



Market Watch. Arion Capital.

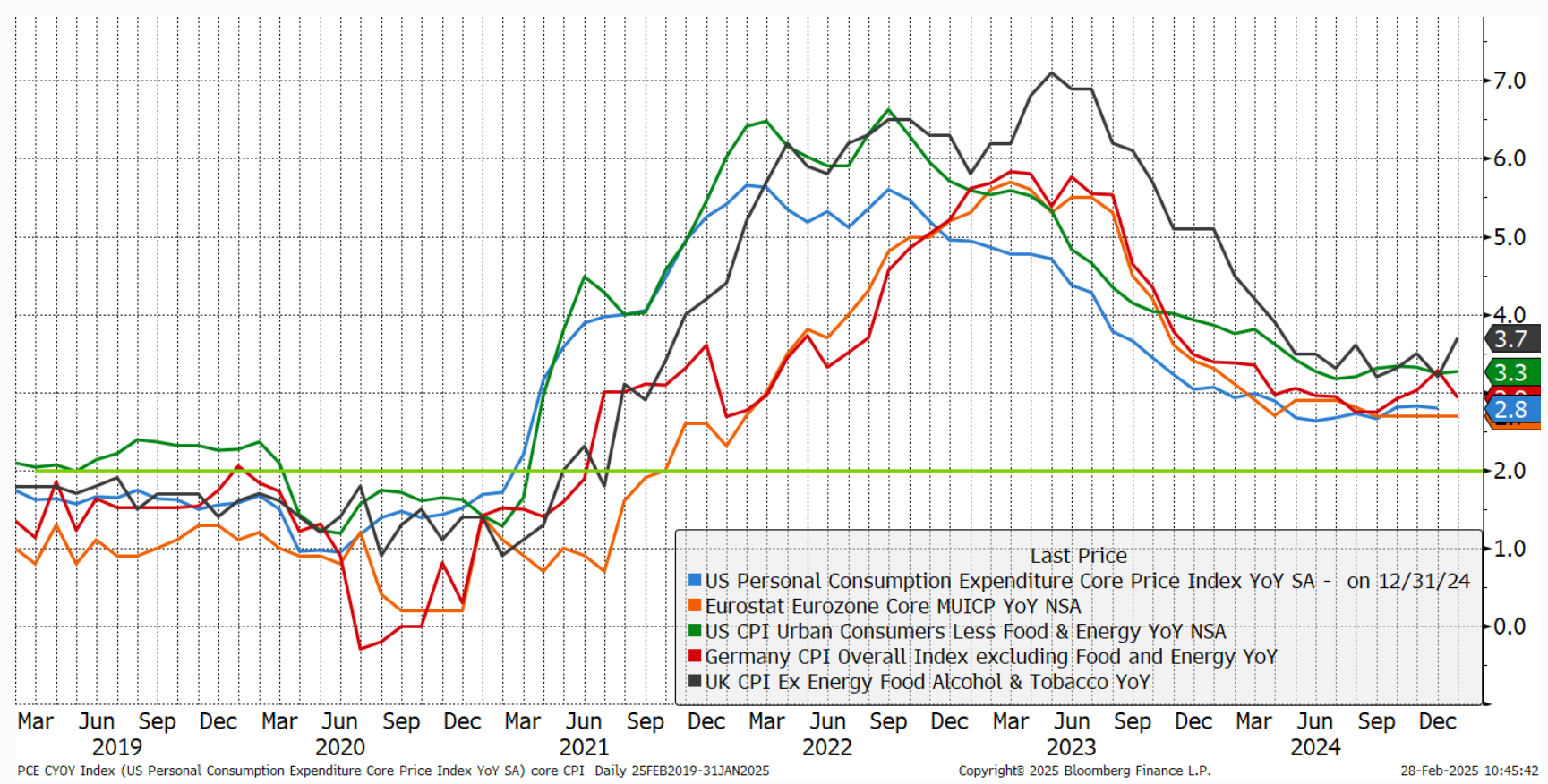
March 2025

Surprisingly Strong Economic Indicators Signal Acceleration in Global Economic Growth

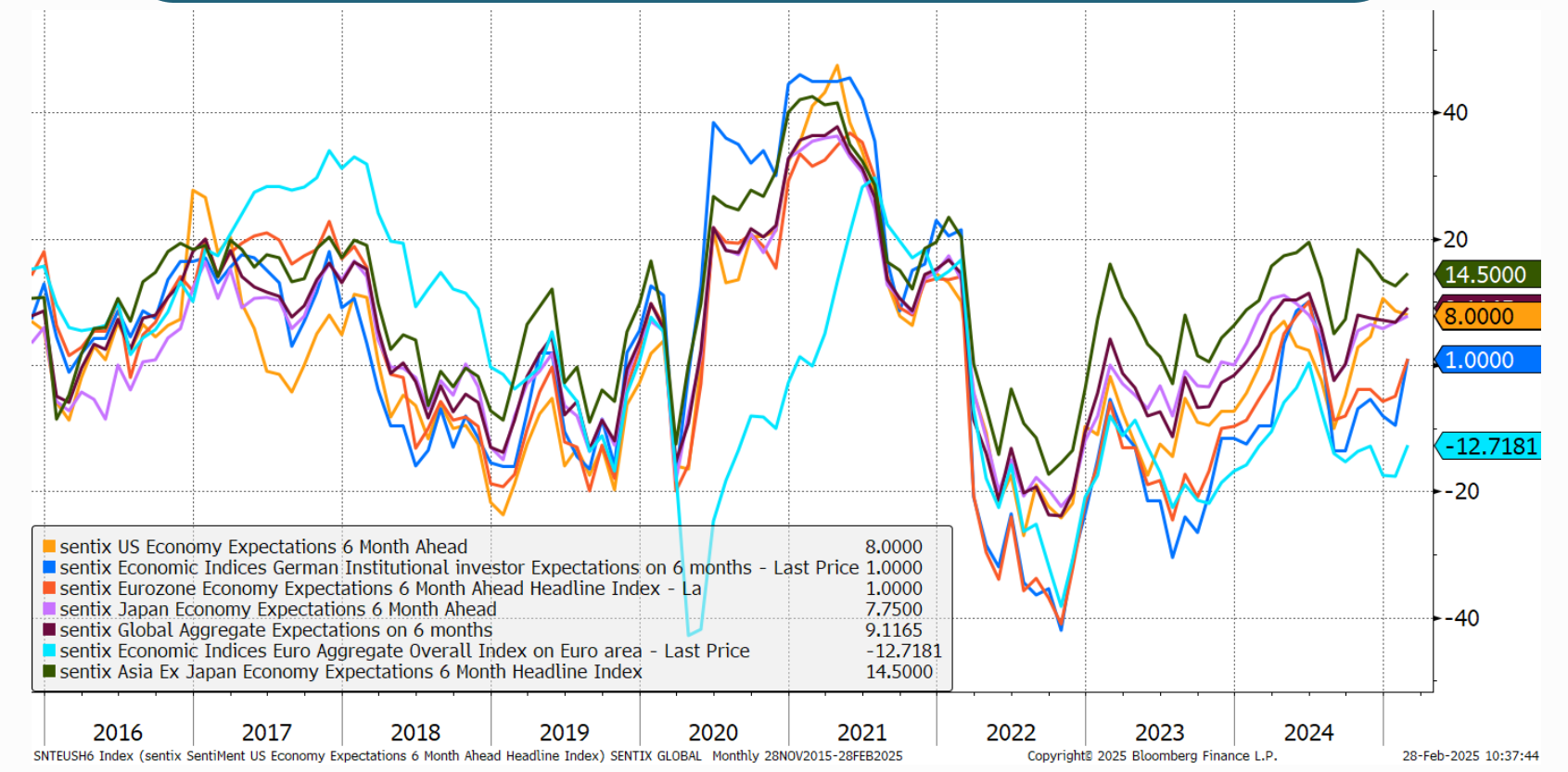


- ✦ The U.S. economy is expanding at a healthy pace, but recent sentiment indicators show mixed signals. On the positive side, the Sentix indicator and industrial flash PMI are strong. However, the service sector is facing challenges due to government job cuts.
- ✦ The Fed has shifted its inflation narrative from "we are almost there" to "inflation is the biggest concern for a majority of FOMC members." However, markets reacted without major swings. Since this announcement, Treasury yields have trended lower, disregarding the inflation concern. This is particularly surprising given that the number of Fed rate cuts will be limited, with the next move likely delayed until Q2.
- ✦ The rate paths for the ECB and SNB differ from the Fed. Both are expected to cut by another 25 bps in March. Unlike our last publication, the ECB may cut an additional 50 bps by mid-year, one step less than previously anticipated, leaving the SNB room to delay a cut to zero percent.

Core Inflation Remains Stubbornly Above 2%



Sentix Indicator Surprises with Global Rise

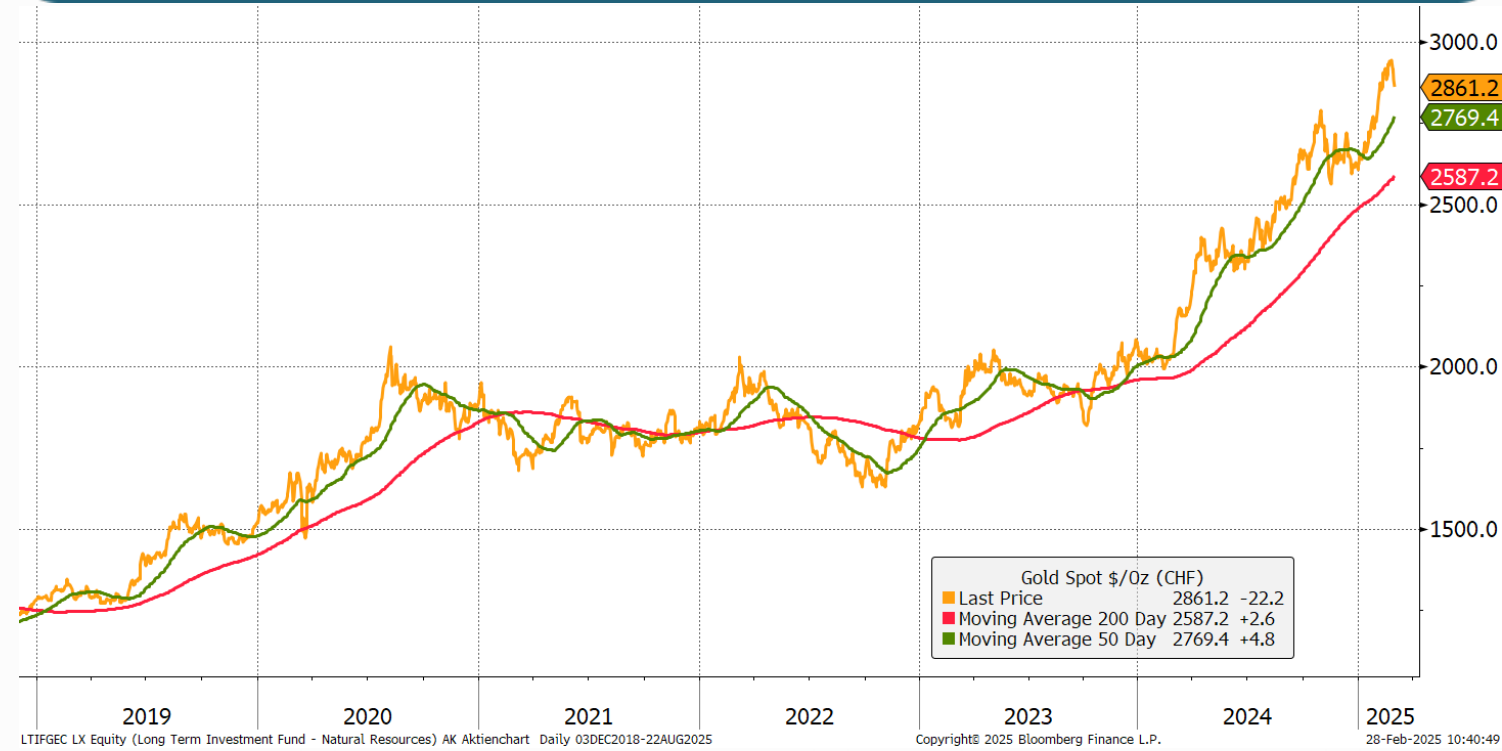


- ✦ Tariffs and trade deals will be the next major theme on the agenda of major governments, as Trump threatens all counterparts with them. However, he leaves room for negotiations to reduce taxes if more U.S. products are purchased by their trading partners.
- ✦ In China, we're seeing a significant rise in real estate prices. Additionally, Chinese tech is gaining traction following the announcement of DeepSeek's AI language model, which competes with Western models while using fewer computing resources. Moreover, Tencent announced that its newest chip is competitive with Nvidia's top model.
- ✦ The known unknown is the impact of U.S. tariffs on global and U.S. growth, as well as on inflation or price level increases. Estimates vary widely, but we must expect that if no deals are reached, growth could be hit, while inflation will rise further in affected countries.

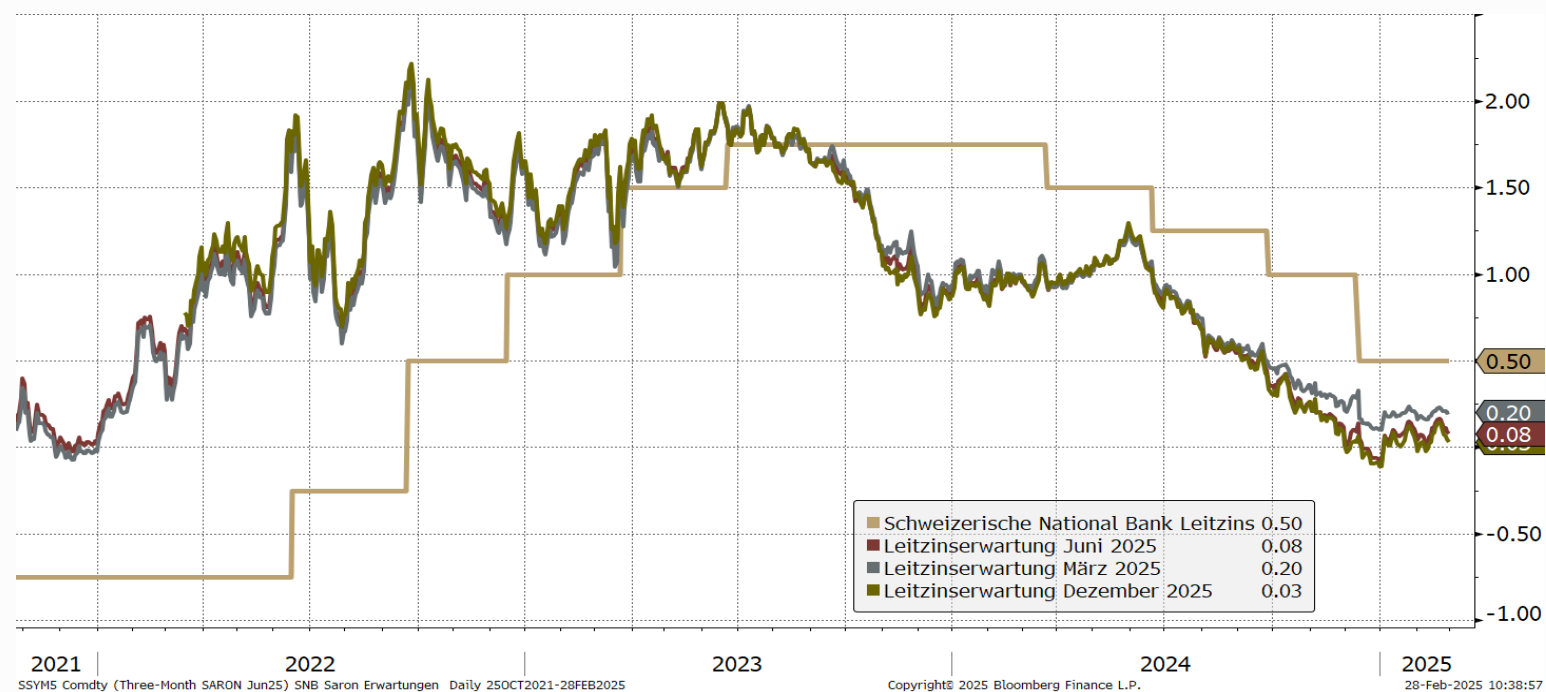
Markets in 2025: Currencies, Commodities, Equity & Bond Indices



Max 2 rate cut by the Fed until year end



SNB : The Market expects policy rate to stay above zero



Bonds	Feb. 25	YTD 2025
Bloomberg Global-Aggregate TR	1,3%	1,9%
Bloomberg Euro Aggregate Corporate TR	0,6%	1,0%
Bloomberg Pan-European High Yield TR	1,2%	1,7%
Bloomberg US Corporate High Yield TR	0,6%	2,0%
Bloomberg Asia USD High Yield TR	2,3%	2,4%
Bloomberg Global High Yield TR	0,8%	2,2%
JPMorgan EMBI Global	1,5%	2,8%

Equities	Feb. 25	YTD 2025
Nasdaq-100 Index	-4,3%	-2,1%
S&P 500 INDEX	-2,9%	-0,2%
MSCI World Index	-1,7%	1,8%
MSCI Emerging Markets Index	3,0%	4,8%
EURO STOXX 50 Price EUR	3,7%	12,1%
Swiss Market Index	2,9%	11,7%
Deutsche Boerse AG German Stock Index	3,8%	13,3%
FTSE 100 Index	1,4%	7,7%
Hang Seng Index	17,3%	18,7%
Shanghai Shenzhen CSI 300 Index	4,0%	1,1%
Nikkei 225	-3,3%	-4,0%

Commodities	Feb. 25	YTD 2025
Gold	2,8%	9,6%
Silver	-0,6%	7,4%
Copper	3,8%	7,1%
WTI	-3,0%	-1,9%
BRENT	-3,5%	-0,8%
Bloomberg C. Index	2,3%	6,3%

Currencies	Feb. 25	YTD 2025
CHFEUR	-0,6%	-0,2%
CHFUSD	1,3%	0,9%
CHFGBP	-0,4%	0,2%
EURUSD	0,4%	0,4%
EURGBP	-1,3%	-0,3%
GBPUSD	1,7%	0,7%
XBTUSD	-17,5%	-10,1%

European Equities continue to outshine US equities



Liquidity

The Swiss franc traded sideways against the EUR and USD over the last month. As U.S. tariffs approach, the USD has slightly strengthened, while the euro has not.

The euro has traded sideways against the USD. We may see short-term USD strength.

The DXY dollar index has started to rise after a minor pullback since mid-January. With the ECB expected to cut rates in March while the Fed pauses, we anticipate the USD will not only rise slightly against the euro but also that the DXY will continue to appreciate.

Equities

Global equities are up year-to-date, but according to the AAll Investor Sentiment Indicator, bearish sentiment is at the second-highest level of this century, even as the S&P 500 trades just below its all-time high.

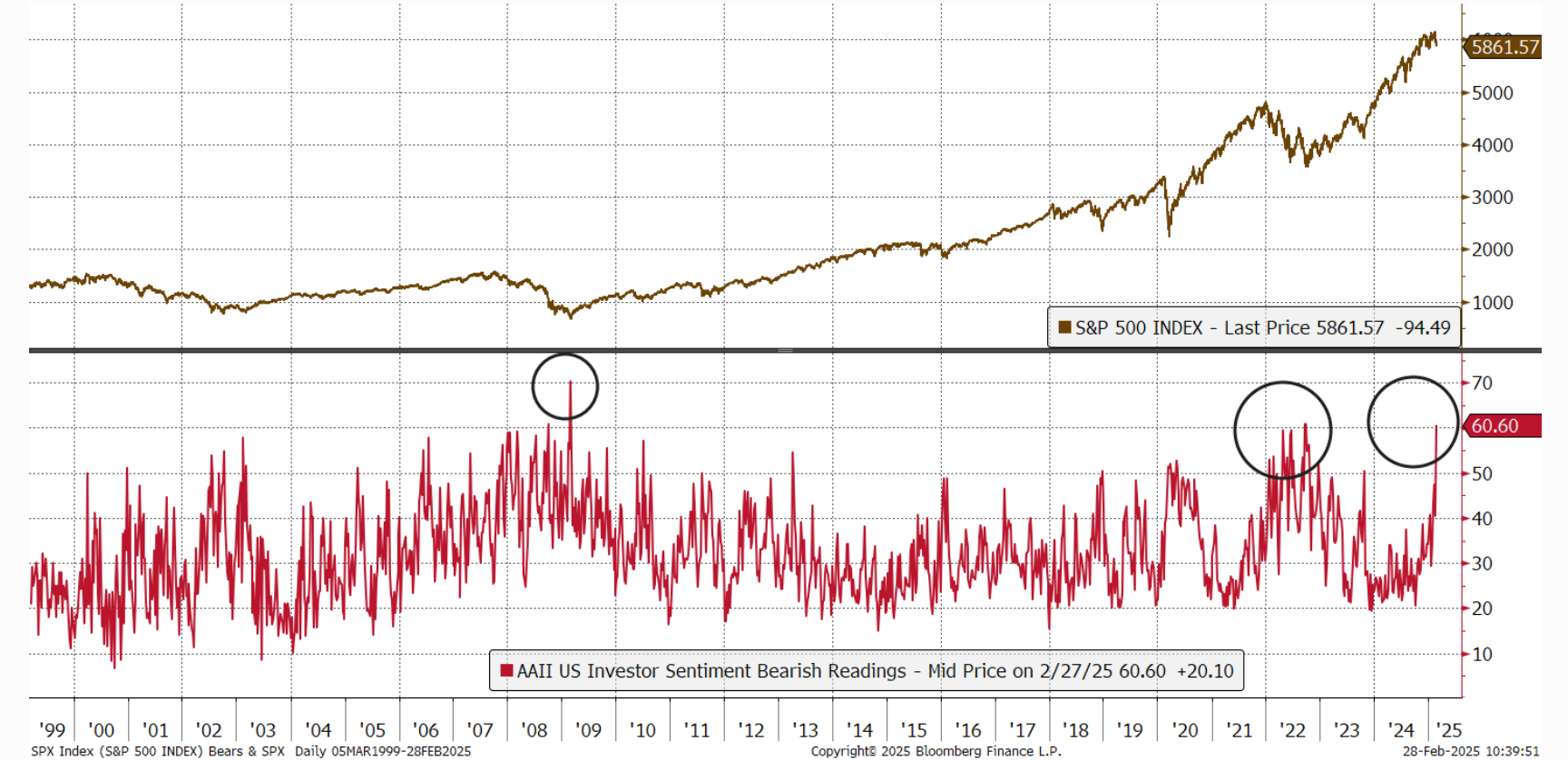
Additionally, the CNN Fear & Greed Index is in the "Extreme Fear" zone. This is counterintuitive. However, historically, during the first year of a new U.S. presidency, the second half of February is typically a weak period, followed by a rebound in March. The first part of this pattern has, at least in the U.S., materialized. Let's see if the second part will follow suit. We expect the bearish sentiment to mean-revert, which could lead to a rise in the index.

Meanwhile, European equities are outperforming U.S. equities for the second consecutive month. While slightly better-than-expected business indicators have been priced in, bottom-up earnings per share (EPS) estimates have not yet risen significantly.

Fixed Income

The U.S. 10-year government bond yields continue their rollercoaster ride. After rising to almost 4.6%, we now see a mean reversion, with yields back below 4.25% as of this writing. This is surprising, given that the Fed recently acknowledged that inflation might stay above its 2% target for longer than previously forecast. The narrative has shifted, and the Fed may be preparing the public for a prolonged period of elevated inflation. However, markets have taken this in stride, with little surprise.

S&P 500 near record highs, but bearish sentiment is extreme



Alternative Investments

Gold has reached new record highs, testing the \$2,950 area. Erratic news flow from the Oval Office and global tensions are supporting higher prices.

Bitcoin has broken out of its trading range and recently fell below \$80,000. From a technical standpoint, further downside toward \$70,000 cannot be ruled out. However, with more inflows expected into U.S. spot ETFs, higher prices are likely on the horizon.

Oil prices continued to decline in February, returning to levels last seen in December. This is surprising, as tariffs will also impact crude imports to the U.S., and the global growth outlook is improving. We expect a sideways price pattern over the coming weeks.



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Arion Capital

Arion Capital

Landstrasse 40 · 9495

Triesen

Liechtenstein

Tel. **+423 340 31 99**

info@arion.li

www.arion.li

