

## Month Overview

The new U.S. administration officially took office this month and quickly set the tone for its mandate through a series of executive orders and announcements on tariffs affecting key trading partners such as Canada, Mexico, and China, as well as deregulation measures and plans to withdraw from international agreements. The market reaction was relatively muted, as the administration's main priorities had already been clearly outlined during the election campaign. Additionally, many of the proposed measures are considered pro-business, which is generally well received by financial markets. Beyond these announcements, governments and businesses are now working to prepare for inevitable negotiations. These discussions will take place bilaterally and aim to establish agreements defining a new framework for economic and trade relations.

U.S. stocks, which have delivered record performances in recent years, largely driven by the high-tech sector, were shaken by the emergence of a new Chinese player in artificial intelligence, challenging the business model of the U.S. technology industry. This development serves as a strong reminder that even dominant technology companies can be challenged by innovation and lose some or all of their competitive edge. After all, who still remembers AltaVista or BlackBerry?

## Economic Environment

In 2025, the global economy is expected to remain stable compared to last year, though significant differences are likely to emerge across countries. The U.S. and India are projected to experience relatively solid growth, while Europe and China will likely face a slowdown. Inflation is expected to decline further, with most advanced economies approaching their 2% targets by year-end. This will allow central banks to adopt more accommodative monetary policies to support their respective economies. However, the implementation of tariffs in the U.S. could reignite inflationary pressures, complicating the task of central banks and forcing them to strike a balance between controlling inflation and sustaining economic growth. Additionally, geopolitical tensions, including trade disputes and regional conflicts, could introduce further uncertainty and impact global trade, potentially weighing on economic momentum. The high debt burden in many advanced economies remains a major concern, as it could limit fiscal flexibility and put upward pressure on long-term interest rates.

The Federal Reserve held its first policy meeting of the year and, as expected, kept interest rates unchanged. The central bank indicated that inflation remains somewhat elevated relative to its 2% target. It also stated that if the economy remains strong and disinflation slows, it will be prepared to maintain its restrictive monetary policy. Facing slowing economic growth and easing inflationary pressures, the European Central Bank (ECB) cut its refinancing rate by another 25 basis points, highlighting the ongoing divergence

in monetary policy between the two central banks. The ECB's decision aims to support economic activity but also reflects concerns about the region's weak outlook, even though Germany is expected to emerge from recession in 2025. Meanwhile, China surprised markets by recording 5.4% GDP growth in Q4 2024, surpassing expectations and demonstrating resilience. However, the country continues to struggle with insufficient domestic demand and requires further reforms to ensure sustainable growth in the future.

## Equity market

European markets have notably outperformed U.S. markets, driven by investor interest in the relatively discounted valuations of European stocks compared to their U.S. counterparts and a potential shift from growth to value stocks. However, it was DeepSeek, a lesser-known tech company based in Hangzhou, China, that made waves in U.S. equity markets by unveiling a cost-effective, advanced AI model. This announcement caught investors off guard, raising questions about the business models of established companies like NVIDIA, which has invested heavily in developing its AI technology. The emergence of this more affordable system challenges U.S. dominance in advanced technology, a sector that has been a key driver of equity market growth in recent years.

## Fixed Income Market

The MOVE Index showed no signs of market tension despite the potential inflationary impact of import tariffs, suggesting that investors remain unconcerned. The U.S. 10-year yield remained largely unchanged, while both European and Swiss 10-year yields rose by 10 basis points. Corporate spreads were stable throughout the month, except in the U.S. high-yield market, where they contracted slightly. On a yield basis, U.S. high-yield bonds continued to attract investors, offering equity-like returns above 7% despite relatively tight spreads.

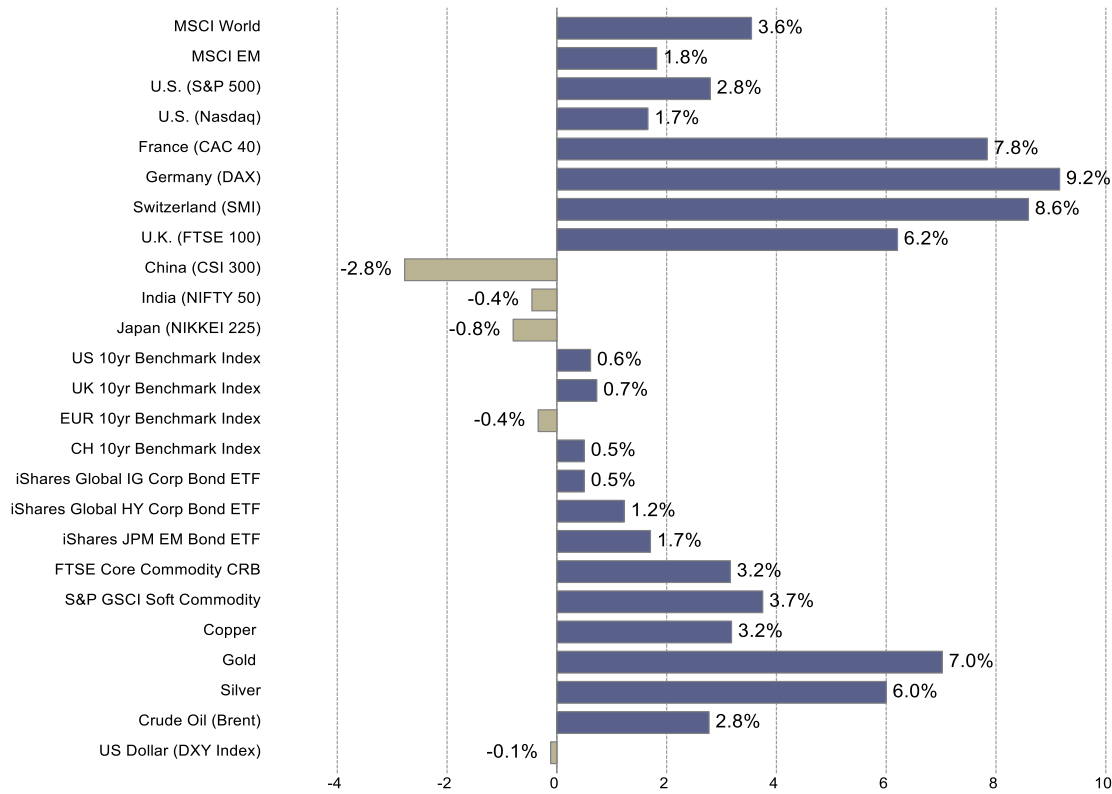
## Commodity

Gold prices surged to a record high, surpassing \$2,800 per ounce for the first time, driven by increased demand for safe-haven assets amid concerns over potential U.S. import tariffs. Meanwhile, Brent crude prices rose modestly by approximately 2.8% to \$76.80, though they remain within the lower range observed over the past 12 months, despite the ongoing threat of new sanctions on Russian oil and potential tariffs on Canadian oil.

## Currency

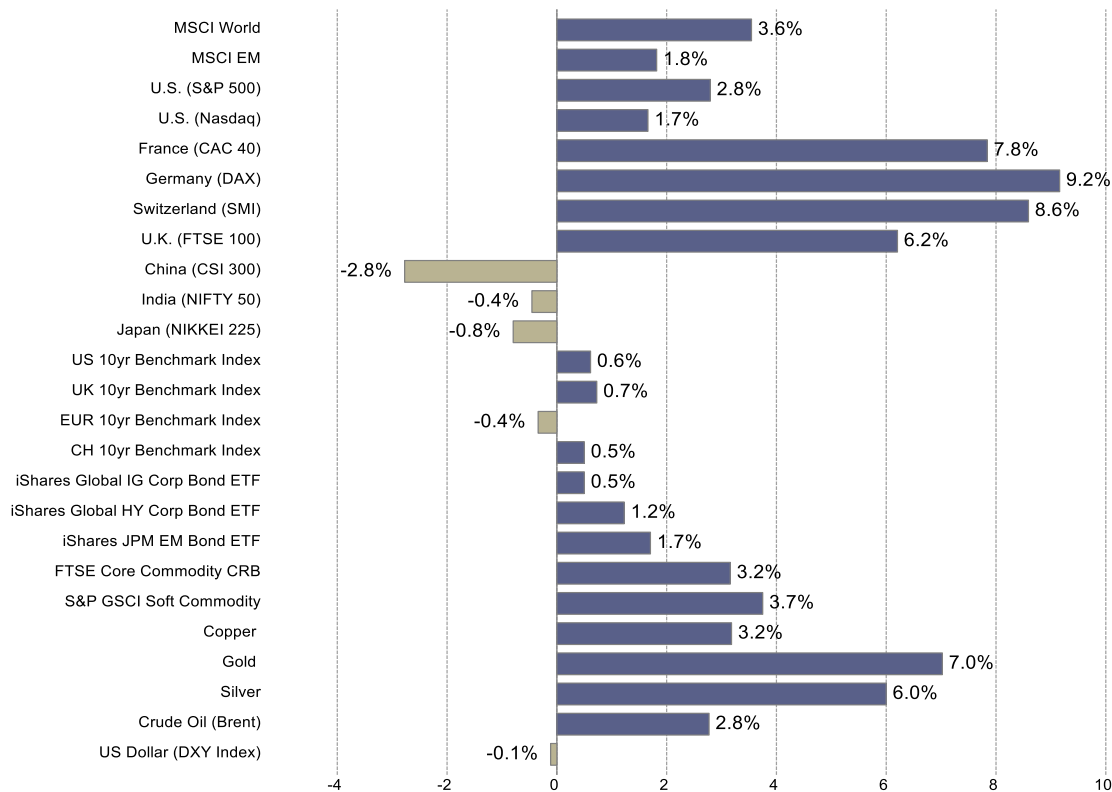
The USD retrenched modestly against major currencies, despite expectations for stronger U.S. growth, a less accommodative monetary policy, and political uncertainties, which usually support a stronger dollar. The growing divergence in central bank policies should also support the USD in the near term.

January 2025 Performance



Source: LSEG Datastream, Anarosa Asset Management AG

Year-To-Date Performance (until 31.01.2025)



Source: LSEG Datastream, Anarosa Asset Management AG

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