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Central banks in the spotlight

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As the earnings season draws to a close, towards the end of June, the European Central Bank, the Federal Reserve, and the Swiss National Bank will set the direction for currency and commodity markets over the next three weeks. Excitement is guaranteed.

As a positive earnings season for 1Q corporate results comes to an end, investors are increasingly focusing on macroeconomic data and events. This week, central banks are in the spotlight. The European Central Bank will kick things off on Thursday. The signals from the ECB meeting on 11 April and subsequent public statements from officials are clear: The ECB is on track to cut the deposit rate by 25 basis points to 3.75% at the 6 June meeting. However, the pace of further rate cuts remains uncertain and heavily depends on future economic and inflation data. Given the now declining interest rates, it is advisable to lock in relatively high yields for the long term.

Next week, the focus will shift across the Atlantic to the Federal Reserve. With US inflation stubbornly oscillating above 3% over the past four to five months, the timing for a first rate cut has been significantly pushed back in market expectations and appears more uncertain. Nonetheless, most economic indicators in recent weeks have pointed to a cooling US economy. Despite this, the US dollar is likely to remain strong in the short term due to persistently high interest rates in the US.

This is especially true as the Swiss National Bank is set to make its monetary policy assessment the week after next. The SNB's aggressive move in March significantly weakened the CHF, increasing the risk of a counter-movement. However, market participants see a possibility that the SNB might hold off on another rate cut. We expect USDCHF to hover around 0.91 until the fall. Any significant moves above this level should be used to hedge the dollar. If the Fed then provides clearer signals or even initiates the first rate cuts, the dollar is likely to decline, potentially bringing the US dollar toward 0.85 by 2025. For EURCHF, we continue to expect a sideways trend with fluctuations around 0.97.

Macroeconomic developments and central banks remain the dominant drivers in commodity markets as well. Gold recovered in May from previous setbacks, thanks to a more moderate Fed and weaker-than-expected US inflation rates.

The yellow metal reached a new record price of USD 2,450 per ounce. We believe it can rise further to USD 2,600 per ounce by year-end and see prices around USD 2,700 per ounce by mid-2025 as realistic. Copper prices also recently hit new all-time highs, with the rally since the beginning of the year now exceeding 20%. The strong fundamentals for the metal remain intact, as there is little progress on the supply side to ease the physical market. Additionally, China's efforts to stabilize the housing market are another positive factor that has rekindled investor interest.

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