PostFinance investment compass September 2025

Late summer

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PostFinance

Editorial

Late summer

Late summer is showing its best side, as are the financial markets. But this optimism is increasingly unable to hide fragile fundamentals.

Philipp Merkt
Chief Investment Officer

These final few days of summer have reflected a very special sense of ease. The light is soft, the sun mild, and the warmth pleasant. It's a good time to relax.

There's a similar mood on the financial markets at the moment. Many asset classes have made gains in recent weeks, and this has clearly also benefited our portfolios. Yet we can't ignore the fact that, behind this rosy facade, the fundamentals are increasingly fragile.

"The US economic cycle has lost its shine."

We're seeing this particularly in the United States, where the economy has lost significant momentum. After years of offsetting weakness in Europe and China, the US is showing clear signs of fatigue. This year, economic growth has fallen from above-average to below-average levels.

This is showing up most notably in larger investments, which companies and private individuals in the USA are now only making cautiously. The slowdown has now also reached the labour market: the number of new jobs created is only a fraction of the previous year's figure. June saw the first fall in employment numbers for some time.

Historically, sustained labour market slowdowns have, almost without exception, marked the onset of a recession. This is because companies tend not to cut jobs until orders decline or margins come under pressure. The cycle weakens income and consumption – and is accompanied by inflationary momentum, which has picked up again recently. The tariffs imposed by President Trump look set to reinforce this trend in the coming months.

President Trump's push to remove Fed Governor Lisa Cook from office has undermined confidence in the economic policy order, as has his move to replace the Bureau of Labor Statistics following the publication of unwelcome labour market data. So far, however, none of this appears to have overly troubled the markets.

The kneejerk reaction to weaker economic data is to see it as an argument in favour of immediate interest rate cuts. While this may be true, the high risk of such weakness ending in recession hasn't been reflected in stock prices to date. Valuations are also largely disregarding the political influence being exercised on independent institutions.

This cool-headedness is nothing new. In earlier episodes of financial market history, well-known risks were also ignored for long periods until they eventually led to sharp revaluations. One indicator that reinforces our view is the gold price. It has reached new record highs in recent months and is highly sensitive to underlying uncertainty.

Our tactical positioning takes this account of this view. We're maintaining a neutral overall equity allocation to take advantage of this favourable market period. Within this positioning, however, we remain cautious towards US equities. Political influence and the risk of recession don't warrant an aggressive position. Instead, we are overweight in gold, which has proven especially beneficial in recent months.

Now, in particular, is the time to trust our proven long-term strategy. If you throw caution to the wind in this seductive late summer, you risk being caught off guard by the first autumn storm.

Positioning

Cautious and diversified positioning unchanged

Despite the US economy's weakness, the financial markets have remained unfazed so far. However, we're staying cautiously positioned, continuing to place regional focuses on our equity allocation and hedging our positions with US government bonds and gold.

The financial markets remained optimistic last month. Most stock markets around the world made gains. Emerging market equities performed particularly well. Sentiment indicators also paint a positive picture. The volatility index, known as the "fear index" on the stock markets, remains low, which indicates little anxiety among investors. The bond market is equally calm. Yields to maturity on government bonds in the industrial nations trended sideways last month, while credit spreads on corporate bonds are at record lows.

"This situation has gone largely unnoticed on the markets so far."

Signs of weakness in the US economy confirmed

The US economic outlook has continued to deteriorate. The latest labour market data underscores the weakness of recent months and points to a greater likelihood of a US economic slowdown. This isn't good news for US companies. Due to US tariff policy, these firms are increasingly facing rising costs – which are unlikely to be passed on in full to consumers, even though their impact is not likely to be felt until later. This situation has gone largely unnoticed on the markets so far. Instead, there appears to be widespread hope that monetary easing could offset economic weakness. We consider this view to be overly optimistic and are hedging against a possible slowdown in the USA by maintaining our overweight position in US government bonds.

Performance of asset classes

Asset class		1M in CHF	YTD[1] in CHF	1M in LCY[2]	YTD[1] in LCY[2]
Currencies	EUR	–1.0%	–0.6%	–1.0%	–0.6%
	USD	–2.1%	–12.3%	–2.1%	–12.3%
	JPY	–1.5%	–6.2%	–1.5%	–6.2%
Fixed Income	Switzerland	0.0%	0.5%	0.0%	0.5%
	World	–0.7%	–5.1%	1.4%	8.2%
	Emerging markets	0.3%	–3.1%	2.4%	10.6%
Equities	Switzerland	2.9%	10.2%	2.9%	10.2%
	World	1.5%	1.6%	3.6%	15.9%
	USA	1.4%	–1.0%	3.5%	12.9%
	Eurozone	–0.1%	14.8%	0.9%	15.4%
	United Kingdom	1.5%	11.3%	2.5%	17.0%
	Japan	2.6%	5.7%	4.1%	12.7%
	Emerging markets	2.3%	8.7%	4.4%	24.0%
Alternative Investments	Swiss real estate	3.2%	6.9%	3.2%	6.9%
	Gold	5.9%	22.0%	8.1%	39.1%

[1] Year-to-date: Since year start
[2] Local currency

Data as of 11.9.2025
Source: Allfunds Tech Solutions, MSCI, SIX, Bloomberg Barclays, J.P.Morgan

Gold price at new highs and weak US dollar

Investors lack confidence in the market's strong performance, as reflected in two areas. Firstly, gold, seen as a safe haven and hedge against inflation, reached new record highs several times last month in both US dollars and Swiss francs. Investors clearly want to hedge their bets. Historically, this makes sense. The precious metal has proven to be a good stabilizer in portfolios, especially in times of crisis. Given this trend, our overweighted position has already paid off. We even see further upside potential and are, in turn, keeping this positioning unchanged.

Secondly, the US dollar's weakness also points to a weak US economy. The currency's value has fallen significantly since the beginning of the year – by 10 percent on a trade-weighted basis and by more than 12 percent against the Swiss franc. For Swiss investors, this means the US stock market highs seen by many have so far yielded little in local currency terms, as any gains have been offset by the US dollar's depreciation. In our portfolios with a Swiss focus, this effect is much less pronounced as we also hedge the currency to some extent in our equity allocation.

Regional stock market preferences confirmed

We're also maintaining our neutral but more regionally diversified equity allocation for now. We continue to prefer global value stocks as well as emerging market equities over the highly valued US stock market. Historically, emerging market equities in particular have benefited from a weak US dollar. This is a pattern that we've seen since the beginning of the year. As the US dollar depreciated, the price performance of emerging market equities outperformed the US stock market by over 13 percentage points.

Positioning relative to long term strategy: Swiss focus

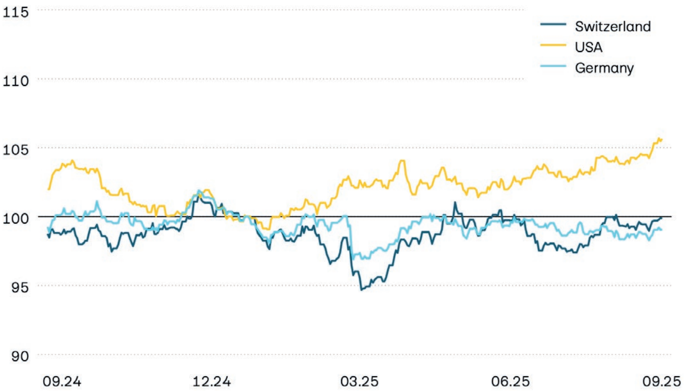
Asset class		**TAA[1] old**	**TAA[1] new**	**underweighted[3]** – –	–	**neutral[3]**	**overweighted[3]** +	++
Liquidity	**Total**	**1.0%**	**1.0%**	X				
	CHF	1.0%	1.0%			X		
	Money market CHF	0.0%	0.0%	X				
Fixed Income	**Total**	**35.0%**	**35.0%**				X	
	Switzerland	17.0%	17.0%			X		
	World[2]	10.0%	10.0%			X		
	Emerging markets[2]	6.0%	6.0%			X		
	US government bonds[2]	2.0%	2.0%				X	
Equities	**Total**	**50.0%**	**50.0%**			X		
	Switzerland	23.0%	23.0%			X		
	USA	8.0%	8.0%	X				
	Eurozone	4.0%	4.0%			X		
	United Kingdom	2.0%	2.0%			X		
	Japan	2.0%	2.0%			X		
	Emerging markets ex China	6.0%	6.0%				X	
	China	3.0%	3.0%				X	
	World Value	2.0%	2.0%				X	
Alternative Investments	**Total**	**14.0%**	**14.0%**				X	
	Swiss real estate	8.0%	8.0%				X	
	Gold[2]	6.0%	6.0%				X	

[1] Tactical Asset Allocation: short to mid-term orientation
[2] Currency hedge to CHF
[3] Positioning relative to our long-term asset allocation

Fixed income

The bond markets remained largely unchanged month-on-month – with the exception of the USA, where long-term interest rates fell sharply following a weak labour market report. However, there is still little sign of any real economic concern on the bond markets.

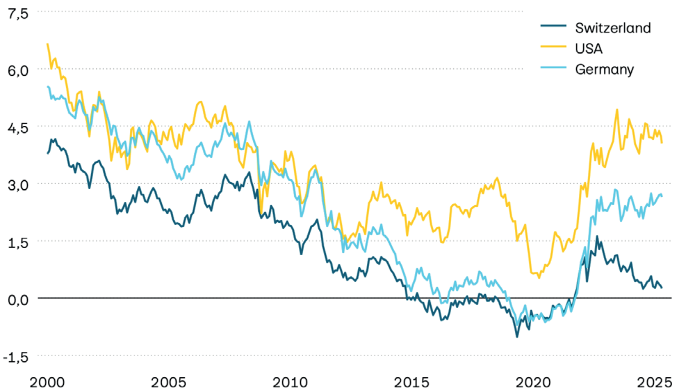
Indexed performance of government bonds in local currency
100 = 01.01.2025



Overall, the bond markets saw little change month-on-month. In Europe, the bond markets initially came under downward pressure as a result of growing concerns about public finances in France and the UK. In France, the political debate around the national budget even led to a change of government. At the beginning of September, however, the latest US labour market report, which confirmed the signs of weakness apparent in previous months, fuelled concerns about future economic performance, both in the USA and around the world. As a result, long-term yields to maturity on government bonds fell. While the performance of US government bonds was positive month-on-month, it ultimately remained in neutral territory in Europe.

Source: SIX, Bloomberg Barclays

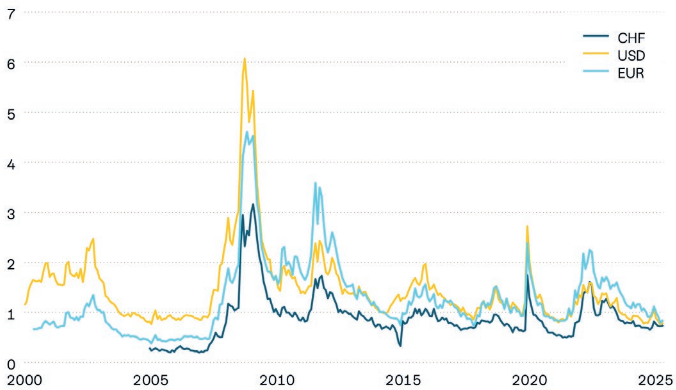
Trend in 10-year yields to maturity
In percent



Following the weak labour market data, 10-year yields to maturity in the USA fell by more than 20 basis points and now stand at just under 4.0 percent. The latest inflation figures, showing renewed upward pressure, did little to change this. While their performance was more volatile as a result of the political uncertainties faced by France and the UK, yields to maturity in Europe remained largely unchanged month-on-month. The Swiss bond market, by contrast, was calm. 10-year Swiss government bonds remain at a low level, yielding just under 0.2 percent.

Source: SIX, Bloomberg Barclays

Credit spreads on corporate bonds
In percentage points



Credit spreads on corporate bonds remain at historically low levels. Spreads again narrowed month-on-month, in particular for bonds with lower credit ratings, and most notably in the USA, putting them at the lower end of the range seen over the past 25 years. Investors appear to continue to have few worries about recession, despite the fact that in light of recent weak labour market data, risks have increased both in the USA and around the world.

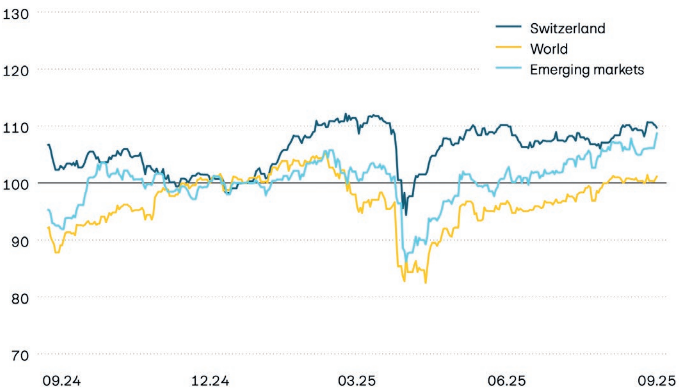
Source: Bloomberg Barclays

Market overview

Equities

Equity markets around the world made slight gains last month, despite growing scepticism with regard to the stability of the US economy. The Swiss SMI performed very strongly this month, benefiting from the large price gains made by the pharmaceutical giants.

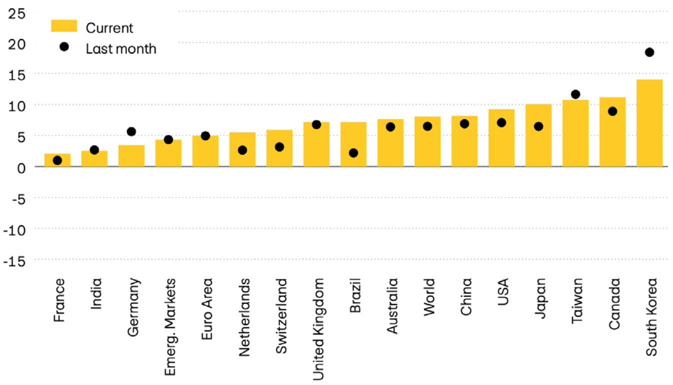
Indexed stock market performance in Swiss francs
100 = 01.01.2025



The stock markets predominantly performed positively last month, in terms of both local currencies and Swiss francs. Despite growing concerns about a stagnating US economy and political encroachment on key institutions such as the Federal Reserve, the stock markets remained extremely calm. The Swiss stock market was particularly strong, rising by more than 3 percent as part of a trend driven by the performance of pharmaceutical giants Roche and Novartis, whose shares made significant gains following successful study and research findings concerning important drugs.

Source: SIX, MSCI

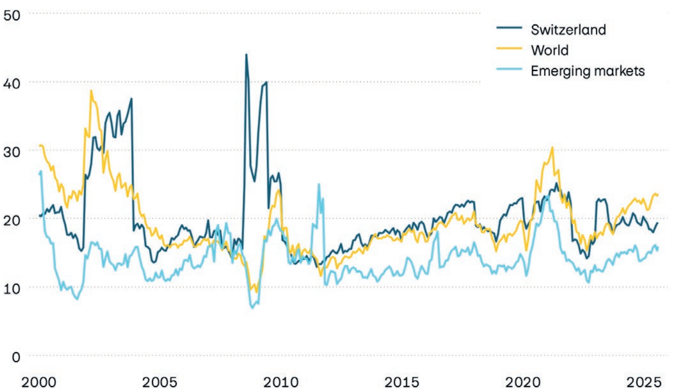
Momentum of individual markets
In percent



Despite the deteriorating economic environment, the positive momentum of the previous month continued on the stock markets. The French market again saw the poorest performance as the weak positive momentum of the previous month continued. The political turmoil surrounding the national budget and the change of government will no doubt have weighed particularly heavily on the market last month. It should also be noted that the German stock market has lost considerable momentum recently, mainly as a result of index heavyweight SAP, whose share price fell sharply last month, depressing the stock market as a whole.

Source: MSCI

Price/earnings ratio
P/E ratio



Price/earnings ratios (P/E ratios) on the global stock markets again remain high this month. The global stock market in particular, dominated as it is by US tech companies, benefited from the ongoing euphoria surrounding artificial intelligence, which pushed valuations higher, reversing the slight decline in valuations following the trade crisis in spring.

Source: SIX, MSCI

Swiss real estate investments

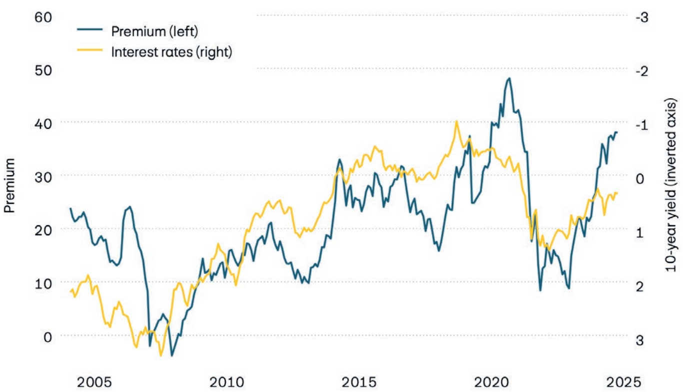
Exchange-listed Swiss real estate funds again made significant gains last month and are now achieving a similar return on an annual basis as Swiss equities.

Indexed performance of Swiss real estate funds
100 = 01.01.2025

Exchange-listed Swiss real estate fund prices rose by over 3 percent over the course of the month. This puts their annual return at just under 7 percent. Switzerland's continuing low capital market interest rates and the recent trend that has seen many banks raising their fees for institutional customer deposits are likely to have bolstered this month's renewed demand for alternative investments.

Source: SIX

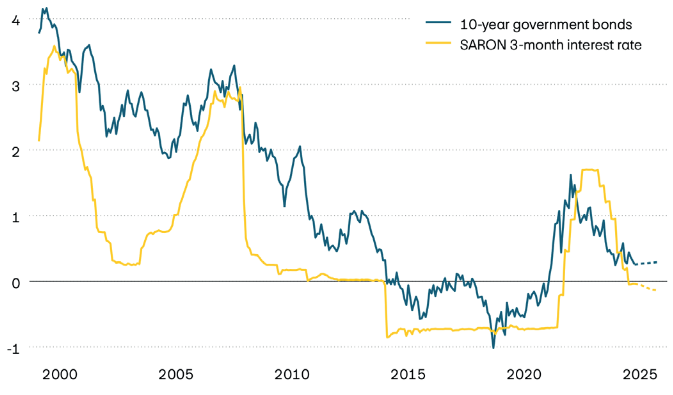
Premium on Swiss real estate funds and 10-year yields to maturity
In percent



As with real estate fund prices, the premium paid by stock market investors versus the net asset value of properties rose again this month. This puts premiums both at their highest level since the beginning of the year and still well above the long-term average. Higher premiums have so far only been seen during periods of negative capital market interest rates.

Source: SIX

3-month Saron and 10-year yields to maturity
In percent



Yields to maturity on 10-year Swiss government bonds remain at just 20 basis points, close to their lows for the year. Given that inflation in Switzerland has recently returned to slightly positive territory, market participants are not expecting any further policy rate cuts this year.

Source: SIX

Currencies and cryptocurrencies

The performance of most currencies last month was similar to the year as a whole. While the US dollar tended to be weak, the Swiss franc performed strongly.

After a brief respite at the end of last month, the US dollar's downward trend resumed this month. Against the Swiss franc, the US dollar is now again trading close to this year's lows. While the euro was also slightly weaker in trading against the Swiss franc, there was little change in the currency pair over the year as a whole.

Currency pair	Price	PPP[1]	Neutral area[2]	Valuation
EUR/CHF	0.93	0.93	0.86 – 1.00	Euro neutral
USD/CHF	0.80	0.80	0.69 – 0.90	USD neutral
GBP/CHF	1.08	1.20	1.04 – 1.36	Pound neutral
JPY/CHF	0.54	0.86	0.70 – 1.02	Yen undervalued
SEK/CHF	8.50	9.97	8.92 – 11.03	Krona undervalued
NOK/CHF	7.99	10.51	9.25 – 11.77	Krona undervalued
EUR/USD	1.17	1.16	1.01 – 1.31	Euro neutral
USD/JPY	147.42	92.82	70.92 – 114.72	Yen undervalued
USD/CNY	7.12	6.30	5.81 – 6.79	Renmimbi undervalued

Cryptocurrency	USD rate	YTD in USD[3]	Annual high	Annual low
Bitcoin	115'533	23.72%	123'360	76'244
Ethereum	4'462	33.93%	4'836	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, rose considerably last month.

Indexed performance of gold in Swiss francs

100 = 01.01.2025

In recent months, the price of gold has for the most part trended sideways. That changed this month. Gold prices rose rapidly, gaining 6 percent to reach new highs, including as measured in Swiss francs. This is likely partly in response to the ongoing uncertainty surrounding the impact of the trade dispute and the US President's growing number of attacks on key US institutions.

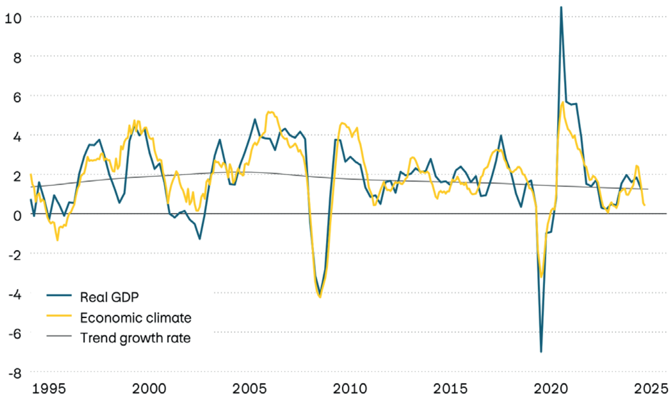
Source: Allfunds Tech Solutions

Spotlight on US economic weakness

In recent months, the signs of weakness in the US economy have intensified. Following a clear slowdown in growth in the first six months of the year, the labour market is now also showing signs of cooling, further increasing the risk of recession in the USA. While the latest economic signals from Europe and China are a little more encouraging, there is as yet no sign of any sustained recovery. For Switzerland's export-oriented economy, this creates a difficult environment, particularly in light of the slump in domestic demand.

Switzerland

Growth, sentiment and trend
In percent

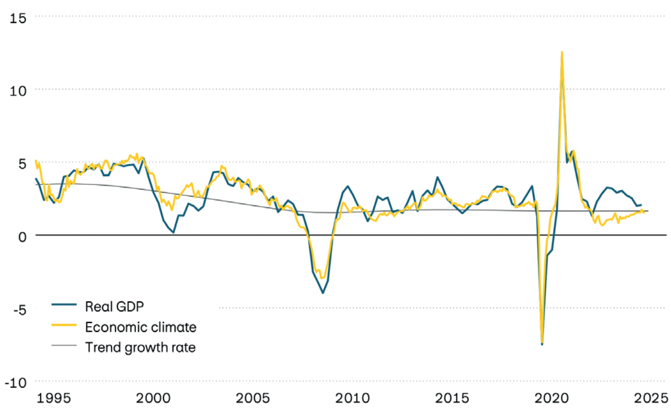


The Swiss economy faces challenging times. With a weak global economy, tariff burdens in the important US sales market and the growing political headwinds faced by the pharmaceutical industry, the outlook for export-oriented industry is gloomy. Notwithstanding these challenges, business activity is bearing up. Although sentiment in industry remains subdued, it has stabilized. Exports also remain stable, albeit at a below-average level. However, this weakening of the domestic economy is now also weighing on economic growth as a whole. Both consumer confidence and the mood among service providers focused on the domestic market remain at unusually low levels, although with an inflation rate within the central bank's target range, Switzerland is at least one of the few Western economies enjoying price stability.

Source: Bloomberg

USA

Growth, sentiment and trend
In percent

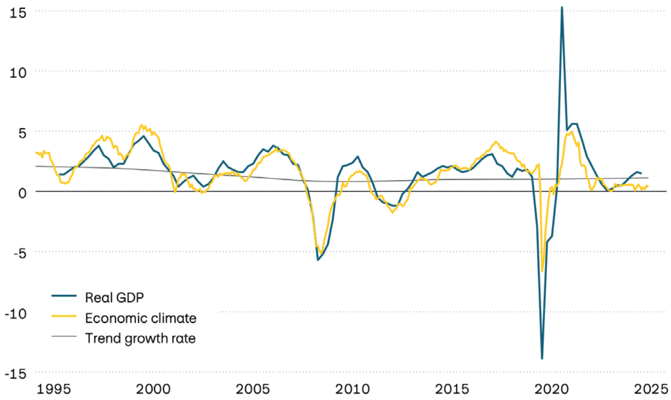


The slowdown in US economic growth is continuing into the third quarter. While consumer spending has risen slightly and sentiment in the services sector has improved recently, the growing weakness in the labour market raises questions about the sustainability of these trends. In the last three months, only about one-fifth as many jobs were created as in the same period last year. June saw the first decline in job growth for quite some time. Past experience indicates that declines in employment lasting several months tend to mark the beginning of a recession. Against this backdrop, the US Federal Reserve also appears to be open to further interest rate cuts, despite the fact that inflationary momentum has picked up again recently.

Source: Bloomberg

Eurozone

Growth, sentiment and trend
In percent

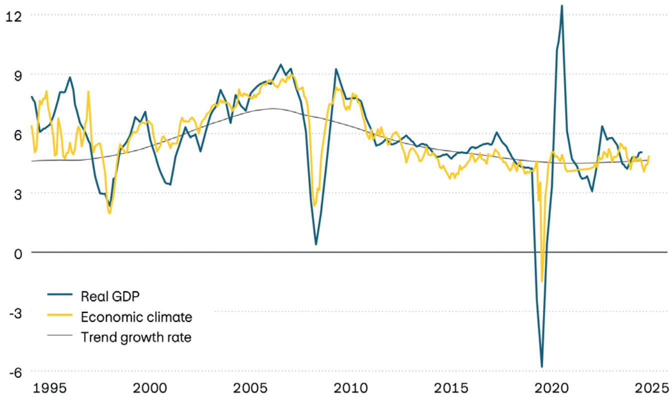


Economic performance in the eurozone remains subdued. This is consistent with the retrospective downward adjustment of growth in Germany for the second quarter of 2025, with the figures now showing that over the course of the year so far, the currency area's biggest economy has again seen no growth. Other hard economic data, such as production figures and capacity utilization by companies, also point to a continuing period of stagnation. On a positive note, however, the business outlook for companies has brightened somewhat recently, raising hopes that a slight recovery may be at hand – a prospect likely bolstered by the significant monetary policy easing undertaken by the European Central Bank (ECB), which has cut its policy rate four more times already this year and is currently holding it at 2.15 percent.

Source: Bloomberg

Emerging markets

Growth, sentiment and trend
In percent



The economic indicators for the emerging markets paint a mixed picture. With growth rates of over 5 percent, India, Indonesia and Vietnam in particular are currently enjoying strong economic momentum. Overall, however, the performance of the emerging markets weakened somewhat last month. Brazil, South Africa and Turkey in particular are a cause for concern, as they are not only experiencing below-average growth but are also struggling with excessively high inflation. China, by far the biggest emerging market economy, is also lagging behind its potential. Despite recent signs of a recovery, reluctance among private investors means we're unlikely to see any major surges in growth.

Source: Bloomberg

Global economic data

Indicator	Switzerland	USA	Eurozone	UK	Japan	India	Brazil	China
GDP Y/Y[1] 2025Q2	1.2%	2.1%	1.5%	1.2%	1.7%	7.8%	2.2%	5.2%
GDP Y/Y[1] 2025Q1	1.8%	2.0%	1.6%	1.3%	1.7%	7.4%	2.9%	5.4%
Economic climate[2]	↘	↘	↘	↘	↗	↗	↘	↗
Trend growth[3]	1.3%	1.6%	0.8%	1.8%	1.1%	5.3%	1.9%	3.7%
Inflation	0.2%	2.9%	2.0%	3.8%	2.7%	1.6%	5.1%	–0.4%
Key rates	0.0%	4.25%	2.15%[4]	4.0%	0.5%	5.5%	15.0%	3.0%

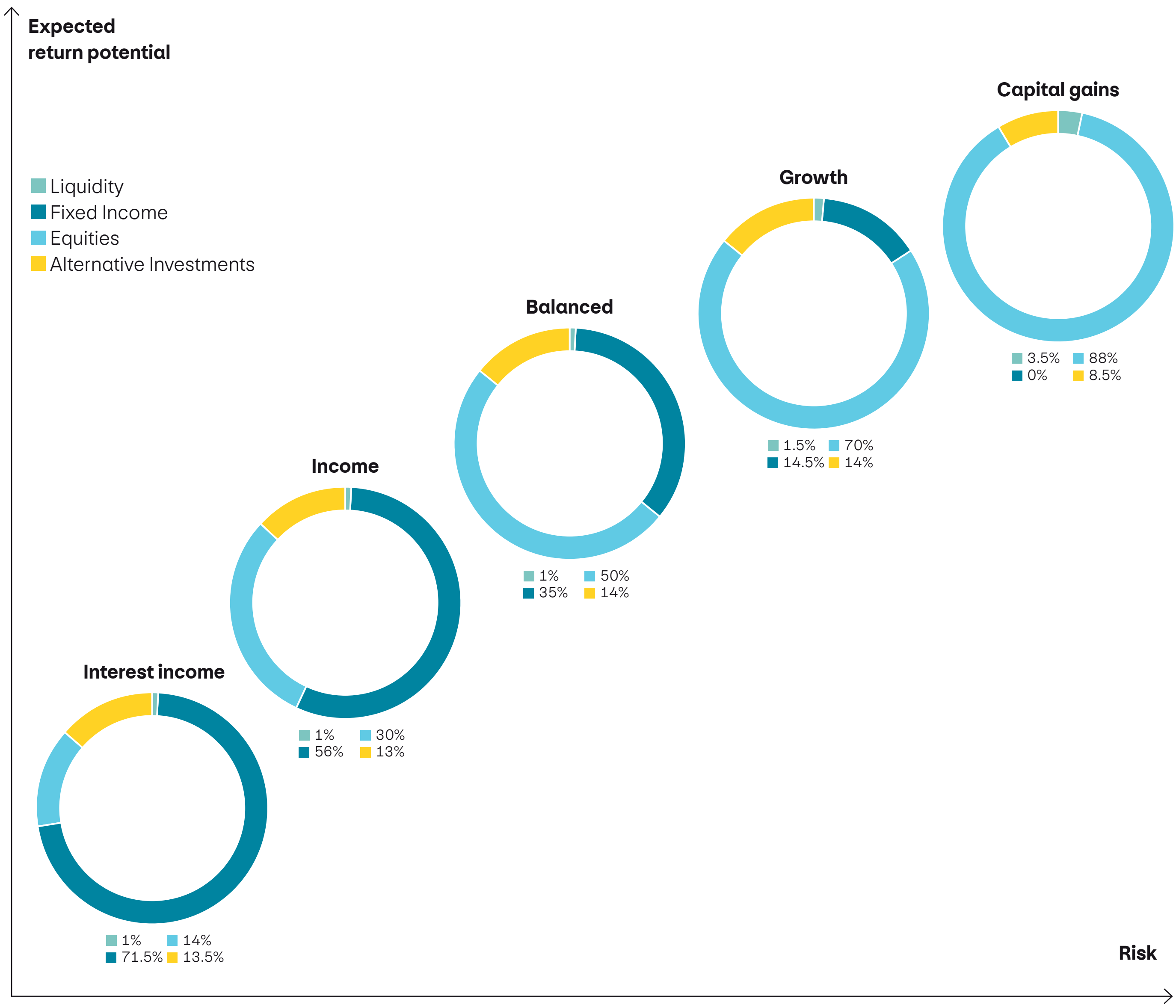
[1] Growth compared to year-ago quarter
[2] Indicator, measuring the overall sentiment and typically leading 1 to 2 quarters in advance of GDP.
Green arrow indicates an increasing economic growth, red arrow a slowing.
[3] Potential growth. Long-term change in gross domestic product with sustainable capacity utilization.
[4] This is the ECB's main refinancing rate, the deposit rate is 0.15 percentage points lower.

Source: Bloomberg

Model portfolios Swiss focus

Diversification with value and emerging market equities

Over the past month, signs of an economic slowdown in the US have become more pronounced. The latest labour market report in particular points to a slowdown in economic momentum. Disappointment is becoming apparent in some areas of the technology market: even industry leader Nvidia's quarterly figures barely met analysts' expectations, and the outlook signals that profit growth will not continue to rise indefinitely. We therefore remain overweight in US government bonds as a hedge against a noticeable downturn. We are maintaining a neutral position in equities, but continue to focus on the diversification potential of emerging market equities and global value stocks at the expense of highly valued US equities.



Source: PostFinance Ltd

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PostFinance Ltd
Mingerstrasse 20
3030 Bern
Switzerland

Phone +41 58 448 14 14
www.postfinance.ch

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