(Too) much news from the USA

Swiss edition

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Market review

In April, US President Donald Trump caused significant turmoil in the financial markets when he made public the list of planned import tariffs against the majority of the world on 'Liberation Day'. However, after the US government announced a 90-day grace period and subsequently entered into negotiations with the first countries, the stock markets calmed down and recouped the losses. Nonetheless, the loss of confidence in the US currency persisted, and the US dollar also lost value by the end of the quarter. The military conflict between the US, Israel, and Iran is causing geopolitical tension, leading to temporary distortions in the energy markets. Aside from that, economic development remained healthy. Companies operating in the AI sector, in particular, are weathering the turbulence well, and consumers are spending, especially on services.

Positioning

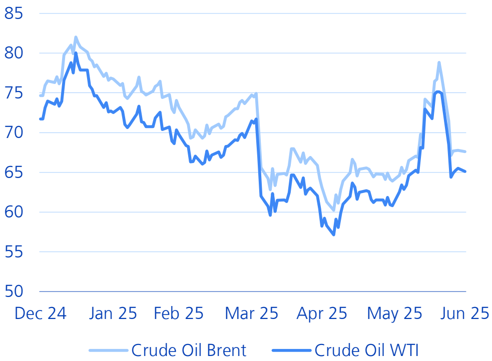
On 19 June, the Swiss National Bank lowered the key interest rate by 0.25 percentage points to 0%, as expected, due to the continued strength of the franc and persistently low inflation. This confirms our cautious positioning in Swiss bonds, in which we are underweight. Conversely, we have established a position in convertible bonds, which have performed well in the current environment and show further potential. During the quarter, emerging market equities, which we favour over other regions, have performed extremely well. The Swiss equity market struggled, with the index heavyweights in particular losing ground.
Furthermore, our underweight positions in the US dollar and commodities proved profitable in the second quarter.

Outlook

Key economic policy decisions are scheduled for July: What will happen after the 90-day pause with the threatened tariffs? Will the planned massive tax cuts in the USA ('One Big Beautiful Bill') be implemented with all their consequences? Due to these uncertainties, we remain neutrally weighted in equities but are focusing within the asset class on the healthcare sector, technology stocks, and British equities. On the bond side, we continue to prefer government bonds, which we hold overweight compared to corporate bonds. In commodities (underweight), we still see an oversupplied oil market, and in the area of alternative investments, we prefer Insurance Linked Securities for diversification reasons.

Additionally, very robust central bank purchases and increased geopolitical risks have led us to increase our position in gold by the end of the quarter.

Distortions on the oil market in June (USD per barrel)



Source: Zürcher Kantonalbank, Bloomberg

Review of the financial markets

		30.06.2025	31.12.2024	Performance YtD in local currency	Performance YtD in CHF
Returns (%)	10-year Swiss Confederation bonds / Swiss Bond Index	0.44	0.33	-0.6	-0.6
	10-year German Federal Bonds / GER Govt Bond Index	2.61	2.37	-0.7	-1.3
	10-year US Treasuries / US Govt Bond Index	4.23	4.57	3.8	-9.3
Equity markets	Switzerland, SMI	11'921	11'601	2.8	2.8
	Europe, Euro Stoxx 50	5'303	4'896	8.3	7.7
	USA, S&P 500	6'205	5'882	5.5	-7.8
	Japan, Nikkei	40'487	39'895	1.5	-3.0
	Emerging Markets, MSCI Emerging Markets	1'223	1'075	13.7	-0.5
Currencies	EUR/CHF	0.935	0.940	-	-0.6
	USD/CHF	0.793	0.907	-	-12.6
	GBP/CHF	1.089	1.136	-	-4.1
	EUR/USD	1.179	1.035	-	13.8
Commodities/ precious metals (USD)	Crude oil, Brent	67.61	74.64	-9.4	-20.8
	Gold, Ounce	3'303	2'625	25.9	10.0

Source: Bloomberg, figures rounded: Performance of the bonds is based on indices

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