SALMANN
INVESTMENT MANAGEMENT

All Eyes on Washington

Investment report – 30th June 2025

Independent.
Tailor made.
Intergenerational.

All Eyes on Washington

The second quarter of 2025 was characterised by a tense environment of monetary easing, geopolitical escalation and slowing economic momentum. While market participants hoped for interest rate cuts and fiscal stimulus, political risks and economic uncertainties increased significantly.

In the United States, fiscal policy and the confrontational stance of the Trump administration increasingly shaped economic developments. The reciprocal tariffs announced at the beginning of April triggered a significant reaction on the financial markets: Equities came under pressure and volatility increased noticeably. The administration later reversed course and suspended the measures for 90 days – an indication that financial markets can curb political activism. Nonetheless, uncertainty regarding future trade policy persists, especially given eroding domestic trust in fiscal discipline. The "Big Beautiful Bill" introduced by Trump could substantially increase the budget deficit. Prominent supporters such as Elon Musk have withdrawn in disappointment, highlighting the growing polarisation in both business and politics.

The geopolitical situation deteriorated sharply. The conflict between Iran and Israel reached a new level of escalation on 22 June, when the United States intervened in the war. As part of Operation "Midnight Hammer", US forces attacked Iranian nuclear facilities in Fordow, Natanz and Isfahan with bunker-busting bombs and cruise missiles. The goal was to permanently weaken Iran's nuclear programme. According to US intelligence estimates, this was only set back by a few months. Iran retaliated by targeting a US base in Qatar. Although a ceasefire was agreed on 24 June, the situation remains tense. At the same time, Tehran threatened to blockade the Strait of Hormuz. Physical oil supply remains unaffected so far, and the oil price has fallen as quickly as it rose before. The reaction on the financial markets has so far been surprisingly muted.

In Europe, the European Central Bank (ECB) once again cut its key interest rates by 25 basis points in June. The main refinancing rate now stands at 2.15 %. This move had been widely expected and was interpreted less as a crisis signal and more as a cautious step towards monetary normalisation, especially as the macroeconomic environment still lacks clear momentum. Some EU member states, especially Germany, are attempting to counteract weakness with targeted fiscal stimulus. At the same time, new financial obligations could further restrict fiscal room for manoeuvre. At the NATO summit in The Hague from 24th until 25th of June, member states agreed to gradually increase defence spending to 5 % of GDP by 2035, with 3.5 % allocated to core defence and 1.5 % to defence-related infrastructure. Spain did not join this commitment and continues to pursue a target of around 2.1 % of GDP. Against this backdrop, the EU's financial flexibility remains limited in view of existing debt levels and fiscal rules.

On 19 June, the Swiss National Bank (SNB) lowered its key interest rate for the seventh time in a row to 0 %. This is in response to both falling inflation and the continuing strength of the Swiss franc. Mortgages and savings conditions face increasing pricing pressure. While the real estate market remains stable, high valuations and localised vacancy risks leave it vulnerable to abrupt shifts in the macroeconomic environment.

Market development in the second quarter of 2025

Equities

Global equity markets delivered mixed results in the second quarter. The Swiss Performance Index (SPI) fell by 3.3 % (Year-to-Date = YTD +6.9 %), with the index of the 30 largest swiss companies (SLI –3.7 % in Q2) performing significantly weaker than small- and mid-caps (SPI Extra +5.5 % in Q2).

In Europe, performance varied: the broad Stoxx Europe 600 Index rose by 1.3 % in Q2 (YTD +8.8 %). Equity markets in Spain (IBEX 35 +6.6 %), Germany (DAX +6.4 %), Italy (FTSE MIB +5.0 %) and the United Kingdom (FTSE 100 +2.2 %) performed particularly well. In contrast, the Nordic markets (MSCI Nordic –0.5 %) and France (CAC 40 –1.3 %) were the weakest performers of the quarter.

In the United States, the classic S&P 500, weighted by market capitalisation, posted a quarterly gain of +11.6 % (YTD +6.2 %). However, the rally was again heavily driven by a few tech giants (e.g. Nvidia up over 40 % in Q2). The Nasdaq 100 rose by +17.8 %, while the equal-weighted S&P 500 remained virtually flat. This strong concentration in the largest listed companies (primarily from the IT sector) suggests that the US market recovery is less broad-based than headline indices might imply. Although US small caps (Russell 2000) were able to gain in Q2, they are still lagging behind the blue chips with only +7.9 % in the quarter and –1.8 % YTD. This highlights the ongoing caution among investors outside the major growth stocks. For Swiss investors, the upswing in US equities appears significantly less impressive. Despite price gains in US indices, the sharp depreciation of the US dollar by 12 % against the Swiss franc in the second quarter resulted in losses.

Emerging markets continued their positive trend. In the first half of the year, MSCI EM equities delivered their best performance since 2017, gaining +15.3 %. The main contributors were India (+9.1 % in Q2 and +8.8 % YTD) and Latin America (+14.2 % in Q2 and +29.9 % YTD). As a result, emerging markets outperformed developed markets. The MSCI World gained +9.5 % over the same period. This outperformance indicates that investors are once again increasingly looking for diversification outside the United States.

Bonds
The bond markets showed predominantly positive trends in the second quarter. In Europe, ECB rate cuts and falling inflation data led to declining yields, benefiting both government and corporate bonds. German government bonds rose by +1.3 % in Q2 (YTD –0.7 %), while the Bloomberg Euro Aggregate Index (a broad index of euro-denominated government and corporate bonds) gained +1.7 % (YTD +0.8 %).

Swiss bonds posted moderate gains: the relevant index (SBI AAA-BBB) rose by +1.2 % during the quarter, though remains at –0.6 % YTD. In the US, yields stabilised towards quarter-end after climbing in May.

Corporate bonds performed strongly worldwide: High-quality corporate bonds in USD gained +4.6 % in the quarter (+7.3 % YTD) and high-yield bonds returned +4.7 % (+6.8 % YTD). Remarkably, yields have barely increased despite numerous geopolitical and economic risks..

Alternative investments
Gold continued its rally in the second quarter with great momentum. In light of ongoing uncertainties, many investors are increasingly seeking safety in physical gold. In Q2, the gold price climbed by a further +7.1 % (YTD an impressive +25.9 %) in USD, making gold one of the best-performing asset classes. Silver also benefited from this trend (Q2 +5.8 %, YTD +24.9 %, also in USD).

Outlook and conclusion

The events of the second quarter have shown how quickly geopolitical and economic conditions can change. Trade conflicts, regional tensions and an increasingly fragmented world order have a direct impact on the financial markets and require greater resilience in the asset structure.

Against this backdrop, strategic asset allocation is becoming increasingly important. With the introduction of our new Strategic Asset Allocation 2025, Salmann has deliberately expanded its investment universe to include additional asset classes. This measure not only reflects the changed market environment but also enhances portfolio diversification and helps to effectively address increased market volatility.

A broadly diversified and flexible investment approach remains essential under current conditions. The ability to respond appropriately to regional, political and economic shifts will continue to be a key factor for maintaining portfolio stability and robustness in the second half of the year.

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

Global equity markets delivered predominantly positive results in the first half of 2025. Asia ex Japan, Europe and the global index performed particularly strongly. The Swiss and US equity markets also posted gains. Although Japan remained in positive territory, it could not keep pace with other regions.

		December 2024	June 2025	Change
Asia ex Japan	MSCI AC Asia ex Japan	578.4	667.7	15.4 %
Europe	DJ STOXX 600	1'236.8	1'352.0	9.3 %
Japan	MSCI Japan	3'762.6	3'845.4	2.2 %
Switzerland	SPI	15'472.3	16'616.5	7.4 %
USA	MSCI USA	16'804.3	17'733.2	5.5 %
World	MSCI World Index	11'731.2	12'786.1	9.0 %
Hedge Funds	CS Hedge Fund Index	853.5	879.3	3.0 %

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 on 10-year government bonds rose slightly in Switzerland, Germany and Japan, while they declined in the US and the UK.

	December 2024	June 2025	Change
Switzerland	0.33 %	0.43 %	0.10 %
Germany	2.37 %	2.57 %	0.20 %
United Kingdom	4.57 %	4.47 %	−0.09 %
USA	4.57 %	4.25 %	−0.32 %
Japan	1.10 %	1.43 %	0.33 %

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

In the first half of 2025, the US dollar came under significant pressure and was the clear underperformer in foreign exchange markets. The pronounced dollar weakness reflects shifting interest rate expectations and geopolitical uncertainties.

	December 2024	June 2025	Change
Euro / CHF	0.9401	0.9363	−0.4 %
USD / CHF	0.9074	0.7989	−12.0 %
GBP / CHF	1.1356	1.0943	−3.6 %
CHF / Yen	173.2420	180.4390	4.2 %
USD / EUR	0.9659	0.8532	−11.7 %
USD / Yen	157.2000	144.1500	−8.3 %

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

Forecasts suggest moderate economic growth accompanied by gradually declining inflation. Economic momentum in Western industrialised nations remains subdued and inflation is expected to remain elevated for the time being.

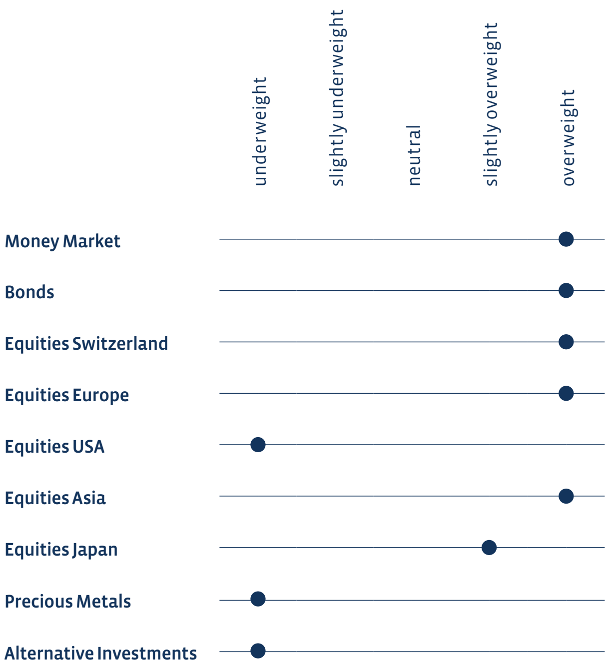
	Real GDP Growth		Core-Inflation	
	2025	2026	2025	2026
China	4.5 %	4.2 %	0.2 %	1.0 %
Germany	0.2 %	1.1 %	2.2 %	2.0 %
EU	1.2 %	1.4 %	2.2 %	2.0 %
United Kingdom	1.1 %	1.2 %	3.2 %	2.3 %
Japan	0.8 %	0.8 %	2.8 %	1.8 %
Switzerland	1.2 %	1.4 %	0.3 %	0.6 %
USA	1.5 %	1.6 %	2.9 %	2.8 %

Our asset allocation: tactically defensive, strategically in motion

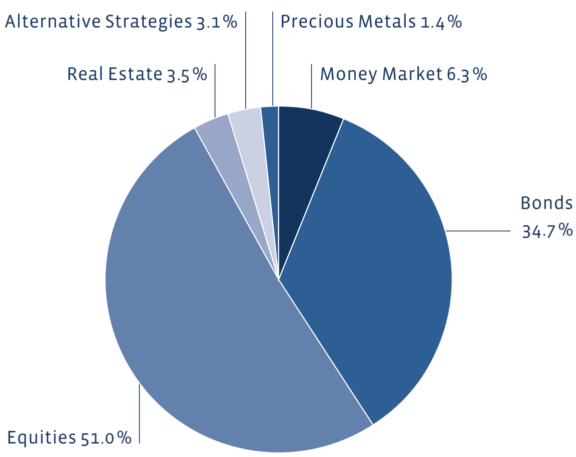
At our latest investment committee meeting, we agreed on the following asset allocation for a balanced CHF portfolio with medium risk and no client restrictions. Mandates in other reference currencies may have different allocations – your client advisor will gladly provide details.

The current tactical asset allocation is defensive. Money market and bonds are overweighted to provide stability in a volatile market environment. On the equity side, we are overweight in Switzerland, Europe, and Asia, with a slight overweight in Japan. The United States remains underweight. Precious metals and alternative investments are still underweight. The implementation of the new Strategic Asset Allocation 2025 is ongoing and will lead to a gradual increase in these asset classes over the coming months.

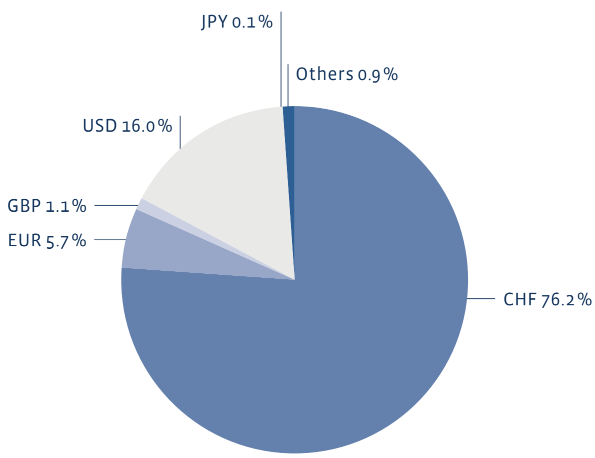
Current positioning of our CHF portfolio:



Tactical asset allocation by asset class:



Current allocation by currency:



Based on reference currency Swiss Franc.

SALMANN
INVESTMENT MANAGEMENT

Closing words

A thought that accompanies us in turbulent times:

"The key is not to predict the future, but to be prepared for it." – Pericles

We thank you for your trust and remain at your disposal for any questions or comments regarding this investment report or any other financial matters.

Sebastian Schredt
Member of the Executive Board,
Partner and Relationship Manager

sebastian.schredt@salmann.com

Loris Schüpbach
Junior Relationship Manager

loris.schuepbach@salmann.com

Legal Disclaimer
Limitation of offer: The information published in the Salmann Investment Management AG Investment Report (referred to hereafter as SIM) is not to be viewed as an invitation, an offer, a recommendation to buy or sell any investment instruments or enter into any other transactions. Its contents are not targeted at individuals subject to a jurisdiction prohibiting the publication and/or the access to such information (be it on grounds of nationality of the respective person or their residence or any other reasons). The information presented is collated by SIM with the utmost care and diligence. The information is not intended to be used to base a decision. For investment advice, please consult a qualified person. Risk warning: The value of investments can rise as well as fall. Investors should not extrapolate future returns from past performance. In addition, investments in foreign currencies are subject to exchange rate variations. Investments with high volatility may be subject to extreme price fluctuation. Disclaimer: Under no circumstances (including negligence) may SIM be responsible for losses or damages (be they direct or indirect) of any kind that may arise from or in connection with the access to this report and any links contained therein. Source of graphics and tables: Bloomberg/image sources: shutterstock.com/private images.

SALMANN
INVESTMENT MANAGEMENT

Contact us

Salmann
Investment Management AG

Beckagässli 8
FL-9490 Vaduz

T +423 239 90 00
F +423 239 90 01
mailvaduz@salmann.com

www.salmann.com