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"Roaring 20s": The Next Stage

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In our Year Ahead publication, we analyze the next phase of the "Roaring 20s," including political change in the US, falling interest rates, and transformational innovations in artificial intelligence and power and resources.

Perhaps you feel the same way I do. Given the many geopolitical and economic events, time seems to fly by as the year-end approaches. The upcoming investment year 2025 will also mark the middle of this decade. Accordingly, we have titled our Year Ahead publication "Roaring 20s: The next stage." Indeed, in many ways, the markets have experienced a "Roaring 20s." Particularly in the US, various parallels can be drawn to the boom period of a hundred years ago: high growth, rising markets, and accelerated productivity growth.

In parts of Europe, especially in Germany, the economic and market sentiment is less euphoric. Our northern neighbor has been in a mild recession for two years, affecting Switzerland and sectors dependent on the European environment. Nevertheless, Swiss investors have good reasons for optimism looking into the coming year. The Swiss economy remains one of the most competitive and innovative globally, thanks to a unique mix of highly adaptive, agile SMEs and large, globally active corporations. This is complemented by an excellent dual education system, low national debt, moderate inflation, and low interest rates. However, Swiss investors will also have to contend with global developments likely to shape the next stage of this decade. These include a new US administration, tariffs and stimulus programs in China, and ongoing wars on Europe's periphery. Additionally, transformational innovations such as artificial intelligence and changes in power and resource management should create interesting investment opportunities.

In summary, our 2025 outlook identifies several relevant investment focuses, especially for Swiss investors. First, franc investors must prepare for even lower interest rates and look for alternatives such as income-generating, dividend-strong equities. Generally, in our baseline scenario of a soft landing for the global economy, we see further upside for stock markets, with a focus on the US and in Asia (excluding Japan and China). In addition to artificial intelligence, we recommend targeted investments along the entire value chain of the power and resource sector. Regardless of future energy policies from the White House, the entire energy industry—from the extraction of energy raw materials to production, distribution, and storage, to use in new, rapidly growing applications like AI data centers—will undergo significant change, offering growth potential to innovative companies. Furthermore, we recommend using phases of US dollar strength for selling or hedging the greenback. We also see further upside potential in gold and consider global real estate as an interesting and well-diversified alternative asset class.

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