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Vontobel

Investors' Outlook

The curtain falls, the spotlight shifts

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

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

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The curtain falls, the spotlight shifts

—
Dan Scott
Head of Vontobel Multi Asset, Vontobel

Dear readers,

After months of anticipation, the US Federal Reserve (Fed) has finally taken the plunge into rate cuts, delivering a sigh of relief to investors with a 50 basis-point (bp) reduction. Those concerned that the Fed might be responding to hidden economic risks may have taken comfort in Chair Jerome Powell's comments[1] that the US labor market is in "solid condition" and that the Fed doesn't believe it's behind in cutting rates.

The move marks not only a critical shift in US monetary policy but also aligns with a broader trend of synchronized easing among the world's major central banks. The European Central Bank (ECB) and the Swiss National Bank (SNB) already reduced rates for a second and a third time, respectively, as inflation concerns fade into the background. This easing cycle is poised to support renewed global economic growth.

In China, a key driver of global gross domestic product (GDP) growth, authorities, under pressure to meet their 5 percent growth target for the year, have moved to boost the economy with stimulus measures[2] that included interest-rate cuts, lower mortgage rates, lending support for banks, and relaxed rules for homebuyers in some large cities.

This has spurred optimism and a Chinese stock rally, especially as investors were concerned about a deflationary spiral.[3] All eyes will be on China's third-quarter GDP data, due mid-October.

With the Fed's first rate cut behind us, our attention also shifts to the upcoming US presidential election. Kamala Harris and Donald Trump have assumed the leading roles of a closely watched showdown that's already capturing the world's attention in this year's riveting finale, the outcome of which is likely to shape the future economic and geopolitical backdrop.

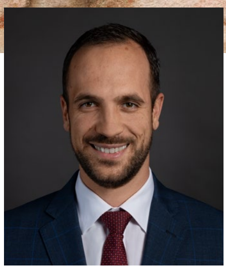
As we approach these final stages of the US election, we'd like to give you a heads-up that our November issue will be a special "Mini Investors' Outlook" edition. This focused update will deliver the essentials you need, as we know the situation can evolve rapidly, especially with such significant events on the horizon. We've moved up the release date, so expect it to hit your inbox by November 4. Shortly after the results, we'll host a webinar to discuss the implications for investors and provide our analysis. Stay tuned for more details in the next issue.

In this Investors' Outlook, you'll find an in-depth exploration of fiscal policy and government debt and our take on equity markets and commodities.

We're set for the year's fourth act and are prepared to adjust our cues as the market's script evolves.

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

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



—
Stefan Eppenberger
Chief Investment Strategist,
Vontobel

Fading in, fading out

The month of September largely revolved around the Fed's rate cut decision and investors' pendular expectations for the size of the reduction—yet more importantly, the path ahead. The updated "dot plot"[4] provided a glimpse of what's next: the Fed anticipates an additional 50 bp by the end of the year, 100 bp in 2025, and another 50 bp in 2026.

While inflation concerns have receded, we believe caution regarding the growth outlook is warranted. Key leading economic indicators remain under pressure,[5] August employment data fell short of expectations,[6] and business sentiment is increasingly clouded by concerns over future sales.[7]

China's rollout of numerous stimulus measures is a sign that authorities are determined to tackle domestic economic challenges like its ailing property market and deflationary pressures. While this boosted Chinese equities instantly, it will likely still take some time to trickle through into the real economy, but the measures put us on the right path.

Find the details of our asset allocation on page 5.

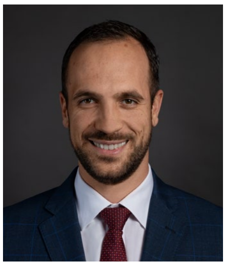
	UNDERWEIGHT significantly	UNDERWEIGHT slightly	NEUTRAL	OVERWEIGHT slightly	OVERWEIGHT significantly	
1 Liquidity			↗			Cash moves to neutral from underweight as a result of our tactical downgrade of equities. We stand ready to redeploy this cash as opportunities arise.
2 Bonds		→				We retain an overall slightly underweight allocation in fixed income. The deteriorating economic outlook and inflation normalization have prompted the Fed to begin cutting rates, causing bond yields to fall sharply (as yields move inversely to prices). Multiple rate cuts are now priced in over the next 18 months. Without a recession or further decline in inflation, yields have limited room to fall further. At the sub-asset class level, we maintain an overweight in government bonds, viewing them as the best hedge against a recession. We prefer them over corporate investment grade (IG) bonds, which offer limited carry. We remain underweight in high-yield bonds, vulnerable to slowing growth, and slightly overweight in emerging-market hard currency bonds, which could benefit from a weaker US dollar.
3 Equities			↘			The Vontobel Investment Committee entered a tactical overweight[8] in equities in September 2022, maintaining this position almost uninterruptedly over the past two years, during which the MSCI All Country World Index gained more than 50 percent in total return (in US dollars). After this strong rally, and with uncertainties around the economic outlook and upcoming US elections, we believe it's an opportune time to take some profits and reduce the equity allocation to neutral from overweight. We downgraded US equities to neutral from overweight amid high valuations and the increasing difficulty of beating earnings-per-share (EPS) expectations. Proceeds are redeployed into Swiss equities, moving them to neutral from underweight, as their defensive qualities should outperform in a slowing economy. We're also closing our tactical overweight in Eurozone stocks, where earnings disappointed, in our opinion.
4 Gold				→		We stick to our overweight in gold, which has outperformed even the most bullish forecasts this year, surpassing USD 2,600 per ounce due to strong physical demand and hopes of significant US rate cuts. While further upside may be limited, we believe a slight overweight is still warranted, given our expectation of further Fed easing (which benefits non-yielding assets like gold) and a weaker US dollar (making gold cheaper for non-dollar-denominated buyers).
5 Commodities			→			We remain neutral on commodities. While weaker economic growth could weigh on this asset class, it may receive support from a weaker US dollar, Chinese stimulus measures, and geopolitical risks.
6 Alternative strategies			→			We stay neutral for alternative funds (with a preference for insurance-linked securities) and real estate, and negative for cash.

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

Of iceberg lettuce and mountains of debt

Do you recall the iceberg lettuce that captured headlines in October 2022? It became an unexpected symbol of political longevity when financial media speculated it might outlast former British Prime Minister Liz Truss[9]. On October 14, a tabloid newspaper even launched a whimsical contest, streaming live footage of the lettuce alongside a framed photo of Truss. The lettuce emerged victorious: Truss announced her resignation on October 20, just 49 days after taking office, before the lettuce wilted[10].

—
Michaela Huber
Senior Cross-Asset Strategist, Vontobel



—
Stefan Eppenberger
Chief Investment Strategist, Vontobel

How did this debacle unfold? Truss attempted to push through sweeping tax cuts despite the UK's already high government debt, a move encapsulated in her "mini-budget."[11] This sparked panic in the financial markets, which only subsided after the intervention from the Bank of England and Truss's eventual resignation (see chart 1).

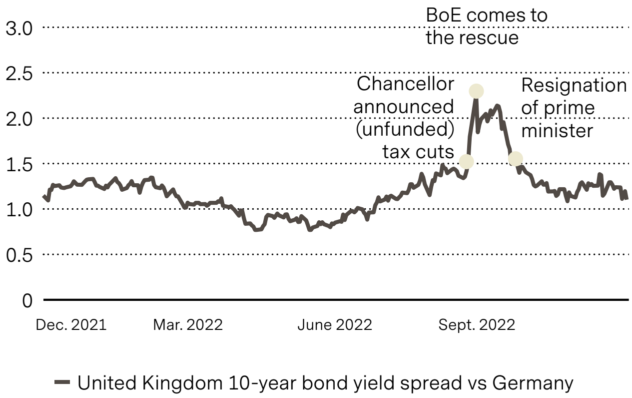
At first glance, the lettuce saga might seem like just another fleeting internet moment. Yet, in light of the turmoil surrounding France's 2024 elections and the growing populist movements on both the left and right, it underscores a broader concern: mounting government debt and its sustainability are increasingly unsettling financial markets. The spotlight is expected to shift to the world's largest economy in the foreseeable future: American gross national debt has now reached USD 35,001,278,179,208.67, according to US Treasury data.[12] That's USD 104,497 per person in the country.

According to economist John Maynard Keynes (1883 – 1946), spending more than you earn can be a smart move under the right circumstances.[13] Keynes argued that higher government spending boosts economic activity, leading to more income and higher spending overall. In this way, government policy can help support the economy during economic downturns, smoothing out the ups and downs of the economic cycle.

That's the theory. In practice, however, fiscal support is often not dialed back during "good" times (see chart 2). A notable example is the 1960s, when the US adopted a "pro-cyclical"[14] fiscal policy. In 1962, President John F. Kennedy proposed massive tax cuts, which were later implemented by his successor, Lyndon B. Johnson. Johnson also introduced the "Great Society" program, a series of domestic initiatives aimed at eradicating poverty and racial injustice. Combined with huge spending on the Vietnam War, demand soared, the economy thrived, and unemployment hit record lows.[15] However, in the years that followed, the economy overheated, leading to rampant inflation.

Chart 1: Financial markets are increasingly worried about fiscal sustainability

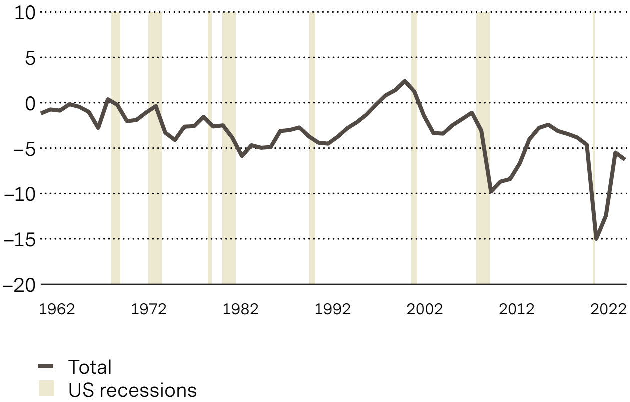
In %



Source: LSEG, Vontobel; data as of September 16, 2024.

Chart 2: Fiscal deficits were increased in bad times, but very rarely eliminated in good times

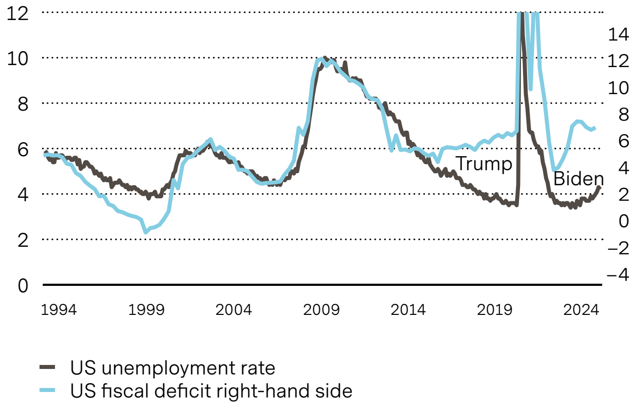
US fiscal deficit in % of US GDP



Source: LSEG, Vontobel; data as of September 16, 2024.

Chart 3: The last two US presidents pursued populist fiscal policies that led to a rise in inflation

In % In % of US GDP



Source: LSEG, Vontobel; data as of September 16, 2024.

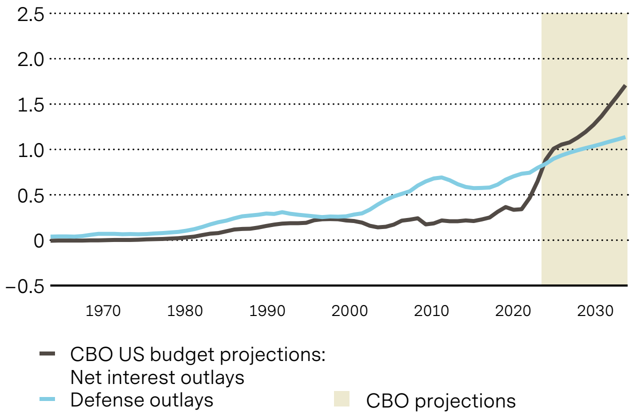
Today, US presidents are once again pursuing pro-cyclical policies. Both Donald Trump and Joe Biden have adopted populist fiscal measures, which, along with supply shocks (e.g., the Covid-19 pandemic), have contributed to rising inflation (see chart 3). Trump has promised more generous tax cuts if he returns to office, while Kamala Harris introduces another, relatively unknown variable in terms of her expected fiscal policy. In the past, she has advocated for lower taxes for certain groups and financial aid for the middle class.[16]

This lack of fiscal discipline poses several risks. First, the debt burden continues to balloon. According to forecasts by the Congressional Budget Office (CBO), the US budget deficit relative to GDP is set to increase significantly over the next 30 years, pushing national debt to unprecedented levels[17]—even without the strain of financing a major war. Second, the cost of servicing this debt is escalating. The CBO's projections show that net interest costs relative to overall government spending are now 5 percentage points higher than in 2019, just before the Covid-19 pandemic. In 2024, for the first time in US history, interest payments surpassed defense spending (see chart 4). Finally, public sentiment is shifting. A PEW Research survey reveals that Americans are growing wary of large deficits,[18] as the burden of rising interest costs and high inflation of recent years become harder to ignore.

Is the US inevitably headed toward a default? We believe that's unlikely. The country prints the currency in which its debts are denominated. As self-proclaimed "King of Debt"[19] Donald Trump famously stated in 2016: "People said I want to go and buy debt and default on debt, and I mean, these people are crazy. This is the United States government (…) first of all, you never have to default because you print the money, I hate to tell you, OK?".[20]

Chart 4: Net interest outlays now exceed defense costs in the US

In trillion US dollars



Source: LSEG, Vontobel; data as of September 16, 2024.

To better assess and monitor the fiscal risks of various countries, we have revived and expanded the "Vontobel Fiscal Risk Index," originally developed by our colleagues Steinemann, Metzler, and Wiedenmann in 2010. The updated Fiscal Risk Index now evaluates eight key indicators, offering a more comprehensive picture of a country's fiscal risk.[21]

Vontobel Fiscal Risk Index—Key Sub-Indicators:

1. ***Debt ratio:*** The higher the current gross debt relative to GDP, the worse the rating, and vice versa.
2. ***Debt maturity:*** The shorter the average maturity of government debt, the quicker higher interest rates impact interest costs, and vice versa.
3. ***Interest expense (vs. total government expense):*** The share of government spending devoted to interest payments. The more spent on interest, the less is available for other expenditures that promote economic growth and social stability.
4. ***Interest expense (vs. GDP growth):*** The ratio between the nominal interest rate and nominal GDP growth. The higher the interest rate relative to expected nominal growth, the greater the risk of a debt explosion.
5. ***Primary balance (cyclically adjusted):*** The higher the projected primary deficit, the lower the chance of reducing debt, and vice versa.
6. ***Current account balance:*** The higher the deficit, the greater the reliance on foreign capital inflows and the more vulnerable the country is to capital withdrawals, and vice versa.
7. ***Population growth:*** The lower the expected population growth, the harder it is to reduce debt, and vice versa.
8. ***Productivity growth:*** The lower productivity growth, the harder it is to reduce debt, and vice versa.

Chart 5: Vontobel Fiscal Risk Index: Country assessment
Methodology: The final score is the average ranking for each individual sub-indicator of fiscal risk

RANK	COUNTRY	DEBT	DEBT MATURITY	INTEREST EXPENSE (VS. TOTAL GOVT. EXPENSE)	INTEREST EXPENSE (VS. GDP GROWTH)	PRIMARY BALANCE (CYCLICAL ADJUSTED)	CURRENT ACCOUNT BALANCE	POPULATION GROWTH	PRODUCTIVITY GROWTH	FINAL SCORE
1	Ireland	5	6	11	5	3	2	3	1	4.5
2	Switzerland	3	4	4	7	5	5	6	6	5
3	Norway	4	20	1	1	1	1	9	9	5.8
4	Denmark	1	8	2	16	7	3	13	3	6.6
5	Sweden	2	21	6	8	6	7	7	5	7.8
6	Australia	8	17	14	3	9	13	4	13	10.1
7	Netherlands	7	7	7	18	13	4	10	16	10.3
9	Austria	10	3	10	4	14	10	15	17	10.4
9	Canada	14	18	8	2	10	14	2	15	10.4
10	Germany	9	15	9	11	8	6	17	12	10.9
11	Portugal	12	12	18	15	2	11	19	4	11.6
12	Belgium	15	5	12	9	19	15	12	8	11.9
13	New Zealand	6	14	15	12	18	20	1	10	12
14	Spain	16	11	16	14	12	9	5	19	12.8
15	UK	13	2	17	20	16	19	11	7	13.1
18	Finland	11	13	5	10	15	17	16	20	13.4
18	Greece	20	1	19	13	4	21	18	11	13.4
18	Japan	21	9	3	6	21	8	21	18	13.4
19	USA	18	19	21	17	20	18	8	2	15.4
20	France	17	10	13	19	17	16	14	21	15.9
21	Italy	19	16	20	21	11	12	20	14	16.6

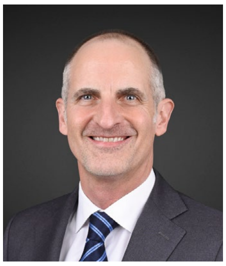
Source: Vontobel.

Summary: While countries like Ireland, Switzerland, and Norway maintain strong fiscal health, others present more cause for concern. The US, though burdened by high interest costs, benefits from stronger growth prospects compared to France or Italy, both of which show weaknesses across multiple indicators. Japan and Greece also rank near the bottom of the table (see chart 5).

Why is fiscal sustainability important for investors?
As previously mentioned, outright defaults are unlikely. However, rising fiscal risks will eventually require either 1) political measures or 2) a change in the macroeconomic environment, in our opinion.

1. ***Political measures:*** These could include spending cuts, tax increases, or one-off privatizations, like those seen in Greece.
2. ***Macroeconomic shifts:*** These might involve lower interest rates (reducing debt servicing costs and deficits, allowing for debt restructuring), a productivity boom (e.g., driven by AI), population growth (though solving this via higher immigration is uncertain, as public acceptance may dwindle), or debt monetization (where central banks buy government bonds, as seen in Japan).

Shifting norms, divided opinions



—
Christopher Koslowski
Senior Fixed Income & FX Strategist,
Vontobel

The bond market's attention is centered on the extent of rate cuts during this cycle and where they might stabilize next year.

The fed funds futures market indicates that the current rate-cutting cycle will bottom out around 3 percent. For nearly four decades, the low of the fed funds rate in each cycle has always been at or below 3 percent. While further easing is expected, there's consensus that the ultra-low rates of the last 30 years were atypical and that the norm for monetary policy will be tighter in the future (see chart 1).

Two schools of thought have emerged regarding the Fed's approach to rate cuts. One camp calls for rapid rate cuts, warning of an imminent economic slowdown, citing the lowest US personal savings rate in 16 years and a weakening labor market. Global factors, such as economic struggles in China and Germany, add urgency to their call for action.

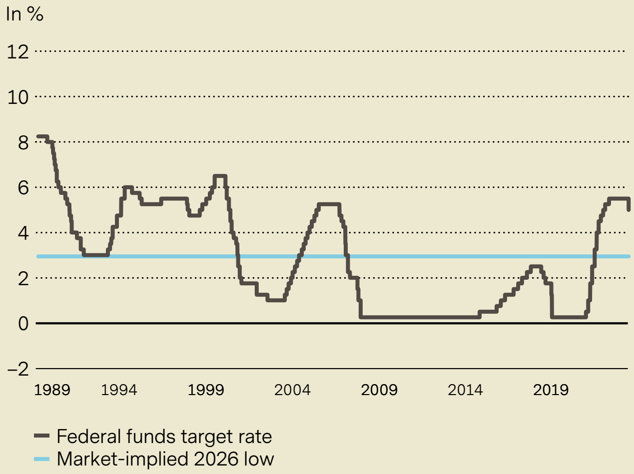
On the other hand, a more cautious group suggests that income growth in the US could stabilize, driven by labor productivity and possible underestimated labor force growth. They argue that a total reduction of 250 basis points in the funds rate may be too steep, considering potential savings rate misreporting and AI's positive impact on productivity, which could mean a higher-than-expected neutral interest rate.

Sealed fate: tupperware's decline amid economic strain
The latest victim of the current restrictive monetary policy is Tupperware Brands, which recently filed for bankruptcy.[22] The filing follows extensive negotiations with creditors over managing more than USD 700 million in debt. Despite lenders easing certain loan agreements earlier this year, the company's financial health continued to deteriorate.

Founded in 1946 by Earl Tupper, who invented the brand's signature flexible, airtight seal, Tupperware has long relied on direct sales through a vast network of independent vendors, with over 300,000 reported as of 2022. This high-profile bankruptcy highlights wider economic challenges: mounting debt, evolving consumer preferences, and fierce competition[23] (see chart 2). These pressures are forcing many businesses to make drastic moves like store closures and workforce reductions to survive.

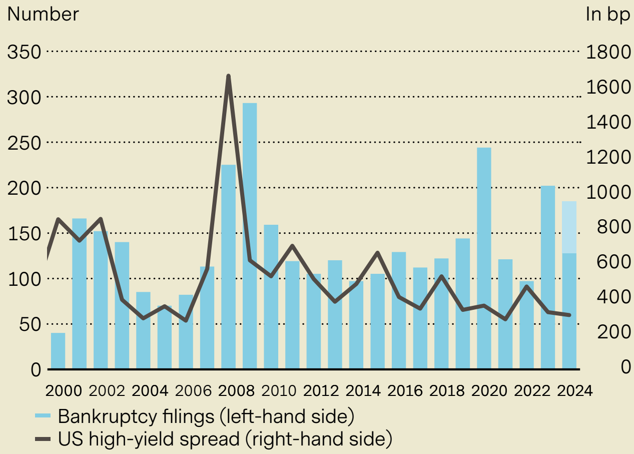
Our outlook for both investment-grade and high-yield credit remains unchanged. We think it hard to justify taking on extra risk, which is why we prefer being underweight.

Chart 1: Markets expect this cutting cycle to be the shallowest in three decades



Source: Bloomberg, Vontobel; data as of September 19, 2024.

Chart 2: Bankruptcy filings for companies with more than USD 50 million in liabilities



Note: The light blue shaded area indicates the total number of bankruptcy filings for this year if the current trend continues

Source: Bloomberg, Vontobel; data as of September 19, 2024.

Scene change for equities

—
Mario Montagnani
Senior Investment Strategist,
Vontobel

The Fed has finally implemented its initial rate cut, ahead of the third-quarter earnings season, and China has unveiled a significant stimulus package. What could this mean for stock markets?

A defining feature of 2024 is its close resemblance to 2023 in terms of total returns for the MSCI All Country World Index (see chart 1), and another standout year for the S&P 500 Index. Like last year, we saw a consolidation during the typically low-performing summer months, which in 2023 was followed by a strong rally in the fourth quarter. Could history repeat itself? One key difference this year is the powerful sector and style rotation since mid-July 2024, favoring defensive sectors like healthcare, consumer staples, and utilities. Prior to that, almost 80 percent of global performance came from just two sectors—technology and communication services—driven by AI-related companies.

One reason for this is the weakening earnings and sales surprises in the second quarter, particularly in the US, a trend that's likely to continue as economic momentum slows and comparisons get tougher. This is in contrast to current consensus earnings growth projections for 2025, which are only expected to decelerate modestly compared to 2024 (see chart 2).

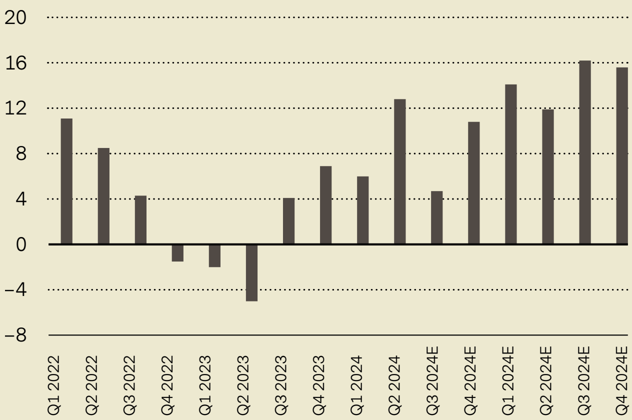
Another factor is the long-anticipated Fed cut. The outlook six to 12 months after the first rate cut varies significantly depending on whether a recession follows. Most market participants currently expect a soft landing, but we believe this might be overly optimistic and that further caution may be warranted.

The Chinese stimulus measures have uplifted what had been depressed sentiment among many international investors, who at the end of August had a historically low exposure to Chinese stocks—down to around 5 percent from a pre-Covid peak of 15 percent. This backdrop triggered a significant short squeeze[24] and a recalibration in global portfolios, resulting in one of the strongest Chinese equity rallies in the last 15 years. Stocks in sectors tied to China, such as European consumer discretionary, luxury goods, and materials, also saw gains.

Although it's still early days to determine whether the stimulus package will be a game changer for the Chinese market, the measures are certainly positive and seem poised to help restore confidence among investors. However, they will likely take time to have a tangible impact on the real economy, and it remains uncertain whether they can propel China back to the double-digit GDP growth seen in the past.

Chart 1: A look at the S&P 500 Index companies' quarterly EPS growth

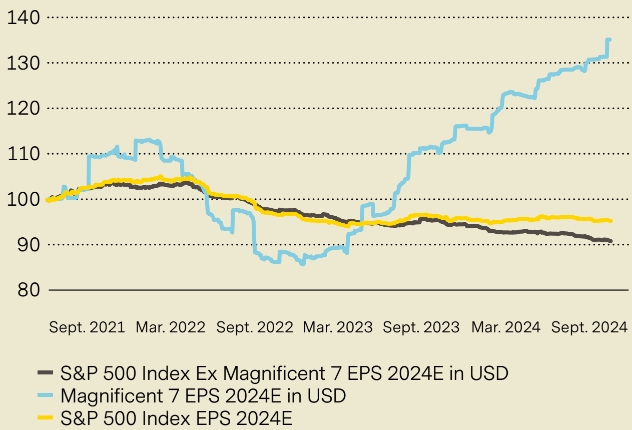
EPS growth, in %



Source: Bloomberg, Vontobel; data as of September 17, 2024.

Chart 2: 2024 earnings forecasts for S&P 500 Index companies (indexed)

In USD



Source: Bloomberg, Vontobel; data as of September 20, 2024.

Black gold struggles, yellow gold shines

—
Michaela Huber
Senior Cross-Asset Strategist,
Vontobel

In recent months, oil prices have faced stronger head-winds from the supply side than demand. While demand had remained relatively strong for a long time (buoyed by a robust US economy and seasonal factors), producers were pumping more oil than expected, capping the upside for "black gold". Now, the situation seems to have changed: demand is weakening.

Key oil forecasters have lowered their global demand estimates. The International Energy Agency (IEA) cut its 2024 forecast to 910,000 barrels per day (bpd) from 970,000 bpd[25]. Even the notoriously bullish Organization of Petroleum Exporting Countries (OPEC) reduced its forecast for the second time, now projecting 2.03 million bpd in 2024 (down from 2.11 million bpd[26]). Both cited China's slowing economy, the world's largest oil importer, as the key driver.

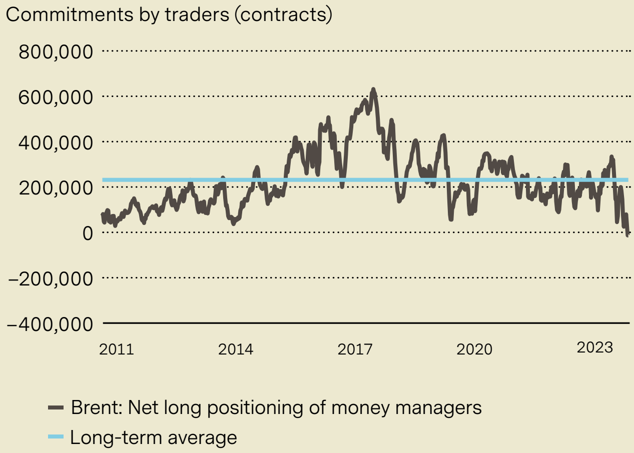
This move wasn't well received by speculators: for the first time, short positions in Brent crude outnumbered long positions in September, according to the Intercontinental Exchange (see chart 1). Given the weak demand outlook, OPEC postponed a planned production increase that was originally slated for October.[27]

Weak demand is likely to present a challenge for OPEC, which can control supply but has little influence over demand.[28] Whether the stimulus package announced by China at the end of September will support oil prices remains to be seen. While base metals rose on the announcement, oil fell. Speculation that the OPEC cartel could put more oil back on the market in December[29] kept markets on edge more than Chinese policy action. However, October also showed that sentiment can change quickly: Following Iran's attack on Israel early in the month, the price of oil rose by more than a dollar in a single day.

While "black gold" has struggled, real gold surged in 2024, outperforming even the most optimistic forecasts. Strong central bank demand and hopes for major Fed rate cuts have driven prices well past the USD 2,600 per ounce mark, up 27 percent since the start of the year (see chart 2).

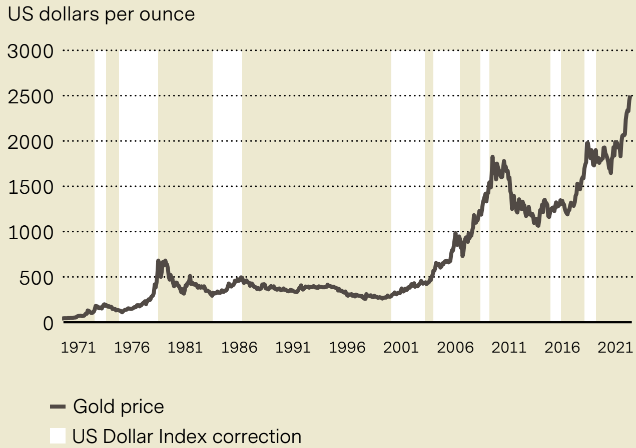
After such rally, the question is whether gold has further upside. For that to happen, we believe one or more of the following would need to occur: 1) a Fed rate-cut cycle (lower rates are on the way, but much of this is already priced in), 2) sustained strong central bank demand (emerging markets, in particular, seem to have taken a breather given the high prices), or 3) a resurgence in exchange-traded fund (ETF) demand (which is not yet evident).

Chart 1: Speculative positioning has never been this low



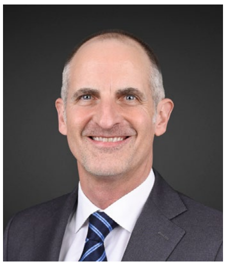
Source: Intercontinental Exchange, Vontobel; data as of September 10, 2024.

Chart 2: A weaker dollar is usually positive for gold



Source: LSEG, Vontobel; data as of September 20, 2024.

Lights up on the Swiss franc, lights down on the US dollar



—
Christopher Koslowski
Senior Fixed Income & FX Strategist, Vontobel

Amid a backdrop of Fed policy and a slowing US economy, bearish sentiment towards the US dollar has intensified. The currency has significantly weakened from its peaks in April and June, driven by narrowing yield support. Meanwhile, the Swiss franc has surged on the back of global market volatility and its safe-haven status, prompting calls for the SNB to intervene and manage exchange rate pressures.[30]

Bearish sentiment surrounding the dollar gained traction earlier this summer, as focus shifted to the slowing US economy. Despite this view, recent market dynamics highlight that the dollar remains in favor during periods of increased risk aversion.

After peaking just above 106 in both April and June, the dollar saw a pronounced weakening throughout August, sliding to below 101 from 104 (see chart 1). This downward movement is largely driven by the narrowing yield support for the dollar, a critical factor that signals potential further declines. This contraction in yield support suggests that the dollar could fall below the 100 threshold if current trends continue, underscoring the growing bearish stance among investors as they recalibrate their expectations in light of evolving economic conditions and continued policy adjustments by the Fed.

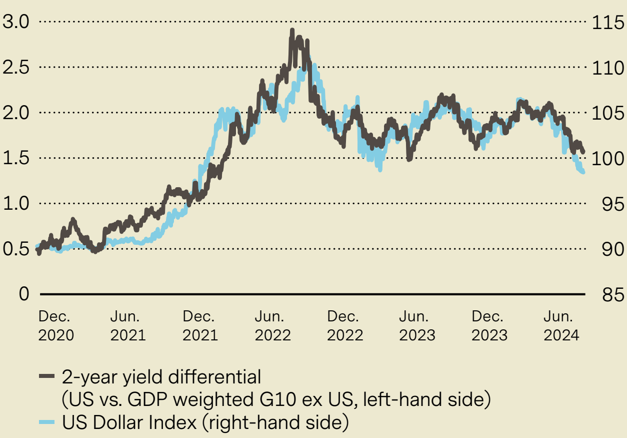
Calls for SNB action amid export concerns

In recent weeks, the Swiss franc has shown remarkable strength, outperforming other currencies as market volatility increases demand for safe-haven assets. This surge in the Swiss franc's value has brought it near decade-high levels against the euro.

The significant appreciation of the Swiss franc has not gone unnoticed within Switzerland's industrial sectors. Concerned about the potential negative impacts on export competitiveness and overall economic health, key industry leaders have been vocal in their calls for the SNB to take decisive action to ease upward pressure on the exchange rate.

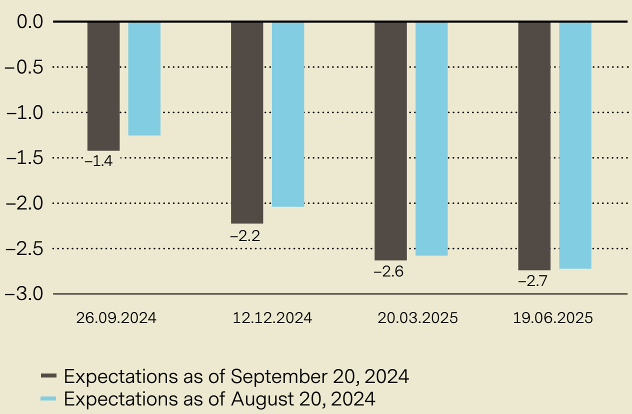
Economic data supports the case for another cut in the 1.25 percent target rate at the end of September. Slower-than-expected inflation (1.1 percent from a year ago in August) provides a clear rationale for the SNB to ease. Until the end of this year, another 0.55 percent in easing (or 2.2 cuts) are currently already fully priced in by markets (see chart 2).

Chart 1: US dollar falls as yield support narrows



Source: Bloomberg, Vontobel; data as of September 19, 2024.

Chart 2: Markets anticipate further SNB rate cuts before year-end



Source: Bloomberg, Vontobel; data as of September 19, 2024.

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.

GDP (IN %)	2022	2023	CURRENT[1]	2024 CONSENSUS	2025 CONSENSUS
Global (G20)	2.9	3.0	3.0	2.5	2.6
Eurozone	3.4	0.4	0.6	0.7	1.3
USA	1.9	2.5	3.1	2.5	1.7
Japan	1.0	1.9	–1.0	0.0	1.2
UK	4.5	0.3	0.3	1.1	1.4
Switzerland	2.7	0.7	1.7	1.4	1.5
Australia	3.8	1.9	2.1	1.2	2.2
China	3.0	5.2	4.7	4.8	4.5

INFLATION	2022	2023	CURRENT[2]	2024 CONSENSUS	2025 CONSENSUS
Global (G20)	7.5	4.4	5.6	4.8	3.0
Eurozone	8.4	5.5	2.2	2.4	2.1
USA	8.0	4.1	2.5	2.9	2.3
Japan	2.5	3.3	3.0	2.5	2.0
UK	9.1	7.3	2.2	2.6	2.4
Switzerland	2.8	2.2	1.1	1.3	1.1
Australia	6.6	5.7	3.8	3.4	2.8
China	2.0	0.2	0.6	0.5	1.5

KEY INTEREST RATES (IN %)	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR	2.50	4.50	3.65	3.10	2.50
USD	4.50	5.50	5.00	4.65	3.70
JPY	–0.10	–0.10	0.23	0.40	0.65
GBP	3.50	5.25	5.00	4.70	3.80
CHF	1.00	1.75	1.25	0.92	0.84
AUD	3.10	4.35	4.35	4.30	3.70

GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR (Germany)	2.6	2.0	2.17	2.21	2.21
USD	3.9	3.9	3.74	3.87	3.73
JPY	0.4	0.6	0.85	1.06	1.30
GBP	3.7	3.5	3.88	3.81	3.67
CHF	1.6	0.7	0.51	0.60	0.75
AUD	4.1	4.0	3.96	4.09	3.91

FOREIGN EXCHANGE RATES	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
CHF per EUR	0.99	0.93	0.95	0.95	0.97
CHF per USD	0.94	0.84	0.85	0.87	0.88
CHF per 100 JPY	0.72	0.60	0.59	0.60	0.64
CHF per GBP	1.12	1.07	1.13	1.13	1.17
USD per EUR	1.06	1.10	1.11	1.11	1.13
JPY per USD	130.00	141.00	144.00	144.00	138.00
USD per AUD	0.67	0.68	0.68	0.68	0.71
GBP per EUR	0.88	0.87	0.84	0.85	0.84
CNY per USD	6.91	7.10	7.06	7.12	7.05

COMMODITIES	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
Brent crude oil, USD per barrel	86	77	74	81	80
Gold, USD per troy ounce	1,824	2,063	2,615	2,500	2,525
Copper, USD per metric ton	8,372	8,559	9,477	9,500	9,933

1 Latest available quarter
2 Latest available month, G20 data only quarterly
Source: Vontobel, respective statistical offices and central banks; as of September 23, 2024

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Bank Vontobel AG
Gotthardstrasse 43
8022 Zurich
Switzerland

vontobel.com