Review of Financial Markets Q3 2025

The tariffs on US imports threatened by the US government in April were mostly implemented in August, some more moderately, but others more harshly than expected. Switzerland was shocked by a tariff rate of 39%. Precious metals and pharmaceutical products were not affected, nor were services, of course. The more lenient EU taxation of 15% also had a negative impact on the companies affected with sole production sites in Switzerland. The tariff treatment of pharmaceuticals was taken up at the end of the quarter, starting with a deal between the US government and the pharmaceutical company Pfizer.
The average tariff burden on US imports was around 3% in 2024 and is likely to increase fourfold depending on the further development of the pending agreements. The impact on inflation and growth has so far been limited in the US. However, leading indicators of prices paid showed a slight upward trend, which, however, could not necessarily be attributed to higher tariffs. Under constant pressure from the Trump administration, the US Federal Reserve decided in September to lower its key interest rate by 0.25% to 4.0% in light of deteriorating labor market data. This move was well received by financial markets.
Global economic data showed no outliers, though Germany's economic weakness was noteworthy, mainly caused by the automotive industry, which has been struggling with structural problems for some time. In addition, the measures decided by the Merz government have not yet had an impact on the economy. The growth rate for Switzerland remained just above zero in the second quarter. Inflation in the eurozone was on target at 2%, while Switzerland and China were confronted with deflationary trends.
From a geopolitical perspective, the meeting between Trump and Putin caused considerable confusion, particularly in Europe. Hopes that this could kick-start a peace process for Ukraine faded relatively quickly and the war escalated, including airspace violations in NATO territory.
The stock markets were largely unimpressed by the political and economic turmoil. The global index rose by 7% (in USD) in the third quarter, resulting in a performance of around 18% for the current year. The IT and communications sectors were the performance leaders, while the weakest sector was defensive consumption. The Swiss stock market gained only slightly in the third quarter, while the DAX remained flat. The emerging markets index shone with an increase of 11% (in USD), achieving the same performance as the Nasdaq index. There was also a positive development in the world of smaller stocks, which are now on par with the tech index with an annual performance of 17% (in USD).

On the currency front, there were no significant changes in the most important currency relationships. In particular, the decline of the US dollar came to a halt. The relationship between the Swiss franc and the euro remained unchanged on

balance. Precious metals continued their upward trend, with the price of silver standing out with an advance of just under 30%.
Slightly falling capital market yields in the US, the eurozone and Switzerland, as well as stable or even slightly lower risk premiums, ensured a reasonable performance on the bond markets. The increase in value for USD bond investments was just over 1%, resulting in a nine-month performance of 4%.

Development trend: 'Greed or fear'?
The stock markets have shown a strong Teflon coating, and the question is whether all the bad news will bounce off in the last quarter as well. The economic assessment for the major economic blocs, as measured by the PMIs (Purchasing Managers' Index), does not show any worrying weakness. However, there is a divided trend, with a weakening industrial sector and a strong service economy. In addition, the feared negative effects of US tariff policy have not yet materialized. Nevertheless, a deterioration in the situation cannot be ruled out.
Further interest rate cuts are expected in the US, which will support the economy but also carry the risk of undermining confidence in price stability. In the eurozone, there is at least the possibility of further monetary easing, while in Switzerland the scope for this has been exhausted. We consider it unlikely that negative interest rates will be reintroduced in the foreseeable future. Rather, if necessary, the instrument of foreign exchange market intervention is likely to be used to curb a real appreciation of the Swiss franc.
The stock markets are being fueled in advance by the topic of artificial intelligence, and this is likely to continue for the time being. However, concerns about the high energy costs of data centers, the monetization of AI projects and the profitability of the enormous investments in artificial intelligence could cast a shadow over equities at any time. The susceptibility to corrections is not negligible given the lofty valuations of many (US) equities.
Investment opportunities in the USD fixed-income sector are still quite attractive given the level of interest rates. Nevertheless, we would keep an eye on credit quality given the fact that spreads are historically low. With respect to duration, we prefer medium term notes and would avoid long term issues as inflation fears might pop up any time.
In addition, the upturn in precious metal prices is likely to continue. Gold is benefiting from sustained demand from central banks, which are diversifying their currency reserves or 'de-dollarizing' them. Adding gold to a portfolio has proven to be a valuable addition in this decade of great uncertainty.

Wangs, October 2025

Chart 1: Performance Q3 2025 in USD for different asset classes (in %)

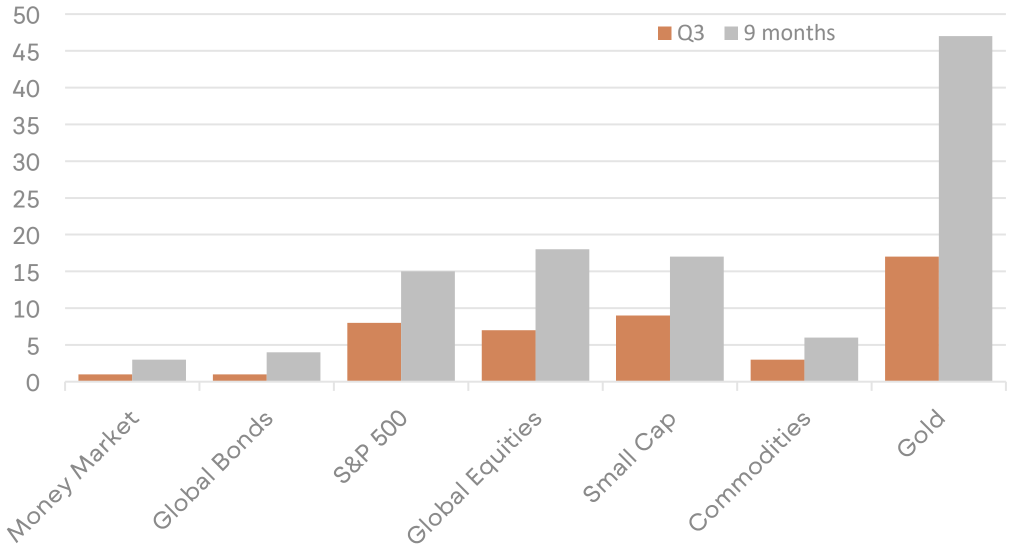

Chart 2: Performance Q3 2025 in local currency for selected stock indices (in %)