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**Vontobel**

# Investors' Outlook

Nevermind the noise

June 2024

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# Nevermind the noise



—  
**Dan Scott**  
Head of Vontobel Multi Asset,  
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Dear readers,

The old stock market adage “sell in May and go away” proved more myth than mantra last month. Record highs were the common denominator among the world’s equity markets, leaving cautious investors feeling frustrated.

Stocks’ resilience mirrored the anticipation of interest-rate cuts that are poised to invigorate growth, economic data that boosted hopes for a soft landing<sup>1</sup>, and strong company earnings amid optimism surrounding artificial intelligence (AI).

Against the backdrop of this bullish momentum, some investors have been debating whether they should brace for a consolidation, arguing that the recent stock rally we’ve witnessed makes the market more susceptible to profit taking. We concede that the road ahead may be choppy, but we maintain our constructive view on equities. The signs we’re getting from quarterly earnings is that corporates are in pretty good shape. If anything, the concern lies with government debt burdens.

And as discussed in last month’s issue, given the structural changes around inflation and geopolitics, we believe there’s a need for real assets, and it now seems like investors are increasingly coming to that understanding too, reflected in the record-breaking streak of assets such as gold, copper, and equities. Within commodities, copper prices are further supported by supply constraints amid ongoing strong demand from infrastructure spending, green energy initiatives, and power generation demand that’s in part being fueled by AI. Similar supply-demand dynamics affect cocoa, where climate challenges play pivotal roles.

At our most recent Investment Committee meeting, we decided to refrain from making any changes to our asset allocation after previously sticking to our equity overweight, downgrading fixed income, and upgrading commodities.

The European Central Bank (ECB) started lowering interest rates at its June meeting, while refraining from committing to a particular rate path as it also raised its inflation forecasts. Meanwhile, the US Federal Reserve (Fed) remains in a holding pattern, carefully weighing the timing of its own monetary policy adjustments. The Fed’s cuts may arrive later than originally expected, but they’re coming closer, which means markets remain supported.

The 90s were known for many things: the eventual rise of the internet and the expansion of a number of companies that are currently massive brands (think Starbucks and Amazon, among many others), and the surge of hip hop and grunge music, including the release of Nirvana’s iconic album, “Nevermind”. But it was also a decade when the US economy withstood several rate hikes without tipping into a recession.

In this Investors’ Outlook, you’ll find a closer look at today’s economic environment compared with that of the 90s (we see parallels as well as important differences), an analysis of cocoa prices, and a careful scrutiny of AI-related stocks and valuations.

The traditional map of market wisdom is being redrawn and adaptability is key. Just like the music and technology that broke new ground then, those who dare to explore beyond conventional boundaries may uncover hidden gems.

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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.



—  
**Frank Häusler**  
Chief Investment Strategist,  
Vontobel

# Listening to the economic beat

**May's overarching economic trends have remained largely consistent with those observed in the previous month. The regional divergence continued to shape the global economic landscape.**

The US economy has maintained its relative resilience, displaying robust activity compared to Europe and China, where it has been more subdued. Inflation trends follow a similar pattern: the Eurozone and Switzerland have made notable progress in controlling inflation, while the US continues to grapple with elevated price pressures.

We have previously pointed out that one key factor to watch will be whether US consumers can continue to prop up the economy. The highly anticipated monthly jobs report from the US Bureau of Labor Statistics, released last month, revealed the smallest increase in six months. The number of non-farm payrolls rose by just 175,000 in April, trailing the 240,000 economists had expected. The unemployment rate ticked higher to 3.9 percent from 3.8 percent.

So, while the US labor market remains strong by historical standards, the latest data suggests it's starting to show some slack. Coupled with household debt that rose by USD 184 billion in the first quarter and consumers increasingly falling behind on their payments, the question arises whether these are the first cracks appearing that could lead to further damage to the economy.

While the latest consumer confidence data unexpectedly recovered after three months of declines, retail sales have slowed down. It remains to be seen whether this trend could potentially impact overall economic growth in the coming months.

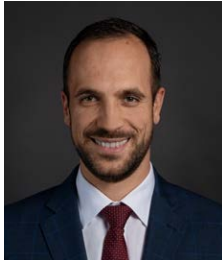
In the absence of a fresh catalyst, economic activity should continue to muddle through. In terms of monetary policy, we expect the Fed to eventually follow other central banks. We continue to believe that the Fed will cut rates less than originally expected, but more than markets are pricing in. Turn to page 5 to find the details of our asset allocation in this environment.

	UNDERWEIGHT		NEUTRAL	OVERWEIGHT		
	significantly	slightly		slightly	significantly	
<b>1</b> <b>Liquidity</b>		→				We remain underweight on cash as we believe that for a nine- to 12-month investment horizon, returns from asset classes should outpace those from cash.
<b>2</b> <b>Bonds</b>		→				Our view of the entire fixed-income asset class remains slightly underweight. We believe that the improving macroeconomic scenario in the medium term tends to favor more cyclical asset classes, such as equities and commodities, at the expense of fixed income. We maintain our overweight in government bonds and hard currency emerging market debt. We remain underweight in investment-grade bonds.
<b>3</b> <b>Equities</b>				→		We maintain our overweight on stocks. We recognize that the Fed will cut rates later than initially anticipated, but we believe these cuts may be larger than markets currently expect. We also believe that key global economic indicators, such as purchasing managers' indices, may improve further in the coming months. Regarding inflation, we see no strong risk of a second wave. This should continue to support equities as an asset class. At a sub-asset class level, we maintain our overweight on US equities on the back of a first-quarter reporting season that confirmed solid positive earnings surprises, particularly in the technology sector. For Eurozone and Swiss equities, we remain neutral. We also stay neutral on Japanese and emerging-market stocks.
<b>4</b> <b>Gold</b>				→		We maintain our positive view on gold, even though it reached new all-time highs last month and remains one of the best-performing asset classes since early 2024. Despite rising US real yields, continued strength in the dollar, and hawkish rhetoric from the Fed, the yellow metal continues to chase one high after another. This is partly due to its "safe haven" profile, solid demand from major retail markets, rising geopolitical risks related to escalation in the Middle East, as well as strong central bank demand, especially from emerging markets.
<b>5</b> <b>Commodities</b>			→			We remain neutral. We believe that a reacceleration of the global economy could provide an extra boost to this cyclical asset class. Markets may be underestimating the potential for stimulus from the Chinese government. We also think the asset class could benefit from the tailwind from increased geopolitical risks.
<b>6</b> <b>Alternative strategies</b>			→			We hold our neutral take on alternative funds and real estate. Within alternative funds, we like insurance-linked securities as they tend to have a low correlation with traditional financial markets considering their performance is linked to specific insurance events and can therefore help to reduce overall portfolio risk.

# Back to the 90s?

The 1990s are remembered through a nostalgic lens by many today, including those too young to remember the pivotal decade. A mysterious invention called the “world wide web” became available to the public in 1993, along with its unforgettable dial-up sound, although it had yet to become a constant companion in our everyday life. And while cell phones already existed since the 1980s, their main function was still relegated to actual phone calls. A pop monoculture was still present and was characterized by groups like the Backstreet Boys and the Spice Girls which dominated the charts, as well as iconic movies and TV shows like Titanic, Forrest Gump, and Friends. But there was another special feature in that decade, perhaps more relevant to those of us in the finance sector: US monetary authorities had achieved a masterpiece, as the US economy digested a series of interest rate hikes without slipping into recession (see chart 1).





—  
**Stefan Eppenberger**  
 Head Multi Asset Strategy,  
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—  
**Michaela Huber**  
 Cross-Asset Strategist,  
 Vontobel

Considering investors have been keeping a close eye on the effects of the rapid interest-rate hikes on the economy over the past two years while weighing various recession scenarios, the comparison to the 90s has increasingly come up.

Back in the 90s, the US economy defied leading economic indicators such as the purchasing managers' indices for the manufacturing sector, which had predicted a recession. The main reason for the soft landing back then was likely the productivity surge that began at that time, buoyed by the rise of computers (see chart 2). This higher productivity was accompanied by considerable wage growth. While the Employment Cost Index, the Fed's preferred wage indicator, had risen by 2.5 percent year-on-year in the fourth quarter of 1995, it climbed to nearly 5 percent at the turn of the millennium. Despite the higher wages, the feared wage-price spiral<sup>2</sup> failed to materialize. US core inflation fell from around 5.5 percent at the start of 1990 to less than 2 percent at the end of 1999.

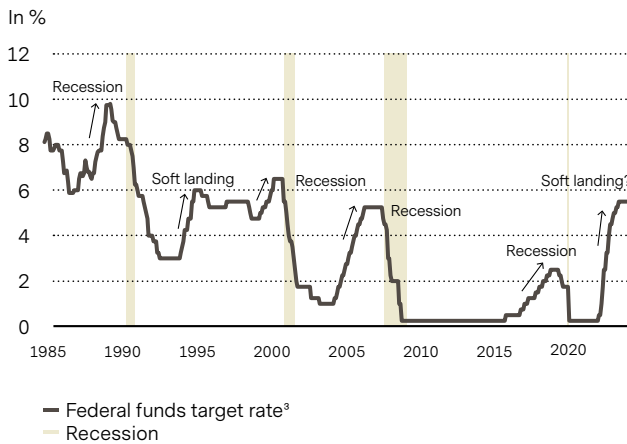
### **The similarities**

There are indeed some parallels to the 90s today. If the leading indicators are to be believed, the recession should occur soon. Both the manufacturing and service industries are shrinking, according to the US Institute for Supply Management. Then, as now, however, the recession is (still) absent. In addition, as in the 90s, considerable sums have been invested in research and development (R&D) in recent years. It is also—then, as now—mostly private actors who are digging into their pockets, which is seen as a crucial contributor to economic growth (see chart 3). This represents a healthy breeding ground for another technology-enabled productivity boom.

After all, the willingness to embrace and implement new technologies available to us has increased, which opens up the possibility of history repeating itself. In 1999, it took Netflix 3.5 years to reach one million users. Facebook needed 10 months to achieve this level in 2004, while Spotify did it in five months in 2008. ChatGPT took a mere five days in 2022.

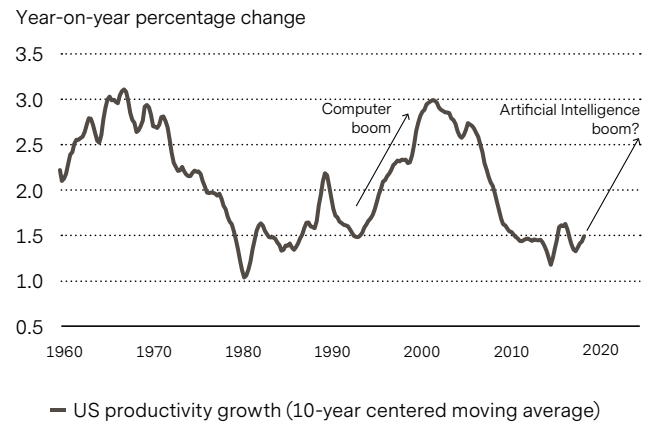
## 8 Market highlights

**Chart 1: The mid-90s soft landing was the exception to the rule**



Source: LSEG, Vontobel; data as of May 13, 2024.

**Chart 2: The economy digested rate hikes thanks to higher productivity in the 90s**



Source: LSEG, Vontobel; data as of May 13, 2024.

### The differences

Despite all the enthusiasm for AI there is no excessive euphoria (yet). This can be seen, for example, in the declining number of initial public offerings (IPOs) by US companies. One possible explanation could be that large technology companies are increasingly buying up smaller firms. This “secular shift” from IPOs to takeovers, often by large technology companies, was the topic of discussion in a 2023 study in which researchers found that the percentage of venture capital-backed startups that have been bought (rather than going public) has risen from around 10 percent to 90 percent over the past three decades<sup>4</sup>.

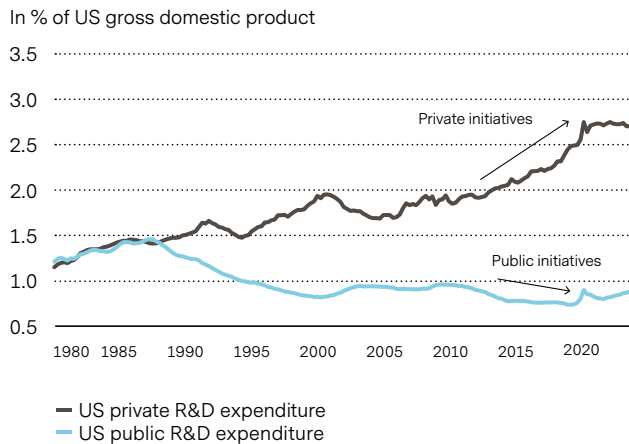
Another difference is that today’s job growth is limited primarily to government or government-related sectors, whereas in the 90s, new jobs were mainly created in the private sector. According to the Organisation for Economic Cooperation and Development (OECD), the public sector plays an important role in advanced economies. It employs around one in five workers and, therefore, has a significant impact on national productivity<sup>5</sup>. It can be assumed that this sector is less productive than other sectors due to the lack of profit incentives and high levels of bureaucracy.

Another point: economic freedom in the US has been in decline for years, according to the Heritage Foundation’s Index of Economic Freedom<sup>6</sup>. In 1995, the index stood at just under 77 points; in 2006, it peaked at 81 points; today, it stands at just 70 points. This means that the “location conditions” have deteriorated compared to the 90s (even in a country known for its innovation like the US). To be sure, the US is still a go-to destination for innovation—but there’s more red tape today.

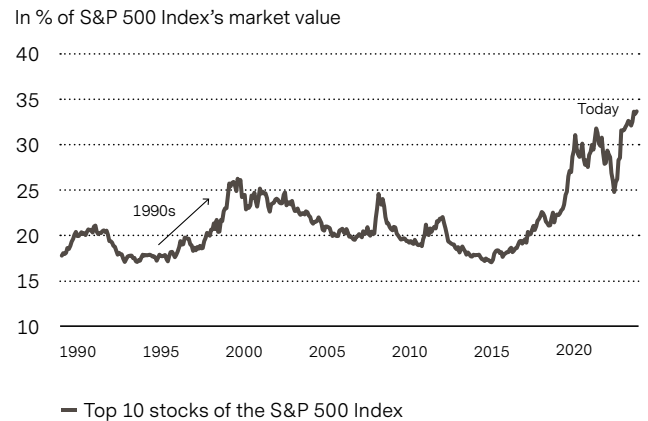
Not only the business environment, but also the inflationary environment, is different today. Today’s labor market is significantly tighter than the labor market of the 90s (i.e., the demand for labor significantly exceeds the supply of labor). This shortage in the labor market harbors upside risks for wage inflation and thus also for headline inflation.

Since the global financial crisis, the globalization witnessed in the 90s has also turned into what some call a “slowbalization”—or, in the words of the International Monetary Fund, the world has experienced a continuing slowdown in the pace of trade reforms and dwindling political support for open trade amid growing geopolitical tensions<sup>7</sup>.



**Chart 3: Then and now, private players are in the lead**

Source: LSEG, Vontobel; data as of May 13, 2024.

**Chart 4: Remarkable rally accompanied by rising concentration**

Source: LSEG, Vontobel; data as of May 28, 2024.

### Implications for investors

What did the 90s have in store for investors? Firstly, the decade was characterized by US outperformance compared to other countries. The growth of real US gross domestic product exceeded that of Europe or Japan many times over. A similar trend can also be observed today. In May, the OECD raised its forecast for global economic growth to 3.1 percent in 2024 but pointed out the strong regional divergence. According to the OECD, the persistent weakness in Europe and Japan will be compensated for by the US<sup>9</sup>.

Secondly, the 90s were characterized by a US dollar bull market. After the soft landing in 1995, the US dollar began to soar. This is hardly surprising, not least in view of the strong US economy. It is also interesting to note that the normally negative correlation between the “greenback” and commodities turned positive in the 90s<sup>9</sup>.

Thirdly, there was a considerable stock market rally in the 90s (which ended in March 2000 with the bursting of the dotcom bubble). Then, as now, the stock market rally coincided with a certain concentration in the stock market. In 1990, the 10 largest stocks in the S&P 500 Index made up around 17 percent of the index. At the end of the decade, they accounted for just under 25 percent. Today, they make up more than 33 percent of the index (by market capitalization, see chart 4).

Today, the starting position for investors is special in that the composition of the S&P 500 Index is significantly more technology heavy. The proportion of technology stocks has almost doubled compared to the mid-90s. The big question is how much of the AI hype has already been priced in. Today's equity valuations are rather high but could rise if AI increases profit margins even further.

# The ebbs and flows of easing



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

**Recent economic data signals that there may soon be a stronger justification for interest-rate cuts, especially given declining retail sales growth following initial robust performance at the beginning of the year. This trend indicates a possible slowdown in consumer spending, which has been a key driver of sustained economic strength and could influence monetary policy decisions.**

If we look at retail sales in real terms (dividing total sales by the consumer price index), they have now fallen back to, or even slightly below, the rising trend that was in force between the global financial crisis and the pandemic. Any evidence of consumer fatigue helps the case for rate cuts. The tone of the economic data has generally been quite poor recently; economic surprise indexes, whether published by Bloomberg or Citigroup, have undershot expectations of late.

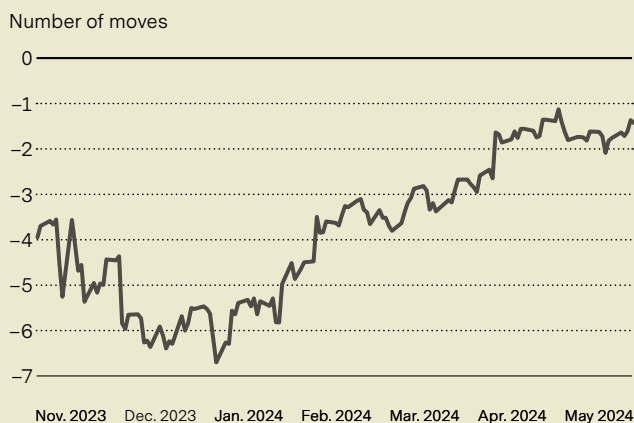
The effect on implicit fed funds rates in the futures market was subdued. Many market observers agree that rate cuts by the Fed are unlikely for June, and the fed funds futures market has now adjusted to anticipate nearly two rate cuts of 25 basis points each by year-end (see chart 1). While this falls well short of the aggressive easing anticipated in January, it has been sufficient to lure investors back to the bond market, particularly to US 10-year Treasury bonds. Just a few weeks ago, a surge beyond 5 percent seemed likely, making this development a welcome relief for many investors.

## Steady as she goes

Our outlook for both investment-grade and high-yield credit remains unchanged. The extremely tight spreads, indicative of a “priced to perfection<sup>10</sup>” scenario, prompt us to exercise greater caution. Currently, there is minimal protective value in either investment grade (see chart 2) or high-yield segments.

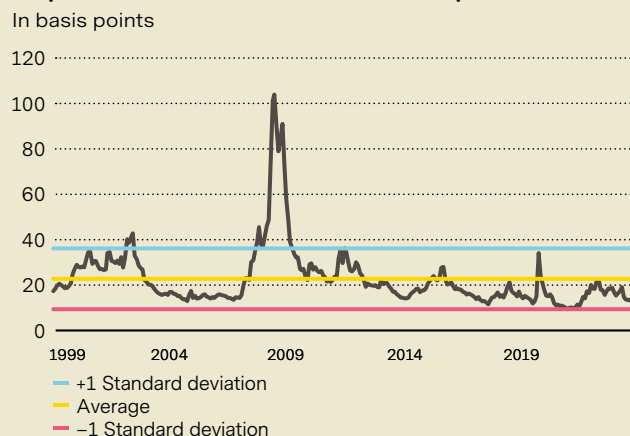
Our macroeconomic forecast, which anticipates modestly higher growth, tends to favor cyclical asset classes such as equities and commodities over fixed income. Consequently, we reiterate our underweight stance on both investment-grade and high-yield bonds, given that their valuations do not appear particularly appealing to us. In terms of managing interest-rate exposure, we have a clear preference. Rather than navigating the less favorable terrain of investment-grade or high-yield bonds, we choose to focus on government bonds.

**Chart 1: Market-implied number of Fed moves priced in for 2024**



Source: Bloomberg, Vontobel; data as of May 24, 2024.

**Chart 2: Minimal safety net in US investment-grade corporate bonds' 12-month breakeven spread<sup>11</sup>**



Source: Bloomberg, Vontobel; data as of May 23, 2024.

# AI-related stocks and valuations: what's the price tag?



—  
Mario Montagnani  
Senior Investment Strategist,  
Vontobel

**Stocks related to artificial intelligence (AI) have been a significant driver behind equity markets' stellar year-to-date performance, continuing last year's trend. This affects valuation multiples. What does this mean for investors?**

Nvidia, a leader in graphic processing units that are crucial for machine learning and data analytics, contributes to more than 30 percent of the absolute return of the S&P 500 Index to date (see chart 1). Nvidia's stock price soared above USD 1,000 for the first time last month after blow-out first-quarter earnings, along with optimistic guidance for the second quarter and comments of "the beginning of a new industrial revolution" from Chief Executive Officer Jensen Huang. This leads investors to believe that this sustained momentum could continue.

Growth in AI technologies is fueled by strong demand for applications spanning services, hardware, and software across diverse sectors, including healthcare, automotive, and finance, to name a few, with the prospect of increased efficiency, higher productivity, cost savings, and new revenue streams for adopters. Several other companies, like Alphabet, Microsoft, and Meta Platforms, are competing in this arena and reaping the benefits of the AI boom.

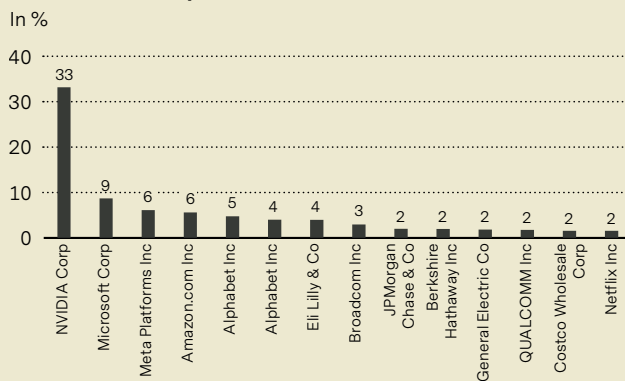
## Investors' burning question: how much is this worth?

Given the impressive performance of AI-related stocks over the past few years, their current valuation multiples are under intense scrutiny, especially when compared to the dot-com bubble of 2000. Back then, the market experienced a speculative frenzy around internet-based companies, with valuations often disconnected from financial fundamentals. For instance, in 2000, the average forward price-to-earnings (P/E)<sup>12</sup> valuation multiples for the "Four Horsemen" (Microsoft, Intel, Cisco, Dell) nearly hit 90x.

Still, this implies a whopping 230 percent premium to today's "Fantastic Four" (Meta, Nvidia, Microsoft, Amazon), trading at 28x (see chart 2). And while AI-linked stocks have high valuations, these are generally supported by strong visibility on earnings growth, robust revenue streams, and tangible technological advancements. Moreover, today's market environment benefits from lessons learned during the dot-com bubble, including greater investor sophistication, regulatory oversight, and a focus on sustainable business models.

To sum up, the sustainability of AI-related stock valuations hinges on the continued advancement and adoption of AI technologies, whose addressable market is estimated at nearly USD 3 trillion over the next 10 years. We remain vigilant about the risks of overvaluation and market corrections, but we believe the current fundamentals suggest a more solid foundation than the dot-com era. That is one of the arguments supporting our constructive view on US equities, where AI and tech-related stocks make up 40 percent of the stock market capitalization.

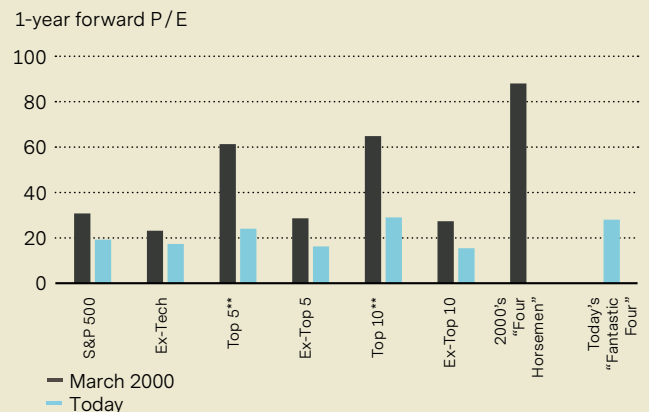
**Chart 1: S&P 500 Index's 15 largest contributors to its year-to-date performance**



— Contribution to the S&P 500 Index's year-to-date performance

Source: LSEG, Vontobel; data as of May 28, 2024.

**Chart 2: 2000 vs. today—1-year forward P/E valuation**



— March 2000  
— Today

\*\* By market capitalization

Source: LSEG, Vontobel; data as of May 23, 2024.

# Sweet or bitter chocolate?



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

**Cocoa has only known one direction since the beginning of 2023: upward. Following a performance of more than 70 percent in 2023 and a temporary gain of more than 150 percent in 2024, there was a surprise that was not at all sweet (see chart 1).**

From a fundamental perspective, prices continue to be supported. West Africa, which accounts for around 80 percent of the global cocoa supply, has been suffering from extreme weather conditions for some time now. Cocoa requires a tropical climate as well as adequate shade and rainfall. Irregular rainfall and high temperatures have prevented many flowers from ripening into cocoa pods. Plant diseases such as the “cocoa swollen shoot virus disease” harm around 17 percent of Ghana’s cultivated areas. The situation is exacerbated by decades of under-investment in the sector.

West African cocoa farmers—mostly smallholders—receive only a small fraction of the value chain. This has hindered new planting and resulted in overaged cocoa

trees. As cocoa prices are often set in advance by governments, very few farmers have benefited from the rally in 2023. While recent weather forecasts for West Africa have boosted hopes for a better cocoa harvest, this is not enough.

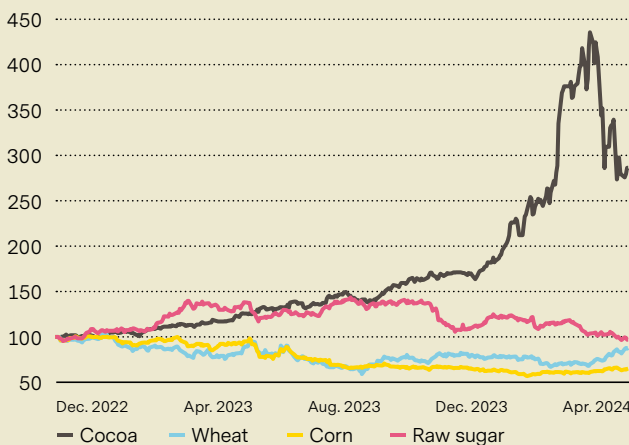
In the long run, farmers need higher prices in order to be able to invest in new planting and fertilizers. At the same time, demand has not yet been destroyed: the grinding figures published for April (a demand indicator) were stronger than expected. The International Cocoa Organization also predicts a deficit for this year (374,000 tons). If this proves to be the case, it would be the third consecutive deficit (see chart 2).

The main driver for the slump is more likely to be found on the trading side. Higher margin requirements have made it more expensive for traders to hold their positions, therefore many have given them up. As a result, the number of open contracts in New York has fallen to its lowest level in more than ten years. This makes the market even more susceptible to large price fluctuations.

As cocoa tends to be a niche commodity and is not part of the main commodity indices, the price fluctuations have no impact on their performance. The situation is different for cocoa suppliers and confectionery manufacturers: one major Swiss chocolatier has already announced that it will pass on the still high cocoa prices to customers.

**Chart 1: Cocoa performance eclipses that of other agricultural commodities**

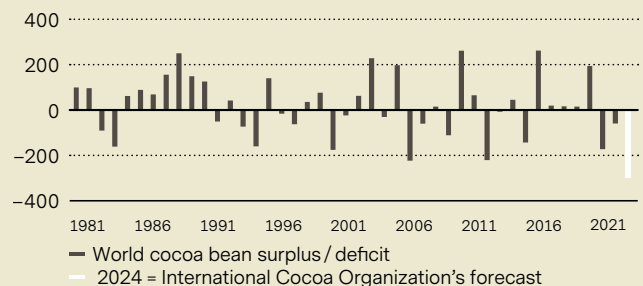
Rebased to 100 = start of 2023



Source: LSEG, Vontobel; data as of May 24, 2024.

**Chart 2: Third cocoa deficit in a row?**

In thousand tons



Note: Data on grindings and production of cocoa beans. The main grinding countries for the last three cocoa years are covered. The cocoa year runs from October 1 to September 30.

Source: International Cocoa Organization, Vontobel; data as of May 24, 2024.

# Shifting dynamics in currency strength



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

**The US dollar has maintained its strength so far this year, appreciating against most major currencies (see chart 1). This is due to sluggish progress on inflation, which has prompted a significant shift in market expectations for Fed rate cuts. Strong economic growth paired with slow progress on taming inflation has tempered expectations for the Fed to lower rates.**

The yield differential from a policy rate perspective has greatly favored the dollar, widening with the adjusted expectations for rate cuts, thereby bolstering the greenback (see chart 2). The dollar has shown more resilience than anticipated this year. However, following a swift change in market perspectives on the Fed's outlook, the dollar could become vulnerable to data that might support the likelihood of more pronounced rate cuts in the future.

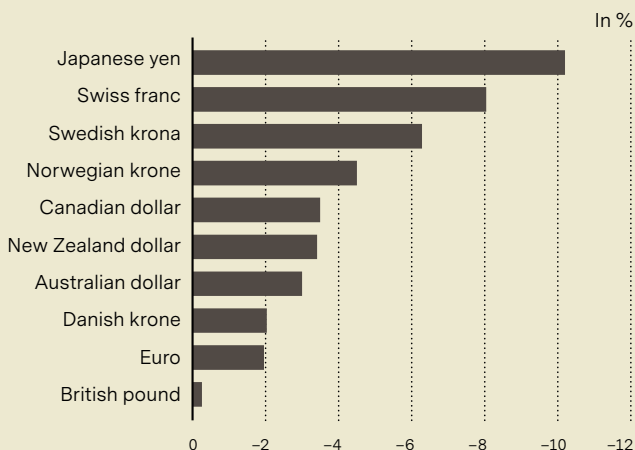
## Dollar dominance meets euro resilience

Recent developments suggest that, for the moment, the dollar is likely to maintain its strength. However, it is critical to note that we anticipate a forthcoming improvement in economic headlines from the Eurozone, which could signify a shift in the economic dynamics between the euro and the dollar.

If this assumption holds true, it could limit any further declines in the euro-dollar exchange rate from this point forward. The euro-dollar two-year yield differential has fallen to lows near minus 205 basis points in April from minus 150 basis points in January, with the euro-dollar down 3 percent in that period. The yield differential has moved back up more recently, trading now at minus 185, and the euro has regained some of the losses.

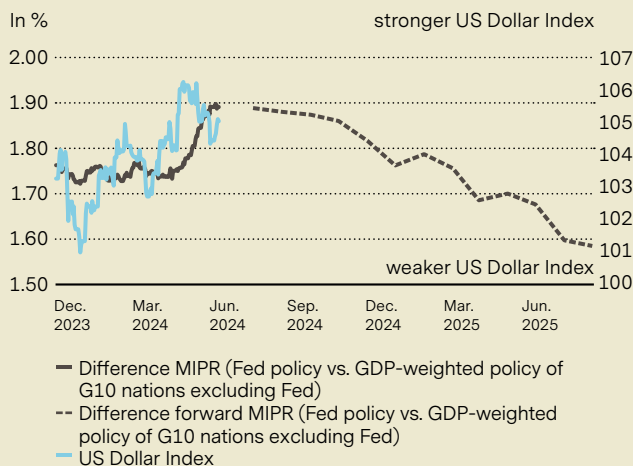
The market has already accounted for the likelihood of the ECB implementing a rate cut before the Fed, which may not be sufficient to bring the euro-dollar exchange rate to parity. For that to happen, there would need to be a further shift in the Fed's stance towards higher rates and/or a significant downturn in the Eurozone economy. However, this is not the scenario we anticipate.

**Chart 1: Year-to-date spot FX performance vs. US dollar**



Source: Bloomberg, Vontobel; data as of May 24, 2024.

**Chart 2: Market implied policy rate (MIPR) differential**



Source: Bloomberg, Vontobel; data as of May 24, 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	2.3	2.7	2.6
Eurozone	3.4	0.4	0.4	0.7	1.4
USA	1.9	2.5	3.0	2.4	1.8
Japan	1.0	1.9	-0.2	0.6	1.1
UK	4.5	0.3	0.2	0.5	1.2
Switzerland	2.7	0.7	0.6	1.2	1.5
Australia	3.8	1.9	2.1	1.4	2.2
China	3.0	5.2	5.3	4.9	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	5.7	5.2	3.2
Eurozone	8.4	5.5	2.4	2.4	2.1
USA	8.0	4.1	3.4	3.1	2.4
Japan	2.5	3.3	2.5	2.4	1.8
UK	9.1	7.3	2.3	2.5	2.2
Switzerland	2.8	2.2	1.4	1.3	1.2
Australia	6.6	5.7	3.6	3.4	2.8
China	2.0	0.2	0.3	0.7	1.5

<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	4.50	3.60	2.80
USD	4.50	5.50	5.50	5.25	4.35
JPY	-0.10	-0.10	0.08	0.07	0.26
GBP	3.50	5.25	5.25	4.85	3.80
CHF	1.00	1.75	1.50	1.09	0.90
AUD	3.10	4.35	4.35	4.30	3.70
CNY	3.65	3.45	4.35	4.25	n.a.

<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	2.60	2.25	2.21
USD	3.9	3.9	4.47	4.20	3.92
JPY	0.4	0.6	1.01	0.99	1.16
GBP	3.7	3.5	4.26	3.81	3.55
CHF	1.6	0.7	0.82	0.78	0.89
AUD	4.1	4.0	4.31	4.16	3.91

<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	0.99	0.99	1.00
CHF per USD	0.94	0.84	0.92	0.92	0.91
CHF per 100 JPY	0.72	0.60	0.58	0.61	0.62
CHF per GBP	1.12	1.07	1.16	1.16	1.16
USD per EUR	1.06	1.10	1.08	1.07	1.10
JPY per USD	130.00	141.00	157.00	152.00	146.00
USD per AUD	0.67	0.68	0.66	0.67	0.68
GBP per EUR	0.88	0.87	0.85	0.86	0.86
CNY per USD	6.91	7.10	7.24	7.22	7.15

<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	81	85	82
Gold, USD per troy ounce	1,824	2,063	2,336	2,200	2,200
Copper, USD per metric ton	8,372	8,559	10,418	9,000	9,800

<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 May 24, 2024

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## Glossary and sources

- <sup>1</sup> A soft landing refers to an economy in a cyclical slowdown that manages to avoid a recession, often in the context of monetary policy and inflation.
- <sup>2</sup> In a wage-price spiral, employees' high wage demands trigger ever higher inflation (as companies pass on the higher costs resulting from wage increases to customers by raising prices).
- <sup>3</sup> The federal funds rate is the interest rate at which depository institutions lend balances at the Fed to other depository institutions overnight.
- <sup>4</sup> Source: Ederer, Florian & Pellegrino, Bruno, The Great Startup Sellout and the Rise of Oligopoly (January 11, 2023). AEA Papers & Proceedings, Vol. 113, May 2023. [ssrn.com/abstract=4322834](https://ssrn.com/abstract=4322834)
- <sup>5</sup> Source: Organisation for Economic Coordination and Development 2021: [www.oecd-ilibrary.org/sites/75f92d89-en/index.html?itemId=/content/component/75f92d89-en](https://www.oecd-ilibrary.org/sites/75f92d89-en/index.html?itemId=/content/component/75f92d89-en)
- <sup>6</sup> According to the Heritage Foundation, individuals are free to work, produce, consume, and invest as they wish in an economically free society. Governments in these societies allow the free movement of labor, capital, and goods and refrain from coercion or restriction of freedom beyond what is necessary to protect and preserve freedom itself. The Index of Economic Freedom is based on 12 quantitative and qualitative factors, which are divided into four categories (Rule of Law, Size of Government, Regulatory Efficiency, Open Markets).
- <sup>7</sup> Source: International Monetary Fund article, published February 8, 2023: [www.imf.org/en/Blogs/Articles/2023/02/08/charting-globalizations-turn-to-slowbalization-after-global-financial-crisis](https://www.imf.org/en/Blogs/Articles/2023/02/08/charting-globalizations-turn-to-slowbalization-after-global-financial-crisis)
- <sup>8</sup> Source: Organisation for Economic Coordination and Development, May 2, 2024: [www.oecd.org/newsroom/economic-outlook-steady-global-growth-expected-for-2024-and-2025.htm](https://www.oecd.org/newsroom/economic-outlook-steady-global-growth-expected-for-2024-and-2025.htm)
- <sup>9</sup> Most commodities are traded in US dollars. If the US dollar depreciates when commodity prices denominated in US dollars rise, the increase in commodity prices in economies outside the US, measured in local currencies, is lower (commodities therefore become more attractive for economies outside the US).
- <sup>10</sup> Priced to perfection describes a situation where an asset, such as a stock or bond, is believed to be trading at a price that fully reflects its optimal future performance. Essentially, this implies that the asset is valued in a way that anticipates all the best possible future outcomes, including strong growth, high profits, or other positive financial metrics.
- <sup>11</sup> The breakeven spread level indicates a margin of safety for corporate bonds. This is the level to which the spread would have to rise for excess returns to be negative over 12 months.
- <sup>12</sup> Forward P/E is a multiple used to evaluate the valuation of a company's stock, calculated by dividing the current market price of the stock by the projected earnings per share for the next 12 months.

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