Vontobel

Investors' Outlook

Checking for storm damage

May 2025

Content

Imprint

Publishing by
Bank Vontobel AG
Gotthardstrasse 43
8022 Zurich

Editors
Corinne Gretler,
Senior Investment Writer,
Vontobel
Investment Content Team,
Vontobel

Authors
Stefan Eppenberger,
Chief Investment Strategist,
Multi Asset Boutique, Vontobel
Michaela Huber,
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel
Christopher Koslowski,
Senior Fixed Income & FX Strategist,
Multi Asset Boutique, Vontobel
Mario Montagnani,
Senior Investment Strategist,
Multi Asset Boutique, Vontobel
Clémence Rusek,
Senior Investment Strategist,
Multi Asset Boutique, Vontobel
Dan Scott,
Head Multi Asset,
Chief Investment Officer,
Multi Asset Boutique, Vontobel

Frequency
Ten times per year
(next issue June 5, 2025)

Concept
MetaDesign AG

Creation & Realization
Vontobel

Images
Gettyimages,
Vontobel

Input deadline for this edition
May 7, 2025

Remarks
See “Legal information” on page 15

Checking for storm damage

—
Dan Scott
Head Multi Asset,
Chief Investment Officer,
Vontobel

Dear readers,

Tariffs remain one of the most disruptive forces in global markets, and while the winds have calmed, we're still far from understanding the full extent of the damage. Markets now sit in uneasy stillness after the eye of the storm has passed, leaving uncertainty in its wake.

It was the bond market that ultimately nudged US President Donald Trump to pause his aggressive strategy, a quiet rebellion from fixed-income investors amid rising yields and rattled confidence[1]. But this pause offers little reassurance. The ongoing uncertainty has also shaken faith in another traditional safe haven: the US dollar. Gold, by contrast, has surged even higher as investors search for shelter. And markets continue to be highly reactive: Trump lashes out at US Federal Reserve Chair Jerome Powell, and markets wobble[2]. He walks it back, and they rebound[3]. We seem to be in an environment where sentiment outweighs substance, and for investors, that may be a cue for caution.

We remain in a holding pattern, holding firm in our view that inflation is cooling, interest rates are poised to decline, and yields are likely to follow. From a macro perspective, we're not bearish, but we're cautious and are keeping cash on hand, scanning the horizon, and waiting for better visibility. That clarity is unlikely to come before the end of the second quarter, when we'll have the earnings season behind us and, hopefully, signs of geopolitical de-escalation.

US equity valuations have come down, but they still aren't cheap given there is a risk to further downward earnings revisions.

The Multi Asset Boutique's Investment Committee decided to refrain from making any changes to its asset allocation.

At this stage, we're interested in damage assessment. How much confidence has been lost among consumers and small businesses – two cornerstones of the US economy? What are companies signaling through their capital expenditure (capex) plans? How are supply chains adapting to ongoing tensions with China? Until we have better answers, we believe it's too early to call the all-clear.

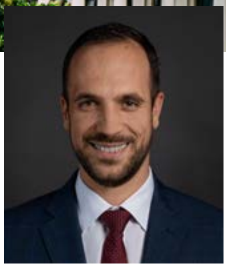
We don't think it's the time for bold moves. A shift toward deregulation and tax relief may lie ahead and could be the break in the clouds markets are waiting for. But for now, patience and diversification are key to us, as we also keep an eye on upcoming trade talks and agreements. The Fed kept interest rates unchanged, emphasizing no rush to cut amid heightened uncertainty surrounding the economic outlook.

In this Investors' Outlook, we unpack Trump's "Make-America-Great-Again" ambitions, examine the message from the bond market, and zoom in on the gold rush.

The skies may be clearing, but before rebuilding, we have to know what's been broken.

→ Webcast
To view our webcast on recent market developments, click **here.**

[1] See "Glossary and sources" on p. 17.



—
Stefan Eppenberger
Chief Investment Strategist,
Multi Asset Boutique, Vontobel

Lingering clouds

Clouds have started to gather over the US economy as both consumers and companies try to find their way through the fog of trade-war fallout. While peak trade uncertainty may (hopefully) be behind us, the economy has already taken a hit.

Despite tough talk, the bond market seems to have made Donald Trump blink. In a surprise U-turn, he announced a 90-day tariff pause, pulling most rates back to "only" 10 percent. Trade adviser Peter Navarro expects a number of deals will be made during the pause period.

But financial sentiment has turned. After months of optimism, recession fears are back on the radar. Nearly half of money managers now see a global downturn as the most likely scenario within a year, according to Bank of America's Global Fund Manager Survey[4].

Many investors are wondering whether we're inevitably headed toward a recession. "Soft data", like sentiment surveys, has already slumped. The worry now is that "hard data" such as US labor market indicators will follow. While March's jobs report surprised to the upside and initial jobless claims—considered a close to real-time proxy for layoffs—are trending down, other high-frequency signals like job postings on Indeed suggest weakening ahead.

We believe a sharp downturn can be avoided. Consumers have deleveraged significantly since the financial crisis, and corporate balance sheets remain sound. We also expect more stimulus ahead. Inflation has largely normalized, opening the door to rate cuts for several central banks. Still, the Fed is under pressure. After Fed Chair Jerome Powell resisted calls for immediate cuts, Trump publicly chastised him, sparking fears of political interference that weighed on US Treasuries and the dollar. We believe the Fed will eventually have to cut rates if the labor market falters—prioritizing employment over price stability, if needed[5].

	UNDERWEIGHT[6]		NEUTRAL[7]	OVERWEIGHT[8]		
	significantly	slightly		slightly	significantly	
1 Liquidity				→		We maintain our overweight stance on cash and stand ready to reallocate when opportunities arise.
2 Bonds		→				Yields on government bonds, including 10-year US Treasuries, have risen amid US policy uncertainty and recent trade-related jitters. This raises questions about whether bonds—particularly US government bonds—still offer the same reliable safe-haven qualities as in the past. Other pockets of the fixed income segment (investment-grade credit or high-yield bonds) also don't offer enough compensation for the risks taken, in our view. We reiterate our underweight in investment-grade and high-yield bonds and our neutral view on government and emerging-market bonds.
3 Equities				→		We continue to prefer equities over bonds and have a slight overweight position in stocks, favoring emerging-market equities. We believe that eventual US interest-rate cuts and a weaker US dollar (both part of our base case) should support emerging-market equities, as they have in the past. We also believe that the so-called "DeepSeek moment[9]" in early 2025 may have reignited "animal spirits" in China, potentially paving the way for more pro-business, pro-tech regulation. Our overall general equity preference is driven by several factors: First, we believe that "peak trade war uncertainty" is behind us, following a significant shift in Donald Trump's stance. Second, we believe that (too) many investors are bearish by now (which can be seen as a contrarian signal). We remain neutral on US, Swiss, Japanese, and European equities.
4 Gold			→			We reiterate our neutral positioning in gold. While we view the yellow metal as structurally attractive, supported by high government debt levels, declining trust in paper money, and central banks' efforts to diversify away from the US dollar, we believe it is tactically overbought following its surge above USD 3,500 per ounce in late April.
5 Commodities			→			We remain neutral on commodities. While this asset class can serve as an interesting portfolio diversifier, it could come under pressure if economic growth slows down further or if the Organization of the Petroleum Exporting Countries and their allies (OPEC+) choose to flood the market with oil (speculation about a potential OPEC+ price war resurfaced in late April).
6 Alternative strategies			→			We maintain our neutral stance on alternative funds and real estate.

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

From "Mar-a-what-now?" to "charismatic chefs"

The historic Mount Washington Hotel in Bretton Woods (1944), Kingston—Jamaica's capital, nestled in the Blue Mountains (1976), and New York's iconic Plaza Hotel (1985): history shows that world leaders have a knack for sealing major economic deals in the grandest of avenues[10]. Could Donald Trump's private Mar-a-Lago estate soon join that illustrious list?

—
Michaela Huber
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel

—
Stefan Eppenberger
Chief Investment Strategist,
Multi Asset Boutique, Vontobel

When Stephen Miran[11] published his policy paper, "A User's Guide to Restructuring the Global Trading System[12]", in November 2024, it sent shockwaves through the economics world. Those who worked their way through the dense 40-page document were met with a bold claim: the root of global trade imbalances lies in the persistent overvaluation of the US dollar that prevents the balancing of international trade. According to Miran, the dollar's special status as the world's reserve currency is at the heart of the issue—artificially inflating the cost of US exports, cheapening imports, undercutting US industry, and ultimately costing American jobs.

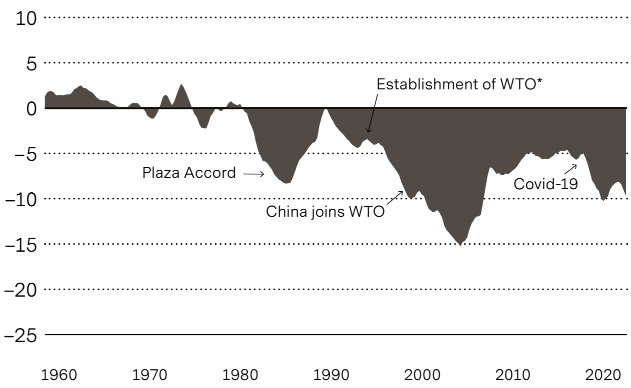
Miran proposed tariffs not just as a way to correct global trade imbalances, but also as a means to generate much-needed government revenue. An even more effective approach, he wrote, would be for other economies to appreciate their own currencies and devalue the US dollar, at least those economies that want to continue to benefit from the protective hand of the US military and/or wish to receive trade concessions. He also floated the idea of a coordinated currency agreement, where central banks of key US trading partners would agree to a coordinated dollar sale. Another possibility: imposing a kind of "user fee" on foreign holders of US Treasuries, including sovereign wealth funds and central banks.

Trump appeared to take a liking to what he read. Just a month after the paper's release, Trump nominated him to lead the White House Council of Economic Advisers. In the months that followed, speculation mounted that Miran was the driving intellectual force behind Trump's increasingly aggressive tariff agenda and frequent gripes about the strong dollar. Talk of a potential "Mar-a-Lago Accord[13]" began to circulate—one that could include a deliberate devaluation of the dollar.

By late March, however, Miran was already dialing things back. In a Bloomberg interview[14] responding to questions about jittery markets, he clarified that the paper had "taken on a life of its own" against all his intents. It was more like a "recipe book"—a catalogue of available options. Some

Chart 1: Globalization and free trade initiatives helped widen the US trade deficit

In % of gross domestic product (GDP)

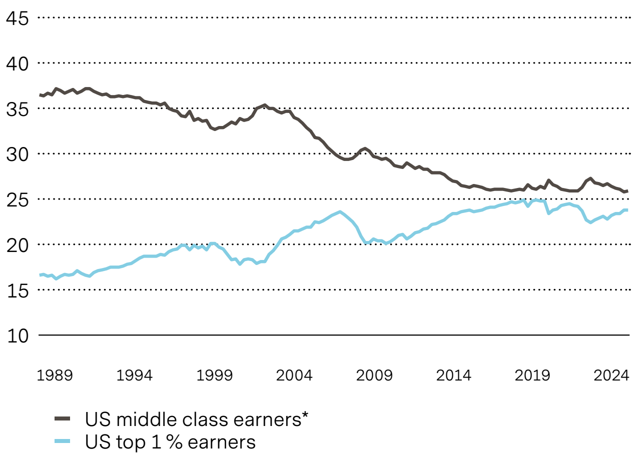


*World Trade Organization

Source: LSEG, Vontobel; as of April 23, 2025.

Chart 2: The US economy is growing, but wealth is mainly accumulating at the top

Share of all US household wealth, in %



*20 – 80 percentile by income of US population

Source: LSEG, Vontobel; as of April 23, 2025.

are easy, some tough, some filling, satisfying meals, and others, he quipped, will leave you hungry again in half an hour. Ultimately, Miran said, it's Trump who plays the role of "chef", choosing which ingredients he wants to use.

The chef has been cooking up his own ideas for a while
US Treasury Secretary Scott Bessent recently noted that Trump had sensed 40 years ago that American workers never truly recovered from the "China shock"—China's rapid rise as a global economic powerhouse (see chart 1). The result, he argued, has been a deep and lasting wealth imbalance: while some prospered, others were left behind and hollowed out (see chart 2). Quality of life declined. So did life expectancy. And the US, he said, stopped making "things" (see chart 3)—especially the kinds of things critical to national security. The Covid-19 pandemic only drove the point home, laying bare just how fragile and dependent global supply chains had become. In short: after decades of Wall Street coming out on top, it's now supposed to be "Main Street's[15]" turn[16].

But giving Main Street a boost—through measures like cutting taxes on service workers' tips—requires money. And with the national debt already sky-high and interest payments ballooning, sweeping stimulus packages are a tough sell. That's where tariffs come in (see chart 4). According to Bessent, the administration expects its new tariff policy to bring in between USD 300 billion and USD 600 billion annually.

As for the market turbulence triggered by the tariffs? Bessent didn't see a reason to change course. He pointed to the early Reagan years as a precedent, calling them "very choppy". At one point, a furious farmer even showed up at the US Federal Reserve with a shotgun, threatening to kill then-Chair Paul Volcker for raising rates. Still, he said, the tough approach paid off: Reagan won re-election in a landslide, and markets ultimately bounced back (see chart 5).

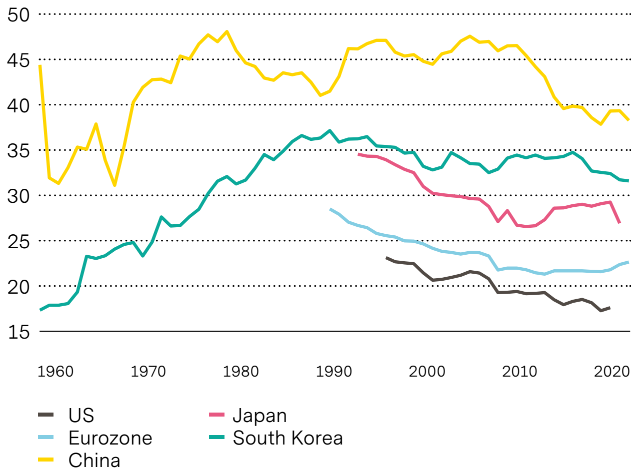
Why the recipe might not work
We're skeptical that Trump's plans—or those of his fellow "chefs"—will be implemented in full. The level of uncertainty across so many fronts is simply too high.

First, Trump's unpredictable trade policy is driving extreme market volatility. In March, the US Trade Policy Uncertainty Index soared past 5,700 points—up from just 44 a year earlier[18]. With that kind of unpredictability, many companies are choosing to delay investment decisions.

Second, US consumer inflation expectations are spiking. According to a University of Michigan survey, Americans now expect inflation to reach nearly 7 percent over the next year—a level not seen since the 1980s. As a result, people are rushing to buy things they fear will soon cost more, while putting off non-essential purchases amid growing economic unease.

Chart 3: US manufacturing and "Main Street" employment

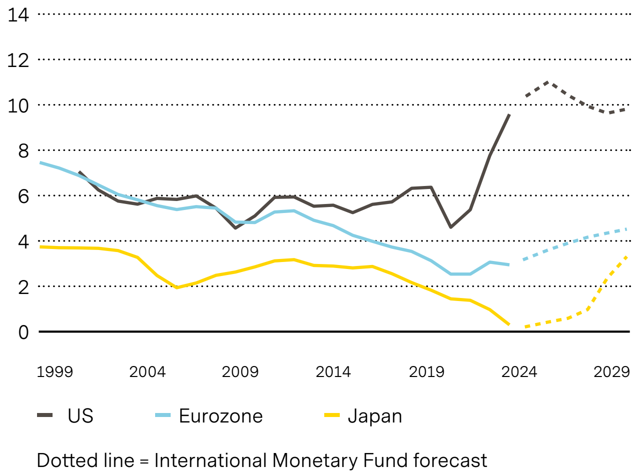
Industrial sector as a % of GDP



Source: LSEG, Vontobel; as of April 23, 2025.

Chart 4: Large fiscal stimulus for "Main Street" is difficult to realize

General government net interest expense, in % of total expenditure



Source: LSEG, Vontobel; as of April 23, 2025.

Third, the Fed now finds itself in a monetary policy trap. Chair Jerome Powell recently cautioned that the US is facing very fundamental political shifts with no modern precedent. According to Powell, Trump's tariffs are expected to slow economic growth and drive unemployment higher. Yet at the same time, they'll likely stoke inflation. Given this delicate balance, Powell said it would be best to hold off further interest-rate cuts until there's more clarity. Fed Governor Christopher Waller struck a similar tone, admitting that, like many others, he's struggling to piece together a coherent picture from so many moving parts[18].

There's another growing issue that shouldn't be underestimated: public sentiment is souring. Trump's domestic approval ratings have taken a sharp hit since "Liberation Day[19]". In Canada, bruised by the trade war, the Liberal Party—long critical of Trump—has staged a political comeback[20]. Some cafés have even stopped selling "Americanos", opting instead for the now-trendy "Canadianos[21]". Across the Atlantic, enthusiasm for US travel is fading. According to the International Trade Administration, the number of visitors from Western Europe fell 17.2 percent in March 2025, with German tourist numbers plunging by 28.2 percent. That may help explain the recent dip in prices for flights, hotels, and rental cars. Bloomberg Intelligence estimates that nearly USD 20 billion in tourist spending could be at risk.

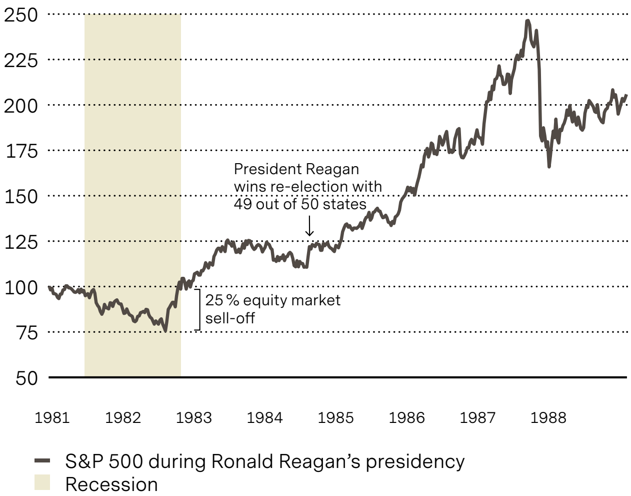
But perhaps the most important argument? "Main Street" is still going hungry. Since "Liberation Day", long-term US Treasury yields—and with them, mortgage rates—have spiked, as foreign investors offloaded US bonds. That makes borrowing more expensive for the government. The sell-off in what are usually considered "safe" Treasuries is striking—especially given that recession fears are on the rise (see chart 6).

What could happen next?

It appears the bond market may have finally forced Trump to reconsider. Just hours after unveiling his new reciprocal tariffs, the chef backpedaled, issuing a 90-day delay on most of them. One of his sous-chefs, trade adviser Peter Navarro, quickly followed up with a new goal: 90 trade deals in 90 days. Hopefully, as many of these deals as possible will actually be completed. Otherwise, we believe there's a risk that Trump and his team might end up spoiling the recipe—and the "Great Plan" could quickly spiral into a recession.

Chart 5: Trump's "Great Plan": Short-term pain, long-term gain?

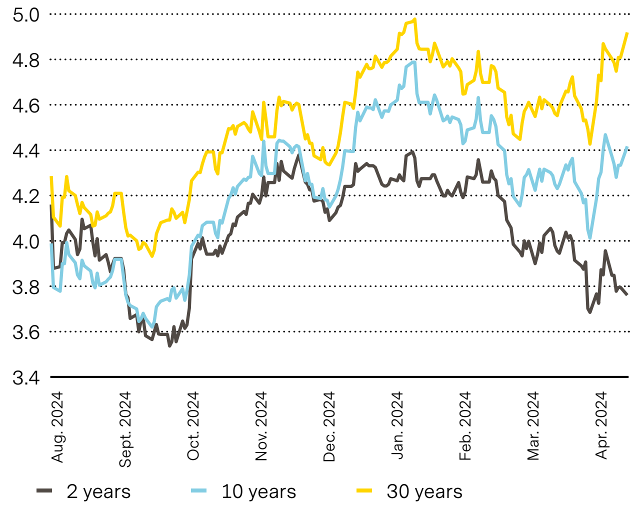
Total return in USD (rebased to 100 = 1981)



Source: LSEG, Vontobel; as of April 23, 2025.

Chart 6: Long-term bond yields do not fall despite increased recession fears

US Treasury yields, in %



Source: LSEG, Vontobel; as of April 23, 2025.

Caught in the drift

—
Christopher Koslowski
Senior Fixed Income &
FX Strategist,
Multi Asset Boutique, Vontobel

—
Clémence Rusek
Senior Investment Strategist,
Multi Asset Boutique, Vontobel

President Donald Trump's trade war continues, characterized by unexpected developments and shifting rhetoric. A universal 10 percent tariff on most imports to the US has been implemented, with higher levies targeting China. This move is expected to impact the economy and may prompt the US Federal Reserve to adopt a more nuanced approach to interest-rate cuts, balancing inflation concerns with overall economic stability.

Following a high-profile announcement from the Rose Garden on April 2, Trump scaled back parts of the proposed reciprocal tariffs. Nonetheless, a 10 percent levy on nearly all US imports remains, while tit-for-tat escalation has driven tariffs on most Chinese goods to 145 percent. Without a major rollback, these tariffs are poised to significantly influence economic growth, with uncertainty already taking a toll on consumer and business sentiment.

US interest rates have shown sharp volatility, driven by a combination of weakening appetite for US assets and signs of investors unwinding leveraged bond bets (see chart 1). Bond markets stabilized only after news of the tariff reprieve.

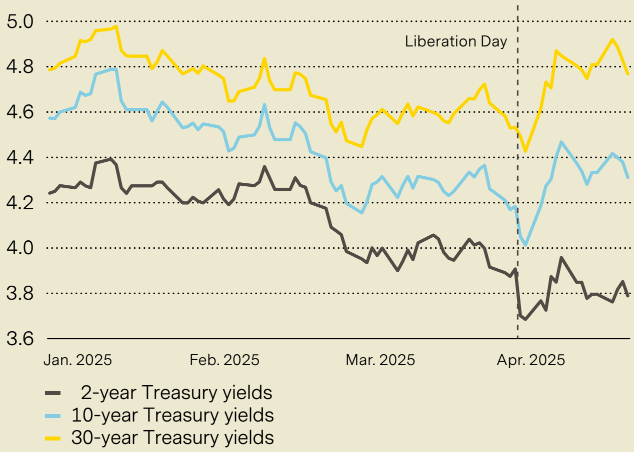
The impact of tariffs on inflation presents a more complex picture. A Fed model forecasts an increase in the core Personal Consumption Expenditures Price Index (which excludes food and energy), with the strongest inflationary pressures in the first year, followed by moderation and a decline below initial levels in subsequent years. This suggests the inflation impact may, in fact, be transitory.

The Fed now faces a complex policy conundrum: whether to respond to a short-lived uptick in inflation or look past it, as models suggest it will fade. We believe two main scenarios emerge for the Fed. One involves reducing the planned rate cuts this year to counter inflation risks—though this could raise recession risks by driving up unemployment. The other is to disregard the temporary inflation spike and proceed with, or even accelerate, rate cuts to support employment and economic stability. This latter scenario reflects what the market is anticipating (see chart 2).

Ultimately, the Fed's strategy will likely be a compromise: a delay in immediate cuts, followed by more substantial cuts later if the economy shows signs of weakening and the labor market deteriorates. This middle-ground approach aims to manage temporary inflation without stifling economic and job market activity.

Chart 1: US long-term Treasury yields rose sharply after "Liberation Day"

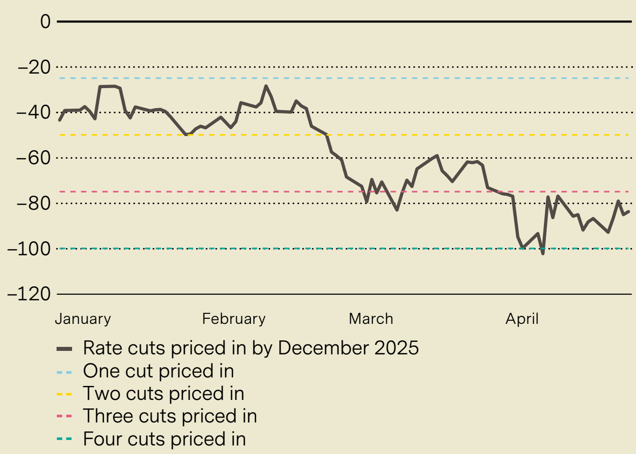
US Treasury yields, in %



Source: LSEG, Vontobel; as of April 24, 2025.

Chart 2: The market is pricing in over three rate cuts by the end of the year

Rate cut expectations, in basis points



Source: LSEG, Vontobel; as of April 25, 2025.

Watching the undertow

—
Mario Montagnani
Senior Investment Strategist,
Multi Asset Boutique, Vontobel

Markets experienced historic turbulence around "Liberation Day" on April 2, 2025, when Donald Trump announced sweeping tariffs: a 10 percent base rate on all imports and higher levies on over 90 countries. The move sparked global market chaos—prompting Trump to change course less than a week later.

The initial reaction on April 2 was a brutal selloff, wiping out USD 5 trillion in the S&P 500 Index's value in two days, as fears of a global recession gripped investors. Though presented as a push for US economic dominance and fair trade, the tariffs shattered market sentiment. The Nasdaq and S&P 500 saw their worst three-day drops since the pandemic. Hong Kong's Hang Seng plunged 13 percent; its steepest one-day fall since 1997. The VIX[22] spiked to 55, levels last seen during the Covid-19 crisis.

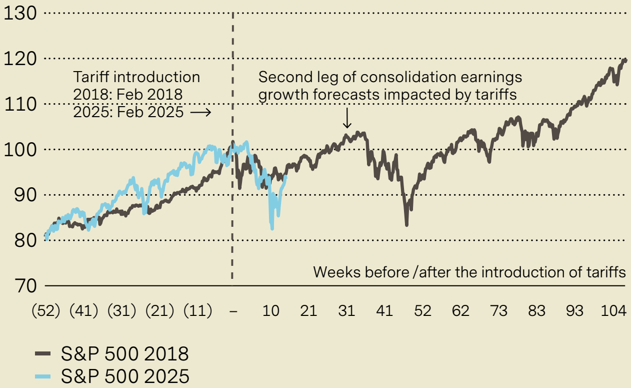
A surprise 90-day tariff pause on April 9 – excluding China—sparked a massive relief rally. The S&P 500 recorded its best day since 2008, while the Nasdaq jumped to its second-largest daily gain on record. Global markets followed suit: Japan's Nikkei surged nearly 10 percent, and European equities rose 5 percent. Treasury Secretary Scott Bessent called the pause a move to create "maximum negotiating leverage," signaling de-escalation. Markets rallied again on April 25 after Trump suggested a possible thaw with China. Meanwhile, early first-quarter earnings, likely aided by pre-tariff stockpiling, and intact supply chains for now, are exceeding analysts' expectations.

All's well that ends well? We think not quite. Stocks face tailwinds and headwinds. On the bullish side, recession fears seem to be priced in now, with sentiment deeply bearish—especially in the US, where mega-cap tech stocks' underperformance traces more to January's "DeepSeek moment" than tariffs. The VIX is flashing a contrarian buy signal, and Trump has softened his tone, with talks with China underway soon. Hard economic data remains solid, too—for now.

Still, risks loom. Trade war effects often lag (see chart 1). In 2018's US-China conflict, earnings forecasts dropped over 10 percent two quarters in, hitting zero. That round hit about USD 400 billion in imports, mostly from China. Today's tariffs affect 10 times that volume, across more countries, at higher rates, and through more complex supply chains—amplifying potential damage. The lack of earnings downgrades so far may reflect a delay, not immunity (see chart 2). Weak sentiment surveys, limited Fed support due to raising inflation concerns, and fragile market calm suggest caution may still be warranted.

Chart 1: After the initial shock, tariffs had a delayed impact on the S&P 500 back in 2018

In % (rebased to 100 = introduction of tariffs)*

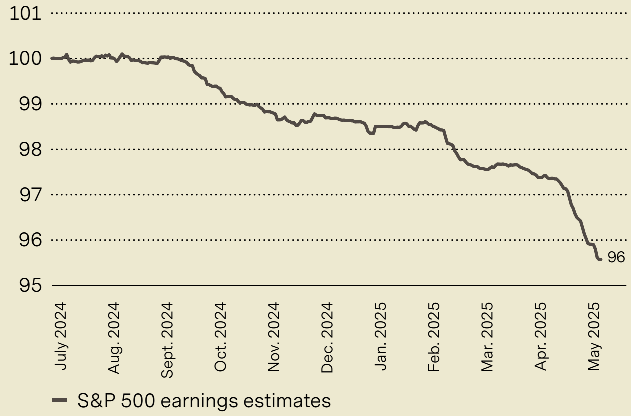


*Comparing tariff impact on S&P 500 price return 2018 vs. 2025

Source: Bloomberg, Vontobel; as of May 6, 2025.

Chart 2: 2025 S&P 500 earnings estimates have barely changed

2025 earnings-per-share estimates for the S&P 500, in USD*



*Rebased to 100 = July 2024

Source: Bloomberg, Vontobel; as of April 25, 2025.

Gold's Groundhog Day

—
Michaela Huber
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel

In the modern classic movie "Groundhog Day", a grumpy weatherman is stuck reporting the same story over and over again. Writing about the price of gold these days feels oddly similar. Repetitive, yes, but far less grumpy thanks to gold's stellar performance.

Once again, gold has surpassed even the most optimistic forecasts this year. Strong and sustained central bank demand, combined with rising geopolitical tensions, have been supporting the precious metal for some time. With Donald Trump's re-election, trade policy uncertainty, and the economic growth concerns that come with it, have added further fuel to the rally.

That may also help explain the sharp uptick in inflows into gold exchange-traded funds (ETFs) in recent months (see chart 1). According to data from the World Gold Council, gold ETFs attracted 226.5 tons in the first quarter alone, valued at more than USD 21 billion. ETF investors had previously stayed on the sidelines for quite some time.

In the run-up to the dreaded "Liberation Day" on April 2, gold jumped by more than USD 100 per ounce within just a few days—only to give back those gains shortly after.

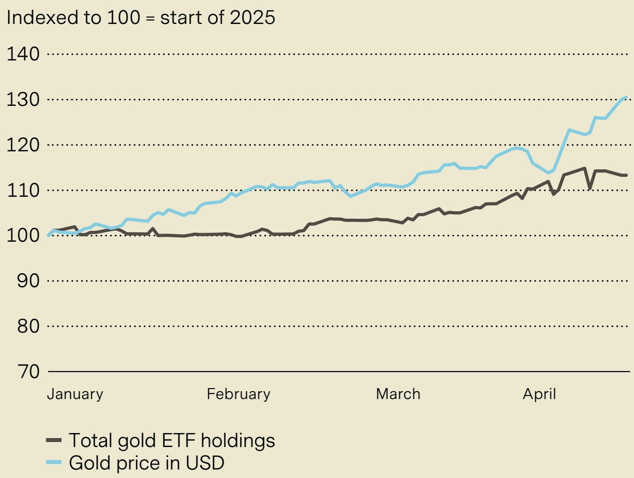
One key reason: a wave of market panic. As margin calls[23] kicked in, some equity investors were forced to liquidate their winning gold positions to raise cash.

But the rally really picked up steam after Trump publicly called Fed Chair Jerome Powell a "loser[24]" and called for immediate interest-rate cuts. His combative rhetoric sparked concerns about the Fed's independence and damaged investor confidence in traditional safe havens like US Treasuries and the dollar. Gold surged past USD 3,500 an ounce—up 30 percent year-to-date in dollar terms.

So, is gold still "fairly valued" at these levels? Technical indicators suggest otherwise. The Relative Strength Index[25] stood at 80 at the end of April (with anything above 70 considered overbought). At times, gold also traded more than 30 percent above its 250-day moving average (see chart 2). Historically, such elevated levels have at times been followed by double-digit pullbacks.

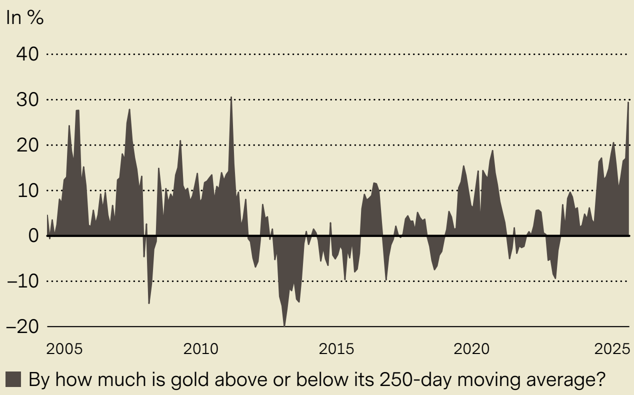
We believe gold still has room to run in today's world, but short-term corrections are possible. Our forecast for the yellow metal? Sunny, with occasional showers.

Chart 1: Positive exchange-traded fund flows continue



Source: LSEG, Vontobel; as of April 23, 2025.

Chart 2: Technical indicators argue for caution



Note: The 250-day moving average is a popular technical indicator that reflects one year of price action (one year has about 250 trading days).

Source: LSEG, Vontobel; as of April 23, 2025.

Under pressure

—
Christopher Koslowski
Senior Fixed Income &
FX Strategist,
Multi Asset Boutique, Vontobel

—
Clémence Rusek
Senior Investment Strategist,
Multi Asset Boutique, Vontobel

US policy uncertainty and fears of an economic slowdown have pushed the US dollar to its lowest level since 2022. Traders remain bearish, while the euro gains ground, supported by narrowing growth differentials and increasing fiscal stimulus in Europe relative to the US.

The dollar has declined sharply as Donald Trump's tariffs have rattled global markets. The world's reserve currency has weakened alongside US equities and bonds, as fading economic outperformance and aggressive trade approach cast doubt on the country's policy trajectory.

Once the favored currency, the dollar is losing its allure—a sharp reversal from earlier this year, when Trump's proposed tax cuts and tariffs fueled expectations of a dollar rally. The outlook is now tilting downward, particularly if concerns about a policy-driven US slowdown persist.

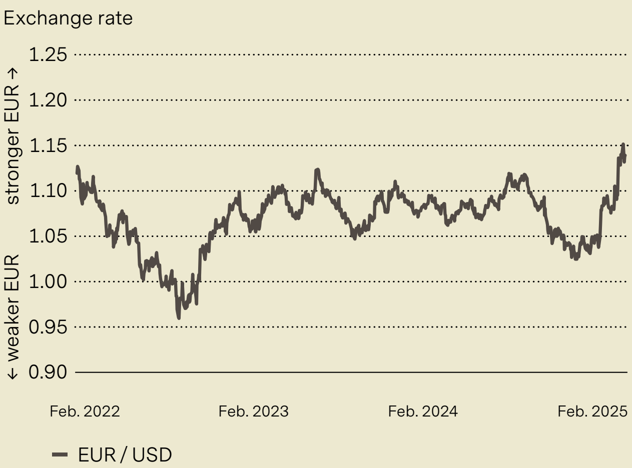
The euro has gained unexpectedly from US trade moves, climbing after the "Liberation Day" tariff news (see chart 1), as market concerns over a US economic slowdown outweighed expected rate cuts by the European Central Bank. The euro is also buoyed by proactive European fiscal steps, including Germany's spending boost and EU-wide investments in defense and infrastructure, which may help offset tariff fallout.

This shift is evident in currency options markets, where bullish bets on the euro have increased. Despite questions about EU policy effectiveness, growing skepticism toward US policies has weakened faith in the dollar's stability. The greenback's typical positive correlation with cross-asset volatility has faltered, falling amid heightened global macro volatility. This challenges its traditional role as a reliable safe haven.

Swiss franc rally fueled by search for safe havens amid US tariffs

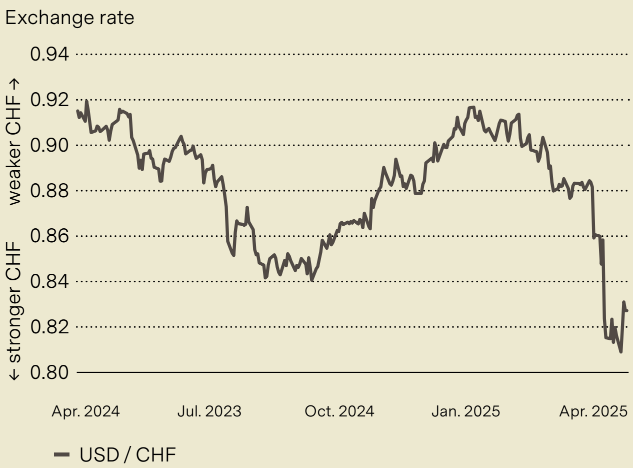
As attention focused on Trump's tariff plans, Switzerland quietly reported March inflation at just 0.3 percent year-over-year—below expectations. Inflation is expected to stay under target through year-end. In the meantime, tariff-driven uncertainty has led to safe haven flows, which have sharply strengthened the Swiss franc (see chart 2). This could add to deflationary pressure in Switzerland. With low inflation and a strong franc, intervention by the Swiss National Bank (SNB) would normally be expected. But US scrutiny of currency practices may limit that option. Instead, the SNB may first step up its rhetoric about lowering interest rates toward zero or below to curb franc strength.

Chart 1: Tariff turmoil has fueled the euro's strength



Source: LSEG, Vontobel; as of April 24, 2025.

Chart 2: Safe haven flows have sharply strengthened the Swiss franc



Source: LSEG, Vontobel; as of April 25, 2025.

Economy and financial markets 2024 – 2026

The following list shows the actual values, exchange rates, and prices from 2024, as well as consensus forecasts for 2025 and 2026 for gross domestic product (GDP), inflation / inflationary expectations, key central bank interest rates, 10-year government bonds, exchange rates, and commodities.

GDP (IN %)	2024[1]	CURRENT[2]	2025 CONSENSUS	2026 CONSENSUS
Global (G20)	3.0	3.0	2.3	2.5
Eurozone	0.9	0.9	0.8	1.2
USA	2.8	2.5	1.7	1.9
Japan	0.1	1.1	1.0	0.8
UK	0.9	1.5	0.9	1.2
Switzerland	1.3	1.6	1.1	1.5
Australia	1.0	1.3	1.9	2.3
China	5.0	5.4	4.2	4.2

INFLATION	2024[3]	CURRENT[4]	2025 CONSENSUS	2026 CONSENSUS	VONTOBEL VIEW IN 2025[5]
Eurozone	2.4	2.2	2.1	1.9	↓
USA	3.0	2.4	3.0	2.7	↓
Switzerland	1.1	0.3	0.4	0.7	↓

KEY INTEREST RATES (IN %)	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
EUR (deposit rate)	3.00	2.25	1.91	1.87	→
USD (Fed funds rate, upper bound)	4.50	4.50	4.20	3.70	→
CHF	0.50	0.25	0.15	0.15	↓

GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
EUR (Germany)	2.37	2.47	2.63	2.77	→
USD	4.57	4.28	4.24	4.16	↓
CHF	0.33	0.42	0.53	0.62	↓

FOREIGN EXCHANGE RATES	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
CHF per EUR	0.94	0.94	0.95	0.96	↑
CHF per USD	0.91	0.83	0.86	0.86	↓
USD per EUR	1.04	1.14	1.10	1.12	↑

COMMODITIES	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
Brent crude oil, USD per barrel	75	66	70	70	→
Gold, USD per troy ounce	2,625	3,293	2,950	2,950	↑
Copper, USD per metric ton	8,768	9,393	9,200	9,600	↓

1 Subject to revisions (e.g., potential revisions to 4Q data)
2 Latest available quarter
3 Subject to revisions
4 Latest available month, G20 data only quarterly
5 ↑ above consensus, → in line with consensus, ↓ below consensus

Source: Vontobel, respective statistical offices and central banks; as of April 25, 2025.

Disclosure notice and disclaimer

1. Disclaimer and sources
This document was produced by one or more companies of the Vontobel Group (collectively "Vontobel") for retail and institutional clients.

This document is for information purposes only and nothing contained in this document should constitute a solicitation, or offer, or recommendation, to buy or sell any investment instruments, to effect any transactions, or to conclude any legal act of any kind whatsoever.

Past performance is not a reliable indicator of current or future performance. The return may go down as well as up, e.g. due to changes in rates of exchange between currencies. The value of invested monies can increase or decrease and there is no guarantee that all or part of your invested capital can be redeemed.

This material may contain forward-looking statements, which are subject to uncertainty and contingencies outside of Vontobel's control. Recipients should not place undue reliance upon these forward-looking statements. It should be noted that there is a risk that forecasts, predictions, projections, and results described or implied in forward-looking statements may not prove to be correct.

Although Vontobel believes that the information provided in this document is based on reliable sources, it cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this document. Except as permitted under applicable copyright laws, none of this information may be reproduced, adapted, uploaded to a third party, linked to, framed, performed in public, distributed or transmitted in any form by any process without the specific written consent of Vontobel. To the maximum extent permitted by law, Vontobel will not be liable in any way for any loss or damage suffered by you through use or access to this information, or Vontobel's failure to provide this information. Our liability for negligence, breach of contract or contravention of any law as a result of our failure to provide this information or any part of it, or for any problems with this information, which cannot be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you. Neither this document nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law. Persons who receive this document should make themselves aware of and adhere to any such restrictions. In particular, this document must not be distributed or handed over to US persons and must not be distributed in the USA.

2. Country-specific guidelines and information
The distribution and publication of this document and the investments described in it may be subject to restrictions in some jurisdictions due to local laws and regulations. This document and the information contained in it may only be distributed in countries in which the producer or the distributor holds the applicable licences. If there is no mention to the contrary in this document, it may not be assumed that the producer or distributor holds the applicable licences in any specific country. Please note the following country-specific information must be strictly observed. With the exception of the following distribution-channels, this research report shall be deemed to be distributed by the company indicated on its cover page.

Additional information for UK clients
This communication is issued and approved by Vontobel Asset Management S.A. London Branch which has its registered office at 3rd Floor, 70 Conduit Street, London W1S 2GF and is authorised and regulated by the Financial Conduct Authority ("FCA") with Firm Reference Number 966651. Details of its regulatory permissions are available on the FCA Register and can also be obtained upon request from Vontobel Asset Management S.A., London Branch. Vontobel Asset Management S.A. London Branch is an overseas branch of Vontobel Asset Management S.A. ("Vontobel") public limited company registered in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier ("CSSF") with reference number A00001304 and S00001011.

Information for German clients
This publication prepared by Bank Vontobel AG is distributed by Bank Vontobel Europe AG, Munich.

Information for Italian clients
This research document prepared by Bank Vontobel AG is distributed according to EU rule 2016/958 by Vontobel Wealth Management SIM S.p.A, Milano authorized and regulated by Consob, via G.B. Martini, 3 – Roma.

Information for Singapore clients
This document was approved by Vontobel Pte. Ltd., which is licensed with the Monetary Authority of Singapore as a Capital Markets Services Licensee and Exempt Financial Adviser and has its registered office at 8 Marina Boulevard, Marina Bay Financial Centre (Tower 1), Level 04-03, Singapore 018981. This document has not been reviewed by the Monetary Authority of Singapore. You are advised to exercise caution and if you are in doubt about any of the contents of this document, you should obtain independent professional advice.

Information for Hong Kong clients
This document was approved by Vontobel (Hong Kong) Ltd., which is licensed by the Securities and Futures Commission of Hong Kong and provides services only to professional investors as defined under the Securities and Futures Ordinance (Cap. 571) of Hong Kong and has its registered office at 1901 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. This document has not been reviewed by the Securities and Futures Commission. You are advised to exercise caution and if you are in doubt about any of the contents of this document, you should obtain independent professional advice.

Information for Japan clients
This document is prepared by Vontobel Asset Management Pte. Ltd. (Financial Instruments Business Operator conducting Investment Advisory and Agency Business) (Director of Kanto Local Finance Bureau (Kinsho) No. 3214) in order to provide general information only, and is not intended as a solicitation for the purchase or sale of any financial instruments, or as a solicitation for an investment management or investment advisory relationship. This document is to be used solely by your company for the purpose of research and informational purposes, and may not be copied, reproduced, used for unrelated purposes or provided outside your company without our company's consent. Although this document has been prepared based on information that we believe to be reliable, we do not warrant its accuracy or reliability. The information and data presented here are as of the date of preparation of this document. The historical performance and wording of this material do not warrant or imply any future operating results. Past performance is not a predictor of future performance or results. All rights and obligations relating to the information in this material belong to the information provider, and the content may be varied or modified without notice for any reason determined by the information provider. Any investment or other judgment based on the information in this material shall be made at the sole responsibility of the reader, and neither Vontobel Asset Management Pte. Ltd. nor any other information provider shall be held liable in any way for any loss caused by the information in this material.

本書は、投資助言・代理業の登録を受けた金融商品取引業者であるVontobel Asset Management Pte. Ltd. (関東財務局長 (金商) 第3214号) が、様々な投資戦略に関する需要調査の一環として、資産運用会社の概要や投資戦略などに関する情報提供の目的で作成したものであり、金融商品の取引の勧誘を意図するものでは[なく、また、投資一任契約や投資顧問契約の勧誘を意図するものでも]ありません。
本書は、専ら貴社による調査及び情報収集の目的のために交付されるものであり、当社の同意なく本書を複製又は第三者に開示すること、また、当該目的以外の目的で本書を使用することは禁止されます。
本書に記載された過去の業績やその他の情報は、将来の結果を保証するものではありません。また、過去の業績は、将来の業績や結果を予想するものでもありません。
本書に記載された情報に関する一切の権利及び義務は情報の提供者に帰属し、その内容は、情報提供者の判断により事前の予告なく変更される可能性があります。
本書に記載された情報に基づいて行われる投資その他の判断は、すべて貴社の責任において行われるものであり、Vontobel Asset Management Pte. Ltd.及びその他の情報の提供者は、本書に記載された情報に起因して生じた損害について一切の責任を負いません。

Information for AUS and NZ clients:
This document has been prepared by a company of the Vontobel Group ("Vontobel"). Vontobel is represented in Australia by Vontobel Asset Management Australia Pty Limited (ABN 80 167 015 698), which is the holder of Australian Financial Services Licence number 453140 ("Vontobel Australia"). Vontobel and Vontobel Australia are also an Overseas Financial Adviser in the meaning of the Financial Advisers Act 2008 of New Zealand ("FAA") and neither Vontobel nor any of its affiliates or subsidiaries has a presence in New Zealand.

This information is only intended to be provided to persons:
- in Australia if that person is a wholesale client for the purposes of section 761G of the Corporations Act of Australia; and
- in New Zealand if that person is a wholesale client for the purposes of section 5C of the FAA.

This document is not intended to be distributed or passed on, directly or indirectly, to any other class of persons in Australia or New Zealand. This document has not been prepared specifically for Australian or New Zealand investors.

It:
- may contain references to dollar amounts which are not Australian or New Zealand dollars;
- may contain financial information which is not prepared in accordance with Australian or New Zealand law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian or New Zealand tax issues.

Glossary and sources

[1] Source: CNN article, published April 9, 2025. edition.cnn.com/2025/04/09/politics/trump-tariffs-retreat-bond-market/index.html

[2] Source: Bloomberg article, published April 21, 2025. www.bloomberg.com/news/articles/2025-04-21/us-stocks-tumble-as-trump-s-threat-to-fire-powell-adds-pressure

[3] Source: Reuters article, published April 23, 2025. www.reuters.com/world/us/trump-no-plans-fire-fed-chair-powell-wants-lower-rates-2025-04-22/

[4] Source: Sharecast article, published April 16, 2025. www.sharecast.com/news/international-economic/fund-managers-recession-expectations-rise-amid-tariff-war---bofa--19368233.html

[5] The Fed has a so-called dual mandate: maximum employment and price stability (inflation at 2 percent).

[6] Underweight means the Vontobel Multi Asset Investment Committee has a lower preference for an asset class or sub-asset class.

[7] Neutral means the Vontobel Multi Asset Investment Committee has neither a higher nor lower preference for an asset or sub-asset class.

[8] Overweight means the Vontobel Multi Asset Investment Committee has a higher preference for an asset class or sub-asset class.

[9] Refers to the release of China's AI company DeepSeek in early 2025, which achieves similar results with far lower data usage intensity and is produced at a fraction of the cost, and unsettled markets.

[10] Note: The Bretton Woods Conference (1944) established a set of rules for the international monetary system following World War II and laid the foundation for institutions such as the International Monetary Fund. The Jamaica Accord (1976) marked a series of agreements that officially ratified the end of the Bretton Woods system. The Plaza Accord (1985), signed at New York's Plaza Hotel by Germany, Japan, the United Kingdom, and France, aimed to coordinate a devaluation of the US dollar in order to boost US industrial competitiveness.

[11] American economist currently serving as the 32nd Chair of the Council of Economic Advisers (CEA) under US President Donald Trump.

[12] Source: Stephen Miran's policy paper for Hudson Bay Capital, published in November 2024: www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf

[13] Speculated proposed economic strategy that aims to devalue the US dollar to boost US manufacturing and reduce trade deficits. It draws inspiration from the 1985 Plaza Accord, where major economies coordinated to weaken the US dollar.

[14] Source: Bloomberg interview with Stephen Miran, published March 24, 2025. www.bloomberg.com/news/articles/2025-03-24/how-trump-economic-adviser-miran-thinks-about-tariffs-big-take-dc-podcast

[15] "Main Street" is a metaphor that represents ordinary people, small businesses, and local communities.

[16] Source: US Department of Treasury, transcript of Scott Bessent's interview with Tucker Carlson, published April 7, 2025. home.treasury.gov/news/press-releases/sb0073

[17] Source: Economic Policy Uncertainty, policyuncertainty.com/trade_uncertainty.html

[18] Source: Bank of International Settlements transcript of Christopher Waller's speech, published April 17, 2025. www.bis.org/review/r250416a.htm

[19] Source: The Economist article, published April 16, 2025. www.economist.com/interactive/trump-approval-tracker

[20] Source: BBC article, published April 29, 2025. www.bbc.com/news/articles/c5ypz7yx73wo

[21] Source: CBC article, published March 9, 2025. www.cbc.ca/news/canada/british-columbia/canadianos-tariff-war-1.7478043

[22] The VIX, or Volatility Index, measures market expectations of near-term volatility based on S&P 500 options. It's also often called the fear gauge, rising when investors expect more turbulence and falling when markets are calm.

[23] A margin call happens when an account value falls below the required level, and an investor's broker asks to deposit more money or sell assets to cover the losses.

[24] Source: The Guardian article, published April 23, 2025. www.theguardian.com/us-news/2025/apr/22/trump-jerome-powell-fed

[25] A technical indicator that measures how fast and how much a price has changed to identify if an asset is overbought or oversold. It ranges from 0 to 100, with values above 70 suggesting overbought and below 30 suggesting oversold.

Bank Vontobel AG
Gotthardstrasse 43
8022 Zurich
Switzerland

vontobel.com