

DE PURY PICTET TURRETTINI

Outlook

3rd Quarter 2025

July 2025

Looking Back at The First Half of 2025

The first half of 2025 was marked by heightened volatility, reflecting a more unstable political and economic backdrop. A series of shocks, including the return of aggressive U.S. protectionism, the escalation of the Israel-Iran conflict and diverging policy paths, blurred the macroeconomic outlook. Washington's retreat from multilateralism, renewed military operations in the Middle East and widening monetary policy gaps all added to uncertainty. Despite this turbulence, most asset classes ended the period in positive territory, although the dollar was the clear underperformer.

Two key developments shaped markets: the abrupt shift in U.S. trade policy and the escalation of the Israel-Iran conflict.

In February, Washington raised tariffs by 10% on all Chinese imports and threatened Mexico and Canada, then extended these hikes to nearly all trading partners in early April. On April 2, known as "Liberation Day", global equities plunged by 12% in just a few sessions, but losses were quickly contained by a 90-day tariff truce. At the same time, the U.S. stepped back from multilateral negotiations and focused instead on tougher bilateral deals.

In June, targeted strikes on Iranian nuclear sites with U.S. involvement sparked fears of a prolonged spike in energy prices. However, a swift ceasefire eased concerns over a potential blockade of the Strait of Hormuz and helped keep oil prices under control.

In Europe, the initial exclusion from Ukraine negotiations pushed Berlin, Paris, and Warsaw to strengthen the "Weimar+" alliance, paired with greater budget commitments to defence. On the monetary front, the contrast was stark: while the U.S. Federal Reserve (Fed) held steady, the European Central Bank (ECB) and Swiss National Bank (SNB) began easing cycles, drawing capital flows back to the continent.

Despite the political storm, global equities rose. After its sharp drop in April, the S&P 500 erased its losses, supported by solid earnings results, unwavering appetite for mega-cap tech stocks, and the belief that the rate-hike cycle is nearing its end. Since January 1st, the index has gained 5%, including a 10% increase between April and June; the Nasdaq climbed 18% over the same period. The MSCI World is up 8.7% year-to-date.

Evolution of the main markets as of June 30th 2025

| Actions | Cours | Var. ann. au 30/06* | Var. trim. au 30/06** | Autres classes d'actifs | Cours | Var. ann. au 30/06* | Var. trim. au 30/06** |
|-----------------------------------|----------|------------------------|--------------------------|---------------------------|---------|------------------------|--------------------------|
| Monde | | | | Taux souverains | | | |
| MSCI World All Countries | 501.8 | 10.0% | 11.5% | Suisse 10 ans | 0.4400 | 0.11bps | -0.14bps |
| Europe | | | | Allemagne 10 ans | 2.6070 | 0.24bps | -0.13bps |
| SMI (Suisse) | 11 921.5 | 2.8% | -5.4% | France 10 ans | 3.2840 | 0.09bps | -0.17bps |
| Euro Stoxx 600 | 541.4 | 6.6% | 1.4% | Etats-Unis 10 ans | 4.2280 | -0.34bps | 0.02bps |
| CAC 40 (France) | 7 665.9 | 3.9% | -1.6% | Obligations | | | |
| DAX (Allemagne) | 23 909.6 | 20.1% | 7.9% | BB Global Treasuries | 203.0 | 1.3% | 0.9% |
| Etats-Unis | | | | BB Global Corporates | 244.7 | 2.8% | 1.4% |
| S&P 500 | 6 205.0 | 5.5% | 10.6% | BB Global High Yield | 482.2 | 3.7% | 2.9% |
| Dow Jones | 44 094.8 | 3.6% | 5.0% | BB Emerging Debt | 352.7 | 3.8% | 2.0% |
| Nasdaq | 22 679.0 | 7.9% | 17.6% | BB Emerging Local Debt | 188.8 | -1.6% | -0.8% |
| Japon et Marchés Émergents | | | | Monnaies | | | |
| Nikkei 225 (Japon) | 40 487.4 | 1.5% | 13.7% | EUR vs. USD | 1.1763 | 13.7% | 8.8% |
| CSI 300 (China) | 3 936.1 | 0.0% | 1.3% | EUR vs. CHF | 0.9342 | -0.6% | -2.3% |
| Hang Seng China Entr. Index | 8 678.3 | 19.0% | 1.9% | USD vs. CHF | 0.7942 | 12.5% | -10.2% |
| MSCI AC Asia Ex-Japan | 698.4 | 14.1% | 12.8% | Matières premières | | | |
| MSCI Latam | 611.1 | 29.9% | 15.2% | Pétrole (WTI) | 65.1 | -6.3% | -6.5% |
| | | | | Gold | 3 297.3 | 25.6% | 5.8% |

*Var. année: du 31/12/2024 au 30/06/2025

**Var. trimestrielle: du 31/03/2025 au 30/06/2025
Source: Bloomberg, PPT Calculation

In Europe, equities have risen 7% year-to-date, helped by a weaker dollar, supportive domestic flows and the launch of Germany's fiscal stimulus plan. However, momentum has slowed since spring. Switzerland stands apart: a strong franc and a sector rotation that weighed on its defensive heavyweights pushed the SMI down 5% for the quarter, cutting its annual gain to 3%. Emerging markets also ended the period in positive territory despite trade tensions. Chinese markets, particularly Hong Kong-listed tech stocks, benefited from renewed interest driven by DeepSeek's arrival and a more supportive stance from authorities towards private enterprise.

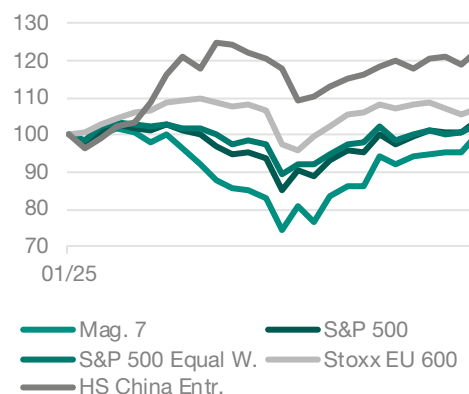
Short to intermediate-maturity bonds delivered solid returns, as markets saw tariff uncertainty more as a drag on growth than a sharp inflation risk. European sovereign debt stood out, driven by expectations that trade tensions would weigh on business confidence without pushing prices higher for long. However, this rally slowed towards the end of the quarter amid expectations of increased public spending across major eurozone economies. In the U.S., short-dated Treasuries benefited from moderate inflation data and rising expectations of Fed rate cuts in the second half.

Credit markets rebounded as sentiment improved after the initial April 2 shock. High-yield segments were in particular demand, supported by a renewed appetite for risk.

In commodities, oil was initially pressured by rising OPEC+ supply and China's slowdown but rebounded in June, briefly topping \$80 per barrel before pulling back after the Israel-Iran ceasefire. Gold, the ultimate safe haven, surged 25%, supported by steady central bank buying and a weaker dollar. Industrial metals stayed under pressure, held back by sluggish Chinese manufacturing despite ongoing demand tied to the energy transition.

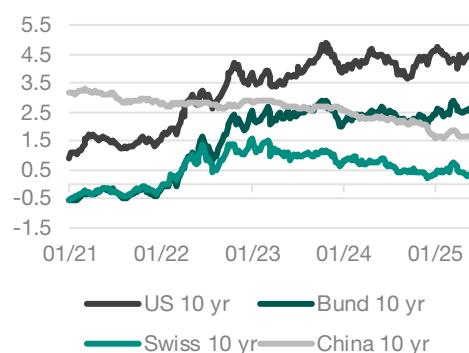
On currency markets, the dollar depreciated nearly 10%, weighed down by widening twin deficits and the Fed's policy pause. The euro gained nearly 14% against the greenback, supported by stronger relative growth, while the Swiss franc, a traditional safe haven in times of uncertainty, also strengthened. The SNB continues to monitor the risk of excessive appreciation. These FX moves have weighed heavily on portfolios denominated in CHF and EUR. For example, the S&P 500, when converted to EUR, is down more than 7% year-to-date, and the same applies in CHF terms.

Main Equity Indices incl. "Mag7"



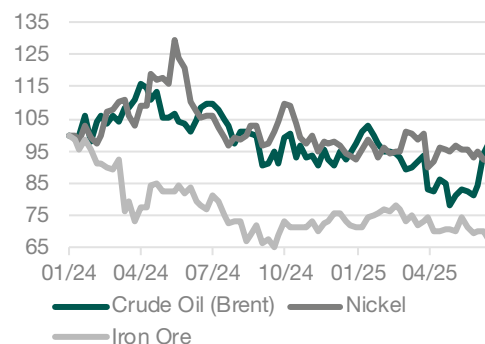
Source: Bloomberg

Evolution of Government Bond Yields



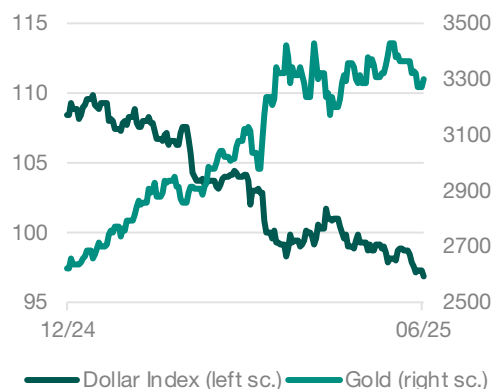
Source: Bloomberg

Evolution of futures contracts on oil (Brent), nickel and iron ore



Source: Bloomberg

Evolution of the US Dollar and Gold



Source: Bloomberg

Outlook – Third Quarter 2025

World Economy – A delicate balance between disinflation, trade tensions and geopolitical risks

As the year progresses, the global economy is operating in a less erratic environment than at the start of 2025 but remains exposed to persistent tensions. In Europe and Asia, activity is broadly in line with expectations, supported by a stabilising industrial sector and accommodative public policy. In the U.S., however, early signs of a slowdown are emerging, mainly because of the tariff hikes introduced in spring. Disinflation, well underway on both sides of the Atlantic, gives central banks some leeway but does not remove uncertainty. In this still fragile context, markets remain sensitive to external shocks. Any disruption in commodities, especially energy, could quickly destabilise economic and financial conditions.

A Stabilisation Without Euphoria

Business indicators largely confirm the expected scenarios: a moderate recovery in Europe and Asia, and a more fragile trend in the U.S.

In the eurozone, the gradual exit from an industrial recession is an encouraging sign. Purchasing Managers' Indices (PMI) have returned to expansion territory (the composite index stands at 50.1) and early fiscal support measures, especially in Germany, are starting to bear fruit.

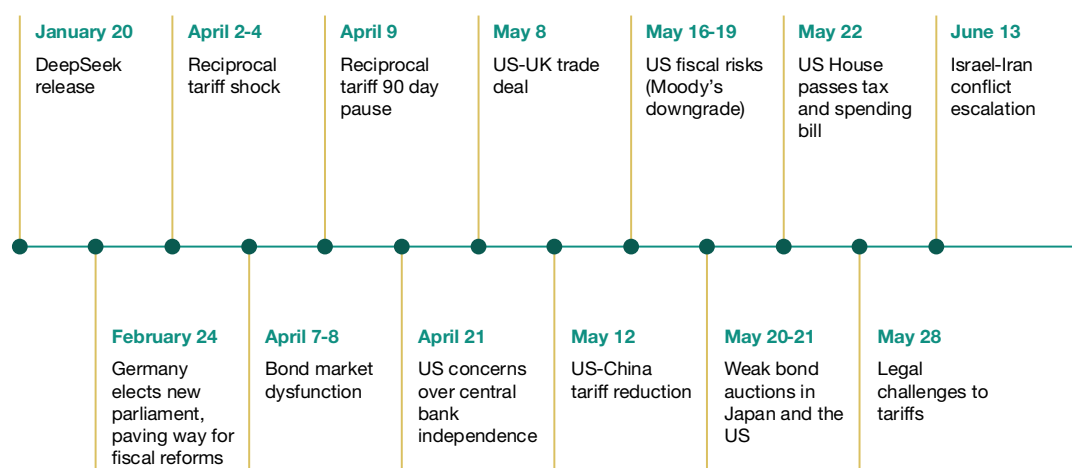
However, household consumption remains below potential, held back more by uncertainty than by real income constraints. This cautious consumer behaviour contrasts with generally healthy fundamentals. In contrast, U.S. consumption remains strong, supported by rising real income and broadly

declining inflation, despite signs of cooling in the labour market.

In China, growth remains honourable, supported by targeted measures and an export boost at the end of 2024 as firms anticipated U.S. tariff hikes. However, persistent imbalances in the real estate sector continue to weigh on household confidence and the stability of the financial system.

Tariffs: A Partial but Lasting Shock

Since April, U.S. trade policy has taken a clear protectionist turn. A base 10% tariff now applies to most imported goods, with extra surcharges on key sectors such as autos, steel and aluminium. According to our baseline scenario, these measures should lift the average tariff level by about 15% compared to the start of the year.



Source: Goldman Sachs Asset Management. As of June 2025. For illustration purpose only

The macroeconomic impact is significant, estimated at 1.7% of GDP, which is equivalent to around 2.7% of household income or 10% of corporate profits. This shock should remain manageable if spread out over time and shared between producers and consumers, which current inflation data suggest is happening, with no immediate pass-through to final prices. So far, supply chain disruptions have been contained, but second-round effects on trade flows and industrial relocation could intensify over the medium term.

Inflation and Monetary Policy: A Gradual Shift

Price trends have eased in most major economies. Industrial goods remain contained thanks to post-COVID disinflation and stronger competition. Services, which are more labour-intensive, still face upward pressure, but the ECB's wage index and recent U.S. data point to a gradual softening in labour costs, clearing the way for further disinflation in services.

In response, central banks have started to adjust cautiously. The ECB cut rates again in June and signalled that the easing cycle is nearing its end. The SNB lowered its policy rate to 0%, with a negative -0.25% rate now applied to part of bank reserves.

The Fed remains more cautious, limited by the risk that tariff tensions could trigger a wage-price spiral. In our base case, gradual easing still looks likely over the next twelve months, especially if the U.S. economy continues to cool. Markets currently expect two to three 25-basis-point cuts by year-end.

Israel-Iran Conflict: Aftermath and Prospect

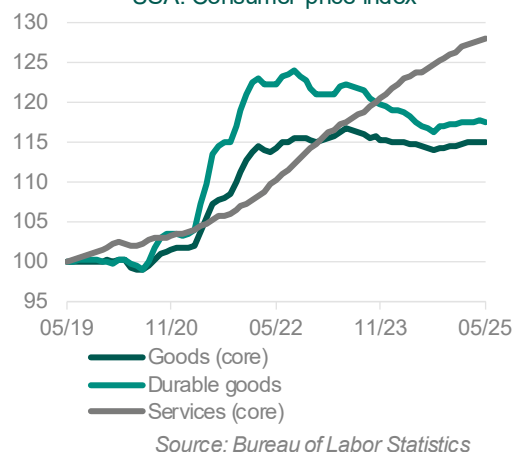
The short but intense conflict between Israel and Iran, now known as the "12-Day War", marks a major geopolitical shift. It was the most intense military campaign against the Islamic Republic since the end of the Iran-Iraq war, involving direct strikes on key nuclear sites and the first large-scale U.S. air operations since 2001. Israel demonstrated clear technological and intelligence superiority, while Iran emerged weakened both militarily and diplomatically, with only symbolic support from its usual allies.

In the short term, the ceasefire has contained further escalation, but the regime's fragility, limited regional backing and uncertainty over the Supreme Leader's succession point to lasting instability. For markets, the main risk of a blockade of the Strait of Hormuz has faded, helping to ease the initial oil shock. However, a lasting return to regional stability still appears unlikely for now.

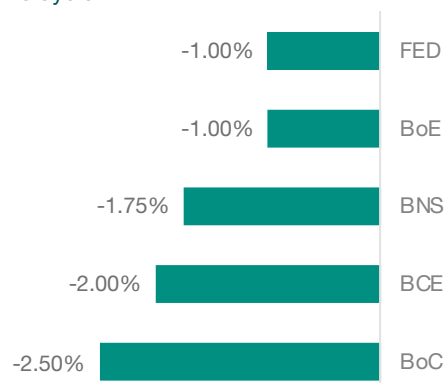
USA: Real consumer expenditure



USA: Consumer price index

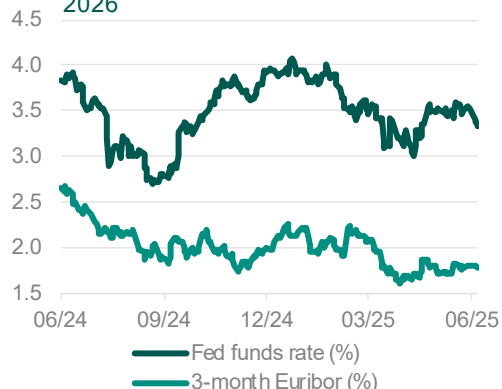


Main Central Banks' cumulative rate cuts in this cycle



Source: Bloomberg

Interest rate expectations for March 2026



Regional Trends

United States – The economy is gradually losing momentum. Consumption remains solid, but signs of cooling in the labour market are increasing, and lower immigration is starting to weigh on activity. Purchasing power is also likely to come under pressure from higher tariffs, which will keep squeezing companies and, with a lag, households into early next year. The implementation of the “One Big Beautiful Bill Act”, which extends the 2017 tax cuts and introduces new fiscal incentives, could gradually cushion this shock and help support growth from 2026. From a financial perspective, the main risk remains the ongoing deterioration of public finances. The scale of the federal deficit and uncertainty over economic governance continue to weigh on the appeal of U.S. assets.

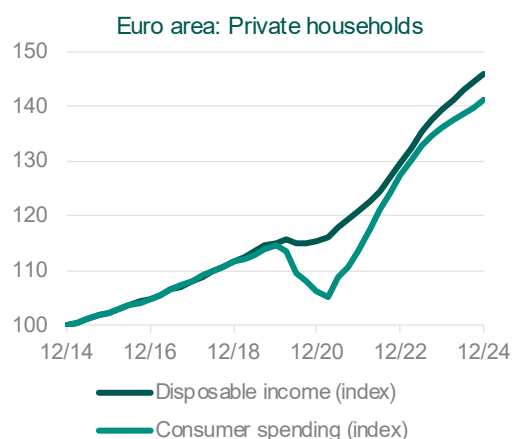
Europe – After a technical rebound at the start of the year, driven by advance buying ahead of U.S. tariff hikes, European activity is now moving into a more moderate recovery. The stabilisation of the industrial sector, combined with looser fiscal rules, especially in Germany, is providing welcome support. For the first time since 2022, PMI indicators have moved back into expansion territory. The main brake remains persistently weak household consumption and continued uncertainty over tariffs, even though the direct impact so far appears limited. Timing will be key. The negative effects of tariffs are immediate, while the positive impact of fiscal stimulus will only materialise gradually.

Switzerland – The Swiss economy continues to deliver solid growth by European standards, supported in particular by demographic momentum and domestic consumption. However, this strength hides some vulnerabilities, with unemployment trending higher since spring 2023. Over the medium term, Germany’s stimulus plan should help support activity, but this is offset by several headwinds: ongoing U.S. tariffs, geopolitical uncertainty and the franc’s persistent strength, which weighs on export competitiveness. Inflation remains very subdued and well below levels seen in other major industrial economies.

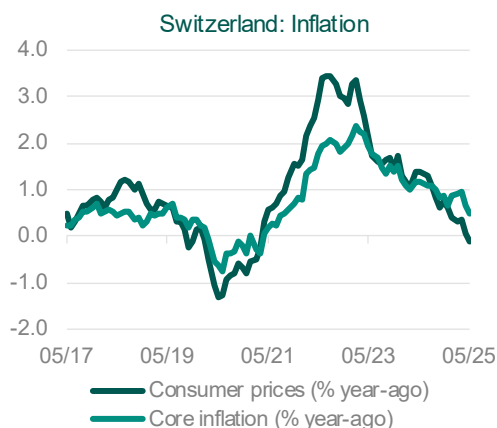
China – The latest data points to a more downbeat outlook. Macroeconomic surprises have turned negative and industrial production is slowing sharply compared with the first quarter, especially in export-focused sectors. Households also remain reluctant to spend for now. On the trade front, Beijing and Washington have reached a framework agreement in London: the U.S. would maintain an average tariff of 55% on Chinese goods but guarantee continued access for Chinese students. In return, China would lower its tariffs on U.S. imports to 10% and reopen rare earth exports under a six-month licence system. The deal still needs to be ratified by Presidents Trump and Xi.



Source: Bureau of Labor Statistics



Source: European Central Bank, Eurostat



Source: Federal Statistics Office of Switzerland



Source: National Bureau of Statistics

Equities – Prioritising Quality and Defensive Growth in Global Volatility

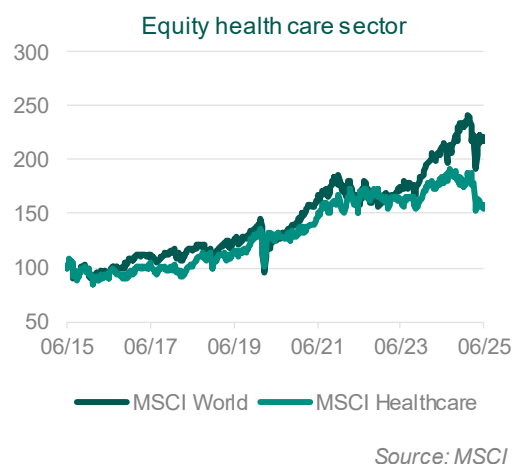
Geopolitical risks have increased since the start of 2025, while uncertainty around global trade remains high. Although tariffs complicate corporate decision-making, they should ultimately favour companies with strong business models, sustainable competitive advantages and proven pricing power. In this context, a selective and balanced approach remains essential. Our strategy continues to focus on quality, earnings visibility and disciplined diversification.

First-quarter earnings reports broadly met expectations. Forecasts for the second quarter have become more cautious, but full-year estimates remain well supported. While isolated disappointments from U.S. companies cannot be ruled out, most have indicated they can protect margins by passing on cost increases or adjusting supply chains. After a slower start to the year, flagship technology stocks, the “Magnificent Seven”, regained leadership in the second quarter. Their contribution to overall earnings growth is slowing, but they are still expected to account for 33% of U.S. profits in 2025, with average earnings growth projected at 17%, supported by their technological edge and dominant AI position. For the broader U.S. market, earnings growth is estimated at 9% for 2025, compared with 3% for Europe.

At the sector level, healthcare remains under political pressure. The pharmaceutical industry has become an explicit target for the new administration: in May, President Trump signed an executive order aimed at lowering drug prices. In addition, the risk of new tariffs

linked to pharmaceutical reshoring cannot be ruled out. In contrast, medical technology companies, which are relatively shielded from regulatory pressures, continue to benefit from strong innovation, especially in minimally invasive procedures and shorter hospital stays that align with cost-control goals. The recent weakness in this segment, in our view, offers an opportunity in a structurally attractive industry supported by favourable demographic trends.

In this shifting environment, we maintain a firmly selective approach, focusing on quality and defensive growth. Company fundamentals remain broadly healthy, but the lack of clarity on trade policy beyond the July 9 deadline and its implications for the global outlook justify a cautious stance. We continue to favour companies with resilient business models, strong competitive moats and solid margins that are best placed to preserve profitability and strengthen their market positions in a more challenging environment. Regionally, we maintain balanced exposure across major geographies.



Bonds – Favourable Visibility for Short Maturities, Caution on the Long End

The second half begins in a clearer but still mixed bond environment. Slowing global growth combined with easing inflation pressures provides structural support for bonds. Central banks, now more inclined to loosen policy, reinforce the appeal of short to intermediate maturities. However, fiscal normalisation remains elusive and political uncertainty, especially in the U.S., complicates the outlook for longer durations. A selective approach remains crucial, both for maturities and regions.

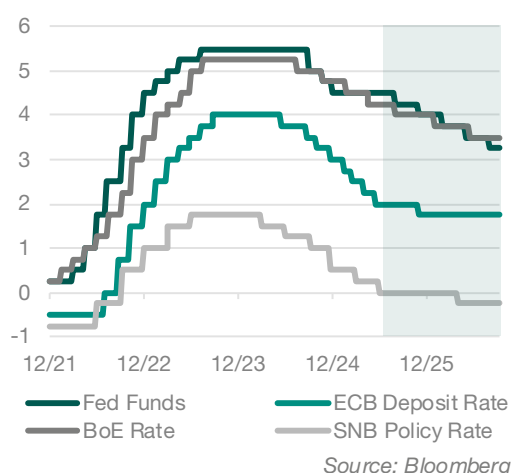
Short and medium-term bonds are particularly well supported in this environment. They benefit from the shift in monetary policy and a less strained macro-outlook. As the Fed adopts a more dovish stance, short-dated Treasuries should remain well bid, supported by expectations of rate cuts. In the eurozone and Switzerland, a more cautious tone from the ECB and SNB in the second half may limit upside but does not undermine the segment's structural support.

By contrast, the outlook for longer durations is more nuanced. On both sides of the Atlantic, fiscal stimulus is driving expectations of higher bond issuance, putting upward pressure on long-term rates. In the U.S. in particular, concerns about fiscal sustainability are pushing up term premiums. The debate over the future independence of the Fed, with the next president set to take office in spring 2026, adds to the caution as investors demand higher compensation to hold long bonds amid institutional uncertainty.

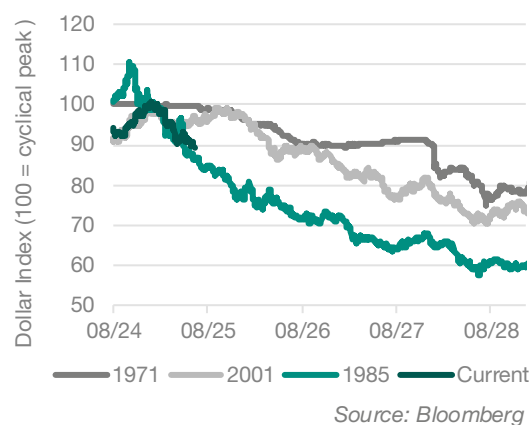
Credit conditions remain supportive despite tight spreads. The U.S. administration's political sensitivity to market reactions helps limit the risk of prolonged shocks. This political awareness supports strong technicals for corporate bonds, especially in the investment grade segment. Quality issuers that can protect margins and manage refinancing should continue to attract investor interest.

Finally, local-currency emerging market debt is supported by a favourable mix of technical and fundamental factors. The sharp decline in the dollar, driven by waning confidence in U.S. economic policy, clear signals favouring a weaker currency and stretched valuations, creates room for local monetary easing. This gives emerging market central banks more scope to stimulate activity through rate cuts. Combined with improved external balances and stronger monetary frameworks, this backdrop supports the performance potential of local debt. We believe the gains seen so far this year are broadly sustainable.

Evolution of Key Central Bank Rates



Bearish USD Cycles



Our Positioning

The second half starts in an environment still clouded by uncertainty, including opaque U.S. trade policy, persistent geopolitical tensions and widening fiscal deficits. While the final scale and timing of tariffs remain to be clarified, history shows that these concerns do not automatically lead to a collapse in private demand. Similarly, military conflicts only create a major macroeconomic shock if they cause a sustained spike in energy prices, which is not the case at present.

Our base case does not point to a sharp break but rather a moderate slowdown that will vary by region. In the U.S., the effects of tariffs are already visible. Growth is slowing, held back by weaker consumption, lower investment and a softer jobs market. Support from the One Big Beautiful Bill Act could help cushion this shock from 2026 onwards. In Europe, the drag from tariffs remains contained for now. Germany's fiscal stimulus and looser budget rules should support a gradual recovery. In China, growth remains pragmatically managed by the authorities, despite fragile domestic demand.

Risk assets have recovered their April losses, and sentiment has become complacent. But as the July 9 tariff truce deadline approaches, renewed tensions are likely, especially if the Trump administration believes Europe is moving too slowly in negotiations.

In this unstable environment, visibility remains limited but does not justify an overly defensive stance. Our equity strategy rests on three pillars:

- **Resilience:** Focusing on quality companies with solid balance sheets, recurring cash flows and durable competitive advantages.
- **Caution:** Maintaining a slightly underweight equity allocation, balanced geographically. Europe offers attractive valuations and stronger fiscal support, China remains pragmatically managed, and the U.S. is still driven by entrepreneurial strength despite political risks.
- **Selectivity:** Targeting companies aligned with structural themes such as reindustrialisation, the energy transition, digitalisation or value-chain security in a more fragmented world.

The bond market reflects renewed deficit expectations, especially in the U.S., which keeps

pressure on long-term yields. In this context, we favour:

- **Short to intermediate maturities (2–5 years):** Attractive due to the Fed's expected pivot by late 2025.
- **Investment grade credit:** Offers a sound risk/return balance, while high yield should be approached with caution in a slowing cycle.
- **Local-currency emerging markets:** Supported by a structurally weaker dollar, driven by declining confidence in U.S. policy, improving external balances and greater monetary policy flexibility.

In Switzerland, savers are back in a more challenging environment following the SNB's recent rate cuts.

Today's market calm, which seems to have absorbed trade tensions, the Israel-Iran conflict and the scrapping of the revenge tax, appears excessive to us. The world still faces deep imbalances with record U.S. deficits and uncertainty over economic governance. In this context, gold remains a strategic hedge against currency erosion and geopolitical shocks. The structural support is clear: 95% of central banks surveyed by the World Gold Council plan to increase their reserves over the next twelve months.

In summary, we maintain an approach based on discipline, quality and diversification. A balanced portfolio of resilient assets, carefully managed bond duration, selective exposure to emerging markets and a strategic allocation to gold remains, in our view, the best response to an uncertain cycle that still holds opportunities.

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