



The week  
in seven charts

Chart #1

The Swiss National Bank (SNB) announces a further cut in its key rate

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Image source: iStock/Thamerpic

**SNB announces second rate cut of 2024**

The SNB lowered its key rate once again, Microsoft, Nvidia and Apple continue to dominate and who holds France's sovereign debt? Each week, the Syz investment team takes you through the last seven days in seven charts.

**Charles-Henry Monchau**

*Chief Investment Officer*

**Chart #1**

**The Swiss National Bank (SNB) announces a further cut in its key rate**

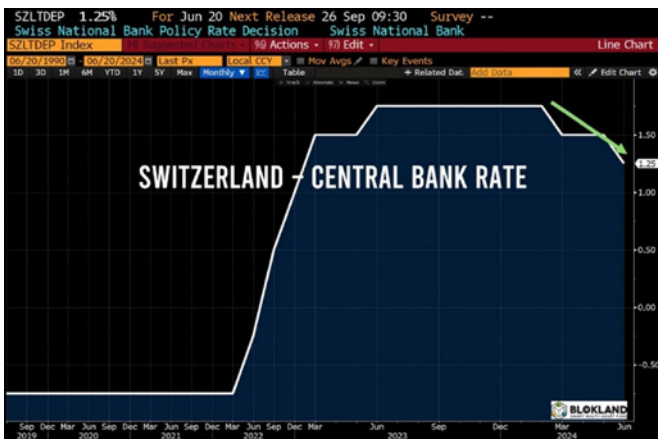
Last Thursday, the SNB lowered its key rate once again, to 1.25%. This follows a 25-basis point cut in March.

This decision appears to be based on a combination of three factors:

1. Inflationary pressures continue to ease in Switzerland, with inflation comfortably within the SNB's target range (1.4%).
2. The growth outlook for Switzerland is "moderate". Growth should improve gradually over the next few quarters but is likely to remain below potential for some time.
3. Although the SNB did not explicitly mention it, the recent appreciation of the Swiss franc, particularly against the euro, may have been the factor that prompted the SNB to act as early as June instead of waiting for the September meeting. In particular, the return of political uncertainty in Europe and France adds a further risk of undue appreciation of the franc in the weeks ahead, which would have been clearly negative for a manufacturing sector that is still struggling.

Looking ahead, we believe that the SNB has completed the recalibration of its monetary policy and is unlikely to cut rates further this year. Swiss monetary policy can now be considered "neutral" for inflation and economic activity, given that the short-term real rate is close to 0% or even slightly negative, with the discount rate at 1.25% and the inflation rate at 1.4%.

If growth continues to converge towards its potential (1.5%) and there are no unexpected developments on the inflation front, the SNB will have no reason to lower the Swiss franc's short-term rate further. If European or global developments were to trigger volatility and upward pressure on the franc, we believe the SNB would prefer to intervene in the foreign exchange market to manage the impact on the economy, rather than use the interest rate weapon.



Source: Bloomberg, Jeroen Blokland

**Chart #2**

**The slow decline of the old continent**

The curves representing Europe's weighting in world GDP and in the MSCI World index are both pointing in the same direction. Whereas the old continent accounted for more than 35% of world GDP at the start of the century, today its weighting is just 25%. Europe's loss of momentum is even more visible when it comes to stock market capitalisation, whose relative weight has been halved in less than 25 years.



Source: The Economist, IMF

**Chart #3**

**The ultra-dominance of US technology stocks**

The combined market capitalisation of Microsoft, Nvidia and Apple is greater than that of any stock market outside the United States.

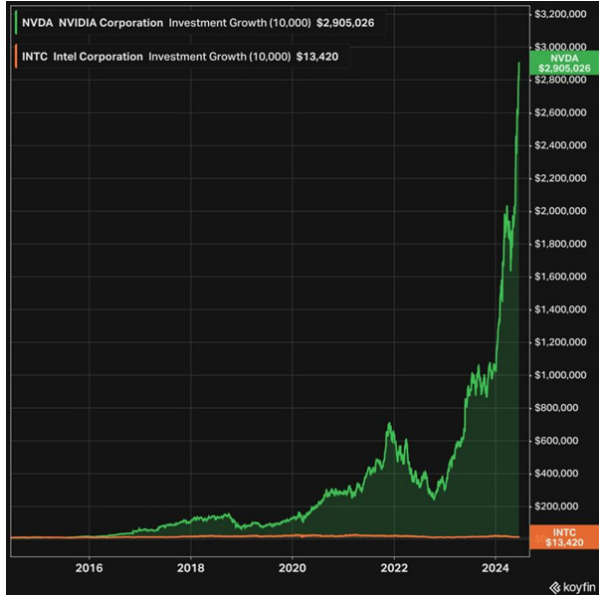
|  |              |                       |
|--|--------------|-----------------------|
|  | NYSE         | \$28.4 trillion       |
|  | NASDAQ       | \$25.4 trillion       |
|  | <b>Big 3</b> | <b>\$9.7 trillion</b> |
|  | Euronext     | \$7.2 trillion        |
|  | JPX          | \$6.7 trillion        |
|  | SSE          | \$6.5 trillion        |
|  | NSE          | \$4.6 trillion        |
|  | SZSE         | \$4.1 trillion        |
|  | HKEX         | \$3.9 trillion        |
|  | LSEG         | \$3.4 trillion        |

Source: Morning Brew

**Chart #4**

**Nvidia vs. Intel**

Imagine two neighbors. Ten years ago, one invested \$10,000 in Nvidia and the other \$10,000 in Intel. Today, the first would have a portfolio value of \$2.9 million with his Nvidia shares, while the second would have a position of \$13,420 in Intel... It's highly likely that one of them is already planning to move...



Source: Koyfin

**Chart #5**

**What stocks do hedge funds hold the most?**

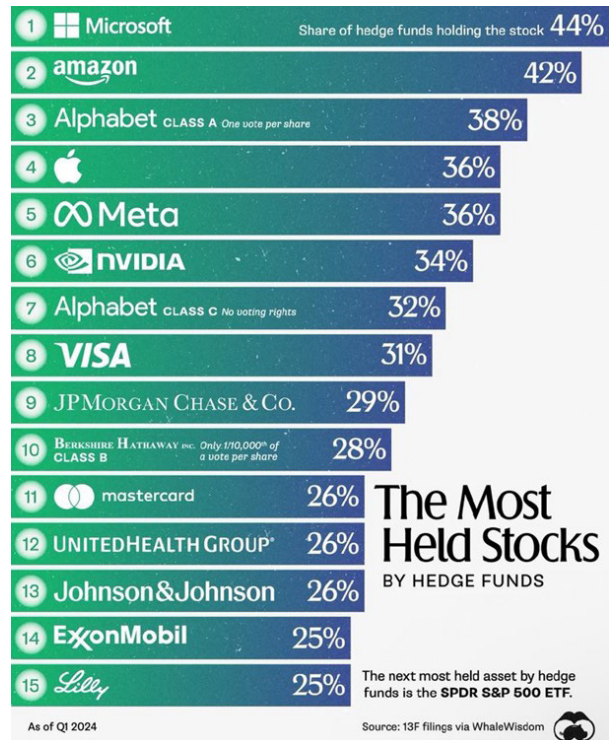
The chart below lists the stocks most frequently held in hedge fund portfolios. The figures date from the first quarter of 2024 and are based on Whale Wisdom's 13F filings.

Microsoft tops the list of most popular stocks, with 874 hedge funds holding this stock in Q1 2024.

In terms of changes over the quarter, hedge funds accumulated over 26 million shares of Apple in their portfolios during the quarter, which is the highest figure for the group.

In contrast, institutional investors sold more than 68 million Alphabet A shares and more than 276 million Alphabet C shares, making Alphabet the company with the largest reduction in share count.

Michael Burry's Scion Asset Management LLC was among the hedge funds that sold Alphabet Class A shares. This hedge fund - made famous by the film 'The Big Short' - also trimmed its positions in Amazon shares.



Source: Visual Capitalist, Savvy Trader

**Chart #6**

**Who holds France's sovereign debt?**

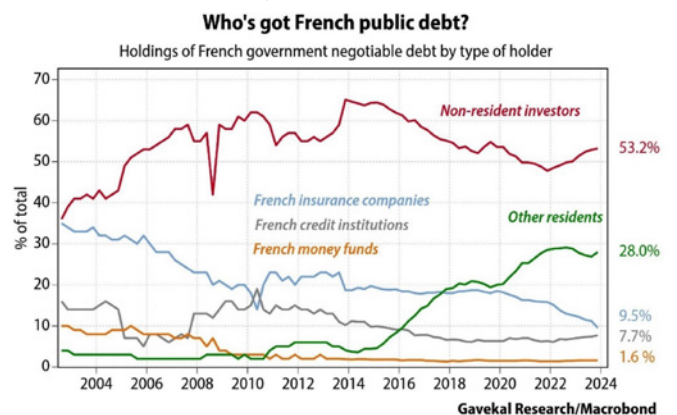
Here's an insight from economic research firm Gavekal.

As the chart below shows, foreign investors (red curve) are the largest holders of French debt, with more than half of France's €2.5 trillion outstanding negotiable government securities.

The Banque de France holds around a quarter of the debt and French financial institutions, such as banks and insurers, hold around 20%.

Foreign accounts tend to be more 'mobile' than resident accounts. This debt structure therefore makes the French bond market - and the eurozone - vulnerable if further political upheaval leads foreign investors to lose confidence in the French bond.

There are, however, a number of factors that help to play down the situation. Firstly, a scarcity effect on German sovereign bonds makes French debt the second largest issuer of euro-denominated sovereign securities in terms of size and rating. Foreign holdings also reflect 1) strong demand from global central banks (as French sovereign debt is part of their foreign currency reserves) and 2) from financial institutions in the eurozone, which use it as collateral.



## Chart #7

### MicroStrategy, leverage on bitcoin

Founded in 1989, MicroStrategy is a publisher of business intelligence software. Since 2020, under the impetus of its founder Michael J. Saylor, MicroStrategy has been diversifying its cash flow by accumulating bitcoins. Today, the company is one of the world's largest holders of bitcoin, with more than 226,000 tokens on its balance sheet and a market value of close to \$15 billion (based on the current price). The average purchase price is \$36,798.

A recent report from broker Bernstein highlights the fact that MicroStrategy (MSTR) is not only a software company diversifying its corporate cash into cryptocurrency, but also a pioneer in bitcoin capital markets.

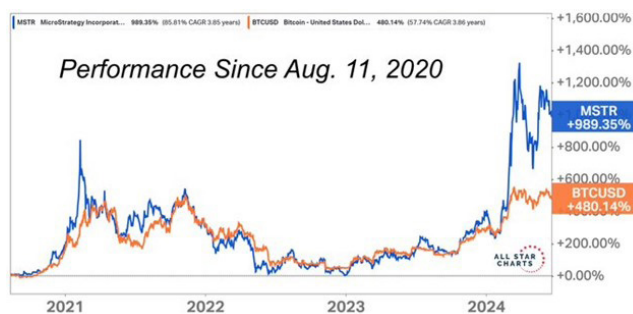
The broker notes that to date, MicroStrategy has raised \$4 billion in convertible debt for the sole purpose of buying more bitcoin.

MicroStrategy's long-term convertible debt strategy means it has enough time to benefit from bitcoin's upside potential with limited liquidation risk to the crypto on its balance sheet, the note said.

When the price of bitcoin rises, the Virginia-based company has more room to issue new debt. Conversely, when the crypto falls and leverage increases, the company can issue new equity to reduce leverage, Bernstein noted.

This use of both equity and debt has allowed MicroStrategy to significantly outperform the price of bitcoin since implementing this strategy (see chart below).

Bernstein notes that MicroStrategy has not sold any bitcoin since it began buying the crypto in 2020, and he expects the company to continue raising capital to increase the amount of bitcoin it holds.



Source: J-C Parets, Koyfin, Coindesk.com

### For further information

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