



“Optimistic outlook for 2025”

Our Opinion
January 2025

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Dear Readers

The article “Optimistic outlook for 2025” discusses the good prospects for a successful 2025 investment year.

Looking for advice and support on financial matters? Our investment advisors look forward to hearing from you and will be happy to talk to you personally.

We wish you a pleasant read.
Your Advisory Team

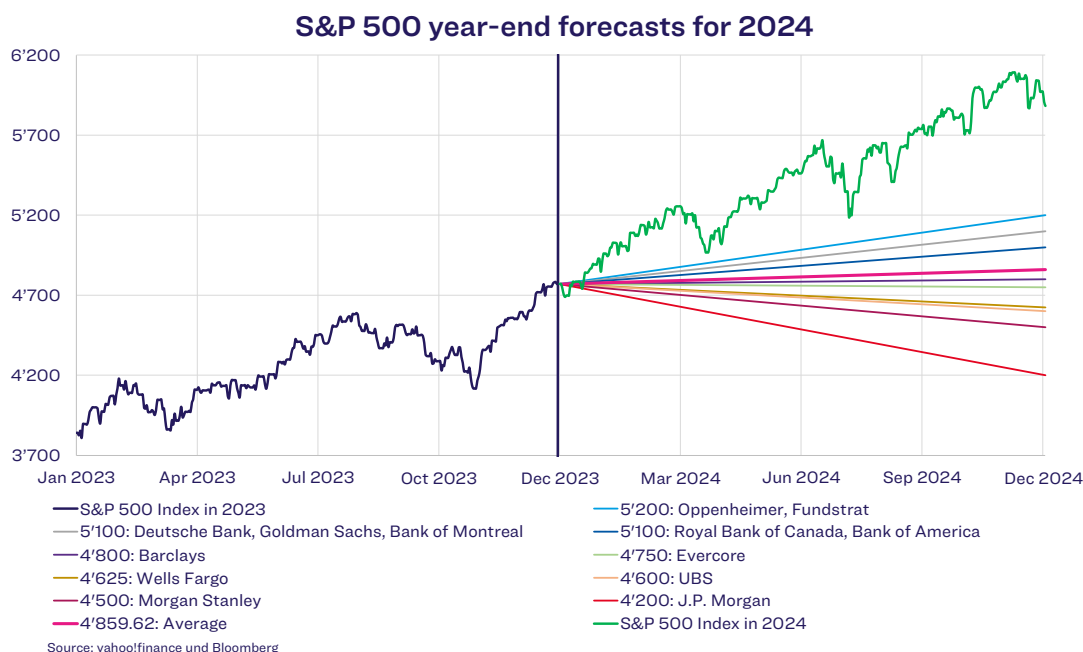
“Optimistic outlook for 2025”

Neue Bank traffic light

- strongly bearish
- bearish
- neutral
- slightly bullish
- bullish
- strongly bullish

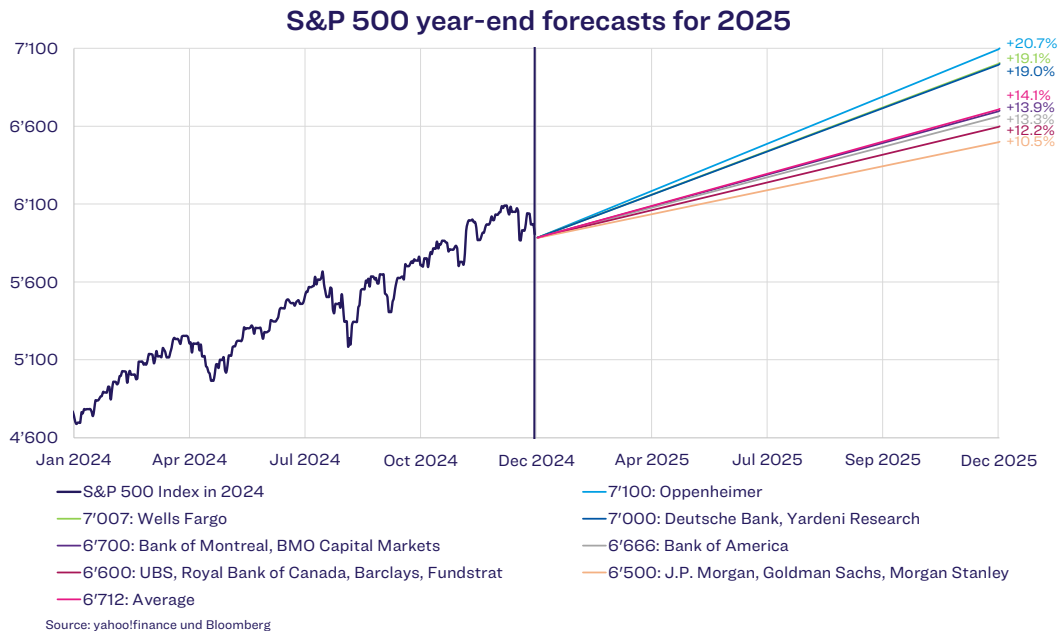
Equities

The US S&P 500 equity market closed 2024 on an excellent note with a 23.3% gain. A year ago, we published the following chart in Our Opinion featuring the forecasts of the largest financial institutions for the S&P 500 in 2024:



To illustrate the accuracy of the forecasts, we added the actual performance of the S&P 500 for 2024 (green line) to the chart. It is evident that all the strategists from the financial institutions significantly missed the mark with their estimates. The “best” forecast was 5,200 points, falling short of the S&P 500’s actual level on 31 December 2024 by 13.1%. The most pessimistic forecast, by J.P. Morgan, predicted 4,200 points, missing the year-end level by an extraordinary 40%. While the forecasts for 2024 were notably cautious, those for 2025 are strikingly optimistic. Since Donald Trump’s election victory, Wall Street strategists have been outbidding each other with ever higher price

targets, and none of the major financial institutions predict the S&P 500 will end 2025 in negative territory. Below is the chart featuring the forecasts for 2025:



Analysts identify Trump's planned reduction of the corporate tax rate as the main driver, expected to boost profits for US companies. Additionally, the Federal Reserve is anticipated to cut interest rates further, accompanied by economic improvement. These outlooks position the US equity market as the top investment choice for 2025 among most financial experts. We likewise believe that US equities should feature in every portfolio in 2025. However, the uniformly positive sentiment surrounding the US equity market carries a certain cautionary note. True to the motto

“Things never turn out the way you expect”,

the ambitious targets leave room for potential disappointment. Forecasts remain what they always are: a glimpse into an unknowable future. In 2025 as well, investment decisions should not hinge on any forecasts. Instead, a long-term, broadly diversified investment strategy should be pursued.

Economy

The outlook for the US economy is similarly uniform, with expectations that it will remain the global growth driver in 2025. Economists predict US economic growth of 2.7%, spurred by Donald Trump's announced tax cuts and deregulation. However, the greatest uncertainty lies in US inflation, which could rise again due to the proposed tariffs and the significant increase in government spending. This, in turn, could put pressure on the economy. The economic situation in the Eurozone presents a stark contrast. A recovery in 2025 is largely expected to fail to materialise. For Germany in particular as an export-oriented nation, the aforementioned US tariffs could lead to further economic contraction.

Bonds

Another significant rise in consumer prices, triggered by Trump's announced increase in US tariffs, could prematurely end the Federal Reserve's rate-cutting cycle. The market now anticipates only two rate cuts in 2025. Additionally, stricter immigration policies could further strain the US labour market, driving up wage growth. In this potential inflation scenario, long-term yields are expected to rise, leading to declining bond prices. For US bonds, shorter maturities may be a better option, given that their current yields are only slightly lower than those of ten-year bonds. In the Eurozone, the situation is the reverse: Despite lower yields, euro bonds present more favourable conditions compared to US debt securities. Longer-dated EUR bonds, in particular, could benefit from falling inflation expectations and weak economic momentum, resulting in declining yields and rising bond prices.

Currencies

The consensus among foreign exchange experts is that the US dollar will remain strong in 2025. This strength could indeed materialise against the Swiss franc and the euro if two conditions are met. First, the Federal Reserve's rhetoric and rate-cutting cycle would need to be more restrictive than expected, driven by Trump's inflationary policies. Second, the Swiss National Bank (SNB) and the European Central Bank (ECB) would need to lower their interest rates further. This would widen the interest rate differential in favour of the US dollar, providing additional support for the greenback. However, the appreciation of the US dollar is expected to be limited, especially against the Swiss franc. Switzerland's stable economic and political conditions, combined with heightened global geopolitical uncertainty, bolster the franc's appeal. As a safe haven currency, the CHF is likely to remain in demand during periods of new or escalating conflicts.

Alternative investments

With a gain of over 27%, gold delivered one of its best annual performances since pricing was handed over to the free market more than fifty years ago. Experts predict further price increases, potentially reaching up to USD 3,000.00 per ounce in 2025. The anticipated drivers include falling interest rates, purchases by central banks and gold funds, and ongoing geopolitical conflicts. Moreover, the upward price trend for this precious metal remains intact and could accelerate again following the current consolidation phase.

PRIMUS–ETHICS

With the PRIMUS-ETHIK asset management mandate, we give investors the opportunity to incorporate environmental and social considerations into their investment decisions alongside financial aspects. We invest your assets in ethically and morally sound companies and apply professional approaches to their implementation. Scientific studies prove the positive effects of sustainability on economic success. Neue Bank AG's client advisors will be happy to show you the special features of this asset management solution in a personal meeting.

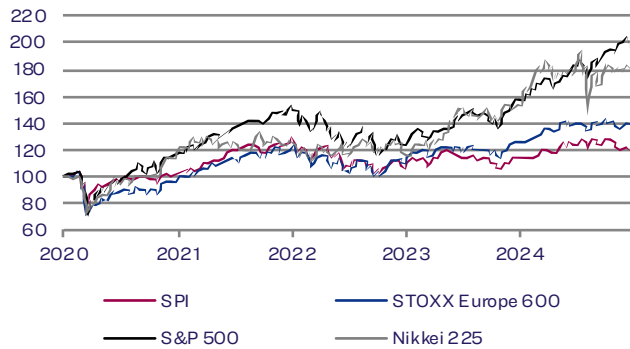
Key Performance Indicator in CHF¹

	31.12.2024	2023	2022	2021	2020	2019
PRIMUS-ETHICS Equities World	24.24%	11.37%	-30.09%	32.10%	11.50%	30.07%
Benchmark	20.10%	7.24%	-22.63%	21.89%	12.09%	24.76%

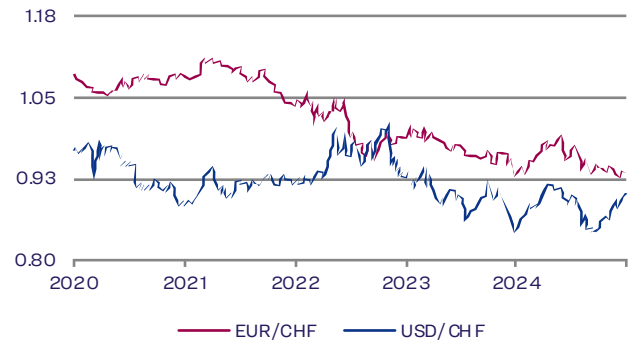
¹ Past performance is not an indicator of future performance and offers no guarantee of success in the future. The presentation of performance is gross without taking into account your individual tax liability. The net performance is lower due to fees. You can also find Our Opinion on our website: www.neuebankag.li S.E.& O.

Market data

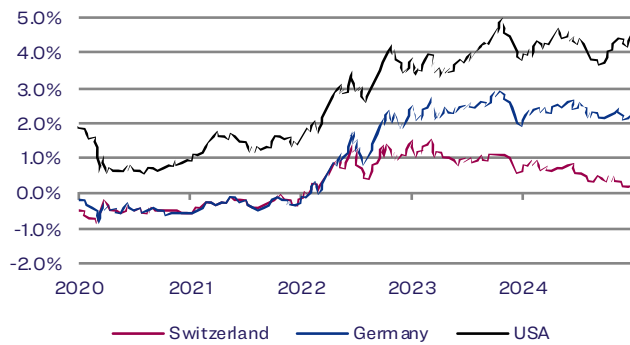
Stock market (indexed)



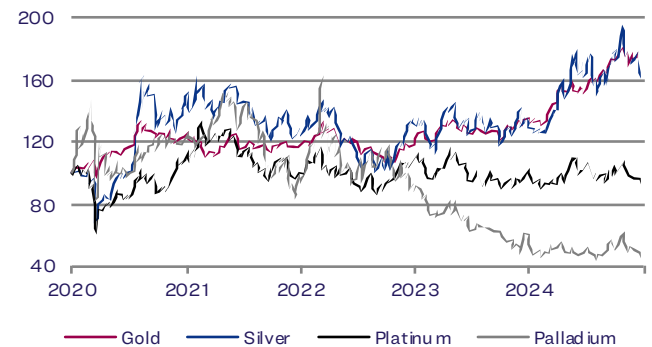
EUR/CHF and USD/CHF



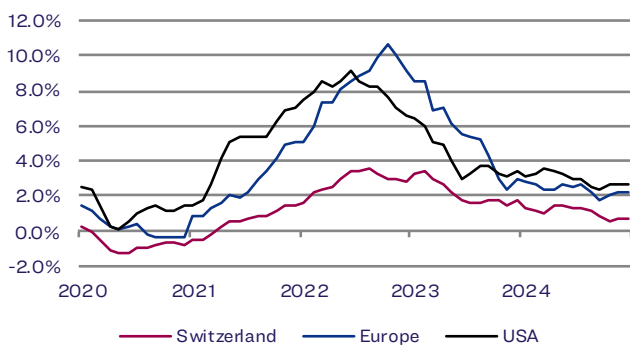
10-year government bond yield



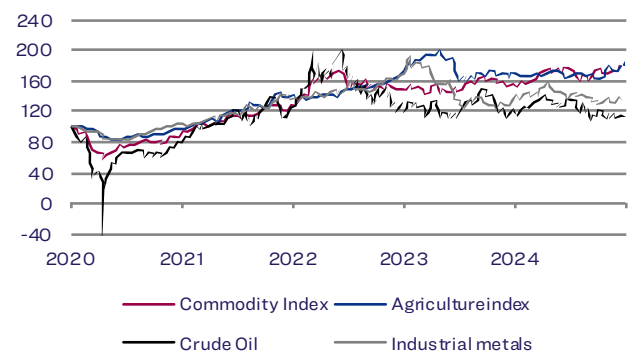
Precious metals (indexed)



Inflation rate



Raw materials (indexed)



The price developments are shown over 5 years.

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