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# MONTHLY NEWSLETTER

September 2025

## KEY ECONOMIC DATA

- The U.S. GDP estimate for Q2 2025 was released on 28 August, confirming an annual growth rate of 3.3%, up from a 0.5% contraction in Q1.
- U.S. core CPI inflation accelerated to 3.1%, while headline CPI remained at 2.7%.
- Eurozone consumer price inflation remained at 2.0% year-on-year in July, unchanged from June and above the market expectation of 1.9%.
- China's manufacturing PMI contracted for the fifth consecutive month, reaching 49.4 and indicating ongoing weakness in manufacturing.
- The UK economy grew by 0.3% in Q2, a slowdown from the 0.7% growth seen in Q1.
- Swiss CS-CFA Society Economic Sentiment Index plummeted to -53.8 in August, down from 2.4 in July and the lowest level since November 2022.
- Swiss industrial production fell in Q2, with deflationary pressures on import and producer prices intensifying.
- Japanese exports fell by 2.6% in July compared to the previous year, marking the third consecutive month of decline.

Federal Reserve Chair Jerome Powell opened the door ever so slightly to lowering key interest rate in the coming months

12.8%

PERFORMANCE
OF THE CHINA A ONSHORE
INDEX IN AUGUST

## INVESTMENT PERSPECTIVE

Forecasts for real GDP growth in the second half of the year suggest slower quarter-on-quarter growth rates in most regions. Although some major economies, such as the US, Canada, the Eurozone and China, have recently reported stronger-than-expected 2Q GDP growth, leading to upward revisions in forecasts, this momentum is expected to weaken, at least temporarily.

As we have often emphasised in previous editions, this slowdown reflects the increase in effective US tariff rates, the unwinding of the initial growth boost from tariff front-running effects, and high levels of uncertainty and restrictive monetary conditions, particularly in the United States.

Incidentally, regarding monetary policy, there is a growing probability of modest rate cuts in the US. This has caused the dollar to decline by 2.2%, reversing the gains made in July, and has pushed the US Dollar Index (DXY) towards multi-year lows. This was triggered by Federal Reserve Chair Powell's Jackson Hole speech, in which he highlighted labour market weakness that could soon outweigh inflation concerns. This has led to market expectations of potential rate cuts starting in September.

The weak dollar has caused yields in US Treasury markets to drop as investors anticipate monetary easing. However, concerns about reduced foreign demand for US debt amid fiscal deficits have subsequently raised borrowing costs.

Meanwhile, the European Central Bank is expected to keep interest rates at their current level, whereas the Bank of England cut rates by 25bps, from 4.25% to 4.00%, marking its fifth rate cut since August 2023. This was due to rising unemployment, albeit with inflation stubbornly remaining high at 3.6%.

Nvidia's results reinforced confidence in the AI-driven tech sector rally, showing robust growth in AI infrastructure spending. Despite the strong earnings beat, the stock price initially declined in after-hours trading because data centre revenue missed a narrow forecast, and the absence of any China sales prompted a cautious investor response.

Meanwhile, crude oil prices fell by around 4.1% due to rising supply, increased production and geopolitical tensions dampening bullish momentum, all of which are concerns about demand. Precious metals gained as Federal Reserve Chair Powell's dovish speech lowered funding costs.

**U.S. Dollar Index (DXY)**


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## INVESTMENT STRATEGY

Trump's aggressive tariffs, unpredictable immigration policies, and the trajectory of budget deficits have introduced significant economic uncertainty. Tariffs risk pushing inflation higher, restraining Federal Reserve easing and raising long-term bond yields.

The hawkish stance of the US central bank has infuriated President Trump, who has demanded an aggressive cut in interest rates from the current level of 4.25–4.50% to as low as 1.3%. Trump has intensified his attacks on the Fed's independence by attempting to remove Fed Governor Lisa Cook for alleged financial fraud. This would give Trump a majority on the Fed's board and potential control over key monetary policy levers.

We remain cautious about the trend in long-term interest rates and continue to favour intermediate maturities. In Europe, the highly probable fall of the French government has once again put pressure on peripheral sovereign issuers.

Within fixed income, our strongest conviction remains in credit, particularly in emerging market corporate credit, due to its solid fundamentals and attractive yield. As these securities are generally issued in US dollars, we recommend favouring those with currency hedging to avoid the current negative trend in the US dollar.

The end of summer is traditionally associated with concerns about September and its unfavourable seasonality. This is more than just a myth; historically, this month has been the worst for the main US stock market index. Since 1945, the index has fallen by an average of 0.75% during September, making it the worst month of the year on average.

French government risks collapse with budget confidence vote in September

## PORTFOLIO ACTIVITY

Overall, we kept to our original allocation throughout the month, a decision that proved wise given the favourable ongoing trends in the credit and equity markets. However, the negative effects of the weak US dollar, which rebounded in July, were evident once again.

The narrowing of credit spreads continued to support this segment of the bond market. Given its current level, we should no longer expect this component to have a positive impact on future returns. We have been monitoring this trend for several months, and at current levels we are considering reducing our positions.

After creating a small position in small- and mid-cap US stocks for our US dollar-based portfolios, which we gradually increased, we began the same process for our euro-based investors. In addition to attractive valuations and better earnings growth, Europe's ongoing structural investments – particularly Germany's fiscal spending plans and increased defence spending – are positive growth drivers for this sector. Mid-cap stocks also tend to be more domestically focused and less dependent on global supply chains, which can be advantageous amid global trade uncertainties.

Despite the risks posed by global trade tensions, US political uncertainty, and inflationary pressures, we maintain a positive stance on emerging market equities. These markets offer balanced opportunities through improved regional cooperation, attractive valuations, and supportive macroeconomic momentum.

The Federal Reserve is widely anticipated to implement two to three rate cuts by year-end. However, political challenges affecting Fed independence and ongoing tariff-related legal disputes are adding to market uncertainty, undermining confidence in the US dollar as a safe haven. Consequently, we are minimizing US dollar exposure to mitigate risk amid an accelerating downward trend.

| | 31/12/2024 | 30/06/2025 | 29/09/2025 | Month-to-Date | Year-to-Date |
|---|---|---|---|---|---|
| **Yields (%)** | | | | Δ In basis points | Δ In basis points |
| US 3-Month | 4.31 | 4.29 | 4.14 | -20 | -18 |
| German 3-Month | 2.49 | 1.79 | 1.81 | -3 | -67 |
| US 2-Year | 4.24 | 3.72 | 3.62 | -34 | -62 |
| German 2-Year | 2.08 | 2.17 | 1.94 | -2 | -14 |
| US 10-Year | 4.57 | 4.23 | 4.23 | -15 | -34 |
| German 10- Year | 2.36 | 2.61 | 2.72 | +3 | +36 |
| **Currencies** | | | | Δ In % | Δ In % |
| EUR/USD | 1.0354 | 1.1787 | 1.1686 | 2.4 | 12.9 |
| USD/CHF | 0.9074 | 0.7931 | 0.8005 | (1.5) | (11.8) |
| EUR/CHF | 0.9401 | 0.9348 | 0.9355 | 0.9 | (0.5) |
| GBP/USD | 1.2516 | 1.3732 | 1.3504 | 2.2 | 7.9 |
| **Commodities** | | | | Δ In % | Δ In % |
| Oil (WTI) | $71.7 | $65.1 | $64.0 | (7.6) | (10.8) |
| Copper | $402.7 | $503.0 | $452.9 | 3.8 | 12.2 |
| Gold | $2'625 | $3'303 | $3'448 | 4.8 | 31.4 |

Source: Bloomberg Finance L.P.