Investment Outlook 4th Quarter 2025

Geopolitical risks fade, but U.S. trade policy weighs on markets. Stagflation looms in the U.S., while Germany gains and China weakens. U.S. equities look expensive, while Europe and Asia are more attractive. The dollar stays weak, and the Swiss franc stable. Underweight bonds, keep gold as a safe haven.

Political environment

The changing US trade policy is causing considerable uncertainty. In response, China is likely to adjust its export strategy and focus more on markets outside the US. This shift in trade flows is putting pressure on industries outside China and the US.

The undisciplined fiscal policy in developed countries is a cause for concern: persistently high government deficits and rising debt ratios will further increase interest rate pressure. A sustainable solution is not currently in sight, which could weigh on the markets in the medium term. It is encouraging that Switzerland is an exception due to its stability.

Economic Development

Global economic trends show stark regional differences:

The US is entering a phase of mild stagflation. Higher tariffs and tighter immigration restrictions are driving inflation, while economic growth is expected to slow due to weaker consumption. This combination of rising prices and subdued economic momentum is presenting the Fed with difficult monetary policy decisions.

Germany, on the other hand, is benefiting from increased infrastructure and defence spending. These government investments should lead to stronger growth and also revive the European economy after years of weakness.

China's growth remains well below historical levels. As exports are no longer functioning as a traditional driver of growth, strengthening domestic consumption is becoming increasingly important. Without this structural adjustment, weak growth is likely to continue.

Interest Rates and Bonds

The US Federal Reserve faces a classic dilemma: with inflation at just under 3% and economic growth weakening, it is coming under increasing political pressure to lower key interest rates. Despite these challenges, the Fed is expected to pursue a cautious easing policy. Should political influence lead to falling short-term and rising long-term interest rates, this would be a sign of waning confidence in the independence of monetary policy.

While inflation and key interest rates in the eurozone remain stable at 2%, a new risk is emerging: growing government debt, particularly in France, is likely to exert upward pressure on long-term interest rates in the medium term. This structural challenge could present the ECB with difficult decisions.

Switzerland presents itself as an island of stability: with inflation of only 0.2%, boosted by the strong franc, it is benefiting from the international turmoil. The ongoing problems abroad are likely to keep long-term interest rates at a low level.

Short maturities are recommended for bonds in USD and EUR, while medium maturities are preferable for CHF bonds.

Equities

US equities remain highly valued: the price-earnings ratio is well above the historical average, driven primarily by technology stocks with strong earnings growth. However, prices already reflect very high expectations, which could quickly come under pressure in the event of minor disappointments. At present, the US Federal Reserve's cautious interest rate reduction policy is still providing support.

In Europe, equities are trading at a lower price relative to their earnings, as investors are sceptical

about economic momentum. However, the German government's announced investment push into the ailing infrastructure could provide positive impetus. Despite the weaker economy, this opens up attractive opportunities for price increases.
Chinese equities also appear favourable at present. The technology sector in particular offers considerable growth potential, although structural risks remain.
Overall, we recommend continuing to weight equities neutrally in a balanced portfolio with broad diversification across regions and sectors. However, US equities should be reduced, while Asian and European equities should be given greater consideration.

Currencies

The pressure exerted by the US government on the Federal Reserve to lower key interest rates is likely to weaken the dollar further. This is exacerbated by the sharp rise in US debt. In Europe, too, high government debt is weighing on the currency, with France in particular currently under severe pressure. By comparison, the Swiss franc remains the most stable currency: political reliability, solid public finances and low inflation secure its role as a safe haven.
Because the US government explicitly wants to weaken the dollar, we are reducing our dollar exposure in favour of the Swiss franc.

Gold

Precious metal prices have risen significantly in recent months. The main drivers were geopolitical uncertainties, the persistently high levels of debt in many countries – above all the United States – and increasing trade tensions. In an environment where investors are seeking security, precious metals traditionally benefit from their role as a 'safe haven'.
These conditions could persist in the coming months, which would further support demand for gold and silver. At the same time, it should be noted that precious metals are strongly driven by sentiment: if geopolitical risks ease and the economic situation stabilises, investor interest could wane again. In such a scenario, there would be a risk that precious metals would come under pressure and prices would start to fall.

Asset Allocation

We remain underweight in bonds, favouring medium-term maturities in CHF and shorter maturities in USD, EUR and GBP.
We maintain a neutral stance on equities, shifting away from the US towards Europe and Asia.
Gold retains its key importance as a safe haven and should be considered as an anchor of stability in every portfolio.