MONITOR

3rd Quarter 2025

Market review

The past three months have been marked by elevated volatility. At the start of the quarter, threatened US tariffs caused turmoil in the markets. The complexity of trade negotiations prompted President Trump to postpone the tariff implementation deadline to July 9. In response, equity markets rebounded and investors largely looked through tariff and growth risks. Even Israel's military strike on Iranian territory and the subsequent direct US involvement in the conflict unsettled markets only briefly. Once again, investors were rewarded for adhering to a "buy the dip" strategy.

Debt concerns are moving back into focus: In Japan, where public debt is highest globally, recent government bond auctions have disappointed. Meanwhile, in the US, the debate over public debt has reignited. By July 4, US Congress is expected to pass the tax and spending bill called the "Big Beautiful Bill," which could increase US debt by another USD 3 to 4 trillion. Growing uncertainty around the US fiscal deficit, growth, inflation, and interest rate policy has weighed on the dollar, which just experienced its weakest first half since 1973.

The months ahead remain compelling in light of the tectonic shifts in the global order. Reasonable trade agreements could at least offer some degree of planning reliability for globally operating businesses, while fiscal incentives and multi-billion-dollar investments in key sectors aim to provide targeted economic momentum.

In this context, a diversified portfolio with selective additions on market setbacks appears to be a sensible strategy.

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Market data

per 30.06.2025

Equity Markets		since 31.12.2024
SMI CHF	11,921.46	2.76 %
S&P 500 USD	6,204.95	5.50 %
EURO STOXX 50 EUR	5,303.24	8.32 %
FTSE 100 GBP	8,760.96	7.19 %
MSCI Emerging Markets USD	661.50	15.27 %
NIKKEI 225 JPY	40,487.39	1.49 %
MSCI All Country World Local	488.40	7.00 %

Bond Markets		since 31.12.2024
Eidgenossen (10y)	0.37 %	15.9 bps
US-Treasury (10y)	4.23 %	-34.1 bps
Bund (10y)	2.60 %	24.0 bps
SBI AAA-BBB 3-5 TR	131.90	0.63 %

Money Markets		since 31.12.2024
CHF (SARON)	-0.03 %	-48 bps
USD (SOFR)	4.45 %	-4 bps
EUR (ESTR)	1.92 %	-98 bps

Exchange Rates		since 31.12.2024
EUR/CHF	0.935	-0.56 %
USD/CHF	0.793	-12.60 %
EUR/USD	1.179	13.84 %

Alternative Investments		since 31.12.2024
Swiss Real Estate	560.85	3.18 %
Gold (USD/Ounce)	3,303.14	25.86 %
US Crude Oil (USD/Barrel)	67.61	-9.42 %
Bitcoin (XBT)	107,606.61	14.82 %

Macroeconomic environment

"Liberation Day" on April 2, 2025, marks a major economic policy shock. The announcement of planned US tariffs on imports from partner countries is weighing on global activity and is slowing US economic growth more than in other regions. These protectionist measures, combined with tighter immigration rules, are set to halve US growth this year compared to the prior two years (FY25: approx. +1.5%).

While the US holds trade talks with major partners like China, the EU, Canada or India, consumer spending appetite continues to decline. The negative growth effects of the tariffs are expected to peak in early 2026. It is quite possible that consumer sentiment may recover once tariff costs settle and the pending fiscal package (tax relief) is approved – unless inflation and interest rates remain elevated or the economic outlook worsens further. At least for now, labour market conditions do not pose a major risk.

US trade policy is also reflected in the EU's growth forecasts, as it delays the region's recovery. Markets are closely monitoring the outcome of trade negotiations between the US and the EU. Provided tensions do not escalate, economic momentum in the eurozone is expected to pick up again in the second half of the year. The EU is benefiting not only from Germany's fiscal stance but more broadly from low interest rates (headline inflation now falls below 2%) and targeted support for key sectors such as infrastructure, defense, decarbonisation and artificial intelligence.

In Switzerland, declining consumer prices are boosting purchasing power. Headline inflation turned negative year-on-year (-0.1%) for the first time in four years. Surveys indicate cautious optimism among consumers, though this is dampened by a weaker labour market outlook. For now, the impact of US tariffs on Swiss foreign trade remains limited, as pharmaceutical exports and services are largely exempt. Going forward, a slowdown in inventory building and the strength of the Swiss franc may weigh on momentum.

Traditional Investments

Currencies
The US dollar weakened sharply in Q2: the trade-weighted dollar index fell by 6.5%, while the USD/CHF exchange rate dropped by 9.5%. Trade tensions following "Liberation Day" – combined with declining confidence in the United States' debt sustainability – have significantly contributed to this move. In mid-May, the last major rating agency (Moody's) downgraded US creditworthiness. Key drivers cited include persistently large fiscal deficits, lack of consolidation measures, and rising interest burdens. While the US dollar remains unmatched as the world's leading reserve currency, further depreciation cannot be ruled out.

The euro lost 2.0% versus the Swiss franc. Against the US dollar, however, the euro appreciated by 8.2%, supported by increasing investor interest in the eurozone.

Bonds
In recent weeks, fixed income markets have shifted their attention increasingly toward developments at the long end of the yield curve – particularly in Japan and the United States. In both markets, investor appetite for long-dated government bonds has declined noticeably, contributing to a steepening in the yield curve structure. Meanwhile, at the short end, US interest rates have remained largely unchanged since the beginning of the year. Markets currently anticipate a first rate cut in September, aimed at providing monetary stimulus for the slowing economy. However, President Trump has criticized this timing as too late and has publicly called for the early resignation of Fed Chair Powell.

In Europe, falling inflationary pressures prompted both the Swiss National Bank and the European Central Bank to lower their key interest rates by 25 basis points in June. The ECB now considers itself near the end of its current easing cycle, although futures markets continue to price in the possibility of one additional rate cut before year-end. In Switzerland, the SNB reduced its policy rate to zero, in line with expectations, in response to negative headline inflation. While the central bank anticipates a moderate rebound in inflation over the next two years (forecast: +0.5% from 2026), it also views the current rate level as already expansionary – making further cuts unnecessary for the time being. Notably, SARON has moved into negative territory for the first time since autumn 2022.

Equities
Thanks to the temporary suspension of reciprocal tariffs, global equity markets (MSCI All Country World) not only posted a quarterly gain of +9.4%, but also reached an all-time high by mid-year. The strongest recoveries in Q2 were seen in US and Japanese equities in local currency terms, with both the S&P 500 and Nasdaq-100 indices trading at record levels. Particularly notable was the performance of select growth stocks from the "Magnificent 7," such as Nvidia, Microsoft or Tesla, which advanced between +15% and +30% in CHF terms.

From the perspective of a Swiss investor – measured in CHF – the tech-heavy Nasdaq-100 delivered one of the strongest quarterly performances, rising +5.8%. In contrast, both the broad-based S&P 500 and the Eurozone's blue-chip Eurostoxx 50 index moved largely sideways. The Swiss SMI declined by 5.4%, though when including dividends, the loss narrows to just 3.7%. Inversely, the SMIM index – comprising Switzerland's largest mid-cap stocks outside the SMI – gained 6.0%. The differing composition of the two indices explains the divergence: the SMIM includes more industrials and fewer healthcare, consumer staples and financial stocks. Its more cyclical sector allocation and smaller average market capitalization proved advantageous in the risk-on environment. Within the SMI, Holcim and Geberit delivered the highest total returns (>16%), while Alcon, Partners Group and Kühne+Nagel posted the steepest losses (>-11%).

Alternative Investments

The escalation of the conflict between Israel and Iran continued to support gold prices in Q2. Additional tailwinds came from higher inflation expectations (amid volatile oil prices), temporary macroeconomic concerns, high global debt levels, and a weakening US dollar – all contributing to the precious metal's appeal. Given ongoing geopolitical and financial uncertainty, gold is likely to remain in demand.

The elevated premium on listed Swiss real estate funds warrants close monitoring. However, valuations for domestic property assets are expected to remain stable for now, supported by the low interest rate environment.

Bitcoin once again reached a record high in Q2 – trading above USD 111,000 – driven by ongoing net ETF inflows. As in the past, a weaker US dollar has triggered a rally in the cryptocurrency.

Private Markets

Erratic US trade policy continues to weigh on IPO activity, with little sign of revival. Private equity firms are reassessing their exit strategies, increasingly favouring corporate carve-outs or sales to affiliated "continuation funds". Sellers are also making greater use of minority stake disposals or earnout structures to improve transaction appeal. As a result, the secondary market is gaining prominence, with volumes expected to exceed 2024 levels (USD 157 billion). Once dominated by limited partner (LP)-led transactions, the secondary market has undergone a major shift: general partner (GP)-led deals now account for nearly half of all activity.

Notably, private equity-backed portfolio companies still generate the bulk of their revenues domestically – at least partially shielding them from the disruptive effects of tariff volatility.

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