Outlook Q4 2025

Reuss Private

The Big Picture I

Structural Environment

- The age of globalization has given way to geo-economics. Trade and capital flows are becoming politicized, with trade fragmenting along geopolitical lines. The rules governing the global trade architecture are weakening.
- High indebtedness + adverse demographic developments + low productivity growth = low global trend growth. Among other things, the high level of indebtedness leads to a more unequal distribution (Gini index). This is one of the reasons for shifts in political constellations (polarization).
- Geopolitical tensions – especially the conflicts in the Ukraine and in the Middle East – remain heightened.
- A de-dollarization and possible decoupling from the West of an enlarged BRICs group seems possible, but this would result in two newly competing currency systems.
- The polarization between the "West" and the "Global South" can make it more difficult to finance Western debt in the long term – also due to the confiscation of state assets.

Economy

- Compared to the last decade, macro-economic volatility and nominal growth will remain elevated for longer.
- Downside risks to growth are pronounced. There is a great deal of uncertainty about the development of the global economy, particularly the US economy, due to US tariff policy.
- The long-term outlook for the US economy remains favourable given its high trend growth, but there are signs of a temporary period of weakness due to President Trump's economic policies. We see a subdued growth environment across Europe. China's weak domestic demand but growing production capacities threaten the industrial sectors in the advanced economies.
- Inflation and interest rate cycles have been synchronized globally since the pandemic but will diverge more strongly again in the future.
- The ECB has probably ended its rate-cutting cycle. The Fed will cut interest rates markedly, and US monetary policy will become too accommodative for macro-economic conditions during the course of 2026.
- In the longer term, (government-led) investment should increase and support growth.

The Big Picture II

Influencing Factors

- Geopolitical risks (i.e. Ukraine, Israel, Iran, Taiwan and Turkey) have increased and will remain elevated for a prolonged period. This reinforces the deglobalization trend.
- Fiscal policy will remain expansionary, and no austerity policy is likely to be pursued.
- Political risks, with the potential for long-term very adverse outcomes, remain substantial, especially amid the ascent of EU/Euro critical parties in Europe and protectionist measures by the US government. Global risks, and thus the potential for markedly negative long-term scenarios, remain pronounced. The risk of a technological decoupling between the US and China and an economic bloc formation has increased.
- Birth rates have fallen sharply recently. This can lead to social tensions and put additional pressure on trend growth in the longer term.

Market Environment

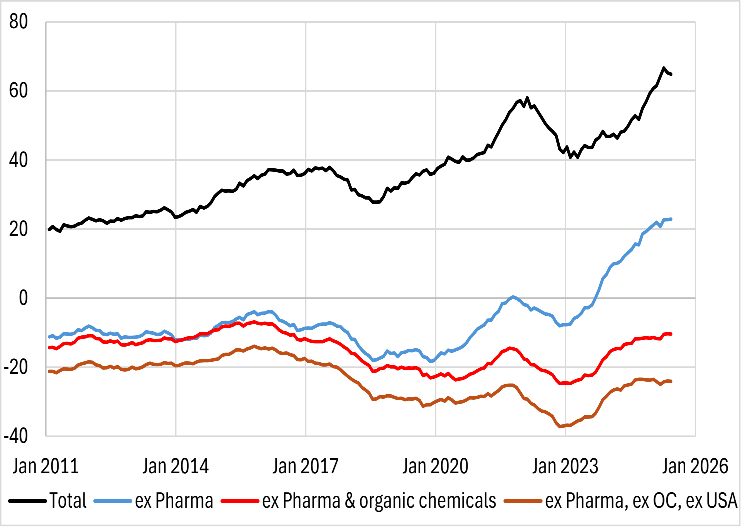
- Risk assets are attractive in the long term. However, due to diverging economic cycles, a selective allocation is advisable.
- The outlook for equities is volatile and accompanied by pronounced setbacks but remains fundamentally positive in the long term. Corporate profits can increase and will be the main contributor to a positive performance.
- The trend towards sustainable investments and "green finance" will intensify across all asset classes in the coming years.
- Yields of “safe" bonds such as German Bunds and US Treasuries will trade sideways on a multi-year horizon.
- With rate cuts, spread products become more attractive. Carry and roll-down remain important for fixed income investors.
- We are positive for the Swiss franc.
- Longer term friendly environment for precious metals.

Positioning

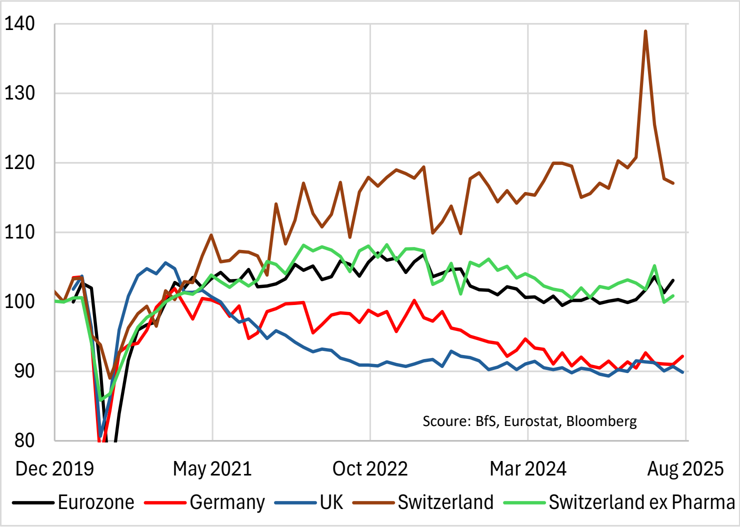
Asset Class	What we like	What we underweight
Liquidity		
Fixed income	▪ Short to medium-term investment grade assets (funds) ▪ Corporate bonds	▪ Long-term segment
Equities	▪ Solid dividend stocks ▪ Industrial, financial and technology stocks ▪ Themes: AI infrastructure and quantumcomputing ▪ EM: Vietnam	
Alternative investments	▪ Prescious metals (focus on Gold and Silver) and Uranium (all physical) ▪ Crypto: Bitcoin ▪ US real estate bridge financing and cat bonds	
Currencies	▪ CHF ▪ JPY	

Switzerland

Trade balance (in bn CHF)



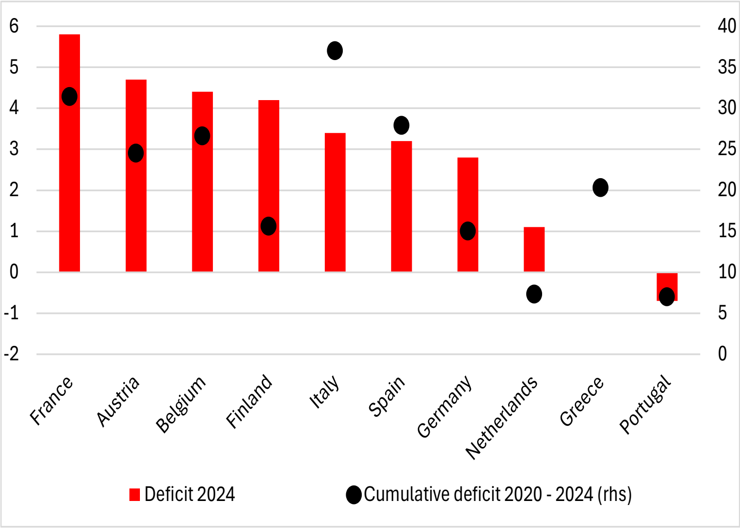
Industrial production (Dec 2019 = 100)



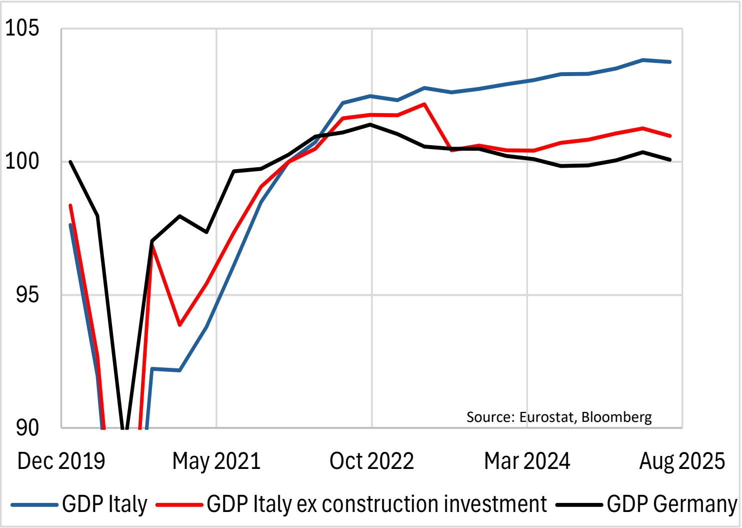
- In recent years, Switzerland has outperformed the Eurozone. This was largely driven by the pharmaceutical industry and its increasing exports. However, excluding the pharmaceutical industry, manufacturing has performed as poorly as the Eurozone economy in recent years. Meanwhile, the US has become by far the most important export market, accounting for almost 20% of total exports and generating a trade surplus equivalent to 5% of GDP.
- However, the 39% import tariffs imposed by the US represent a significant challenge for the Swiss industrial sector. These tariffs affect around half of exports to the US (excluding gold). Hopefully, Switzerland will find a way to significantly reduce these tariffs as part of an agreement with the US. High sectoral tariffs on pharmaceutical products would cause even greater problems. Downside risks to the Swiss economy have increased, and depending on the long-term structure of US tariffs — especially for pharmaceutical products — the country's outperformance relative to the Eurozone could soon come to an end.
- However, Switzerland has considerable fiscal leeway to support domestic demand. It may make use of this if necessary It will also press ahead with free trade agreements with other countries.

Eurozone

Budget deficit (in % of GDP)



GDP Italy & Germany (Q4 2021 = 100)



- In France, productivity growth has stagnated, and fiscal policy was the main driver of economic growth in the post-coronavirus period. The deficit and debt dynamics are however unsustainable, which is why the government started introducing deficit reducing measures last year. However, this has led to increased political conflicts. The French Economy has likely entered a prolonged period of weak performance. Against the backdrop of substantial fiscal support in the form of a high budget deficit and significant support by the EU's Next Generation support fund, developments in Italy are disappointing. As the boom driven by fiscal policy in the construction and craft sectors comes to an end, the underlying weakness is likely to become more apparent. Austria is also suffering from high budget deficits and lacklustre growth. Its government debt/GDP ratio is set to reach a new record soon. In addition, the well-developed welfare state is pushing up labour costs for companies.
- The outlook for the EU periphery (excluding Italy) and for the Netherlands remains positive. Germany is expected to experience stronger growth in the medium term due to fiscal easing. However, productivity growth, and thus trend growth, remains low almost everywhere in the Eurozone.

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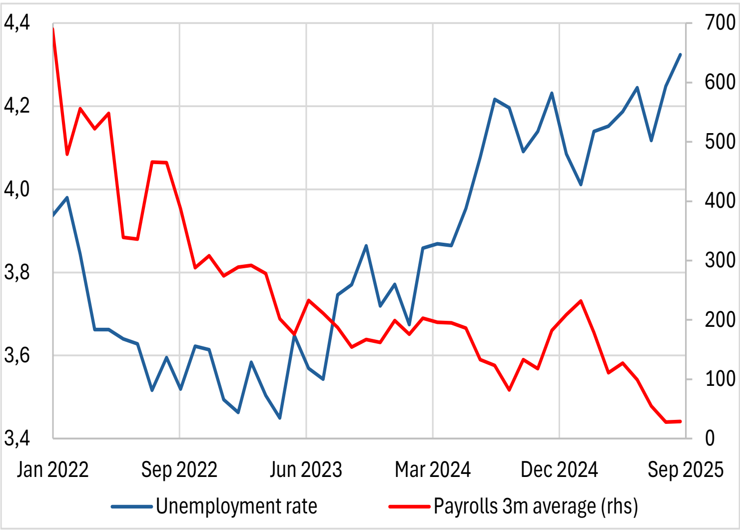
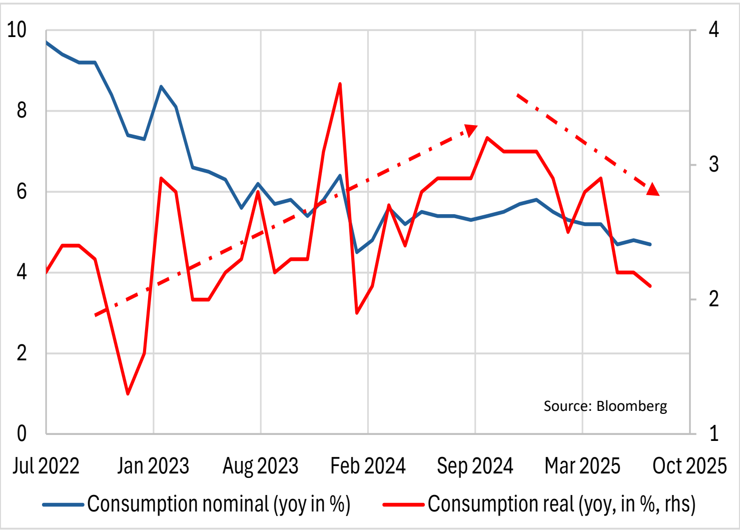
USA I

Unemployment rate & job creation



Consumption (yoy in %)



- Momentum in the US labour market has slowed significantly. Although companies are not laying off significantly more employees than before, they are also hardly hiring any new ones. Consequently, the number of new jobs created has fallen considerably, pushing the unemployment rate up.
- The weaker labour market and higher goods prices due to tariffs are weighing on consumption. Accordingly, growth in consumer spending has slowed in recent months.
- The tariffs implemented to date are equivalent to a fiscal tightening of around 1.5%. As tariffs also affect intermediate goods, companies' price competitiveness is weakening. Consequently, the US economy has lost momentum. However, due to high productivity and trend growth, a recession remains only a risk scenario unless there is further escalation in trade conflicts or external shocks.
- Economic momentum is expected to strengthen again in 2026 thanks to fiscal easing under the “Big Beautiful Bill”.

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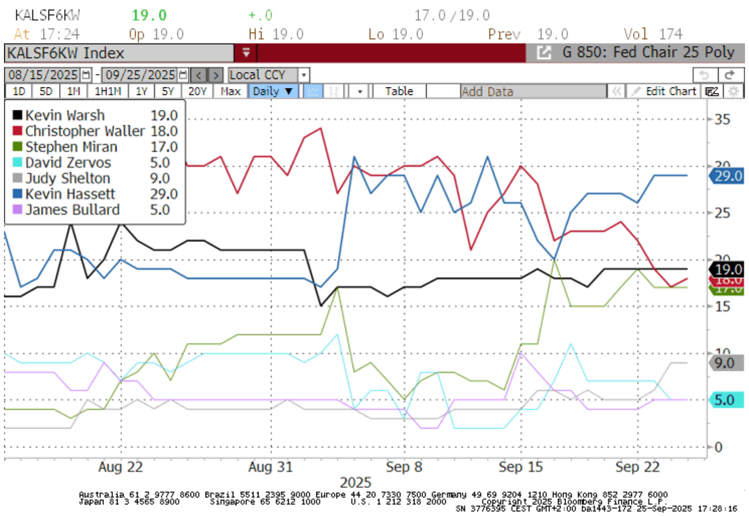
USA II

Betting odds for new FOMC president



Increasing divergence between 2y & 30y UST yields

- Against the backdrop of weaker labour market momentum, the US Fed has resumed interest rate cuts after a lengthy pause.
- Another factor is the mounting pressure from President Trump on the Fed to swiftly and substantially reduce interest rates. This politization of the central bank is likely to result in monetary policy becoming too accommodative in the medium term. Accordingly, in the base case, interest rates could be cut at least four times rather than the two that would be appropriate from a macro-economic perspective.
- Monetary policy that is too loose in relation to macro-economic conditions is accompanied by lower short-term interest rates. However, due to higher inflation expectations and term risk premia, this places an additional burden on longer-term US government bonds. Conversely, they provide further support for equity and fixed income markets. Furthermore, this creates greater incentives to increase exposure to alternatives to the US dollar. These include precious metals such as gold and silver in particular.

Fixed Income I

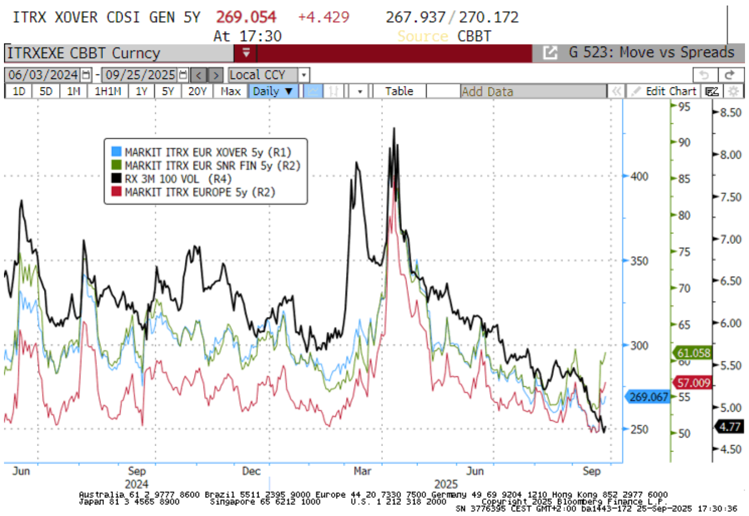
10y UST term risk premium

30y sovereign bond yields

- During the 2010s, term risk premiums declined. This was likely due to low nominal growth resulting from very low inflation, as well as monetary policy involving negative policy rates, forward guidance and quantitative easing. Due to falling risk premiums, yield curves had also flattened.
- Since the outbreak of the pandemic, however, term risk premiums have been rising again. Inflation, and thus nominal growth, has increased significantly. Consequently, central banks have abandoned negative interest rate policies as well as forward guidance and simultaneously switched to a policy of quantitative tightening. This has led to a normalization in term risk premiums. Moreover, the supply of government bonds is substantial due to high deficits, and debt dynamics have deteriorated considerably in some countries. At the same time, demand for long maturity bonds from major investors such as pension funds and life insurers has weakened.
- The trend towards higher term risk premiums is likely to continue on a global basis in the coming years. From a strategic perspective, this provides for a difficult environment for longer-term government bonds.
- US Treasuries are likely to perform better in the short term due to weaker economic momentum.

Fixed Income II

Credit spreads & implied volatility (Bund future options)



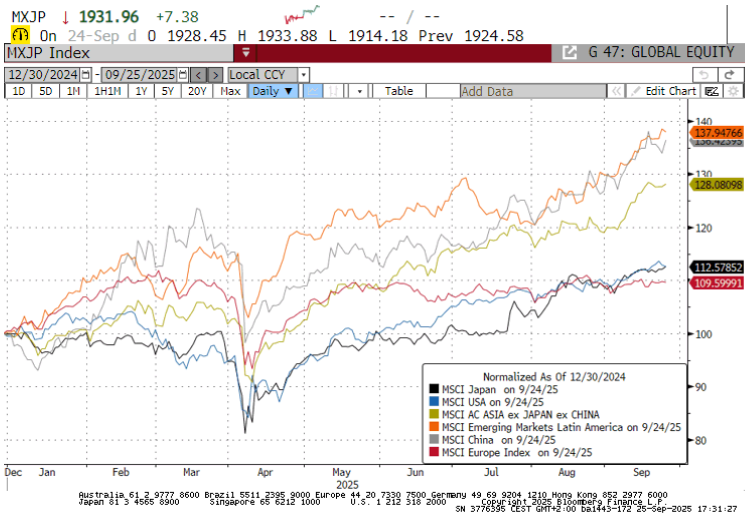
Yield spreads 10y Bunds vs. EU sovereign bonds

Source: Bloomberg

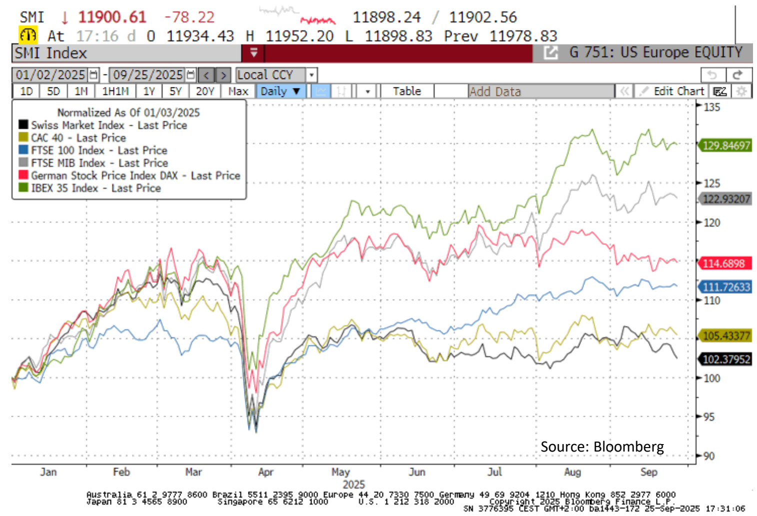
- High nominal growth supports lower interest rate spreads, making it easier to service existing debt. Additionally, the peripheral Eurozone countries in particular are benefiting from the Recovery and Resilience Facility. Further joint borrowing is possible.
- Therefore, short- to medium-term investments in the investment grade segment and corporate bonds can remain overweight. However, the macro-economic risks arising from trade conflicts are significant, and spreads are relatively narrow. Consequently, only a modest and increasingly selective overweight position is advisable.
- We recommend an underweight in France for both government and private sector bonds across the entire yield curve. Exercise caution with longer maturity high-yield bonds, and instead focus on short and medium maturities. Gradual reduction of Italian and Austrian bonds at the longer end of the curve.

Equity Markets

Global equity markets (performance 2025)



European equity markets (performance 2025)



- A US monetary policy that is too loose tends to support risk assets. It is likely to lead to higher nominal growth and corporate profits, while at the same time supporting market valuations. However, market valuations are already high, particularly in the US. Therefore, P/E ratios can rise, but only moderately. A significant portion of the stock market performance would therefore have to come from earnings growth.
- The prospect of a significant easing in US monetary policy is also benefiting emerging markets. These countries often have liabilities denominated in US dollars and therefore, their financing conditions are also becoming more attractive. Furthermore, capital inflows into these regions have historically increased when US interest rates were cut markedly.
- Strategically, a moderate overweight in equity markets remains attractive. An overweight is recommended in the US and in Europe, particularly in the periphery of the Eurozone, in Germany and in the UK. An exposure in Asia and emerging markets seems also attractive. From a strategic perspective, major setbacks still present themselves as buying opportunities.

US-Dollar & Gold

Trade-weighted USD, CHF & EUR/USD (inverted)

Nyse Arca Gold mining index & P/E ratio

- President Trump's policies are endangering the US dollar in several ways: cyclically (the US economy has weakened), strategically (the concept of "US exceptionalism" is coming to an end), and structurally (institutions, especially the independent central bank, are being weakened). Downside risks for the dollar remain elevated for the time being. For global investors, an allocation to US dollars which is more oriented towards the USA's share in global GDP (approx. 30%) than the share of the US equity market in the MSCI World Index (approx. 70%) seems preferable.
- The long-term outlook for precious metals, especially for gold, remains favourable. Central bank purchases have risen significantly due to geopolitical developments. In the long term, the US debt dynamic which threatens to undermine confidence in the US dollar as the global reserve currency, may also provide support. Additionally, the politization of the US central bank could lead to an overly accommodative monetary policy in the medium term. This environment is favourable for gold mining stocks. While the price of gold has risen, the price of oil has fallen. Energy is a key cost factor in gold production. When sales prices rise and costs fall simultaneously, profitability increases further. Therefore, the valuation of gold mining stocks remains attractive.

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