TOP TEN THEMES FOR 2025

1. **U.S. equities as top performer:** the U.S. was the best market globally in seven out of the last ten years, realizing a CAGR of 12.9% (vs. 4.6% for the MSCI equity index ex-USA). U.S. exceptionalism was driven largely by the “Magnificent Seven”. We expect U.S. markets to continue to perform thanks to innovation, entrepreneurialism and abundant liquidity. Yet we would reduce exposure to mega large-caps due to valuation in favor of small and mid-caps.

2. **Inflation could be an issue:** The U.S. Fed lowered rates in three steps over the last four months by 1 percentage point to 4.5%. Concurrently, the U.S. 10-year Treasury yield has risen from 3.7% to 4.6%, signaling expectations of higher inflation. This could derail the equity rally.

3. **A potential “Mar-a-Lago Accord”?** President Trump’s private residence in Florida could be host to a historic economic deal among the U.S., Japan and China. Trump’s goal would be to weaken the USD (to reduce the U.S. deficit) and strengthen the Yen and the RMB. He could oblige Chinese car and EV battery manufacturers to build plants in the U.S. in return for lower tariffs.

4. **AI** will continue to be a dominant theme in 2025 but with a different angle. Investors increasingly want to see how exactly AI spending is bearing fruit in terms of profitability and efficiency improvements. Companies that disappoint could be punished severely.

5. While **China’s equity market** as a whole appears to be a value trap with few near-term catalysts, there is robust underlying performance in certain industrial sectors. Since 2018/2019, domestic banks have shifted funding from real estate to industrials. Not only is China a global leader in solar panels, it is now also leading in batteries and EVs. Chinese car manufacturers are outperforming their European competitors with technologically advanced and more cost-effective vehicles. China could be a contrarian call.

6. The equity market recovery in **Japan** will likely continue as a result of renewed shareholder activism, strengthened governance and corporate restructuring. Japanese companies are also more open to M&A as the latest talks among Honda, Nissan and Mitsubishi have shown. Valuations remain attractive (average P/Es are one-third lower than the U.S.). A weaker Yen helps with exports.

7. In terms of equity themes, we favor the following three: **i) Bank stocks** benefit from attractive economic fundamentals (and potentially less regulation for U.S. banks); **ii) Mining stocks** especially gold which remain attractively valued, **iii) Defense** which includes defense pure plays, ammunition and cyber defense.

8. Long-term we are bullish on the **Swiss Franc.** Global indebtedness is rampant. Short-term USD spikes after the Trump victory will fade once investors turn their focus on the U.S.’s twin-deficits. The CHF will keep its “safe haven” characteristics due to materially lower inflation rates, a stable government, strong economic fundamentals and healthy public finances. We would invest in solid, high-dividend yielding Swiss equities rather than hold CHF cash.

9. After a disappointing year, **Swiss small and midcap equites** should benefit from reasonably attractive valuations, low rates and a stronger economic environment. Swiss SME’s are not likely to be subject to U.S. tariffs and benefit from strong balance sheets. We favor stocks in the healthcare and the technology sector.

10. **Crypto currencies**, and foremost Bitcoin, have morphed into an asset class to be reckoned with. Both, digital currencies and **gold** – the ultimate hedge against currency devaluation – are independent from central banks and are particularly attractive to those in authoritarian countries that face sanctions risks.