BELVALOR Vermögensbetreuung

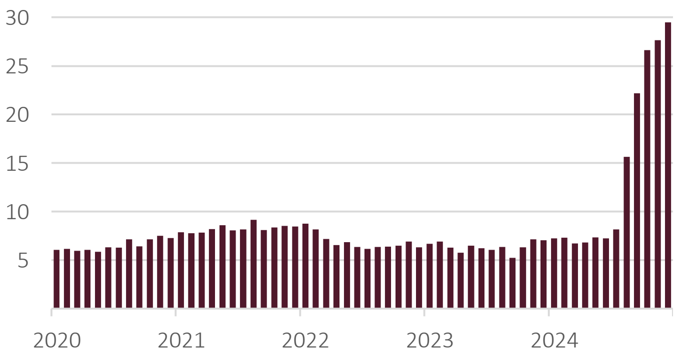
Markets in Autumn 2025: Financial Markets Proof Resilient

Markets defy Donald Trump's policies

Geopolitical tensions and the trade policies of US President Trump shaped the summer months and are increasingly weighing on the global economy. In the US, signs of strain are becoming apparent: the labor market is cooling while inflation remains stubbornly high. This stagflationary environment is putting the Federal Reserve under growing political pressure to cut interest rates.

For the US government, tariffs represent a welcome source of revenue for the strained federal budget. Since Trump's «Liberation Day» in April, monthly revenues have increased sixfold to nearly USD 30 billion. Compared with federal debt servicing costs of USD 90 to 100 billion per month, however, the effect has so far remained modest.

Graph 1: Monthly tariff revenues of the US government



Source: US Department of the Treasury, Belvalor; Figures in USD billion, 01.09.2020 - 31.08.2025

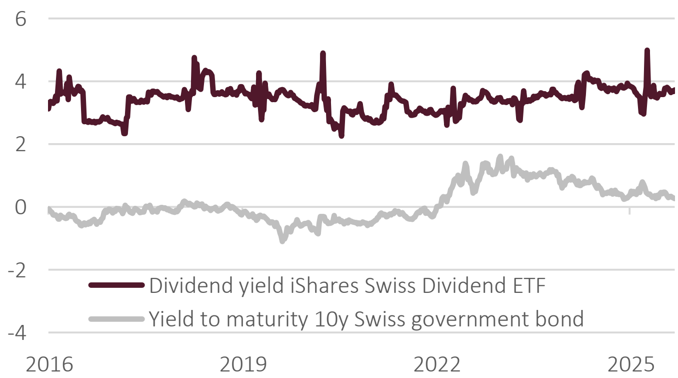
Equity markets have digested the US tariffs surprisingly quickly. The Swiss equity market has also proven resilient, despite the US imposing a 39 % punitive tariff on Swiss imports as of August 1 – the highest rate among industrialized nations. Many large corporations are barely affected and investors are betting on an early easing. For many domestic companies, the weak USD is proving to be the greater challenge.

The global fragmentation is advancing, economic momentum is slowing and consumers remain cautious. Europe, meanwhile, appears directionless, with political turmoil in France and disunity among member states weighing on economic dynamics. The gap between financial markets and the real economy continues to widen.

Swiss zero-interest-rate policy continues

The Swiss National Bank kept its key interest rate at 0 % in September. Given the strength of the Swiss franc (CHF), low inflation and a weak economic outlook, corporate bonds in CHF now offer only limited returns. In this environment, dividend-paying equities provide investors with appropriate risk tolerance the opportunity to generate a steady income despite the low interest rate environment.

Graph 2: Dividend and bond yields in Switzerland



Source: Bloomberg, Belvalor; Figures in percentage, 01.10.2015- 30.09.2025

Conclusion and positioning

The «Trump uncertainty factor» persists. Since this year's market gains have been driven largely by valuation expansion, stock selection is moving into focus. Segments that have so far only partially participated in the positive market trend appear attractive, such as cyclical companies. These are likely to benefit from advanced inventory reductions, lower interest rates and government infrastructure spending.

Dividend stocks continue to provide stability through reliable payouts. As both dividend-paying companies and cyclical companies are well represented in the Swiss equity market, we reaffirm our preference for the domestic market – also to mitigate currency exposure, as upward pressure on the CHF is likely to persist.

Our thoughts on the sharp rise in the gold price can be found on the following page.

Gold shines – Reflections on recent developments and positioning

The sharp rise in the gold price is no coincidence but rather the result of a tectonic shift in the global financial architecture. It is becoming increasingly evident that the enormous public debt in the US and Europe is creating systemic strain, bringing interest rates under political pressure to be lowered and eroding confidence in government bonds as a «risk-free» investment.

Gold – a reliable store of value for generations

Gold has consistently fulfilled its role as a long-term store of value. Accordingly, it remains a core component in the balance sheets of most central banks. Some have kept their holdings unchanged for decades, while others – most notably in Asia, including China and India – have significantly increased their reserves in recent years. This buildup has come partly at the expense of USD holdings, which remain the world's leading reserve currency but are accounting for a declining share of global reserves.

Graph 3: Share of USD in global central bank reserves

Source: International Monetary Fund (IMF), Belvalor; Figures in percentage, 01.01.1970 - 31.03.2025

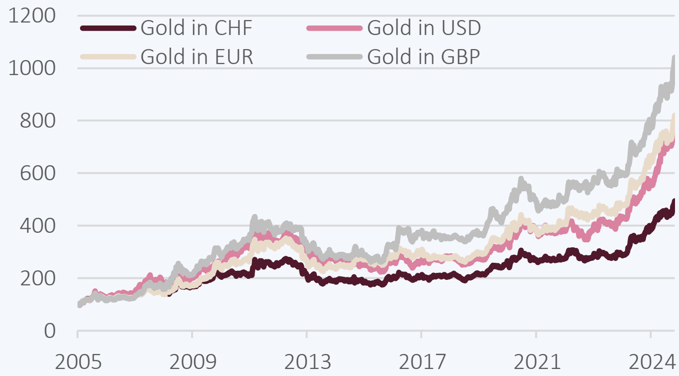
The behavior of central banks is guided by long-term considerations and sends a clear signal. Declining confidence in the USD as a reserve currency is driving capital outflows that are increasingly being reallocated into gold. For investors seeking to preserve purchasing power, gold likewise remains a key element in asset allocation.

Central banks remain active gold buyers

Added to this is political interference in the US – such as Trump's calls for interest rate cuts to ease the federal budget through lower debt-servicing costs. This has further accelerated the shift away from the USD and toward gold.

Since the beginning of the year, the gold price has risen by around 45 % in USD and 30 % in CHF. At the same time, capital inflows into the US have lost momentum, the USD has weakened and new beneficiaries such as emerging markets, value stocks and commodity equities have increasingly come to the fore.

Graph 4: Gold price development over 20 years



Source: Bloomberg, Belvalor; Gold returns in selected currencies, indexed at 100, 01.10.2005 - 30.09.2025

Conclusion and positioning

The recent surge in gold is not an exaggeration but a warning signal. It indicates that the markets are anticipating a world where the unsustainable debt burdens in the US and other industrialized nations will require political action rather than relying on economic growth alone – with far-reaching consequences for currencies, interest rates and confidence in the state as a borrower.

The CHF and real assets serve as the best insurance

For investors, this means that real assets such as gold or equities of companies with solid balance sheets are an indispensable part of their portfolio allocation. Equally important is the CHF, which serves not only local investors but also globally as a natural hedge. It combines political stability, sound public finances and a central bank with credible monetary policy. As a result, it has proven to be a stable anchor in virtually every global crisis and stands as a haven of confidence almost as valuable as gold itself.

Against this backdrop, we are maintaining our gold holdings in client portfolios. Following the strong performance, particularly in mining stocks, where we have already taken profits, a consolidation would not be surprising, yet we remain convinced of the long-term attractiveness of gold and gold mining equities.