Newsletter June 2025

Rally Mode: Can It Last?

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Key Take-Aways

- Global central banks are shifting toward more accommodative policies amid slowing growth and easing inflation, but optimism is dampened by uncertainty over U.S. tariffs, mixed economic signals in the U.S., and geopolitical tensions.

- Europe, Switzerland, and China are each taking targeted policy actions, rate cuts, public investment, or stimulus measures, to counter weak demand, with markets cautiously hopeful but sensitive to trade and inflation dynamics.

- In June, most major central banks (Fed, BoC, BoE) held rates steady, while the ECB and SNB cut by 25 bps. Inflation remains stable near targets, but U.S. fiscal and trade policy risks (e.g., tariffs and the “big beautiful bill”) could delay Fed cuts due to potential inflationary effects.

- Yield curves moved lower in the U.S. and higher in Europe and Switzerland; 10-year yields ended June at 4.25% (US), 2.60% (EZ), and 0.40% (CH). Credit spreads stayed tight, reflecting strong market sentiment, with European high yield issuance hitting a record EUR 23bn in June across 44 deals.

- June extended the equity rebound further: both the S&P 500 +5.1% (YTD +6.2%) and Nasdaq hit all-time highs as the “Magnificent Seven”, led by Nvidia (+16.9%), drove gains. Emerging Markets outperformed (+6.1%, YTD +15.5%), while Europe lagged.

- While current momentum is fueled once again by high-growth sectors (namely tech), the approaching tariff-truce deadline highlights the importance of selectivity and risk management.

- The USD weakened sharply in early July, with the DXY falling below 97 amid trade policy uncertainty, Middle East tensions easing, and expectations of Fed rate cuts, raising the risk of a structural regime shift. EUR/USD surged near 1.18, while safe-haven currencies like the CHF and JPY remained strong, supported by solid fundamentals and geopolitical concerns.

- Gold remains elevated ($3,250–$3,450/oz), poised to rally further if U.S. rates drop more aggressively; oil prices stabilized post-spike but could rise again if geopolitical risks flare, reinforcing demand for safe-haven assets like CHF and JPY.

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Review

June 2025

Equity % Change	Price	1 day	5 days	MTD	QTD	YTD	EST P/E
S&P 500	6'205	0.52	7.08	5.08	10.94	6.20	21
Nasdaq	20'370	0.48	8.79	6.64	17.97	5.86	26
Russell 2000	2'175	0.16	6.83	5.43	8.50	-1.79	20
Euro Stoxx 50	5'303	-0.42	-0.32	-1.10	3.16	11.07	14
Stoxx 600 EUR	541	-0.42	-0.43	-1.19	3.29	9.43	14
FTSE 100	8'761	-0.43	0.78	0.05	3.15	9.45	12
SMI	11'921	-0.49	-2.26	-2.48	-3.71	5.91	16
NIKKEI 225	40'487	0.84	9.09	6.77	13.81	2.58	19
CSI 300 China	3'936	0.46	2.24	3.32	2.38	1.37	12
MSCI EM Index	1'223	-0.43	4.94	6.12	12.17	15.52	12

Equity % Change	Price	1 day	5 days	MTD	QTD	YTD	EST P/E
S&P 500	6'205	0.52	7.08	5.08	10.94	6.20	21
UTILITIES	415	0.40	1.47	0.31	4.26	9.41	17
ENERGY	649	-0.66	4.40	4.85	-8.56	0.77	14
TELECOM	378	0.34	9.55	7.28	18.49	11.14	19
CONS STAPLES	897	0.47	-0.12	-1.89	1.11	6.40	21
REAL ESTATE	260	0.76	2.91	0.16	-0.06	3.52	19
CONS DISCRET	1'754	-0.86	3.98	2.23	11.52	-3.87	26
MATERIALS	556	0.12	3.24	2.32	3.13	6.03	19
HEALTH CARE	1'573	0.63	3.97	2.05	-7.18	-1.11	16
INFO TECH	4'965	0.98	12.37	9.77	23.71	8.05	27
FINANCIALS	872	0.88	5.05	3.19	5.51	9.19	17
INDUSTRIALS	1'249	0.52	5.11	3.57	12.94	12.72	23

Currency % Change	Price	1 day	5 days	MTD	QTD	YTD
DXY	96.875	-0.54	-2.26	-2.47	-7.04	-10.70
EUR-USD	1.1787	0.59	3.74	3.88	8.98	13.84
USD-JPY	144.03	-0.43	1.03	0.01	-3.95	-8.38
USD-CHF	0.7931	-0.74	-3.41	-3.56	-10.31	-12.60
EUR-CHF	0.9348	-0.12	0.18	0.17	-2.25	-0.56
GBP-USD	1.3732	0.12	1.44	2.03	6.30	9.72
EUR-GBP	0.8583	0.48	2.23	1.79	2.52	3.73
JP EM FX Index	46.35	0.44	1.33	1.74	3.89	8.29

Fixed Income - % Change	Price	5 days	MTD	QTD	YTD
BBG Global Agg Treasuries TR Index UNH $	210	2.17	1.77	4.83	7.54
BBG Global Aggregate TR Index Value $	497	2.43	1.89	4.52	7.27
BBG Global Aggregate Corporate TR $	305	2.28	1.41	1.99	3.79
BBG Global High Yield $	1'775	2.93	2.31	4.89	6.83
BBG US Treasury TR Unhedged $	2'377	2.03	1.25	0.85	3.79
BBG US Corporate TR Unhedged $	3'427	3.00	1.87	1.82	4.17
BBG EuroAgg Government TR Index UNH €	245	0.38	-0.21	1.79	0.58
BBG EuroAgg Corporate TR Index UNH €	263	0.66	0.26	1.81	1.80

Commodity % Change	Price	1 day	5 days	MTD	QTD	YTD
BBG Commo Index	102.0	-0.84	-0.66	2.03	-4.12	3.30
Gold Spot $/OZ	3'303.1	0.88	-1.62	0.42	5.75	25.86
Crude Oil WTI	65.1	-0.63	4.71	7.11	-8.91	-9.22

Volatility	Price	1 day	5 days	MTD	QTD	YTD
VIX	16.7	0.41	-5.56	-1.84	-24.91	-0.62

Source: Bloomberg 30/06/2025

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Macro & Rates

"June 2025: Calm Before the Storm?"

A fragile recovery under the shadow of tariffs

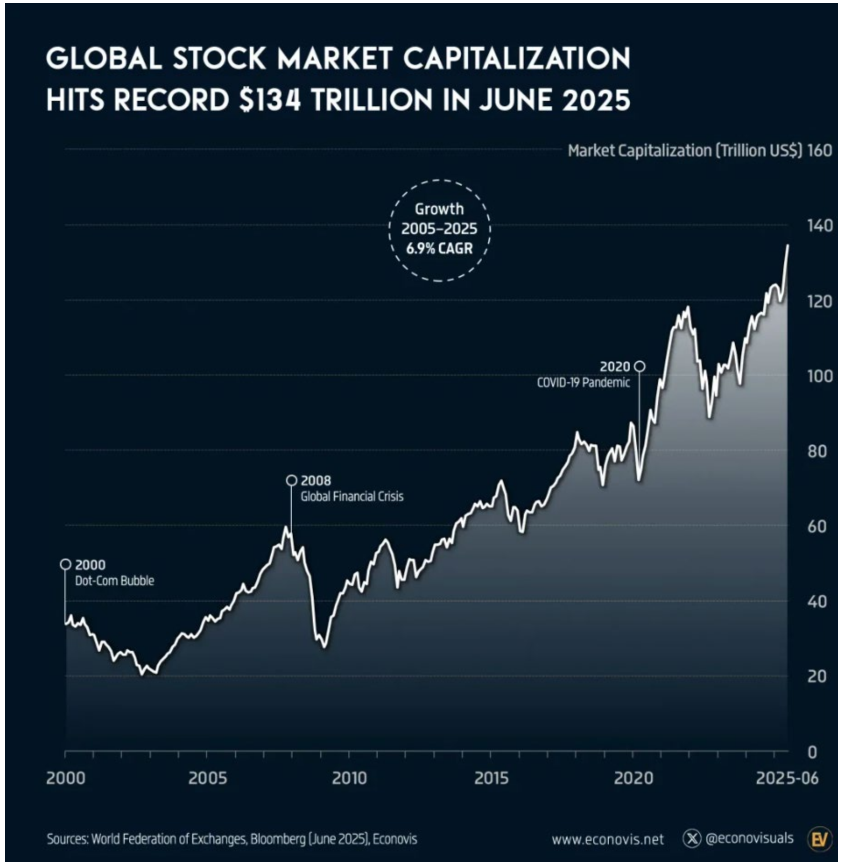
June unfolded in a cautiously optimistic tone. Central banks across major economies have begun to pivot, offering a more accommodative stance in response to softening inflation and slowing growth. However, this fragile optimism is tempered by the looming expiration of the U.S. tariff truce on July 9, which continues to weigh on global investment sentiment and growth forecasts.

In the United States, the economic picture is becoming increasingly mixed. First-quarter GDP contracted by 0.2%, marking the first negative print since the pandemic recovery. Leading indicators are flashing amber: the ISM Manufacturing Index fell to 48.5, while the Services Index slipped just below the expansion threshold at 49.9. Inflation, however, continues to moderate, with the Consumer Price Index at 2.3% and Core PCE at 2.5%, reinforcing expectations that the Federal Reserve may begin cutting rates as early as July. The labor market remains relatively stable, with unemployment holding at 4.2%, but corporate sentiment is increasingly cautious.

Across the Atlantic, the eurozone continues to navigate a path of modest growth. Annual GDP rose by 1.2%, though a deceleration is expected in the second quarter. Inflation has fallen back to 1.0%, prompting the European Central Bank to lower its key interest rate by 25 basis points on June 5. The ECB remains deliberately non-committal on the future path of rates, adopting a pragmatic, data-dependent approach. Public investment initiatives, especially in Germany, are providing some medium-term support, but consumer confidence deteriorated sharply at the end of May, reflecting lingering concerns over purchasing power and geopolitical uncertainty.

In Switzerland, the Swiss National Bank responded decisively to a combination of negative inflation and currency strength by cutting its policy rate to 0.00% on June 19. With inflation at -0.1% and the franc remaining elevated, the SNB's move aims to preserve export competitiveness and stimulate domestic demand. However, Switzerland remains vulnerable to global trade tensions, particularly in sectors such as pharmaceuticals and luxury goods, which are highly exposed to international demand and tariff risks.

China, meanwhile, is showing signs of a gradual but uneven recovery reflecting ongoing pressure from U.S. tariffs and weak external demand. In response, Chinese authorities have intensified monetary stimulus efforts,, reductions in reserve requirements, and targeted interventions by the sovereign wealth fund. Valuations remain compelling at levels that suggest a strategic entry point for long-term investors. With interest rates at historic lows, a growing rotation of domestic capital from bonds to equities is expected, particularly in sectors aligned with national priorities such as artificial intelligence, green energy, and infrastructure.



"Looking ahead, global financial markets continue to benefit from a supportive monetary backdrop. However, they remain highly sensitive to political reversals, geopolitical flashpoints—including tensions in the Middle East and transpacific trade—and heightened volatility in currencies and commodities.

In this context, we maintain a selective and defensive positioning, favoring high-quality technology names, resilient dividend payers, and emerging markets with credible policy support. Asia, and China in particular, stand out as regions where low interest rates and attractive valuations could drive renewed investor interest in the second half of the year."

Key Take-aways

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Fixed Income

Low(er) rates, benign inflation…what's next ?

In June among the **major central banks**, the Fed, Bank of Canada (BoC) and the Bank of England (BoE) left their interest rates unchanged at respectively 4.25-4.50%, 2.75% and 4.25%. The European Central Bank and the Swiss National Bank (SNB) lowered their reference rates by 25 bps each bringing them respectively at 2% and 0%. The financial markets still expect other rounds of rate cuts across most major Central Banks in 2025.

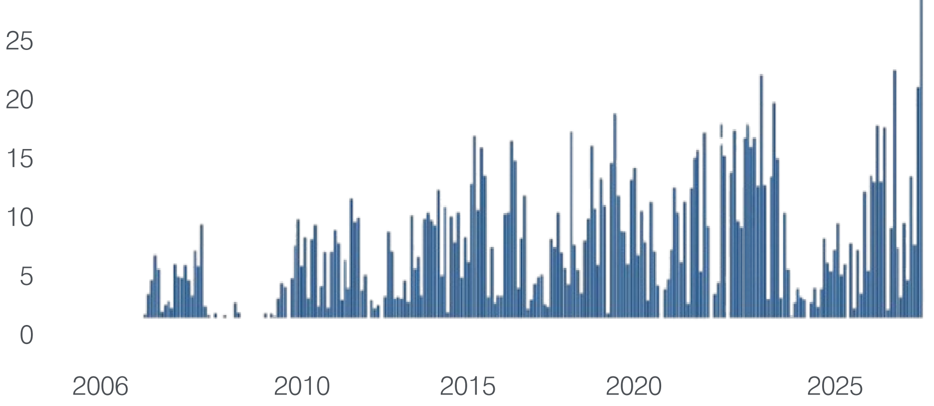
In major developed markets, **inflation** remains benign at levels close to the central banks (CB) targets and seems to have stabilized. It should lead to low/lower interest rates with Switzerland already back at 0%. However, the trade tariffs currently negotiated by the trump administration might generate inflationary pressure, especially in the US.

Also, in the US, the ***"big beautiful bill"*** currently debated at the congress, if adopted, would generate large government spendings and tax cuts that could fuel inflation. The Fed might be reluctant to lower rates too quickly in order to assess the impact of tariffs and the bill on prices implementing rate cuts.

During the month of June, the **yield curves (govies and IG)** experienced almost parallel shifts lower in the US and higher in the EZ and Switzerland. At the end of June, the 10 years government yields for US, EZ and CH were respectively at 4.25%, 2.60% and 0.40%.

On historical standards, **credit spreads** remain on the lower part of the range across ratings in the US and Europe reflecting a positive sentiment in the credit markets and contained default expectations. This is illustrated by European high yield issuance, which has been at its highest level in June with around EUR 23bn coming from 44 deals also a record number. Market reopened even for some of the riskiest borrowers.

European high-yield bond volumes (€bn)

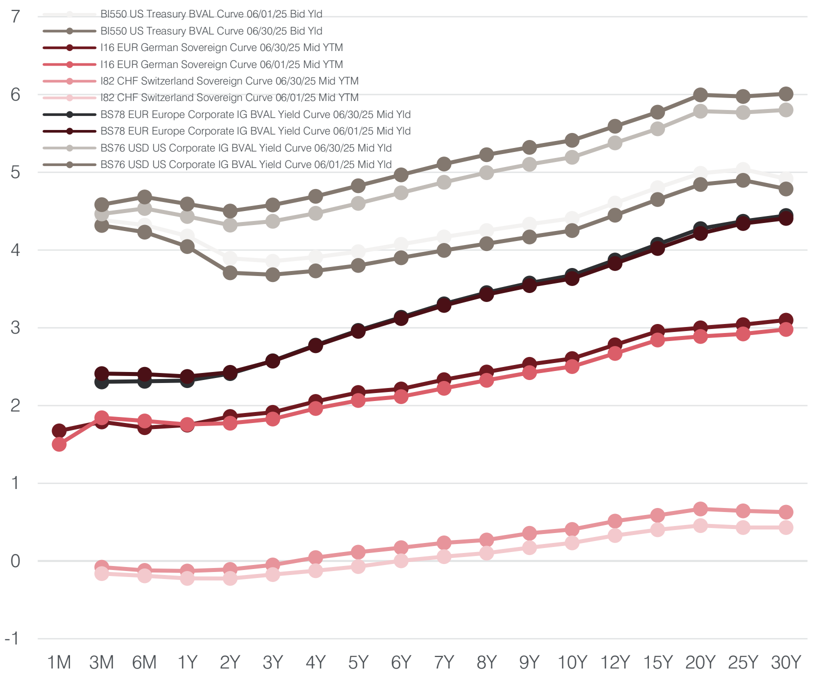


Source: FT

As at the end of June OAS spreads are as follows:

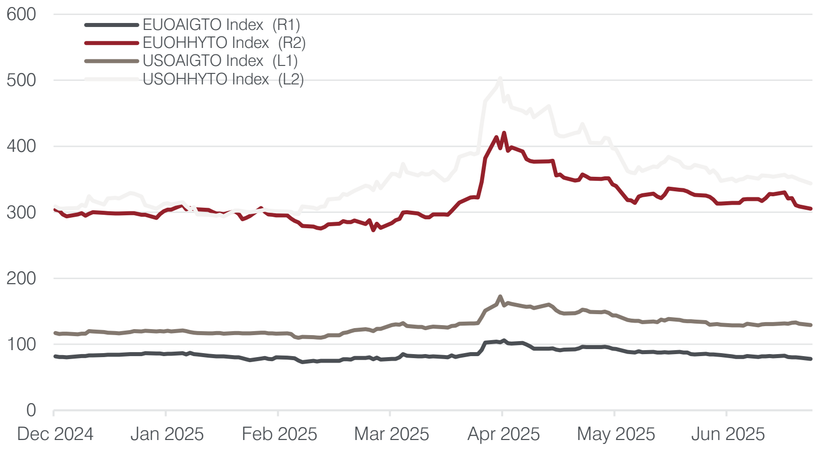
- *US IG 129 bps, HY 343 bps*
- *EZ IG 78bps, HY 305 bps*

Interest Rates Curves Govies and IG



Source: Bloomberg

US and EZ spreads (IG and HY YTD)



Source: Bloomberg

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Equity

June Market Pulse: Repricing Growth Amid Policy Crossroads

Global equities extended their June rally, driven by easing rates and resilient earnings – even as the July 9 tariff truce deadline looms.

June 2025 extended the rebound from mid-May, with global equities rising despite the looming July 9 tariff truce deadline. The S&P 500 gained +5.1% in June, bringing its YTD return to +6.2%. Both the S&P 500 and the Nasdaq Index reached new all-time highs at the end of the month, as investors rotate back into large-cap high-growth names amid easing trade tensions and a strong demand for digital infrastructure. In an environment with plummeting market breadth in the US (see chart on top right), the "Magnificent Seven" led the rally, championed by Nvidia (+16.9% in June).

While still outperforming YTD (especially if such performance is expressed in USD terms), European markets lagged versus US equities in June (see chart on bottom right). The Euro Stoxx 50 index lost -1.1% (+11.1% YTD) while Switzerland's SMI fell -2.5% (+5.9% YTD). Emerging Markets outperformed all other regions and rallied +6.1% for the month (+15.5% YTD) while China's CSI 300 index rose by+3.3%, fueled by China's targeted stimulus measures and renewed foreign interest.

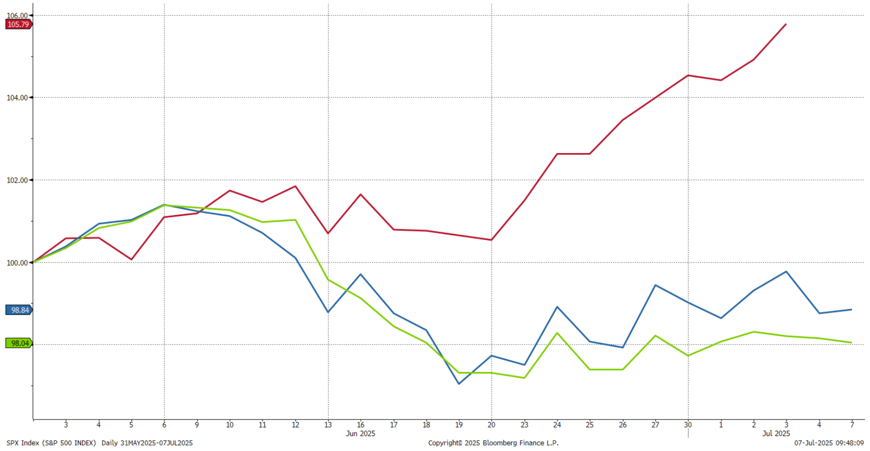
Among the most relevant large-cap news in June:

- **Luxury rebound:** Kering surged +12% in mid-June after announcing Luca de Meo as CEO, underscoring investor optimism in its luxury turnaround
- **Tesla Robotaxi Launch:** Tesla began a limited Robotaxi service in Austin using 10–20 Model Y vehicles with safety monitors; early missteps (wrong-side driving, phantom braking) have already drawn scrutiny by authorities
- **Microsoft–OpenAI Talks:** Microsoft CEO Satya Nadella and OpenAI's Sam Altman met to discuss their evolving investment and partnership terms, underscoring deepening AI collaboration

Conclusion: June's rally reflects a blend of easing policy, reduced tariff fears, renewed inflows into tech, selective opportunities in luxury, healthcare and EM Asia. However, with the tariff truce expiry approaching, investors remain vigilant ahead of potentially renewed trade tensions.

Source: Goldman Sachs

Normalized index performances in local currencies, June 2025
(red: S&P 500, blue: Euro Stoxx 50, green: SMI)



Source: Bloomberg

Forex & Commodities

Turning Point for the Greenback

The FOREX market entered July with strong momentum, building on June's volatility. The U.S. dollar broadly weakened against major currencies, weighed down by ongoing uncertainty surrounding U.S. trade policy and a ceasefire in the Middle East.

The USD Index (DXY) fell below 97, marking a 10% decline year-to-date and approaching the lower boundary of its long-term uptrend channel (around 96). A break below this level could signal a regime shift and a more pronounced bearish trend for the U.S. dollar.

This dollar weakness has been particularly evident in EUR/USD, which surged near 1.18—well above the previous consolidation zone around 1.15—and is now eyeing the 1.20 level. While the weaker dollar underpins the pair, the European Central Bank's cautious stance on rate cuts also plays a key role. With Eurozone inflation slightly above the ECB's 2% target, the central bank has limited room to ease. However, a stronger euro could begin to challenge the competitiveness of European exports, particularly from Germany. Continued upward pressure on the pair may raise concerns among EU policymakers. Meanwhile, unresolved tariff tensions between the U.S. and EU could act as a headwind, with near-term support still seen around 1.15, reinforced by the 50-day SMA.

A tug-of-war is evident in the EUR/CHF pair, currently trading at 0.9620. While euro strength provides upward momentum, it is counterbalanced by the resilience of the Swiss franc, supported by Switzerland's low 0.1% inflation and strong trade surplus. The Swiss National Bank continues to maintain its zero-interest rate policy while closely monitoring franc valuations. A more hawkish ECB could push EUR/CHF toward 0.95, but gains may be limited by geopolitical shocks or renewed risk aversion, which could trigger CHF inflows and potential SNB intervention. The pair is likely to remain within the 0.93–0.95 range in the near term.

USD/CHF reflects a similar dynamic, trading below 0.80 and down 13% year-to-date. The franc's safe-haven appeal has been amplified by global uncertainty and a more dovish tone from the Federal Reserve. Switzerland's strong macroeconomic fundamentals further reinforce the franc's safe-haven status, in contrast to the USD. While upside appears capped around 0.85, further declines toward 0.75 are possible if risk sentiment deteriorates or U.S. economic data disappoints.

The USD/JPY pair is trading around 145, with the yen showing limited movement compared to other major currencies. Despite broad dollar weakness, the JPY has remained largely range-bound, lacking the momentum seen in the EUR or CHF. Speculation about a potential policy shift from the Bank of Japan, such as a rate hike or yield curve adjustment, has provided some support but has not led to significant currency gains. The yen's safe-haven role continues to support demand during periods of uncertainty, yet its overall trajectory remains subdued. The pair is currently oscillating between support at 142.50 and resistance at 145.00.

In the commodities space, gold maintained its historically high range between $3,250 and $3,450 per ounce in June and continues to struggle to break through the $3,500 level, despite persistent dollar weakness. A faster-than-expected rate-cutting cycle in the U.S. could trigger a sharp rally in gold. Long-term momentum remains intact, with some analysts forecasting it at $4,000/oz within the next 12 months, supported by geopolitical fragmentation and a weaker USD. Meanwhile, oil prices, after a sharp spike in mid-June to $78, have returned to a more stable range, with WTI trading between $64 and $67. However, renewed disruptions in the Middle East or escalating trade tensions with China could drive oil prices higher, fueling inflation expectations and reinforcing support for safe-haven currencies like the CHF and JPY.

Will the Dollar Index Break its Long-Term Momentum Regim?

Source : Bloomberg

Gold Forecasts

Consensus	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26
Median	3'200.00	3'250.00	3'241.12	3'253.00	3'220.00	3'317.90
Mean	3'188.87	3'212.86	3'247.50	3'263.76	3'244.06	3'367.26
High	3'685.00	3'850.00	3'950.00	4'050.00	4'250.00	4'350.00
Low	2'650.00	2'500.00	2'450.00	2'400.00	2'350.00	2'413.97
Forward	3'341.22	3'383.01	3'426.03	3'466.06	3'496.28	3'531.23

Source : Bloomberg

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