PROBUS PLEION

Monthly Newsletter

July 2025

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Contents

EDITORIAL

Summer is going to be (very) hot!

After the spring storms, the heatwave sets in

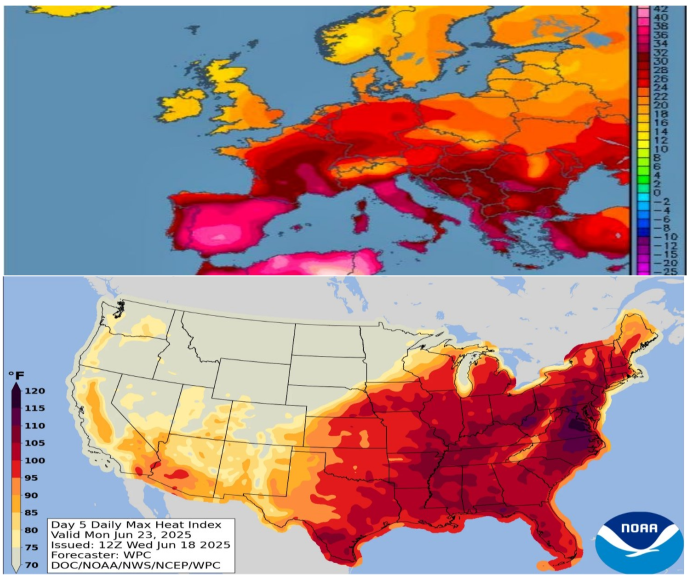
Having entered the second half of the year this morning, it's already time to review a particularly unpredictable first semester for financial markets. The first quarter passed without any major surprises, apart from the arrival of DeepSeek in the world of artificial intelligence, but the atmosphere gradually became filled with more ominous clouds as the Liberation Day deadline approached.

On Liberation Day, the disturbance turned out to be much more severe than expected, and the violent storm that descended really shook the markets. A week later, the upturn finally appeared, in the form of a 90-day pause in the application of tariffs. Since then, it has continued unabated, with temperatures rising daily.

Further storms are not ruled out

Despite this marked recovery, uncertainty remains high, whether in terms of tariffs, inflation or the impact of these taxes on the US consumer. Added to this is the uncertainty surrounding the US budget and the outcome of the conflicts in the Middle East and Ukraine.

Heatwave grips both sides of the Atlantic



Against this uncertain backdrop, the US central bank's future monetary policy remains unclear, and the question of whether it will be accommodative or restrictive remains open. Lastly, after the rebound in US equities in particular, valuations are once again high, leaving very little margin of safety in the face of potential disappointment over upcoming second-quarter results. In other words, we're entering the historically unfavorable summer months with our heads held high, as if the sun was going to shine non-stop.

Wait for the temperature to drop slightly

The current technical configuration of the S&P 500 in particular is very overbought, and a consolidation, or even a profit-taking phase, seems to be in the offing. The approval of the US budget, expected around July 4, and the July 9 deadline for tariffs will be the next deadlines to pass, before the 2nd quarter earnings season gets into full swing.

What consequences can we expect for the markets?

The third quarter has the potential to be one of "all hazards", as markets enter it with no real margin of safety. Keeping some cash in reserve to seize opportunities will be the right option in case of bad weather.

Kim Muller

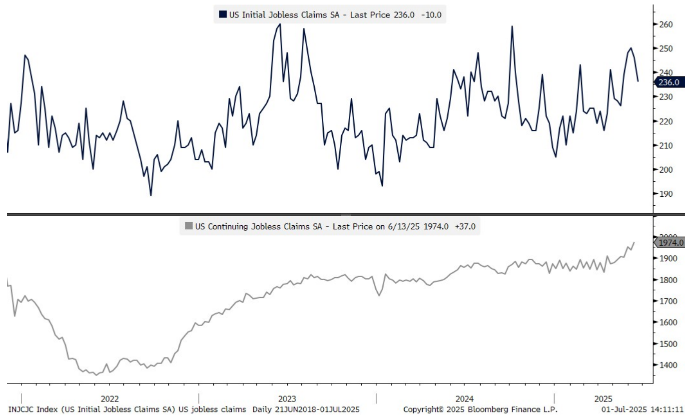
CIO (Switzerland)

Assessment of the economic situation

The US job market continues to ease, but without showing any signs of marked weakness. US Q1 GDP revised downwards, but mainly due to a surge in “pre-emptive imports”.

The US job market weakens, but not too much

Among the market's many unknowns, the evolution of American employment is one of the most talked-about. For some, the impact of tariffs and the ensuing volatility of the regulatory framework will have a particularly damaging effect on US SMEs, which remain the country's main employer. With even modest cuts in government employment, the unemployment rate could rise sharply, worsening the consumer climate and ultimately leading to a recession. For others, the remarkable resilience of the US economy should once again defy these pessimistic forecasts and avert another recession. At this stage, the optimists still hold the upper hand.



Source: Bloomberg

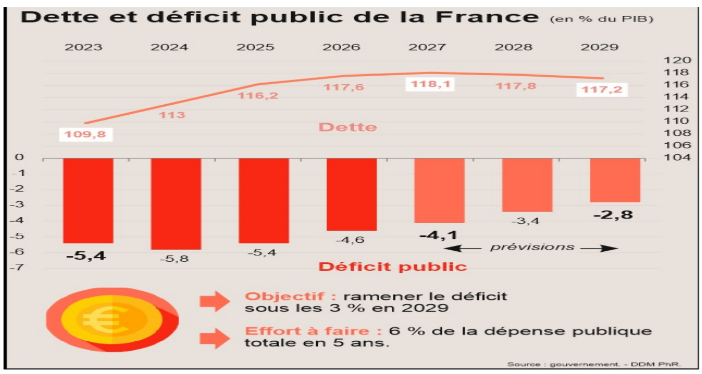
Oil soars, then collapses. Back to square one

While we had noted the affordability (for consumers) of oil last month, the Israeli and then American military operations on Iranian soil soon rekindled fears about the supply of black gold, particularly in the scenario of a blockade of the highly strategic Strait of Hormuz. In just a few days, the price of crude oil jumped by over 20%, recalling the dark days of the invasion of Kuwait. In the end, fears evaporated as early as June 23, bringing the price of oil back to the levels prevailing before the start of this lightning war, which lasted just 12 days. At present, the price of oil in the eurozone is 20% lower than at the start of the year, and remains very affordable.

Source: Market Map

The “impossible” French 2026 budget

The marked deterioration in France's finances and the political inability to initiate real reforms have already “produced” three Prime Ministers in 18 months. The Bayrou government is currently trying to pass the 2026 budget, but it's “hanging on by a thread”, namely the support of the Rassemblement National. If the RN were to back down, there's no doubt that a motion of censure would sink this government and usher in a new phase of chaos in the French political landscape.



What about the SNB's monetary policy?

For once, the SNB confirmed market expectations at its last meeting on June 19, cutting its key rate by a quarter point to 0-0.25%. The latest Swiss inflation figures are slightly negative, and the strength of the CHF and the weakness of the USD are adding deflationary pressure to our economy. Will the 2% rate differential with the euro be enough to prevent our currency from appreciating further against the single currency?

Financial markets during the month

The May rebound in equity markets continued throughout June, particularly in the US. The dollar continued its slide, while bond yields eased.

The S&P 500 at an all-time high, but...

Yes, the US market's flagship index ended the quarter at an all-time high, but at the same time, the US dollar continued to depreciate. As a result, the S&P 500's 2025 performance in euros was an inglorious -7.49%, a far cry from its USD performance of +5.42%. In fact, since mid-May, the US market has been treading water, cancelling out every price rise with a fall in the greenback.

Confidence in US technology stocks may be back, but distrust of the dollar is still the order of the day. Conversely, European markets have lacked momentum since May 20, but the euro, the pound and the franc have all continued to appreciate. A draw for the last 6 weeks, but the gap in annual performance (including the currency effect) in favor of European equities remains wide.

S&P 500 in USD (black) and EUR (blue)

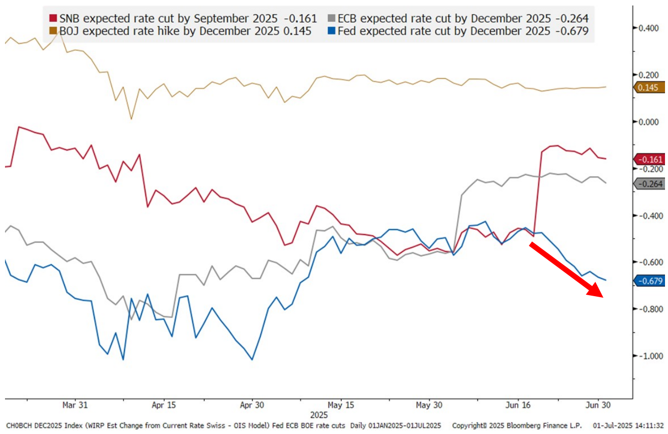
Source: Bloomberg

The market begs the Fed for a 3rd rate cut

Economic data from the USA show that the country is entering a phase of relative weakness, with the majority of figures now published below expectations, but without giving any cause for alarm. That's all it takes to give the bond market a "boost", which has seen the USD yield curve fall somewhat since mid-May. Similarly, the market has revised its rate cut expectations for 2025 from two expected cuts to soon three expected cuts this year, with the 3rd cut now having a 70% probability (again according to the market) of occurring.

Some Fed members were rather conciliatory, while Jay Powell's message is still that of a central bank in a holding pattern. The next meeting is scheduled for July 30, the next for September 17.

Expectations of rate cuts or hikes by the end of 2025

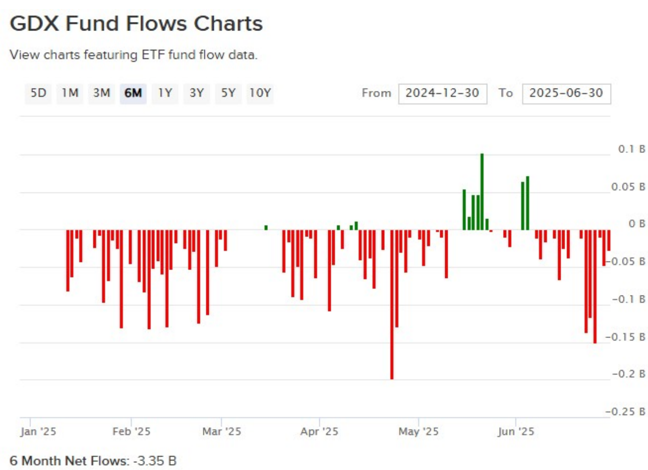


Source: Bloomberg

The market doesn't (yet) believe in gold mines

In the first half of 2025, the GDX ETF, which groups the largest market capitalizations of gold mining companies, delivered a performance (in USD) of +53.5%, while gold "contented" itself with a performance of +26.7%. Normally, in the event of a significant rise, investors tend to follow the positive momentum and invest more in the bullish asset. In the case of gold mining, the opposite was true, with a massive and steady outflow of funds throughout the rally, representing around 25% of the GDX's size. How is this possible? The answer is simple. Experienced investors (smart money) are convinced of the segment's attractiveness and invest directly in the sector's shares, while less experienced investors (tourist money) gain exposure via the ETF and have been steadily disinvesting on the way up. Who will be right in the end? I've got a pretty good idea...

Uninterrupted outflows from GDX in 2025



Source: ETF Data base

Our convictions

		Least Attractive	Unattractive	Neutral	Attractive	Most Attractive	Comments
Equity	US Equity		●				Valuations remain expensive
	EU Equity			○	●		The S2 outlook is attractive
	Swiss Equity			●			Buy the dips
	Japanese Equity			●			Solid fundamentals, but trend must improve
	Chinese Equity			○	●		Attractive valuations & breakout in sight
	Asian EM			●			
Fixed Income	Cash & Short term debt				●		Favor 3-5 y maturities in EUR, 2-3 y in USD
	US Long term debt		●				Excess supply could push yields higher
	EU Long term debt		●				Risk / return unattractive
	DM High Yield		●				
	EM Debt (Local)			●			Attractive for USD profiles
	EM Debt (Hard)			●			
Alternatives	Precious Metals & Miners				●		Gold mines still offer potential
	Commodities				●		Weak USD should provide support
	REITs (EU + CH)			●	○		The recent rise needs to be consolidated
	Private Markets			●			

● Current Conviction ○ Previous Conviction

Comments on investment decisions

U.S. equities are once again trading at high valuations, as the deadline for tariffs approaches. European equities have stagnated for the past six weeks, but the second half of the year offers them a buoyant environment. Gold continues to consolidate, while the USD could rebound slightly in the short term.

Equities

June proved a buoyant month for US equities, albeit against a backdrop of a very weak dollar. European equities, held back by their strong currency, struggled to make headway, but consolidated their gains for the year. The outlook for Europe and Asia seems attractive for the second half of the year. All in all, and in view of the busy agenda over the coming weeks, we are maintaining a slightly underweight allocation to equities, pending clarification of the context of the US-led trade war.

Bonds

The fall in yields on the USD curve, driven by mixed economic data, does not prompt us to change our current positioning. Absolute yields on EUR-denominated bonds remain modest, but 3- to 5-year maturities appear to offer the best risk/return ratio. Similarly, in the USD market, maturities of 2-3 years are sufficiently remunerative to allow us to wait a little longer.

Precious metals, listed real estate (REITs)

As expected, gold is continuing its consolidation phase between $3,250 and $3,450 an ounce, which could last a little longer. In the meantime, gold mines have still managed to make progress, and upcoming quarterly results should be solid. Platinum did spectacularly well, against a backdrop of gold price “catch-up”. Given the narrowness of the market (1/20 that of gold), an upward breach of resistance at $1,130 could only lead to a major move. Silver has also broken through its resistance at $34.5, but is climbing “quietly”.

Currencies

The greenback continued to plummet, dropping a further 4% against the euro over the month. In 2025, the decline amounts to a spectacular -13.3%, greatly impacting the performance of portfolios based in euros or Swiss francs (-12.2%). From current levels, a rebound seems possible, but we fail to see what could halt its structural decline, which is moreover desired by the Trump administration.

Performance summary

Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	11921	-2.5	2.8	-1.1
STXE 600 (EUR) Pr	541.4	-1.3	7.2	5.5
CAC 40 INDEX	7666	-1.1	4.8	1.4
DAX INDEX	23910	-0.4	20.1	30.7
FTSE 100 INDEX	8761	-0.1	7.9	7.3
Euro Stoxx 50 Pr	5303	-1.2	8.9	7.6
DOW JONES INDUS. AVG	44095	4.3	3.6	12.6
S&P 500 INDEX	6205	5.0	5.0	13.3
NASDAQ COMPOSITE	20370	6.6	4.5	13.9
RUSSELL 2000 INDEX	2175	5.3	-2.4	7.1
TOPIX INDEX (TOKYO)	2853	1.8	2.4	1.0
FTSE CHINA A50	13539	1.3	-0.3	0.0
Global Index	917.89	4.4	8.8	14.2

Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	137.8	-1.0	-0.6	3.4
Euro-Aggregate	245.8	-0.1	0.8	5.1
U.S. Aggregate	2277.1	1.5	3.9	6.7
Global Aggregate	497.1	1.9	7.2	9.4

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.793	-3.6	-12.2	-12.1
EUR	1.179	3.9	13.3	9.7
DXY	96.88	-2.5	-10.4	-8.5
GBP	1.373	2.0	9.4	8.6
JPY	144.030	0.0	-8.2	-10.8
CNY	7.164	-0.5	-1.9	0.0
CAD	1.361	-1.0	-5.2	-0.9
AUD	0.658	2.3	5.8	-1.2
BRL	5.432	-5.1	0.0	-4.0
INR	85.765	1.5	0.3	2.8
MXN	18.748	-3.6	-9.2	2.1
EURCHF	0.935	0.2	-0.6	-3.6

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	3303	0.4	26.7	41.7
Silver	36.11	9.5	24.7	22.6
WTI	65.11	7.1	-8.3	-21.9
Copper	503.00	7.5	22.9	13.6
Industrial Metals	148.51	5.4	4.9	-1.9
Agriculture	54.64	-2.3	-3.4	-4.8

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