FK Market Commentary

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Dear clients of Finanz Konzept AG, dear readers!

The first half of 2024 saw notable performance in both stocks and bonds. Big Tech stocks, led by companies like Nvidia, Meta, and Alphabet, surged due to the growing demand for AI technologies and optimistic economic indicators. Nvidia's success, particularly with its AI platform 'Blackwell,' briefly made it the most valuable company. Meanwhile, the bond market faced a more mixed outlook. Optimism surrounding potential interest rate cuts initially boosted the market, but ongoing uncertainties and cautious central bank signals tempered enthusiasm. High-quality bonds, especially those with intermediate durations, performed well, while corporate bonds outpaced Treasuries due to higher yields. Despite inflation slowing, geopolitical risks and central bank caution kept bond markets on edge. Investors remain watchful as the second half of the year unfolds.

The Forex market was marked by significant fluctuations, especially in the performance of major currencies. The Swiss franc remained strong, driven by global uncertainty and its status as a safe-haven currency, while the U.S. dollar weakened due to speculation about potential interest rate cuts and the Federal Reserve's moderate policies. The euro gained slightly against the dollar, supported by the European Central Bank's restrictive stance, though inflation concerns in southern Europe dampened confidence.

In the commodities market, oil prices initially surged following OPEC+ production cuts, but later moderated due to increased U.S. output and eased sanctions on Venezuela and Iran. Gold saw strong gains, rising by 6.3%, as geopolitical tensions and economic uncertainties fueled its status as a safe-haven asset. Industrial metals like copper and aluminum also performed well, benefiting from China's economic recovery and demand for infrastructure projects. However, continued geopolitical risks and climate challenges created an uncertain outlook for the commodities market in the second half of 2024.

We wish you a thrilling read!

Yours sincerely

Lars Oberle

Director of Finanz Konzept AG

·INTERNATIONAL·
INVESTOR
AWARD WINNER 2020
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Money- and Capital Markets Capital market interest rates in % (10-year government bonds)

	31.12.23	30.09.24	6 M	12 M
CHF	0.701	0.405	↘	↘
EUR (DE)	2.028	2.132	↗	↗
GBP	3.539	4.007	↗	↘
USD	3.866	3.787	↗	↗
JPY	0.616	0.857	↗	↗

- Policy rates have started to come down
- The Japanese policy rate increased substantially

We recommend:
- For safer returns, hold assets in CHF due stable and low rates
- Rising rates in the other currencies invite to invest for higher yields in the medium to long term

Stock Markets Indices

	31.12.23	30.09.24	6 M	12 M
SMI	11'138	12’169	↗	↗
EUR STOXX 50	4'521.4	5'000.4	↗	↗
FTSE 100	7'733.2	8'236.9	↗	↗
S&P 500	4'769.8	5'762.5	↗	↗
Nikkei	33'464	37’920	↗	↗
DAX	16'752	19’325	↗	↗

- The upward trend continues in the major stock markets
- China remains on a similar level after real estate crisis

We recommend:
- Increase exposure to the DAX due to strong performance, which is projected to continue
- For more diversified exposure, consider the EUR STOXX 50, which offers potential growth, but monitor it closely

Forex Markets Currencies

	31.12.23	30.09.24	6 M	12 M
EUR / CHF	0.929	0.942	↗	↘
EUR / USD	1.104	1.114	↘	↘
EUR / JPY	155.65	159.88	↘	↘
GBP / CHF	1.071	1.131	↗	→
USD / CHF	0.842	0.845	↗	→

- A very strong Swiss franc keeps posing difficulties for the Swiss economy
- The yen has seen sharp volatility this year

We recommend:
- The EUR/USD decline invites to hedge against further euro weakness against the US dollar in the short term
- Closely monitor EUR/JPY positions

Commodities in USD

	31.12.23	30.09.24	6 M	12 M
Crude WTI (USD)	71.65	71.29	↗	↗
Gold (USD)	2'062.6	2'635.7	↗	↗
Silver (USD)	23.76	31.24	↗	↗
Platinum (USD)	987.25	978.90	↗	↗

- The oil price has risen (partly) due to the conflicts in the Middle East
- Gold and silver show the most notable rises

We recommend:
- Holding gold and silver is recommended, as they pose as safe-haven assets
- Hold but monitor oil, as global demand and geopolitical factors my drive prices further up.

Crypto-Markets

	31.12.23	30.09.24	6 M	12 M
BTC (USD)	42’505	62’993	↗	↗
ETH (USD)	2’281.5	2'584.9	↗	↗
XRP (USD)	0.6189	0.6094	↘	→
SOL (USD)	101.21	152.10	↗	↗
LTC (USD)	73.72	66.39	↗	↘

- The performance of cryptocurrencies has been mixed
- Bitcoin experienced an immense absolute increase

We recommend:
- Monitor any cryptocurrency closely as volatility remains high
- Invest in Bitcoin and Ether, as they show a strong performance

Big Tech's Resilience and Growth

Big Tech has maintained its strong upward trajectory in the first half of 2024, continuing the impressive growth seen in 2023. The "Magnificent 7," the seven largest tech companies on the Nasdaq, now account for approximately 40% of the exchange, a testament to their dominance. This concentration of market power has helped push the Nasdaq up by over 15% in 2024 alone. A significant driver behind this growth has been the increasing role of artificial intelligence (AI), supported by positive economic conditions and expectations of future interest rate cuts.

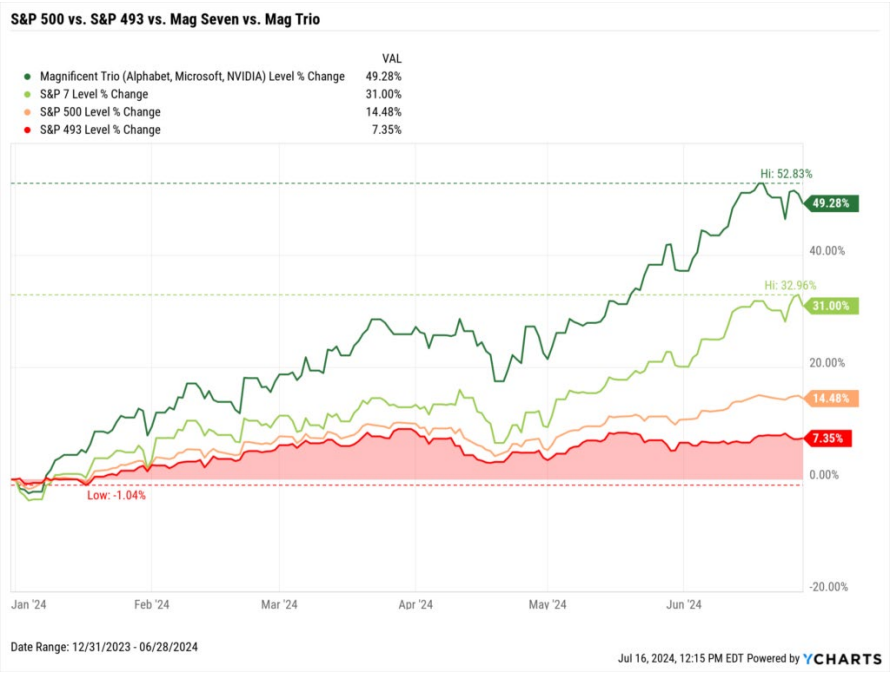
Among these tech giants, Nvidia has been a standout performer. Its AI platform, 'Blackwell', has created enormous demand, allowing companies globally to build and deploy AI models more efficiently. As a result, Nvidia's share price surged, briefly making it the most valuable company in the world, overtaking Apple. Other tech titans like Meta and Alphabet have also benefited significantly from AI innovations, which have bolstered user engagement and advertising revenues through enhanced AI tools integrated into their platforms.

However, these successes have not come without challenges. Geopolitical tensions, particularly between the U.S. and China, have introduced complexities for Big Tech. The U.S. government has worked to reduce its reliance on Chinese technologies, especially in critical areas like semiconductors. China, in turn, has responded by investing heavily in its domestic tech industry, which has led to increased fragmentation in the global technology landscape. This shift is already evident in the smartphone market, where Apple has lost market share in China, while Huawei has surged, signaling more competition and a divided market.

Further adding to the uncertainty, conflicts in the Middle East and the ongoing war in Ukraine have raised concerns about the stability of global data centers and digital infrastructure. These tensions have driven companies to increase investments in cybersecurity and other security-related technologies to safeguard their digital assets from potential geopolitical risks.

In Europe, regulatory challenges have added additional hurdles. Stricter data protection laws, such as GDPR, have forced Big Tech companies to invest more in compliance efforts, affecting their profit margins and influencing strategic decisions. Fines and regulations from European authorities have made it clear that the regulatory environment is becoming more stringent, especially for companies like Alphabet and Meta.

Despite these headwinds, Big Tech has shown remarkable resilience and continued growth in the first half of 2024, largely driven by advancements in AI and favorable economic indicators. However, as the sector moves forward, ongoing geopolitical tensions, regulatory pressures, and market fragmentation are likely to impact future growth. Strategic adjustments and increased investment in compliance and cybersecurity will be necessary to sustain momentum. While risks remain, the upward trend for Big Tech stock prices, particularly for AI-focused companies, is expected to continue into the foreseeable future.



Fixed Income Gains Amid Rate Cut Hopes

In the first half of 2024, the bond market showed mixed performance, influenced by changing interest rate expectations and broader economic uncertainties. Initially, optimism surrounding potential interest rate cuts by the Federal Reserve and other central banks fueled a positive outlook for bonds. However, as the year progressed, cautious signals from central banks and persistent economic uncertainties tempered this optimism. Investors are now closely monitoring Fed Chair Jerome Powell and other officials for clues on possible rate cuts, which could happen as early as September.

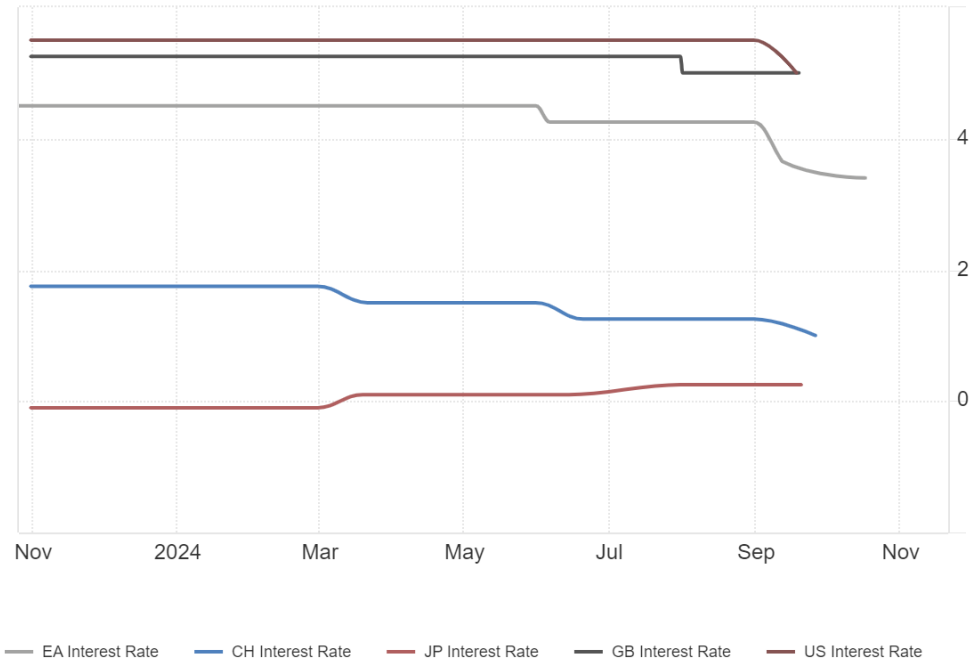
High-quality fixed-income assets, particularly those of intermediate duration, became attractive due to their potential to generate higher returns if rates decline. Historically, bonds tend to perform well after the conclusion of a rate-hiking cycle. The Federal Reserve has indicated it may have reached the end of its rate hikes, and bond investors are positioning themselves accordingly, expecting a more favorable environment in the second half of the year.

Corporate bonds, especially investment-grade securities, outperformed U.S. Treasuries thanks to higher yields and narrowing spreads. Despite rising borrowing costs, corporate fundamentals have remained strong, supporting performance in riskier fixed-income sectors, such as high-yield bonds, bank loans, and preferred securities.

Inflation has shown signs of slowing, with key metrics like the core personal consumption expenditures (PCE) price index trending toward the Fed's 2% target. Nevertheless, the bond market remains cautious as unexpected economic or geopolitical events could still disrupt inflation and interest rate forecasts. In Japan, expectations of an interest rate hike increased as the country moved away from its long-standing negative interest rate policy, potentially boosting the yen and making Japanese bonds more attractive to foreign investors.

Looking ahead, the bond market is likely to be shaped by central banks' actions and inflation developments. If the Fed and other central banks continue cutting rates in the second half of 2024, intermediate- and long-term bonds could see further gains. However, geopolitical risks, particularly from ongoing conflicts in Eastern Europe and the Middle East, could introduce volatility. Inflation control will remain key, and any signs of persistent inflationary pressures may push central banks to delay or reduce the scale of rate cuts. Overall, while the bond market outlook is positive, particularly for high-quality and intermediate-duration bonds, investors must remain cautious of potential shocks that could affect performance.

Source: tradingeconomics.com



Strong Swiss Franc

Compared to the second half of 2023, where the Swiss franc recorded significant gains alongside the strong US dollar, the first half of 2024 saw heightened uncertainty and more pronounced currency fluctuations. Different interest rate policies and inflation trends across major economies led to varying performances in the forex market.

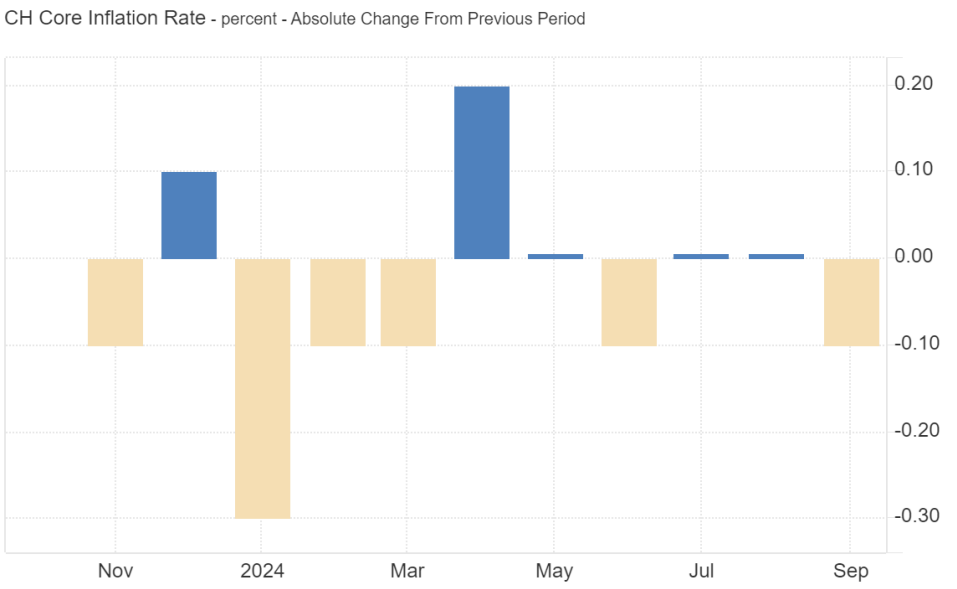
The US dollar weakened noticeably in early 2024. Speculation about potential interest rate cuts, coupled with a slowing US economy, led to significant losses in the first quarter. Although the dollar stabilized in the second quarter, aided by the Federal Reserve's decision to maintain the key interest rate at 5.25%, it still ended the half-year weaker overall compared to other major currencies.

The euro gained slightly against the dollar during the first half of the year. The European Central Bank (ECB) maintained its restrictive monetary policy to combat persistent inflation in parts of Europe. However, inflation concerns in southern eurozone countries eroded confidence in the currency by the end of the second quarter, diminishing some of the earlier gains.

The Swiss franc continued its strong performance from 2023, remaining one of the most resilient currencies on the forex market. Its strength was driven by heightened demand for safe-haven assets amid global uncertainty. The Swiss National Bank (SNB) upheld its restrictive stance to keep domestic inflation in check, further supporting the franc's value. However, the strong franc has posed challenges for Switzerland's export industry, which struggles with competitiveness due to the high currency value.

One of the standout developments in the first half of 2024 was the Japanese yen's significant appreciation. The Bank of Japan (BoJ) signaled an end to its long-standing ultra-loose monetary policy, which boosted investor confidence in the Japanese economy. As a result, the yen strengthened considerably against both the dollar and the euro, continuing this trend through the second quarter.

Looking ahead, the Swiss franc is likely to remain strong as global uncertainties persist, especially in geopolitically sensitive regions. However, this strength could further strain Switzerland's export sector. The US dollar may continue to face downward pressure if the Federal Reserve signals further rate cuts, but could stabilize if economic conditions improve. The euro's performance will depend heavily on inflation control within the eurozone, particularly in its southern regions. Meanwhile, the Japanese yen could maintain its upward trajectory as the Bank of Japan gradually normalizes its monetary policy. Overall, continued volatility and uncertainty are expected to shape the forex market for the remainder of 2024.



Source: tradingeconomics.com | Swiss Federal Statistical Office

Insecurities Regarding Commodities Remain

The oil price started 2024 with significant gains, driven by OPEC+ production cuts, particularly from Saudi Arabia. However, these increases were short-lived as the U.S. ramped up production, and the easing of sanctions on Venezuela and Iran boosted global supply. As a result, oil prices moderated in the second quarter, stabilizing at a more sustainable level.

Gold maintained its role as a safe-haven asset amid global uncertainties and geopolitical tensions. After a modest rise in the first quarter, the metal's price surged by 6.3% in the second quarter, driven by escalating trade and technology tensions between the U.S. and China. This reaffirmed gold's position as a reliable store of value during periods of volatility.

In the agricultural sector, grain exports from Ukraine continued despite the ongoing conflict, keeping wheat prices relatively stable. However, a slight increase in wheat prices occurred towards the end of the first half of 2024, primarily due to unfavorable weather conditions in major grain-producing regions such as Australia and the U.S.

Industrial metals like copper and aluminum also saw price increases in the first half of 2024. Copper rose by approximately 4%, benefiting from the gradual recovery of the Chinese economy, which boosted demand for raw materials. Aluminum prices were supported by the growing demand for green energy and infrastructure projects, both of which require large quantities of this metal.

Looking ahead, the commodities market will likely remain volatile, influenced by a combination of geopolitical risks, climate challenges, and the actions of major producing nations. Oil prices could experience further fluctuations as global supply adjusts to political developments, particularly in the Middle East and with Venezuela and Iran. However, as global demand stabilizes, oil prices may remain at moderate levels. Gold is expected to continue benefiting from global economic uncertainty, making it a preferred asset for investors seeking safety.

The outlook for grains is tied closely to weather conditions in key production regions and the geopolitical situation in Eastern Europe. Any significant disruptions could lead to further price increases. Finally, industrial metals like copper and aluminum are poised to gain from ongoing infrastructure investments and the global shift towards green energy, but prices could be affected by China's economic trajectory and potential supply chain bottlenecks.

Excursion

Excursion: Private Equity & Venture Capital

Private equity (PE) and venture capital (VC) are areas that have seen a decline in the past years. Recently, they have regained momentum as companies have taken advantage of favorable conditions in various regions, particularly in North America and Japan. At the same time, the VC sector proved resilient as investors continued to focus on technological innovation, although there was some caution in later rounds of financing due to rising interest rates and inflationary pressures.

Buyout transactions, particularly in the technology and healthcare sectors, grew strongly as companies acquired majority stakes in high-growth companies. Roll-ups also gained in importance, as larger companies bought up smaller ones and were thus able to cut costs. Secondary transactions increased as limited partners (LPs) sought liquidity and traded shares between PE funds.

In regional terms, North America remained the largest private equity markets, with a focus on the financial services, technology and energy sectors. Europe also saw stable deal activity despite inflation and the geopolitical risks associated with the conflict between Russia and Ukraine. The energy transition and sustainability sectors in particular accounted for huge growth in interest. In addition to North America and Europe, Japan also stood out as a global hotspot for private equity investments. The country's corporate landscape combined with a weaker yen attracted significant foreign investment, particularly in buyout deals. This development also reflects a growing openness of Japanese companies towards PE, which represents a cultural shift in corporate governance.

The venture capital market flourished in early 2024, driven by innovations in areas such as artificial intelligence (AI), healthcare and climate technology. AI remained a dominant force in the technology sector, with venture capitalists investing heavily in generative AI, automation and machine learning. Unprecedented valuations were achieved in this sector despite concerns about a potential AI bubble. In the healthcare sector, venture capital continued to support biotechnology and medical technology companies, particularly those involved in gene therapy, personalized medicine and digital health solutions. Even after the pandemic-related investment surge, interest in the healthcare sector remained high, although it is now somewhat lower than at the height of the pandemic.

Rising interest rates and inflation made themselves felt in both the private equity and venture capital sectors. Private equity firms adapted by negotiating more favorable financing terms and taking a longer-term approach to value creation. Venture capitalists, on the other hand, became more selective and focused on companies with a clear path to profitability. Despite these challenges, the general trend in both markets was towards adaptation and resilience as investors sought to navigate the complex economic environment while maintaining a focus on high-growth sectors.

In summary, the private equity sector was very active in the first six months of 2024 due to acquisitions, secondary transactions and roll-up strategies, while the venture capital sector continued to focus on innovation in artificial intelligence, healthcare and sustainability. Despite the macroeconomic challenges, both sectors delivered good returns and are now well positioned for a six-month period in which economic conditions are expected to improve.

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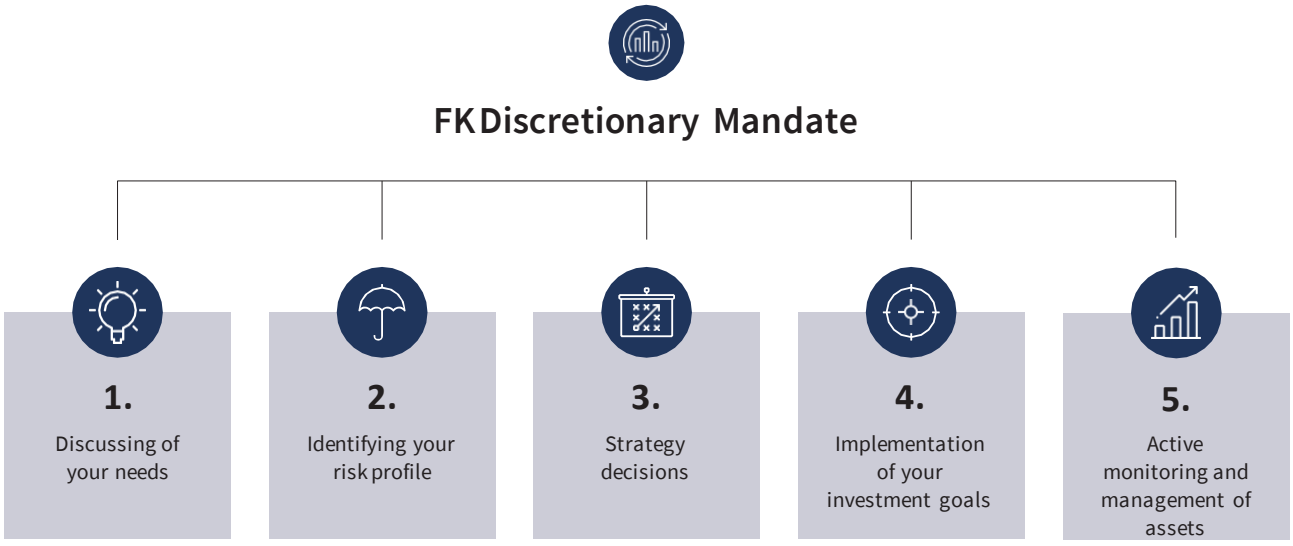

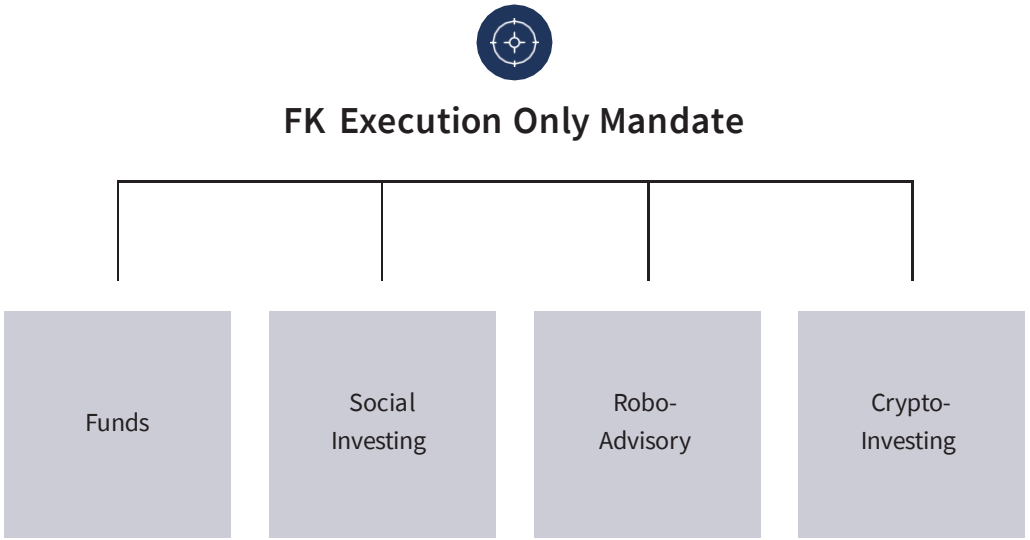

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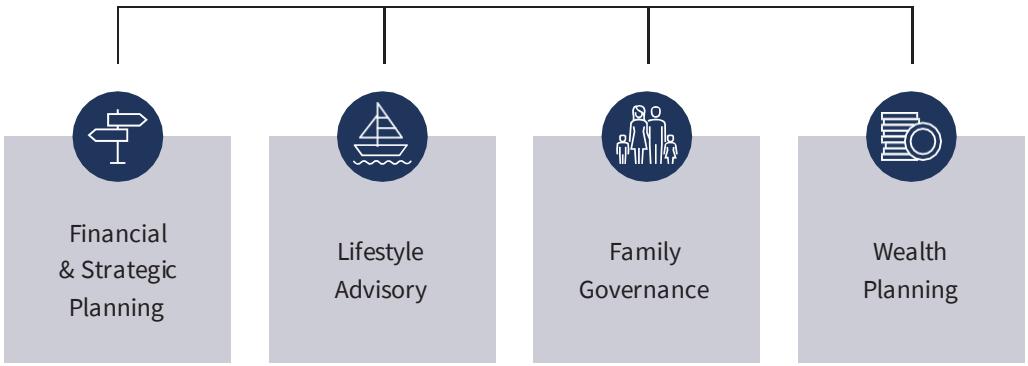

FINANZ KONZEPT

Finanz Konzept AG
Fraumünsterstrasse 27 · 8001 Zürich · Switzerland
Phone 0041 44 204 34 64 · info@finanz-konzept.ch
www.finanz-konzept.ch