

ECONOMIC RESEARCH – SEPTEMBER 2025

INVESTMENT INSIGHT

SWITZERLAND



- ✓ Swiss bonds offer no prospects
- ✓ Serious threats weigh on Swiss equities

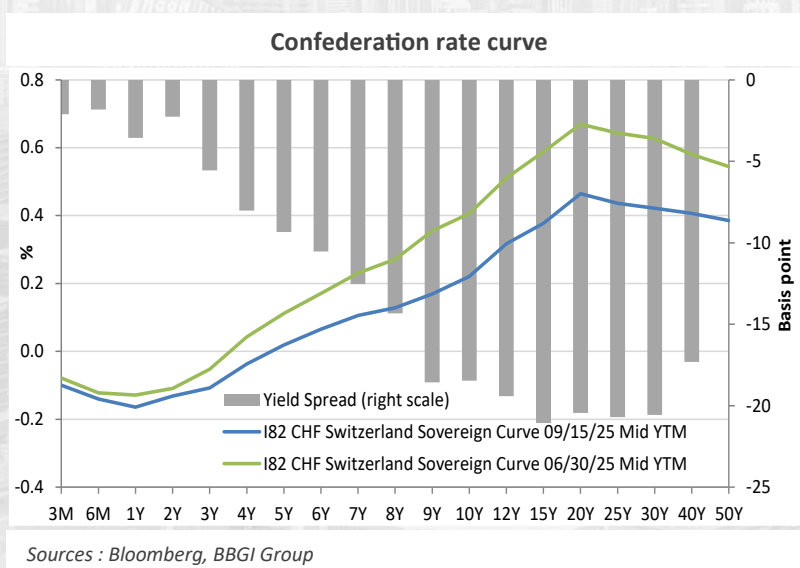
SERIOUS THREATS LOOM OVER SWISS STOCKS

Swiss bonds offer limited prospects

Our outlook for Swiss bonds has shifted to a cautious stance. While we have lowered our target for short-term rates, which could potentially push long-term yields below zero again, the prospects for capital gains are constrained. We believe that the current environment does not present a favorable risk-reward profile, and we therefore recommend maintaining an underweight exposure to Swiss bonds.

Swiss equities face external headwinds

The Swiss equity market is currently grappling with a redefinition of risks and opportunities, which is creating a significant divergence in performance across different segments. While the broader market remains resilient due to a concentration in defensive stocks, it is seriously threatened by the aggressive trade policies of the United States. US tariffs represent a major external risk and are the most powerful factor driving this sectoral differentiation. This external pressure on export-oriented sectors is reshaping the investment landscape and demanding a more nuanced approach from investors.



The MEM industry is highly vulnerable

The machinery, electrical equipment, and metals (MEM) industry is one of the most vulnerable sectors. Companies in this industry are directly exposed to higher costs for their products in the US market, and are also facing an overall decline in customer investment. This trend is already clearly visible in their order books.

Valuations are demanding given weak earnings outlook

The SMI has benefited from an ultra-accommodative monetary policy, but the deteriorating earnings prospects for many companies are weighing on valuations. The SPI's price-to-earnings (PE) ratio is currently around 17x, which is a demanding level considering the downward revisions to 2026 earnings growth forecasts. This suggests that the market is not yet fully pricing in the economic headwinds.

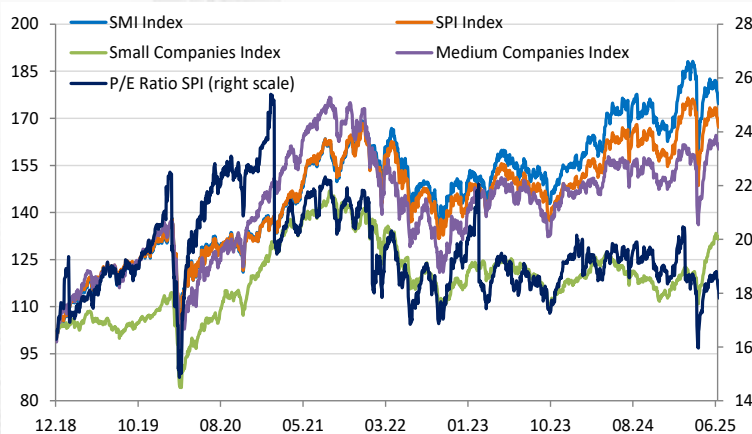
Defensive sectors offer relative safety

In this environment of heightened risk and uncertainty, we are observing a flight to quality within the equity market itself. Sectors with strong exposure to the stable domestic Swiss market are proving to be resilient. These include financial services, such as local banks, as well as real estate, telecommunications, and consumer staples.

A strategy of rebalancing is recommended

Given these trends, a more optimal strategy would be to rebalance portfolios towards these more defensive market segments. While the broader market faces risks of consolidation and further volatility, domestic-focused sectors offer a more secure and stable haven for investors. A strategic rebalancing can help mitigate the growing risks in the current environment. This proactive repositioning provides a better risk-reward balance. It aims to protect capital while still allowing for participation in the areas of the market with stronger fundamentals.

Exchange rates and SNB reserves



Sources : Bloomberg, BBGI Group

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