



PostFinance Investment navigator 2025

# What next in 2025?



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# Rushing things harms returns

Our Chief Investment Officer, Philipp Merkt, casts an eye back over investments in 2024 and takes a look ahead to the future performance of the economy and financial markets.



**Philipp Merkt**  
Chief Investment Officer

**Philipp<sup>1</sup>, 2024 exceeded all expectations on the financial markets. There wasn't actually anything you needed to do to give your customers good returns, right?**

Success always looks very easy with hindsight (laughs). No, seriously, 2024 again wasn't an easy year for investment. Just trying to make sense of the geopolitical challenges kept us on our toes. And the stock market downturn in August wasn't without its problems either. You can see how complicated things were from the fact that both the gold price and tech stocks hit new highs over the course of the year.

**Doesn't that stack up?**

Normally, the price of gold rises when uncertainty on the financial markets increases, when there is a threat of war or when inflation gets out of hand. The rise in tech stock prices, on the other hand, reflects huge confidence in a better future and an expectation that inflation and interest rates will remain low. So there are now two camps in the financial markets: one probably overly pessimistic, the other if anything too optimistic.

**Which camp are Bitcoin investors in?**

In a way, investing in Bitcoin is similar to investing in gold: there's a limited supply, growing uncertainty seems to help the price and a not insignificant group

of investors dream that Bitcoin or gold will one day replace the "paper money" of the industrial nations. The two forms of investment are also similar in that they have no ongoing returns and can be subject to strong price fluctuations.

**Does that mean we shouldn't be tempted by gold and Bitcoin?**

No, it just means that you have to keep an eye on the overall risk in your portfolio. For example, people who take a lot of risk by investing in something like Bitcoin or gold because they believe the price will rise should always ensure that there is less risk in their other investments. Otherwise, the chance of making a nice profit also carries the risk of very big losses.

**Shares are also widely seen as risky. Is it fair to say that it was worth taking these kinds of risk this year?**

That also really depends. Aside from anything else, the equity markets were not at all easy to navigate. There were huge differences between stock markets in different countries and regions this year. While Swiss shares saw single-digit returns, American stocks went through the roof, mainly due to big tech stocks such as Apple, Microsoft, Tesla and Nvidia. If you didn't have these, you missed out on a considerable profit. In comparison, other more risky investments tend to perform poorly. Let's take commodities as an example: a broad-based commodities index saw practically no increase in value this year.

**How is it possible for stocks to have high returns while commodities do not?**

Simply because while most financial markets performed well, this wasn't necessarily the case for the global economy. This reined in demand for commodities. The Chinese and European heavyweights in particular largely disappointed. China is still struggling with

<sup>1</sup> The PostFinance culture fosters straightforward working relationships on an equal footing. We cooperate efficiently within a flat hierarchical structure and use familiar forms of address across all levels and departments, from our apprentices to our CEO.

the consequences of the downturn in the real estate market and weak global demand for industrial products. Europe is being held back by Germany in particular, which has seen no growth at all since the beginning of the last legislative period and the traffic light coalition coming to power. On top of that, there's the worsening economic crisis in France. But the United Kingdom, which has not yet returned to normality since Brexit, was also disappointing in the second half of the year.

**Are there any signs of improvement?**

Very encouraging growth in the US has made up for much of this so far, but here, too, momentum is on the wane. It's quite possible that Europe and China will pick up again in the second half of 2025, but that the USA will then slacken. The outlook for the global economy, unfortunately, is not entirely rosy.

“As a successful investor, you don't have to predict the ups and downs on the markets better than others. You have to pursue a long-term and broadly diversified strategy.”

**Even so, lower growth should help to keep the inflation figures falling.**

Outside Switzerland, inflation rates have stopped falling in recent months. If we're talking about inflation of around 3 percent in the US and Europe, that's simply too high. Let's remember that the inflation targets set by the respective national banks are 2 percent or lower. It's not an easy situation for monetary policy in dollars, euros and pounds – especially since the financial markets are expecting further interest rate cuts.

**But we have inflation under control, don't we?**

Yes, we're currently experiencing a period of price stability. However, the Swiss National Bank (SNB) again cut interest rates by half a percentage point at the end of the year. That's a big step, and it shows that we should be rather more concerned that inflation could even go too low, raising the prospect of negative interest rates again.

**2025 will be the year of political upheaval. What do we need to brace ourselves for?**

Things will get interesting right at the start of the year. Donald Trump takes office as US President for the second time at the end of January. If he does only half of what he's promised, it could seriously shake up the global economy. After all, his new favourite word is “tariffs.” We have to hope that his trading partners keep a cool head, otherwise the economic and financial outlook will deteriorate worldwide. And then the Germans go to the polls at the end of February. Here we have to hope for majorities in parliament that will allow for a stable government. Both the situation in the Middle East and the war in Ukraine will still be on our minds. We don't expect the international political situation to settle down in 2025. Global polarization will continue to grow and the major emerging economies will demand a bigger say.

**So the political environment will continue to change. What does it all mean in terms of investment?**

In times of upheaval like this, it's important to have a robust, diversified strategy that also works perfectly well in alternative scenarios. You always have to remember that investment has a much longer horizon than our politicians' terms of office. If that is reflected in the strategy, you don't have to pay all that much attention to day-to-day events. Let's take Trump's upcoming second term in office. It's a four-year term, and during that time we'll no doubt be confronted with many new developments. If you can predict anything here, it's that there will be plenty of excitement. However, most of us don't invest with a horizon of four years, but much longer. If you keep that in mind and focus on a robust strategy, there is less pressure to rush things and you make fewer mistakes.



# Marked by highs and lows

While 2024 was encouraging for investors, it was also a year marked by highs and lows. Hopes and fears surrounding the easing of monetary policy, exorbitant earnings forecasts for tech giants, recurring economic concerns in the USA and surprising political developments led to ups and downs on the financial markets. Beat Wittmann, Head of Investment Office, explains how PostFinance dealt with these challenges for its customers' investment portfolios over the course of the year.

**Monday, 22 January 2024:**

**Cautious start to trading in the new year**

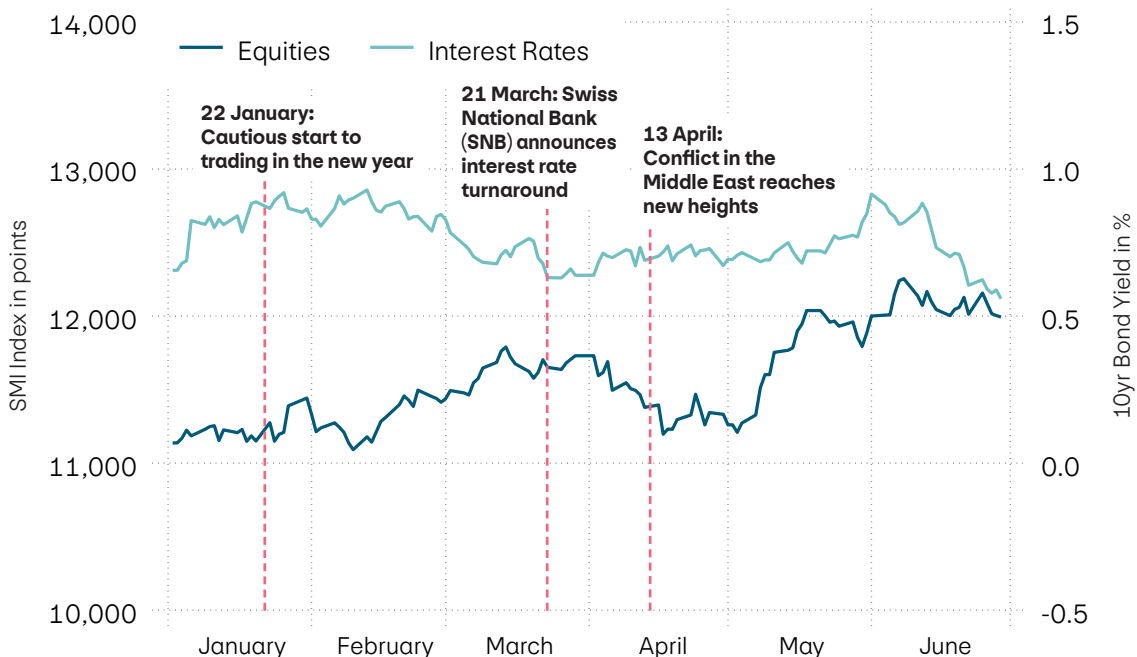
Following the year-end rally in late 2023, the financial markets made a rather cautious start to the new year. The euphoria seen in response to a rapid and generous easing of monetary policy gave way to a sobering realization that the fight against high inflation had not yet been won. After declining considerably, for example, the overall rate in the eurozone rose again in December 2023. Inflation rates also remained stubbornly high in the USA and UK at the start of the year. As the US labour market continued to underpin the performance of the country's economy, inflationary pressure, in particular, threatened to remain high. Disappointed expectations regarding monetary policy easing also fed through to the bond markets with rising interest rates.



**Beat Wittmann**  
Head of Investment Office

The increase in capital market interest rates weighed on the performance of global equity markets as well, with markets driven by the boom in artificial intelligence the only outliers from this trend. China's stock

Review of 2024 – 1<sup>st</sup> Semester



Source: Factset

markets made a perceptibly weak start to the new year, too. Following the insolvency filing in Hong Kong by Evergrande Group, which had been China's second-largest real estate developer, there was growing concern among foreign creditors that their claims against other entities would no longer be met. As a result, the Chinese equity market neared its five-year low. Our defensive positioning ensured that the subdued start to the year did not have too strong an impact on our customers' portfolios.

**Thursday, 21 March 2024: Swiss National Bank (SNB) announces interest rate turnaround**

With optimistic expectations regarding an easing of monetary policy dampened at the beginning of the year, the interest rate decision by the Swiss National Bank (SNB) on 21 March 2024 came as a small surprise. The SNB decided to lower its policy rate by 25 basis points to 1.5 percent, making it the first Western central bank to ease its monetary policy during this economic cycle. However, the SNB's decision was not unfounded. The SNB's starting position was far more comfortable. In March, both overall inflation and the core rate in Switzerland stood at 1.0 percent, within the target range set by the SNB. With its decision, the SNB also presumably wanted to weaken the Swiss franc and strengthen the weak economy. Swiss real estate funds also benefited from this interest rate cut. In this case, our earlier decision to buy Swiss real estate funds proved correct.

**Saturday, 13 April 2024:**

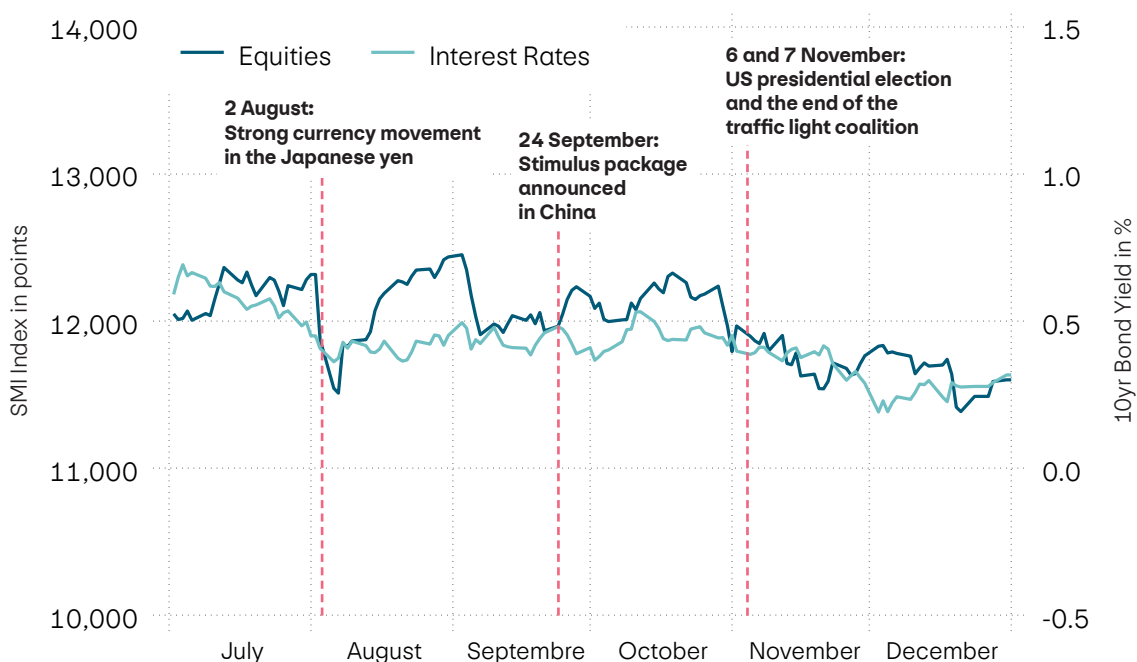
**Conflict in the Middle East reaches new heights**

In spring, the stock markets recovered from their weak start to the year thanks to the ongoing boom in artificial intelligence and the continued and surprisingly robust US economy. However, mid-April saw the next setback: with Iran's retaliatory strike on Israel on 13 April 2024, the conflict in the Middle East intensified to reach a new low point.

“However, the past year's major setbacks also show that developments on the equity markets in particular remain fragile.”

The attack had a perceptible impact on the financial markets. Even before it took place, the conflict had already unsettled the financial markets. The price of gold – the precious metal considered a safe and inflation-proof investment in times of uncertainty – rose sharply from the end of March, increasing by over 10 percent to its temporary high on 19 April. There was also a rise in the oil price. At the same time, equity markets during this period lost most of the gains they had made over the course of the year. However, Israel's restrained reaction restored some calm to the situation by the end of April, with no further escalation for the time being.

Review of 2024 – 2<sup>nd</sup> Semester



Source: Factset

### Friday, 2 August 2024:

#### Strong currency movement in the Japanese yen

Over the summer, the mood on equity markets brightened again, with the AI boom, in particular, driving share prices higher in many places. However, this came to an abrupt end at the end of July and beginning of August, a development driven on the one hand by the sharp movement in the Japanese yen. By the beginning of August, the Japanese currency had gained more than 10 percent against the US dollar, trading at times below 142 yen per US dollar. In particular, the Japanese central bank's decision to raise policy rates again appeared to have boosted the currency at the end of July.

## “The AI boom drove share prices up in 2024.”

With this currency development, however, carry trades in the Japanese yen came under growing pressure. At the same time, disappointing US economic data and quarterly results from several tech giants put additional pressure on the equity markets, particularly on tech stocks. These developments underlined our scepticism towards now highly valued US tech stocks, although the stock markets subsequently recovered. It was striking that the Japanese yen held on to its new-found strength although it was still clearly undervalued. However, the Japanese currency's momentum and undervaluation now made it attractive, leading us to increase our position in the yen.

The recovery was quickly followed at the end of August by the next bout of turbulence. In the US, both gloomy sentiment in the industrial sector and disappointing labour market data raised concerns of a sharp economic slowdown, which had a negative impact on the markets, if only for a short time. New economic data suggesting that the US would continue to resist any slowdown and the monetary policy turnaround initiated by the US Federal Reserve (Fed) in September boosted hopes that the US economy would not cool down excessively. Nevertheless, a potential slowdown remained a likely scenario. In this context, we held to our August assessment that the downside potential of interest rates in the USA is higher than in Switzerland, and we continued to favour US government bonds over Swiss bonds accordingly.

### Tuesday, 24 September 2024:

#### Stimulus package announced in China

The Chinese stock market had seen weak performance this year, but that changed at the end of September. The announcement of monetary policy measures by the Chinese government and speculation about fiscal policy measures sent the stock markets in Hong Kong and on the mainland soaring. Share prices rose by more than 20 percent in a very short time. Our preference for emerging market equities benefited particularly from this rise. However, the structural problems in the real estate market and domestic consumption are unlikely to be resolved by monetary policy measures. They would require concrete fiscal policy measures, which have so far failed to materialize.

## Global economic data 2024

	Real GDP-Growth		Potential growth <sup>1</sup>	Inflation		Unemployment		Prime rate	Public debt <sup>h</sup> (in % of GDP)	
	2024	Ø 10Y	2024	2024	Ø 10Y	2023	2024	Dec 2024	2023	2024
Switzerland	1.6%	1.8%	1.3%	1.1%	0.6%	2.0%	2.4%	0.5%	39.5%	32.0%
USA	2.8%	2.5%	1.6%	2.9%	2.9%	3.6%	4.0%	4.50%	123.3%	121.0%
Eurozone	0.8%	1.5%	1.1%	2.4%	2.4%	6.5%	6.4%	3.0%	89.6%	88.0%
UK	0.9%	1.4%	1.7%	2.5%	3.0%	4.0%	4.3%	4.75%	104.1%	102.0%
Japan	-0.2%	0.5%	1.1%	2.6%	1.1%	2.6%	2.5%	0.3%	260.1%	251.0%
China	4.8%	5.7%	6.3%	0.4%	1.6%	5.2%	5.1%	4.35%	83.0%	90.0%
India	5.4%	5.8%	6.1%	4.9%	5.0%	8.2%	8.1%	6.5%	81.9%	83.0%
Brazil	4.2%	0.9%	1.5%	4.3%	5.8%	8.1%	7.1%	12.25%	88.1%	88.0%

<sup>1</sup> Potential growth: Long-term change in gross domestic product with sustainable capacity utilization.

Source: Factset



## Performance of asset classes

		Performance 2024	Performance 2024	Performance 5Y <sup>1</sup>	Performance 10Y <sup>1</sup>
		In Local currency	in CHF	in CHF	in CHF
<b>Currencies</b>	EUR	–	1.2%	–2.8%	–2.4%
	USD	–	7.8%	–1.3%	–0.9%
	JPY	–	–3.4%	–8.3%	–3.6%
<b>Fixed income</b>	Switzerland	5.3%	5.3%	–0.3%	0.5%
	World	–1.7%	6.0%	–3.2%	–0.8%
	Emerging Markets	6.2%	14.6%	–1.3%	2.1%
<b>Equities</b>	Switzerland	6.2%	6.2%	3.8%	5.7%
	World	19.1%	28.4%	9.9%	9.1%
	USA	24.6%	34.4%	12.6%	11.5%
	Eurozone	9.5%	10.8%	3.6%	4.3%
	United Kingdom	9.5%	16.0%	3.0%	2.9%
	Japan	20.7%	16.6%	3.4%	5.2%
	Emerging Markets	7.5%	15.9%	0.4%	2.7%
<b>Alternative Investments</b>	Swiss real estate	17.6%	17.6%	4.5%	5.4%
	Gold	27.2%	37.2%	10.2%	7.3%

<sup>1</sup> Average yearly performance

Data as 31.12.2024

Source: Web Financial Group, MSCI, SIX, Bloomberg Barclays, J.P.Morgan

### 6 and 7 November 2024: US presidential election and the end of the traffic light coalition

In October, momentum on the markets faltered again somewhat prior to the upcoming US presidential election – not least because the outcome of the election looked uncertain. Poll results were assuming a neck-and-neck race between the two candidates. In the event, Donald Trump's surprisingly clear victory triggered a strong rally on Wall Street, with stocks and sectors likely to benefit from Trump's election promises, such as bank shares and cryptocurrencies, rising in particular. In fact, the leading US indices reached new all-time highs following the election. The fiscal and economic policy measures announced actually continued to support the US economy, and, in turn, the stock markets, in the short term. Against this backdrop, we reduced our underweight position in US equities.

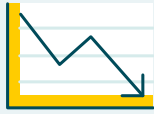
However, these measures also entail considerable risks. They may further increase US government debt and make any rapid and sustained fall in inflation rates less likely. The bond markets in the US appear to have already reacted to this. Yields to maturity on 10-year government bonds rose by more than 15 basis points after Trump's re-election. Since the year's low point in mid-September, capital market interest rates have risen by more than 60 basis points.

On this side of the Atlantic, however, there was a sense of gloom following the election of Donald Trump. The trade and punitive tariffs announced clouded the economic outlook and led to losses on the European equity markets. And the collapse of the traffic light coalition in Germany just one day later further depressed the mood.

### Summary

An eventful year now lies behind us. Overall, however, the economic situation has not significantly improved. We have yet to see an upturn in either the European or Chinese economies. That said, the US economy has so far avoided any significant slowdown. Financial markets remained surprisingly upbeat despite a relatively gloomy overall economic outlook. Equity markets have risen significantly over the last twelve months. However, the past year's major setbacks also show that developments on the equity markets in particular remain fragile. Above all, our cautious approach has helped us to weather the turbulence well this year and perform strongly compared with our peers in the sector.

# Review of 2024 in figures



0,9

**Core inflation in Switzerland in percent  
in November**

2022: 1,8 | 2023: 1,6  
Source: Factset



0,94

**EUR/CHF exchange rate  
in December**

2022: 0,98 | 2023: 0,95  
Source: Factset



125,40

**US national debt  
as percentage of GDP**

1998: 61,30 | 2007: 62,60  
Source: OECD Economic  
Outlook 115 database



835'239

**SNB total assets in CHF million  
in October**

2007: 110'033  
2015: 620'825  
Source: SNB



4,5

**US policy rate in percent  
in December**

1980: 20 | 2020: 0,25  
Source: Factset



2'609

**Gold price per troy ounce  
in USD in December**

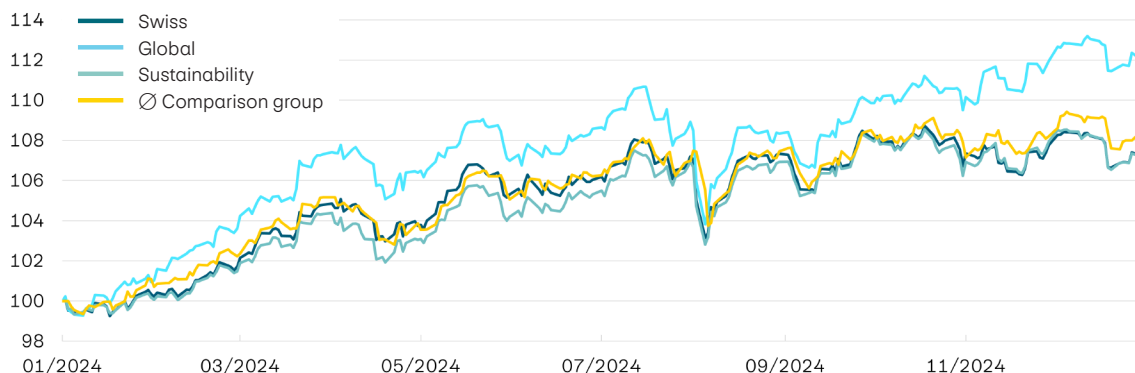
1980: 643 | 2019: 1'454  
Source: Factset

# Our portfolios in 2024

Our portfolios experienced ups and downs last year and proved their worth thanks to their cautious positioning, in particular during the turbulent periods. Overall, they ended the year with higher-than-average performance.

## Performance in CHF, Risk strategy “Balanced”

100 = 01.01.2024



Source: PostFinance, Bloomberg

On the whole, 2024 was an encouraging year for stock market investors, although also marked by a number of highs and lows. While central banks again played an important role, economic concerns and the question of whether the boom in artificial intelligence will actually deliver sustainable returns also troubled the markets.

### Cautious start

Following a cautious start to the new year, optimism returned to the financial markets thanks to the ongoing AI boom and a US economy that continued to perform robustly. Against this backdrop, our portfolios, and in particular those with a global focus, saw a significant increase in value. In mid-April, this confidence gave way to increasing concern over the worsening situation in the Middle East. By the end of April, however, things had calmed down considerably, allowing our portfolios to fully recover by May.

### Difficult summer months

While the mood on the markets initially remained optimistic in early summer, the grounds for this optimism proved to be fragile. At the end of July, the appreciation of the Japanese yen, weak economic data and disap-

pointing quarterly results from large US tech companies led to a slump. A brief recovery at the end of August was followed by renewed turbulence, triggered by gloomy sentiment in industry and weak US labour market figures. But this upheaval again proved to be temporary, and the markets and our portfolios recovered by the end of September.

### Trump victory sparks rally in the USA

In October, momentum slowed appreciably in the immediate run-up to the presidential elections. But this changed in November. Donald Trump’s surprisingly clear election victory was greeted with truly skyrocketing prices on the financial markets, with US stock indices climbing to new all-time highs as a result. In Europe, by contrast, the election produced disillusionment in both France and Germany due both to the trade and punitive tariffs announced and the sense of political uncertainty. The US Federal Reserve also brought disappointment at the end of the year as it held out the prospect of fewer policy rate cuts than previously thought. Nevertheless, our balanced portfolios ended the year with higher-than-average annual performance of 7 to 12 percent.

# PostFinance has the right investment solutions for you

We'll help you to build up your assets with our investment solutions. You have the choice of delegating the management of your assets to us, obtaining advice or conducting your investment transactions independently.

## Why now is the right time to invest

**Don't want to miss out on opportunities to generate returns? Then you should start investing now. Want to keep your investment goals on track? Then continue investing now.**

Invest now because time is on your side. There is always a risk of turbulent conditions on the global stock markets. So what's the best investment approach? It's generally advisable to stick with the investment strategy selected. A long-term horizon pays off when investing. Time can help to even out fluctuations in value.



## Sustainability and investment

**Whether you wish to delegate asset management to us, get support for your investment decisions or invest independently:**

our investment solutions take account of ESG and sustainability criteria. For example, you can opt for the e-asset management and investment consulting plus investment solutions with the "responsible" focus or choose our ESG and sustainability funds with "fund consulting basic" and fund self-service.

[postfinance.ch/investing](https://postfinance.ch/investing)

## Award

### Best Wealth Managers

Every year, Bilanz honours the best asset managers in Switzerland. For the fourth year running, PostFinance has been ranked among the top five asset managers in Switzerland in the custody account performance comparison.



## Delegation

### E-asset management

**Would you prefer to invest according to your chosen strategy without having to worry about it yourself?**

With e-asset management, we invest your money according to your individual investment strategy. We monitor your portfolio continually and adjust it if required – you don't have to worry about anything.

[postfinance.ch/assetmanagement](https://postfinance.ch/assetmanagement)



## Advice

### Investment consulting plus

**Do you want to be kept in the loop about your investments at all times and to benefit from personalized, ongoing and comprehensive advice?**

With investment consulting plus, you receive support and advice from your personal investment advisor. You're kept informed about relevant market developments and notified of any deviations to your investment strategy.

[postfinance.ch/investmentconsulting](https://postfinance.ch/investmentconsulting)



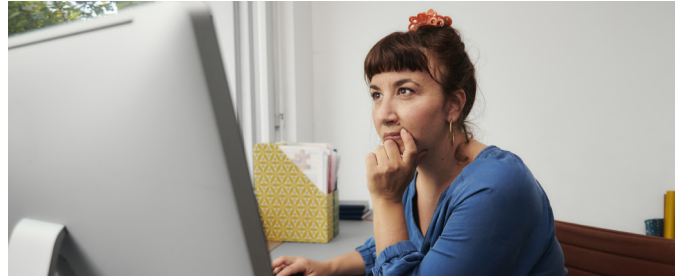
### Consulting

#### Fund consulting basic

##### **Want to keep control yourself, but also benefit from our advice?**

Fund consulting basic offers a straightforward range of PostFinance Fonds and third-party funds that are tailored to your needs. You can receive investment proposals, either directly online or in a personal consultation. You also have the option of investing regularly in a funds saving plan.

[postfinance.ch/fundconsulting](https://postfinance.ch/fundconsulting)



### Independent

#### Fund self-service

##### **Are you an investment expert who wishes to invest in funds independently without any advice?**

With fund self-service, you choose independently from our straightforward range of PostFinance Fonds and third-party funds, all tailored to your needs. The third-party funds provide a choice of various countries, sectors and themes, such as technology. You also have the option of investing regularly in a funds saving plan.

[postfinance.ch/funds](https://postfinance.ch/funds)



### Independently or with advice

#### Retirement funds

##### **Do you want to build up assets while focusing on returns to maintain your standard of living during retirement?**

PostFinance offers retirement funds in which you can invest retirement capital from your retirement savings account 3a or vested benefits account. The funds have different allocations of shares and bonds. When retiring, you have the opportunity to keep the units of the retirement fund associated with your retirement savings account 3a and to transfer them commission-free into a fund consulting basic custody account or a fund self-service custody account.

[postfinance.ch/retirementfunds](https://postfinance.ch/retirementfunds)



### Independent

#### E-trading

##### **Would you like to trade securities yourself online on major stock exchanges?**

Via e-trading, PostFinance's intuitive, modern trading platform, you can carry out your stock exchange transactions online, anytime and anywhere – and at extremely attractive conditions.

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We would be happy to advise you

**Our highly experienced and professional advisors will answer any questions you may have – so that you make the right decisions for your portfolio over the long term.**

We look forward to hearing from you at [postfinance.ch/advice](https://postfinance.ch/advice)



#### **PostFinance is all about investment expertise**

Find out how our Chief Investment Officer (CIO) and investment experts view financial market developments – in the investment compass, CIO video, podcast and investment navigator.

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Want to acquire investment expertise? Our blog regularly provides valuable advice and information. [postfinance.ch/investment-knowledge](https://postfinance.ch/investment-knowledge)



# A year of change

2025 starts with numerous challenges for investment. However, foreseeable political and economic changes have the potential to resolve existing deadlock and imbalances.

In the past few years, society, the economy and the financial markets have faced exceptional challenges. Numerous events with far-reaching consequences have broken up existing structures and created new ones. Chief among them was the COVID-19 pandemic and the government interventions in response to it, which have had a lasting impact on social and economic life. Significant monetary and fiscal policy measures in this context also produced the global inflation that is still being felt in many regions today.

“Even discounting any repetition of last year’s strong returns on the equity markets, we remain optimistic for 2025.”

But the global challenges we face go far beyond the consequences of the pandemic. Around the world, growing political polarization is making it more difficult to form governments, while nationalist and protectionist economic policies are again gaining influence. Geopolitical conflicts are destabilizing the international order and the economic cycles of the major economic areas have continued to diverge. And then there is technolog-

ical change: artificial intelligence applications like ChatGPT are increasingly finding their way into everyday life, but also raising questions about the long-term impact on labour markets and society. At the same time, momentum on the equity markets remains impressive, with some achieving strong price gains last year despite these many challenges.

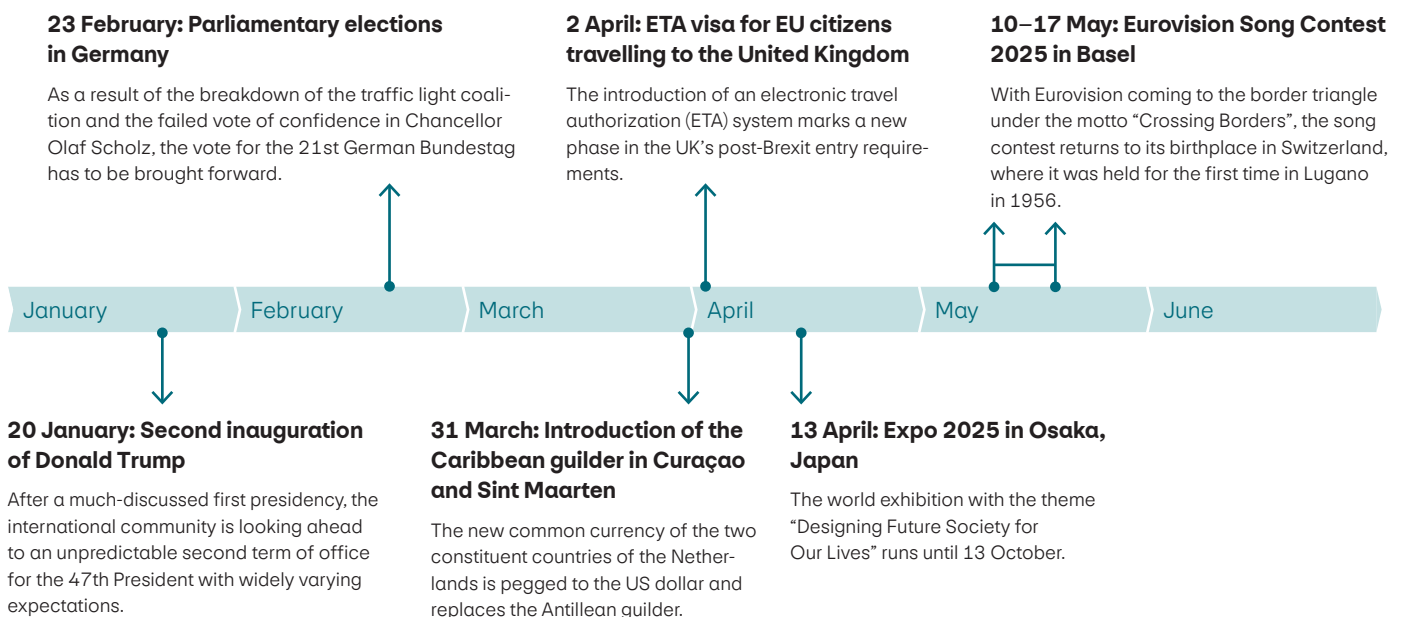
### Political developments will shape 2025

In this complex environment, 2025 could be a year of transition in which pent-up changes are accomplished, setting the agenda for the coming years.

This is true in particular of political developments in the countries that are home to our most important trading partners. In Germany, new elections are due in February following the collapse of the traffic light coalition, with hopes of a clear majority and the formation of a stable government. At the same time, there is an opportunity to place relations between Germany and Switzerland, as well as the EU, on a solid footing and to stabilize them with a new framework agreement.

In the United States, Donald Trump assumes the office of President in January. His protectionist economic policy is likely to strain international trade relations.

## Events coming up in 2025 – January to June



There are plans for comprehensive tariffs designed not only to protect domestic industry, but also increasingly to be used as a means of exerting geopolitical pressure. Despite all this and notwithstanding the polarizing rhetoric, the basic outlines of Trump’s economic policy at least remain calculable, a predictability that will be welcome on the financial markets.

### Contrasting economic cycles

Economically, 2025 is also set to be a year of change. The US economy should benefit in the short term from the deregulation and tax cuts planned by Trump. In the medium term, however, the strong and significantly above-average rate of growth is likely to slow. This cooling-off can already be seen in industry, construction and the labour market, which has recently lost momentum. In addition, the strong overutilization of capacity that the US economy has seen in recent quarters will be very difficult to maintain over a longer period of time.

An economic slowdown could even promote the interests of the US Federal Reserve (Fed). It would help make progress in tackling inflation, which has largely been lacking over the past year. Since the middle of the year, core inflation – which is crucial for central banks – has remained above 3 percent in the USA. However, the fiscal policy stimulus measures planned by Trump will probably make any rapid return to the Fed’s target unlikely, in turn creating uncertainty about the extent to which the Fed will cut interest rates in 2025.

In the eurozone, on the other hand, a contrasting dynamic is emerging. The momentum of the region’s two biggest economies, France and Germany, has seen a

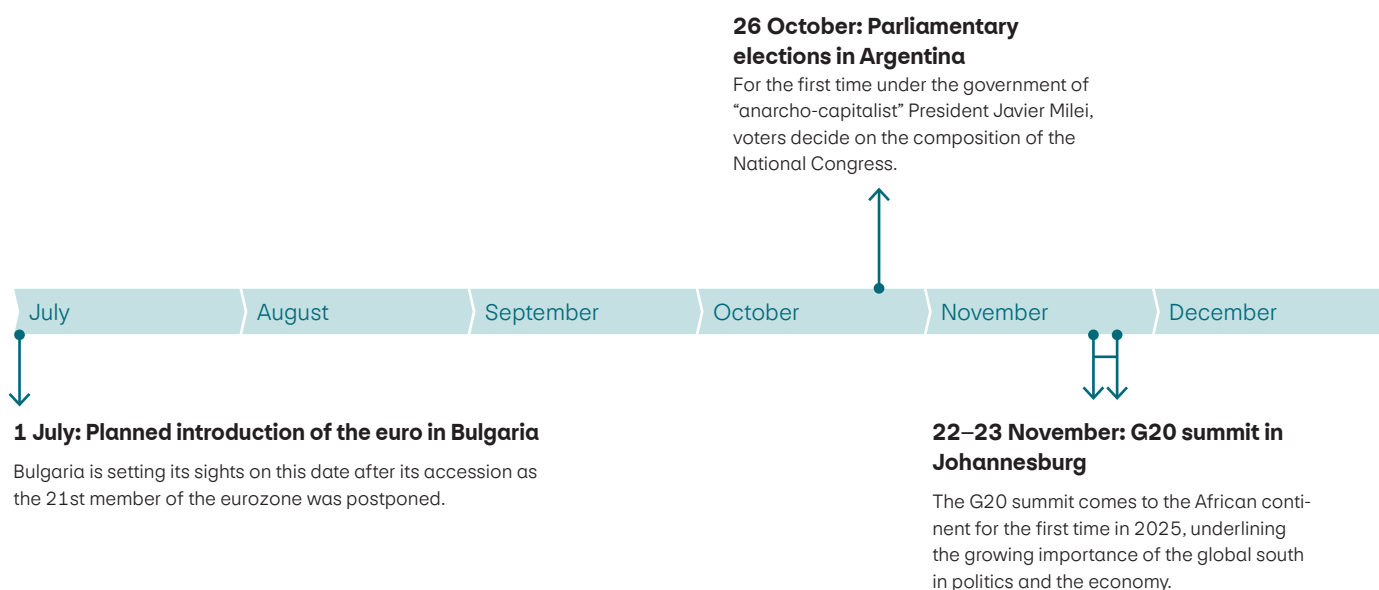
sharp slowdown recently. If the political deadlock in both countries can be resolved, this could lend their economies fresh momentum. Germany in particular has considerable potential for growth due to the underutilization of its production capacity, and this would probably also benefit the Swiss economy. In addition, the European Central Bank (ECB) has signalled its willingness to support the economy with further interest rate cuts, even though the decline in inflation has recently stalled.

For China, the outlook has also brightened somewhat recently. The Chinese government appears to have recognized that the current downturn, exacerbated by the real estate crisis, is of a structural nature. Any rapid recovery will probably only be possible through targeted fiscal policy measures. The intentions of Chinese policymakers here give reason to hope that the Chinese economy will regain some momentum in the coming year.

### Geopolitical risks remain considerable

The global geopolitical situation, however, remains almost impossible to predict. We can be certain that we’ll again see numerous flashpoints in 2025. As the new year starts, the Russian war of aggression against Ukraine continues unabated. The situation in the Gaza Strip remains precarious. Israel is at war with Hezbollah, leading to an indirect confrontation with Iran. And the Turkish-backed terrorist militia HTS has now also taken power in Syria.

## Events coming up in 2025 – July to December



### Recognizing challenges, seizing opportunities

2025 begins in an environment of increased risk for investment. Geopolitical conflicts, uncertain growth prospects in the USA and stagnating progress in tackling inflation are likely to weigh on the financial markets. The strong price gains seen last year are also limiting expectations for 2025. The US stock market already has a Shiller price/earnings ratio<sup>1</sup> of 38, a level only previously seen in the recovery rally following the pandemic and during the dot-com hype.

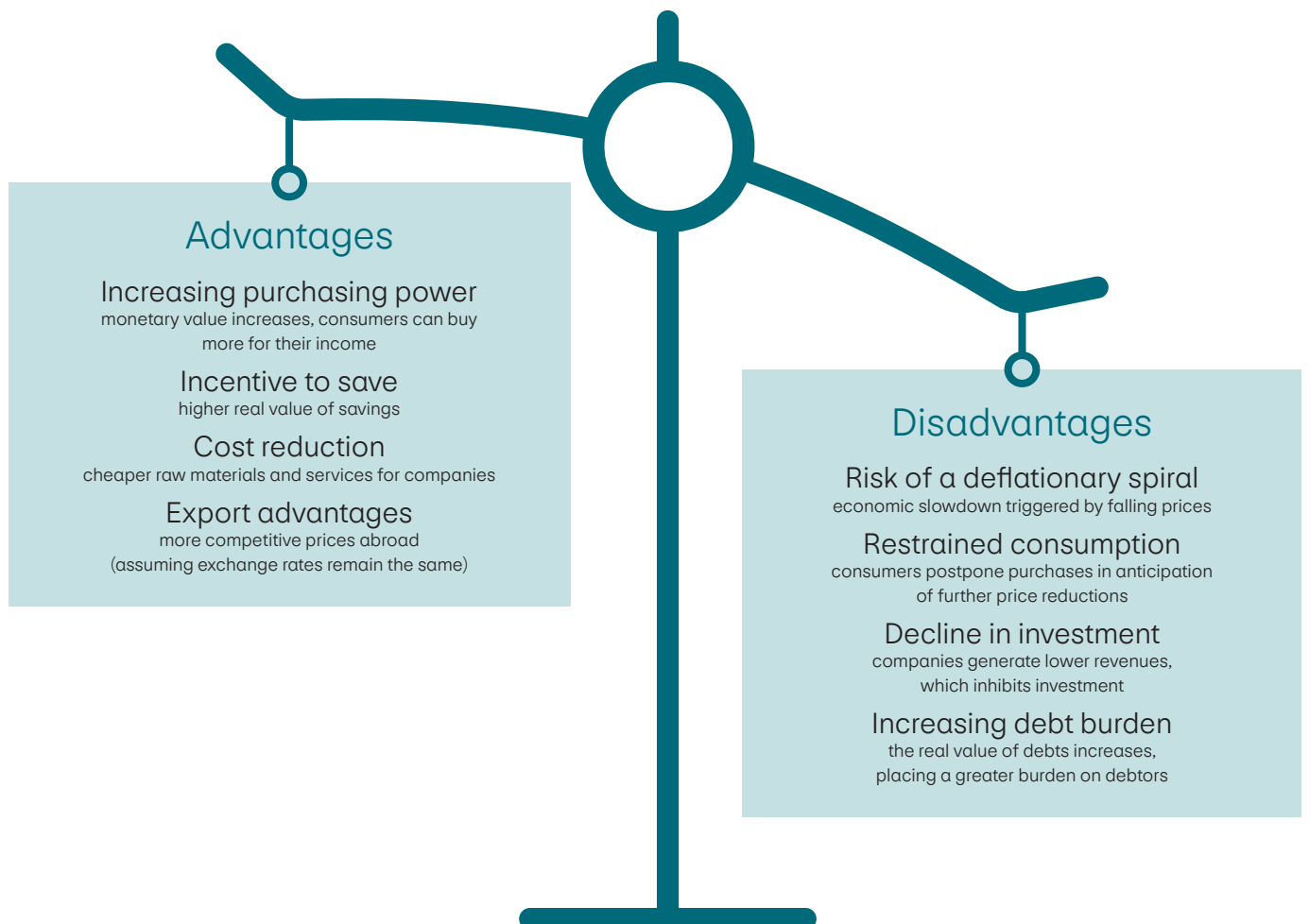
Nevertheless, there are rays of hope. Positive impetus could come from the resolution of political deadlock, further progress in tackling inflation, a further easing

of monetary policy by central banks and an economic recovery in Germany and China. After all, higher risks also mean a chance of positive surprises in all possible scenarios. In terms of managing our customer portfolios, we are therefore sticking with our long-term strategy at the beginning of the year but we'll be keeping a close eye on future developments.

<sup>1</sup> The Shiller P/E ratio compares the current share price with average, inflation-adjusted earnings over the last ten years, providing an indication of long-term market valuation.

## Prospects 2025

# What are the advantages and disadvantages of deflation<sup>2</sup>?



<sup>2</sup> General decline in the price level of goods and services over a certain period of time and at an inflation rate of less than 0 percent.



#### Your question

Why are rising interest rates generally bad for the stock market?



#### Our answer

Rising interest rates can weigh on the stock market in various ways. For example, stock prices typically reflect a company's expected future profits. When interest rates go up, these future earnings lose value compared to the present.

At the same time, financing costs rise in line with interest rates. Higher borrowing costs reduce companies' investment capacity and impair their profitability. Both can have a negative impact on share prices.

# Prospects 2025

Given the rapid pace of change and the complexity of global developments, it's important to look beyond short-term fluctuations and keep an eye on long-term opportunities and risks. Below, we take a look at four key topics that are likely to shape 2025.

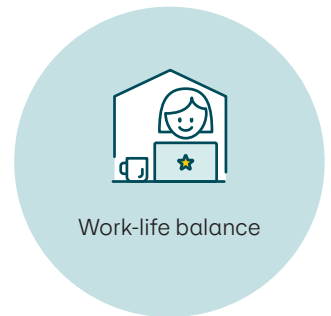
From an investor's perspective, last year was undoubtedly successful and saw considerable price gains on the US stock market. But this positive performance means that US companies' current stock prices are very high relative to their earnings. This changes the outlook and expected returns for 2025 and beyond.

## “High earnings expectations on the US stock market will limit share price performance in the coming years.”

Alongside the US market, China's equity market also recorded high price gains last year, with Chinese market performance defying ongoing economic difficulties and an escalating real estate crisis. How investors address the major discrepancy between economic reality and market performance in China remains one of the key questions for the coming years.

In addition, political events look set to shape the economic and social climate. Mounting levels of polarization – as seen for example in the US elections and the results of the European elections – could profoundly change political, economic and social structures in the long term.

Our relationship to work is also changing. While the trend towards a better work-life balance may offer individual freedom, it also raises social and economic questions. Less time spent at work not only means new opportunities for relaxation and personal development, it also raises challenges for growth and prosperity. In the coming years, our society will undoubtedly have to come to terms with how we are to understand these changes.





# High valuations, meagre prospects? What the past teaches us about future returns



Over the past ten years, the US equity market has achieved annual returns of over 12 percent. By comparison, the MSCI World ex USA generated annualized returns of just under half that figure over the same period. This discrepancy not only reflects the dominance of the US markets, it also raises questions about the sustainability of the trend.

## US stock market on a roll

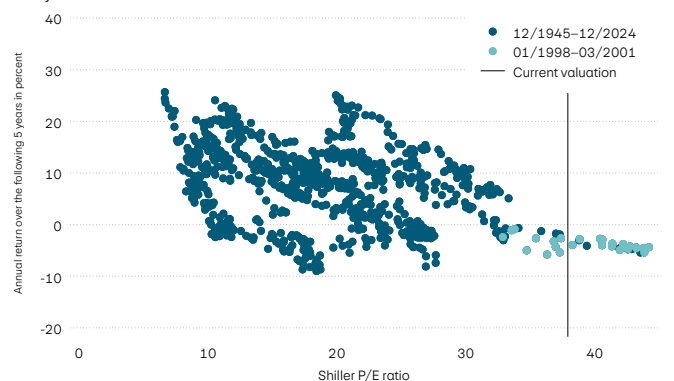
Die fulminante Wertentwicklung des US-Aktienmarktes  
The brilliant performance of the US equity market is largely due to the exceptional price gains of a few heavyweights. In the recent past, these were the so-called “magnificent seven”. Since the coronavirus crisis, shares including Amazon, Apple and Google have risen between 20 and 30 percent on an annualized basis, with Nvidia actually exceeding 90 percent. As a result of these price rises, there has been a significant divergence in the valuations of the US markets compared to other international markets in recent years.

## High valuations, gloomy prospects for long term returns

If we look at the Shiller P/E ratio, which is widely used for the US stock market and includes inflation-adjusted profits over the last ten years, this benchmark is close to historical highs. The only figures exceeding it were seen during the dotcom bubble in the late 1990s and early 2000s, and shortly after the COVID-19 pandemic. Historically, valuations at these levels on the US stock market have often been associated with weak to negative long-term returns in subsequent years. Against this backdrop, it is advisable to view US stocks with a degree of scepticism.

## High valuations cloud prospects for returns

The Shiller P/E ratio in relation to inflation-adjusted returns over the following five years



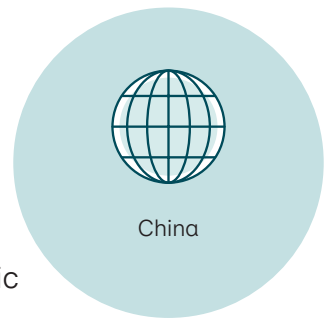
The US stock market’s strong performance is also reflected in the price/earnings ratio (P/E ratio). Looking at the history of the last 20 years, we can see that the P/E ratio of the US stock market for the leading S&P 500 index is currently at the upper end of its historical valuation range. This is largely due to the dominance in this index, which is weighted by market capitalization, of a small and above all very successful number of heavyweights. But a comparison with the equally weighted S&P 500 index also shows that valuations are unusually high. The MSCI World ex USA is currently trading at just its historical average.

“Past returns are no guarantee of future results – particularly with record valuations.”

## Valuation only part of the story

While market valuations are an important factor in portfolio allocation considerations, they are only one part of the picture. Valuation metrics such as the Shiller P/E ratio tend to provide useful information mainly for the longer term, while performance in the short term may well be influenced by other factors. Share prices can rise in the short to medium term even when valuations are already high. This was the case, for example, during the dotcom bubble. Particularly in conditions where some index heavyweights are generating substantial gains on the basis of technological innovation or market leadership positions, short-term factors may continue to support valuations for some time.

# Strong economy, weak stock market: China's unexplained paradox



Over the past three decades, China has achieved an exceptional level of economic output with remarkable growth. Since the introduction of the socialist market economy as an economic policy goal in 1992, the Chinese economy has grown almost forty-fold, from 490 billion to 18 trillion US dollars. But this success story conceals an apparent paradox: while the real economy is booming, the stock market is lagging far behind expectations.

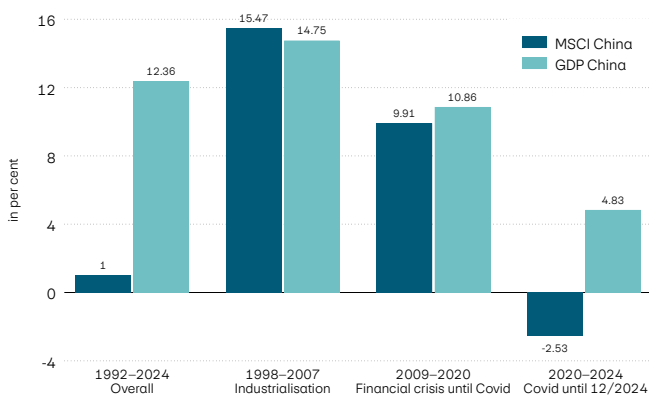
If we assume that share prices reflect future discounted profits, both interest rates and investors' expectations regarding future corporate earnings play a role in market pricing – and, in turn, future economic growth. What we see in China, however, is that when interest rates are taken into account, there is only a weak correlation between equity markets and economic growth. In the past 30 years, the MSCI China Index has risen by just 40 percent – or an annual return of a mere 1.1 percent. By way of comparison: in the USA, gross domestic product (GDP) has quadrupled in the last 30 years, with the S&P 500 leading index rising by an average of 10.5 percent annually, despite higher interest rates.

## Uncertainty among Chinese households and global investors

There are doubtless various factors that have contributed to this discrepancy. Among Chinese households, an average of around two thirds of assets are invested in real estate, with only a small proportion invested in stocks. Since the end of the 1990s, the real estate market has been the preferred way to accumulate wealth, giving rise to speculative excesses and high levels of private debt. The real estate crisis triggered in 2021 weakened investor confidence significantly, while also contributing to falling stock market prices. Regulatory intervention in large technology companies such as Alibaba and the prospect of a renewed trade war under the Trump administration is also likely to have fuelled investor uncertainty.

## Analysis of economic growth and equity returns by period

Since the COVID-19 crisis, the economy and equity market have diverged



Source: Bloomberg, PostFinance

“Strong growth, weak markets – China’s paradox both attracts and confuses investors.”

## Outlook and opportunities

The Chinese market has repeatedly posed challenges to investors as its history shows us. That said, there are clear periods of economic upturn that can have a positive impact on the equity market. There is also additional impetus from the Chinese government as it increasingly recognizes the potential of the equity market as an investment. In this context, several support packages have recently been announced that aim to strengthen both the economy and the equity market, for example by encouraging share buybacks with better financing options. At the same time, China’s stock market is more attractive at the moment than highly valued US stocks. Chinese stocks in the consumer goods, technology and healthcare sectors are at their historical averages, while most other sectors are below.

## It’s worth taking a period-by-period view

An analysis shows that over the period as a whole, there is hardly any significant correlation between Chinese GDP growth and stock market performance. Examining the figures by period, as shown in the chart, we can see that there have been periods in which the Chinese economy and equity market have at times converged. Since the COVID-19 pandemic, however, a discrepancy has become apparent: while GDP has continued to grow by around 5 percent per annum, the equity market has fallen considerably in value.

# Global political polarization: Dealing with division in society



The geopolitical trends of the past few years are worrying. The institutions established after the Second World War to address both international political issues and the global economy have clearly lost their appeal. New bodies and forums are taking shape, with up-and-coming, densely populated emerging economies looking to have a much greater say in global development. The United States hegemony has long been challenged by the assertive policies of new world powers China and India, while countries such as Russia and Iran are also seeking to strengthen their global influence.

It means that within the new and old forums of geopolitical dialogue, the importance of countries and systems that don't share our Western ideas of human rights and freedom is growing. Global politics is being shaped by a rising threat of conflict over ideologies, and the primary approach to finding solutions is no longer dialogue, consensus and agreement, but greater recourse to the power of the strongest.

**“Polarization has become a source of division in our ability to live together, both nationally and internationally.”**

In domestic politics, too, the poles of social conflict are drifting further apart. This is also the case in Switzerland even though our attention at the beginning of 2025 is focused on the USA. In fact, research shows that there is scarcely any other democracy in which the positions of the polarized parties are as far apart as in ours, and that the parties on the right and left of the political spectrum are not only large, but are growing.

### Shifting of boundaries as a method...

This political dynamic is no coincidence. After all, what polarizers feed on is drawing attention to their positions by constantly shifting boundaries. Between nations, unfortunately, this can actually be taken literally: as international polarization mounts, there is a growing threat of border disputes and armed conflicts. In the domestic political sphere, however, the aim is limited to shifting the boundaries of what it is socially acceptable to say or do, which is the only way to maintain interest in the long term and mobilize voters for your own party.

At the same time, a polarized characterization of political opposites has its good points to begin with, in particular when politics fails to adequately reflect social change. For large sections of the population, the approach of the established parties to issues such as

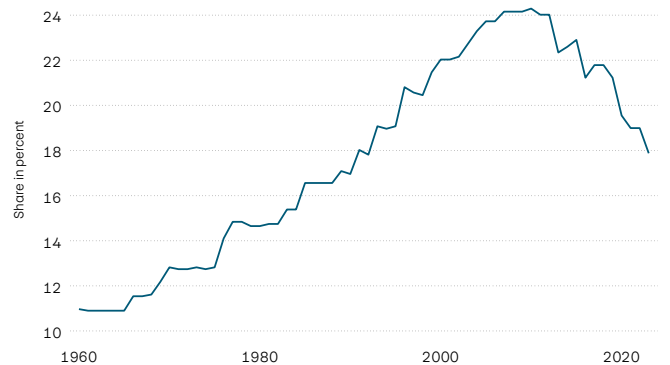
climate change and immigration was very unsatisfactory when they first arose. It took left/green, but also right-wing propaganda, to force the democratic parties to pay adequate attention to these issues in the first place.

### ...threatens to damage our institutions

In the long run, however, there is also something highly problematic about shifting boundaries. When a party's strategy is to continuously shift boundaries, the time will come when it will no longer stop at democratic institutions. The USA serves as the perfect example here. But in Switzerland, too, there is declining acceptance of state institutions such as parliament, the courts and the police. Polarization can therefore jeopardize the very institutions that made a constructive, polarizing political debate possible in the first place.

### Democracy in retreat

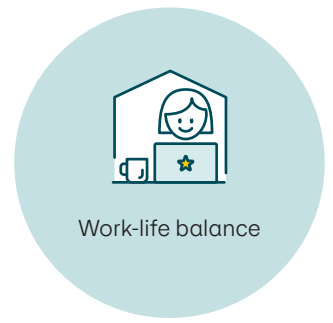
Share of democracies among the world's nations



Source: Our World in Data, V-Dem

In this context, the role of the media should also be judged particularly critically. Polarization creates attention, and attention is the currency that all media crave as they vie for advertising revenues. This is why the modern media have become fuel to the fire of polarization, and that's something we'll have to live with.

# Work-life balance: Maintaining harmony for society



Our prosperity increasingly enables us to achieve a better work-life balance. This creates freedom and fosters personal happiness, but it also presents us as a society with challenges in the medium and long term.

In ancient times, Greek philosopher Aristotle asserted that “leisure” is humankind’s greatest good. By this he meant that it is not work, but rather rest and relaxation that are at the heart of life and constitute the basis for a fulfilled life. Today, these early thoughts are again particularly relevant.

“Reducing the average amount of time we spend at work has many benefits, but also uncomfortable social side effects.”

### Gains in prosperity allow more leisure time

Our increased prosperity allows us to balance our working lives with other commitments and interests in our personal lives without having to accept serious restrictions or forego basic needs. A look at the official labour market statistics indicates a growing tendency for us to reduce the amount of time we spend at work. Part-time employment has risen sharply in recent decades. Whereas 29 percent of the workforce worked part-time in 2000, the figure today is around 38 percent. The increase is particularly evident among male employees, whose share has doubled from 10 to 20 percent.

In this context, the average number of hours worked has also fallen significantly. In 2000, the average number of working hours still stood at 1,712 hours per year, while today it is 1,529. a decline of almost 11 percent. However, this effect is not only down to a voluntary reduction in work volumes. Compulsory working hours per level of employment have also fallen significantly and the number of days leave available on average has increased.

For individuals, these trends have many benefits. Less time spent at work frees up space for relaxation, personal interests and social contacts – key elements for physical and mental well-being. However, the trend towards shorter working hours also has an impact on our economy and our social prosperity.

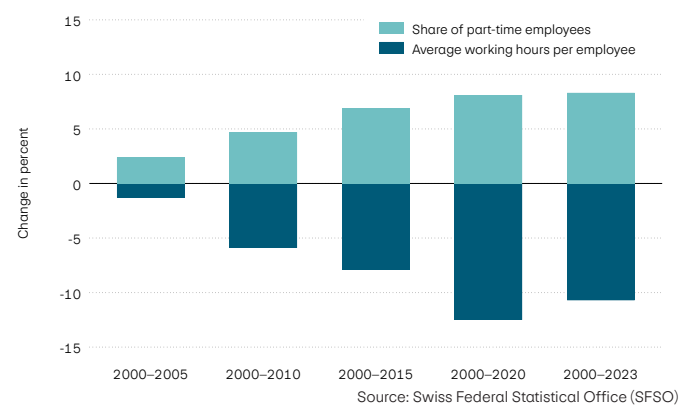
### Consequences for society

If we work less as a society, we forgo prosperity and accept that overall, we have fewer resources available to us than if we worked more. This effect is exacerbated by the fact that given our progressive taxation regime, part-time employees pay disproportionately less tax than full-time workers. It leaves the government with fewer resources at its disposal, to invest for example in research and development to combat climate change, or in social welfare to reduce inequality.

By significantly reducing the amount of time we spend at work, we make less effective use of the potential of our available workforce. This poses an additional challenge: given the demographic trend that will see more older people leaving the labour market in the coming years than younger people replacing them, the potential of our domestic workforce is set to shrink. On top of that, there is growing political resistance to the immigration of workers from abroad, which has so far allowed us to offset the decline in hours worked.

### Changing labour market

Changes since 2000 in percent



On an individual level, the growing number of options for a better work-life balance will open up many opportunities in the coming years. At the same time, the social impact of this trend looks set to become a growing challenge.

Closing remarks

# Technology improves our lives, but doesn't automatically improve company profits



Technological progress is essential if we are to raise our standard of living and solve humanity's big problems. But new technology always means the demise of old technology.

**Philipp Merkt**  
Chief Investment Officer

Progress always has winners and losers. This means that it's not clear at the outset whether new technologies will actually lead to higher company profits in the long term. The stock market is overly confident of that at the moment.

## PostFinance market view: Publications and videos

We are happy to share our expertise with you in our periodic publications and videos, which provide you with easy-to-understand answers to your investment questions.

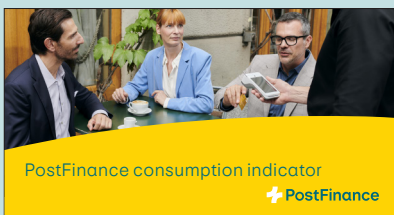
### "Investing with foresight" short video



### Investment compass



### PostFinance consumption indicator



Find out more:  
[postfinance.ch/market-view](https://postfinance.ch/market-view)



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Data as of: 31 December 2024  
Editorial deadline: 3 January 2025