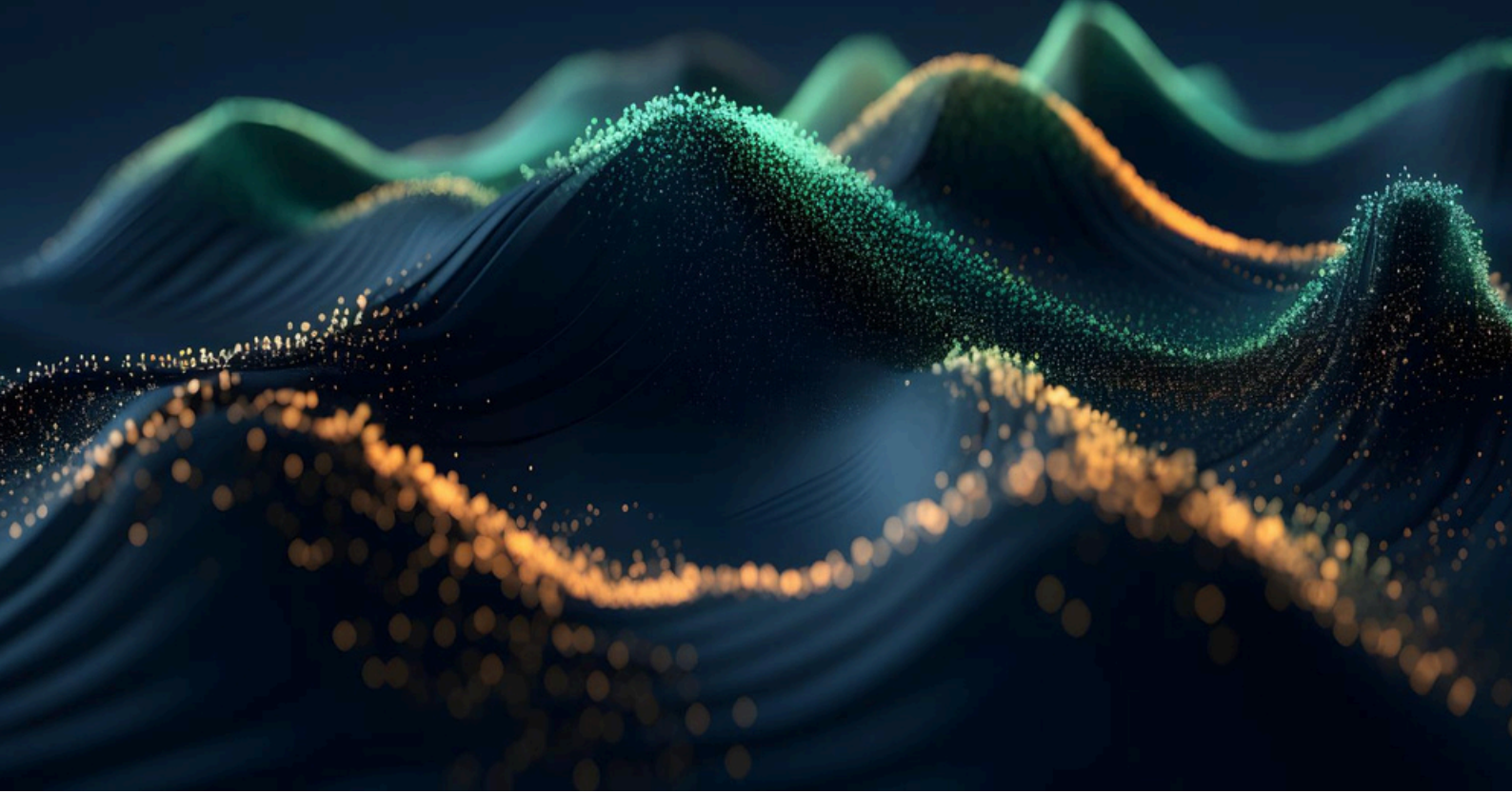


GENVIL

WEALTH MANAGEMENT & CONSULTING



MARKET INSIGHT

May 2025

« Mister Market brings D. Trump to more reason, for now...

However you look at the situation, from the perspective of the first hundred days of the Trump 2 administration or just from the month of April, one thing is clear: volatility has returned across all markets. Something we were expecting, although the extent of the move surprised us.

We won't dwell on the anxiety-inducing nature of April, which was perfectly symbolized by the sudden acceleration in the price of gold. We communicated on this in recent weeks.

We prefer to highlight a positive point: there is indeed a "Trump put," despite the occupant of the White House's claims about his "disdain" for market developments since taking office.

Beyond the stock markets and their marked retreat following the announcement of reciprocal tariffs (April 2), it was the bond market that brought Team Trump back to reason, under the influence of S. Bessent, who increasingly appears as a moderating force within the administration.

One should not cry victory too soon, but the shift in US tariff policy during the second half of April logically reassured investors and allowed for a sharp rebound in both bonds and stocks.

"Mister Market" reminded D. Trump that the budget deficit and American debt are major weaknesses for the US economy, which Washington would be wrong to overlook.

No one can say whether the tariff truce (excluding China, Mexico, and Canada) is secured. However, recent information confirms that bilateral negotiations between the US and several key counterparts (Japan, India, Europe) are underway.



« We have not remained inactive in our investment policy.»

FRANÇOIS SAVARY, CIO

GENVIL SA

Exemptions (semiconductors, auto spare parts, etc.) have further demonstrated that the announcement effect of "Liberation Day" is far from withstanding economic reality. One should not underestimate the dangers of a self-inflicted negative supply shock through tariffs, whose calculation remains rather "quirky." Just as with trade policy, the bond market reminded the occupant of the White House that attacks against J. Powell were not "timely," forcing D. Trump into another turnaround of the kind only he can do! We can only be pleased by this, even though we fear a continuation of these 180-degree turns over the coming months.

assigned to our different medium-term scenarios for the US economy.

We have increased the probability of a recession (from 25% to 30%), at the expense of a short and limited downturn (from 50% to 45%); a stagflation shock remains weighted with a 25% probability.

In doing so, we endorse a deterioration in the economic outlook, while refusing to consider that recession is inevitable!

Discussions on implementing tax cuts, which have recently resurfaced, and expectations of further rate cuts by the Federal Reserve,

« There is therefore no reason to rush to indiscriminately accumulate stocks in the short term.»

In a nutshell, we are leaving the first hundred days of the new US administration with a level of uncertainty rarely matched, markets in search of visibility, and a marked deterioration in the (real or fictive) idea of American exceptionalism.

In this regard, the concerns raised by D. Trump's re-election for the US economy led us, from the last quarter of 2024, to redirect some of our investments towards Europe, particularly stocks and the Euro. We continue to believe that this choice should be maintained in the short term.

While US economic data remains solid (one should not overstate the decline in US GDP in the first quarter, which is largely due to disruptions in imports), sentiment surveys in the US point to a clear deterioration in the economic outlook.

This development makes forecasting even more complicated, as we are aware that confidence is an essential factor in fostering a smooth cycle. Therefore, we have revised the probabilities

related to a likely deterioration in the labor market, encourage us not to fall into excessive pessimism regarding the US economic outlook.

Thus, despite the tumultuous context of April, we have opted to maintain the major options of our asset allocation.

Sticking to our course has at least allowed us to avoid making mistakes that hasty reactions to erratic and sharp market movements could have easily led us to make.

To summarize our main orientations on major asset classes in a few lines: we are overweight in cash (short-maturity debts included) and liquid alternatives (including gold), neutral on equities, and underexposed to bonds, especially in the government debt segment.

Moreover, in the debate on adopting a defensive tactic (selling the rally) or an aggressive one (buying the dips) in stock markets, we believe that the second option is not justified given the lack of economic, political, and financial visibility we are facing. We have, therefore, reduced our target for the

S&P 500 to 5800 by the end of the year, leaving limited room for growth after the stock rally in the second half of April.

We continue to believe that the shock of the first hundred days of the Trump administration on the stock markets requires a period of stabilization within relatively wide margins in the short term before we can consider a return to a more sustainable upward trend.

Maintaining the general course of our allocation does not mean that we have not acted on our equity investments. In fact, we have sold our exposure to ETFs on oil companies, whose prospects are burdened by the economic developments of the coming months and by OPEC+'s decision to increase its production.

On the contrary, we have taken note of several factors (advanced negotiations on a trade agreement with the US, Apple's decision to strengthen local production, etc.) to invest in Indian stocks. After analyzing different products, we chose the solution of a passive ETF.

Gold has been the star asset of the last few months, following a very strong 2024. We have made a decision: to let the profits, which are significant, run on these positions.

After testing USD 3500, which seemed excessive and induced by attacks on the independence of the Fed, gold entered consolidation.

We believe that the 3100-3200 zone should offer short-term support. In the longer term, the fundamentals still favor a continued appreciation of prices. A return to USD 3500 seems likely within the next 6 months.

This point is even more valid as it would be wrong to think that calm has definitively

returned to the international stage, particularly in the US. The experience of recent months has shown that the safe-haven qualities of gold are significant and that substitutes are rare.

It should be noted that our alternative pocket has been adjusted, with the introduction of a Swiss real estate fund.

In doing so, we strengthen our exposure in CHF, in USD and Euro accounts, on an asset that should benefit from the Swiss interest rate environment we anticipate.

On the bond front, unusual volatility characterizes 2025, particularly in US government debt.

In the particularly turbulent environment in the financial markets since the beginning of the year, the least risky fixed-income assets (US government bonds) are struggling to offer the "safe haven" that some would like. One cannot ignore a form of loss of confidence in US debt, following the first hundred days of the Trump 2 administration.

In this regard, April demonstrated that the race to lengthen duration in bond portfolios is far from a smooth sail.

For months, we have expressed concerns about the deterioration of US public finances and have repeatedly reiterated our recommendation to avoid long durations. This choice still seems valid, especially since the evolution of US inflation in the short term remains a legitimate source of concern. In this context, TIPS remain an asset to consider.

Our choice to favor corporate debt has remained unchanged over the last few quarters.

However, last month, we accompanied it with a message of greater caution regarding the riskiest debtors. Indeed, the worsening of the economic outlook cannot be ignored when determining a bond allocation, and we still think that this message of caution is justified.

On the currency front, our positive stance on the Swiss franc and cautious outlook on the USD remain unchanged.

Once again, the Swiss franc has demonstrated its ability to protect portfolios in periods of doubt and increased volatility. Even though the SNB is vigilant regarding any excessive revaluation of the CHF, we maintain that the use of negative rates is not on the agenda.

The Swiss franc's fluctuation margins against the Euro remain unchanged in the short term (0.92-0.95) with a target of 0.92 by the end of the year. Any return of volatility in the markets could lead to a test of 0.90.

The weakness of the US dollar has been part of our scenario for several months. The acceleration of this movement in recent weeks has led to oversold conditions for the dollar. A consolidation phase (1.10-1.15 against the Euro) is likely in the short term. However, we still maintain a target for further depreciation of the greenback by the end of the year (1.15-1.18).

Once again, we recommend strengthening the currency diversification of USD-based accounts, at levels of 1.12-1.1250 against the Euro, for example.

As you can observe, while refusing to make abrupt changes in our allocations in the face of erratic and anxiety-inducing market conditions, we have not remained inactive in our investment policy.

Managing the volatility, which we anticipated to rise since the end of 2024, is at the heart of our concerns.

After reducing our equity exposure in February, the "irrational" movements of April led us to make specific adjustments to our allocations, while maintaining the general course set.

Too many uncertainties and important unknowns remain to justify an increase in risk in portfolios. Ultimately, the revision of our target for the S&P 500 by the end of the year is the best expression of this reasoned message.

The rebound in the second half of April should be viewed with relief and at least partially shows that operators had become irrational when 4800 was tested on the US stock index. Because protecting your assets remains at the core of our concerns, we prefer to err on the side of caution rather than fall into blind optimism. This is especially true given that economic, political, and financial visibility remains limited at present.

Geneva, May 1, 2025

GENVIL

WEALTH MANAGEMENT & CONSULTING



Cédric Mondada
Founder

cmondada@genvil.ch
+41 22. 716. 03. 02.
+41 79. 817. 96. 87.



François Savary
Founder

fsavary@genvil.ch
+41 22. 716. 03. 01.
+41 79. 658. 08. 64

GENVIL Wealth management & Consulting S.A

Rue Claudine-Levet 7

1201 Genève

www.genvil.ch

