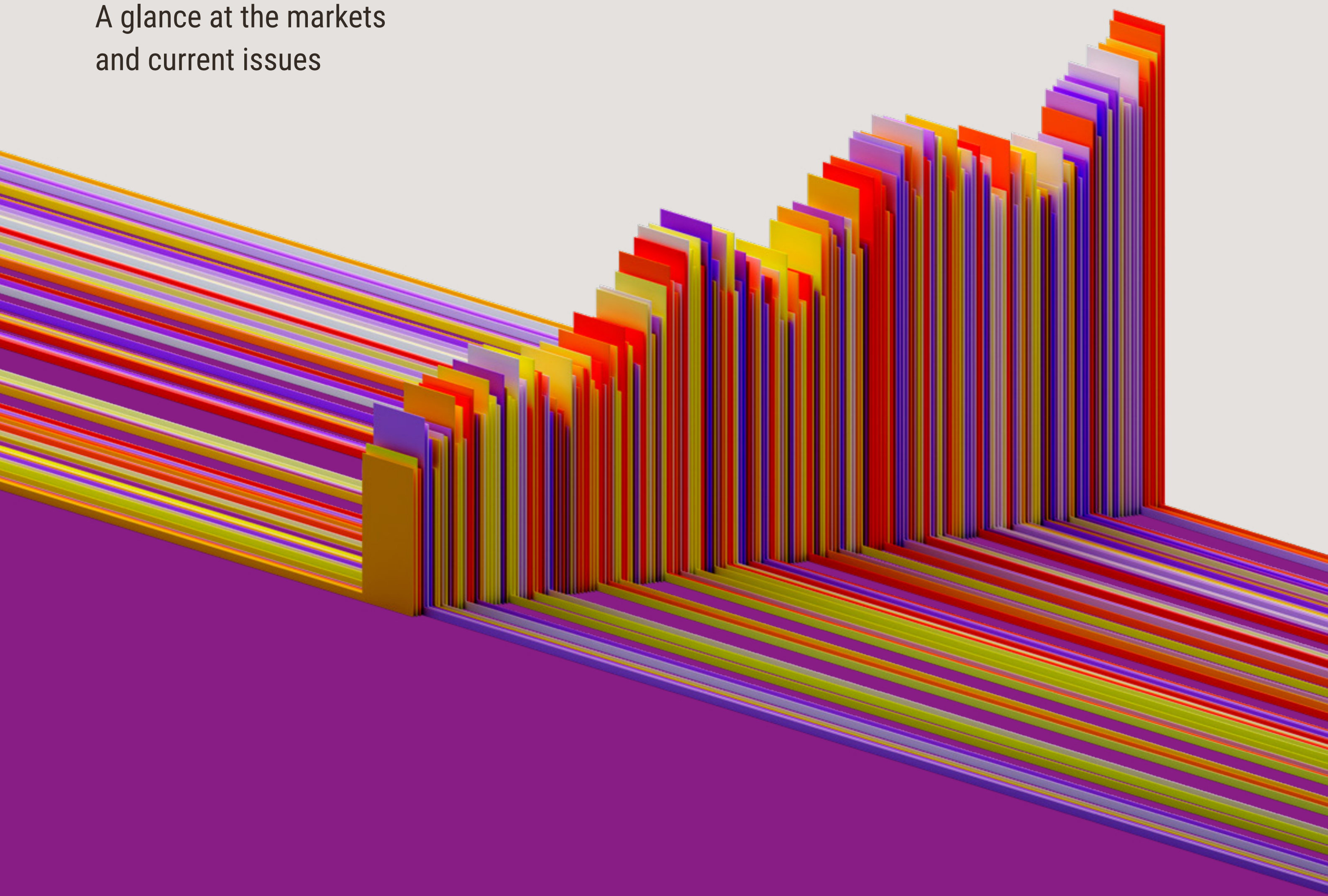
tellco

Market Overview 02 | 2025

A glance at the markets
and current issues



Equities

Solid corporate earnings, record-high gold prices

A solid reporting season supported the equity markets. Despite political turbulence, the medium-term trend in market fundamentals remains firm, with global earnings growth of more than 12% in the fourth quarter of 2024. Investors went for US stocks, European small and mid caps, and those in select emerging markets.

Good start in Europe, concerns in the USA

In general, European equity markets posted a better start to the year, advancing by over 12%. The defensive Swiss market also rose more than 12%. Meanwhile, the University of Michigan's Consumer Sentiment Index for February shows that the mood of US consumers reached its lowest level since July of last year, while inflation expectations for the coming year climbed to their highest level since November 2023. This suggests concerns about the impact of Trump's tariff policy.

Companies deliver solid annual results

Almost three quarters of companies in the USA and Japan, half in Europe and a quarter in emerging markets have reported their 2024 figures to date. There were surprises on earnings, with Japan and the USA above average, Europe is close to average and emerging markets failing to meet expectations. Global earnings growth rose to 12.4% year-on-year in the fourth quarter of 2024, the highest level since mid-2022. The technology, cyclical consumer goods and materials sectors show particularly sound rises. In the S&P 500 index, earnings growth is around 13% year-on-year, the strongest in three years. Europe, on the other hand, recorded a drop of 2.7%, while Japan (+24%) and emerging markets (+16%) surged ahead.

Good prospects for the defence industry

European defence spending will accelerate as the USA withdraws its support for NATO and Ukraine. European heads of state and government have been pushed aside in the negotiations between the USA and Russia, and it is becoming increasingly clear that Europe has to take its defence into its own hands. Officials are already working on a new defence package, making the European defence sector the strongest in February.

Another record for gold

Amid the aforementioned economic and political uncertainty the price of gold reached another all-time high, and the USD 3,000 mark is already in sight. Three factors are responsible for further increasing the gold price in 2025 (2024 +25.5%). First are geopolitical uncertainties such as the ongoing wars in Ukraine and Palestine. Second is the trade war that President Trump is pursuing with nearly all relevant trading partners. And third, the feared impact of this on inflation, which is likely to be fuelled further. Also likely to contribute to the rising price of gold is a Chinese pilot programme intended to enable insurers to invest in gold. This initial investment in gold is likely to release billions of dollars, leading to another record rally. Ten insurance companies, including the two largest in China, will be able to invest up to 1% of their assets in precious metals, which could potentially unlock CNY 200 billion (USD 27.4 billion).

Central banks also love gold

The Goldman Sachs Group has increased its year-end target for the price of gold to USD 3,100 per ounce owing to central bank purchases and inflows into exchange-traded funds. This is evidence of the enthusiasm that Wall Street has for this metal. Central bank demand could average 50 tonnes per month, more than previously expected. Should uncertainty persist about economic policy, including tariffs, the gold price could reach USD 3,300 per ounce as even higher speculative positions are being taken.

Fixed income

What is the impact of Trump's policies?

Photo by Redd Francisco on Unsplash

In the wake of the sharp rise in long-term US interest rates, European capital market interest rates have also risen sharply. However, there is no prospect of significant economic impetus here, and US tariffs are also looming. A further slowdown in the European labour market and price momentum is therefore on the cards, which makes the recent surge in long-term interest rates, especially in the eurozone, seem exaggerated.

Fed taking a wait-and-see approach

In the USA, the Fed's latitude for cutting interest rates will be more dependent on Trump's policies going forward. In the absence of plans for significant fiscal tailwinds, and with a gradually slower pace of economic activity, analysts tend to see room for rate cuts and thus also lower long-term interest rates over the course of the year. The Fed's unanimous zero interest rate decision demonstrates confidence in the current outlook. Nevertheless, it intends to wait and see how the trade barriers, tax cuts and immigration policy proposed by Trump will affect prices and economic growth. At its March meeting, the Fed's monetary policymaking body will present new forecasts on growth, employment and inflation. This data could help shed light on whether and when interest rates will continue to be eased. For the time being, the Fed left its key interest rate at 4.25-4.5%, ending a series of three successive cuts since September 2024. Fed Chairman Powell said that there was currently no reason to rush ahead with further easing, citing a strong economy and a stable labour market. Although inflation has fallen from its highs, it is still above the central bank's 2% target. Powell stressed that there was a need for real progress before the Fed could consider additional interest rate cuts. President Trump, who has repeatedly called for more rate reductions, criticised the central bank on social media. The Fed stressed that inflation would remain somewhat elevated and that it is not seeing any progress towards its target. Powell referred to this as a clean-up exercise rather than a change of direction in monetary policy. Going forward, the Fed has signalled that it expects to make only two further rate cuts in 2025. As a result, it is taking a slower course than previously assumed.

ECB continues to lower interest rates

Meanwhile, the European Central Bank cut interest rates for the fifth time in the face of a stagnating economy in the eurozone. On the one hand, advanced peace negotiations in Ukraine and Gaza are likely to help settle oil prices and reduce inflationary pressure. On the other, European countries are seeking comprehensive financing for their common military defence. This in turn could weigh significantly on government debt, with the logical consequence of rising government bond yields, particularly for lower-rated countries. Against this background, the European Central Bank's Governing Council cut its main interest rates by 25 basis points at the end of January. The decision is based on improved inflation forecasts and still-effective monetary policy transmission. Despite the most recent interest rate cuts, which are starting to bring down borrowing costs, financing conditions remain tight. Even after the latest reduction, monetary policy can be described as restrictive, suggesting that further easing may follow. This is because most officials want to bring interest rates down to a neutral level that no longer hinders economic activity.

Despite the large interest rate cut, a key interest rate level of zero will remain priced in on the interest rate markets for 2025

EU inflation approaching target

Inflation is largely trending as expected and should return to the ECB's medium-term target of 2% in the coming year. Most indicators suggest that it will settle in permanently at this target. There are still concerns about the economy, but the ECB remains optimistic and expects recovery, driven by rising real incomes and easing effects of restrictive monetary policy. This confidence remains in place even though the eurozone is struggling with economic stagnation. This is shown by the recent GDP report, which recorded no growth at the end of last year. Unstable governments in the largest eurozone economies have had an adverse effect on corporate and consumer confidence, leading to stagnating GDP in Italy and Austria, as well as declines in Germany and France. Since the manufacturing sector has been struggling, especially in Germany, and possible US trade penalties are causing concern, there is a lack of growth drivers. Against this background, there is much to suggest that the ECB will cut interest rates further, with the timing and scope depending on how quickly the expected economic recovery takes hold. Officials emphasise that they are not committed to a fixed interest rate path. Instead, they will assess the in-depth data on economic and financial trends, underlying inflation and the effectiveness of current policy measures. The forecasts updated in February 2025 will take into account the new, lower interest rates. The ECB Governing Council stresses that it is prepared to adapt its entire toolbox, if necessary, to ensure price stability at its 2% target and the smooth functioning of monetary policy throughout the eurozone.

SNB sees noticeably lower inflationary pressure

As expected, in Switzerland the SNB reduced its key interest rate for the fourth consecutive time at its final quarterly meeting last year. However, it responded unexpectedly sharply, with a large cut of 50 basis points to 0.5%, even though the SNB's assessment did not hint at any emergency that would have necessitated this faster action. Also thanks to the help of the interest rate cuts in recent quarters, the SNB continues to expect the economy to pick up slightly next year. The weak price trend served as justification. The SNB found that inflationary pressure was once again noticeably lower than at the last meeting. Without the sharper response, the new medium-term inflation forecast would have been much lower. Following the further significant downward revision, the SNB inflation forecasts for the coming quarters were comparatively low, at 0.3% for 2025. A further significant downward correction has thus become less likely. However, this does not mean that we have reached the end of the cycle of interest rate cuts. Uncertainty about price development remains high. A stronger Swiss franc in particular could quickly lead to additional downward pressure. Despite the large interest rate cut, a key interest rate level of zero will remain priced in on the interest rate markets for 2025, in both capital market interest and long-term fixed-rate mortgage rates.

Growing budget deficit in the USA

Although he did not make any immediate tax changes on his first day in office, President Trump has plans to extend the 2017 tax cuts and to cut tax rates further for individuals and companies. He stressed the shift towards more revenue from tariffs to reduce the tax burden on Americans. According to analyses, this could increase the national deficit by about USD 4 trillion in the next decade. The non-partisan Congressional Budget Office forecasts that the deficit could even exceed USD 50 trillion in ten years. Furthermore, Trump's economic plans are expected to add between USD 1.65 trillion and USD 15 trillion or more to the national debt, with the median estimate predicting an increase of USD 7.75 trillion. As a result, the debt-to-GDP ratio could rise from currently just below 100% to over 140%. Why this is important: Investors will monitor closely how quickly and decisively Trump's campaign rhetoric will be transformed into concrete policies, with the potential to fundamentally change trade, taxes and immigration in his second term of office. Markets and decision-makers are also paying attention to whether his most controversial promises will be implemented immediately or just become political theatre. Since the sequence and the scope of these measures are still unclear, the actual impact is difficult to predict.

Alternative investments

The role of alternative investments in pension institutions

Swiss pension institutions are facing the challenge of ensuring their long-term profitability while complying with regulatory requirements and minimising risks. They have traditionally relied primarily on equities, bonds and real estate, but in recent years alternative investments have become increasingly important.

Potential and challenges of alternative investments

In view of low interest rates and rising obligations, pension funds are increasingly looking for new ways to generate stable returns and better diversify their portfolio. Alternative investments include a wide range of investment opportunities, including private equity, infrastructure, hedge funds and private debt. These asset classes offer the potential for higher returns and lower correlation with traditional markets, but often pose challenges such as poor liquidity, complex structures and higher administrative costs.

Regulatory restrictions

Although from a regulatory standpoint, alternative investments are permitted for Swiss pension funds, they are subject to specific restrictions. The provisions of the OPO 2 set clear limits on non-traditional forms of investment to ensure the financial stability of pension institutions. Nevertheless, according to the latest Complementa study, around 80% of Swiss pension funds already hold alternative investments. Their share of total assets currently stands at 9.7%, which means they play an important, albeit relatively small role in strategic asset allocation.

Key asset classes

Within alternative investments, some asset classes in particular have taken hold in recent years. Private equity and infrastructure each account for around 2.5% of total pension fund assets. While private equity as a high-yield but illiquid asset class is attractive for long-term investors, infrastructure is becoming increasingly popular owing to its stable cash flows and inflation protection. More than 50% of pension funds now invest in infrastructure projects, which further underscores the importance of this asset class. In addition to these two areas, around 4.7% of total assets consist of hedge funds and other alternative strategies.

Opportunities and risks

The increasing use of alternative investments presents both opportunities and risks. One of the biggest advantages is diversification, as alternative investments often have a low correlation with traditional markets. This can help reduce risk in the overall portfolio and tap into sources of revenue regardless of cyclical fluctuations. In addition, because of their long-term nature private equity and infrastructure can generate attractive returns above those of bonds. Hedge funds are another safeguarding tool in times of high inflation and market turbulence. However, alternative investments often involve higher costs and administrative effort. Many of these investments are also illiquid, so they cannot be sold at short notice if liquidity is needed.

Outlook

Despite these challenges, the share of alternative investments is expected to continue to grow in the coming years. The combination of volatile capital markets, rising return requirements and growing interest in sustainable investments could shift the focus further to infrastructure projects in particular. At the same time, pension funds must carefully consider the extent to which they integrate alternative investments into their portfolios. It is important to take advantage of the benefits without taking on excessive risks. A strategic approach and well-thought-out diversification remain key to achieving long-term financial objectives.

Many years of experience

At Tellco, we attach great importance to alternative investments and have more than 17 years of experience in managing them. Our clients' assets are broadly diversified across various asset classes and collective investment schemes with institutional asset managers. Our investment process is structured and aims to minimise risk while generating solid returns. An important aspect of our investment strategy is the focus on sustainability. In addition, we pursue specific strategic goals. For example, we pick alternatives that have the lowest possible association with traditional investments such as equities, bonds or real estate. In the case of hedge funds, for example, strategies that are geared more to equity markets will be underweighted. Our infrastructure portfolio focuses on the energy and climate transition, while the private debt portfolio comprises a wide range of strategies with complementary sources of return. What's more, our private equity portfolio emphasises venture capital and impact investments. In short, Tellco pursues a well-thought-out, sustainable and diversified investment strategy to provide both financial returns and social and environmental benefits.

Sources:

- Complementa: Pensionskassen-Studie. Risiko Check-up 2024. Zur aktuellen Lage schweizerischer Pensionskassen, 30. Ausgabe, September 2024
- CAIA Association: Alternative Assets for Swiss Pension Funds, November 2024. Heinz Rothacher.

Tellco-Products

Tellco Classic

	ISIN	Tranche	February 28th	% February	% YTD	Web
Tellco Classic II Global Equities**	CH0443816621	V	251.82	−1.44	1.98	More Infos
Tellco Classic Swiss Equities ESG	CH0421075018	V	186.69	1.90	10.00	More Infos
	CH0421074961	R	108.20	1.87	9.92	
Tellco Classic Best Idea ESG	CH0442770316	V	112.35	−2.82	2.51	More Infos
Tellco Classic Best ESG	CH0442615701	R	121.24	−2.81	2.52	
Tellco Classic Sustainable Heritage ESG	CH0583763542	V	79.56	−2.73	0.66	More Infos
	CH0583763534	R	70.28	−2.76	0.61	
Tellco Classic Bonds CHF ESG	CH0421043669	V	107.08	−0.15	−0.71	More Infos
	CH0421043594	R*				
Tellco Classic Bonds in foreign currency ESG	CH0421043768	V	85.99	0.28	0.93	More Infos
	CH0421043743	R*				
Tellco Classic Bonds in foreign currency hedged ESG	CH0469074956	V	91.57	0.58	0.43	More Infos
	CH0469074865	R	82.44	0.58	0.44	
Tellco Classic Inflation Protection ESG	CH1101347354	V	95.65	−0.06	−0.21	More Infos
	CH1101347347	R*				
Tellco Classic Aktien Alkimia ESG	CH0544465831	V	146.70	−1.00	3.91	More Infos
	CH0544465823	R	138.67	−1.03	3.86	
	CH1116144333	P	107.50	−1.01	3.91	

* Not yet launched **available only to swiss pension funds

Tellco Classic Strategy

	ISIN	Tranche	February 28th	% February	% YTD	Web
Tellco Classic Strategy 10	CH0450199770	V	124.37	0.95	0.95	More Infos
	CH0544445619	R*				
Tellco Classic Strategy 25	CH0450201261	V	134.72	0.60	1.93	More Infos
	CH0544465658	R	103.46	0.52	1.85	
Tellco Classic Strategy 45	CH0450201329	V	153.60	0.88	3.26	More Infos
	CH0544465757	R*				
Tellco Classic Strategy 100	CH0450382632	V	137.33	0.15	5.75	More Infos
	CH0544465773	R	86.07	0.14	5.75	

* Not yet launched

The Tellco Top Products

Top-Performer

Tellco Classic Best Idea

The Tellco Classic Best Idea fund aims at a long-term appreciation of invested capital, by investing in listed equities issued by companies whose expected growth is a multiple of global GDP growth, thanks to innovations primarily, and without limitation, in the technology, healthcare and energy fields.

Top-Seller

Tellco Classic Sustainable Heritage

The Tellco Classic Sustainable Energy fund invests in all industries that benefit from a sustainable future. The investment universe includes themes such as renewable energy, energy storage, green and smart transport solutions, water and waste-water treatment, the digitalisation of energy systems and the integration of smart and efficient technologies in cities (smart cities).

Numbers

Equity markets

	February 28th	% February	% YTD
MSCI AC World	3,813.03	−0.92	2.45
SMI	11,764.20	3.23	12.10
SPI	323.28	2.17	10.51
DAX	19,626.45	3.77	13.27
EuroStoxx 50	4,804.40	3.34	11.59
EuroStoxx 600 Price Index	510.25	3.27	9.77
FTSE 100	8,287.30	1.57	7.79
DOW Transportation	17,618.63	−1.96	0.57
S&P500	6,032.38	−1.42	1.24
NASDAQ 100	20,930.37	−2.76	−0.61
Shenzen–Shanghai CSI300	3,916.58	1.91	−1.14
Emerging Market	1,078.57	0.35	2.02
Nikkei	38,208.03	−6.11	−6.87
Volatilität	13.51	19.48	13.14

Commodities

	February 28th	% February	% YTD
WTI–CrudeOil	68.00	−3.82	−2.73
Brent Oil	72.94	−4.66	−1.96
ThomReuters /JefferiesCRB	286.94	−1.02	1.72
Gold	2,643.15	2.12	8.89

LIBOR

	February 28th	% February	% YTD
Saron 6M CHF	0.43	−31.07	−43.14
Euribor 6M	2.70	−9.07	−8.29
SOFR 6M USD	4.38	0.20	0.16

Alternative Investments

	February 28th	% February	% YTD
S&P Leveraged Loan TR Index	4,038.34	0.11	0.80

Numbers

Currencies

	February 28th	% February	% YTD
EUR/USD	1.0577	0.13	2.15
USD/CHF	0.8810	−0.86	−2.91
USD/JPY	149.7700	−2.94	−4.73
EUR/CHF	0.9320	−0.75	−0.86
GBP/CHF	1.1220	0.60	−1.20
CAD/CHF	0.6291	−0.32	−0.30
AUD/CHF	0.5736	−1.01	2.15
JPY/CHF	0.5881	2.13	2.07
BRL/CHF	0.1480	−1.92	0.68
CNY/CHF	0.1215	−1.12	−2.33
INR/CHF	0.0104	−1.77	−1.32
RUB/CHF	0.0083	9.31	3.24
TRY/CHF	0.0254	−2.98	−0.74
ZAR/CHF	0.0487	−1.02	1.25

Countries / GDP

	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	2023	2024	2025
USA	4.90 %	3.30 %	1.60 %	1.90 %	2.80 %	2.50 %	2.50 %	2.80 %	2.28 %
Euro Area	0.10 %	0.10 %	0.40 %	0.50 %	0.90 %	0.90 %	0.50 %	0.70 %	0.90 %
Japan	−2.10 %	−0.40 %	−2.00 %	3.10 %	0.90 %	2.75 %	1.90 %	0.10 %	1.20 %
China	4.90 %	5.20 %	4.90 %	4.70 %	4.60 %	4.80 %	5.20 %	5.00 %	4.50 %
Schweiz	0.40 %	0.65 %	0.70 %	1.40 %	1.80 %	1.65 %	0.80 %	1.30 %	1.30 %

Countries / CPI

	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	2023	2024	2025
USA	3.60 %	3.20 %	3.20 %	3.20 %	2.60 %	2.70 %	4.10 %	2.95 %	2.80 %
Euro Zone	5.00 %	2.70 %	2.60 %	2.50 %	2.20 %	2.20 %	5.40 %	2.40 %	2.20 %
Japan	3.10 %	2.95 %	2.60 %	2.70 %	2.80 %	2.68 %	3.30 %	2.70 %	2.40 %
China	−0.05 %	−0.30 %	0.00 %	0.30 %	0.50 %	0.20 %	0.20 %	0.20 %	0.70 %
Schweiz	1.65 %	1.60 %	1.20 %	1.40 %	1.10 %	0.70 %	2.10 %	1.10 %	0.50 %

Numbers

Rates

	February 28th	in bps February	in bps YTD
10j, EUR (Swap)	2.16	−6.87	−2.52
10j, UK (Swap)	3.79	−2.46	−8.48
10j, CHF (Swap)	0.32	4.55	10.72

Bonds

	February 28th	in bps February	in bps YTD
US Govt 10Y	4.17	−33.16	−36.28
GER Govt 10Y	2.09	−5.25	4.10
Swiss Govt 10Y	0.20	4.24	15.07
UK Govt 10Y	4.24	−5.64	−8.41
IT Govt 10Y	3.28	−1.51	1.59
ESP Govt 10Y	2.79	−2.26	−1.33

Generic iTRAXX

	February 28th	in bps February	in bps YTD
Europe Main	55.74	0.64	−3.90
Finl Sen	62.52	−2.25	−6.40
Finl Sub	110.95	−5.55	−12.52
X–Over	297.87	0.76	−24.43