

Month Overview

Central banks are becoming increasingly divided in their approaches to monetary policy. Some are opting to keep interest rates unchanged, while others continue to pursue accommodative policies by lowering their key rates further. The implementation of new import tariffs in the U.S. and concerns over rising inflationary pressures pose risks to the global economic outlook. While the trend towards disinflation remains intact, its pace has slowed as these factors weigh on both growth and inflation dynamics.

In the U.S. equity markets, investors, likely fatigued by the White House's constant policy shifts, have accelerated their portfolio reallocations, bursting the speculative bubble fueled by excessive enthusiasm surrounding the 'Magnificent Seven' stocks. The sharp decline in these stocks has significantly impacted the broader market, dragging indices down with them.

Unsurprisingly, the correction in U.S. stock indices has reignited fears of a recession, further amplified by the slowdown scenarios implied by central banks' monetary policies.

Economic Environment

Global economic prospects worsened in March, as rising tariffs and policy uncertainty increased the risk of a global hard landing, not to mention a potential recession. S&P Global downgraded its 2025 global real GDP growth forecast to 2.5%, marking the weakest growth since 2009, excluding the COVID pandemic. The U.S. is expected to experience a significant revision, partly due to policy uncertainties and public sector layoffs. Early in the month, the Fed's GDPNow model estimated real USD GDP growth for the first quarter of 2025 at -2.8%, down from -1.5% on February 28. Later, the Fed confirmed this trend by revising its 2025 median growth projection to 1.7%, down from 2.1% in December. Despite this, the Fed decided to keep its policy rate unchanged, acknowledging the difficulty in predicting the full impact of the new trade policies, especially in the context of high inflation. As a result, the Fed may hold rates steady for longer in 2025 than initially expected. Similarly, the U.S.'s traditional economic partners, Canada and Mexico, are projected to experience economic contractions. In response, the central banks of these countries have reduced their policy rates by 25 and 50 basis points, respectively.

This month's bright spot came from Germany, which announced a significant shift in fiscal policy, diverging from its traditional fiscal conservatism in an effort to address its ongoing recession. The plan includes a €500 billion Infrastructure Fund to be spent over 12 years, an increase in the borrowing limit for the federal government, and the possibility for regional states to run small budget deficits. The initiative is expected to revive the recession-hit economy and

have positive implications for the broader European economy. The European Union is also supporting higher military spending to strengthen defense capabilities. However, the impact on the economic zone remains uncertain, as non-European companies may be the primary beneficiaries of the funds.

While the ECB kept its rates unchanged, the Swiss National Bank cut its rate by 25 basis points, bringing it down to 0.25%, signaling the possibility of further adjustments.

Equity

The U.S. and global equity markets both experienced significant volatility, primarily driven by escalating trade tensions following the U.S. administration's announcement of broad import tariffs. The decline in the U.S. market was exacerbated by a correction among the 'Magnificent Seven,' which was also influenced by the impact of trade tariffs and uncertainty surrounding AI investments. European markets, which had outperformed earlier in the year, ended in the red despite Germany's fiscal plan. While China, which also announced a new economic boost plan, saw negative performance, India managed to rebalance and posted a positive return.

Fixed Income

German government bond yields rose, with the 10-year yield increasing to 2.73% by the end of the month, up 33 basis points from the previous month. This reflects market expectations of higher future growth and inflation driven by the government's fiscal expansion plans. The Swiss 10-year followed suit, but by a smaller 10 basis points, lagging behind the German increase. In the United States, the 10-year Treasury yield remained relatively stable, ending the month at 4.24%, following the Fed's monetary decision, despite ongoing market volatility.

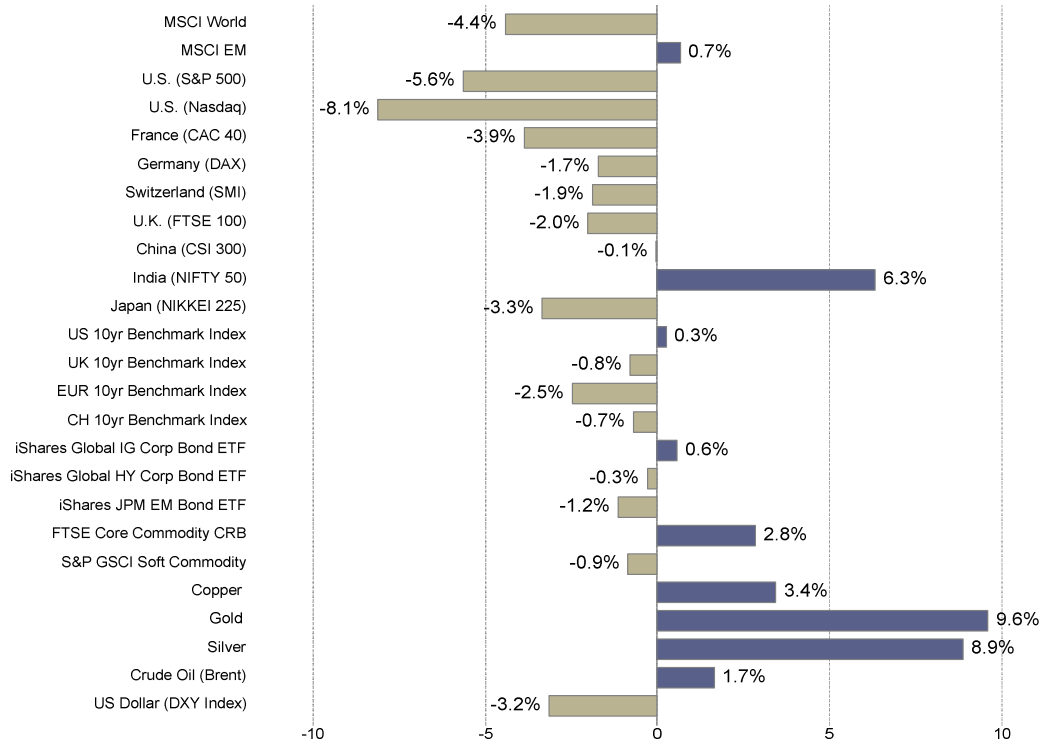
Commodity

Oil prices initially declined but later recovered, ending at \$74.74 per barrel. Despite this recovery, prices remain relatively low, and further downward pressure could occur if the global economy slows. In contrast, gold prices surged to new highs as investors sought a safe haven amid economic and geopolitical uncertainties. Copper prices also rose, but Chile, the world's top copper producer, lowered its 2025 copper price forecast to between \$3.90 and \$4.00 per pound, citing concerns about a global economic slowdown.

Currency

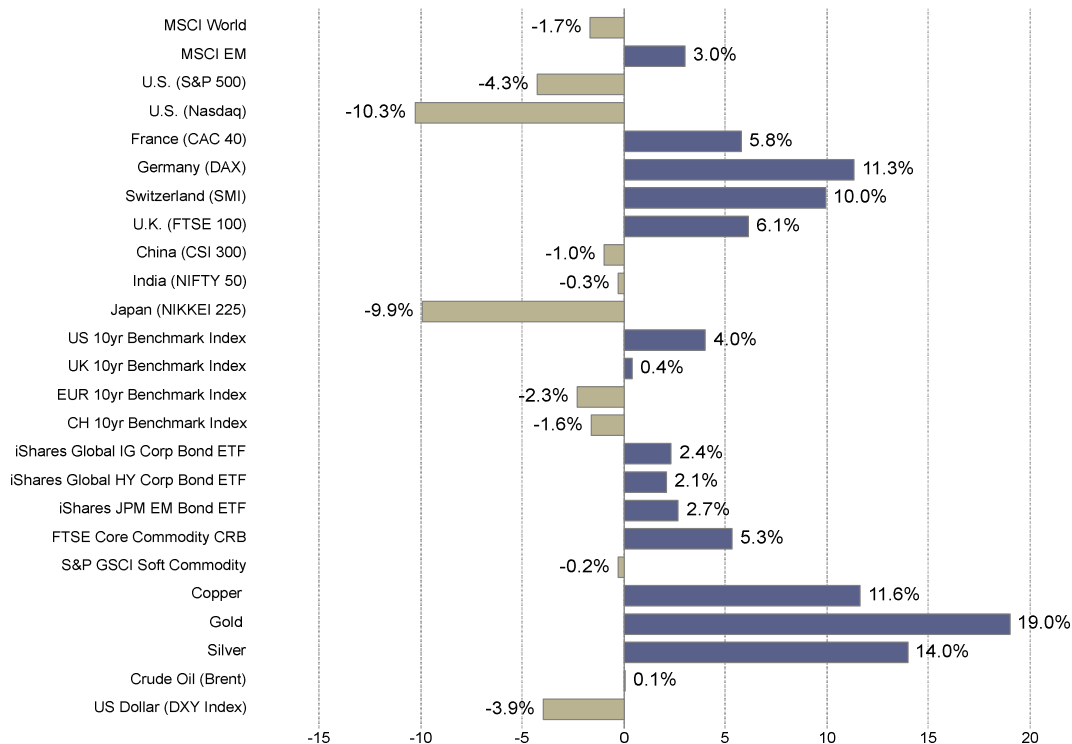
The euro strengthened significantly against the dollar following the announcement of the German fiscal plan, reflecting increased confidence in the eurozone's economic outlook. Meanwhile, the U.S. dollar weakened against other currencies as well, with the USD Index dropping by 3.2%. The dollar is expected to continue its decline.

March 2025 Performance



Source: LSEG Datastream, Anarosa Asset Management AG

Year-To-Date Performance (until 31.03.2025)



Source: LSEG Datastream, Anarosa Asset Management AG

General Disclosure

This material is intended for information purposes only, and does not constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities or to undertake any other transaction. This document is provided to you on a strictly private and confidential basis and solely for your information. It may not be reproduced, redistributed, or published, in whole or in part, for any other purpose. The opinions expressed are as of the date this material is first published and are subject to change without notice. Reliance upon information in this material is at the sole discretion of the reader. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation. Investors should consult with their lawyer, accountant and tax consultant before making any investment decision.

Investing involves risks, including loss of principal. Investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. International investments involve additional risks, which include differences in financial accounting standards, currency fluctuations, geopolitical risk, foreign taxes and regulations, and the potential for illiquid markets. Investing in emerging markets may accentuate these risks.

This information is not intended to be complete or exhaustive and no representations or warranties, either express or implied, are made regarding the accuracy or completeness of the information contained herein. This material may contain estimates and forward-looking statements, which may include forecasts and do not represent a guarantee of future performance. Past performance is not an indicator of current or future performance and there is no guarantee that the investment objective will be achieved.
