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**Vontobel**

# Investors' Outlook

Winds of change



December 2024 / January 2025

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# Winds of change



—  
**Dan Scott**  
 Head Multi Asset,  
 Chief Investment Officer,  
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Dear readers,

The American people have spoken, and the mood in the markets following Donald Trump's election as president has set the stage for a dynamic economic outlook as the world approaches 2025.

The decisive red sweep<sup>1</sup> heralds deregulation and tax cuts—measures traditionally favorable for businesses. These policy shifts in the world's largest economy coincide with a wave of stimulus from the second-largest one. In their quest to boost domestic growth, the US and China are creating what we anticipate to be a global “risk-on”<sup>2</sup> market environment.

On top of the help from policymakers around the globe, tech giants have poured over USD 200 billion into artificial intelligence (AI) this year, with executives suggesting this investment spree will continue into next year and may even accelerate<sup>3</sup>. These corporate spending programs, on a scale reminiscent of the Apollo space program<sup>4</sup>, are set to fuel economic momentum in and of themselves.

At the same time, the potential impact of tariffs on US trade partners has emerged as a concern for investors, particularly regarding their effect on prices and implications for the US Federal Reserve's easing cycle. While often seen as inflationary, tariffs are inherently deflationary. By increasing costs, they dampen demand, leading to demand destruction—much like how high oil prices curb driving habits. In response, multinationals are poised to prioritize domestic production in the US to minimize tariff risks and ensure smoother operations in a politically charged trade environment. Many companies have already made

such strategic adjustments, a legacy of earlier tariff rounds that forced re-evaluations of global supply chains. This trend is poised to funnel more capital into the US economy.

We believe central banks will continue to reduce interest rates, albeit at a more measured pace. Some policies, however, are likely to exert inflationary pressure, such as economic stimulus and tighter labor supply resulting from stricter immigration policies. These are the balancing aspects of the macroeconomic picture next year, with stimulus, corporate strategy, and policy shifts shaping the contours of 2025.

Over in China, policymakers have also been discussing further stimulus. After a series of rate cuts in October, the People's Bank of China (PBoC) held its key rates steady in November. We believe Beijing is likely to assess the impact of its existing stimulus measures before providing further support.

In this Investors' Outlook, you can find the details of our outlook for the coming year, our take on equity markets, along with the recent changes to our asset allocation.

The pieces are in place for a new chapter. We're ready for what comes next.

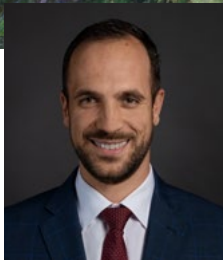
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## → Webcast

To view our webcast on recent market developments, click [here](#).

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<sup>1</sup> See “Glossary and sources” on p. 17.



—  
**Stefan Eppenberger**  
Chief Investment Strategist,  
Vontobel

# Through political currents

**November underscored the market’s uncanny ability to anticipate outcomes. Stocks climbed, and bonds declined well ahead of Election Day, after which equity markets rallied to record highs amid expectations for higher growth and less regulation. The Republicans’ red sweep strengthens Trump’s position to advance his pro-growth, pro-business agenda.**

With election uncertainty now behind us, businesses and investors alike have greater clarity to plan ahead. Our 2025 outlook is based on three core assumptions: improving economic growth, low risk of a second wave of inflation, and continued normalization of monetary policy.

Across the Atlantic, Europe presents a contrasting picture. In Germany, Chancellor Olaf Scholz’s coalition government collapsed amid disputes over economic policy. Scholz has called a confidence vote in December, and a failure to secure support could trigger elections in early 2025.

Following the US elections, we held an ad-hoc Investment Committee meeting where we reduced our overweight in government bonds due to improved economic visibility and a diminished need for hedging post-election. We also returned to an overweight position in equities, particularly favoring US stocks poised to benefit from Trump’s “America First”<sup>s</sup> policy. At our regular meeting 10 days later, we made further adjustments by upgrading high-yield bonds to neutral from underweight<sup>o</sup>, reflecting an improved growth outlook and solid corporate fundamentals. In turn, we locked in gains from our gold overweight, where we moved to neutral. Trump’s pro-growth policies could lead to higher-than-expected Fed rates and a stronger US dollar, both of which typically weigh on gold prices.

Turn to page 5 for the details on our asset allocation, and to page 6 for a deeper dive into our outlook for 2025.

	UNDERWEIGHT		NEUTRAL	OVERWEIGHT		
	significantly	slightly		slightly	significantly	
<b>1</b> <b>Liquidity</b>			→			We maintain our current positioning, staying neutral on cash while staying prepared to deploy it when opportunities present themselves.
<b>2</b> <b>Bonds</b>		→				At an ad-hoc meeting following the US elections, we reduced our overweight in government bonds amid an improved economic outlook and reduced need for hedging. We then decided to upgrade high-yield bonds to neutral from underweight due to our improved growth outlook and resilient corporate fundamentals. Within fixed income, we stand by our recent downgrade of emerging-market bonds to neutral, given what we consider less attractive spreads and a delayed weakening of the US dollar until late in 2025. We also maintain our negative view on investment-grade (IG) credit, partly due to historically low yield premiums over government bonds and partly because bonds with high duration exposure (such as IG) are vulnerable in an environment of high stimulus expectations. Our fixed income trade is financed by locking in the gains of our gold overweight.
<b>3</b> <b>Equities</b>				↗		We reaffirmed our November 11 decision to return to an overweight position in equities. This move is supported by our improved outlook for economic growth and the low risk of a significant rise in inflation. Such conditions enable global central banks to continue their cycle of interest-rate cuts, further bolstering equities. We believe that US equities remain one of the most attractive options (overweight), especially given Trump's "America First" policy. While US equities command a higher valuation than their peers, this is justified by factors such as higher profitability. Our stance on other equity regions—Switzerland, Europe, Japan, emerging markets—remains neutral.
<b>4</b> <b>Gold</b>			↘			Having held an overweight position in gold since February 2021, we benefited from its impressive rally, with the yellow metal gaining 13 percent in 2023 and 28 percent in 2024 (performance in USD as of November 21). Our decision to downgrade gold to neutral reflects our view that its short-term upside is limited. Trump's pro-growth and reflationary policies increase the likelihood that the Fed may slow the pace of rate cuts. A less dovish Fed could lead to continued US dollar strength, which poses a headwind for gold by making it more expensive for non-US dollar buyers.
<b>5</b> <b>Commodities</b>			→			We remain neutral on commodities. Economic growth prospects have improved and major central banks are now in an easing cycle. Policymakers in China, a key commodity consumer, have also begun introducing stimulus measures, which theoretically should bode well for a cyclical asset class like commodities. In practice, however, commodity markets remain cautious, with key uncertainties persisting—such as whether China's stimulus will translate into higher demand for commodities. Additionally, oversupply in certain areas of the commodity complex, like oil and grains, weighs on prices. At the same time, geopolitical risks in regions like the Middle East and Ukraine provide reasons to avoid an underweight position.
<b>6</b> <b>Alternative strategies</b>			→			We confirm our neutral take on alternative funds and real estate.

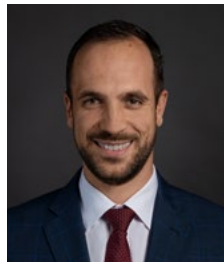
# Time to look back— and ahead



**The turn of the year is always a good time to reflect. At the start of 2024, we made three predictions: that economic growth would slow and eventually lead to a recession; that inflation would continue to abate and be less of a concern; and that monetary policymakers would begin cutting interest rates. Many of these predictions turned out to be correct—though not all. As we set our sights on 2025, we expect growth to improve, inflation to remain subdued, and monetary policy to normalize.**



—  
**Michaela Huber**  
Senior Cross-Asset Strategist,  
Vontobel



—  
**Stefan Eppenberger**  
Chief Investment Strategist,  
Vontobel

Looking at 2024 as a whole, it's fair to say that the global economy has been growing below its potential, weighed down by restrictive monetary policies in many countries. Key leading indicators, such as purchasing managers' indices (PMIs)<sup>7</sup>, have been in contraction territory for extended periods, while consumer and business sentiment surveys have been depressed.

In the US, the labor market has cooled from its previously red-hot levels. Job openings have been declining for several months and amounted to 7.74 million in October<sup>8</sup>. The “quits rate”—a key indicator of worker confidence in job market prospects—dropped to 2.1 percent, down from a peak of 3 percent in 2022. Even the unemployment rate has started to tick up meaningfully, a signal that once would have sounded recession alarm bells (see chart 1).

The situation in China, Asia's economic powerhouse, looks ever more concerning. The urban unemployment rate hovered at around 5 percent in October, while youth unemployment—which had reached an all-time high of over 20 percent in 2023 before being temporarily suspended<sup>9</sup>—

remained alarmingly high at 18.8 percent in August 2024. Meanwhile, Germany, another key economic player in Europe, also experienced a noticeable cooling of its labor market<sup>10</sup>.

As the year draws to a close, several positive economic surprises have emerged, driven by a more supportive policy outlook. For example, the Institute of Supply Management's (ISM's) PMI survey showed that, while the ISM's manufacturing gauge remained in contraction territory, the services gauge has picked up pace, reaching a two-year high. Given that the services industry accounts for more than two-thirds of US economic activity, this was a significant development. Additionally, consumer confidence surveys from the University of Michigan and the Conference Board showed considerable improvement late in 2024.

The US economy grew at a 2.8 percent annualized pace in the third quarter, supported by unexpectedly strong private consumption. Taken together, it's fair to say that many parts of the world came close to recession in 2024—but managed to avoid it.

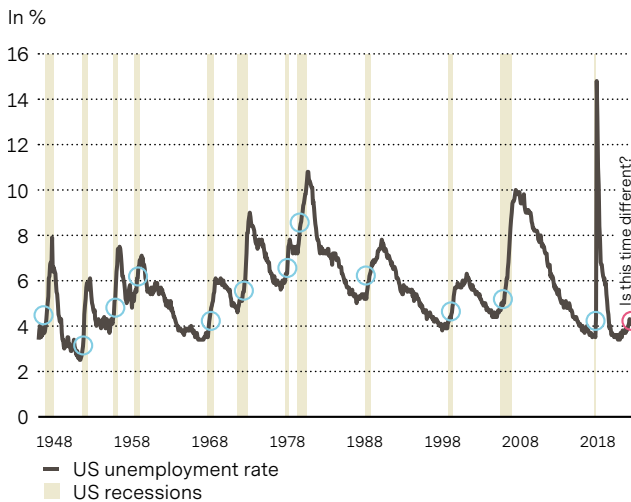
### **Expectations and risks**

Heading into 2025, we expect consumer sentiment to continue improving—at least in the US. The US labor market appears to be in solid shape for now, with real personal income growth remaining positive since May 2023, and some pent-up savings likely still available. Consumers might also anticipate further support from “Uncle Sam” in 2025, potentially in the form of fiscal incentives under Trump.

We also expect business sentiment to pick up. With the outcome of the US election settled, much of the uncertainty has dissipated, giving companies greater visibility about the future and how to position themselves. This mirrors what happened after the 2016 presidential election, when small business sentiment surged (see chart 2).

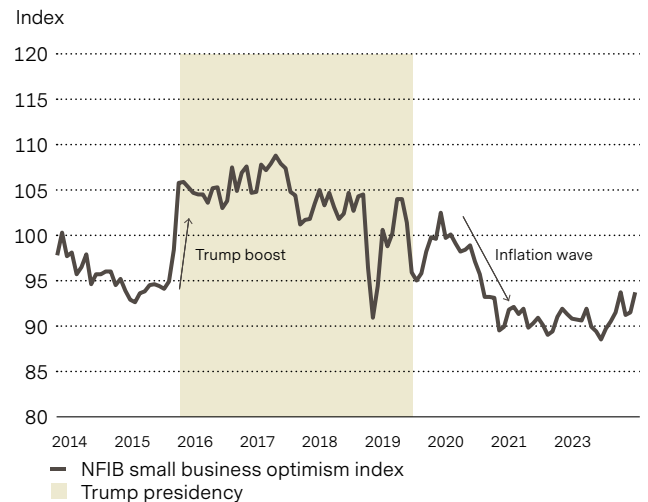
## 8 Market highlights

Chart 1: We have come very close to recession in 2024



Source: LSEG, Vontobel; as of November 22, 2024.

Chart 2: Small business sentiment surged after 2016 Trump win



Source: LSEG, Vontobel; as of November 22, 2024.

The President-elect's predilection for tax cuts and deregulation should further boost sentiment. This revival of optimism, combined with the resilience of the US consumer and potentially more supportive fiscal policies in the US and China, could pave the way for stronger economic growth in the months ahead.

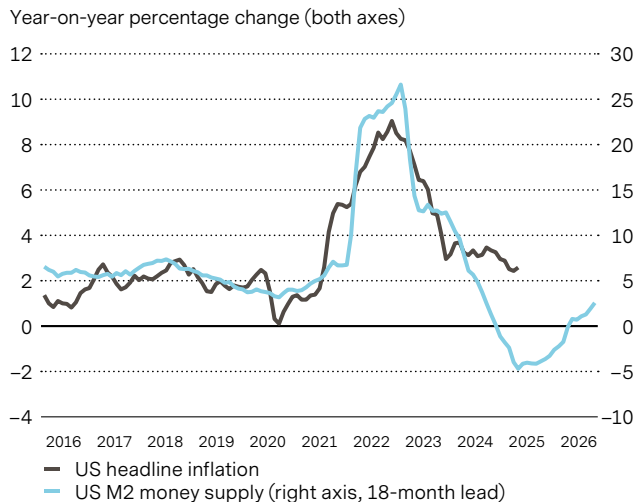
Will the combination of higher government spending, stronger economic growth, and the potential resurgence of tit-for-tat tariffs lead to a second wave of inflation? While we acknowledge that many of Trump's policies are "reflationary", we believe the risk of a second inflationary wave is low. Yes, economic growth is expected to pick up in 2025, but it is far from explosive. For example, the global manufacturing sector is still struggling, China's housing market remains in crisis, and Europe's economy is ailing.

Yes, monetary policy is looser than it was one year ago, but it is far from being loose. As shown in chart 3, while US M2 money supply<sup>11</sup> has recently returned to positive territory, it remains well below the levels seen when inflation surged in 2021 and 2022. Another factor working against the possibility of a second wave of inflation is the lack of any significant currency weakness. On the contrary, the US dollar is currently remarkably strong, which should help keep imported inflation in check.

We also believe there is room for housing disinflation. Shelter inflation<sup>12</sup>, one of the most lagging components of overall inflation, typically declines once the Fed kicks off its rate-cutting cycle. Additionally, commodity prices are behaving more favorably this time around. Despite geopolitical tensions in the Middle East, Russia-Ukraine, and the possibility of a tougher stance on Iran, oil prices have barely moved. Brent crude continues to trade in the low USD 70s, and West Texas Intermediate struggles to stay above USD 70 per barrel. Trump's promise to "drill, baby, drill" and "frack, frack, frack"<sup>13</sup> could mean that the US may soon pump even more oil and gas than it already does (more supply in an already oversupplied market hardly argues for higher prices). Elsewhere in the commodity complex, industrial metals are still feeling the effects of weak global manufacturing and the Chinese housing crisis, while grain prices are under pressure due to record harvests in key producer regions.

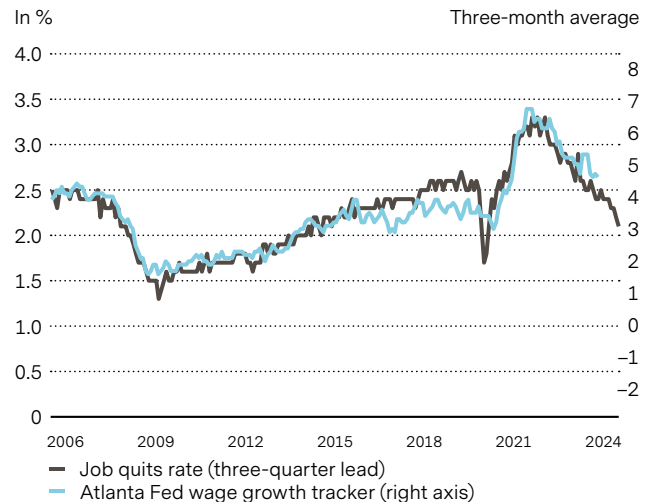
In terms of monetary policy, we expect central banks to continue normalizing their policies in 2025, gradually bringing interest rates back to "neutral" territory. Further rate cuts appear reasonable, as both inflation and wage growth have largely normalized (see chart 4). The Fed's "super-core" inflation measure, which tracks services inflation excluding food, energy, and housing, and is considered a more reliable indicator, has been fluctuating around the Fed's 2 percent target for several months. Other core

**Chart 3: Money supply growth has reached positive territory again, but more is needed for a second inflation wave**



Source: LSEG, Vontobel; as of November 22, 2024.

**Chart 4: Leading indicators (e.g., quits rate) suggest that wage growth will move back to the Fed's target**



Source: LSEG, Vontobel; as of November 22, 2024.

inflation measures, such as the Dallas Fed's trimmed mean personal consumption expenditures (PCE) index, have also moved closer to the target<sup>14</sup>.

Some central banks may even cut rates below what is considered neutral. Several European Central Bank (ECB) "doves" (including Italy's Fabio Panetta) have suggested the possibility of rates below neutral. Swiss National Bank (SNB) President Martin Schlegel has also not ruled out returning to negative rates. However, in the US, we believe rate cuts below neutral are unlikely, given relatively elevated inflation expectations.

#### What could derail our baseline scenario?

As always, there are risks which could disrupt our baseline scenario. We distinguish between growth and inflation risks.

On the growth side, there remains the possibility that the "most anticipated recession ever" could eventually materialize. Monetary policy is known for its long and variable lags, and higher yields carry the risk of eventually "break something" in the system. Other potential risks include a trade war, a further deterioration of the crucial Chinese economy, or overly aggressive fiscal austerity measures in countries constrained by high debt levels. If any of these scenarios unfold, the result could be lower growth, lower inflation, and lower rates.

Regarding inflation risks, excessive fiscal or monetary stimulus could lead to an overheating<sup>15</sup> economy, driving up prices. In such a scenario, we would likely see (temporarily) higher growth, higher inflation, and higher interest rates. If Trump follows through on his anti-immigration rhetoric, US labor shortages could worsen, further pushing up wages and inflation. Additionally, we must remain mindful of geopolitical risks, such as tensions in the Middle East or the Russia-Ukraine conflict, which could trigger an energy supply shock.

# Post-election market optimism



—  
**Christopher Koslowski**  
Senior Fixed Income & FX Strategist,  
Vontobel

**The market has reacted positively to election results, interpreting them as pro-growth, evidenced by rising stocks, bond yields, and the dollar. The bond market sell-off, according to some strategists, is driven by Trump’s proposed tax policies, which might increase the US budget deficit and fuel inflation, thus raising the “fiscal risk premium”<sup>16</sup>.**

In fact, the increase in 10-year Treasury yields since mid-September is primarily due to rising real bond yields, with two-thirds of this increase attributed to the real yield component, and the remaining one-third to inflation expectations (see chart 1). Higher Treasury yields reflect heightened growth expectations, leading to more capital inflows and a stronger dollar. This trend suggests that a more accommodative fiscal policy might lessen the need for the Fed to aggressively cut interest rates, thereby maintaining upward pressure on bond yields as the likelihood of rate cuts decreases (see chart 2).

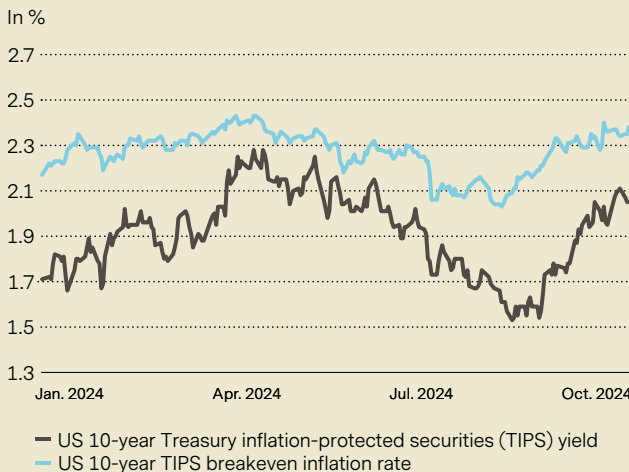
## Shifting gears

The improving US economic outlook supports a positive environment for high-yield bonds. As growth accelerates, corporate earnings tend to improve, reducing default risks. Consequently, companies issuing high-yield bonds may experience better financial health, potentially leading to credit rating upgrades.

Although slightly more debt is set to mature over the next two years compared to last year, robust capital market activity suggests these maturities are manageable. Meanwhile, post-election euphoria has tightened credit spreads to levels not seen in decades. High-yield spreads tightened to 253 basis points in mid-November, nearing the all-time lows of 233 basis points in May 2007. However, today’s high-yield market features higher-rated securities and substantially shorter durations compared to 2007. Shorter durations are particularly important when spreads are tight because the spread curve is more likely to be positive. Market spreads are expected to naturally contract as they move down the curve.

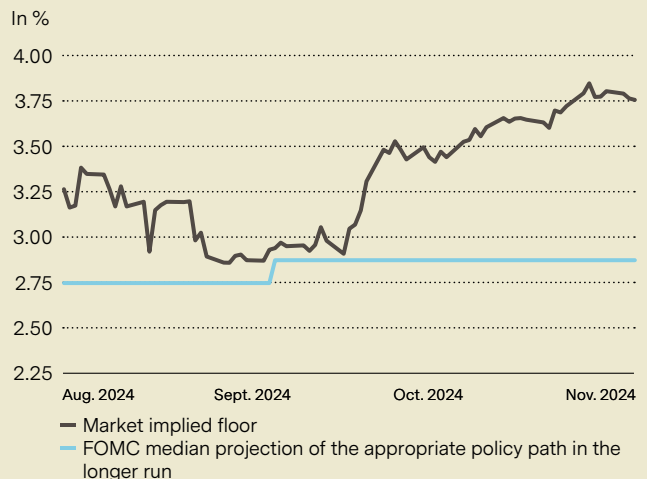
Given our positive outlook on the US economy, buoyed by stronger growth projections for 2025, a robust US consumer base, easing global monetary policies, and a resurgence in investor confidence, we have adjusted our stance on high-yield bonds to neutral.

**Chart 1: Rising real yields fuel two-thirds of bond market sell-off since September**



Source: Bloomberg, Vontobel; as of November 20, 2024.

**Chart 2: Bond yields are undergoing upward pressure as rate cuts get priced out**



Source: Bloomberg, Vontobel; as of November 20, 2024.

# Worlds apart



—  
**Mario Montagnani**  
Senior Investment Strategist,  
Vontobel

**The outcome of the US presidential election has amplified the already significant performance gap between US stocks and those of other developed and emerging markets. While investors widely anticipated that a Trump presidency would create a favorable environment for equity markets overall, the initial market reaction suggests that US stocks are poised to extend their lead. This “winner takes it all” dynamic has become even more pronounced since November 6.**

Much like ABBA’s iconic hit “The Winner Takes It All”, which topped global music charts over 26 consecutive weeks some 40 years ago, US stocks have dominated global equity markets for well over two years now. It’s not just the outsized contributions of tech and AI-related stocks driving this outperformance. Even the S&P 500 Index, excluding the “Magnificent 7,” as well as US profitless tech companies and the leveraged small- and mid-cap Russell 2000 Index, have outperformed the MSCI All Country World Index to date (in total return terms and in USD). This is reflected in market breadth, a key indicator of how widely gains are distributed, which has significantly improved, jumping from a mere 28 percent of

S&P 500 companies outperforming the index till end June 2024 to over 50 percent by the end of November 2024 (see chart 1).

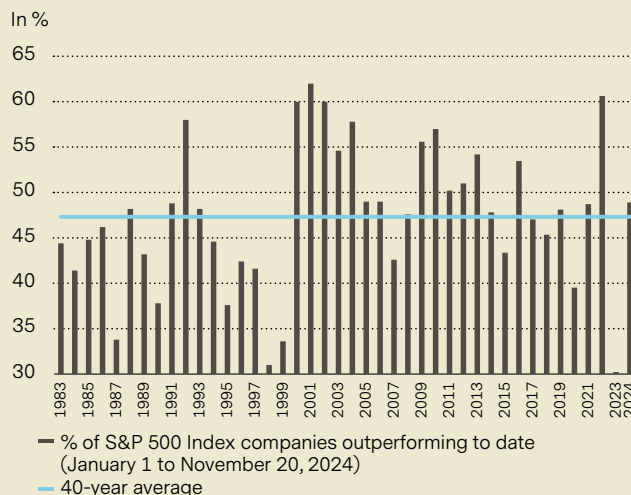
Stock markets often reflect a straightforward narrative: capital flows to where return expectations are perceived to be higher. Following the US election, US equities have attracted massive inflows, while other developed and emerging markets have seen significant outflows, resulting in underperformance. Is this shift justified? We think so. On the one hand, uncertainty surrounds Trump’s political agenda, on the other, the third-quarter earnings season has clearly favored the US market.

History provides some context. During Trump’s first term, US equities outperformed other regions consistently, from the first month of his presidency through to its conclusion (see chart 2). Early indications suggest markets are once again following a similar trajectory to 2017. However, much has changed since then.

Consider Germany in 2016 for example: with gross domestic product (GDP) growth near 3 percent, it was the Eurozone’s economic engine. Today, Germany is grappling with stagflation, struggling industries, and declining industrial production. Meanwhile, China’s GDP growth has slowed from mid-to high single digits in 2016 to under 5 percent today, with foreign direct investment turning negative as early as 2023—driven partly by reshoring trends. Not to mention the inflationary environment of today compared to the lack of inflation in 2016.

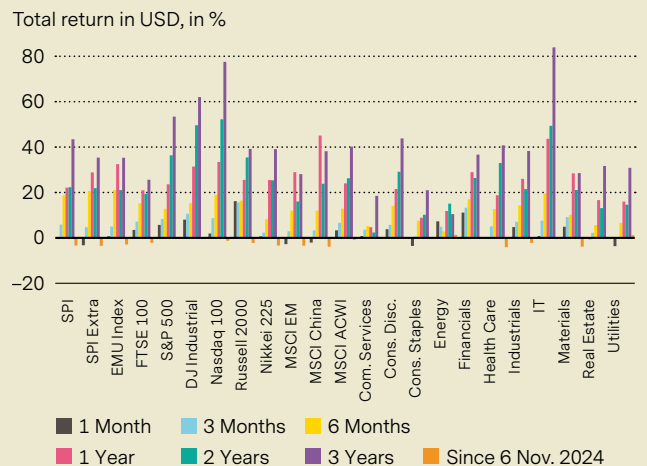
More details on page 5.

**Chart 1: Market breadth improving (based on the S&P 500 Index)**



Source: LSEG, Vontobel; as of November 22, 2024.

**Chart 2: The Trump effect**



Note: This chart compares the performance of selected regional and global sector indexes at various intervals after Trump’s 2016 election and his 2024 re-election.

Source: LSEG, Vontobel; as of November 21, 2024.

# Goodbye gold (for now)



—  
**Michaela Huber**  
Senior Cross-Asset Strategist,  
Vontobel

**Gold has dazzled over the past few years, delivering remarkable returns. Following a stellar rally of roughly 30 percent (in US dollar terms) in 2024 alone, we have decided to temporarily wave goodbye to some (not all) of our gold exposure.**

In last month’s issue, we highlighted gold’s high ground and argued that some indicators were beginning to point to overbought territory. Since then, the yellow metal has continued its upward trajectory, hitting an all-time high of USD 2,790 per ounce in late October. However, the US election results brought a shift in market dynamics: reduced uncertainty (less hedging), anticipation of pro-growth policies (greater appetite for risk assets), and a stunning US dollar rally (higher opportunity costs for holding gold). These developments dimmed gold’s appeal, pushing it below the USD 2,700 mark.

Having been overweight gold since 2021, we have benefited from a rally of more than 40 percent during that time. Now, we have decided to lock in those gains, downgrading our position to neutral from overweight. This reflects

our view that gold’s short-term upside is limited. President-elect Trump’s pro-growth and reflationary policies carry the risk that the Fed may cut rates less quickly than some market participants hope. A less dovish Fed raises the likelihood of continued US dollar strength, which could weigh on gold.

Reducing gold may also make sense when looking at chart 1: if history is any guide, the yellow metal tends to rally after the Fed pivots (i.e., stops raising interest rates), but tends to move sideways (or lower) once election-related uncertainties subside.

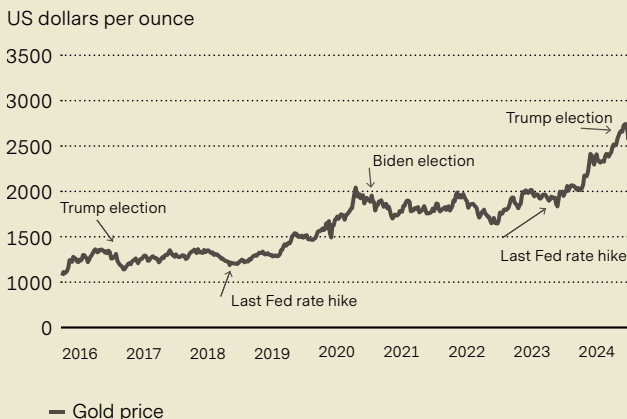
### Structural appeal remains strong

While our short-term outlook for gold is tempered, its long-term case remains more than intact. In an increasingly fragmented world, emerging-market central banks are likely to continue their “de-dollarization”<sup>17</sup> efforts (see chart 2). The push to diversify central bank holdings gained traction in 2022, when Western nations froze the Russian central bank’s reserves. Although high prices have recently cooled buying interest from key players like China, any price correction could reignite demand.

Meanwhile, discussions about a “BRICS”<sup>\*</sup> currency partially backed by gold remain ongoing. Additionally, soaring global public debt-to-GDP ratios add to gold’s allure. In the US, in particular, Trump’s policies are likely to lead to higher fiscal spending and larger budget deficits. Over time, such developments could erode confidence in “paper money” and increase the appeal of “non-printable” assets.

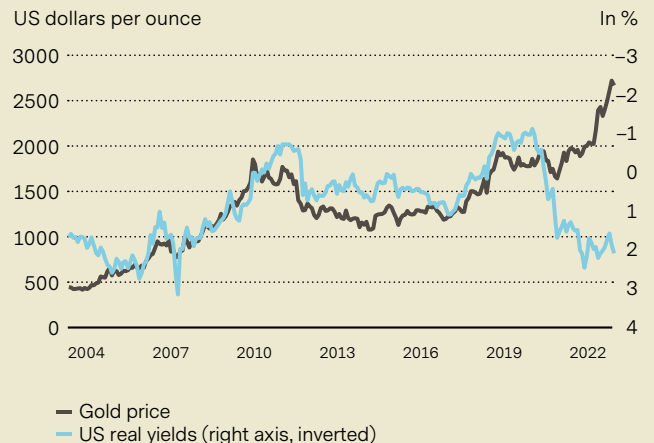
\*BRICS is an acronym that represents a group of five major emerging economies: Brazil, Russia, India, China, and South Africa.

**Chart 1: Trump election as a game-changer?**



Source: LSEG, Vontobel; as of November 20, 2024.

**Chart 2: De-dollarization tailwinds: Gold doesn’t trade in line with macro fundamentals since 2022**



Source: LSEG, Vontobel; as of November 20, 2024.

# Euro pressures



—  
**Christopher Koslowski**  
Senior Fixed Income & FX Strategist,  
Vontobel

**The growing economic divergence between the US and Europe is exerting significant downward pressure on the euro. This gap has become increasingly evident following Trump's recent presidential election victory, which has bolstered the dollar while driving the euro lower. In the aftermath of Trump's win, markets have adjusted expectations toward a more conservative pace of interest-rate cuts by the Fed, a move that contributed to the euro's slide below 1.05 in mid-November—its weakest level in more than a year (see chart 1). The likelihood of further depreciation of the euro remains elevated.**

Amid these developments, swap traders are ramping up bets that the European Central Bank (ECB) will pursue more aggressive rate cuts than the Fed in the near future. This expectation reflects Europe's economic challenges, contrasted with a relatively robust US economic outlook. Moreover, Trump's election raises the prospect of higher US tariffs and expansionary, inflationary policies at a time when Europe, particularly Germany, grapples with its own political turmoil.

## Swiss economy slows

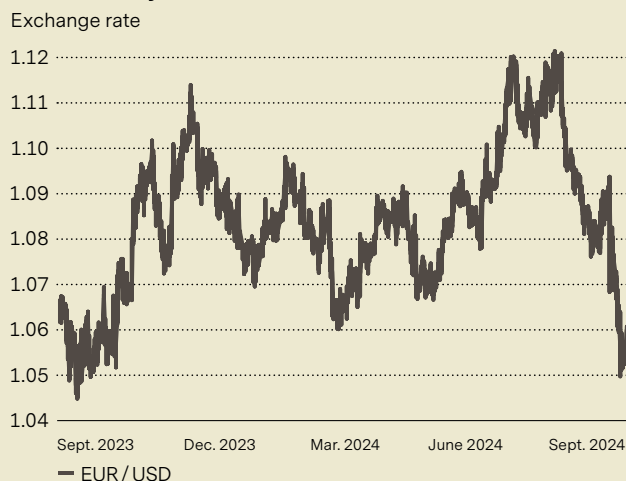
In the context of a cooling economy and subdued inflation, expectations are mounting for the Swiss National Bank (SNB) to adjust its monetary stance further. Recent data from the Swiss Secretariat for Economic Affairs highlights a slowdown in GDP growth during the third quarter of 2024, largely driven by weakening industrial activity. The downturn comes despite earlier robust economic performances, revealing the fragility of recovery in the face of external headwinds, notably from potential global trade policy shifts following Trump's election.

Rising protectionism could pose additional hurdles for Swiss exporters, compounding domestic pressures. Inflation lingers near the lower bound of the SNB's 0–2 percent target range, justifying its cautious approach to monetary easing.

The situation is complicated by the ECB's own easing trajectory (see chart 2), potentially cutting rates by as much as 125 basis points by the end of the fourth quarter. Such synchronized easing could shape the broader monetary landscape, especially in a risk-off environment that traditionally favors safer assets like the Swiss franc.

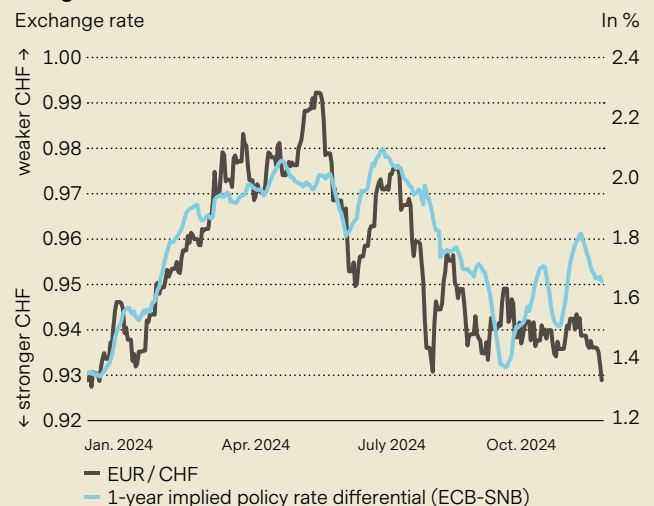
Despite the challenges of slowing growth, low inflation, and international trade concerns, the fundamental resilience of the Swiss economy positions the country to weather these turbulent times under the SNB's measured policy approach.

**Chart 1: The euro tumbles to lowest level in more than a year**



Source: Bloomberg, Vontobel; as of November 21, 2024.

**Chart 2: Swiss franc in the spotlight as SNB and ECB navigate rate cuts**



Source: Bloomberg, Vontobel; as of November 21, 2024.

# 14 Forecasts

## Economy and financial markets 2022 – 2025

The following list shows the actual values, exchange rates and prices from 2022 to 2023 and consensus forecasts for 2024 and 2025 for gross domestic product (GDP), inflation/inflationary expectations, key central bank interest rates, ten-year government bonds, exchange rates, and commodities.

<b>GDP (IN %)</b>	<b>2022</b>	<b>2023</b>	<b>CURRENT<sup>1</sup></b>	<b>2024 CONSENSUS</b>	<b>2025 CONSENSUS</b>
Global (G20)	2.9	3.0	2.7	2.5	2.6
Eurozone	3.4	0.4	0.9	0.7	1.2
USA	1.9	2.5	2.7	2.6	1.8
Japan	1.0	1.9	0.3	0.0	1.2
UK	4.5	0.3	1.0	1.0	1.3
Switzerland	2.7	0.7	1.7	1.4	1.4
Australia	3.8	1.9	2.1	1.2	2.1
China	3.0	5.2	4.6	4.8	4.5

<b>INFLATION</b>	<b>2022</b>	<b>2023</b>	<b>CURRENT<sup>2</sup></b>	<b>2024 CONSENSUS</b>	<b>2025 CONSENSUS</b>
Global (G20)	7.5	4.4	4.8	5.0	3.0
Eurozone	8.4	5.5	2.0	2.4	2.0
USA	8.0	4.1	2.6	2.9	2.2
Japan	2.5	3.3	2.3	2.5	2.0
UK	9.1	7.3	2.3	2.6	2.3
Switzerland	2.8	2.2	0.6	1.2	1.0
Australia	6.6	5.7	2.8	3.4	2.8
China	2.0	0.2	0.3	0.5	1.3

<b>KEY INTEREST RATES (IN %)</b>	<b>2022</b>	<b>2023</b>	<b>CURRENT</b>	<b>CONSENSUS IN 3 MONTHS</b>	<b>CONSENSUS IN 12 MONTHS</b>
EUR	2.50	4.50	3.40	2.80	2.30
USD	4.50	5.50	4.75	4.05	3.30
JPY	-0.10	-0.10	0.23	0.51	0.68
GBP	3.50	5.25	4.75	4.40	3.55
CHF	1.00	1.75	1.00	0.60	0.60
AUD	3.10	4.35	4.35	4.15	3.50

<b>GOVERNMENT BOND YIELDS, 10 YEARS (IN %)</b>	<b>2022</b>	<b>2023</b>	<b>CURRENT</b>	<b>CONSENSUS IN 3 MONTHS</b>	<b>CONSENSUS IN 12 MONTHS</b>
EUR (Germany)	2.6	2.0	2.21	2.14	2.16
USD	3.9	3.9	4.28	3.69	3.67
JPY	0.4	0.6	1.08	1.13	1.32
GBP	3.7	3.5	4.34	3.81	3.69
CHF	1.6	0.7	0.32	0.53	0.70
AUD	4.1	4.0	4.48	3.91	3.93

<b>FOREIGN EXCHANGE RATES</b>	<b>2022</b>	<b>2023</b>	<b>CURRENT</b>	<b>CONSENSUS IN 3 MONTHS</b>	<b>CONSENSUS IN 12 MONTHS</b>
CHF per EUR	0.99	0.93	0.93	0.96	0.99
CHF per USD	0.94	0.84	0.89	0.87	0.88
CHF per 100 JPY	0.72	0.60	0.58	0.62	0.65
CHF per GBP	1.12	1.07	1.11	1.15	1.19
USD per EUR	1.06	1.10	1.05	1.11	1.13
JPY per USD	130.00	141.00	154.00	140.00	135.00
USD per AUD	0.67	0.68	0.65	0.70	0.72
GBP per EUR	0.88	0.87	0.84	0.84	0.85
CNY per USD	6.91	7.10	7.24	7.04	6.93

<b>COMMODITIES</b>	<b>2022</b>	<b>2023</b>	<b>CURRENT</b>	<b>CONSENSUS IN 3 MONTHS</b>	<b>CONSENSUS IN 12 MONTHS</b>
Brent crude oil, USD per barrel	86	77	73	78	75
Gold, USD per troy ounce	1,824	2,063	2,621	2,595	2,500
Copper, USD per metric ton	8,372	8,559	8,968	9,800	10,125

<sup>1</sup> Latest available quarter

<sup>2</sup> Latest available month, G20 data only quarterly

Source: Vontobel, respective statistical offices and central banks; as of November 25, 2024

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## Glossary and sources

- <sup>1</sup> A win by the Republican Party of key political positions across multiple levels of government, including US House of Representatives and the Senate. Red symbolizes the Republican Party.
- <sup>2</sup> A period when investors are more willing to buy higher-risk assets, like stocks, amid confidence in the economy.
- <sup>3</sup> Source: Bloomberg article published November 1, 2024. [www.bloomberg.com/news/articles/2024-11-01/tech-giants-are-set-to-spend-200-billion-this-year-chasing-ai](https://www.bloomberg.com/news/articles/2024-11-01/tech-giants-are-set-to-spend-200-billion-this-year-chasing-ai)
- <sup>4</sup> A NASA initiative that aimed to land humans on the Moon and bring them safely back to Earth, successfully achieving this goal with Apollo 11 in 1969. NASA spent USD 25 billion by the end of the program, which is equivalent to about USD 230 billion today adjusted for inflation. Sources: 1974 NASA authorization: hearings, Ninety-third Congress, first session, on H.R. 4567. Page 1271. <https://babel.hathitrust.org/cgi/pt?id=mdp.39015084762718&view=1up&seq=1277>; Inflation calculation: [www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator](https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator)
- <sup>5</sup> This policy prioritizes the interests of the US in economic, trade, and foreign affairs, emphasizing domestic industry, job creation, and national security over global cooperation.
- <sup>6</sup> Underweight means the Vontobel Investment Committee has a lower preference for an asset class or sub-asset class.
- <sup>7</sup> PMIs: An economic indicator derived from monthly surveys of private-sector companies, it measures the prevailing direction of economic trends in manufacturing and services sectors.
- <sup>8</sup> Source: Bloomberg article published December 3, 2024. [www.bloomberg.com/news/articles/2024-12-03/us-job-openings-pick-up-to-7-7-million-as-labor-demand-steadies?srnd=phx-economics-v2](https://www.bloomberg.com/news/articles/2024-12-03/us-job-openings-pick-up-to-7-7-million-as-labor-demand-steadies?srnd=phx-economics-v2)
- <sup>9</sup> Source: BBC article published August 15, 2023. [www.bbc.com/news/business-66506132](https://www.bbc.com/news/business-66506132)
- <sup>10</sup> Source: Reuters article published November 19, 2024. [www.reuters.com/markets/europe/german-economy-stagnate-labour-market-cools-tariffs-loom-2024-11-19/](https://www.reuters.com/markets/europe/german-economy-stagnate-labour-market-cools-tariffs-loom-2024-11-19/)
- <sup>11</sup> M2 is a Fed estimate of money supply. It is defined as M1 money supply (the most liquid assets such as cash, checking accounts, traveler's checks, etc.) plus savings deposits and money market mutual funds.
- <sup>12</sup> Refers to the rise in the cost of housing over time, including rent and the equivalent cost of homeownership.
- <sup>13</sup> Source: Fox News article published October 26, 2024. [www.foxnews.com/politics/trump-vows-pennsylvania-rally-slash-energy-costs-lifting-pause-frack](https://www.foxnews.com/politics/trump-vows-pennsylvania-rally-slash-energy-costs-lifting-pause-frack)
- <sup>14</sup> Source: Federal Reserve Bank of Dallas. [www.dallasfed.org/research/pce#:~:text=The%20Trimmed%20Mean%20PCE%20inflation,of%20Economic%20Analysis%20\(BEA\).](https://www.dallasfed.org/research/pce#:~:text=The%20Trimmed%20Mean%20PCE%20inflation,of%20Economic%20Analysis%20(BEA).)
- <sup>15</sup> Occurs when economic growth is unsustainable, leading to excessive demand that outpaces supply, typically resulting in rising inflation, labor shortages, and asset price bubbles.
- <sup>16</sup> The additional return investors demand to hold government bonds when there are concerns about a country's fiscal health, like high budget deficits or rising debt levels.
- <sup>17</sup> Process by which countries reduce their reliance on the US dollar in international trade, finance, and reserves.
- <sup>18</sup> BRICS is an acronym that represents a group of five major emerging economies: Brazil, Russia, India, China, and South Africa.

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