

Capicura Partners – Outlook 4th Quarter 2025

September 26, 2025

Fundamentals deteriorating, markets flying high

- **39% tariff hammer drops on Switzerland – stock market seems unimpressed**
- **Stagflation risk still looming – metals benefit**
- **USD remains the spoilsport**
- **Momentum and AI lift markets to new highs**
- **Asset allocation: Elevated cash levels**

Tariff fireworks on August 1st

This year, there were no fireworks lighting up the sky on August 1st, Switzerland's National Day, but there was a very different kind of bang. President Trump imposed 39% tariffs on imports from Switzerland. It was enough to make you choke on your beer, especially in Bern, where until recently politicians were of the firm belief that the US President had good intentions for the land of chocolate – a mistake as it turned out. Fortunately, the Swiss stock exchange was closed on August 1st, and this prevented an immediate panic reaction. When markets opened, participants were prepared for the worst, only to find that the market was somewhat unimpressed. As many Swiss companies have production facilities in the US and a large part of the exports were not affected by the tariffs (especially gold trade and pharmaceuticals), the potential shock ended up being a bit of extra noise. Switzerland had been burdened with substantial tariffs but there was hope for an improvement via negotiations with the Trump administration. Just two months later, Switzerland is up against the next tariff wall – as of October 1st, 2025, all US imports of patented drugs will be levied with tariffs of 100%. As pharmaceutical companies with production sites in the US are not affected, it is currently difficult to assess who is affected and by how much. So far, this next presidential social media post has had little impact on Swiss stocks. Despite pharma exports representing nearly half of Switzerland's trade in goods with the US, we suggest staying calm and wait for this next tariff story

to be told. Considering the meagre CHF yield opportunities, Swiss dividend stocks remain our first choice despite the tariff “hoo-ha”.

The foundation is beginning to crumble

While the direct consequences for Switzerland remain manageable so far, the question arises: How is the country developing that imposed the tariffs? Anyone who only reads the headlines might think that everything is fine. US-GDP growth exceeded expectations in the second quarter, coming in at 3.3%. The labor market also looked stable – at least until recently. However, if you look behind the scenes, you see a different picture. Imports to the US have slumped dramatically as a result of the tariffs. As lower import numbers improve the GDP calculation, growth actually looks stronger than it really is. Current PMI surveys also indicate that economic momentum is likely to weaken over the rest of the year. American consumers, the heart of the US economy, have been surprisingly robust so far. But consumption only works as long as income remains stable. And this is precisely where things are becoming critical. The unemployment rate has risen to 4.3%, and employment growth is slowing. Even more serious is the adjustment of last year's labor market data. Annual revisions to nonfarm payroll numbers for the year prior to March 2025 showed a drop of 911'000 from the initial estimate.

Labor market vs. inflation

This puts the labor market back in the spotlight. Ultimately, it was the labor market that prompted the FED to resume its cycle of interest rate cuts. A reduction of 0.25 percentage points was intended to counteract this. Paradoxically, the stock markets reacted with price gains – even though the decision was ultimately based on a deterioration in the economic situation. The FED is known to have a dual mandate. But what is the current situation regarding price stability? Inflation is still far from the 2% target. While short-term interest rates fell as a result of the rate cut, long-term yields re-

mained virtually unchanged. This combination of persistently high inflation and the threat of an economic slowdown is increasingly fueling fears of stagflation.

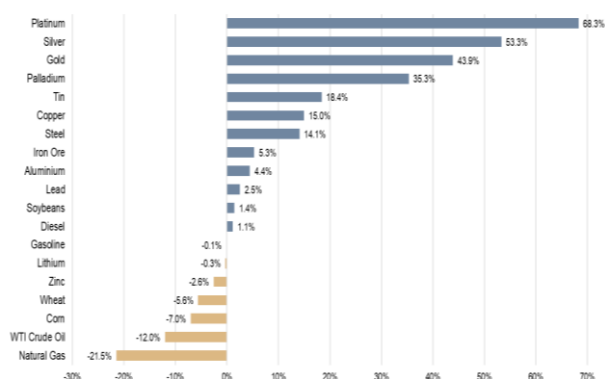


Fig. 1) Price development of various commodities YTD
Data: Ed Yardeni / Chart: Capicura Partners

It is precisely these concerns that have caused movement in the commodity markets, which have risen significantly since the beginning of the year (Fig. 1). Against this backdrop, we have gradually expanded our positions in precious metals such as gold, silver and palladium over the course of the year and have benefited from their encouraging outperformance.

US dollar: The specter haunting CHF investors

In addition to stagflation fears, the weakening US dollar is contributing to the strength of metal prices. However, it is having a different effect on Swiss investors. With a decline of around 12% against the Swiss franc this year, it has caused plenty of red faces in this country. Unless hedging was in place, a large part of the performance on the US stock market has been wiped out by currency losses. However, thanks to our consistent monitoring of currency risks in the portfolios, we were able to protect a significant portion of the performance. The question remains: Is a trend reversal imminent? Given the ongoing cycle of interest rate cuts, high government debt, erratic (trade-)policy, and the president's continued attempts to undermine the independence of the FED – Mr. Trump will remain in office for at least another three years – there are currently more indications for continued USD weakness than for a near-term trend reversal.

S&P 500 in seventh heaven – buoyed by tech giants

While the USD is weakening, Wall Street remains unimpressed. The performance of the S&P 500 gives the impression that the index is increasingly decoupling from the real economy. While cracks are beginning to show in its foundations, it is racing from one all-time high to the next. The main driver remains the unbroken euphoria surrounding artificial intelligence (AI), which primarily benefits a few heavyweights with large market share. This wave is being fueled by almost weekly reports of billion-dollar investments in new data centers (Fig. 2) – a crucial necessity for the next generation of AI applications.

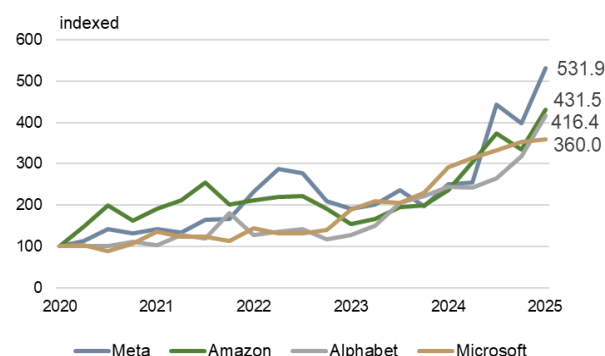


Fig. 2) Increase of capital expenditures in %
Data: Bloomberg / Chart: Capicura Partners

A constructive chart pattern and the capitulation of the bears are providing additional tailwinds. Even if the seasonally critical month of October brings a setback, “dip-buyers” are already waiting on the sidelines. Funds in short-term money market investments have reached record levels and are likely to flow into the market when the opportunity arises – a potential catalyst for a year-end rally. Despite the warning signs mentioned above, we are sticking to our existing equity allocation and are not opposing this momentum- and liquidity-driven market. In addition, our increased liquidity level allows us to take advantage of setbacks.

Asset Allocation	Q4 25	Q3 25	Q2 25
Cash	9%	8%	6%
Fixed Income	14%	20%	22%
Equities	52%	48%	50%
Alternatives	25%	24%	22%

Fig. 3) Suggested asset allocation for a Balanced Portfolio in Q4 2025