

PROBUS  PLEION

Monthly Newsletter

August 2025

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EDITORIAL

\$39 billion surplus = 39% in taxes

When absurdity has no more limits

The above formula is most likely the one used by the US president to set the customs duty rate imposed on Switzerland. Why not 44.78%, like the altitude of the Matterhorn (4,478 m), or 40.97%, like the distance in miles between Bern and Washington? At the beginning of August, on the very day of our National Day (how ironic), the surprise is total and the shock severe for the Swiss industry. The United States is Switzerland's largest market, accounting for 18.6% of exports in 2024, compared with 14.7% for its second largest market, Germany.

Swiss naivety in the face of an authoritarian regime

One need only look at how badly the US has treated its closest partner and neighbor, Canada, threatening it with nothing less than annexation, to realize that the diplomatic practices of the past are no longer of any use in dealing with a regime that must now be

considered authoritarian since Donald Trump's second election.

According to a Bloomberg source, it seems that the telephone conversation between the US president and Swiss president Karin Keller-Sutter went badly and that, in a fit of anger, Donald Trump came up with this formula to determine the rate of tax imposed on Switzerland. To date, pharmaceutical products are not (yet) affected, but the September 29 deadline imposed on 17 pharmaceutical companies to submit a plan to lower drug prices in the US could well mean, if the offers made are rejected, a return of the sector to the list of taxed products.

The market is (still) hoping for yet another U-turn

At this stage, opinions differ on the likelihood of yet another U-turn by Donald Trump, but time is ticking and the number of issues on the president's desk does not bode well for the Swiss issue returning to "the top of the pile". Among the big losers are the watchmaking industry and all the SMEs for which "Swiss Made" is a fundamental part of their production. For Swiss multinationals and pharmaceutical companies, there is more room for maneuver, but the damage has already been done.

What consequences can we expect for the markets?

While the customs duties imposed on the EU and Japan are ultimately a lesser evil, the 39% imposed on Swiss industry is a real blow that is sure to weigh on the prices of many Swiss stocks in the coming quarters.

Details of the \$39 billion trade surplus

Commerce total	Importations: 26 mrds	Exportations: 65 mrds	Solde: +39 mrds
Produits pharmaceutiques	4.8	31.2	26.4
Pierres et métaux précieux	12.1	13.7	1.6
dont or	10.7	10.7	-0.1
bijoux	0.7	2	1.3
Instruments de précision	1.9	3.8	1.9
dont instruments médicaux et prothèses	1.4	2.8	1.4
Horlogerie	0.2	4.4	4.2
Machines et appareils mécaniques	1.1	3.1	2
Machines et appareils électriques	0.7	1.6	0.9
Produits chimiques	0.5	1.7	1.3
Appareils pour la navigation aérienne ou spatiale	0.9	0.7	-0.1
Objets d'art et antiquité	0.7	0.5	-0.2
Café	0	1	1

Tableau: ptur • Source: [Office fédéral de la douane et de la sécurité des frontières](#) • [Récupérer les données](#)

SWI swissinfo.ch



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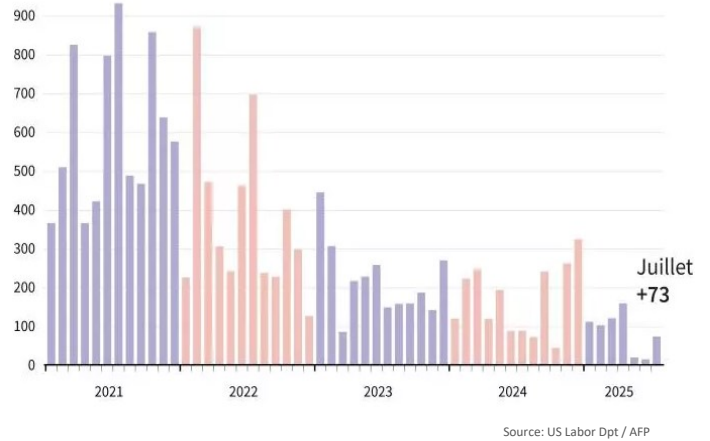


Assessment of the economic situation

The US job market is weaker than expected, pushing the unemployment rate up to 4.2%. The probability of a Fed rate cut in September rises to 80%, while European economic growth stagnates.

The US employment deemed too low, manager fired...

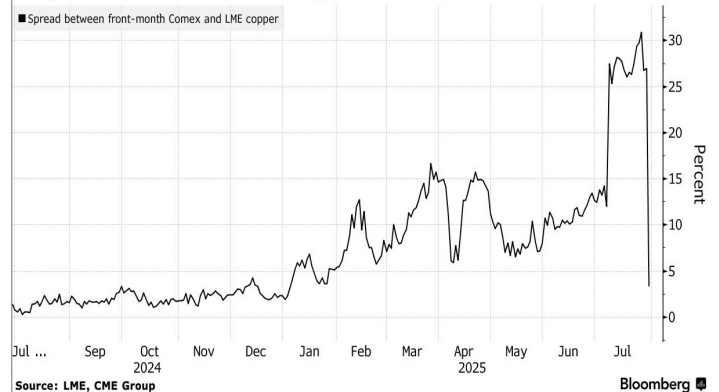
The publication of US employment figures (non-farm payrolls) for July showed a marked slowdown, with only 73,000 jobs created, but it was above all the sharp downward revisions to the figures for May and June that surprised the markets, with no fewer than 258,000 jobs in total having "disappeared" since the initial publications. Thus, over the last three months, job creation has been at its lowest level since the pandemic, given that 100,000 to 150,000 jobs need to be created each month to maintain a stable unemployment rate, which now stands at 4.2%. Furious at this result, Donald Trump immediately fired (sic) the head of statistics...



US copper premium "evaporates" in one trading session..

Since the beginning of the year, copper traders had slowly built up stocks on the Comex (Commodities Exchange), fearing that the Trump administration would impose import taxes on the red metal. Gradually, a premium developed between Comex and LME (London Metal Exchange) prices, fluctuating between 5% and 15% during the first half of the year. In early July, these fears were confirmed with the announcement of a 50% tax on copper imported into the US. The premium for copper listed on Comex then rose sharply to 25%-30% before finally collapsing to 3% in one day at the end of July, when the US administration decided that the tax would only apply to finished products and not to the raw metal...

Premium for US Copper Collapses After Tariff Shock Plunge in New York futures narrows gap to LME benchmark

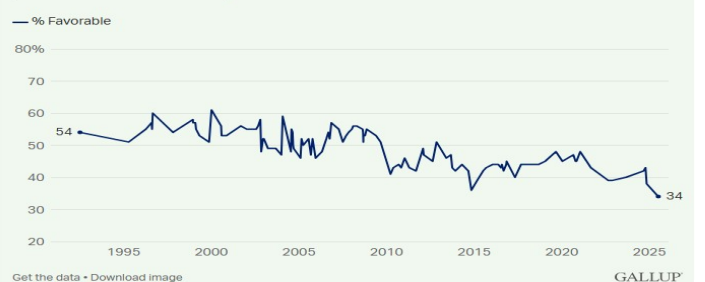


Democrats are not capitalizing on the current chaos

While President Trump's approval ratings are falling significantly, largely due to his numerous controversial statements and the chaos surrounding the White House, the Democrats currently seem unable to satisfy those who are dissatisfied. Their approval rating also continues to plummet and is at its lowest level in more than three decades, with many Americans not identifying with a party they consider too left-wing and too focused on minorities, whatever they may be.

Americans' Favorable Ratings of the Democratic Party

Please tell me whether you have a favorable or unfavorable opinion of each of the following parties. **The Democratic Party**



What about the SNB's monetary policy?

The SNB announced a loss of CHF 15.3 billion in the first half of the year, mainly due to a CHF 22.7 billion loss on foreign exchange (primarily in USD). On the positive side, the gold position (unchanged in volume) yielded CHF 8.6 billion, following

the surge in gold prices. If this result is confirmed in December, it would mean no dividend for the year. A dividend that could amount to CHF 3 billion, which the Confederation and the cantons would greatly need.



Financial markets during the month

The S&P 500 hit a new all-time high on July 31, following strong results from Microsoft and Meta. The bond market took note of weak US employment figures for July, while gold held steady.

Has the price of “Mag 6” gone too high?

We have frequently discussed the staggering market capitalizations of the heavyweights on the US stock market, and in particular the gap between them and their European counterparts.

If we take the top six (Tesla no longer really is magnificent in our view), a new peak was reached on July 31, with two companies now valued at over \$4 trillion and almost six at over \$2 trillion. Using a price/earnings multiple of 20x, a level that prevails when growth is “normalized,” a valuation of \$4 trillion would imply annual profits of \$200 billion, or \$4 billion per week... Even if the current consensus remains very positive about the growth of artificial intelligence and its applications, will it be possible to further increase or monetize the pharaonic expenditures currently being made?

The risk of (long) duration does not pay off







For once, we are distancing ourselves from the short-term fluctuations of the yield curve, which is pushed down or up depending on the strength of economic data. In the long term, as demonstrated by this study of the US Treasury bond market over the past 65 years (!), investing in long-term (7-10 years) or very long-term (20 years) yields does not pay off. In fact, the total yield is around 6% per annum, which is less than the 5-7 year segment and the same as the 3-5 year segment, while being subject to much higher volatility.

For private clients, the 3-5 year segment is the most attractive, combining sufficiently attractive yields with volatility that is “bearable” for the majority of investors. Very long durations are therefore clearly intended for institutional portfolios or benchmarked management that must replicate indices.

The Baltic Dry Index is on the rise again

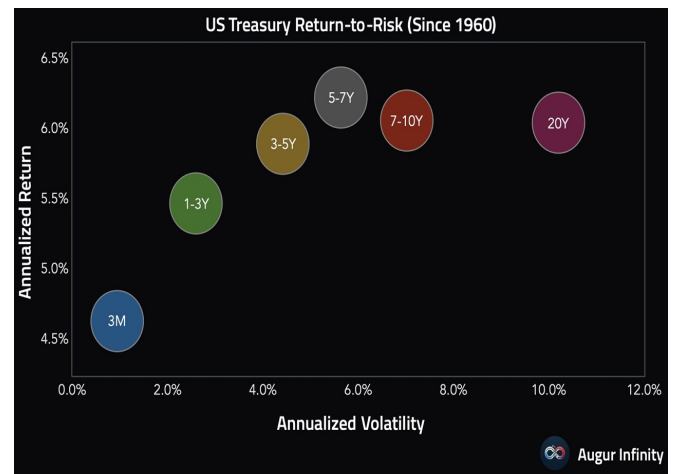
It has been a long time since anyone mentioned this index, which, for the record, shows the cost of maritime transport for dry bulk commodities (i.e., not oil or gas). It is composed of several sub-indices based on ship size, including the Capesize Index for the largest ships, the Panamax Index for those capable of passing through the canal, and the Supramax Index for smaller ships. While this highly volatile index reached a two-year low in February, the new situation imposed by US customs duties is further complicating the global supply chain, particularly for shipments to the United States. As a result, the cost of maritime freight could rise further (+20% in 2025), placing even greater demands on the available fleet and thus delighting maritime transport companies.

The market capitalization of the “Magnificent 6”

Rank	Name	Market Cap
1	 NVIDIA NVDA	\$4.443 T
2	 Microsoft MSFT	\$4.001 T
3	 Apple AAPL	\$3.119 T
4	 Amazon AMZN	\$2.486 T
5	 Alphabet (Google) GOOG	\$2.353 T
6	 Meta Platforms (Facebook) META	\$1.969 T

Source: CompaniesMarketCap.com

Annualized returns and volatilities by duration



Source: Ashenden Finance

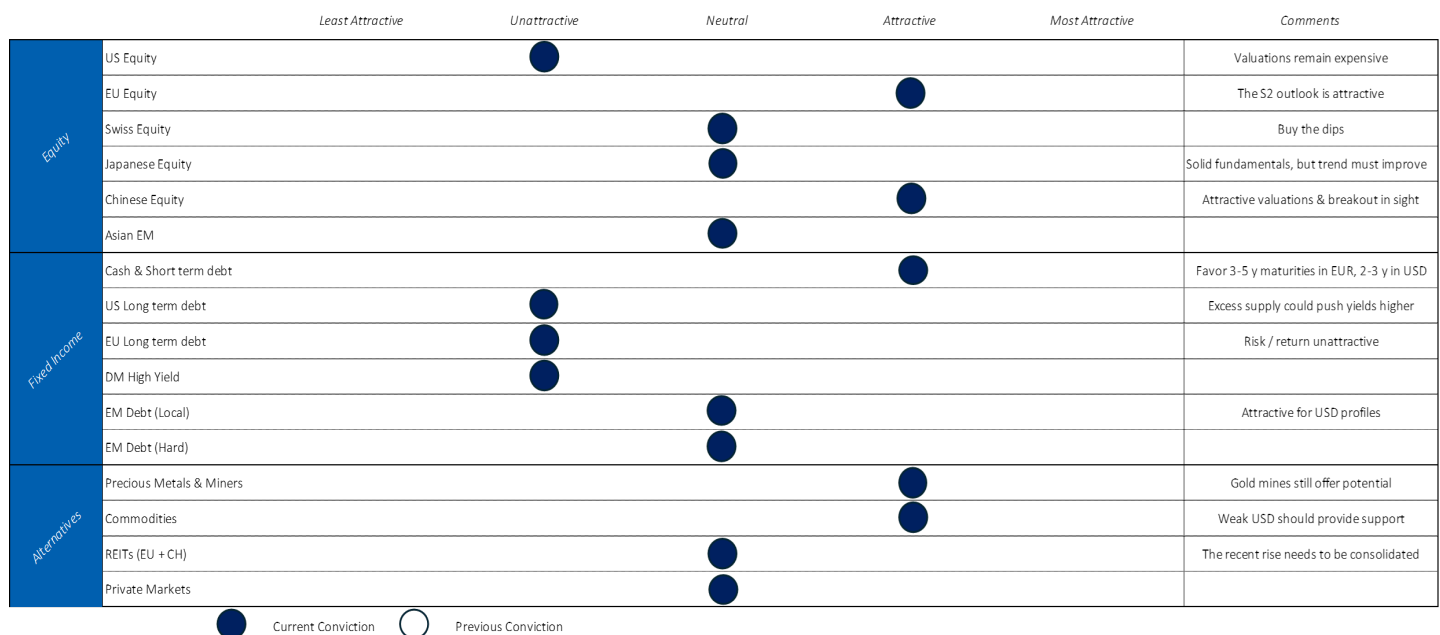
The Baltic Dry Index in 2025



Source: Tradingeconomics.com



Our convictions



Comments on investment decisions

The US budget has been finalized, the debt ceiling raised, and most customs duties are now known. US corporate earnings have exceeded expectations, but the latest employment figures have cast doubt on future growth. Bonds are hesitant, gold is still consolidating, and the dollar is rebounding.

Equities

July was another good month for US equities, particularly those linked to the technology sector. Enthusiasm for artificial intelligence is at fever pitch, while valuations in the sector are reaching levels that will be difficult to sustain over the long term. Japanese equities rebounded in the wake of a US-Japan trade agreement that the market deemed acceptable, if not balanced.

European equities are trading water, mirroring the profits announced for Q2. Swiss equities are suffering from the strong franc and will suffer from the 39% customs duty.

Bonds

The slightly less accommodative tone adopted by the ECB at its July 24 meeting pushed up yields at the short end of the yield curve. Market participants are now less confident about the likelihood of a further rate cut before the end of the year. In USD, the likelihood of a Fed rate cut in September is skyrocketing, following poor July employment figures and downward revisions for May and June.

Precious metals, listed real estate (REITs)

Gold remained flat in July, posting a 0.4% decline over the month. The rebound of the dollar in July played a role, with the greenback posting a monthly gain of 3.2%. Platinum “came down to earth”, falling by \$200 per ounce at the end of the month, after its peak of \$1,488 set on July 18. REITs spent a month under pressure, as the ECB's cycle of rate cuts appeared to be coming to an end. Our downgrade last month from attractive to neutral proved to be appropriate in anticipation of a more constructive market dynamic. A further 5% decline would turn us more positive on the segment.

Currencies

The greenback's decline was so sharp in the first half of the year that a rebound seemed inevitable. The question was not whether this rebound would occur, but rather how strong it would be. Currently, it has been 3%, with the Dollar Index stalling at the 100 level. If expectations of rate cuts in 2025, but especially in 2026 (the end of Powell's term in May 2026), were to increase, there is no doubt that the dollar could quickly come under pressure again.



Performance summary

Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	11836	-0.7	2.0	-3.9
STXE 600 (EUR) Pr	546.1	0.9	8.2	5.4
CAC 40 INDEX	7772	1.4	6.3	3.2
DAX INDEX	24065	0.7	20.9	30.0
FTSE 100 INDEX	9133	4.2	12.5	9.1
Euro Stoxx 50 Pr	5320	0.3	9.3	9.2
DOW JONES INDUS. AVG	44131	0.1	3.7	8.1
S&P 500 INDEX	6339	2.2	7.3	14.8
NASDAQ COMPOSITE	21122	3.7	8.4	20.0
RUSSELL 2000 INDEX	2212	1.7	-0.7	-1.9
TOPIX INDEX (TOKYO)	2943	3.2	5.7	5.3
FTSE CHINA A50	13788	1.8	1.5	15.8
Global Index	929.62	1.3	10.2	14.2

Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	138.3	0.4	-0.2	2.1
Euro-Aggregate	245.8	0.0	0.8	2.7
U.S. Aggregate	2271.1	-0.3	3.6	3.4
Global Aggregate	489.7	-1.5	5.6	4.4

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.812	2.4	-10.1	-7.5
EUR	1.142	-3.2	9.7	5.4
DX	99.97	3.2	-7.5	-4.0
GBP	1.321	-3.8	5.2	2.7
JPY	150.750	4.7	-3.9	0.5
CNY	7.200	0.5	-1.4	-0.4
CAD	1.386	1.8	-3.5	0.3
AUD	0.643	-2.4	3.3	-1.8
BRL	5.600	3.1	0.0	-0.9
INR	87.598	3.7	2.4	4.6
MXN	18.876	0.7	-8.6	1.4
EURCHF	0.927	-0.8	-1.4	-2.4

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	3290	-0.4	26.2	34.4
Silver	36.71	1.7	26.8	26.6
WTI	69.26	6.4	-2.4	-11.1
Copper	435.45	-13.4	6.4	4.3
Industrial Metals	138.64	-6.6	-2.1	-1.3
Agriculture	53.70	-1.7	-5.0	-0.5

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