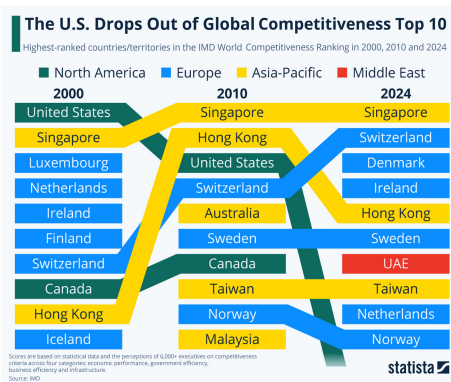


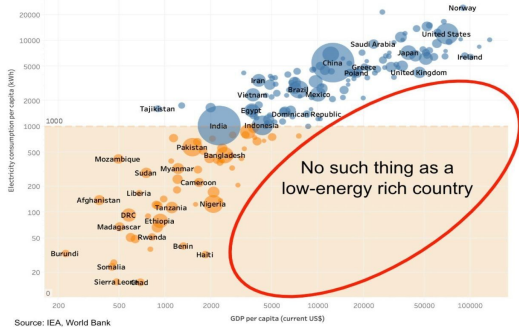
Switzerland was the first major economy to end the hiking cycle, with a cut in March, and June saw Canada and the EU follow suit. The rate cutting trend indicates that debt servicing has become unsustainable for these nations. Results of the EU election, showing a shift to the right shook Europe, and most notably France, leading to Macron calling for snap elections. The move sent tremors through the French market, which temporarily saw CAC 40 Index lose all its 2024 gains.

Highlights



The United States has fallen out of the top 10 most competitive economies to 12th place for the first time, having held first place in 2000 and 3rd in 2010. Europe continues to perform well, holding 6 of the top 10. However, its largest economies, Germany, France, and the UK are notably absent from the top 20 this year.

Electricity & Income (per capita, all countries)



Given energy is one of the main determining factors for a nation's wealth, investors are advised to allocate in regions which demonstrate a sound energy strategy, selecting the respective exposure according to the highest growth potential with the most attractive valuation. Regions focused on reducing energy consumption, especially under the net zero goals, will likely see growth hampered and an economic decline, at least on a relative basis. While "going green" may be a great aspiration, mixing ideology with reality can be harmful for one's portfolio.

Precious Metals & Commodities

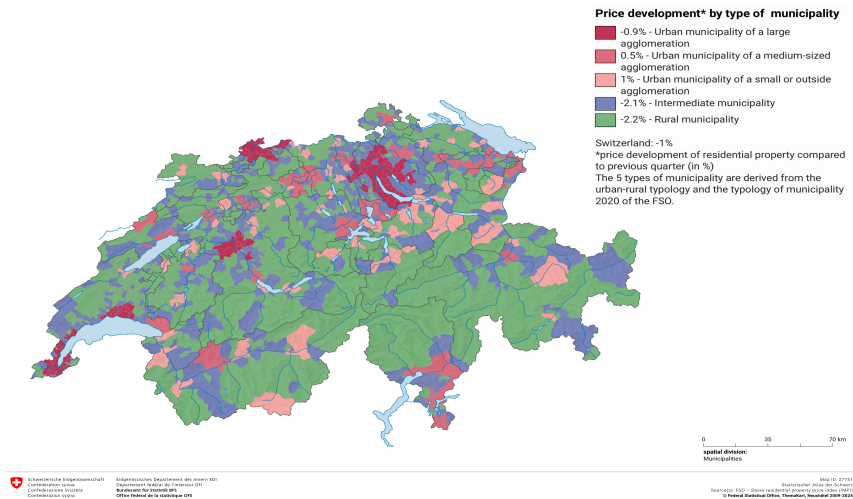
Oil is expected to remain flat in the short and mid-term. Copper and agriculture may experience some mid-term consolidation, while precious metals are likely to remain on an upward trajectory.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	↗	↗	↗	→	↗
Outlook	↗	↗	→	→	→
Trend	↗	↗	↗	↗	↗

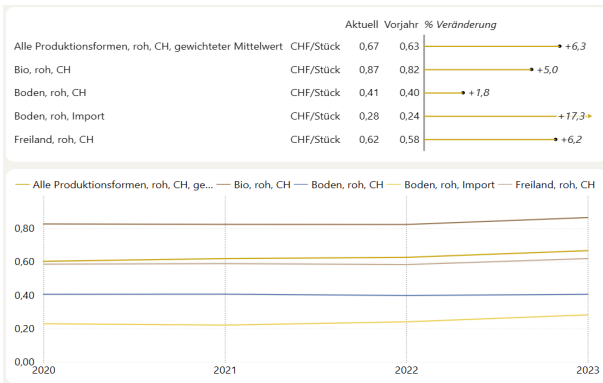
Spot on Switzerland

The Swiss real estate market has seen modest price growth with residential properties at a 1.5% increase compared to Q1 2023, with price growth in Condos seeing a larger increase, at 2.4%, than single family homes, which came in at just 0.5%. Nevertheless, Q1 2024 saw a 1% decline compared to the previous quarter. Urban municipalities of small agglomeration saw the largest price increase at 3.8%, year over year, followed by medium size agglomeration municipalities which had a 1.9% increase within that timeframe. These developments track with the assessment published in the September 2023 issue, of advantageous macro locations emerging in Greater Bern and Thun, Central Switzerland (excepting Zug), and parts of Aargau and Appenzell Innerrhoden due to a good balance between demand and market heat in these regions. As real estate prices continue to develop in this direction, these areas continue to have positive investment potential.

Residential Property Price Index (IMPI): Price development by type of municipality in Q1 2024 - Residential property

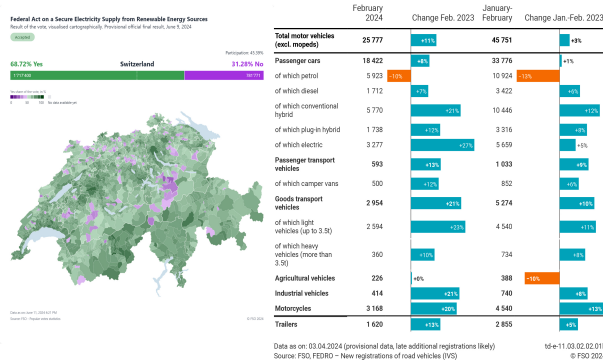


Swiss Highlights



Source: Bundesamt für Landwirtschaft

Switzerland has joined other nations in adopting more transparency in government data, via the Open Government Data (OGD) initiative, allowing citizens to track what is really happening in their country rather than relying solely on statements by politicians and media. For example, eggs and other food prices have increased about 4 times more than the official CPI, and tools such as the FOAG portal, which publishes data on the agricultural and foods markets, allows users to check whether their personal CPI is in line with the published one. As data on energy, rental prices, health costs, etc. become publicly available due to the OGD push, the average consumer can benefit even further and confirm the official CPI number to their own experiences in changes of prices.



Source: Source: BFS

When comparing the voting results for the new energy law to the type of cars newly on the road, one may conclude that Switzerland's population may vote green at the polls, but in practice, continue to live the old paradigm. Given the apparent enduring appeal of the combustion engine to the majority of consumers, perhaps diesel and hybrid car producers can offer a better investment case than pure electric, particularly given their current valuations and the probability that Chinese EV competition, despite the latest EU tax, is likely to overshadow European and US-only players.

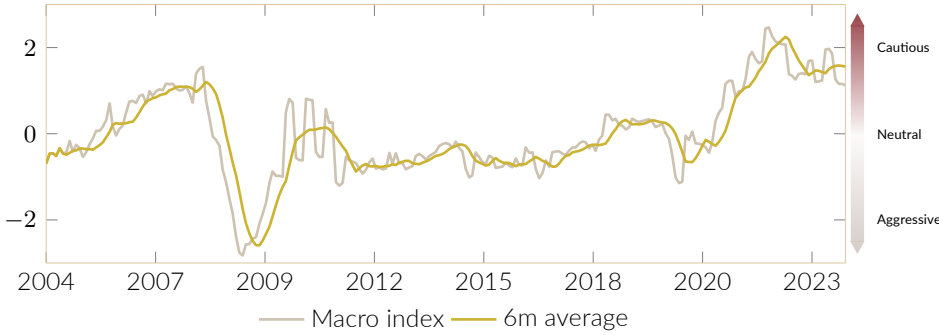
Switzerland

Switzerland's inflation rates are holding steady at a 12-month mid-range while unemployment rates remain at 12-month highs. Nevertheless, profit margins appear strong. Yields are overall uninspiring, and monetary uncertainty remains high. The overall outlook is neutral.

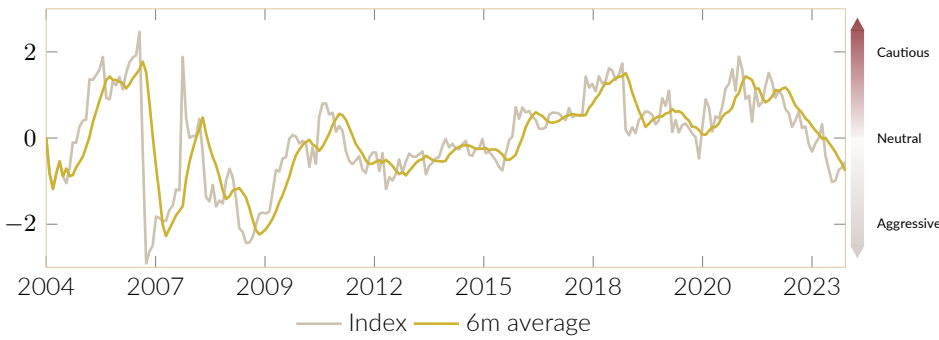
 **Switzerland**

RISK: NEUTRAL

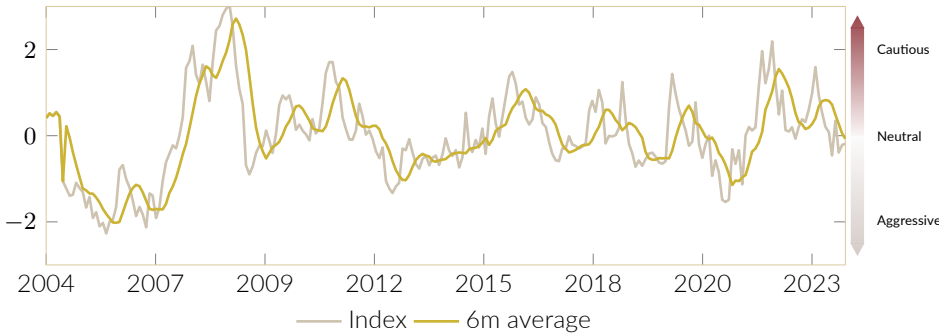
Business Cycle



Investment Environment



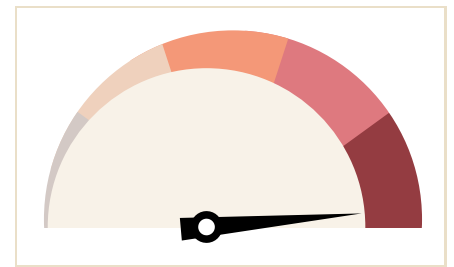
Market Behaviour



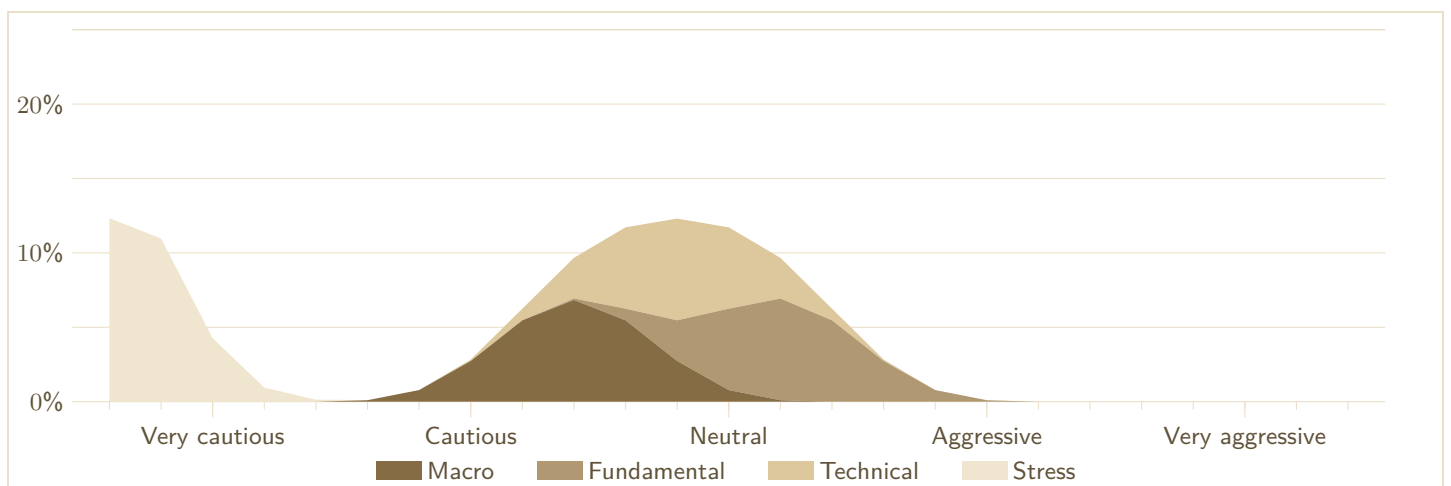
Key Macro Statistics



Monetary Stability



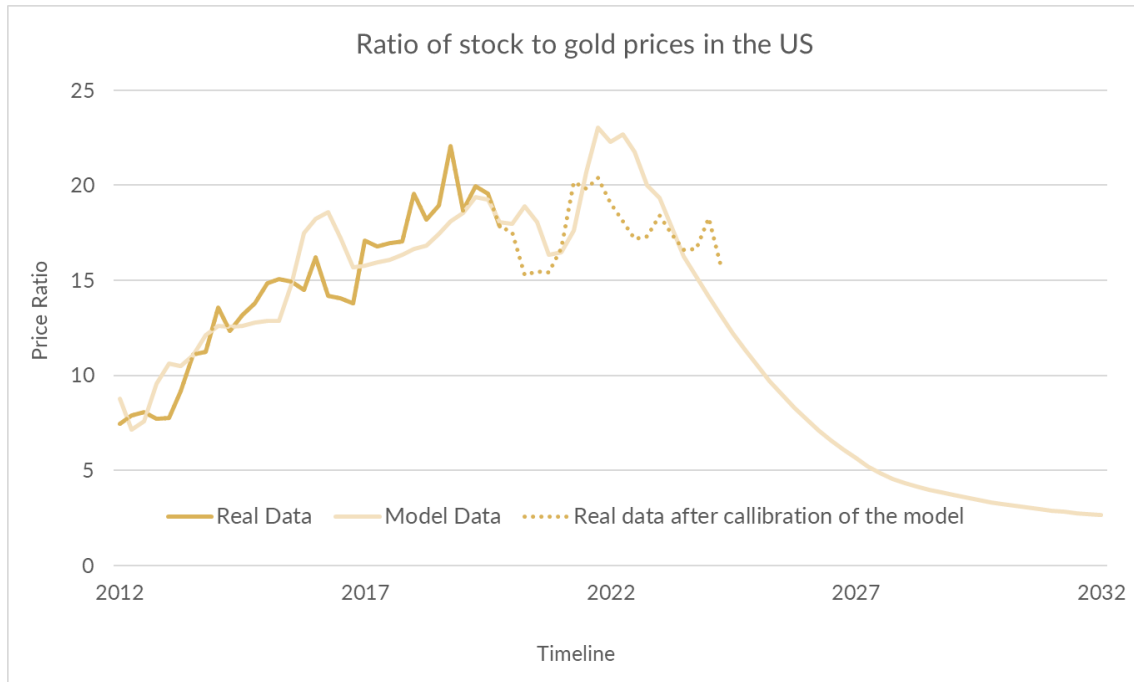
CH Market Risk Signal



Prediction Model Gold or Stocks?

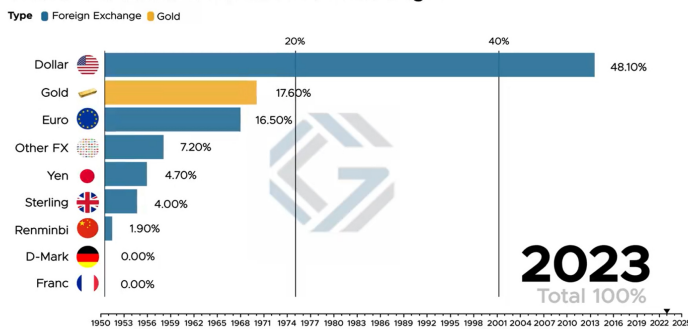
The current level of debt compared to production of the real economy is similar to the situation in the Germanic nations before the world wars in the 1910s, and the situation in France before the French Revolution in the 1790s. In such high debt level scenarios, the likelihood of instability and a deleveraging process is increased. Since gold holdings are normally free from another's liability, the deleveraging process has a far gentler impact on gold prices than, for example, equities. The upcoming deleveraging process can be modelled using coupled differential equations which leads to the expectation that gold will perform better than stocks from 2022 onwards. The model was calibrated in 2019, and has not since been adjusted for new input data.

Based on this data, the peak at which economic activity assets (such as equities) will outperform gold is around Q3 2022. From then on, the model predicts a outperformance of gold towards stocks (light line). When looking at the real data of stock to gold price (dotted line), we see the trend of gold outperforming stocks already began early in 2022. Whether we will experience another countermove or not is currently difficult to predict, but the long term trend for higher gold performance remains clear.



Gold Feature

Global International Reserves in Percentages



Data going as far back as 1899 shows that gold historically made up as much as 90% of global international reserves. This dropped significantly in the 1970s and continued to decline to lows of ~10% in the early 2000s. However, significant central bank gold buying since 2009, gradually grew gold's share of global reserves, and by the end of 2023, gold had overtaken the euro. The US dollar, which has since fallen to 48%, is therefore the next fiat currency likely to be challenged.

The increase in gold prices seen this year will further impact these numbers. For some nations, such as Turkey,

the recent rise in gold prices not only shifted their reserves ratios but has also translated into an increase in total reserves, despite their foreign currency reserves decreasing by 4.3% compared to the previous month, according to their central bank.

The question of whether gold will continue its rally, which is currently in a consolidation phase, is slightly dampened by reports that early June, banks from various nations trading gold futures on COMEX increased their total net short position by 16% to 166,903 contracts, which translates to 44.5% of all open positions. While some of this may be profit-taking, it seems to be in the interest of at least some in the industry to see a drop in gold prices. Nevertheless, the fundamentals that have been driving gold's rally remain firmly fixed and therefore it's likely that gold will resume its ascent once its consolidation, which serves to strengthen higher price levels, is complete.