



PostFinance investment compass June 2025

Switzerland's interest rate drought

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Switzerland's interest rate drought

Interest rates in Switzerland are back to zero, with no significant returns achievable on savings accounts, money market products or bonds. Yields on money market investments may fall even further in the coming months. Interest income is now as hard to find as water in the Sahara – Switzerland has entered an interest rate drought.



Philipp Merkt
Chief Investment Officer

The reason for this is actually encouraging and quite obvious: price stability. While other countries are facing inflationary pressure, Switzerland's consumer prices remain stable – protecting purchasing power while also strengthening the franc. It means the Swiss National Bank (SNB) no longer needs to tackle inflation, and is instead focusing on low interest rates to promote growth in the hope of easing the upward pressure on the franc.

“Investors looking for long-term success are opting for value assets – in things that create real added value.”

But low interest rates also come with the risk of driving real estate prices even higher. Mortgages continue to be inexpensive, and the temptation to buy real estate at inflated prices is growing.

For investors, this has clear consequences: building up assets with traditional interest-bearing investments is no longer possible. Today, investors looking to grow their capital in the long term need to rethink their approach. Interest and compound interest are no longer the way to accumulate wealth. Returns can only be achieved where investments create real value and generate ongoing income.

Modern investment requires a well-thought-out strategy that combines shares, real estate and alternative investments into a balanced portfolio – with systematic risk management. In a low-interest world, the investment strategy is key.

The performance of individual investments is less important. Looking back, it would have been more profitable to buy additional gold at the beginning of the year. Hindsight, as they say, is always 20/20. But successful investors don't chase after trends like this – they've already baked them into their long-term investment strategy.

With such preparation, even today's major political changes should hold no fear. The global economy keeps on turning in spite of the India-Pakistan dispute, the Iran-Israel conflict and Russia's war of aggression in Ukraine. Every day, companies create value by providing services or paying for them on behalf of customers. As investors, the owners of these companies rightly receive their share of this success. Real estate investments also create real value – where people invest in housing that others value as a home and will pay rent for.

So we remain convinced that it's still worth investing in difficult times – even if simply lending money no longer yields returns. Fluctuations and uncertainties are all part of this – but they shouldn't stop us making long-term, value-based investments. Far from it, in fact.

Financial markets overly optimistic

Financial markets remain in confident mood. The US trade dispute has largely slipped out of focus. We view this development with caution and are maintaining our defensive positioning.

Financial markets remain in optimistic mood. Equity markets have continued their upward trend over recent weeks, with the US market in particular making strong gains. The main drivers were tech stocks, which had been under pressure over the course of the year to date. The “magnificent seven” recorded price gains of over 6 percent last month. It means US stock markets have now almost fully recouped the losses incurred at the beginning of April and are again trading close to February’s all-time highs. This development stands in sharp contrast to the ongoing US trade dispute

“Neither more expensive products, with their upward pressure on inflation, nor declining margins are positive signals for the financial markets.”

and tense geopolitical situation. So far, the expiry of the deadline for reciprocal tariffs and domestic and foreign policy uncertainties have had no lasting negative impact on the US markets.

Ongoing caution towards US equities

We remain sceptical about current market developments. Consumer sentiment, a very important factor in the US economy, is below average and clouding the economic outlook. Meanwhile, comprehensive basic tariffs of 10 percent have been in place since April, despite the suspension of reciprocal tariffs. And punitive tariffs are even higher for imports from China and for specific products such as aluminium and steel. As a result, production costs for American companies will no doubt rise significantly sooner or later. These additional costs could be passed on to consumer prices or reduce corporate margins, or both. However, neither the resulting inflationary pressure nor declining profit margins are positive for the financial markets. That’s why we’re maintaining our underweighted position on the US equity market.

Performance of asset classes

Asset class		1M in CHF	YTD ¹ in CHF	1M in LCY ²	YTD ¹ in LCY ²
Currencies	EUR	0.4%	0.1%	0.4%	0.1%
	USD	−3.9%	−10.5%	−3.9%	−10.5%
	JPY	−0.5%	−1.9%	−0.5%	−1.9%
Fixed Income	Switzerland	0.7%	0.6%	0.7%	0.6%
	World	−1.4%	−4.8%	2.6%	6.4%
	Emerging markets	−2.1%	−6.6%	1.9%	4.4%
Equities	Switzerland	1.7%	9.9%	1.7%	9.9%
	World	0.1%	−4.1%	4.2%	7.2%
	USA	−0.5%	−7.6%	3.6%	3.3%
	Eurozone	1.1%	13.7%	0.8%	13.6%
	United Kingdom	2.6%	7.4%	3.5%	10.6%
	Japan	0.9%	−2.0%	1.4%	0.0%
	Emerging markets	−0.1%	1.3%	3.9%	13.2%
Alternative Investments	Swiss real estate	3.5%	5.0%	3.5%	5.0%
	Gold	0.7%	16.3%	4.8%	30.0%

¹ Year-to-date: Since year start

² Local currency

Data as of 12.6.2025

Source: Allfunds Tech Solutions, MSCI, SIX, Bloomberg Barclays, J.P.Morgan

Downside potential greater for US capital market interest rates

On the bond markets, we currently still see potential in US government bonds. While US President Donald Trump's draft legislation – the so-called big beautiful bill – caused short-term anxiety with regard to the US fiscal position and led to a rise in capital market interest rates, the increase was short-lived. Interest rates quickly fell back to the levels seen over the course of the month. On the one hand, the controversial debate in the US Senate was probably a decisive factor in this. On the other, the draft bill essentially extends existing tax breaks, which, while not improving the current fiscal position, does not overly exacerbate it either. Against this backdrop, we still see more downside than upside potential in US capital market interest rates and continue to overweight our position in US government bonds.

Money market and Japanese yen less attractive

With regard to the Swiss fixed income market, we are now back in low-interest territory. Money market investments are even at risk of negative returns. We have therefore decided to shift our positions from the money market back into liquidity. We now also see the Japanese yen as less attractive. Despite its continued significant undervaluation, momentum has slowed considerably. At the same time, the risks in Japan are growing. Rising inflation is putting pressure on monetary policymakers to raise interest rates – a move that entails considerable risks given the high level of government debt. In view of this, we are completely reducing our overweighted position in the Japanese yen.

Positioning relative to long term strategy: Swiss focus

Asset class		TAA ¹ old	TAA ¹ new	underweighted ³		neutral ³	overweighted ³	
				--	-		+	++
Liquidity	Total	4.0%	4.0%					
	CHF	1.0%	4.0%					
	Money market CHF	1.0%	0.0%					
	Money market JPY	2.0%	0.0%					
Fixed Income	Total	35.0%	35.0%					
	Switzerland	17.0%	17.0%					
	World ²	10.0%	10.0%					
	Emerging markets ²	6.0%	6.0%					
	US government bonds ²	2.0%	2.0%					
Equities	Total	48.0%	48.0%					
	Switzerland	23.0%	23.0%					
	USA	8.0%	8.0%					
	Eurozone	4.0%	4.0%					
	United Kingdom	2.0%	2.0%					
	Japan	2.0%	2.0%					
	Emerging markets ex China	5.0%	5.0%					
	China	2.0%	2.0%					
	World Value	2.0%	2.0%					
Alternative Investments	Total	13.0%	13.0%					
	Swiss real estate	8.0%	8.0%					
	Gold ²	5.0%	5.0%					

¹ Tactical Asset Allocation: short to mid-term orientation

² Currency hedge to CHF

³ Positioning relative to our long-term asset allocation

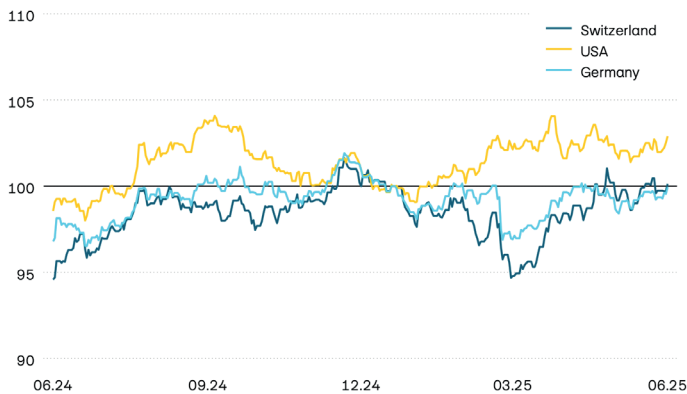
■ Adjustment compared to last month

Fixed income

The bond markets remained largely calm last month and trended sideways. The USA did experience some temporary nervousness in response to the debate surrounding Trump's tax reform, but this quickly subsided.

Indexed performance of government bonds in local currency

100 = 01.01.2025

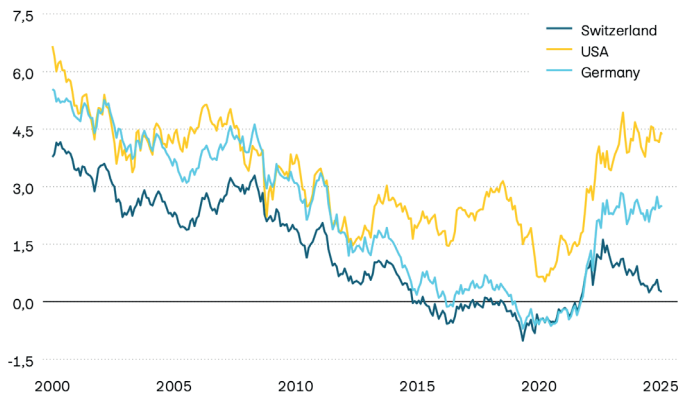


Most of the world's bond markets trended sideways. In the USA, interest rates rose for a time in the second half of May after the House of Representatives passed Trump's "big beautiful bill". This draft tax legislation would enable an extension of existing tax benefits and additional relief, but with no major savings. This fuelled concerns about long-term fiscal stability and weighed on US bond markets, although the situation quickly settled down again. In Europe and Switzerland, by contrast, the situation remained largely calm. Neither the renewed key interest rate cuts by the European Central Bank (ECB) and the Swiss National Bank (SNB) nor the recent decline in inflation rates in Europe and Switzerland changed this.

Source: SIX, Bloomberg Barclays

Trend in 10-year yields to maturity

In percent

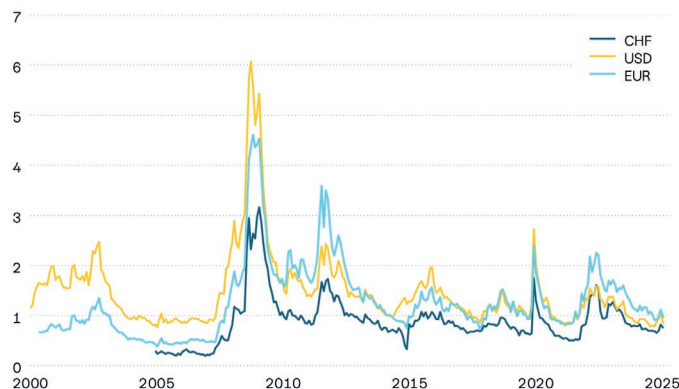


Yields to maturity on 10-year government bonds generally trended sideways last month in both the United States and Europe. In the USA, yields continue to fluctuate around the 4.4 percent mark. At the beginning of the year, they were still close to 4.8 percent at times. The trend in Switzerland continues to stand out. Yields to maturity on 10-year government bonds remain close to zero. Yields to maturity on short-term Swiss government bonds are already in negative territory.

Source: SIX, Bloomberg Barclays

Credit spreads on corporate bonds

In percentage points



Credit spreads on corporate bonds widened over the course of the US trade dispute, but there has been a significant decline recently. The decline was most pronounced for corporate bonds with a lower credit standing. This suggests that fears of recession are fading to a large extent.

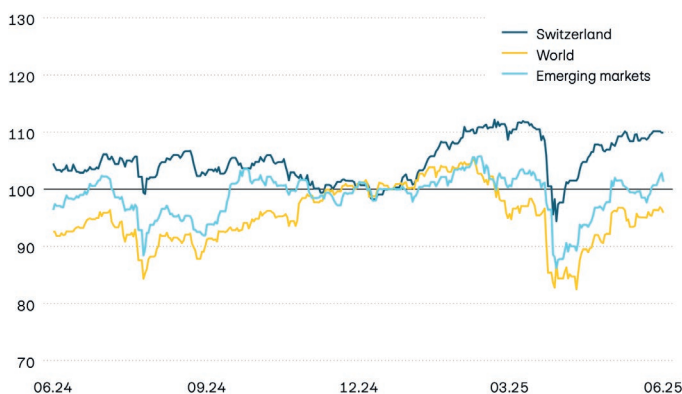
Source: Bloomberg Barclays

Equities

Equity markets made further gains last month, with the US market in particular standing out. However, this was only of limited benefit to foreign investors as the US dollar's weakness significantly reduced these price gains.

Indexed stock market performance in Swiss francs

100 = 01.01.2025

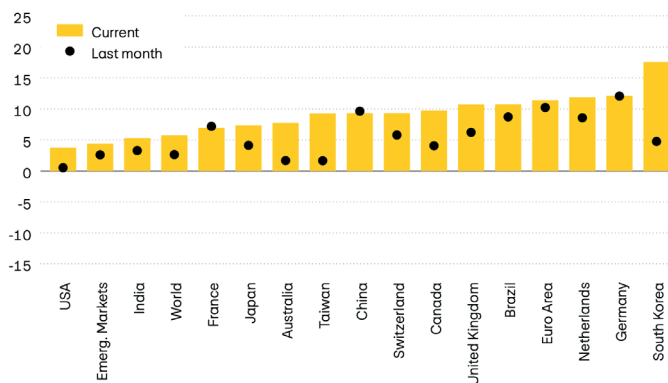


Stock markets performed encouragingly last month. The US market was particularly strong, gaining just under 4 percent. The main drivers were tech stocks. It means annual US stock market returns are now back in positive territory, but only in local currency. The dollar's weakness since the beginning of the year, which has resulted in a loss of more than 10 percent in value, continues to weigh heavily on the portfolios of investors in Swiss francs. The European stock markets remain the absolute front runners. They lead the way worldwide, with an annual return of well over 10 percent, including in Swiss francs. The Swiss stock market is also performing well, with annual returns of just under 10 percent. Growing uncertainty surrounding the US government appears to have boosted demand for European securities.

Source: SIX, MSCI

Momentum of individual markets

In percent

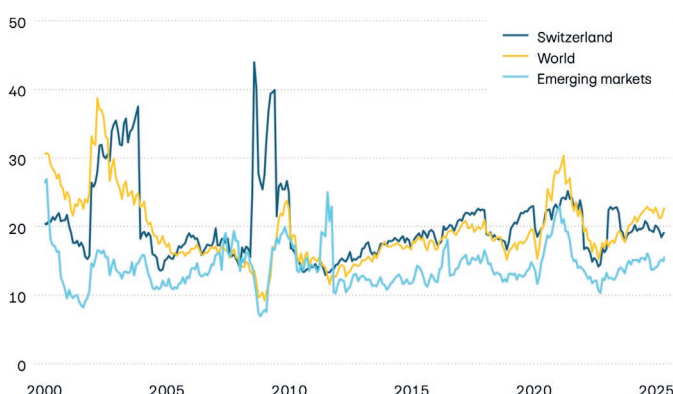


The positive global sentiment on the stock markets boosted upward momentum again last month. Momentum on the US stock market, previously negative, has now returned to positive territory. The Korean stock markets have displayed particular dynamism recently. The market has recovered strongly since the presidential election. Previously, the upturn was likely to have been slowed by the political uncertainties surrounding the former president. The continued strength of the German stock market also remains striking.

Source: MSCI

Price/earnings ratio

P/E ratio



The price/earnings ratio (P/E ratio) rose further last month. This is likely due first and foremost to the ongoing stock market recovery. Corporate earnings remain stable so far, although some companies have lowered their expectations for the second half of the year somewhat in light of the US trade dispute.

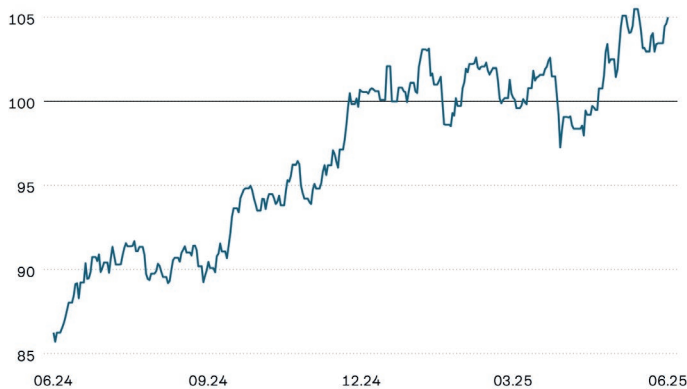
Source: SIX, MSCI

Swiss real estate investments

Exchange-listed Swiss real estate funds continued to perform well this month, and are now also yielding clearly positive returns on an annual basis.

Indexed performance of Swiss real estate funds

100 = 01.01.2025

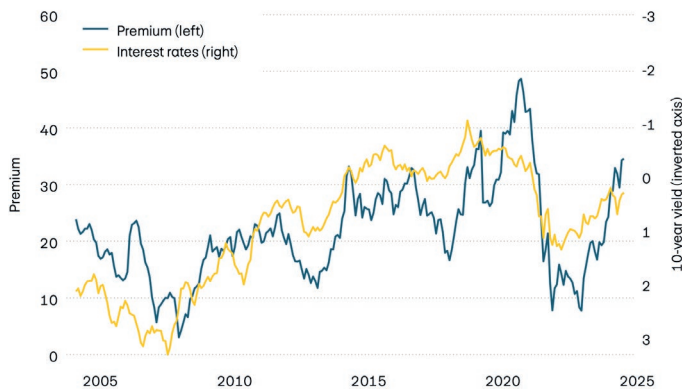


Swiss real estate funds made further gains this month, finishing the month close to their highest level. With a monthly return of over 3 percent, the annual return is now 5 percent. The continued low capital market interest rate in Switzerland, currently standing at just under 30 basis points, is likely to have helped to maintain robust demand for real estate funds.

Source: SIX

Premium on Swiss real estate funds and 10-year yields to maturity

In percent

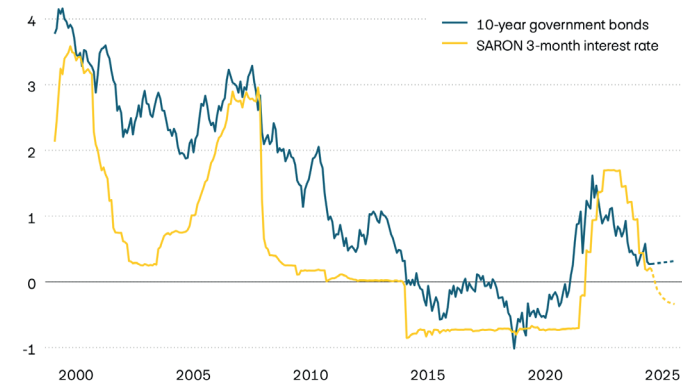


The positive price performance of exchange-listed Swiss real estate funds contributed to another increase in the premium paid by investors versus the net asset value of properties. Premiums are now at their highest level since the beginning of the year and remain well above the long-term average.

Source: SIX

3-month Saron and 10-year yields to maturity

In percent



Yields to maturity on 10-year Swiss government bonds currently stand at only around 30 basis points. This means they remain at their lowest level since the beginning of the year and are only slightly above the 3-month SARON. In view of the recent return to negative inflation rates, the Swiss National Bank (SNB) lowered interest rates again at its last assessment in June, in line with market expectations. The SNB's key interest rate cut will cause the Saron to fall further.

Find out more in our [interest rate forecast for mortgages](#).

Source: SIX

Currencies and cryptocurrencies

The US dollar remains weak this month as in the course of the year to date. The Swiss franc again made significant gains against the US dollar, but remained largely stable against the euro.

The US dollar’s weakness once again dominated developments on the currency markets this month. The Swiss franc gained more than 3 percent against the US dollar this month, appreciating by more than 10 percent over the year as a whole. The Swiss franc remained stable against the euro. The euro is also virtually unchanged against the Swiss franc over the year as a whole.

Currency pair	Price	PPP ¹	Neutral area ²	Valuation
EUR/CHF	0.94	0.93	0.86 – 1.00	Euro neutral
USD/CHF	0.81	0.80	0.70 – 0.90	USD neutral
GBP/CHF	1.10	1.20	1.04 – 1.36	Pound neutral
JPY/CHF	0.56	0.86	0.70 – 1.02	Yen undervalued
SEK/CHF	8.58	9.56	8.56 – 10.57	Krona undervalued
NOK/CHF	8.15	10.55	9.30 – 11.80	Krona undervalued
EUR/USD	1.16	1.16	1.01 – 1.31	Euro neutral
USD/JPY	143.50	92.41	70.82 – 114.00	Yen undervalued
USD/CNY	7.18	6.27	5.79 – 6.76	Renmimbi undervalued

Cryptocurrency	USD rate	YTD in USD ³	Annual high	Annual low
Bitcoin	105'731	13.23%	111'743	76'244
Ethereum	2'654	–20.35%	3'685	1'471

¹ Purchasing power parity. This metric calculates an exchange rate using relative inflation rates.

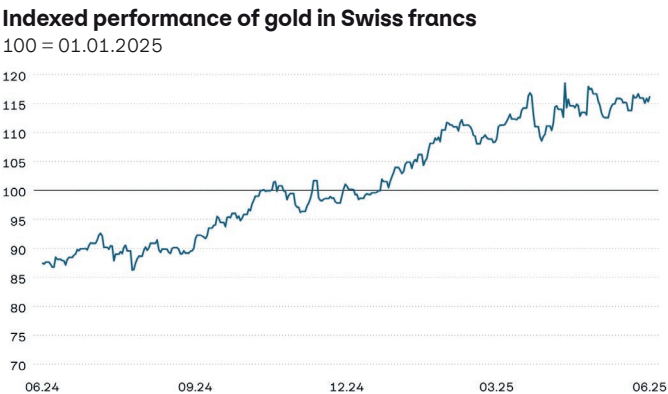
² Range of historically normal fluctuations.

³ Year-to-date: Since year start

Source: Allfunds Tech Solutions, Coin Metrics Inc.

Gold

The gold price, measured in Swiss francs, trended sideways last month, but remains close to its record high.



The precious metal was unable to keep pace with the gains on the stock markets and, measured in Swiss francs, trended sideways this month. With an annual return of over 15 percent in Swiss francs, gold nevertheless continues to outperform most stock markets.

Source: Allfunds Tech Solutions

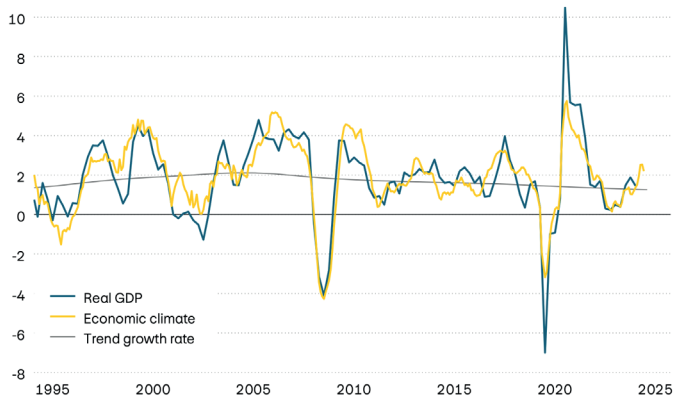
Strained confidence

What is your view of the current economic situation? And what are your expectations for the future? In recent months, companies and consumers in many countries have responded to these questions with increasing scepticism. Confidence is being strained by ongoing uncertainties, in particular due to US tariff policy, and the slowdown in the global economy. So far, this mood has not yet translated into significantly lower investment by companies or any appreciable fall in consumer spending. It's clear, however, that no major leaps in growth are possible in such an environment.

Switzerland

Growth, sentiment and trend

In percent



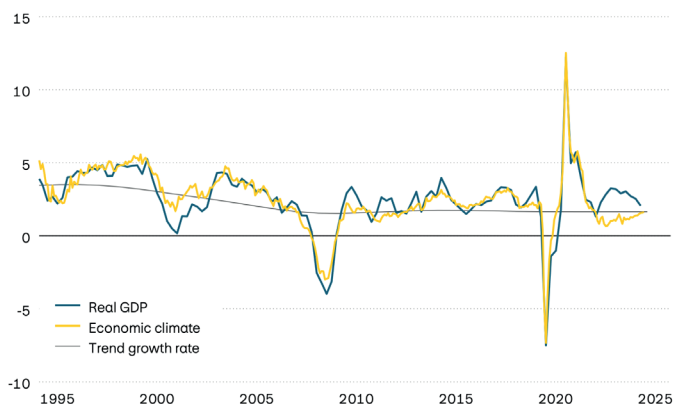
According to initial estimates by the State Secretariat for Economic Affairs (SECO), the Swiss economy grew by 0.5 percent in the first quarter. This growth was driven mainly by orders and deliveries to the USA being brought forward in an effort to pre-empt the tariffs already announced. The Swiss retail sector also benefited from the global increase in trading volumes, as many companies around the world responded in the same way. However, a countermove is expected in the current second quarter. Sentiment in industry, for example, has recently deteriorated significantly in light of low order volumes. At the same time, the domestic economy is showing some signs of weakness.

Source: Bloomberg

USA

Growth, sentiment and trend

In percent



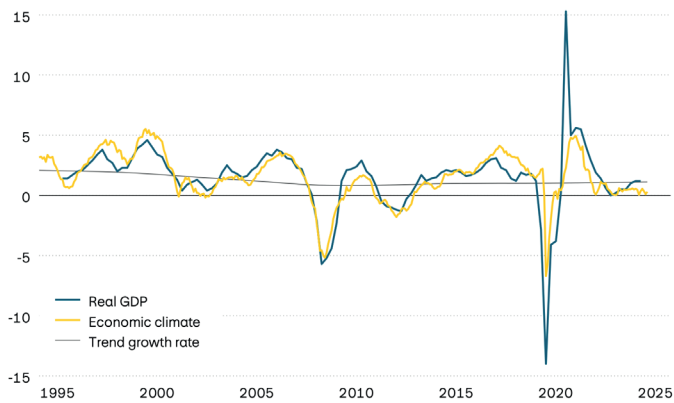
In the US economy, sentiment figures deteriorated across the board last month, most notably in the significant downturn affecting service and construction companies, which points to an expected sharp decline in demand in the coming months. This is likely due in part to the extremely pessimistic mood among American consumers at present, with sentiment figures currently at the second lowest level ever recorded. On a positive note, although figures for the real economy are weaker, they remain at their long-term trend level. There hasn't been any significant reduction in consumer spending or investment as yet. Similarly, the labour market is showing no signs of weakness so far. However, it seems unlikely that the dip in sentiment will fail to have an impact on the real economy. The tax reform passed by President Trump is also likely to provide only limited economic stimulus.

Source: Bloomberg

Eurozone

Growth, sentiment and trend

In percent



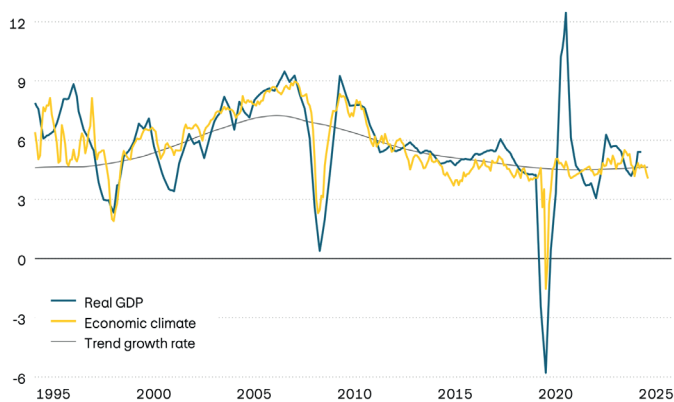
After a modest recovery over the last two quarters, the eurozone economy again appears to be losing some momentum. The signals from the domestic economy, in particular, have been weaker recently. For example, sentiment figures in the service sector have weakened continuously, while retail sales growth has slowed. Against this backdrop, the significant decline in inflation comes as no surprise. Core inflation has recently fallen in light of easing price pressure in the services sector, moving closer to the European Central Bank's (ECB) targets. In June, the ECB responded by lowering its policy rate for the eighth time in a row, setting it at 2.15 percent in order to continue to curb inflation.

Source: Bloomberg

Emerging markets

Growth, sentiment and trend

In percent



Economic performance in the emerging markets continues to vary from region to region. While India remains the engine of growth, both Brazil and Indonesia are also recording solid economic growth. However, overall performance is still being dampened by China, the biggest emerging market economy by some margin, and the second largest economy in the world. The country is suffering from an ongoing real estate crisis that is significantly hampering both investment volumes and consumer spending. In addition, there are the ongoing trade tensions with the USA. Although tariffs on exports to the USA have been reduced from an enormous 145 percent to 30 percent, they remain high. Against this backdrop, the Chinese government's growth target of 5 percent for 2025 as a whole would appear difficult to achieve.

Source: Bloomberg

Global economic data

Indicator	Switzerland	USA	Eurozone	UK	Japan	India	Brazil	China
GDPY/Y ¹ 2025Q1	2.0%	2.1%	1.5%	1.3%	1.7%	7.4%	2.9%	5.4%
GDPY/Y ¹ 2024Q4	1.6%	2.5%	1.2%	1.5%	1.4%	6.4%	3.6%	5.4%
Economic climate ²	↗	↘	↘	↘	↗	↗	↘	↘
Trend growth ³	1.3%	1.6%	0.8%	1.8%	1.1%	5.3%	1.8%	3.7%
Inflation	-0.1%	2.4%	1.9%	3.4%	3.7%	2.8%	5.3%	-0.1%
Key rates	0.0%	4.5%	2.15% ⁴	4.25%	0.5%	5.5%	15.0%	3.0%

¹ Growth compared to year-ago quarter

² Indicator, measuring the overall sentiment and typically leading 1 to 2 quarters in advance of GDP.

Green arrow indicates an increasing economic growth, red arrow a slowing.

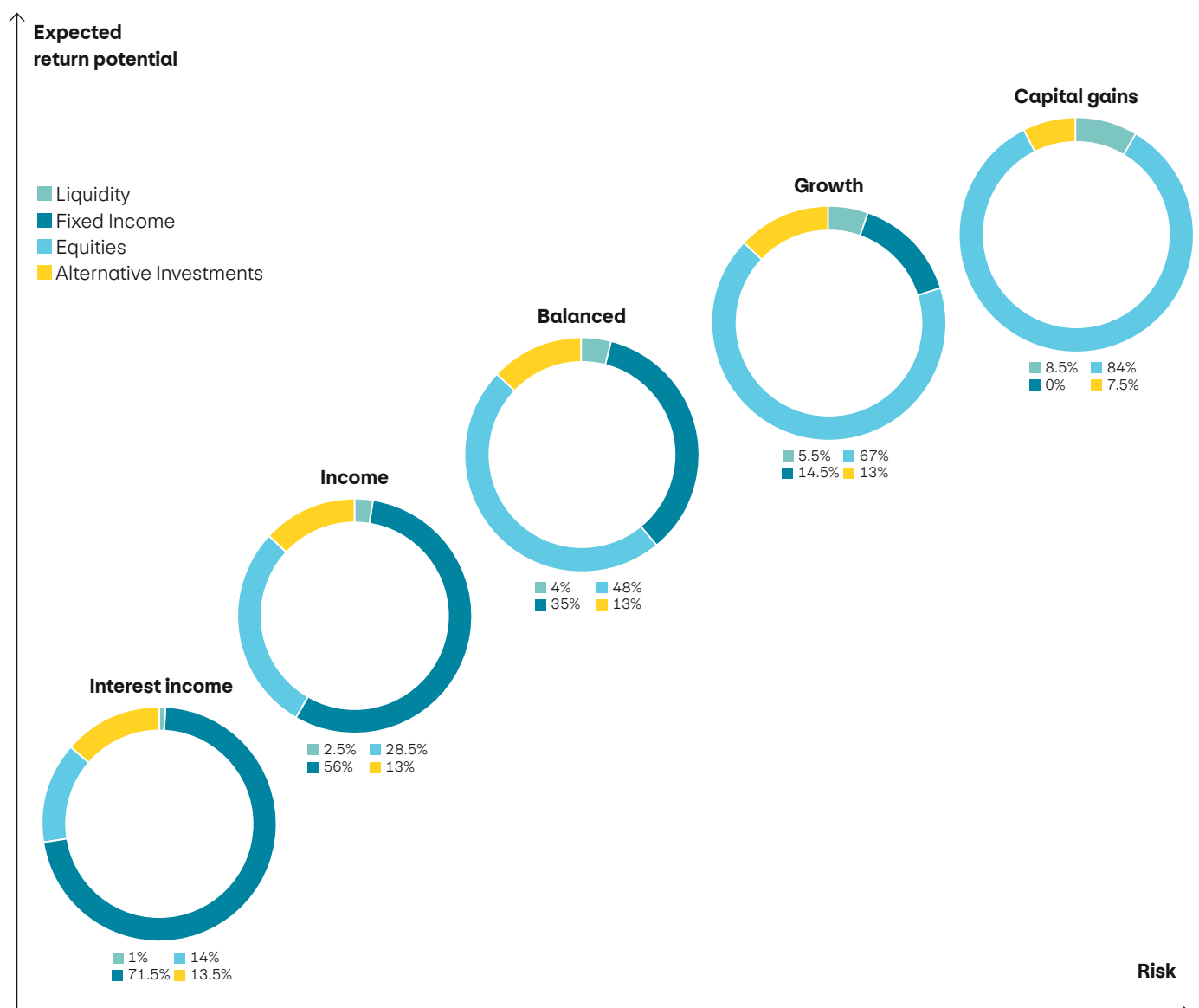
³ Potential growth. Long-term change in gross domestic product with sustainable capacity utilization.

⁴ This is the ECB's main refinancing rate, the deposit rate is 0.15 percentage points lower.

Source: Bloomberg

Defensive stance confirmed

The financial markets continue to defy the US trade conflict, but geopolitical tensions also appear to be causing only short-term nervousness. However, the economic outlook remains challenging, particularly in the US. Import tariffs remain elevated and the deadline for suspending retaliatory tariffs is approaching. Against this backdrop, we remain defensively positioned and are sticking to our cautious stance on the US equity market. In Switzerland, we find the money market increasingly unattractive, which is why we are completely unwinding our position in the Swiss money market and holding it as cash. We are also completely reducing our overweight in the Japanese yen. On the one hand, the currency has weakened significantly against the Swiss franc, and on the other hand, risks in Japan are increasing, not least due to high government debt and rising inflationary pressure.



Source: PostFinance Ltd

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