



# Market Watch. Arion Capital.

April 2025

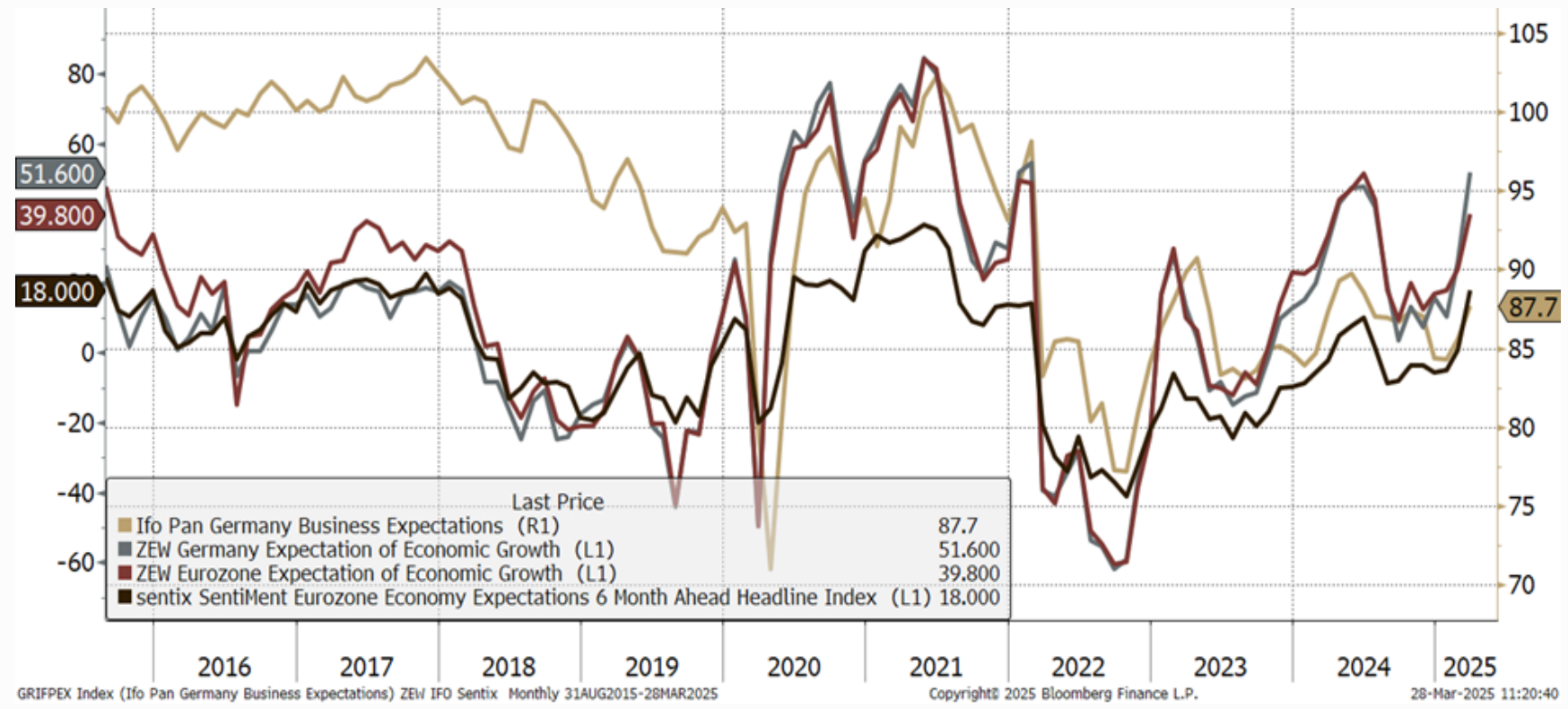


# US Recession Risk? Eurozone Outlook Boosted by Stimulus

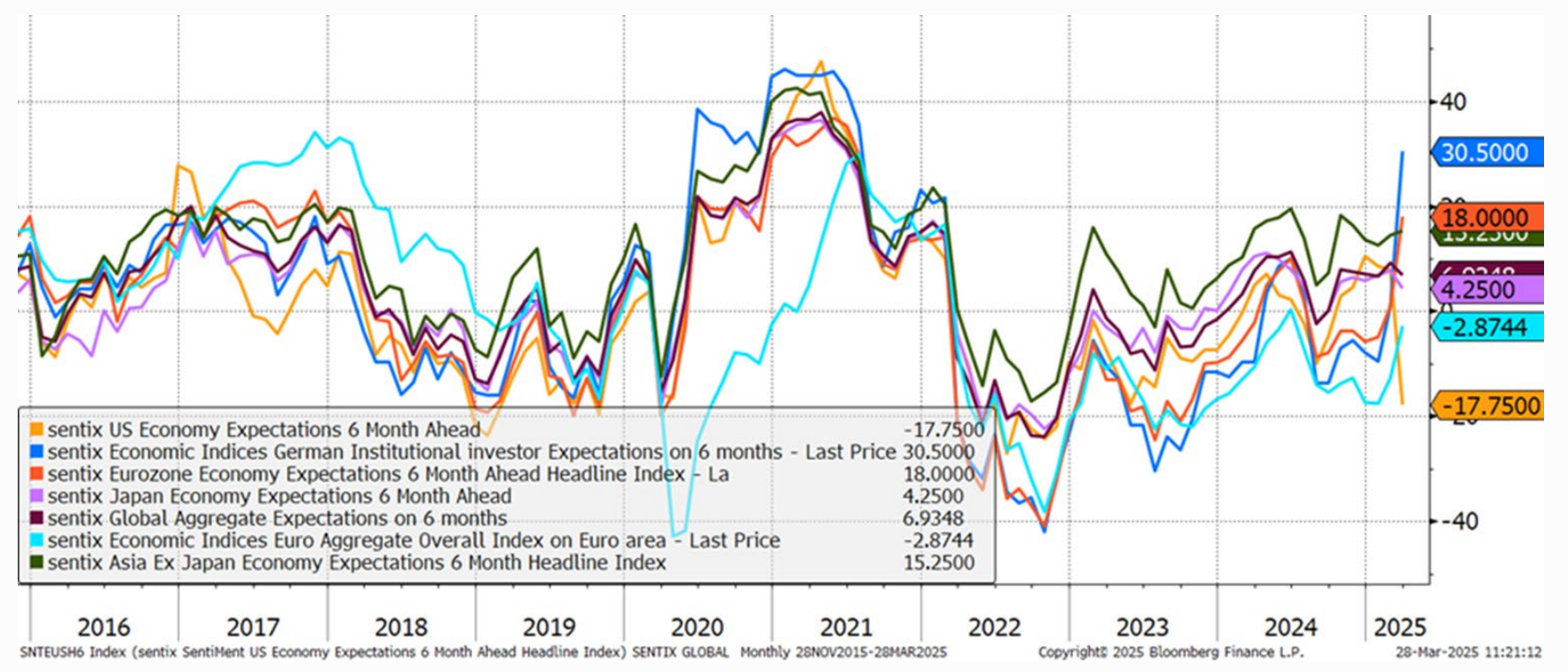


- The outlook for the U.S. economy is highly uncertain. Leading indicators, such as the PMIs and the Atlanta FED GDP Nowcaster, signal a sharp decline in growth. It remains to be seen how much of the announced tariffs will actually be implemented, but President Trump has succeeded in unsettling markets and fueling significant uncertainty
- The Fed's inflation concerns are now reflected in the markets, as the latest U.S. core PCE data not only rose by 0.2% but also edged closer to 3% rather than 2%. While this was not entirely surprising, the real concern lies in how the data will evolve once tariffs are implemented. As a result, it seems highly unlikely that the Fed will implement two rate cuts by the end of the year.
- The situation in the Eurozone is quite different. The announced stimulus has fueled optimism for a significant improvement in the economic outlook, as reflected in indicators like the ZEW and Sentix.

## Strong Eurozone and German Leading Indicators



## Sentix Indicator Rises Globally, but US Declines

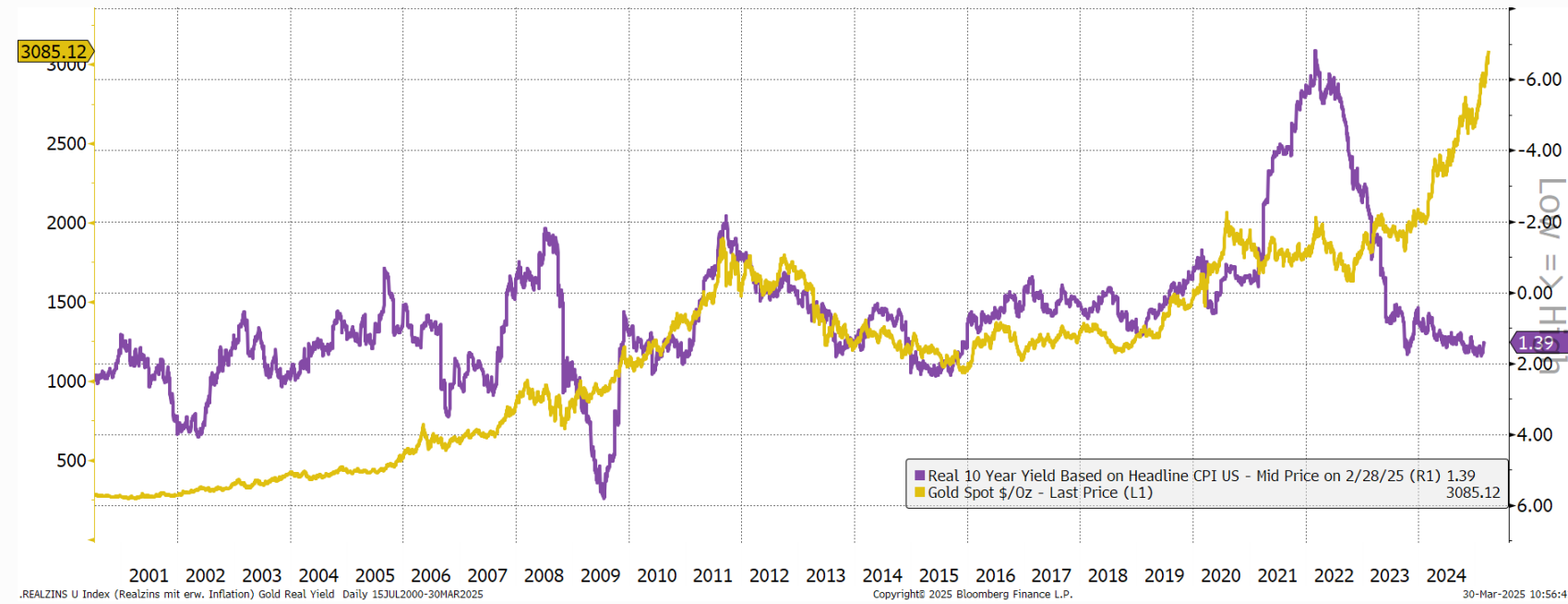


- In Germany, both the Bundestag and the Bundesrat have agreed to significantly increase fiscal spending in the coming years. It remains uncertain whether the new government will use this additional spending power wisely and implement the long-overdue reforms. However, recent announcements to impose higher taxes on investments in equities and, more recently, in crypto assets suggest a direction contrary to what is needed.
- This has led to a more modest outlook for rate cuts by the ECB. While this may stimulate the economy, there is also the looming threat of new tariffs and the risk of rising prices, as reflected in the inflation data
- For the Swiss economy, it's unlikely we'll see a zero policy rate this year. The Swiss franc has weakened against the euro, and Switzerland may benefit from the Eurozone's stimulus package. However, there are also both direct and indirect effects from U.S. tariffs. For example, if German companies export fewer cars to the U.S., Swiss suppliers of car parts could be negatively impacted

# Markets in 2025: Currencies, Commodities, Equity & Bond Indices



## Gold Has Decoupled from Real Yields Due to Geopolitical Turbulence



## 12-Month EPS Estimates Rise as S&P 500 Pulls Back; Gap to Close



Bonds	March 2025	YTD 2025
Swiss Bond Index (SBI) AAA-BBB	-0,99%	-1,73%
Bloomberg Barclays Global-Aggregate TR	0,51%	2,5%
Bloomberg Barclays Euro Aggregate Corporate TR	-0,88%	0,2%
Bloomberg Barclays Pan-European High Yield TR	-0,88%	0,9%
Bloomberg Barclays US Corporate High Yield TR	-0,95%	1,1%
Bloomberg Barclays Sterling Corporate TR	-1,26%	0,6%
Bloomberg Barclays China Aggregate TR	-0,16%	2,0%
Bloomberg Barclays Asia USD High Yield TR	0,66%	3,2%
Bloomberg Barclays Global High Yield TR	-0,88%	0,9%
JPM Emerging Market Global Bond	-0,57%	2,3%

Equities	March 2025	YTD 2025
Nasdaq-100 Index	-7,6%	-8,9%
S&P 500 INDEX	-6,2%	-5,2%
Dow Jones Industrial Average	-5,0%	-1,9%
MSCI World Index	-4,2%	-1,8%
MSCI Emerging Markets Index	2,4%	4,5%
EURO STOXX 50 Price EUR	-2,3%	10,0%
SMI	-0,1%	12,0%
SPI	-0,3%	10,5%
SMIM	-1,2%	4,9%
DAX	-0,4%	12,8%
FTSE 100	-1,2%	7,7%
Hang Seng Index	2,5%	17,7%
Shanghai Shenzhen CSI 300 A-Shares	0,6%	-1,9%
Nikkei 225	0,7%	-6,1%

Commodities	March 2025	YTD 2025
Gold	8,0%	18,4%
Silver	9,6%	17,8%
Copper	13,6%	25,3%
WTI	-0,6%	-2,3%
BRENT	0,6%	-1,0%
Bloomberg Comodity Index	3,3%	8,1%

Currencies	March 2025	YTD 2025
CHFEUR	1,8%	1,4%
CHFUSD	2,5%	2,8%
CHFGDP	-0,4%	-0,4%
EURUSD	4,4%	4,2%
EURGBP	1,4%	1,0%
GBPUSD	2,9%	3,1%
XBTUSD	0,4%	-10,4%



# European Equities continue to outshine US equities



## Liquidity

The Swiss franc gained significantly against the USD but weakened slightly against the EUR, as expectations for ECB rate cuts diminished.

The euro strengthened against the USD and, to a lesser extent, against the CHF.

The DXY dollar index has been in a downtrend since President Trump intensified the trade war. While this outcome aligns with his objectives, it poses a risk to the USD, threatening its position as the dominant global trading currency

## Equities

U.S. equities are approaching correction territory, driven by fears of a recession and rising inflation. However, such high levels of market fear typically lead to mean reversion. The unpredictability of Trump's tariff policy, though, suggests more turbulence ahead. Despite this, the U.S. earnings outlook remains resilient, supporting equities in the medium term, and valuations have dropped.

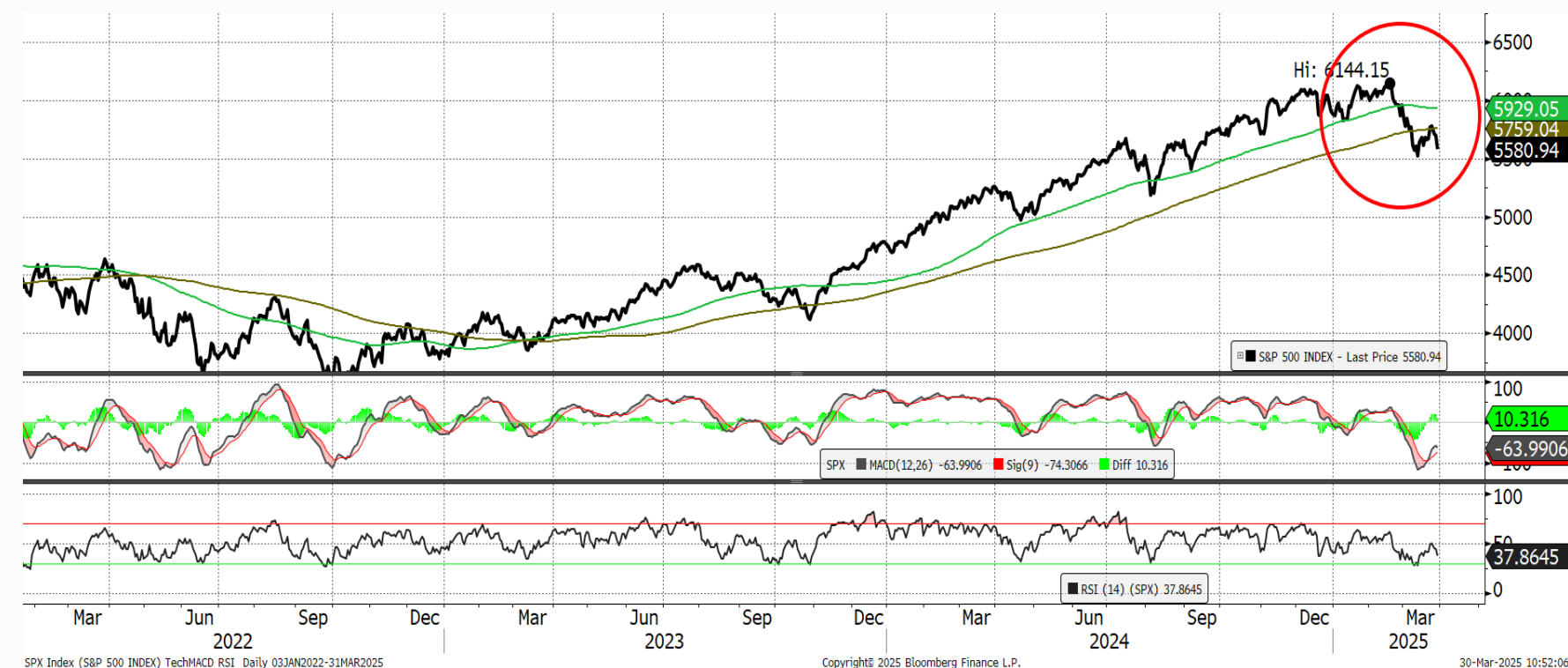
The key question remains: Are we entering a bear market, or is this just a correction? Technically, it's still a correction, but due to Trump's erratic behavior, it's hard to make a definitive call.

Meanwhile, European equities have outperformed U.S. equities for the third consecutive month. The recently announced Eurozone economic stimulus program could fuel further gains, but only if the U.S. finds a bottom

## Fixed Income

The U.S. 10-year government bond yields decreased in March, driven by concerns over a potential U.S. recession, despite rising inflation data. Meanwhile, USD corporate spreads have widened, reflecting the increased risk of defaults due to the ongoing global trade war. At the same time, expectations for Federal Reserve rate cuts have diminished, with the possibility of no cuts for the remainder of the year.

## S&P 500 failed to regain 200-day average



## Alternative Investments

Gold Continues to Climb as Tariff Threats and Rising US Inflation Expectations Drive Prices Higher; USD 3250 Target Possible.

Bitcoin Regains USD 80,000 Mark, Seeks a Bottom; Massive Outflows from US ETFs Fail to Drive Prices Lower.

Copper Surpasses USD 10,000, Signaling Improved Economic Outlook and Insufficient Supply for the Green Revolution

Oil Prices Mean-Reverted in March, Driven by Geopolitical Tensions; Further Rise Technically Supported.



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