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Vontobel

Investors' Outlook

Continental breakfast

July 2024

2 Content

Imprint

Publishing by
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8022 Zurich

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Frequency
Ten times per year
(next issue September 2024)

Concept
MetaDesign AG

Creation & Realization
Vontobel

Images
Gettyimages,
Vontobel

Input deadline for this edition
June 26, 2024

Remarks
*See “Analyst confirmation” in
“Legal information” on page 15

Continental breakfast

—
Dan Scott
Head of Vontobel Multi Asset,
Vontobel

Dear readers,

The Old Continent's political landscape came under scrutiny last month after European parliamentary elections. From Germany to the Netherlands and from Italy to Spain, the results showed a significant drift to the right. In France, President Emmanuel Macron called a snap election after the far-right National Rally party gained significant traction. That stirred uncertainty about the country's political course, fanned fears of a "Frexit", and triggered a selloff of French equities, which weighed on other European markets.

Through the lens of an investor, we think Paris (and Europe, for that matter) is a good idea right now. The political development has put pressure on asset prices within the Eurozone. We are tuning in to an overlooked part of the menu: the potential of European stocks. The region's stocks have been lagging behind their US counterparts, with the Stoxx Europe 600 Index struggling to keep pace. They also look relatively undervalued, presenting a good opportunity for investors, in our view. This is one of the reasons why the Vontobel Investment Committee decided to upgrade Eurozone equities to overweight[1] from neutral at its most recent meeting.

Despite widespread focus on discontent and anger, particularly around issues like mass immigration and climate-change policies, as well as concerns over how the shift will affect policies on trade and regulation and market stability in Europe, the center-right continues to dominate the region's parliament. This suggests that the balanced policy approaches are likely to maintain their influence, indicating that the situation in Europe is more stable than it might appear.

A power shift in French parliament could see increased public spending amid an EU deficit procedure. But foreign and defense policy chiefly fall under the presidential purview in the French political framework. Uncertainty around the country's stance on Europe is likely to be contained until the next presidential election, slated for spring 2027.

Across the pond, the US labor market seems to be showing more signs of cooling, losing some of its previous momentum. Job openings have declined, and wage growth is moderating, suggesting that the post-pandemic hiring boom is tapering off. Against this backdrop, the US Federal Reserve (Fed) has signaled just one cut later this year. In a global context, it appears that inflation is no longer much of a problem, as the world has seen price pressures easing to manageable levels. This has been reflected in some central banks moving ahead with rate cuts while the Fed is currently in abeyance, pending more clarity on balancing inflation control and economic growth.

Similarly, this publication will be taking a hiatus for the summer. We'll continue to monitor global market developments and return with a new spread of ideas for our September edition.

Savor the read and enjoy your holiday. Europe is always a good idea.

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

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

—
Frank Häusler
Chief Investment Strategist,
Vontobel

Hustle and bustle

The month of June may not have offered many changes to the macroeconomic menu, with leading global economic indicators moving sideways. However, many major central banks were anything but idle, forging ahead with interest-rate cuts while the Fed stuck to its cautious wait-and-see strategy. Investors, meanwhile, found themselves being served a dish of uncertainty, as European politics cast a shadow over equity markets.

Among those that reduced rates was the European Central Bank (ECB), a move that had been widely telegraphed in the run-up to its June meeting. The Bank of Canada surprised markets by lowering its overnight rate ahead of the expected July cut, and the Swiss National Bank (SNB) delivered its second reduction while lowering its inflation forecasts.

The Fed seems to be in a bit of a dilemma and is sitting on the fence. It reduced the expected rate cuts for 2024 from 0.75 percent to 0.25 percent—signaling just one cut. However, we suspect a second cut is quite possible, as the US economy, and especially its labor market, could be nearing a turning point. Despite remaining strong by historical standards, the first cracks are starting to show. The Bureau of Labor Statistics reported 8.06 million job vacancies in April, the lowest since February 2021[2], and revised the previous month's figure down to 8.36 million. Initial jobless claims, a proxy for layoffs, are also on the rise. A survey by the National Federation of Independent Business revealed in April that small US businesses are dialing back their hiring plans[3].

Over in Europe, we see the recent political tremors and accompanying market jitters as a window of opportunity. The cyclical nature of European equities might just get a boost from the "late-stage mini-cycle" we find ourselves in. We also anticipate a positive turn in European liquidity as the ECB continues to ease monetary policy. Additionally, the region's earnings per share (EPS) dynamics are looking relatively solid, especially when stacked against other regions. Flip to page 5 for more details on our asset allocation.

	UNDERWEIGHT significantly	UNDERWEIGHT slightly	NEUTRAL	OVERWEIGHT slightly	OVERWEIGHT significantly	
1 Liquidity		→				We maintain an underweight position on cash, anticipating that returns from other asset classes will surpass those from cash over a nine- to 12-month investment horizon.
2 Bonds		→				Our view on the fixed-income asset class remains slightly underweight. We believe that the improving macroeconomic environment in the medium term tends to benefit more cyclical asset classes like equities and commodities over fixed income. Nonetheless, we see selective opportunities within sub-asset classes, with an overweight in government bonds and hard currency emerging-market debt. Both investment grade and high-yield bonds stay underweight in our portfolio.
3 Equities				→		We stick to our overweight position in equities. The recent market fluctuations due to political developments in the Eurozone have, in our view, created a buying opportunity. Specifically, concerns over the French elections appear unfounded. Historically, political uncertainties in stock markets tend to be short-lived. Consequently, we have upgraded our stance on cyclically exposed European equities to overweight from neutral following the recent sell-off. The region should benefit from further monetary policy easing by the ECB, enhancing liquidity. The region's corporates' EPS dynamics remain robust, and valuations are attractive to us. To fund this shift, we have downgraded Swiss equities to underweight from neutral due to less favorable EPS momentum and the potential adverse impact of a strong Swiss franc on the country's export-oriented companies. Our other regional positions remain unchanged, with an overweight in the US and a neutral stance on Japan and emerging markets.
4 Gold				→		We continue to favor gold with an overweight position. Gold remains one of the top-performing asset classes in 2024. The recent pause in the rally can be attributed to profit-taking, reassessment of the Fed's future rate path, and slowing central bank demand, particularly from China. Gold's further performance depends on several factors, from future central bank demand, to market expectations of the Fed's policies, or "safe haven" considerations, to name a few. Overall, we believe the positive factors outweigh the negatives.
5 Commodities			→			We hold a neutral view on commodities. We believe a reacceleration of the global economy could boost this cyclical asset class. We also think the market underestimates the potential for stimulus from the Chinese government. In addition, commodities could benefit from increased geopolitical risks, such as a possible escalation of the conflict in the Middle East.
6 Alternative strategies			→			We maintain a neutral stance on alternative funds and real estate. Within alternative funds, we favor insurance-linked securities due to their low correlation with traditional financial markets, as their performance is linked to specific insurance events. This characteristic can help reduce overall portfolio risk.

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

Examining the financial buffet

At the end of last year, we laid out our economic baseline scenario for 2024. At that time, we anticipated a postponed recession, subdued inflationary pressures, and interest-rate cuts by central banks. These predictions have largely materialized.

—
Stefan Eppenberger
Head Multi Asset Strategy,
Vontobel

—
Michaela Huber
Cross-Asset Strategist,
Vontobel

The aggressive interest-rate hikes by global central banks have left their mark on many economies, particularly those sensitive to changes to interest rates (see chart 1). Sweden, one of Europe's wealthiest countries, serves as a prime example. The country has been grappling with falling house prices and sluggish construction activity due to its preference for variable-rate mortgages, leading to a technical recession in the third quarter of 2023[4]. The outlook for 2024 remains challenging: Swedish bankruptcies surged by 72 percent year-on-year in April 2024[5], and the unemployment rate hovered just below 9 percent in May[6]. Similarly, Europe and the UK slipped into recession towards the end of the year.

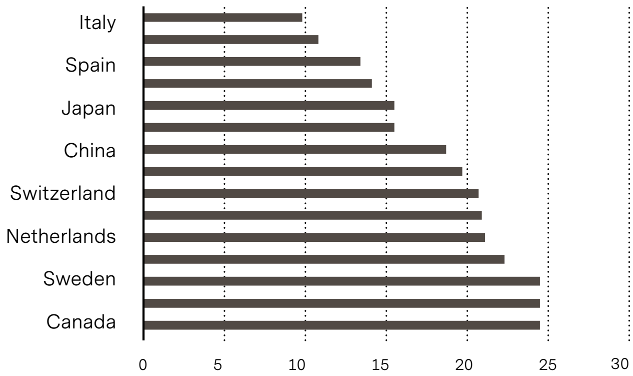
Other countries may have dodged meeting the technical definition of a recession, but there is still little cause for celebration. In Canada, for example, insolvencies in the first quarter of 2024 jumped by 32 percent compared to the previous quarter and 87 percent compared to the same quarter of the previous year[7]. According to a survey by leadership development organization The Executive Committee (TEC), 46 percent of Canadian CEOs believe that Canada is either already in a recession or that a recession is coming[8]. Similarly, the Swiss economy, which remains relatively robust compared to its international counterparts, has been feeling the strain due to its export-oriented economy and the weakness of key trading partners, such as the Eurozone[9].

It is, therefore, unsurprising that these regions in particular have experienced significant declines in inflation in recent months. In Sweden, the consumer price index with a fixed interest rate rose by "only" 2.3 percent year-on-year in May[10], while in the Eurozone, consumer prices increased 2.6 percent[11], and in Canada, 2.9 percent[12].
In the UK, inflation fell to the Bank of England's 2 percent target in May, while in Switzerland, it has remained within the SNB's target range since last year.

Consequently, several central banks have initiated monetary easing measures. The SNB set the precedent by cutting interest rates for the first time in March, followed by a subsequent reduction in June. Shortly after, the Swedish Riksbank (May), the Bank of Canada and the ECB (June) followed suit.

Chart 1: Interest rate-sensitive economies are particularly exposed

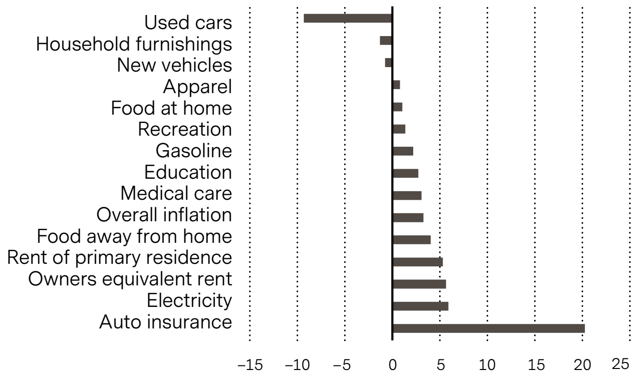
Private debt service ratio (non-financial sector) in %



Source: LSEG, Vontobel; data as of Q4 2023.

Chart 2: Lagging inflation components like auto insurance surged

Selected US inflation components (year-on-year percentage change)



Note: Car insurance inflation is considered a lagging indicator of inflation because changes in car insurance premiums often reflect past data and events. Insurance companies use historical data on claims, accidents, repair costs, medical costs, and other factors to determine their rates. Therefore, when general inflation rises, it takes time for these increased costs to filter through into the data that insurers use to set their premiums. As a result, car insurance inflation tends to respond to changes in general inflation with a delay, making it a lagging indicator.

Source: LSEG, Vontobel; data as of May 2024.

And what about the US?

However, the situation differs in the world's largest economy and the most crucial region for global financial markets—the US. The US economy has coped well with high interest rates, contrary to earlier assumptions, and a recession has not (yet) materialized. This resilience can be attributed to many companies and consumers securing favorable financing conditions, shielding them from the adverse effects of higher interest rates thus far.

Another factor bolstering the resilient US economy is its robust labor market, where high demand for labor outstrips the available supply. This environment has enabled consumers to maintain steady spending habits, providing crucial support to the economy.

The absence of a recession in the US has also resulted in another outcome: Inflation has yet to subside. In May, US consumer prices stood at 3.3 percent, well above the Fed's 2 percent target[13]. This persistent inflation is not only due to housing market shortages, which are driving up service inflation, but also unexpected factors such as significant increases in car insurance prices, soaring by a substantial 20.3 percent year-on-year in May (see chart 2).

As a result, the Fed has taken a notably relaxed stance on interest-rate cuts. During its June meeting, it released updated forecasts that initially appeared somewhat restrictive. On the one hand, the Fed raised its projections for core inflation (2024: from 2.6 percent to 2.8 percent, 2025: from 2.2 percent to 2.3 percent). On the other hand, it scaled back its expectations for interest-rate cuts in 2024, reducing the forecast from 0.75 percent to 0.25 percent, which corresponds to only one interest-rate cut[14].

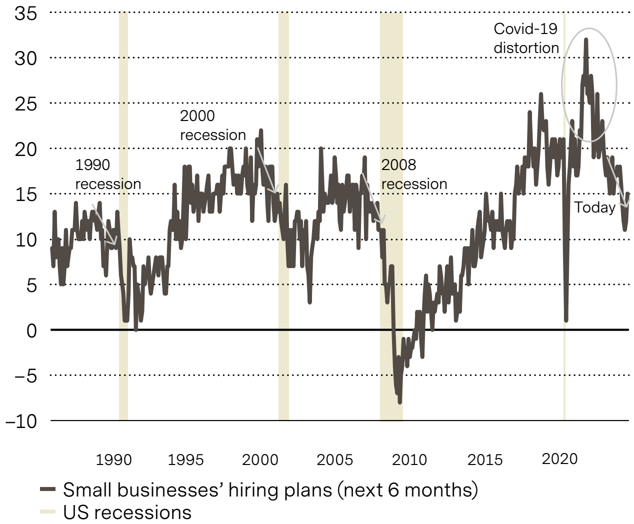
According to a Bank of America survey, almost none of the investors polled anticipate a "hard landing", i.e., a recession (5 percent). A "soft" (64 percent) or "no landing" (26 percent) seems much more likely[15].

What might the second half of 2024 have in store?

In our view, the economy can continue its trajectory for a while longer. However, even the largest economy is bound to encounter limitations eventually. While the US labor market remains historically robust, signs of a slowdown have emerged in recent months. According to the Bureau of Labor Statistics, job vacancies dipped to 8.06 million in April, marking the lowest level since February 2021. Moreover, the previous month's figure was

Chart 3: Hiring intentions have recently dropped, firing people used to be the next step

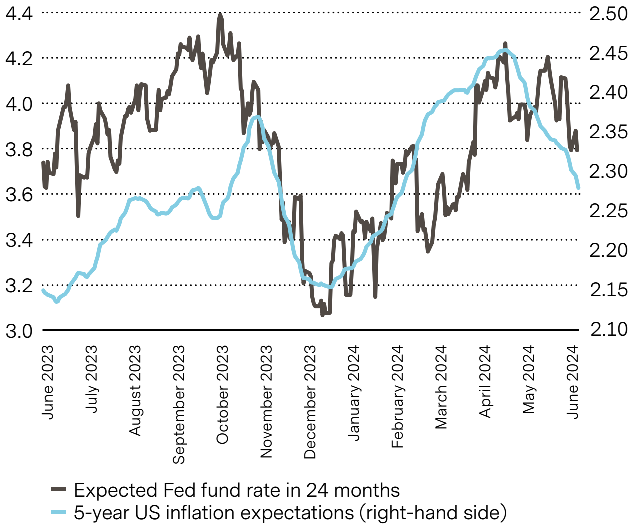
In %



Source: National Federation of Independent Business, Vontobel; data as of June 20, 2024.

Chart 4: Inflation expectations peaked in April, which will also ease the Fed's inflation concerns

In % (both axes)



Source: LSEG, Vontobel; data as of May 28, 2024.

revised downward from 8.36 million. Initial jobless claims, considered a near-real-time indicator of labor market health, have been on the rise[16]. A survey by the National Federation of Independent Business indicates that small US companies are scaling back their hiring plans, a factor that has historically dampened economic growth (see chart 3).

There are signs that consumer strength is waning. According to the US Census Bureau, retail sales edged up by just 0.1 percent in May, following a 0.2 percent decline in April[17]. Data from the New York Federal Reserve paints a similar picture: the proportion of credit card debt overdue by more than 90 days, considered "seriously" overdue, rose to 10.7 percent in the first quarter of 2024, up from 8.2 percent a year ago[18].

Looking ahead to the second half of the year, we believe there's little reason to be overly concerned about US inflation. Firstly, real (inflation-adjusted) interest rates are restrictive, currently standing 7 percent higher than two years ago. Secondly, despite global tensions such as those in the Red Sea, global supply chains appear largely intact, as indicated by the New York Federal Reserve's Global Supply Chain Pressure Index. Thirdly, goods inflation has cooled, with some sectors like automotive even experiencing deflation due to high inventory levels. Fourthly, China, the world's second-largest economy, is exporting lower price pressures globally. Fifthly, US inflation expectations are also well anchored, which should help alleviate the Fed's inflation concerns somewhat (see chart 4).

Regarding monetary policy, we caution against overinterpreting the updated Fed forecasts. Fed Chairman Jerome Powell has emphasized that the Fed's expected future interest-rate path was "a very close call"[19]. He characterized the upward revisions in inflation forecasts as being on the conservative side. Other Fed officials share a similarly cautious but optimistic outlook. Governor Adriana Kugler said that the economy is "moving in the right direction" and if this continues, it will be time to start easing monetary policy "later in the year"[20]. In our view, it appears likely that the Fed will make more than one interest-rate adjustment this year.

Evolving monetary policy expectations as 2024 unfolds

—
Christopher Koslowski
Senior Fixed Income & FX Strategist,
Vontobel

As 2024 began, market expectations leaned heavily towards significant monetary policy easing and numerous rate cuts. The assumption was that inflation would swiftly return to target, paving the way for the Fed to reduce interest rates. However, inflation has proven more stubborn than anticipated, leading to a rapid erosion of those expectations. The Fed confirmed as much in its June meeting with the release of the dot plot.

The most notable change is the adjustment from a median forecast of three rate cuts this year to just one. Looking further ahead, projections now point to an annual easing of 100 basis points in both 2025 and 2026, up from the previous 75 basis points, while maintaining a final target of 3.125 percent for 2026. Traders are now pricing in only one or possibly two rate cuts happening this year (see chart 1).

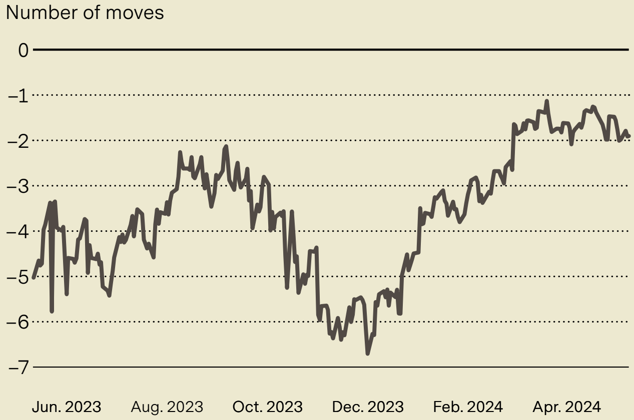
The statement took a slightly more dovish tone, acknowledging "modest further progress" towards the inflation target, a shift from previous concerns over "a lack of further progress". It's also worth noting that the dot plot is fairly balanced: four members foresee no change, seven anticipate one cut, and eight project two cuts. In comparison, the March dot plot had two members favoring no changes, two supporting one cut, five advocating for a 50 basis-point reduction, nine for a 75 basis-point cut, and one for a 100 basis-point cut.

The Fed believes monetary policy is currently restrictive, especially when compared to their assessment of the neutral interest rate, which they consider to be significantly lower. With economic variables trending in the right direction over the past two months, it seems increasingly likely that the Fed will seize the opportunity to ease monetary policy.

Three years ago, investors considering buying Treasuries had very little yield cushion[21]. By mid-2021, a rise of just under 20 basis points in the 10-year yield would have caused losses on a total-return basis. Today, potential buyers of the 10-year note enjoy nearly 60 basis points of protection at current yields. Yields would need to exceed 4.8 percent on the 10-year Treasury for a negative total return over one year (see chart 2).

The case for vigilance in credit markets
Spreads have tightened in recent months, with both investment grade and high-yield nearing lows not seen since the Global Financial Crisis. High-yield option-adjusted spreads suggest robust risk appetite, showing resilience without evident signs of distress. However, amid ongoing economic uncertainty, high-yield bonds face significant potential challenges. Anticipated increases in default rates, coupled with the effects of one of the most aggressive monetary policies, are expected to exert pressure on this market segment.

Chart 1: Market-implied number of Fed moves priced in for 2024



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

Chart 2: 10-year yield cushion over a one-year horizon

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

Weighing two plates

—
Mario Montagnani
Senior Investment Strategist,
Vontobel

US equities reached a new milestone in June, with the S&P 500 Index hitting its 31st all-time high so far this year[22], again driven predominantly by technology stocks. In contrast, Eurozone indexes, which had kept pace with tech-heavy US markets through the end of May, were hit by a perfect storm at the beginning of June. Could this turbulence present buying opportunities? We believe it does.

The US market is going from strength to strength this year. Historically, election years are associated with strong market performance, and 2024 has marked the strongest start to any election year on record[23]. Nvidia alone has contributed almost 40 percent to the year-to-date performance of the index, with the US technology sector overall accounting for more than 50 percent. In June, Nvidia also became the 12th company since 1926 to hold the largest index weighting in the S&P 500 Index, surpassing USD 3 trillion in market capitalization for the first time[24]. This dethroned both Microsoft and Apple.

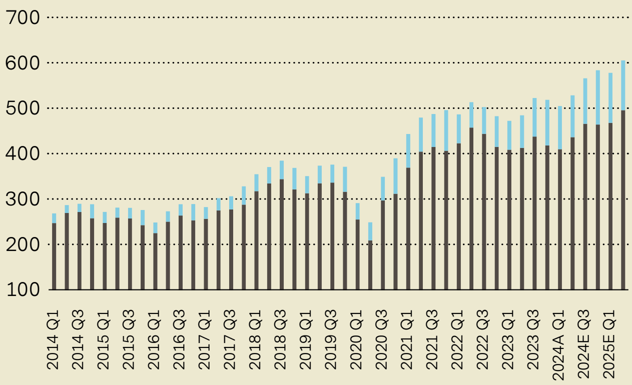
The concentration of market gains among a handful of US stocks, namely Nvidia, Microsoft, Amazon, Meta Platforms, Alphabet and, more recently, Apple, has understandably heightened investor anxiety. However, these stocks have demonstrated exceptional earnings per share (EPS) growth, averaging nearly 40 percent over the last 12 months (see chart 1). This has contributed significantly to the S&P 500 Index's overall gain this year. Moreover, these companies have continued aggressive share repurchasing programs, now accounting for 30 percent of nearly USD 240 billion repurchased for the entire S&P 500 Index in the first quarter of 2024, one of the largest quarterly amounts on record. We feel reinforced in our overweight position on US equities in portfolio allocations.

Regarding Eurozone equities, several issues are at play, ranging from the outcome of French elections, which indicate a strengthening of emerging right-wing sentiments reminiscent of the euro crisis of 2012, to the imposition of tariffs on Chinese electric vehicles that could prompt retaliatory measures. This resulted in market jitters, leading to sizeable capital outflows from the region. We view this situation as an opportunity for several reasons.

Firstly, political developments reflected in stock markets have historically been short-lived. Secondly, we expect a positive liquidity impulse for the region as the ECB continues to ease monetary policy further (see chart 2). This should play in favor of Eurozone equities that are traditionally exposed to cyclical sectors. Thirdly, Eurozone stocks are displaying solid EPS dynamics compared to other regions, coupled with attractive valuations.

Chart 1: Flying high

S&P 500 Index's quarterly net profit (in USD billion)

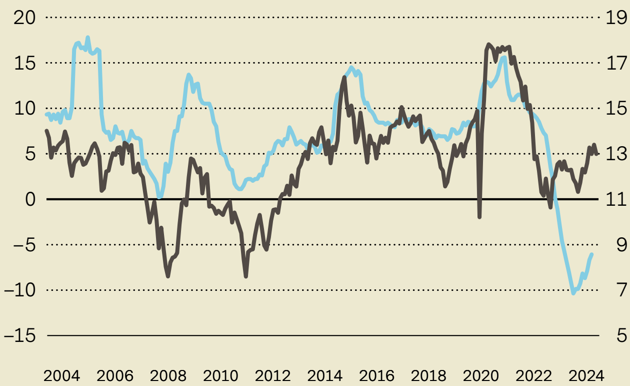


— S&P 500 Index Net profit ex-Top 5 (in USD billion)
— S&P 500 Index Top 5 Net profit (in USD billion)

Source: Bloomberg, Vontobel; data as of June 21, 2024.

Chart 2: Liquidity impulse should improve and support valuation multiples in Eurozone

In % P / E ratio



— MSCI Eurozone 12-month forward P / E ratio (right-hand side)
— Eurozone one-month money supply (year-on-year change in %, left-hand side)

Source: LSEG, Vontobel; data as of June 21, 2024.

Gold—awaiting "King Dollar's" abdication

—
Michaela Huber
Cross-Asset Strategist,
Vontobel

Gold remains one of the best-performing asset classes in 2024. After briefly hitting an all-time high of 2,412 US dollars per ounce in mid-April and approaching that level again in mid-May, prices have taken a breather. Several factors contributed to this pause.

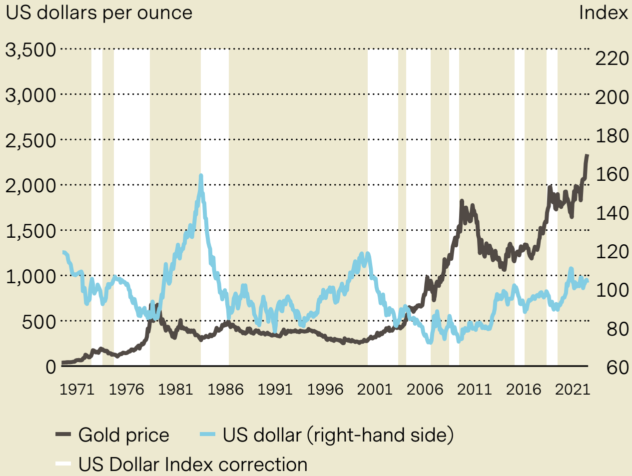
Positive economic news often negatively impacts gold. The combination of resilient economic growth in the US, persistent inflation, and increasingly hawkish rhetoric from the Fed led some investors to anticipate later-than-expected interest-rate cuts. As a non-yielding asset, gold does not generate dividends or coupons like equities or bonds, making it less attractive when interest-rate cuts are delayed.

Is central bank demand slowing down?
Another headwind comes from central banks themselves. Over the past two years, their demand for gold has been strong: in 2022 and 2023, central banks accounted for almost a quarter of annual gold demand. In the first quarter of 2024, they added a further 290 tons (net). However, recent data suggests that central bank demand may be slowing. For example, China, the largest official sector buyer, stopped adding gold to its reserves in May.

Why a small gold overweight may still be a good idea
Gold's future performance hinges on several factors, including, among others, the Fed's inflation fighting credentials, future Fed policy and everything that comes with it (e.g., a weaker US dollar), future central bank demand, as well as "safe haven" considerations. As for the Fed, hopes for US interest-rate cuts are alive and kicking—markets still expect two cuts by the end of 2024. This should eventually lead to a peak in the US dollar. Historically, a peak in the dollar has been positive for gold (see chart 1).

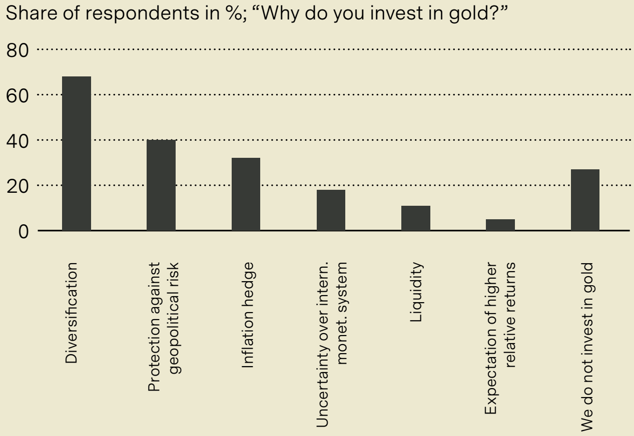
Regarding future central bank demand, we think the longer-term structural story remains intact. The Official Monetary and Financial Institutions Forum's (OMFIF) Global Public Investor 2024 survey[25] suggests that diversification and geopolitical considerations are top of mind for many policymakers (see chart 2). Additionally, central bank holdings in emerging markets are still lower than those in developed markets, suggesting potential for increased central bank demand (especially in emerging markets). On the geopolitical front, we believe a small overweight in gold could be beneficial should unexpected risk events materialize (e.g., Russia-Ukraine, Middle East, US elections).

Chart 1: Dollar peak historically positive for gold



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

Chart 2: Diversification and geopolitics as key drivers



Source: Official Monetary and Financial Institutions Forum's Global Public Investor 2024, Vontobel.

Dollar bears' stomach ache: political turmoil vs. easing inflation

—
Christopher Koslowski
Senior Fixed Income & FX Strategist, Vontobel

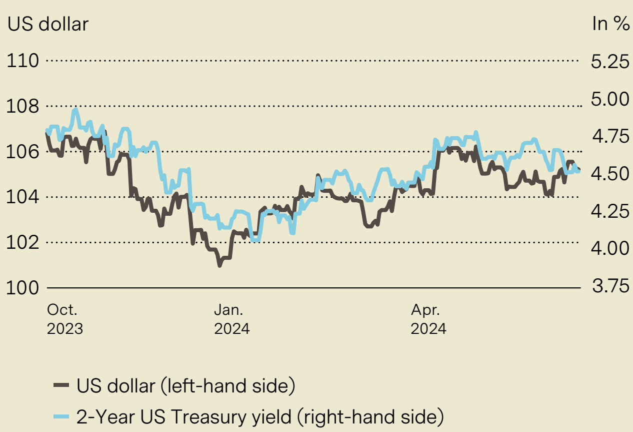
In the coming months, currency markets are poised to be influenced by two critical factors: firstly, encouraging signs of disinflation in the US may embolden the Fed to initiate long-awaited rate cuts; secondly, the potential rise to power of Marine Le Pen's far-right Rassemblement National party in France could spark a clash with Brussels over the trajectory of France's debt.

In the short term, dollar bears are likely to encounter persistent challenges amid political uncertainties that complicate the financial landscape. This added complexity comes at a particularly inconvenient moment, as expectations of easing inflation in the US might otherwise have offered some much-needed relief. We expect the current phase of policy-driven dollar-buying to subside when economic data out of the US shifts and the Fed starts cutting interest rates. We believe there's considerable potential for US short-term yields to decline, which would negatively impact the dollar (see chart 1). The primary risk to our negative US dollar outlook is if the Fed maintains its current interest rates throughout 2024.

Ripple effects of French elections on global markets
Although we usually consider events in Paris to be confined to Paris or, at most, Europe, the current situation has raised concerns for global financial markets more significantly than usual. Chatter about the election possibly steering France away from the European Union (EU) can't be dismissed as mere conjecture, especially in light of the precedent set by Brexit. The euro is confronted with a rapidly deteriorating political situation that would normally prompt investors to abandon the currency. The prospect of France leaving the EU, known as "Frexit", has unexpectedly become a real worry, unsettling financial markets sensitive to this kind of political uncertainty. In terms of performance, the euro has rebounded from its lows in mid-April but is now relinquishing some of its gains this month (see chart 2).

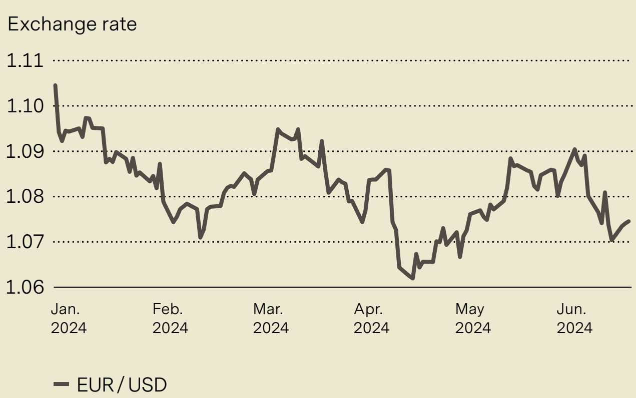
Political instability in France has intensified scrutiny of its financial health. Although traditionally seen as part of Europe's economic core, France's debt and deficit dynamics are now, in many ways, more concerning than those of peripheral nations. Until the results of the final round of voting on July 7, the euro could remain under pressure.

Chart 1: Anticipating a drop in short-term yields



Source: Bloomberg, Vontobel; data as of May 24, 2024.

Chart 2: The euro's rebound from yearly lows



Source: Bloomberg, Vontobel; data as of June 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	2.5	2.7	2.6
Eurozone	3.4	0.4	0.4	0.7	1.4
USA	1.9	2.5	2.9	2.4	1.8
Japan	1.0	1.9	–0.1	0.3	1.1
UK	4.5	0.3	0.2	0.7	1.2
Switzerland	2.7	0.7	0.8	1.2	1.5
Australia	3.8	1.9	2.1	1.3	2.2
China	3.0	5.2	5.3	4.9	4.5

INFLATION	2022	2023	CURRENT[2]	2024 CONSENSUS	2025 CONSENSUS
Global (G20)	7.5	4.4	5.7	5.1	3.1
Eurozone	8.4	5.5	2.6	2.4	2.1
USA	8.0	4.1	3.3	3.2	2.4
Japan	2.5	3.3	2.8	2.4	1.9
UK	9.1	7.3	2.0	2.6	2.2
Switzerland	2.8	2.2	1.4	1.4	1.1
Australia	6.6	5.7	3.6	3.4	2.8
China	2.0	0.2	0.3	0.7	1.5

KEY INTEREST RATES (IN %)	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR	2.50	4.50	4.25	3.35	2.65
USD	4.50	5.50	5.50	5.30	4.40
JPY	–0.10	–0.10	0.08	0.06	0.28
GBP	3.50	5.25	5.25	4.95	3.95
CHF	1.00	1.75	1.25	1.14	0.97
AUD	3.10	4.35	4.35	4.20	3.60
CNY	3.65	3.45	4.35	4.25	n.a.

GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR (Germany)	2.6	2.0	2.40	2.31	2.24
USD	3.9	3.9	4.25	4.33	4.02
JPY	0.4	0.6	1.00	1.07	1.23
GBP	3.7	3.5	4.06	3.92	3.62
CHF	1.6	0.7	0.65	0.77	0.79
AUD	4.1	4.0	4.22	4.19	3.92

FOREIGN EXCHANGE RATES	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
CHF per EUR	0.99	0.93	0.96	1.00	1.00
CHF per USD	0.94	0.84	0.89	0.92	0.90
CHF per 100 JPY	0.72	0.60	0.56	0.61	0.62
CHF per GBP	1.12	1.07	1.13	1.18	1.16
USD per EUR	1.06	1.10	1.07	1.09	1.11
JPY per USD	130.00	141.00	160.00	150.00	145.00
USD per AUD	0.67	0.68	0.67	0.68	0.69
GBP per EUR	0.88	0.87	0.85	0.86	0.85
CNY per USD	6.91	7.10	7.26	7.20	7.18

COMMODITIES	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
Brent crude oil, USD per barrel	86	77	85	85	79
Gold, USD per troy ounce	1,824	2,063	2,330	2,330	2,200
Copper, USD per metric ton	8,372	8,559	9,683	9,500	9,985

[1] Latest available quarter
[2] Latest available month, G20 data only quarterly
Source: Vontobel, respective statistical offices and central banks; as of June 24, 2024

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Glossary and sources

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

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