SERENIS

FAMILY CAPITAL

Monthly Markets Chronicles

February 2025

30 | 1995 - 2025

Three decades of trust, expertise, and serenity.

When the respite never comes

For months, we have been hoping that the web of world events will eventually normalize, that tensions will ease and that uncertainties will fade. However, it is clear that reality is taking a completely different direction, with each geopolitical or economic upheaval thwarting these expectations. Far from paralyzing us, this observation has reinforced our conviction that a cautious approach, combined with a particular focus on long-term opportunities that are still under-exploited, constitutes a relevant strategic positioning. This stance has enabled us, until now, to navigate with resilience in an environment as complex as it is unpredictable.

While 2025 began on an optimistic note, buoyed by encouraging signs, February turned out to be a month of striking contrasts. On the one hand, the robustness of US companies' results continued to impress, testifying to their ability to adapt in a turbulent environment. On the other hand, a rise in geopolitical uncertainties has revived investor concerns, fueling palpable nervousness in the markets. This ambivalence illustrates, more than ever, the profound recomposition of the global economic and strategic landscape.

The dynamics at work are multiple and interdependent. The protectionist policies of the United States, born of a desire to preserve its economic leadership, are combined with a re-emergence of trade tensions, particularly with China. At the same time, the management of the Ukrainian conflict, far from subsiding, continues to weigh heavily on the geopolitical balance, while Europe, in search of strategic autonomy, is still struggling to define a clear trajectory. These upheavals mark a historic transition: American hegemony, once unchallenged, is gradually giving way to a multipolar era, in which the rise of China, the strategic resurgence of Russia and European aspirations are reshaping the balance of power.

In this context, volatility, often perceived as a threat, should also be seen as an opportunity. It highlights structural trends which, if properly understood, can inform investment decisions in the coming years. Identifying these weak signals, anticipating future changes and adjusting our strategies accordingly: these are the challenges we face with you, our partners, in this quest for sustainable performance.

In this edition, we offer you an in-depth analysis of the forces that are reshaping the financial markets, as well as the implications they could have. Between prudence and opportunism, between rigorous risk management and anticipation of major global transformations, our ambition remains unchanged: to support you in building a resilient and prosperous future, at the heart of a world in full reconfiguration.

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Comments of the month of February

After a very positive start to the year, February was characterized by the earnings season at the beginning of the month, followed by political news in the second half. Although the published results were once again above analysts' expectations for almost 70% of the S&P500 companies, the development of international relations and the various US announcements and decisions weighed on the markets, which experienced a particularly volatile end of the month.

The technology sector was particularly under pressure and the Nasdaq index posted a decline of 2.8% in February, resulting in a negative performance since the beginning of the year. The S&P500 also fell, but to a lesser extent, by 1.4%, and remains in positive territory for these first two months (+1.2%). Japan has also been particularly hard hit, with a fall of 6.1% (-6.9% YtD).

Equity Indexes	Value	MTD	2025
S&P 500 (USA)	5 955	-1.4%	1.2%
Nasdaq 100 (USA)	20 884	-2.8%	-0.6%
Euro Stoxx 50 (Europe)	5 464	3.3%	11.6%
SMI (Switzerland)	13 004	3.2%	12.1%
Nikkei 225 (Japan)	37 156	-6.1%	-6.9%
CSI 300 (China)	3 890	1.9%	-1.1%
Currencies	**Value**	**MTD**	**2025**
EUR/USD	1.038	0.1%	0.2%
USD/CHF	0.903	-0.9%	-0.5%
EUR/CHF	0.937	-0.7%	-0.3%
GBP/USD	1.258	1.5%	0.5%
USD/JPY	150.630	-2.9%	-4.2%
Bond Indexes		**MTD**	**2025**
Government USA		2.2%	2.7%
US Corporate IG		2.0%	2.6%
US Corporate HY		0.7%	2.0%
Government UE		1.0%	0.8%
UE Corporate IG		0.8%	1.1%
UE Corporate HY		1.2%	1.7%
Other Asset Classes	**Value**	**MTD**	**2025**
Gold	2 858	2.1%	8.9%
Brent Crude	73	-4.7%	-2.0%
Bitcoin	84 212	-17.5%	-10.1%
Rates / Indicators	**Value**	**Δ MTD**	**Δ 2025**
US 10 years rate	4.21	-0.33%	-0.36%
GER 10 years rate	2.41	-0.05%	0.04%
US Unemployment	4.0%	-0.1%	-0.2%
Volatility Index (VIX)	19.6	3.2	3.2

On the Old Continent, the performances posted are much more pleasing, with more than 3.3% for the EuroStoxx 50 and 3.2% for the SMI. The two indexes therefore close the first two months of the year with performances of more than 11.6% and 12.1% respectively. In this tense context, there is a notable divergence between the performance of gold (+2.1%, +8.9% YtD) and that of Bitcoin (-17.5%, -10.1% YtD). Indeed, while some market players and investors labelled the digital currency a “safe haven” asset, contrary to our opinion, it, like all other cryptocurrencies, has suffered particularly, experiencing its worst month since mid-2022. Perhaps this represents a buying opportunity, knowing that volatility is expected to increase in the coming weeks.

In this context of uncertainty about the evolution of global growth, oil is also suffering significant losses (-4.7%), with no one believing that the risk of recession is currently higher than in the last two years.

Finally, it should be noted that US rates are easing, falling from over 4.51% at the end of January to 4.21% at the end of February.

Our current positioning

Political news and the speed with which President Trump's reforms and electoral promises are being implemented are catching investors off guard and are currently dictating the direction of the markets, both up and down. We would be tempted to say that *what is surprising is that people are surprised*, because President Trump is implementing exactly what he had already announced during his presidential campaign, but more quickly than anticipated. Among the very large flow of news, the introduction of customs duties with Mexico, Canada, China and potentially with the European Union, as well as the involvement and management of the resolution of the conflict in Ukraine by the United States are the main factors behind the increased volatility and market corrections that we are currently experiencing.

Although the results published by companies were better than analysts' estimates for more than 70% of S&P500 companies, the economic outlook, at least in the short term, seems more difficult to predict in this context of uncertainty. It is clear that the risk of rising inflation has increased considerably, bringing with it a notable increase in the likelihood of an American recession that could spread to the entire global economy. As a result, the prospects of the FED lowering interest rates seem to be receding, adding yet another determining factor for the valuation of stock market prices.

In this environment, our Investment Committee obviously does not wish to increase the risk component in the portfolios, considering that an underweighting of the US market is appropriate, although we are aware that a rebound is quite possible depending on the evolution of American economic policy decisions, among other factors. We are therefore maintaining the cautious approach decided upon several months ago. On the other hand, this diversion of American shares could be to the advantage of European shares, to a certain extent. Therefore, we are moving from an underweight position to a neutral position in this market. On the emerging markets side, lively discussions have taken place, particularly about China. It is currently difficult to anticipate the impact of the current situation on emerging markets and it would be wrong to think that all members of this category are affected in the same way. The positioning has therefore not been changed, and we are keeping the cursor on neutral.

On the bond side, the decision to maintain the status quo seems most appropriate and we are not making any changes compared to last month with a neutral position for the three categories of our portfolio, namely Investment Grade, sovereign debt and High Yield. While the ECB's rate cut seems inevitable, the outlook in the United States, as explained above, is more difficult to predict and depends on political rather than economic factors, at least in the short term. It should be noted that this rate differential will inevitably have an impact on currencies, which will need to be monitored closely in the coming months. The consensus among analysts is betting on a depreciation of the dollar against the euro. A return to EURUSD 1.10 is not excluded.

In terms of our strategic investments, our Investment Committee has made some adjustments in order to take advantage of current market conditions and gain flexibility. Firstly, we are refining our investment criteria by creating two specific themes that we have named "Inflation shield", in which we include gold, silver and potentially, in the future, Bitcoin, and "Energy abundance" which includes uranium and the natural gas ecosystem, for the time being. We are also working on the creation of a third theme, American reindustrialization, which would include one of our current satellites, MidCap US.

The main purpose of these changes is to include investments that we consider having high potential, but which we wish to integrate in stages before reaching a minimum allocation of 2.5% per theme. Indeed, and to take a concrete example, we anticipate an outperformance of the gas infrastructure and wish to maintain an acceptable overall level of risk in our portfolio. Therefore, by combining the uranium theme with the natural gas theme for a total of 2.5%, we achieve a reasonable allocation, while benefiting from a very attractive upside potential.

In addition, following the outperformance of gold since the launch of this theme in our strategic investments in December 2023, we are reducing this position to its initial allocation of 5% and using the differential obtained to reinvest it in silver. We anticipate strong interest in this metal, which could follow in the footsteps of its big brother gold in the coming months. Indeed, the increase in demand for silver can be explained by multiple factors and the conjunction of interests, both at the speculative and industrial levels, is a very positive indicator that should be reflected in its price.

Finally, both the Bitcoin theme and the Chinese large-cap theme have been widely discussed. As we did not find unanimity within the Committee, we are not including these themes for the moment, but we are keeping an eye on them. Multiple indicators point to a buying opportunity for both and although the reasons are different for each, in view of the current macroeconomic uncertainties, we prefer not to include them in order to analyze the ins and outs in greater depth.

« Core » Portfolio

	% SAA		%TAA
Cash	5%	↗	**7.5%**
Fixed Income	45%	=	**45.0%**
Investment Grade	20%	=	20.0%
Sovereign Debt	15%	=	15.0%
High Yield	10%	=	10.0%
Equities	50%	↙	**47.5%**
US markets	30%	↙	27.5%
European markets	15%	=	15.0%
Emerging markets	5%	=	5.0%

« Strategic focus » investments

Themes	%	Since
Inflation shield		
- Gold	5.0%	29.12.2023
- Silver	0.5%	28.02.2025
Energy abundance		
- Uranium	2.0%	29.12.2023
- LNG	0.5%	28.02.2025
Defense	2.5%	30.04.2024
MidCap US Momentum	2.5%	30.11.2024

Balanced USD Portfolio

Thinking forward: The future of a chessboard without a master

> *"Periods of multipolarity, such as that of the European empires in the 18th century, have always been characterized by incessant rivalries, unstable alliances and frequent wars."*

Paul Kennedy, The Rise and Fall of the Great Power, 1987

In April 1955, at the Bandung Conference in Indonesia, Jawaharlal Nehru, then Prime Minister of India, argued convincingly for a third way, independent of the Soviet and American blocs that were then dominating the Cold War. Supported by iconic leaders such as Sukarno of Indonesia and Gamal Abdel Nasser of Egypt, Nehru's ambition was to allow each nation, particularly those emerging from decolonization, to freely determine its own destiny, far from the power struggles of the great powers.

This ideal of the "non-aligned" aimed to promote a multipolar equilibrium. However, from the outset, this ideal came up against an implacable reality: a multipolar world, although more representative, is intrinsically much more unstable than bipolar or unipolar systems, marked by rivalries and fluctuating alliances.

Today, this geopolitical complexity is re-emerging with increased intensity. The world seems to be gradually moving away from the relative stability of the post-Cold War period, marked by prolonged American hegemony, and entering an uncertain multipolar era, characterized by several competing poles of power.

The United States, in the midst of a strategic redefinition, seeks to preserve its global leadership while reorienting its priorities. China, whose economic and technological boom is disrupting traditional hierarchies, is asserting itself as a global power to be reckoned with. Russia, for its part, is striving to restore its sphere of influence, notably through bold military and diplomatic actions. Finally, Europe, torn between transatlantic dependence and aspirations for strategic autonomy, is struggling to find its place in this new fragmented world order.

The Ukrainian crisis, which began in 2022, is a striking illustration of this global realignment. Much more than a regional conflict, it embodies a broader confrontation between Russia's ambition to restore its zone of influence and the Western will, led by the United States and its allies, to contain this expansion.

This conflict also highlights a discreet but significant phenomenon: the gradual disengagement of the United States from Europe. Beginning under the Obama presidency with the "pivot to Asia," this strategic reorientation has intensified under subsequent administrations, with a marked refocusing on the Indo-Pacific to counter the rise of China, perceived as the United States' main systemic rival. This American withdrawal forces Europe to take an urgent look inward. Having long aligned itself with Washington through NATO, Europe must now rethink its position in a multipolar world.

Two strategic visions are in conflict within the continent. On the one hand, France advocates "European strategic sovereignty" based on military, diplomatic and economic autonomy. On the other hand, countries such as Poland and the Baltic States favor close alignment with the United States, perceived as the only reliable guarantee against the Russian threat.

To achieve true autonomy, Europe will have to undertake major reforms: strengthen a common defense through a unified military industry, speak with a single diplomatic voice, ensure its energy supply and deepen its economic integration. Without these advances, the continent risks having little to say in the face of the major poles that are the USA, China and Russia.

In this context, the major change in German policy is a key element of this strategic realignment in Europe. Berlin's historic decision to relax its budgetary rules to create a massive investment fund for infrastructure and defense marks a major turning point, sometimes compared to the era of German reunification.

This initiative reflects a radical change in German economic policy, which has long been characterized by extreme budgetary prudence. The German desire to invest heavily in its notoriously ageing infrastructure and to substantially increase its military spending is directly linked to the gradual withdrawal of the United States from security matters in Europe. This massive investment is seen as an essential stimulus for European economic growth, which has long been held back by the prolonged stagnation of the German economy.

In the United States, the adoption of a pragmatic and protectionist economic approach, symbolized by the 2022 *Inflation Reduction Act* and technological and commercial restrictions towards China, is further accelerated by tariff threats and contributes to an increased fragmentation of the global economy.

This trend is not new, but it has now reached an undeniable level of importance and is resulting in the gradual reorganization of supply chains around distinct regional blocs: an American bloc centered on the United States, an Asian bloc dominated by China, and a Europe attempting to define its own economic space between these powers.

Technological competition, particularly in the field of artificial intelligence, is becoming as crucial as the traditional military balances. It is now shaping international strategic alliances and directly influencing the balances of power. In this context, Europe, which has traditionally lagged behind the United States and China in these sectors, may find itself faced with a difficult choice.

The rise of non-state actors, particularly large technology companies and transnational networks, adds to this geopolitical complexity. These factors further weaken the traditional structures of nation states and make international alliances more unpredictable, while they themselves risk suffering from limited access to certain markets.

Finally, a central question in this new world order is the future role of the US dollar. In an increasingly multipolar global economy, the historical pre-eminence of the dollar as a reserve currency will be challenged by the emergence of alternatives. Such a development could induce major upheavals in global financial equilibria, affecting markets, investments and monetary policies.

In this rapidly changing geopolitical landscape, the implications for investors are clear: the period of stability provided by American unipolarity is over, giving way to a more volatile and unpredictable environment. Traditional investment strategies, based on stable equilibriums, are becoming insufficient.

It is now crucial to identify geopolitical risks precisely, anticipate shifting alliances and understand complex economic and technological dynamics. Key sectors such as advanced technologies, strategic infrastructures and critical raw materials will be particularly impacted by these new geopolitical tensions.

To succeed in this uncertain multipolar context, it will be necessary to adopt a flexible, strategically agile and continuously informed approach. This new era, while bringing increased risks, also opens the way to unprecedented opportunities for those capable of anticipating these major trends with precision and responsiveness. Ultimately, the multipolar world that is emerging requires rapid adaptation and a detailed understanding of global dynamics, both for states and for private economic actors.

Food for thoughts

Do not give in to your emotions

If there is one essential investment adage, it is to stay invested. Attempting to anticipate the highs and lows of the market is not only a difficult task, but above all a risky strategy. The danger is twofold: selling in a panic and missing the rebounds, or giving in to euphoria and buying at levels that are too high.

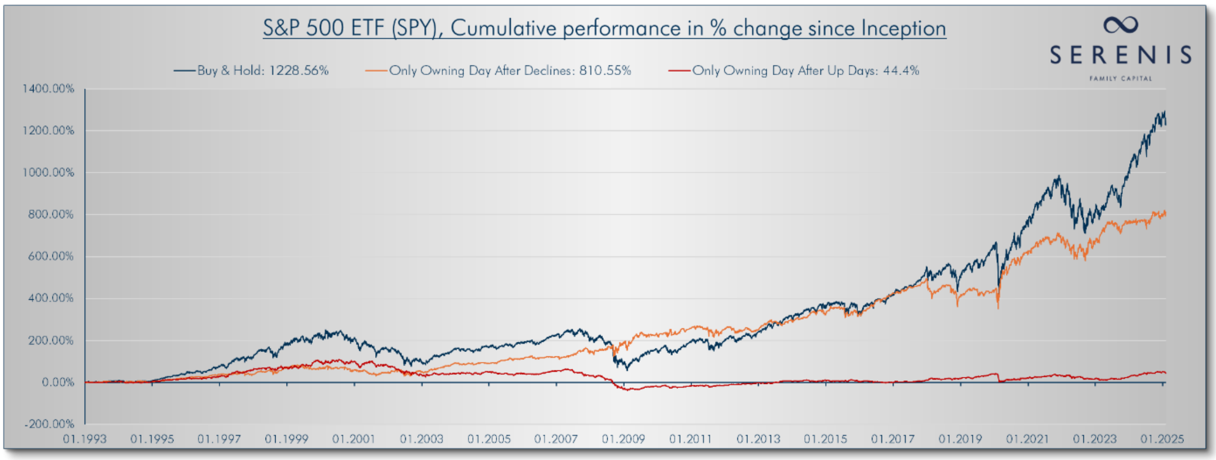
The emotional investor often has the reflex to withdraw from the market when volatility increases, in the hope of protecting his capital. However, the opposite often happens: by trying to avoid declines, he ends up missing the most powerful recoveries, which frequently occur after periods of correction. Market history has shown this time and again: it is almost impossible to accurately “time” the best buying and selling opportunities.

As the graph below illustrates, a “buy and hold” approach generates a significantly higher performance than a reactive strategy. Since 1993, a constant investment in the ETF SPY has shown a return of +1,273.5%, while an approach consisting of only investing on days following a decline reduces this performance to +851%, and being exposed only after a bullish session results in a much lower return of only +44.4%. These figures illustrate how important it is to take a step back and stay the course, even in times of uncertainty, in order to maximize long-term performance.

In a world where information flows continuously, it is essential to take a step back and consider a subject as a whole. US Vice President J.D. Vance recently illustrated this necessity through two major interventions:

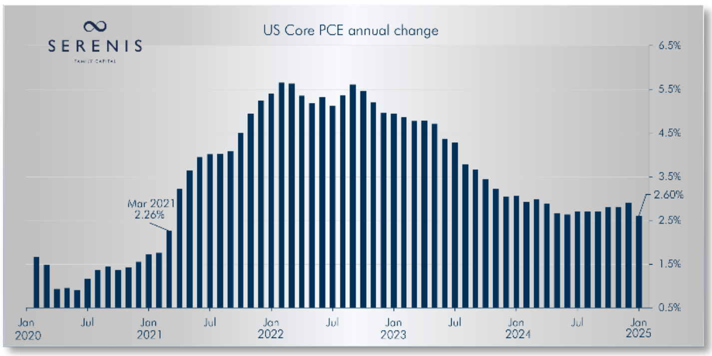
- AI Action Summit à Paris, February 11, 2025
- 61ème Conférence de Sécurité de Munich, February 14, 2025

In the face of uncertainty, the best approach is still discipline, reflection and keeping a cool head.

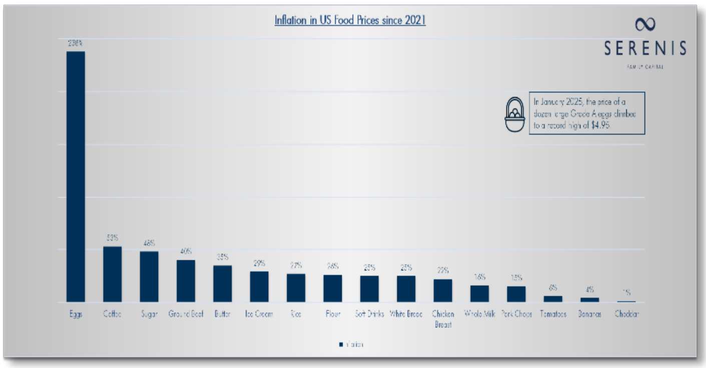


Three charts :

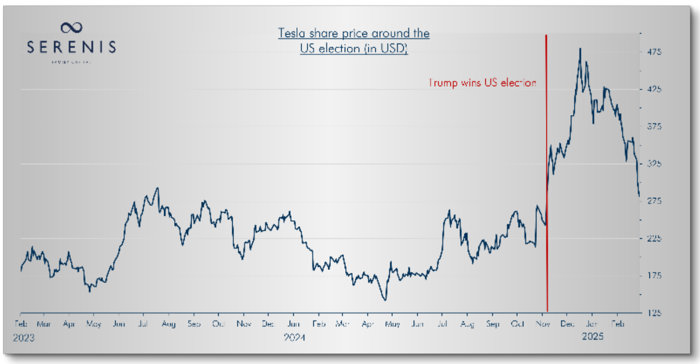
Inflation is once again at the centre of discussions and the concern of analysts and investors. There are several different indicators for measuring inflation, published by different organisations, and it is easy to 'choose' the figures to support one's argument. On the last Friday of February, the *US Bureau of Economic Analysis* published the US Core PCE figures, which came in at 2.6%, the lowest level since March 2021.



On the other hand, it is clear that the Americans are currently experiencing a crisis that is as surprising as it is impactful on an item as common as it is essential as eggs. Indeed, what economists have dubbed 'eggflation', i.e. inflation on the price of eggs, is mind-boggling. Between January 2021 and January 2025, the price of eggs has risen by 238%. Prices have risen so much that shops are now selling eggs individually.



Some will say that the alliance between business and politics is a happy marriage, while others will argue that the two subjects should not be mixed. There is no right or wrong answer, but based on the Tesla example, it appears that the "Trump effect" has been erased very quickly. Indeed, after a fantastic rise, the share price is currently below its level on the day of D.J. Trump's election!



"Markets can only be understood backwards, but they must be invested thinking forwards"

Serenis Family Capital
Esplanade de Pont-Rouge 1
1212 Grand-Lancy
+41 22 704 0840
info@serenis.ch
www.serenis.ch