Market review

International equity markets are trading at record highs in local currency terms toward the end of the third quarter. The rally is driven by declining policy rates on both sides of the Atlantic, strong momentum around artificial intelligence, robust corporate earnings, and – particularly in the euro area – by fiscal expansion and a partial easing of trade-related uncertainties.

Switzerland, however, has not benefited from the same backdrop. The SMI would still need to advance by 9% to reach a new all-time high. A 39% tariff on US imports from Switzerland, combined with the threat – though not yet the implementation – of a 100% import duty on pharmaceutical products, weighs disproportionately on the country's export outlook compared to other nations.

For Swiss investors, broad diversification is paying off: real assets such as gold and real estate act as a stabilizing anchor. Their appeal is set to endure, supported by expectations that Switzerland's zero-interest-rate phase could last for several more months. Structural demand in residential property further argues for moderate medium-term price gains.

We also see good reasons for the equity bull market to continue. Until the US midterms in autumn 2026, Trump is likely to exert political influence and foster a constructive economic environment. This may hold until growth slows significantly, yields rise sharply (inflation, fiscal deficits, etc.), or corporate earnings expectations prove overly optimistic, potentially signalling bubble formation.

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Market data
per 30.09.2025

Equity Markets		**since 31.12.2024**
SMI CHF	12,109.42	4.38 %
S&P 500 USD	6,688.46	13.72 %
EURO STOXX 50 EUR	5,529.96	12.95 %
FTSE 100 GBP	9,350.43	14.41 %
MSCI Emerging Markets USD	731.90	27.53 %
NIKKEI 225 JPY	44,932.63	12.63 %
MSCI All Country World Local	527.37	15.54 %

Bond Markets		**since 31.12.2024**
Eidgenossen (10y)	0.14 %	-7.3 bps
US-Treasury (10y)	4.15 %	-41.9 bps
Bund (10y)	2.71 %	34.7 bps
SBI AAA-BBB 3-5 TR	132.42	1.02 %

Money Markets		**since 31.12.2024**
CHF (SARON)	-0.04 %	-49 bps
USD (SOFR)	4.24 %	-25 bps
EUR (ESTR)	1.92 %	-99 bps

Exchange Rates		**since 31.12.2024**
EUR/CHF	0.935	-0.59 %
USD/CHF	0.796	-12.23 %
EUR/USD	1.173	13.33 %

Alternative Investments		**since 31.12.2024**
Swiss Real Estate	572.17	5.27 %
Gold (USD/Ounce)	3,858.96	47.04 %
US Crude Oil (USD/Barrel)	67.02	-10.21 %
Bitcoin (USD/XBT)	114,640.81	22.33 %

Macroeconomic environment

The US economy is approaching a turning point this autumn. On the one hand, the labour market is cooling; on the other, higher tariffs are increasingly feeding through to prices. Core inflation stood at 3.1% in August, while US growth forecasts for 2025 have been revised down to 1.4%. Following its September rate cut of 25 bps to 4.00–4.25%, the Fed may deliver another move by late October. The average US tariff level reached slightly above 11% at the end of August and is expected to rise to 17–19% by year-end – around seven times higher than at the start of Trump's second term. This weighs on investment and, increasingly, on consumption. A slowdown in economic activity is therefore expected in the fourth quarter. The Fed's challenge remains to support growth without undermining its anti-inflation credibility – a balancing act likely to shape markets into the next quarter.

Since the trade agreement of late July (effective August 7), sentiment in Europe has improved slightly. Inflation in August edged up only marginally from 2.0% to 2.1%, leading the ECB to declare its target reached and to keep the deposit rate at 2.0% in September. Supportive financing conditions, fiscal stimulus from Germany, and improving sentiment indicators point to a moderate recovery by year-end. France remains a risk factor: political unrest and rising public debt are drawing increasing attention. For 2025, economists expect euro area growth at around 1.2%, below potential. Downside risks stem from geopolitical tensions and possible weakness in global trade, both of which could undermine the fragile recovery.

The Swiss economy is increasingly exposed to US trade policy, with reciprocal tariffs now at 39%. After front-loaded effects boosted first-quarter GDP growth to +0.7%, momentum slowed to +0.1% in Q2, constrained by weaker pharmaceutical exports. For the full year, GDP growth is projected at 1.3%, while 2026 is expected to see a moderation to 0.9%. Risks include a strong Swiss franc as well as pressures on export-oriented industries.

Traditional Investments

Currencies
The US dollar moved broadly sideways in the third quarter. The decisive factor has been exceptionally strong US growth since "Liberation Day," at an annualised +3.8%. At the same time, downward pressure is mounting as the Fed continues to cut rates and growing concerns about US fiscal stability trigger capital outflows. The trade-weighted US dollar has lost more than 9.8% year-to-date, while USD/CHF is trading 12.2% lower. Depreciation pressures could persist into the fourth quarter if interest rate differentials between the US and Europe or Switzerland narrow further.

The Swiss franc remained stable through the quarter despite headwinds from US tariffs, recently hovering around 0.935 EUR/CHF. Year-to-date, the Swiss franc has appreciated 0.6% against the euro. Relative to the US dollar, the euro has gained an additional 13.3%, supported by sustained investor interest in the euro area.

Bonds
In sovereign bond markets, central bank signals have dominated since the summer. Following signs of weakness in the US labour market, the Fed cut its policy rate by 25 bps in September. Over the past three months, yields have declined across the entire curve, even as the slope has steepened slightly.

The ECB and the SNB, by contrast, left policy rates unchanged. As a result, euro area and Swiss government bonds appear unattractive, particularly since the scope for further rate cuts is limited and thus offers little potential for additional price gains.

In corporate bond markets, positive trends persist. Spreads on European investment-grade debt have tightened further, reaching levels last seen during the pandemic. Solid fundamentals continue to support credit quality, but valuations are becoming stretched. While investment-grade bonds benefit from stability, high-yield securities remain vulnerable to spread widening, especially in a backdrop of weaker economic data.

Equities
Global equity markets performed strongly in the third quarter, supported by expectations of rate cuts and the ongoing AI boom. The MSCI All Country World Index advanced around 8.0% in USD, reaching a new all-time high in September. US technology stocks were particularly dynamic, competing with multi-billion-dollar investments in capacity expansion. While growth stocks are driving performance in the US, in the euro area it is more value-oriented names in basic materials, banking, and industrials that are leading the way.

From a Swiss investor's perspective, the domestic equity market has not kept pace with the large international benchmarks. Both the SMI and SMIM have traded broadly sideways since the end of June, registering gains of +1.6% and losses of -1.1%, respectively. Within the large-cap SMI, several companies stood out with robust double-digit price gains, notably Logitech, ABB, UBS, and Holcim. Conversely, significant underperformers included Sika, Givaudan, Alcon, and Kühne+Nagel, which posted the sharpest declines over the period. This wide dispersion highlights the increased importance of stock selection within the Swiss market.

For an SMI recovery, much depends on the three index heavyweights Nestlé, Novartis, and Roche. Within pharmaceuticals, confidence is growing around a solution to drug pricing. As an example, Pfizer announced price reductions of 50–85% for selected medications in the US, while benefiting in return from a three-year exemption on pharma tariffs. Nestlé, by contrast, is entering a new chapter with the appointment of a new CEO and chairman of the board.

Alternative Investments

Gold remains in demand, supported by geopolitical uncertainties, unresolved trade conflicts, and a weaker US dollar. Strong ETF inflows and continued central bank purchases underpin the price, which recorded another significant increase in the third quarter. Silver also posted a notable gain, benefiting not only from its role as a safe-haven asset but also from solid industrial demand, particularly in photovoltaics.

Valuations of Swiss real estate funds remain elevated: premiums trade around 35%, well above the historical average. While government bond yields remain low, keeping funds relatively attractive, the potential for further significant price appreciation appears limited.

Bitcoin reached a record high above USD 123,000. Inflows into ETFs and ETPs, rising corporate demand ("Treasury Trade"), and regulatory initiatives such as the US GENIUS Act are boosting adoption. Bitcoin is increasingly establishing itself simultaneously as "digital gold", a currency, and a highly volatile store of value.

Private Markets

With the US Federal Reserve resuming its rate-cutting cycle after a nine-month pause, expectations for a revival of the IPO market have risen. Following the increase in IPOs and M&A transactions in the first half of the year, activity remained elevated in the third quarter.

Considering the filled pipeline of mature companies, combined with declining financing costs and greater visibility, conditions appear supportive for private equity exits – even if a return to the record levels of 2021 remains challenging.

US tariffs and slower growth add to fragility, while Europe is moving into focus given more attractive valuations and financing conditions.

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