
Capital Markets at Ease. Global Politics in Motion.

Investment report – 30th September 2025



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After a calm start to the third quarter, equity markets experienced a surprisingly strong upswing from the beginning of August. Share prices rose worldwide, and developments turned out better than many market participants had expected. Particularly in the United States, stock markets reached new all-time highs, fuelled by a sustained investment boom in artificial intelligence.

The large technology stocks continued to play a leading role, but over the summer the rally broadened. Small- and mid-caps, as well as cyclical sectors, also gained ground, adding further momentum to market breadth. Emerging markets, particularly several Asian markets, were among the biggest winners of the quarter. Even in Europe, a positive market sentiment was evident, although earnings remained weaker.

This encouraging market development took place in an environment that was by no means free of burdens. On 1 August, Switzerland's National Day, the United States imposed drastic punitive tariffs of 39 per cent on Switzerland and the Federal Council faced the difficult task of finding economic and diplomatic responses to the new situation. A key reason for the moderate market reaction was the "front-loading effect": many American companies had accelerated imports before the higher tariffs came into force and had built up inventories. This cushioned the short-term impact, although higher costs are likely to become apparent later in production and prices.

On 1 October, the next escalation came into effect: President Trump introduced import tariffs of 100 per cent on original pharmaceuticals. Exempt are companies with production sites in the United States or those already concretely planning to build them. This means that Roche and Novartis will not be directly affected. However, alongside the issue of production location, pricing pressure on the sector also remains. Already in the summer, Trump had called on leading pharmaceutical groups, including Roche and Novartis, to lower drug prices in the United States.

According to the OECD and UBS, the sharp increase in tariffs in the United States is beginning to show their first effects on the real economy. Companies are increasingly faced with the choice of passing on higher import costs to consumers or reducing their margins. Both options dampen demand and employment. Private consumption has so far proved surprisingly resilient, but the strains are expected to become increasingly visible step by step.

In September, The US Federal Reserve (Fed) resumed its cycle of monetary easing after a pause of several months (last cut Dec. 2024). Chairman Powell justified the interest rate cut with a marked cooling in the labour market. Inflation remained above target level, but the risks to employment and growth outweighed this. The Neue Zürcher Zeitung spoke of an "acid test" for the central bank, which on the one hand is exposed to political pressure from the Trump administration and on the other must preserve its credibility and independence. Markets reacted with relief, as the continuation of rate cuts is expected to support economic activity.

In Europe, structural weaknesses became more apparent. Following the fall of the government, France slid into a political crisis, which drove up French government bond yields and once again called the stability of the euro area into question. At the same time, the OECD lowered its growth forecast for Germany to 0.3 per cent, reinforcing scepticism about the resilience of the eurozone.

While markets were largely driven by monetary policy measures and economic resilience, valuations moved increasingly into focus. Technology stocks, which still account for a large share of the gains, drew attention for their elevated price levels.

Market development in the third quarter of 2025

Equities

The Swiss equity market showed only modest performance in the third quarter. The Swiss Performance Index (SPI) gained just +1.3%, while large caps in the SLI (index of the 30 largest Swiss companies) rose +1.2% and small-caps in the SPI Extra (index of Swiss secondary stocks) closed slightly down at -0.2%. Switzerland therefore lagged behind most major markets.

The picture in Europe was mixed. The broad Stoxx 600 advanced by 3.5%. Spain (+11.3%) and Italy (+7.7%) posted the strongest gains, while France (+3.2%) after the political crisis and Germany (-0.1%) with weak economic data clearly fell behind. The British FTSE 100 was among the top performers, gaining +7.5%. Europe benefited from the global upswing but remained weak in international comparison.

The US markets performed significantly better. The S&P 500 climbed 8.1%, reaching several new highs during the quarter. The Nasdaq 100 also posted substantial gains with a return of +9.0%. Particularly noteworthy was the recovery of small-caps, which outperformed the broader market with +12.4%. This showed that the rally was not limited to a few large corporations but was increasingly broad-based.

Emerging markets delivered the strongest momentum, gaining a total of +10.6%. In Asia, Vietnam led the rankings with +21.3%, followed by China (+19.0%), Taiwan (+17.8%) and Korea (+11.7%). Japan advanced 11.0%, and the broad Asia ex Japan index rose by +10.8%, driven by China's strong performance. Latin America also showed strengths with +10.2%. Key drivers were robust consumer demand, stable commodity exports and continued capital inflows.

Bonds

Bond markets also reflected increasing risk appetite. Emerging market bonds denominated in hard currencies rose by +3.4% and US government bonds of medium maturity by +1.5%. The Swiss franc bond index advanced by +1.2%. In Europe, by contrast, returns remained low as rising yields weighed on prices. The Euro Aggregate Index recorded an increase of +0.2%, while German government bonds even fell by -0.3%.

Alternative investments

Among alternative investments, cryptocurrencies stood out. The Bloomberg Galaxy Crypto Index rose by +31.9%, reaching a new record high. Precious metals also shone: silver gained +29.2%, gold +16.8% and the sector as a whole (S&P GSCI Precious Metals Index) delivered a quarterly return of +18.0%. Global real estate equities advanced by +4.4%. Industrial metals (S&P GSCI Industrial Metals Index: +3.2%) and the broad commodity index (BBG Commodity: +2.6%) also developed positively. By comparison, listed private equity (+0.8%) and hedge funds (-1.0%) lagged behind (all figures in USD, except private equity in EUR).

Outlook and conclusion

Although trade negotiations with the United States are still ongoing behind the scenes for Switzerland (39%) and other countries, the issue has recently receded somewhat into the background. US trade policy appears to have little impact on earnings estimates for the S&P 500 for 2026, with forecasts clearly remaining on a growth path. At the same time, the US dollar has weakened significantly since the beginning of the year, although the pace of depreciation is now expected to ease.

On the monetary policy front, no further rate cuts are expected from the European Central Bank (ECB) or the Swiss National Bank (SNB). The Fed could decide on one or two additional cuts in the final quarter, mainly driven by the cooling labour market, even though the still elevated inflation rate (around 3%) would argue against it.

The current OECD outlook raises the global growth forecast for 2025 from 2.9% to 3.2%, but keeps the estimate for 2026 at 2.9%. This points to a slowdown, though without recession risk. After difficult years, Germany should achieve growth of 1.1% in 2026, supported by fiscal stimulus.

Against this backdrop, we see ourselves as well positioned in the equity markets with a neutral to slightly overweight allocation. Technology and the theme of artificial intelligence are likely to remain the central drivers.

Performance of the equity markets since the beginning of the year:

Equity markets have developed well overall since the beginning of the year. Momentum was particularly strong in Asia excluding Japan, while the major industrialised regions also posted solid gains. The US reached new highs, the world index advanced significantly, and both Europe and Japan posted double-digit increases. Switzerland lagged behind in international comparison but nevertheless remained clearly in positive territory.

		December 2024	September 2025	Change
Asia ex Japan	MSCI AC Asia ex Japan	578.4	733.5	26.8 %
Europe	DJ STOXX 600	1'236.8	1'392.1	12.6 %
Japan	MSCI Japan	3'762.6	4'267.6	13.4 %
Switzerland	SPI	15'472.3	16'748.6	8.2 %
USA	MSCI USA	16'804.3	19'265.4	14.6 %
World	MSCI World Index	11'731.2	13'776.3	17.4 %
Hedge Funds	CS Hedge Fund Index	853.5	911.5	6.8 %

Development of index in local currency. Exceptions Asia ex Japan and World in USD. MSCI-Indices are net total return.

Since the beginning of the year, yields on 10-year government bonds have performed as follows:

Yields in Switzerland declined slightly, as they did in the United States where interest rates fell somewhat. By contrast, they increased in Germany, the United Kingdom and Japan.

	December 2024	September 2025	Change
Switzerland	0.33 %	0.22 %	-0.11 %
Germany	2.37 %	2.71 %	0.34 %
United Kingdom	4.57 %	4.70 %	0.13 %
USA	4.57 %	4.15 %	-0.42 %
Japan	1.10 %	1.65 %	0.55 %

Since the beginning of the year, the selected foreign exchange rates have performed as follows:

The Swiss franc and the euro have appreciated significantly against many major currencies so far this year. The strength was particularly pronounced against the US dollar, but they also gained against the yen and the pound. For domestic investors, the appreciation of the franc has meant that the impressive results of foreign markets have been significantly dampened.

	December 2024	September 2025	Change
Euro / CHF	0.9401	0.9345	-0.6 %
USD / CHF	0.9074	0.7964	-12.2 %
GBP / CHF	1.1356	1.0709	-5.7 %
CHF / JPY	173.2420	185.6820	7.2 %
USD / EUR	0.9659	0.8523	-11.8 %
USD / JPY	157.2000	147.9000	-5.9 %

Average growth and inflation forecasts from the "Bloomberg Composite Contributor Forecast" poll of economists:

China remains the main growth driver, while the United States and the eurozone are showing only moderate growth. Germany and the United Kingdom are stagnating at weak levels, and Japan is falling behind. A slight recovery is expected for Switzerland. Regarding inflation, most regions are forecast to see declining rates, with the United States being the only exception where it remains elevated.

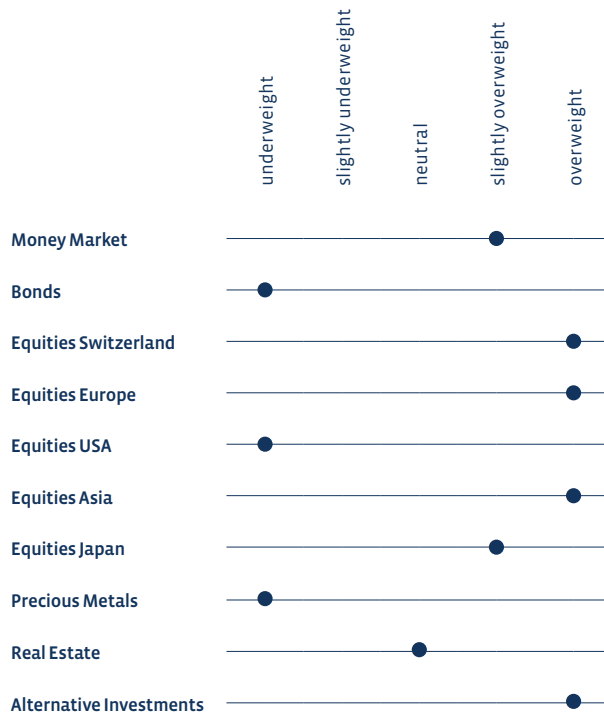
	Real GDP Growth		Core-Inflation	
	2025	2026	2025	2026
China	4.8 %	4.2 %	0.1 %	0.8 %
Germany	0.3 %	1.1 %	2.1 %	2.0 %
EU	1.3 %	1.4 %	2.3 %	2.0 %
United Kingdom	1.3 %	1.2 %	3.4 %	2.5 %
Japan	1.0 %	0.7 %	3.0 %	1.8 %
Switzerland	1.1 %	1.4 %	0.2 %	0.6 %
USA	1.8 %	1.8 %	2.8 %	2.9 %

Our asset allocation:

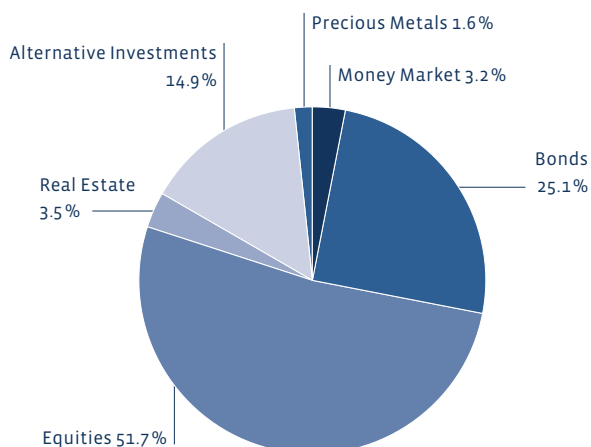
At our latest investment committee meeting, we agreed on the following asset allocation for a balanced CHF portfolio with medium risk and no client restrictions. Mandates in other reference currencies may have different allocations – your client advisor will gladly provide details.

We are currently slightly overweight in liquidity, while bonds are now underweight. On the equity side, Switzerland, Europe and Asia are overweight, while our Japanese equity allocation is also slightly overweight due to positive developments – the only underweight position remains the United States. In precious metals we are currently underweight, whereas alternative investments are overweight, which we consider more attractive than bonds in the current interest rate environment.

Current positioning of our CHF portfolio:

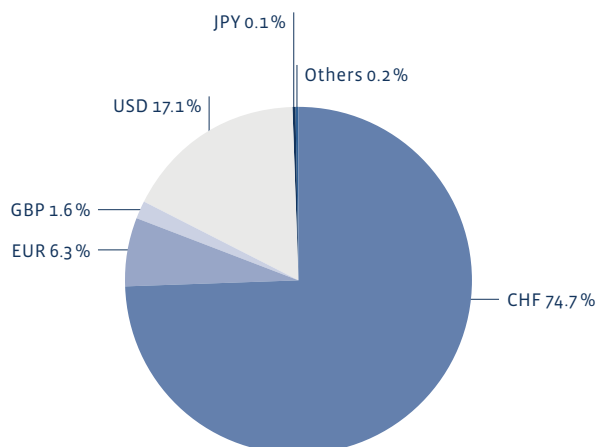


Tactical asset allocation by asset class:



Based on reference currency Swiss Franc.

Current allocation by currency:



Closing words

The markets remain characterised by contrasts: broad-based gains on the one hand, geopolitical as well as trade policy pressures on the other. The key is to recognise opportunities amid change and to make consistent use of them.

Or, as Albert Einstein said:

“In the middle of difficulty lies opportunity.”

Thank you for your trust. We are always pleased to assist you if you have any questions regarding our investment report or your individual investment strategy.

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