Market Monthly

February 2025

Highlights

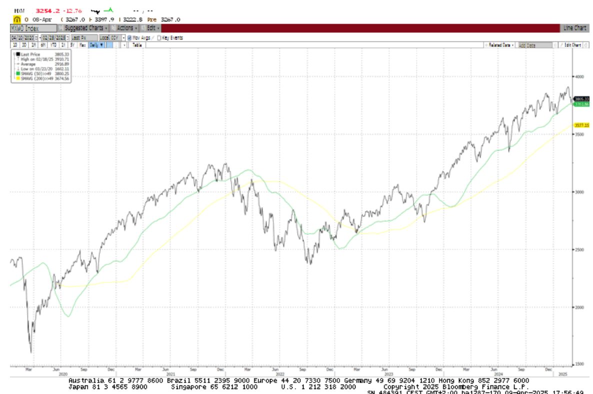
- **Economics** In the global equities, there was a discrepany between the US and European markets. In the US, annualized GDP came in at 2.3%, inline with expectations and previous reading; The unemployment rate was slightly lower at 4.0% vs prior and expected 4.1%. Final US Manufacturing PMI for January came in better than expected at 51.2 vs 50.1 expected and previous 49.4. Services decreased to 52.8 vs the expected 54.0 and previous 54.0. In Europe the picture was a bit different with GDP YoY continues to be at 0.9% same as the initial and prior readings. PMI numbers for February preliminary were slightly better than expected with manufacturing at 46.6 (prior 45.1 and expected 46.1), while services was down a bit at 51.3 vs prior 51.6 and expected 51.4.
- **Inflation:** January CPI in USA increased from 2.9% to 3.0%, slightly higher than 2.9% expected and the preferable FED measure, core price inflation (PCE) YoY was down to 2.5% from 2.6% expected, but inline with expected. Eurozone inflation also in line with expectations at 2.5% and slightly higher than the 2.4% revised previous. Inflation figures in other economies were as follows: China 0.5%, India 4.31%, Brazil 4.96%, Russia 9.92%
- **Central bank interest rates**: In February there was no change in the FED rates and the upper bound rate remains at 4.50%. The next meeting is scheduled for March 19, 2025. The ECB did not meet in February and there was no change in the Main Refinancing rate of 2.90%. Their next meeting is schedule for March 6, 2025.
- **Capital market rates:** During the course of the month, the yield on the 10Y Treasuries moved down ever from 4.54% to 4.2%. Reverse movement in the 10Y Bund that moved slightly up from 2.42% to 2.46% at the end of February.

Tactical Asset Allocation

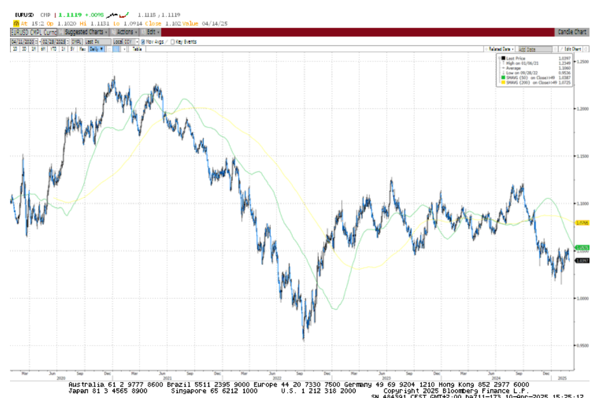
- **Forex:** The USD was volatile through February, but remains unchanged against the EUR at the end of the month, closing at at 0.96 EUR to 1 USD.
- **Bonds incl. High Yields (N[i]):** So far, our view with peak of yields on US Treasuries in April 2024 have materialized. Currently fixed income rebalances should be done to utilize the still high yield environment. Yields have not moved much yet, but expectations here are that yields will come down during the new US administration.
- **Equities (O):** February was a mixed month. In the US the S&P500 returned -1.42%, and by contrast the Dax +3.77%; Eurostoxx 50 +3.34% while the SMI was +3.23%.
- **Commodities (U):** Crude oil corrected during February as it ended the month at $69.76/barrel, down from $72.53/barrel; with the conflict in the Middle East continues, but a cease fire and hostages/prisoner exchange under ways. The new US administration has reiterated that they want to drill for oil and bring the oil price down. Gold moved up again by +2.15% to reach a new high at $2'856.23/oz at the end of February.

Investment Ideas[ii]

- Our exposure remained largely unchanged and focused on taking some profit on various stocks.



Performance Equity Markets MSCI World 5Y[iii]



EURUSD Technical Chart 5y, Bloomberg

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[i] How to read: (U) underweight; (N) neutral; (O) overweight
[ii] See rationales on our web page www.aspermontcapital.ch