WYSS & PARTNER

# Semi-Annual Review 2024 W&P Dynamic USD

Despite emerging concerns about consumers' ability and willingness to keep their spending high, economic growth in the West has remained resilient. To date, the consistently high interest rates have slowed down overall economic activity to a very limited extent. Overall, the equity markets performed favorably in the first six months, while bond yields increased further, resulting in a fund performance of +5.5%.

### Chart 1: Performance W&P Dynamic USD (02.06.2020 – 30.06.2024*)


*From 02.06.2020 to 26.03.2021, the product was implemented through an actively managed certificate, issued by the Helvetic Bank, with the same rules and restrictions applying. The actively managed certificate was transferred into the fund on 26.03.2021 and subsequently terminated. Past performance is no reliable indicator or guarantee for future performance.

Contrary to widespread expectations, the SNB surprised the financial markets in March with the first interest rate cut by the major Western central banks. In June, it followed this up with a second step downwards, which the SNB primarily justified with lower inflationary pressure. By contrast, inflation in the USA has tended to move sideways and remains well above the preferred band of price stability. Meanwhile, the picture in Europe has brightened slightly: Moderate growth was recorded in the first quarter after more than a year of stagnation, and inflation has continued to fall, which has allowed the ECB to cut interest rates for the first time. The geopolitical environment, on the other hand, remains highly charged, with points of crisis in the Middle East, the ongoing war in Ukraine, a tense political situation in large parts of Europe and an intensifying election campaign in the US.

- Except for a brief correction in April, global equity indices were consistently positive in the first half of the year. Artificial intelligence remained the dominant theme, with semiconductor companies and companies from related sectors as winners. The fund benefited strongly from its exposure to Nvidia, the market leader in AI computing power. Other large US technology companies such as Microsoft and Alphabet (Google) also performed well. The market leader in diabetes medication, Denmark's Novo Nordisk, also continued last year's strong performance. Other highlights include Chipotle Mexican Grill and Wells Fargo, as well as the Swiss industrial company ABB.

- The Federal Reserve's path to lower interest rates was pushed out further, with expectations of a first rate cut moving from March into September/November, while the SNB and ECB have already embarked on lowering rates. Thus, with interest rates across all tenors moving higher, bond market returns were largely flat during the first half, despite credit spreads tightening further.

- The position in gold performed very well in the first half of the year. Despite higher real interest rates, the precious metal reached new all-time highs and made a positive contribution to the fund's performance.

We expect the topics of inflation, AI and politics to continue to receive a lot of attention in financial markets. While interest rates have already started to fall in Switzerland and the EU, the first interest rate cut in the US is likely to take place in the second half of the year. Meanwhile, we are observing the first signs of weakness among consumers in the USA, as well as an easing on the labor market. In addition, the industrial sector remains under pressure, with companies in capital-intensive sectors in particular feeling the tight monetary policy. Together with the demanding valuation levels, which reflect a great deal of optimism, we see a certain potential for disappointment, even if the economy has proved to be highly resilient so far. However, should the economic picture begin to crack or take a surprisingly sharp turn for the worse, we expect the central banks to react quickly to support the economy. Against this backdrop, we continue to focus on high-quality balance sheets, stable business models and structural growth segments. In fixed income, we are giving top priority to debtor quality, and we are maintaining our exposure to gold in view of the geopolitical environment and a foreseeable increase in volatility.