



PostFinance investment compass July 2025

Dollar blues

Positioning Weak US dollar creates opportunities

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Dollar blues

We've seen dramatic ups and downs on the financial markets this year – the sole exception has been the US dollar, which continues to fall. Its total losses for the year to date now stand at more than 12 percent against the franc.



Philipp Merkt
Chief Investment Officer

There are various factors behind its devaluation. To begin with, the dollar was significantly overvalued under Joe Biden's presidency. While China and Germany were in recession, and Europe was stagnant at best, the USA looked to be a bastion of economic prosperity.

"The clearest trend in 2025 so far has been the dollar's collapse."

Second, based on any conventional industry analysis, current US economic policy is harmful to the economy. There are good and compelling reasons why Americans buy certain goods more cheaply from abroad rather than producing them at home. This specialization in production has allowed the USA to focus on expensive software and internet services rather than cheap manufactured goods.

Ultimately, tariffs on imports also lead to higher manufacturing costs for US companies as they are forced to import some of the raw materials and semi-finished products they need for their production. This results in lower margins and/or higher inflation.

The latest cause for concern in US economic policy is the tax and spending package just passed by Congress. The extension of tax breaks – previously described as temporary – will cause US debt, which has now surpassed French levels, to rise even faster.

Whether it's higher inflation, lower company profit margins or rising debt, none will help the US dollar to regain its previous strength in the short term.

Unfortunately, it also means that the US stock indices' almost daily highs are unlikely to translate into strong portfolio returns for Swiss investors. Measured in francs, the US stock market is actually one of this year's worst performing markets. It means our significant underweight in the USA has paid off for our customers.

To benefit even more from the falling dollar, we decided to increase our position in gold this month. The precious metal traditionally benefits disproportionately from a lack of confidence in the dollar. Consequently, we expect the gold price to continue its rise in US dollars, but also in francs.

We're also increasing our holding in emerging market equities. A weak dollar improves export conditions for all countries that have pegged their currencies directly or indirectly to the dollar. In our view, even imposing American import tariffs will do little to change the situation. This is because the US can't do without the supply of raw materials or other inputs for its production overnight. At the same time, while only a portion of emerging market exports are affected by the tariffs, the more favourable exchange rates are beneficial for a far greater share of export volumes.

A final word on our investment strategy: it has proven to be extremely successful so far in a turbulent 2025 compared to its rivals. This underlines once again that strategy is key to achieving good investment results in the long term.

Weak US dollar creates opportunities

The US dollar is on a downward trend. Given its continued overvaluation and the economic policy uncertainties in the USA, this trend is likely to continue for the time being. We're increasing our position in emerging market equities and currency-hedged gold.

Financial markets continued to display an air of nonchalance last month. Most government bonds trended sideways, while corporate bonds benefited from a further narrowing of credit spreads. At the same time, stock markets continued their upward trend, with some reaching new all-time highs, at least in local currency terms. Economic uncertainty and the escalating tariff conflict have had little impact so far.

“Historically, emerging market equities in particular have benefited from a weak US dollar.”

However, the current euphoria could give way to corrections if conditions change. On the one hand, the situation in the real economy remains difficult. Europe continues to lack positive momentum, and there are growing signs of an economic slowdown in the USA. On the other, with the deadline due on 9 July, President Trump reiterated his threats of new punitive tariffs. They are set to come into effect on 1 August and would increase the average tariff burden in the USA from 2.5 percent at the moment to over 20 percent – a substantial increase that's unlikely to leave the US economy unscathed. Companies will face a choice of either absorbing higher costs through lower margins or passing them on to consumers in the form of higher prices. The latter could fuel inflation, leaving less and less room for further price rises among US stocks. Against this difficult backdrop, we remain underweighted in the US stock 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	-0.8%	-0.8%	-0.8%	-0.8%
	USD	-3.0%	-12.1%	-3.0%	-12.1%
	JPY	-4.0%	-5.6%	-4.0%	-5.6%
Fixed Income	Switzerland	-0.8%	-0.6%	-0.8%	-0.6%
	World	-2.1%	-6.4%	1.0%	6.5%
	Emerging markets	-1.1%	-6.9%	2.0%	6.0%
Equities	Switzerland	-1.1%	8.9%	-1.1%	8.9%
	World	0.3%	-2.9%	3.4%	10.5%
	USA	1.0%	-5.7%	4.1%	7.4%
	Eurozone	0.1%	14.4%	0.9%	15.3%
	United Kingdom	-1.0%	6.5%	1.5%	11.8%
	Japan	-3.5%	-4.9%	0.5%	0.7%
	Emerging markets	-0.1%	2.2%	2.9%	16.3%
Alternative Investments	Swiss real estate	0.1%	4.5%	0.1%	4.5%
	Gold	-3.7%	11.6%	-0.8%	27.0%

¹ Year-to-date: Since year start

² Local currency

Data as of 10.7.2025

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

US dollar's downward trend likely to continue

These tougher conditions have so far been particularly evident in the US dollar. It has been in a downward spiral since the beginning of the year, losing around 10 percent of its value on a trade-weighted basis – a considerable devaluation. Investors from countries with stronger currencies such as the Swiss franc are feeling this clearly. Despite new all-time highs on the US stock markets, the dollar's weakness is weighing on their portfolios. And there seems to be no end in sight. Even after the most recent decline, the US dollar remains overvalued in terms of purchasing power parity. Given Trump's trade and debt policies, the economic environment also looks set to remain tough for some time to come. This means the dollar's downtrend is likely to continue.

Purchase of additional emerging market equities and gold

Historically, emerging market equities in particular have benefited from a weak US dollar. This is because export industries in these countries were more competitive when their currencies were directly or indirectly pegged to the US dollar. The threatened US import tariffs will likely do little to change this as essential inputs and raw materials from these countries cannot be replaced in the short term. With this in mind, we're increasing the weighting of emerging market equities in our portfolio. Besides emerging markets, gold typically also benefits from a weak US dollar. Given the growing uncertainty surrounding trade policy, demand for the precious metal as a safe haven is likely to remain high, if not increase. We're therefore increasing our gold allocation and hedging this position against a further devaluation in the dollar.

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%	1.0%					
	CHF	4.0%	1.0%					
	Money market CHF	0.0%	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%	50.0%					
	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%	6.0%					
	China	2.0%	3.0%					
	World Value	2.0%	2.0%					
Alternative Investments	Total	13.0%	14.0%					
	Swiss real estate	8.0%	8.0%					
	Gold ²	5.0%	6.0%					

¹ Tactical Asset Allocation: short to mid-term orientation

² Currency hedge to CHF

³ Positioning relative to our long-term asset allocation

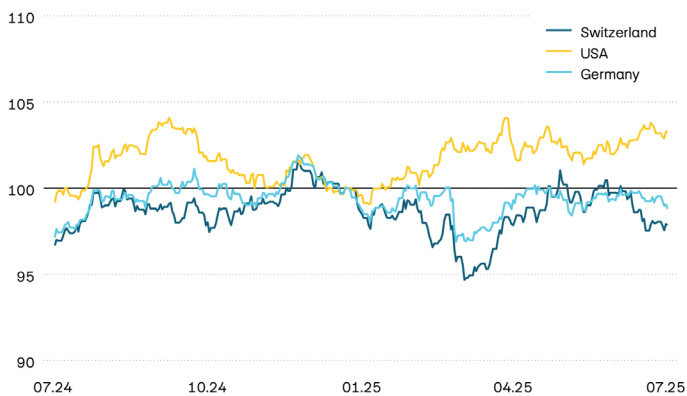
□ Adjustment compared to last month

Fixed income

The bond markets continue to be remarkably calm, remaining largely unaffected by either the renewed escalation of the US trade dispute or the recently passed tax legislation.

Indexed performance of government bonds in local currency

100 = 01.01.2025

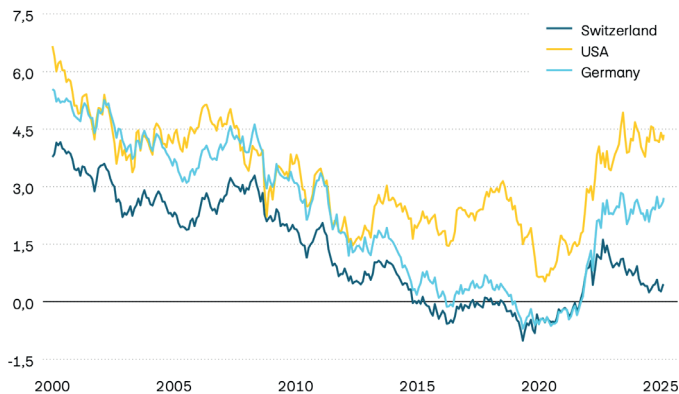


The bond markets remained largely stable last month. The exception was the USA, where there was some anxiety following the passing of President Trump's "big beautiful bill". The legislation provides for an extension of existing tax benefits and additional relief, but with no major savings. This raised concerns about long-term fiscal stability, reducing the value of government bonds. However, the markets were quick to settle down again. This is likely to some extent because, while the legislation does nothing to improve government debt, it is also not expected to worsen it significantly in the current context.

Source: SIX, Bloomberg Barclays

Trend in 10-year yields to maturity

In percent

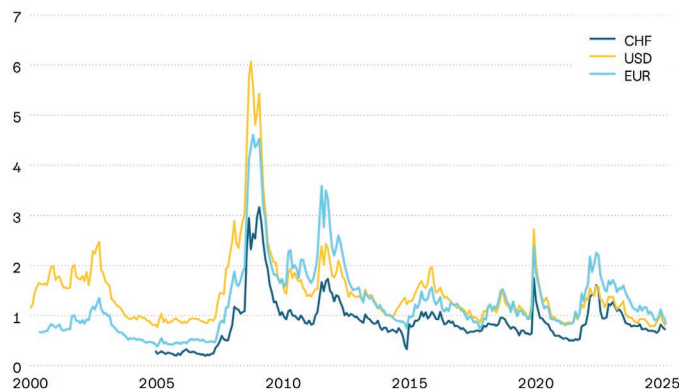


Yields to maturity on 10-year government bonds generally trended sideways month-on-month in both the United States and Europe. In the USA, yields on 10-year government bonds continued to hover around the 4.4 percent mark. In Switzerland, yields to maturity on long-term government bonds rose by 10 basis points to 40 basis points, despite a reduction of 25 basis points in the Swiss National Bank's policy rate.

Source: SIX, Bloomberg Barclays

Credit spreads on corporate bonds

In percentage points



Credit spreads on corporate bonds continued to narrow in recent weeks and have now reached their lowest level this year, having risen sharply as recently as April amid tensions surrounding the US trade dispute. The decline is particularly pronounced for corporate bonds with a lower credit standing. Credit spreads are now back close to their historic lows. From the market's perspective, neither fears of recession nor worries about the trade conflict currently appear to be playing any major role.

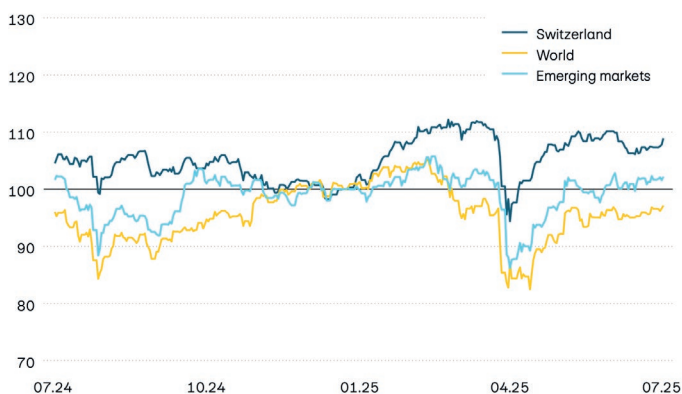
Source: Bloomberg Barclays

Equities

The mood on the US stock markets remains upbeat, particularly in tech stocks. In Europe and Switzerland, performance was somewhat weaker compared to the previous month.

Indexed stock market performance in Swiss francs

100 = 01.01.2025

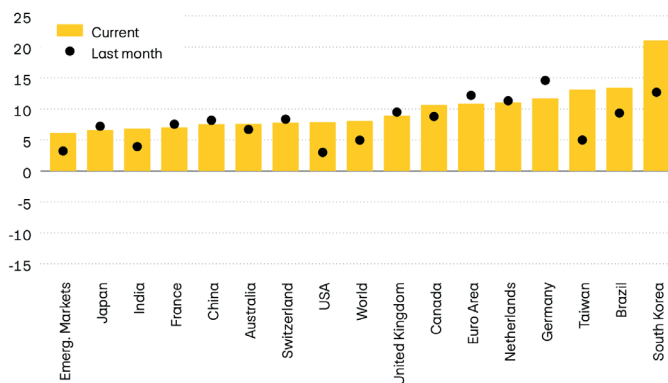


The stock markets last month were boosted by an upturn in US tech stocks. They recovered following significant losses in the wake of the DeepSeek breakthrough at the beginning of the year and April's US tariff policy, helping the S&P 500 index to reach new all-time highs in local currency terms. Conversely, European stock markets, and the Swiss market in particular, saw a period of relative weakness. Nonetheless, European equities still lead the way in the year to date. Emerging market equities continued their positive trend, bolstered by the weak US dollar and a growing desire for diversifying alternatives to the US stock market.

Source: SIX, MSCI

Momentum of individual markets

In percent

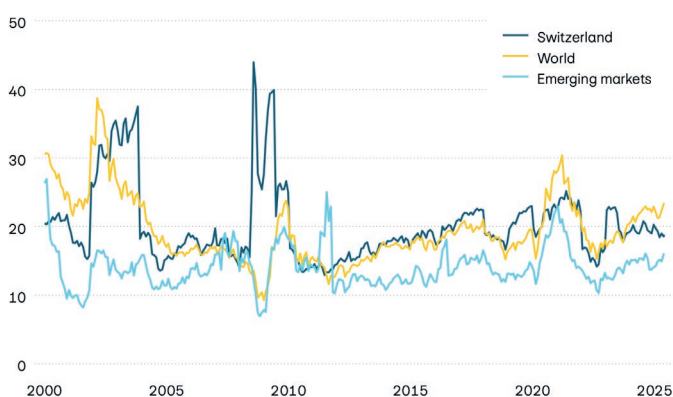


Stock market momentum remains positive worldwide. This month, momentum is again strongest in the emerging markets of South Korea, Brazil and Taiwan. This positive trend is likely due in part to the continued weakness of the US dollar. Historically, emerging market equities in particular have benefited from a weak US dollar. At the same time, momentum on markets with a strong tech sector was also extremely positive. This included the Dutch stock market, which benefited in particular from the recovery of heavyweight Prosus, a company with holdings in the internet and online segment.

Source: MSCI

Price/earnings ratio

P/E ratio



The price/earnings ratio (P/E ratio) rose further last month, particularly in the USA and emerging markets. This is likely due first and foremost to the ongoing stock market recovery. Corporate earnings have remained stable so far. This is likely to focus particular attention on the upcoming second-quarter reporting season for US companies. Although the trade dispute will no doubt have increased production costs in many areas, this has barely been reflected in the inflation data so far. Consequently, there are fears that the additional costs may have been absorbed by company margins.

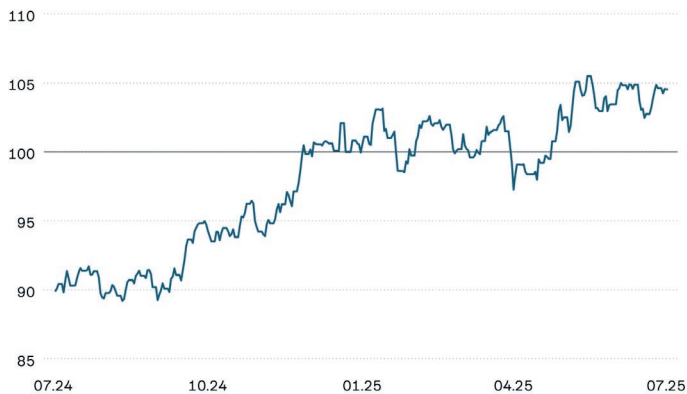
Source: SIX, MSCI

Swiss real estate investments

Exchange-listed Swiss real estate funds consolidated close to their highs this month. Returns also remain clearly positive on an annual basis.

Indexed performance of Swiss real estate funds

100 = 01.01.2025

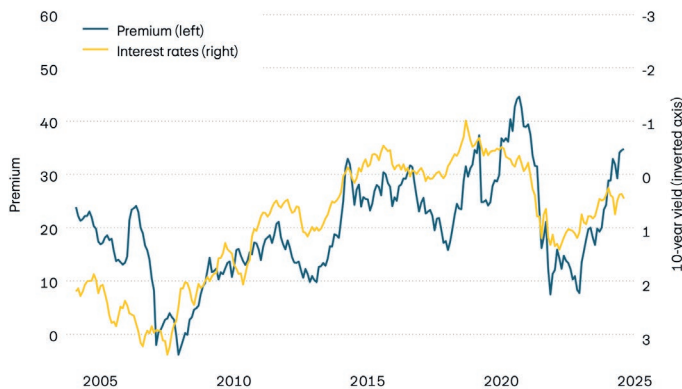


Following a brief setback at the beginning of the month, prices of listed Swiss real estate funds then recovered, changing only slightly on a monthly basis. On an annual basis, they continue to be positive, yielding a return of just under 5 percent. Demand for real estate funds likely continues to be underpinned by the current low capital market interest rates in Switzerland.

Source: SIX

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

In percent

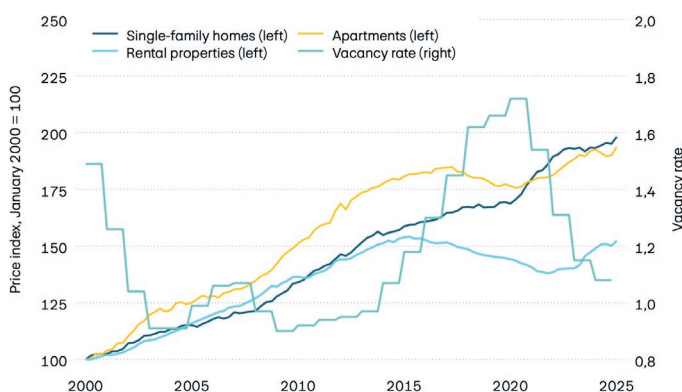


The premium paid by stock market investors versus the net asset value of properties rose again this month. It is now at its highest level since the beginning of the year and remains well above the long-term average. Although returns on long-term capital market interest rates have risen slightly, they remain just above the zero percent threshold.

Source: SIX

Vacancy rate and real estate prices

100 = January 2000 (left) and in percent (right)



Swiss real estate prices have risen appreciably in recent months. This means the decline in prices for single-family homes and rental properties seen at the beginning of the year has not continued. Prices appear to be resuming their long-term upward trend. A major reason for the increase in value is likely to be the number of newly built residential properties, which clearly continues to be insufficient, with a vacancy rate that is currently only slightly above 1 percent. The ongoing low capital market interest rates and resulting favourable financing conditions may also have bolstered demand for real estate.

Source: SNB, FSO

Currencies and cryptocurrencies

Internationally, the US dollar remains weak, losing a further 1.5 percent on a trade-weighted basis. In this context, both the Swiss franc and the euro remain remarkably strong, with each rising significantly against the US dollar again.

The US dollar continued to be weak this month, losing another 1.5 percent on a trade-weighted basis. The Swiss franc was particularly strong, gaining another 3 percent against the US dollar. Its annual appreciation against the US dollar now stands at over 12 percent. The Japanese yen was also weak against the Swiss franc this month, losing 4 percent. However, there was little change against the euro, as has been the case throughout the year.

Currency pair	Price	PPP ¹	Neutral area ²	Valuation
EUR/CHF	0.93	0.94	0.87 – 1.01	Euro neutral
USD/CHF	0.80	0.80	0.70 – 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	8.39	9.85	8.81 – 10.89	Krona undervalued
NOK/CHF	7.91	10.54	9.29 – 11.80	Krona undervalued
EUR/USD	1.17	1.18	1.02 – 1.33	Euro neutral
USD/JPY	146.26	92.51	70.83 – 114.19	Yen undervalued
USD/CNY	7.18	6.28	5.79 – 6.76	Renmimbi undervalued

Cryptocurrency	USD rate	YTD in USD ³	Annual high	Annual low
Bitcoin	116'027	24.25%	116'027	76'244
Ethereum	2'944	–11.64%	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, fell by over 3 percent last month.

Indexed performance of gold in Swiss francs



Measured in Swiss francs, the precious metal's value fell sharply this month. The annual return on gold fell to a still substantial 12 percent, putting the annual return on the precious metal in second place, only slightly behind European equities.

Source: Allfunds Tech Solutions

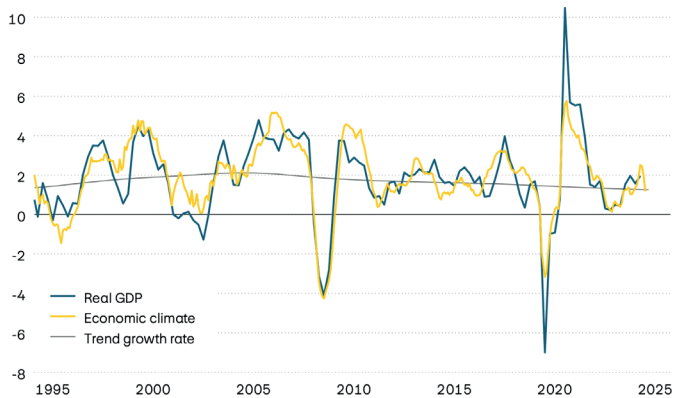
Growth on hold

The global economic environment remains challenging. Uncertainty surrounding future developments and the direction of US trade policy is weighing on activity and putting many economies in wait-and-see mode. Although consumption and investment activity haven't declined across the board, caution is far higher. Against this backdrop, any significant economic upturn is unlikely for the time being.

Switzerland

Growth, sentiment and trend

In percent



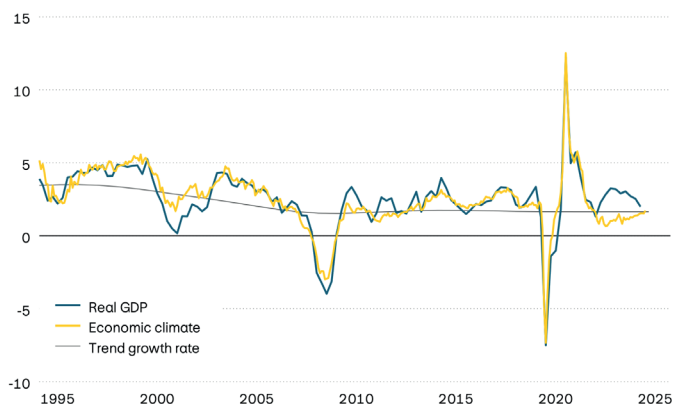
The Swiss economy had a strong first quarter, mainly on the back of its export industry. It benefited from orders brought forward ahead of the imposition of punitive US tariffs. As expected, economic momentum clearly weakened in the second quarter. We can't attribute this slowdown solely to the anticipated downturn in exports. Domestic demand has also lost momentum. Retail sales have weakened significantly, and sentiment in the services sector has also deteriorated considerably of late. Inflation has little role to play in this development. Switzerland is one of the few countries where prices have remained stable. Pressure on prices is now so low that, on 19 June, the Swiss National Bank lowered its policy rate to zero.

Source: Bloomberg

USA

Growth, sentiment and trend

In percent



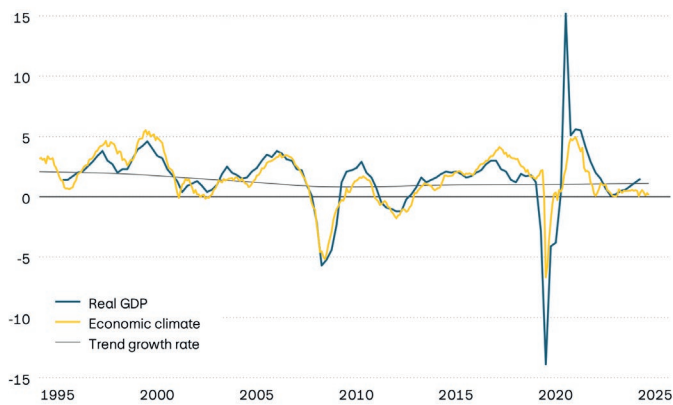
In the USA, the slowdown in economic growth continues. There is considerable caution, particularly in consumer spending and investment decisions. Real household consumer spending has stagnated recently and momentum in the construction sector has continued to weaken. What's more, most companies are not expecting their business activities to pick up any time soon. So far, however, there has been no significant decline in economic output. One factor behind this is the high ongoing capacity utilization on the labour market. Also worth noting is that the tariffs announced by President Trump, and in some cases already imposed, haven't triggered any real resurgence in inflation to date. The related cost increases look to have been absorbed primarily through margin adjustments by companies.

Source: Bloomberg

Eurozone

Growth, sentiment and trend

In percent



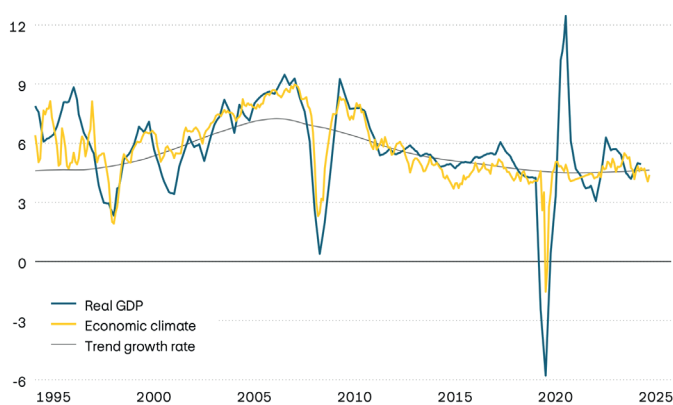
Economic performance in the eurozone remains below average. Weak growth in its two major economies, Germany and France, and the uncertainties surrounding US trade tariffs continue to have a dampening effect. This economic weakness is also reflected in the European Central Bank's (ECB) data on pay negotiations, which is indicating only very slight wage increases. Against this backdrop, inflation has at least gradually moved closer to the ECB's target range. Core inflation, which excludes volatile price components outside the control of the central banks, is currently at 2.3 percent.

Source: Bloomberg

Emerging markets

Growth, sentiment and trend

In percent



Economic data from China, the world's second-largest economy, has recently improved slightly. China's performance impacts the Asian economic area in particular, making it a key factor in determining momentum in the emerging markets. Sentiment in industry has improved somewhat, while core inflation – a good indicator of economic momentum in China – has also moved beyond its lows. Nevertheless, the economic situation remains fragile. For example, low investment and import volumes suggest that weak demand is likely to persist for the time being. One reason for this is the cautious economic policy response to date. China's government hasn't yet provided any significant monetary or fiscal policy stimulus. What's also striking is that China hasn't devalued its own currency despite trade tensions with the USA. In earlier periods, this was an instrument used specifically to bolster the export economy.

Source: Bloomberg

Global economic data

Indicator	Switzerland	USA	Eurozone	UK	Japan	India	Brazil	China
GDPY/Y ¹ 2025Q1	2.0%	2.0%	1.5%	1.3%	1.7%	7.4%	2.9%	5.4%
GDPY/Y ¹ 2024Q4	1.6%	2.5%	1.2%	1.5%	1.3%	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%	2.7%	2.0%	3.6%	3.3%	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.

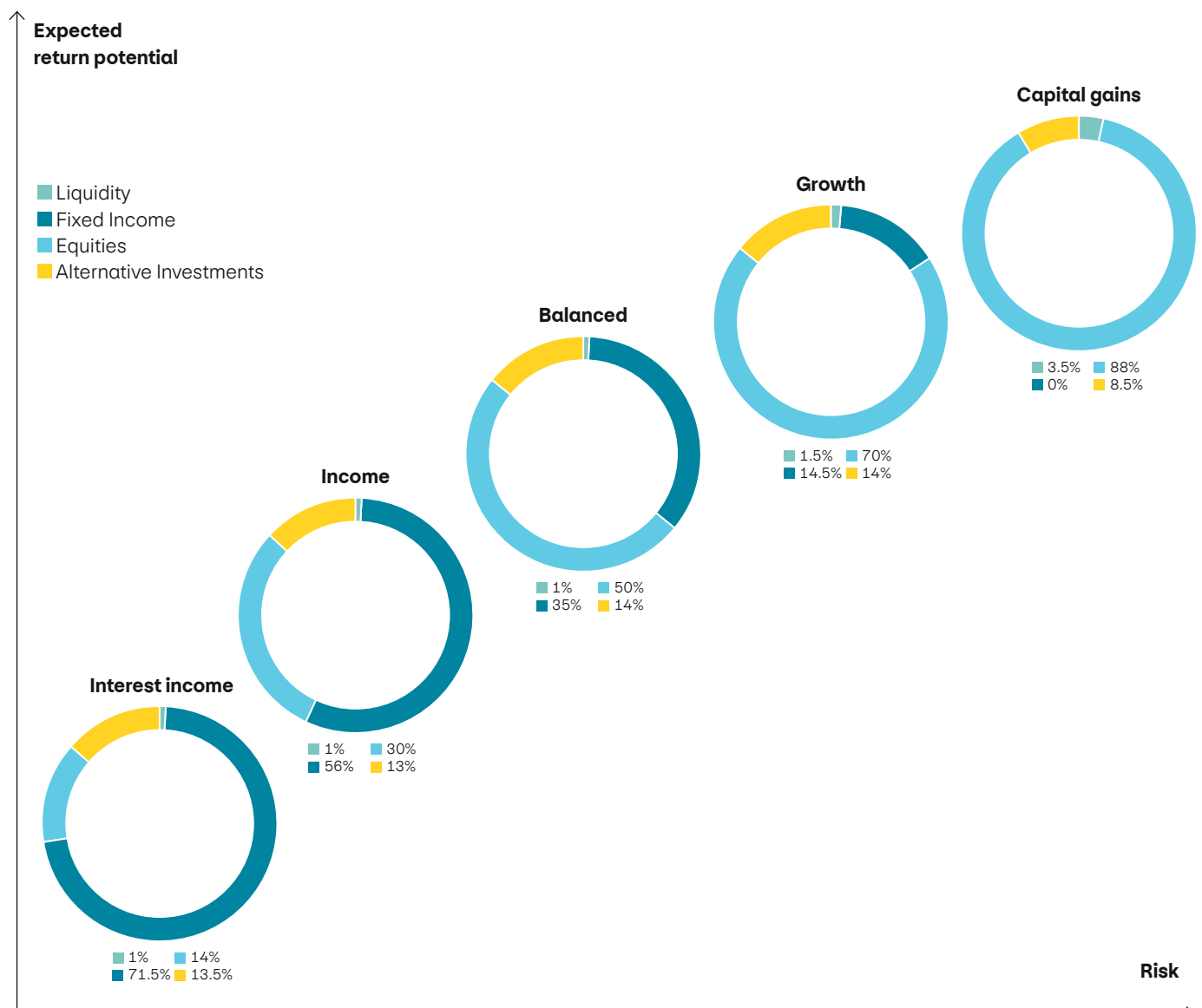
³ Potential growth. Long-term change in gross domestic product with sustainable capacity utilization.

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

Source: Bloomberg

US dollar on a weak course

The financial markets are proving remarkably robust despite the economic uncertainties. So far, only the US dollar has had a noticeable impact. Since the beginning of the year, the currency has lost around 10 percent on a trade-weighted basis. The previously pronounced overvaluation relative to purchasing power parity has thus been significantly reduced. However, the dollar remains overvalued and has further downside potential. Historically, emerging market equities in particular have benefited from a weak US dollar. Against this backdrop, we are increasing their weighting in the portfolio. At the same time, we are strengthening the gold position, which typically also benefits from a weak US dollar, and hedging it against further dollar depreciation.



Source: PostFinance Ltd

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