 trillion in investments, equivalent to twice the size of global annual gross domestic product, are needed in the energy, transport, building, and industry sectors between now and 2050 to achieve the Paris Agreement goals (see chart 1).

What are the expectations for COP28 and what does it mean for investors?
Opinions are divided on the outcome of COP28 negotiations. Many call for urgent action and strong commitments, while others are more cautious and raise energy security concerns caused by geopolitics and the fact that quite literally "winter is coming". The main focus is on the top 20 countries contributing to 80 percent of global emissions, with China, the US, and India leading the way.

Although there is doubt that COP28 will be a major breakthrough, many observers expect progress to be made on a package to accelerate the energy transition. To achieve this goal, discussions at COP28 may need to focus on specific mechanisms for decarbonizing energy consumption across economic sectors.

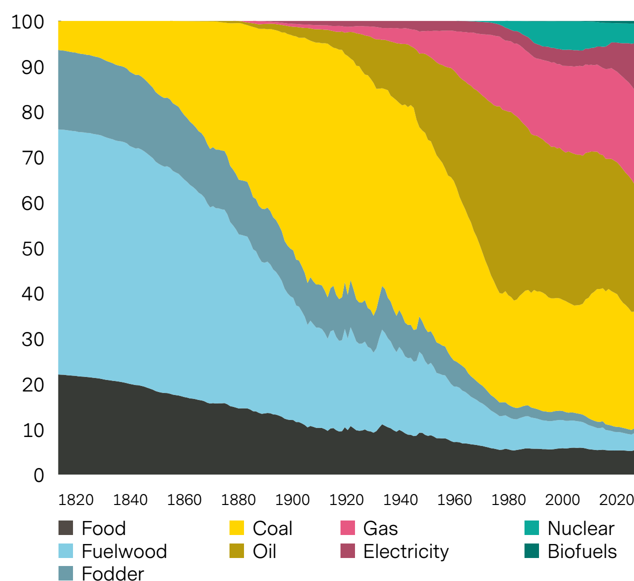
The energy transition is a significant structural change in the supply and consumption of energy. Examples in history include the industrial revolution, marking a transition from firewood to coal as a main energy source, and the deployment of passenger cars in the 20th century, leading to the rising use of oil and coal. The modern-day energy transition refers to the shift from fossil fuel-based (oil, natural gas, and coal) to renewable energy sources (solar, wind, hydropower, and lithium batteries).

Chart 1: Investment gap by sector
In trillion US dollars



Source: Swiss Re Institute, "Decarbonisation tracker: progress to net zero through the lens of investment"; published October 7, 2022

Chart 2: Lessons from the past: energy transitions
Share of primary energy of total energy consumption by source, in %



Source: World Energy Consumption, A Database 1820 – 2020 (2022 revision), Paolo Malanima; chart reproduced as of November 23, 2023

The energy transition is an emerging investment opportunity
We believe that in the wake of current energy security concerns, the energy transition has gathered impressive momentum and is now at an inflection point. The share of renewables in the global energy mix has increased dramatically in the last decades, with the European Union (EU), China, and the US leading the way, resembling the drastic change in the consumption of coal, oil, and natural gas, as was the case of the industrial revolution and passenger car adoption (see chart 2).

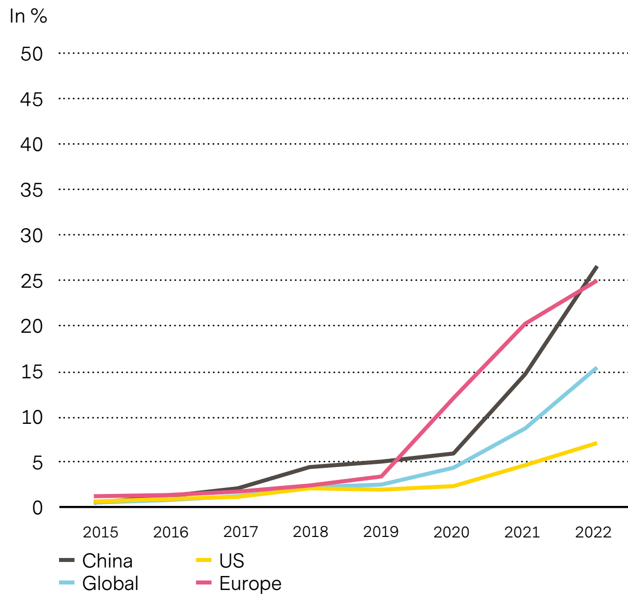
If history is any guide, given the right incentives and technological breakthroughs, energy transitions happen fast, and both are now at work. Why? Low-carbon technologies have been developing at a fast pace, and the costs associated with them have dropped dramatically over the last 10 years. Government incentives are the "elephants in the room": the US, boosted by the Inflation Reduction Act (IRA) and commitments to clean tech; China, with accelerated electric vehicle (EV) adoption and a new ambitious five-year plan on renewable energy generation; and the EU, with the Green Deal Industrial Plan aiming to support clean energy technology manufacturing. All these policy commitments took place within the last year and illustrate a strong support for decarbonization and regulations striving to achieve the goals of the Paris Agreement.

Positioning for the energy transition
We believe that positioning for the energy transition should build on three main pillars: investors' time horizon, regional focus, and themes.

Time matters. In its recent outlook, the International Energy Agency (IEA) forecasts that the energy transition is happening faster than expected, creating winners and losers. Such forecasts factor in a high degree of technological adoption, making an investment case for climate technology companies. For instance, all "net zero by 2050" pledges rely on the emergence of carbon capture and storage (CCS) technologies to achieve that goal. Hence, investments in CCS may, at some point, deliver high exit returns. Investors with lower risk appetite should consider hedging their fossil-fuel exposure against potential losses or write-downs resulting from the transition to a low-carbon economy. Moreover, investments in climate laggards (companies in CO_2-intensive industries lagging on climate metrics but with strong CO_2 reduction

Chart 3: Share of EVs of total passenger car sales in selected markets

In %



Source: MarkLines, BNEF article "New EV Models Catalyze Stalled US Market"; published March 6, 2023

commitments or developing climate solutions) could be a potential fit for those who seek investments in mature, established companies that contribute to the energy transition.

What if it's all too little, too late?

Critics argue that all measures taken are not enough to curb emissions, and the world's appetite for fossil fuels remains strong. Recent data show that oil, natural gas, and coal output grew 4 percent in 2022, and a USD 814 billion decline in fossil-fuel investments is now needed between 2022 and 2050 to align with the Paris Agreement. The forecast is grim so far: to reach net zero by 2050, oil, natural gas, and coal would need to fall by more than 20 percent by 2030, according to the IEA. In addition, many fear that the upcoming US presidential election may overturn the energy transition agenda. A Republican president is almost certain to put the brakes on the speed of the energy transition. Nonetheless, even in such a scenario, we believe that regional themes will persist. For instance, EV demand should remain strong, in our view. China has experienced sharp growth in EV share of car sales across all segments since 2020, from economy to luxury cars. In the EU, 65 percent of all cars sold are estimated to be electric by 2030, according to the IEA's World Energy Outlook 2023, citing the Stated Policies Scenario, which paves a path towards wide EV adoption and expansion of the charging infrastructure (see chart 3).

The road ahead

Navigating the rough waters of the energy transition is both exciting and a challenging task. To succeed in this endeavor, investors need to set a time horizon for a journey and be equipped with the right tools for navigation. These tools—government incentives and technological breakthroughs—are robust, and we believe that the wind of change is strong. The map is set by the policy agenda, and change may come from COP28. The road to choose is up to the investor, but the time to choose is now to sail with ease in the direction of investors' investment goals. As history shows, there is no one-size-fits-all investment, but in difficult and uncertain times, new opportunities arise, and we believe that the time has come for investors to take a stand on the energy transition.

Market twist: Further Fed rate-hike expectations take a dive

—
Christopher Koslowski
Senior Fixed Income & FX Strategist, Vontobel

Cooler inflation and signs of slower growth in the US revived demand for bonds. Yields on 10-year Treasuries dropped over 50 basis points in a span of one month. In September, Fed funds futures implied a 60% chance of another hike. But now, they've fully priced out increases and anticipate a rate cut by mid-next year (see chart 1).

The US economy has shown impressive resilience amid the most significant monetary tightening in more than four decades, considering both the pace and scale of the interest-rate increases. While the expected pattern of tightened monetary policy leading to reduced private sector credit growth did materialize, the economy has continued to exhibit unusually robust growth.

Investors are now projecting that this economic resilience and the limited likelihood of the Fed tightening further means we are clear of danger. However, just as optimism that a recession may have been averted begins to take hold, the Conference Board Leading Economic Index extended its losing streak to 19 months. The only comparable periods of such a prolonged negative trend were during the stagflation crisis of the mid-1970s and the global financial crisis. Historically, such a prolonged and marked downturn in this indicator has invariably been a precursor to a recession.

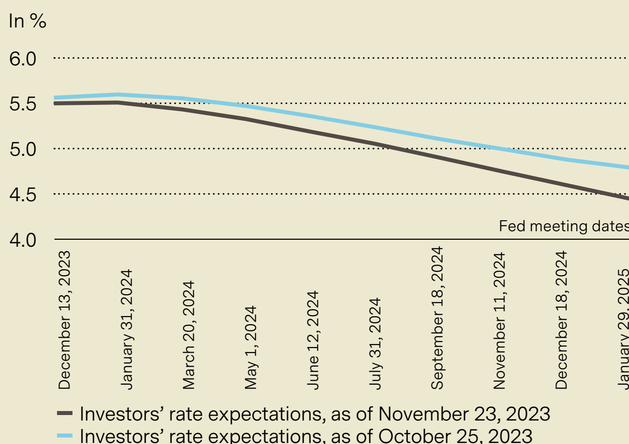
The sharp increase in yields in October may have represented the high point for this cycle. Recent data suggest a pause by the Fed and possibly the initiation of rate cuts in 2024. Absolute certainty in this matter is never guaranteed, but the probabilities strongly support the notion that we have reached the top. This sets the stage for potential rate cuts down the road. Typically, before such cuts, yields tend to fall.

Focus on worsening credit fundamentals, tight monetary policy

We believe bond investors should focus on the worsening credit fundamentals and tight monetary policy. Chart 2 illustrates the percentage of US high-yield corporate bond yields that are attributable to credit spreads. The current level of 43 percent is the lowest since 2007.

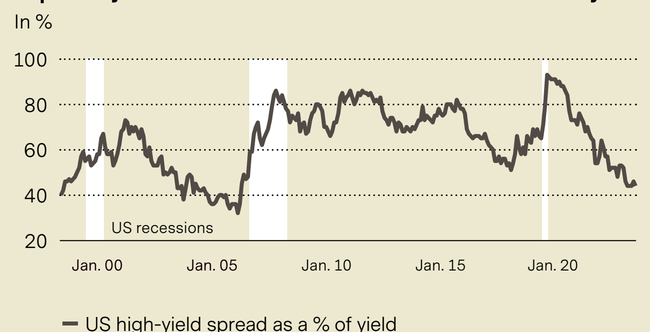
According to Moody's, the high-yield default rate in the US is running above 5 percent, the highest since the first half of 2021, when credit markets were recovering from a wave of defaults caused by the pandemic. Rising defaults suggest that high borrowing costs have started to hit credit markets more significantly and that the economy is softening.

Chart 1: Market no longer sees further Fed rate hike



Source: Bloomberg, Vontobel; data as of November 24, 2023

Chart 2: Credit spreads appear notably narrow—especially in terms of their contribution to the overall yield



Source: Bloomberg, Vontobel; data as of November 24, 2023

A no-exception November

—
Mario Montagnani
Senior Investment Strategist,
Vontobel

November is typically the best month for stocks, and it didn't fail to deliver again this year. This time, the market didn't just reverse October's negative performance, but posted the best monthly returns since the Covid-19 vaccine breakthroughs in late 2020 (see chart 1). Too good to be true? We don't think so.

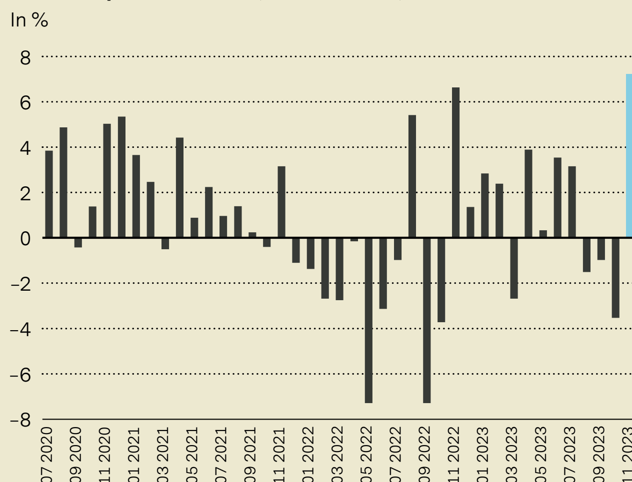
Two out of three key macroeconomic factors dominating the scene already seem to be behind us. First, US inflation peaked more than 12 months ago, which has since also been the case in other developed markets. Second, central banks appear to have reached the finish line in their rate-hiking campaigns. Historically, both events have set off positive market reactions over the following year (see chart 2).

The third and final missing piece is a recession that, as a reflection of a very atypical economic cycle, has been slow to materialize in the US. But to what extent have investors already priced in a recession? And how severe would one be?

Scratching the surface of the MSCI ACWI Net Total Return Index's absolute year-to-date mid- to low double digit gains, investors should consider that few sectors (technology, communication services, consumer discretionary) have boosted its performance with common traits like quality, excess liquidity and low leverage and large market capitalizations. Excluding these sectors, performance beneath the surface has been flat at best.

So, what to expect for 2024?
The good news is that earnings-per-share (EPS) growth forecasts have moderated recently, leaving room for upside surprises. Valuation multiples remain below peak levels reached in 2021, perhaps because a slowing macroeconomic outlook is already priced in. EPS growth for 2024–2025 might come across as ambitious, but taking into account the relevance, contribution, and visibility of large dominant sectors, it's not too surprising. In this environment, we remain regionally diversified in our tactical allocation and continue to favor quality, high profitability, and earnings predictability, which investors can predominantly find reflected in Swiss and US equities. At the same time, we remain vigilant for any possible change in monetary policy, which could trigger moves to different investment styles and sectors. More details on page 5.

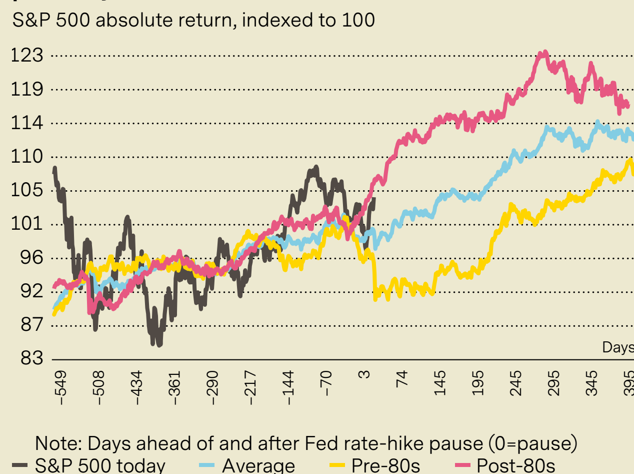
Chart 1: MSCI ACWI Net Total Return Index's monthly performance (in US dollars)



Source: LSEG, Vontobel; data as of November 24, 2023

Chart 2: Stock markets around a Fed pause in the past 60 years

S&P 500 absolute return, indexed to 100



Source: LSEG, Vontobel; data as of November 24, 2023

Difficult times for "black gold", good times for regular gold

—
Michaela Huber
Cross-Asset Strategist,
Vontobel

Oil markets witnessed a sharp sell-off in November. Contrary to "black gold," real gold proved to be more resilient.

Oil prices fell to a four-month low towards mid-November. The fact that the conflict between Israel and Hamas has so far not expanded further into the region seems to have pushed concerns about a possible oil shock into the background for many investors. Instead, the focus has shifted to US oil production, which recently reached an all-time high of 13.2 million barrels per day. Rising US oil inventories, mixed US economic data, and a slowdown in Chinese refinery activity also weighed on sentiment. There are also doubts as to whether the new voluntary oil supply cutback announced by the Organization of the Petroleum Exporting Countries and its allies (OPEC+) at the end of November will be fully implemented. Angola, for instance, has rejected its quota.

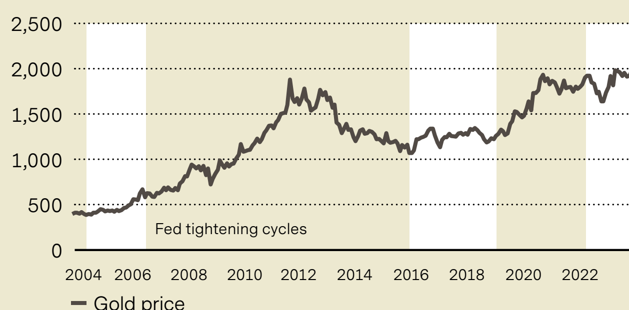
Gold, on the other hand, was unperturbed by the declining war risk premium: it was able to hold on to its October gains and even briefly flirted with the psychologically important 2,000 US dollar per ounce threshold in late November. That's due to a string of weaker-than-expected economic data and easing inflation levels in the world's largest economy, which prompted investors to price in a first Fed interest-rate cut in the first half of 2024. The end of the Fed's tightening cycle and everything that it entails, such as falling real yields and a weaker US dollar, has often been a positive catalyst for gold in the past (see chart 1).

Demand also appears solid on the physical side. Switzerland, an important gold trading hub, exported more than 150 tons of gold in October, the most since May. A considerable proportion of this—around 49 tons (+60 percent compared with the year-earlier period)—went to India. India is the world's second-biggest bullion-consuming nation and celebrates a series of festive days from October to November, during which gold is a popular gift.

A longer-term tailwind comes from central banks. While they were net sellers in the three decades following the collapse of the Bretton Woods system, they started to build up their reserves again after the global financial crisis. This trend has intensified in recent years, particularly after Western countries froze Russia's central bank reserves. According to the World Gold Council, about a quarter of the world's central banks also expect to increase their gold reserves in the coming year (see chart 2).

Chart 1: The end of a Fed tightening cycle is usually positive for gold

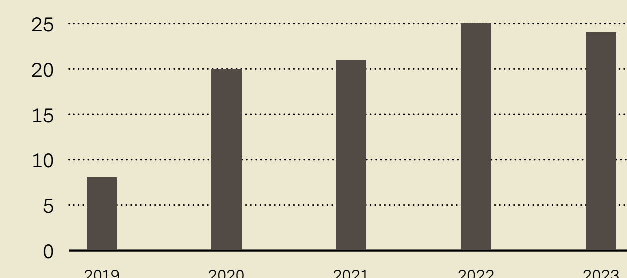
US dollar per ounce



Source: LSEG, Vontobel; data as of November 23, 2023

Chart 2: Nearly a quarter of central banks expect their gold reserves to rise over the next year

In %



Source: World Gold Council's annual "2023 Central Bank Gold Reserves Survey", Vontobel

US dollar's rise loses steam—is it approaching a pivot?

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The US dollar's upward momentum seems to be losing steam and may be nearing a turning point (see chart 1). Lower US yields and indications of emerging frailties in the world's biggest economy are negatively affecting market sentiment. The ongoing economic impact of the Fed's monetary tightening, combined with diminishing fiscal support, leaves the US dollar vulnerable in the short term.

Over the past month, the euro has strengthened against most G-10 currencies, with the notable exception of the Swiss franc, buoyed by geopolitical factors. Interestingly, the euro's rise comes despite a lack of particularly favorable news. This resilience may be attributed to a combination of negative economic developments already factored into its price and growing speculation that a downturn in the US economy is imminent. These factors have collectively bolstered the euro-dollar pair and the euro more broadly. The Fed's medium-term monetary policy trajectory and, crucially, the market's perception of this trajectory continue to be key drivers for the euro. We expect this influence to persist into the next year.

For euro-dollar bulls, a focus on the dollar side of the equation might be crucial for identifying short-term opportunities. Increasing signs of an economic slowdown in the US could reignite discussions about a potential Fed rate cut, further supporting the bullish case for the euro-dollar pair. This is the trend we foresee as the year draws to a close and as we move into the following year.

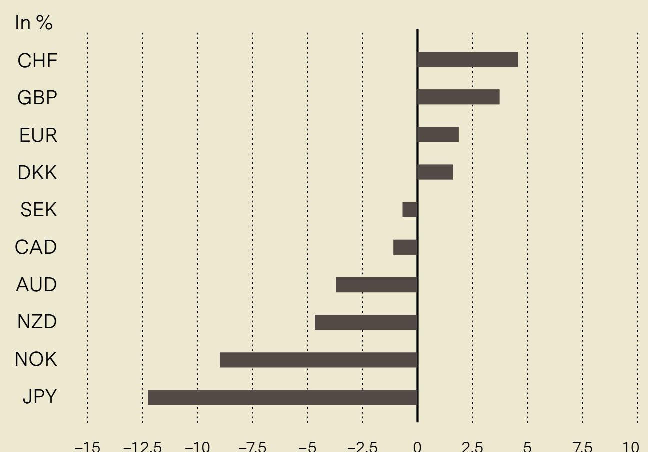
The Swiss franc's qualities as a safe haven gain attention
This year, the Swiss franc stands out as the strongest performer among the G-10 currencies, maintaining an approximate 4.5 percent gain against the US dollar in terms of spot return (see chart 2). The Swiss National Bank (SNB) seems to prefer maintaining a strong exchange rate to counter inflation rather than raising its key interest rate above 1.75 percent. With one more SNB meeting scheduled for December 14, market expectations are now leaning towards no further interest-rate hikes and rate cuts to commence next year, with projections suggesting a first reduction by September.

If local inflation does not intensify again, the Swiss franc is expected to soften moderately over the medium term. But in the short term, sustained demand for the currency cannot be overlooked given the ongoing geopolitical uncertainties and a market that's increasingly driven by risk factors beyond just fundamentals.

Chart 1: US dollar at a crossroads: Turning point ahead?

Source: Bloomberg, Vontobel; data as of November 24, 2023

Chart 2: Year-to-date spot returns of G-10 currencies vs US dollar



Source: Bloomberg, Vontobel; data as of November 24, 2023

Economy and financial markets 2021 – 2024

The following list shows the actual values, exchange rates and prices from 2021 to 2022 and consensus forecasts for 2023 and 2024 for gross domestic product (GDP), inflation / inflationary expectations, key central bank interest rates, ten-year government bonds, exchange rates, and commodities.

GDP (IN %)	2021	2022	CURRENT[1]	2023 CONSENSUS	2024 CONSENSUS
Global (G20)	5.6	2.6	3.5	2.6	2.1
Eurozone	5.3	3.5	0.1	0.5	0.7
USA	5.9	2.1	2.9	2.3	1.0
Japan	2.3	1.1	1.2	1.7	1.0
UK	8.5	4.0	0.6	0.5	0.4
Switzerland	4.3	2.0	0.6	0.8	1.1
Australia	5.3	3.6	2.1	1.8	1.5
China	8.4	3.0	4.9	5.2	4.5

INFLATION	2021	2022	CURRENT[2]	2023 CONSENSUS	2024 CONSENSUS
Global (G20)	3.5	7.3	4.1	5.5	4.7
Eurozone	2.6	8.4	2.9	5.6	2.7
USA	4.7	8.0	3.2	4.2	2.7
Japan	–0.3	2.5	3.0	3.2	2.2
UK	2.6	9.1	4.6	7.4	3.1
Switzerland	0.6	2.9	1.7	2.2	1.6
Australia	2.9	6.6	5.4	5.6	3.4
China	0.9	2.0	–0.2	0.4	1.7

KEY INTEREST RATES (IN %)	2021	2022	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR	–0.50	2.00	4.00	3.96	3.20
USD	0.25	4.50	5.50	5.50	4.45
JPY	–0.10	–0.10	–0.10	–0.10	0.03
GBP	0.25	3.50	5.25	5.25	4.50
CHF	–0.75	1.00	1.75	1.75	1.54
AUD	0.10	3.10	4.35	4.35	3.80
CNY	3.80	3.65	4.35	4.25	4.25

GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2021	2022	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR (Germany)	–0.2	2.6	2.62	2.56	2.39
USD	1.5	3.9	4.40	4.31	3.74
JPY	0.1	0.4	0.73	0.95	1.03
GBP	1.0	3.7	4.25	4.28	3.86
CHF	–0.1	1.6	1.02	1.25	1.28
AUD	1.7	4.1	4.48	4.25	3.85

FOREIGN EXCHANGE RATES	2021	2022	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
CHF per EUR	1.04	0.99	0.96	0.97	1.00
CHF per USD	0.91	0.94	0.88	0.90	0.90
CHF per 100 JPY	0.79	0.72	0.59	0.62	0.66
CHF per GBP	1.23	1.12	1.11	1.11	1.13
USD per EUR	1.14	1.06	1.09	1.07	1.11
JPY per USD	115.00	130.00	150.00	145.00	136.00
USD per AUD	0.73	0.67	0.66	0.66	0.70
GBP per EUR	0.84	0.88	0.87	0.88	0.88
CNY per USD	6.37	6.91	7.15	7.23	7.00

COMMODITIES	2021	2022	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
Brent crude oil, USD per barrel	79	86	81	88.75	89
Gold, USD per troy ounce	1,829	1,824	1,991	1,950	1,970
Copper, USD per metric ton	9,720	8,372	8,354	8,500	9,000

[1] Latest available quarter
[2] Latest available month, G20 data only quarterly
Source: Vontobel, respective statistical offices and central banks; as of November 23, 2023

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