FK Market Commentary

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Dear readers of the Finanz Konzept AG market commentary

In this market commentary, we take a look at the key developments of recent months: the strong Swiss franc, the impact of tariffs on the export economy and the uncertainties surrounding the interest rate policies of the leading central banks. We also look at the impact of trade conflicts on the global commodity markets and the associated opportunities and risks for investors. A major topic in this quarter, and probably also over the course of the year, is the USA in particular, as it could cause uncertainty for the entire global economy. The presidential election, which took place in the fall of 2024 and so the new administration with Trump as president, came into force in January 2025. Since then, many political decisions have been made that also have a huge impact on the market.

The trade conflict between the US and China played a significant role this quarter. US tech stocks fared poorly in the first quarter of 2025, whereas the situation was different for European stocks, which proved to be strong. The Chinese AI technology company DeepSeek also caused a stir. Commodities such as gold had their best quarter since 1986. Central banks are adopting a wait-and-see attitude and there is generally a great deal of uncertainty on the market, which is why US government bonds, among others, are losing their appeal. Short and medium-term bonds are considered the best choice in the first quarter. The Swiss franc remains strong and is seen as a safe haven currency. The US dollar is under heavy pressure due to the trade conflict and is weak against other currencies such as the Euro and Yen.

We wish you a thrilling read!

Yours sincerely

Lars Oberle

Director of Finanz Konzept AG

·INTERNATIONAL·
INVESTOR
AWARD WINNER 2020
FINANZ KONZEPT
INDEPENDENT WEALTH
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SWITZERLAND// 2020

In Short

Money- and Capital Markets Capital market interest rates in % (10y government bonds)

	31.12.24	15.05.25	6 M	12 M
CHF	0.2510	0.3490	↘	↘
EUR (DE)	2.3640	2.6260	↘	↘
GBP	4.5730	4.6510	↘	↘
USD	4.5730	4.4550	↘	↘
JPY	1.0780	1.4800	↗	↗

- US inflation declining
- US. Government bonds move out of focus
- Japanese key interest rate has been raised
- Swiss bonds rather unattractive

We recommend:
- US government bonds at 5% are interesting

Stock Markets Indices

	31.12.24	15.05.25	6 M	12 M
SMI	11'600.90	12’227.28	→	↗
EUR STOXX 50	4'895.98	5'412.08	→	↗
FTSE 100	8'173.02	8'633.75	→	↗
S&P 500	5'881.63	5'916.93	→	↗
Nikkei	39'894.54	37'755.51	→	↗
DAX	19’909.14	23'695.59	→	↗

- Be prepared for high volatility
- Upward trend hits obstacles

We recommend:
- Adapt portfolio to uncertain market situation
- Hold DAX for short-term returns

Forex Markets Currencies

	31.12.24	15.05.25	6 M	12 M
EUR / CHF	0.9392	0.9347	↘	↘
EUR / USD	1.035	1.119	→	↘
EUR / JPY	162.73	165.95	↘	↘
GBP / CHF	1.135	1.111	→	→
USD / CHF	0.9072	0.8356	↘	↘

- A very strong franc is making it difficult for the Swiss economy
- The yen has gained in value

We recommend:
- Hold Swiss francs
- Hedge foreign currencies

Commodities in USD

	31.05.24	15.05.25	6 M	12 M
Crude WTI (USD)	70.75	61.23	↘	↘
Gold (USD)	2’606.40	3'240.65	↗	↗
Silver (USD)	29.37	32.55	↗	↗
Platinum (USD)	906.75	994.5	↗	↗

- Gold remains a safe haven
- The price of oil has fallen since Trump took office

We recommend:
- Holding gold is recommended
- Caution is advised when buying other commodities

Crypto-Markets

	31.12.24	15.05.25	6 M	12 M
BTC (USD)	93'392	103’707	↗	↗
ETH (USD)	3'331.15	2’549	↗	↗
XRP (USD)	2’0575	2’4373	↗	↗
SOL (USD)	191.04	169.59	↗	↗
LTC (USD)	99.31	99.18	↗	↗

- Rally has stalled, progress is uncertain

We recommend:
- Realize existing gains to avoid a possible overweighting of cryptocurrencies
- Hold a portion of the portfolio in crypto at each market phase

Stocks

Magnificent 7 - Worst quarter in a long time

At the start of the first quarter of 2025, the inauguration of the new US president was met with a generally positive sentiment that provided a tailwind for the financial markets. However, the announcement of new punitive tariffs soon afterwards had a negative impact on the market environment. The resulting uncertainty among investors led to substantial price drops.

The Magnificent 7 Index recorded substantial declines during this period. Tesla was hit particularly hard, with its share price falling by over 35 per cent. This was mainly due to declining sales figures caused by increasing competitive pressure. Notably, Chinese manufacturers such as BYD and German carmakers such as BMW have now overtaken Tesla in terms of technology. Added to this is the growing criticism of CEO Elon Musk, who is under increasing public scrutiny for his political statements and his association with Donald Trump. This is putting off both investors and consumers.

Nvidia also lost around 17 per cent of its market value. This is due to the rise of the Chinese AI start-up Deep-Seek, which offers powerful alternatives to existing US models, such as ChatGPT, with its open-source models (e.g. DeepSeek R1 and V3). These alternatives are available at significantly lower development and production costs, calling into question the previous technological leadership of US companies in the AI sector. Other providers of AI infrastructure, such as Microsoft, were also affected. Consequently, the S&P 500 and Nasdaq 100 indices also fell due to their significant technology stock holdings. However, both indices recovered somewhat towards the end of the month.

The DAX rose by 11.2 per cent in the first quarter. This was primarily driven by hopes of pro-business reforms ahead of the general election. Additional impetus came in March when Trump unexpectedly cancelled US military aid for Ukraine. This put pressure on European countries, particularly Germany, to increase their defence spending. Defence companies in particular benefited from this. Rheinmetall shares, for example, rose by an impressive 114.6 per cent. Although Trump's announced tariffs briefly caused turbulence on the German stock market in April, the market stabilised again as the month progressed.

It remains difficult to make a reliable forecast for the second half of the year due to numerous geopolitical and economic uncertainties. However, there are initial signs that corporate profits may be declining. Nevertheless, the outlook for the DAX remains cautiously positive. Further developments in US customs policy and the prospect of a US recession will be decisive factors here. The outlook for Switzerland is stable. The Swiss stock market continues to benefit from robust sectors such as healthcare. However, the country's heavy reliance on exports poses a risk should the international trade conflict with the US intensify further.

Possible change in interest rate policy

Following an eventful 2024, the international bond markets were in a state of transition at the beginning of 2025. Inflation rates continued their downward trend. Although current data suggests that interest rates may be cut later in the year, the leading central banks are not making any firm commitments at this time.

Against a backdrop of ongoing uncertainty regarding the future trajectory of inflation, the Swiss National Bank (SNB) reduced its key interest rate from 0.50% to 0.25% in March. Despite significant progress in the fight against inflation, the US Federal Reserve (Fed) left its key interest rate unchanged in the range of 4.25% to 4.50%. US inflation fell to 2.3% in April, its lowest level since February 2021. The Fed acknowledged this progress in its statements, but warned that patience is required. In the eurozone, the inflation rate fell to 2.2% in March, with energy prices falling slightly in particular. The European Central Bank (ECB) has indicated that it may ease its monetary policy in the summer at the earliest. However, this is dependent on the disinflationary trend continuing.

In the first quarter of 2025, US government bonds increasingly fell out of focus for international investors. This was due to the new US government's trade policy measures and a significant decline in Chinese demand. There were also extensive sales of existing stocks. Along with the gradual reduction in inflation and the Fed's wait-and-see approach, US government bonds underperformed internationally. Investors increasingly favoured alternatives such as corporate bonds, short-dated securities, and markets with a more stable outlook. These are considered to be less sensitive to interest rates and often offer more attractive yields with clearer risk assessment. Investment-grade corporate bonds benefited from solid balance sheets and continued low default rates. High-yield bonds, on the other hand, remained volatile, particularly in sectors sensitive to interest rates or exposed to geopolitical risks.

In January 2025, the Bank of Japan raised its key interest rate again, leading to a further appreciation of the yen. Consequently, Japanese government bonds attracted increased capital inflows.

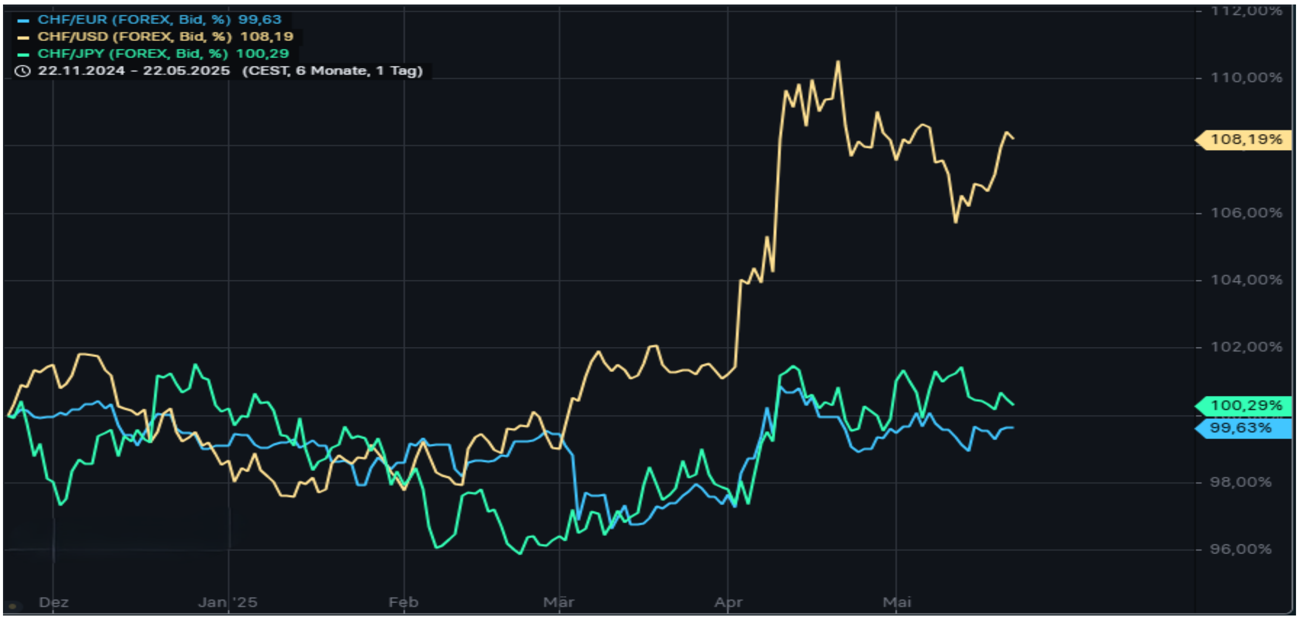
The ongoing normalisation of inflation suggests that the first interest rate cuts will be made in the second half of 2025. Short- and medium-term bonds issued by high-quality companies currently offer the most attractive risk/reward profile. Long-term securities remain a tactical option for investors who are speculating on falling interest rates, especially outside the USA where concerns about fiscal policy are increasing. This is especially the case outside the USA, where concerns about fiscal policy are increasing. Despite the market being generally more stable, caution is still required. External shocks, unexpected economic data, and geopolitical developments could move the markets in either direction at any time.

Strong Swiss Franc

At the start of 2025, the Swiss franc remained one of the world's most stable currencies. The Swiss National Bank's (SNB) continued restrictive monetary policy aimed to keep domestic inflation under control and establish the franc as a safe haven during times of global uncertainty. However, this strength came at a price: the appreciation of the franc impaired the international competitiveness of many Swiss export companies.
Meanwhile, the US dollar came under pressure, partly due to President Trump's trade policy and the tariffs he introduced on imports from countries such as China and the European Union. In particular, the US dollar lost value against the euro and the Japanese yen.
Economic growth in the eurozone remained weak in the first quarter of 2025. This was primarily due to US tariffs, which negatively impacted export-oriented industries, particularly the automotive sector. Ongoing geopolitical tensions in connection with the war in Ukraine added to this. In March, the ECB responded by lowering its key interest rate to 2.5% and initiating a more expansive monetary policy. The aim was to encourage lending to companies and private households, stimulate investment, and bolster the economy.

The cryptocurrency market also saw high volatility in the first quarter due to global uncertainties. Bitcoin achieved a 59% market share and is currently trading at around USD 105,000. Ethereum, which had made significant gains in 2024, lost around 45% in the first quarter, erasing most of its previous gains. However, Ethereum was able to partially recover and is currently trading at around USD 2,500. Solana also experienced a significant correction following a strong rally, but stabilised towards the end of the quarter, with the current price standing at USD 168.

Uncertainty is likely to continue to characterise the outlook for the foreign exchange market for the rest of the year. The Swiss franc is likely to remain strong due to geopolitical tensions and continued stable SNB policy. However, this is likely to continue to impact the export industry negatively. The US dollar could come under further downward pressure, particularly if the Fed continues to cut interest rates. Nevertheless, if the US economy stabilises during the year, the dollar could recover. The euro remains dependent on different inflation rates and monetary policy divergences within the eurozone. The situation in the crypto market is mixed. Although there is potential for a renewed rally, a correction is equally likely, given the high valuations and the current state of macroeconomics. Vigilance therefore remains the top priority for investors in this segment.



Gold shines in uncertain times

Commodity markets were also affected by US customs policy. Gold recorded its highest quarterly gain since 1986, rising by 18%. As a traditional 'safe haven', the precious metal usually performs well during periods of geopolitical and economic uncertainty. This can also be seen in the rising price of silver.
Demand for copper rose by 24.9% in the first quarter of 2025. This development is partly due to US tariffs on steel and aluminium. Given rising production costs, many companies are trying to stock up on copper early on to mitigate future price hikes.

In contrast, the oil market continues to be weighed down by a global supply surplus. Ongoing trade conflicts are causing economic uncertainty and fuelling fears of a global recession. As a result of falling demand, prices have come under pressure. Brent crude oil is currently trading at around USD 66 per barrel. Progress in the US–Chinese trade talks has eased the situation slightly and supported prices recently, but market sentiment remains tense. OPEC+ continues to cut production, while geopolitical risks persist.

Thanks to good harvests and high inventories, prices for agricultural commodities such as wheat and corn have stabilised. However, unfavourable weather conditions in key growing regions and geopolitical tensions could lead to renewed volatility.

Copper prices are likely to come under pressure in the short term. Many manufacturers have already increased their inventories in anticipation of higher prices, which will likely lead to a temporary drop in demand. The gold price trend, on the other hand, remains closely linked to global uncertainty. If geopolitical instability persists, further upward movement is possible. Oil prices are likely to remain volatile, particularly given political developments in the Middle East, Venezuela and Iran.

Trump’s trade policy – highs and lows

January began with a strong upswing on Wall Street. Driven by expectations of pro-business measures under the new Trump administration, US stock markets rose significantly. In particular, smaller companies and technology stocks recorded strong price gains.

However, the initial euphoria did not last long. The first concrete measures of the new US tariff policy were announced in February and March. Canada and Mexico, the USA's two neighbours, were hit with a 25% tariff on products not covered by the USMCA agreement. This forced many companies to reorganise their supply chains. China was hit hardest of all, with tariffs of up to 145% being introduced on certain products. The Chinese government responded promptly with countermeasures, including tariffs on US goods, export restrictions on rare earths, and import bans on US agricultural products. China thus demonstrated its own ability to exert political and economic pressure.

The result was a dramatic fall in the stock market. The technology index, the Nasdaq 100, fell by 10% in February and March, while the small-cap index, the Russell 2000, fell even more sharply.

In addition, weak economic data and declining sentiment indicators among companies and consumers had a negative impact on the market environment. Initially, the US Federal Reserve remained calm, but suggested the possibility of interest rate cuts for the rest of the year. The Swiss economy was not immune to US tariffs either, with the machinery, electrical and watchmaking industries being particularly affected. As the USA is the eurozone's most important trading partner and a significant sales market for Switzerland, uncertainty is slowing down investment in these sectors.

President Trump's trade policy aims to strengthen the US economy, create jobs, and boost people's incomes. The theory behind this is that increased domestic production will make foreign products more expensive, encouraging consumers to buy more US products. The resulting reduction in imports would generate additional government revenue, which would be returned to the population in the form of tax cuts, thus boosting consumption and the domestic economy.

In practice, however, there are significant contradictions. While tariffs can support domestic production in the short term, many US companies depend on imported materials. Furthermore, companies often pass on the increased costs directly to consumers, leading to higher consumer prices. This could neutralise or even reverse the intended increase in people's incomes. Furthermore, a decline in competitive pressure could result in reduced innovation and efficiency among US companies.

In May, the USA and China reached a temporary agreement to defuse the trade conflict, whereby both sides agreed to reduce reciprocal tariffs by 115 percentage points. Tariffs on Chinese imports to the US were reduced to 30%, while those on US imports to China were reduced to 10%. The agreement was initially valid for 90 days.

In the long term, it is possible that China will replace the USA as a trading partner and that other countries will turn against the USA. This would result in increasing international isolation of the United States, which would contradict the original aim of Trump's policy. An initial sign of this development is the decline in tourism figures to the USA, particularly from Canada.

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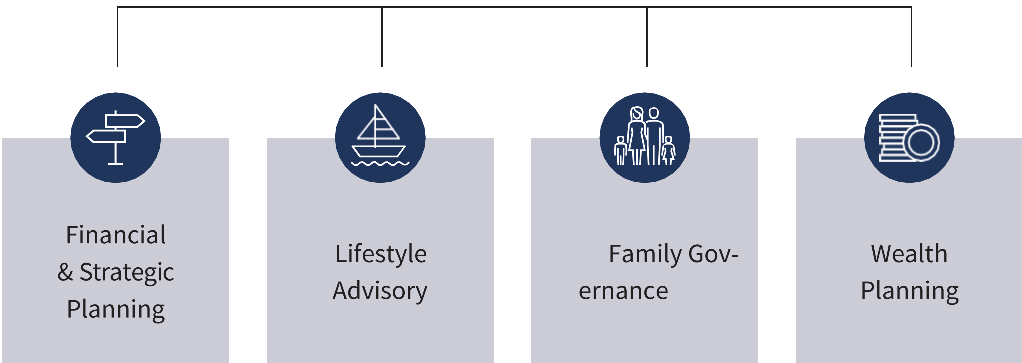

FINANZ KONZEPT

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