



Market Insights

NAHMANI GRUNDER

Wealth Management & Multi-Family Office

Market review & Outlook

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Executive Summary

Asset Allocation

- No global/US recession in sight with US tariffs to cause little disruption to trade.
- Risk assets not cheap but well supported by current economic fundamentals.
- Expect positive returns for global equity indices in H2 25, with US leadership.
- Prefer equities over fixed income.
- Increased focus on the US government's finances has led to policy changes that might keep gold prices from rising further and could strengthen the US dollar.

Equities

- For S&P 500, our base case calls for an index level of 6,600 by end-2025.
- US to start outperforming MSCI World again as of H2 2025.
- Mag7 is the best way to implement US leadership in equity portfolios.
- Sectorally, emphasis on AI infrastructure/Semiconductors, Internet, Health care, Infrastructure software and Industrials/power equipment, with Luxury goods as the contrarian bet.

Fixed Income

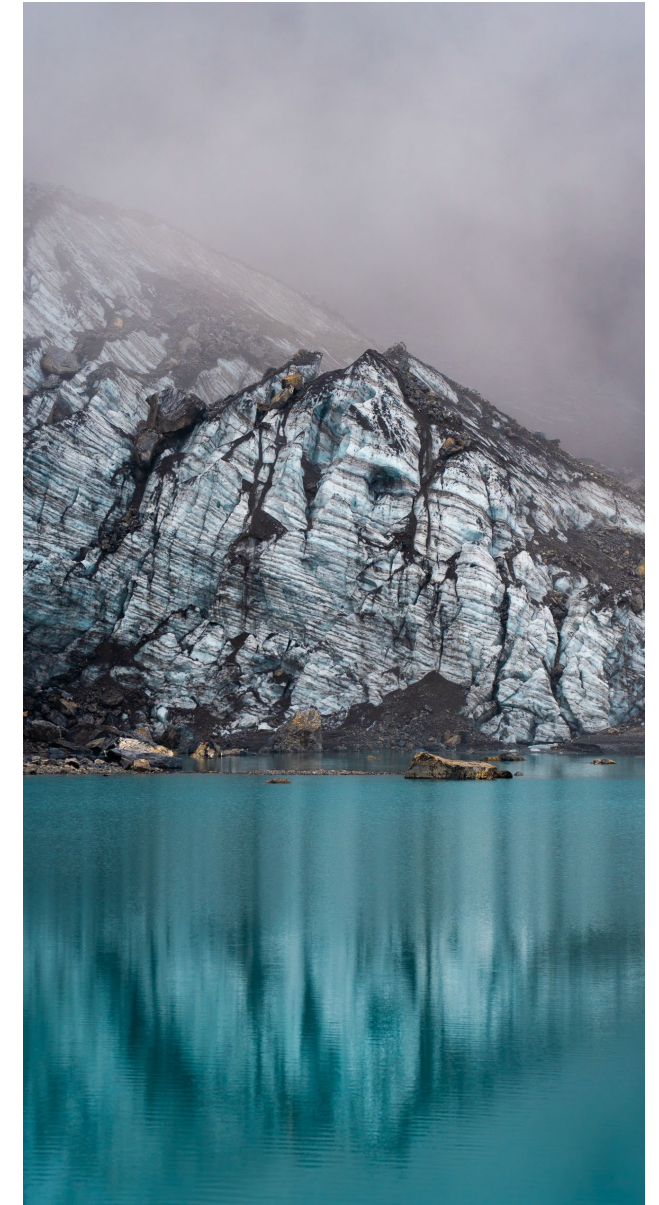
- Focus on USD (up to 10 years) and EUR (up to 5 years) sovereign bonds.
- Expect the US yield curve to remain positively sloped but the 10-year Treasury rate to decline to 3.75% - 4.0% over the next 6 - 9 months.
- Position in global IG credit, notably USD/EUR/CHF low A-to-BBB rated within the 7 years duration bracket.

Commodities

- Gold has done well in 2025 so far, after a strong 2024, driven by ongoing purchases by BRICS central banks and a safe-haven premium priced from US fiscal worries. Any potential reprieve in the latter will cause a consolidation.
- Copper remains our favorite, with demand being pushed up by new applications (EV/AI) and supply growth curtailed. Copper treatment charges (TC) have collapsed to negative since early 2025 and reflect a very tight market, boding well for further Copper price upside.

Currencies

- With increased worries around the fiscal health of Western countries and their fiat money regimes, CHF will remain the safe-haven currency.
- We believe there is a path for the US to grow itself out of its fiscal problems, contrary to Europe. Following the worst H1 in 40 years for USD, we anticipate some reversal of the EURUSD gains seen in H1.



H1 Financial Market Review (I)

- **H1 2025 presented a highly volatile market environment.** Markets were spooked by President Trump's increasingly confrontational trade antics as well as the various new policies of the incoming US administration, which **heightened the uncertainty around an accurate assessment of the growth/inflation outlook.** The Trump administration has recognized that the US is on an unsustainable fiscal path, which needs to be addressed immediately – they seem to have concluded this requires cutting down the fiscal deficit via tariffs as a new source of government revenue, while also addressing federal spending levels through austerity and most importantly putting policies in place to accelerate economic growth. **At the trough of the market on 8 April**, at which point the S&P 500 was close to entering a bear market, **financial markets were increasingly pricing an upcoming recession** for the US economy.
- However, President Trump's actions since the "Liberation Day" reciprocal trade regime announcements on 2 April have shown that these **aggressive trade tactics are mainly being used as a negotiating tool** to force its major trading partners to agree on new bilateral trade agreements with each country – with 10% representing the new universal minimum tariff rate, up from the average trade duty of 3% pre-Trump. Markets have realized that the final trade deals should eventually translate into an overall effective trade tariff rate way lower than the 20 -25% feared in early April – and **should translate into much less disruption to global trade and hence the economy.** Trump's new trade regime is being put in place to generate tariff revenues for the US government in the short-term, while, in the mid-term, forcing **a re-industrialization of the US economy** as the main policy aim by moving manufacturing back to the US - especially in the sectors deemed important to national security, such as semiconductors, pharmaceuticals and even steel. The US collected \$77 billion in total tariff revenue in 2024, and we expect that to increase to \$ 250 – 300 billion in 2025 – an increase from 1.6% to around 5% of federal government revenue.
- **On fiscal austerity to cut excessive and wasteful government spending** the initial target for DOGE as communicated by Lutnick and Musk was to generate overall spending cuts of up to \$ 1 trillion (3.5% of US GDP) to eventually reach a balanced budget before the end of the Trump Presidency. These ambitious targets for DOGE have since been downgraded, such that Treasury Secretary Bessent is increasingly talking about a **3% budget deficit as being the more realistic mid-term target by 2027** (6.7% of GDP in 2025), rather than a balanced budget. The US can obviously achieve this relative target by growing the denominator, i.e. US GDP, much faster than its deficit. In other words, DOGE will ultimately be much less of a short-term drag on economic growth than the \$ 1 trillion reduction target would have entailed.
- At the same time, the US economy has also proven to be much more resilient than expected so far in H1 2025 with a growth rate of around 1.2% to 1.4% on an annualized basis. As of 3 July, the Atlanta Fed GDPNow index was calling for real GDP growth of +2.6% annualized QoQ in Q2 specifically. This, combined with the above-mentioned receding fears about an upcoming disruption to global trade and strict federal austerity, has pushed **investors to progressively scale back their recession bets since mid-April.** After being down by more than 15% for the year-to-date period 2025 as of 8 April, the **S&P 500 staged a massive 25% rally from 9 April to the end of the first half 2026 on 30 June** and finished Q2 at an all-time high level above 6,200.

H1 Financial Market Review (II)

S&P 500 index price chart in H1 2025: a 19% drawdown in March and April, followed by a 25% rally



H1 Financial Market Review (III)

- While the growth outlook has clearly become much less negative, **inflation readings have also come in less benign than initially envisaged**. The markets initial take on reciprocal tariffs was that it would yield a meaningful uptick in inflation. In the mean-time, April, May and June core CPI readings have continued to exhibit disinflationary patterns, with core CPI coming in at +2.9% in June 2025 (down from 3.3% in June 2024) – more importantly, the **annualized run-rate of the last 3-months (April, May and June) stood at +2.4% only**, now close to the FED’s mid-term target of 2.0%, with Goods inflation (most exposed to tariffs) at a negligible +1.0% in this 3-month period. The FED understandably wants to wait for a couple of further monthly datapoints before concluding the new trade regime will have a limited impact on the overall inflation picture. However, voices calling for a resumption of rate cuts paused since December 2024 are understandably getting louder. There is no logic for the FED to run a restrictive monetary policy, with the Fed Funds rate of 4.3% and the mid-term neutral rate at 3.5%, if inflation readings persist at close to current levels - there is **scope for at least three 25bps rate cuts over the next 12 months starting with the FOMC meeting on 17 September**, in our view.
- Net net, during the span of the last 6 months, markets have gone from panicking about an impending US recession with spiking inflation to finding relief that the US economy continues to exhibit strong resilience even during times of heightened uncertainty with further visible disinflation. Bear markets historically always coincide with a US recession, and we continue to claim that **a US recession remains a low probability scenario at this stage of the cycle**. At the same time, with the complete swift V-shaped recovery from the bottom in early April, markets have already **partially pivoted from worrying about tariffs to new-found optimism around tax cuts and possible interest rate cuts by the FED in H2 2025**.
- We expect the **key investor debates from here on to focus on a possible acceleration of the US economy into 2026** (our base case), as well as the **evolution of the US fiscal situation** as Bessent carefully maneuvers a number of critical moving parts. **Top of mind is the refinancing of \$11 trillion in maturing Treasuries over the next 12 months**, which should ideally not increase US debt service costs (interest expense) from the 3.1% run rate in Q1 2025. As the chief Bond salesman of the US government, Bessent will want the 10-year Treasury rate to fall below 4.0% from 4.3% currently, as he aims to extend the maturity profile of Treasury issuance going forward. A goldilocks economic outcome with a much lower Fed Funds rate will be necessary to potentially achieve this goal – and hence the increasing political pressure on Fed Chair Powell. **Bessent has formulated the US economic action plan around a “3 3 3 “ policy target**, which we assume to be defined as real US GDP growth of 3%, US budget deficit of 3% and core inflation of not more than 3% - this would be the new US goldilocks economic outcome. This is not priced by markets yet, in our view, especially if one assumes accelerating adoption of AI at the Enterprise level will usher in a new era of higher productivity growth and creative scientific breakthroughs. AI-led productivity gains could set off a virtuous flywheel for the US economy in terms of a much more beneficial growth/inflation mix. AI could be deflationary with a 5-year view.

US Core Consumer Price index (CPI), 2024 - 2025																		
	Jan 24	Feb 24	Mar 24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
MoM increase	0.39%	0.38%	0.36%	0.26%	0.16%	0.06%	0.19%	0.28%	0.31%	0.27%	0.29%	0.21%	0.45%	0.23%	0.06%	0.24%	0.13%	0.23%
YoY increase	3.9%	3.8%	3.8%	3.6%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	3.3%	3.1%	2.8%	2.8%	2.8%	2.9%
Core CPI index	109.63	110.05	110.41	110.73	110.91	110.97	111.18	111.50	111.84	112.14	112.46	112.70	113.20	113.46	113.52	113.79	113.94	114.20
Goods inflation (MoM)	-0.3%	0.1%	-0.2%	-0.1%	0.0%	-0.1%	-0.3%	-0.2%	0.2%	0.0%	0.3%	0.1%	0.3%	0.2%	-0.1%	0.1%	0.0%	0.2%
Services inflation (MoM)	0.7%	0.5%	0.5%	0.4%	0.2%	0.1%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.5%	0.3%	0.1%	0.3%	0.2%	0.3%

Source: Nahmani Grunder, BLS.

H1 Financial Market Review (IV)

- Despite the heightened volatility and meaningful intra-period drawdown, **all key asset classes finished the first half of 2025 in clear positive territory**. This might come as a surprise to most investors, as it clearly did not feel as positive due to the rollercoaster ride during this time. For example, the Nasdaq had the worst start to a year since its inception. However, following a swift recovery, Global equities, US sovereign bonds, global credit as well as physical gold all produced positive returns measured in USD terms at final tally.
- **MSCI World (developed market equities) returned +8.6% in USD in H1 2025**, after being down -12.2% on 8 April, with the US, EU and Switzerland all delivering similar low-to-mid single digit returns in local currency – Stoxx 600 and SMI outperforming S&P 500 in USD terms. The Nasdaq-100 (NDX) raked in a return of +7.9%, following on from the robust +24.9% in 2024, with AI remaining top of mind for investors. AI is the largest computing paradigm transition in history, representing trillions of new TAM for the public technology companies. Massive infrastructure spending into ramping AI datacenters has been the clear opportunity in the current initial stages of AI deployments, as shown by the strong performance of the US semis sub-sector (NVDA +17.7%). Mag-7 underperformed with a return of +1.5%, but this was driven by a massive dispersion among its constituents – Meta, Microsoft and Nvidia all delivered returns more than +15%, while Apple and Tesla had respective returns of -18.1% and -21.3%. MSCI Emerging Markets staged a little comeback with a return of +13.7% with some initial optimism finding its way back to the Chinese large-cap Tech stocks such as AliBaba and Tencent. US Healthcare (3rd year of underperformance) and EU Luxury goods sectors have been difficult sectors overall, although both sectors have been fertile ground for bottom-up stock picking with Abbvie, Amgen and Richemont as examples.
- **Barclays Global Credit index was up +7.7% in USD terms**, with the US sovereign yield curve shifting down by 30 – 40bps during the period and mostly flat-to-down credit spreads. US BBB spreads (crossover investment grade) at 1.10% remain at multi-decade low levels (similar to mid-2021 when the Fed Funds rate was at Zero). 10-year US real rates finished H1 at +1.95% (down from 2.23% at end-2024) but is still elevated compared to post-GFC era during which it was between -1.0% to +1.0%.
- **Physical Gold returned a further +25.2% in H1 2025**, after +27.5% in 2024. It continues to benefit from non-G7 central bank buying (strong since the start of the Russia/Ukraine war in February 2022) on their de-dollarization efforts, as well as investors' increasing worries around the fiscal health of the US government. In this period, the inverse correlation between Gold prices and 10-year US real rates has completely broken down. **USD depreciated against all major currencies** in the first half, with EURUSD and CHFUSD both up +13.8% and 14.4%, respectively.

NG EQUITY SECTOR/BASKET DASHBOARD, YEAR-TO-DATE 2025					
	S&P 500	Equal-weighted S&P	Nasdaq-100	Magnificent-7	US Health care
30-Jun-25	6205.0	7372.6	22679.0	26461.1	134.8
31-Dec-24	5881.6	7100.8	21012.2	26067.3	137.6
% change, in Local currency (LC)	5.5%	3.8%	7.9%	1.5%	-2.0%
	US Semis	US Software	China Tech	US Cyber Security	US Banks
30-Jun-25	5546.5	109.5	34.3	86.37	6.68
31-Dec-24	4979.9	100.1	29.2	74.49	6.40
% change, in Local currency (LC)	11.4%	9.4%	17.4%	15.9%	4.5%
	EU Luxury	EU Banks	EU Oil Majors	EU Mining	Swiss Mid-cap
30-Jun-25	3387.9	201.0	360.3	302.9	2802.2
31-Dec-24	3581.4	146.0	334.6	301.5	2618.9
% change, in Local currency (LC)	-5.4%	37.6%	7.7%	0.5%	7.0%

Source: Bloomberg, Nahmani Grunder.

H1 Financial Market Review (V)

NG RISK RADAR		30/06/2025				
GLOBAL EQUITIES		S&P 500	SMI	EuroStoxx 600	MSCI World	MSCI EM
30-Jun-25		6,205.0	11,921.5	541.4	4,026.4	1,222.8
31-Dec-24		5,881.6	11,600.9	507.6	3,707.8	1,075.5
% return, in local currency terms		5.5%	2.8%	6.6%	8.6%	13.7%
FX impact		0%	14.4%	13.8%		
in USD terms		5.5%	17.6%	21.4%	8.6%	13.7%
GLOBAL BONDS		BBG Global Credit TR	US BBB spread	US High Yield spread	10-year Treasury rates	US yield curve 2s/10s
30-Jun-25		289.3	1.10%	2.84%	4.23%	0.51%
31-Dec-24		268.7	1.03%	2.92%	4.57%	0.33%
% return (USD terms)		7.7%				
		10-year US Breakeven	US Equity Risk Premium	10-year US REAL rates	US Financial conditions	Fed Funds rate, end-25e
30-Jun-25		2.28%	0.10%	1.95%	98.77%	3.73%
31-Dec-24		2.34%	-0.16%	2.23%	99.31%	3.91%
CURRENCIES		EURUSD	CHFUSD	GBPUSD	USDIPY	BTCUSD
30-Jun-25		1.1787	1.2609	1.3732	144.03	107,607
31-Dec-24		1.0354	1.1021	1.2516	157.20	93,714
% change		13.8%	14.4%	9.7%	-8.4%	14.8%
COMMODITIES		Global BBG index	Gold	Copper	Iron ore	WTI Crude Oil
30-Jun-25		102.0	3307.7	9869.0	88.5	65.1
31-Dec-24		98.8	2641.0	8768.0	95.4	71.7
% change		3.3%	25.2%	12.6%	-7.2%	-9.2%

Source: Bloomberg, Nahmani Grunder.

NG Predictions I – Back to US exceptionalism; No way around Mag7

- US exceptionalism has been questioned by investors many times over the last two decades since the Great Financial Crisis (GFC) in 2007/2008, and this was again the case in H1 2025. [We remain firm believers in the continuation of US exceptionalism](#) which manifests itself in unrivalled economic growth and the strong innovation and entrepreneurial power of its population. The US continues to attract the best and brightest young talents in the world through immigration. Its deep capital markets are also a unique source of differentiation. This, with its unique DNA which fosters creative thinking and risk taking, yields a sustainable funnel of long-term company creation without much regulatory burden.
- Many investors periodically want to believe in a new era of outperformance by non-US equity markets, driven by an existing valuation discount which has nonetheless only increased in the last decade. Underlying facts make it impossible for this thesis to become a sustainable reality. We believe it is important to acknowledge that the US has the best run and most innovative companies in the world in many global sectors. All of the top 5, and 8 out of the 10 most valuable companies in the world are from the US, with Taiwan Semiconductor (TSMC) heavily tied to the success of its US clients Apple and Nvidia. We believe we are in an AI supercycle, and this gap should only be further reinforced by the advent of AI. The US is currently leading the AI technology race by being home to most AI labs, AI semiconductor companies, hyperscalers and the emerging AI application software ecosystem built on a full stack US AI infrastructure stack.
- The [S&P 500 has outperformed the MSCI World over the last 2, 3, 5, 10 and 20 years in USD terms](#), while the last 1-year performance gap has temporarily turned against the S&P 500 due to the recent depreciation in USD. We believe [S&P 500 will regain its performance leadership in the near-term driven by its tech leadership](#). For investors, we see the [simplest implementation of this view through the Mag-7](#), which was up only +1.5% in H1 2025 due to 2 major laggards. [We would also not be surprised if the Mag-7 exhibit a higher return in 2025 than S&P 500](#). We expect many of the Mag-7 constituents will also be big winners in the AI revolution. The AI computing transition will only reinforce the positive network effects to scale and benefit these large Tech behemoths amidst the much higher capital intensity required by AI as compared to previous transitions such as SaaS/Cloud and Mobile Internet. One fun fact: AI user adoption is already the fastest in history with ChatGPT reaching 1.0bn monthly active users (MAU) 30 months after launch, compared to 96 months for legacy Internet era platforms such as Instagram and TikTok.
- Following the 25% rally from the lows in April, some investors increasingly question overall equity valuation multiples again. On our estimates, [S&P 500 closed H1 2025 trading at a P/E 2025e multiple of 23.1x](#) after having troughed at 18.5x in April. Valuations are clearly not cheap anymore – however, it is based on an EPS growth forecast of +10.2% YoY in 2025 (after +13.4% in Q1) which entails upside potential, in our view. [Equity markets should be driven by operating leverage and margin upside from here into 2026](#), unleashed by the adoption of AI in the enterprise. On that point, our forecast is based on a net margin of 12.8% in 2025e (an all-time high level) – so the question is whether companies can continue to grow their revenues while keeping their OPEX growth flat-to-down with agentic AI. Meta and Alphabet have led the way in showing the potential for this in recent quarters. During one of his recent interviews, Nvidia CEO Jensen Huang stated that Nvidia should be able to keep its headcount stable around 35,000 while increasing its revenues by 3x by involving robotic digital agents in the daily workflows.

S&P 500 P/E valuation, 2015a - 2025e											
	2015a	2016a	2017a	2018a	2019a	2020a	2021a	2022a	2023a	2024a	2025e
Operating EPS	118.2	119.1	133.0	162.9	164.6	144.6	212.5	220.6	221.5	244.0	268.8
growth (YoY)	-0.5%	0.7%	11.6%	22.5%	1.0%	-12.2%	47.0%	3.8%	0.4%	10.1%	10.2%
Price low	1867.6	1829.1	2257.8	2351.0	2447.9	2237.4	3700.7	3577.0	3808.1	4688.7	4982.8
Price high	2130.8	2271.7	2690.2	2930.8	3240.0	3756.1	4793.1	4796.6	4783.4	6090.3	6205.0
Price close	2043.9	2238.8	2673.6	2506.9	3230.8	3756.1	4766.2	3839.5	4769.8	5881.6	6205.0
P/E low	15.8	15.4	17.0	14.4	14.9	15.5	17.4	16.2	17.2	19.2	18.5
P/E high	18.0	19.1	20.2	18.0	19.7	26.0	22.6	21.7	21.6	25.0	23.1
P/E close	17.3	18.8	20.1	15.4	19.6	26.0	22.4	17.4	21.5	24.1	23.1
P/E range	15.8 - 18.0	15.4 - 19.1	17.0 - 20.2	14.4 - 18.0	14.9 - 19.7	15.5 - 26.0	17.4 - 22.6	16.2 - 21.7	17.2 - 21.6	19.2 - 25.0	18.5 - 23.1

Source: Nahmani Grunder.

NG Predictions I – US valuation premium backed by superior growth and AI leadership

- On a relative basis, the **P/E valuation discount of Europe (Stoxx 600) to the US (S&P 500) has only widened since Covid**. This discount stood at an average of -13.4% in the pre-Covid 2015 – 2019 period. Post Covid, in the 2021 – 2024 period, it further grew to an average discount of -34.4% and **closed H1 2025 at -34.2%**.
- The **growth differential between Europe and the US has been stark in 2019 to 2025**, with EPS growth of +5.5% per annum in Europe in this period versus +8.5% for the US (both in local currency). US equities as measured by the S&P 500 index collectively deliver higher revenue growth and higher net profit margins, translating into this contrasting profit growth picture.
- We believe **this growth differential is sustainably here to stay and will be further reinforced in our view by the US AI technology leadership**. For example, the Mag-7 (Nvidia, Microsoft, Apple, Alphabet, Meta, Amazon, Tesla) delivered EPS growth of +33% year-on-year in Q1 2025 and now account for close to 35% of the S&P 500 index. The Mag-7 will be big beneficiaries of the adoption of AI across consumer and enterprise applications and should sustain double digit EPS growth over the next 3 years, in our view. There is no European AI technology stack to even speak of.
- Net net, we continue to think that there is **no viable valuation case for Europe that will allow the region to sustainably outperform the US equity markets**, as we remain in the early parts of this massive AI computing paradigm transition. Lastly, on Switzerland specifically, while we continue to find some particularly exciting bottom-up company fundamentals, on an index level, we don't find the SMI as particularly attractive given its P/E 2025 multiple of 17.5x with an EPS growth profile which is in line with Europe.

P/E multiples for MAJOR EQUITY INDICES				
	S&P 500	Europe 600	MSCI EM	Discount EU/US
2015	17.3	16.9	13.2	-2.3%
2016	18.8	17.0	12.8	-9.6%
2017	20.1	16.0	15.2	-20.4%
2018	15.4	12.9	12.9	-16.2%
2019	19.6	16.2	14.7	-17.3%
2020	26.0	22.3	20.6	-14.0%
2021	22.4	16.1	13.4	-28.3%
2022	17.4	12.0	11.7	-31.0%
2023	21.5	13.8	14.4	-36.0%
2024	24.1	14.2	13.6	-40.9%
2025e*	23.1	15.2	13.8	-34.2%

* Multiples as of close of 30 June 2025

Source: Nahmani Grunder.

NG Predictions II – Fed rate cuts to resume as of Sept; Focus on term premium

- Between July and September (Q2 2025), the US Treasury will have to refinance over \$3 trillion in maturing federal debt, part of a broader \$11 trillion wave coming due over the next 12 months. This rollover is the result of years of short-term borrowing at low rates under Yellen/Biden, much of which now matures just as interest rates remain elevated. Refinancing this debt at today's yields, which are higher than those locked in during 2020–2021, could cost hundreds of billions in additional annual interest. The US government spent a total annual run-rate interest expense of \$ 1.11 trillion on its average public debt of \$ 36.2 trillion in Q1 2025 (average rate: 3.1%).
- With this refinancing schedule ahead, President Trump has publicly pressed the Federal Reserve to cut interest rates by as much as 3.0% to ease this extra interest expense burden. His administration has also explored maturity extension, which would involve shifting new issuance toward longer-dated bonds to lock in current rates for a longer period and reduce the volume of debt that must be rolled over each year. Beyond Fed rate cuts, a combination of improved economic growth, further disinflation, and fiscal reforms would help reduce pressure on long-term borrowing costs. That's where Bessent's "3 3 3 " policy action plan defined as the new goldilocks economic outcome goes center stage. A potential successful execution of this plan would help reduce the market's current excessive focus on the deteriorating US fiscal position and compress the increasing term premium priced by investors into long-dated rates.
- A restart of the rate cutting cycle by the FED to around 3.0%- 3.5%, further disinflation and lower term premium demanded by US Treasury investors would result in a reduction of rates along the US yield curve. We believe the FED will resume its rate cutting cycle again from September with the scope to end 2025 at a target range of 3.50% - 3.75% - this equates to 25bps cuts per meeting between September and the end of the year 2025. That should still leave room for up to 50bps of further easing during 2026.
- Based on the above, we also see room for the 10-year Treasury rate, which closed H1 at 4.23%, to potentially fall towards a range of 3.75% - 4.0% over the next 6 – 9 months, which would also support current equity valuations.

Fed Funds futures price 3.88% by end-2025

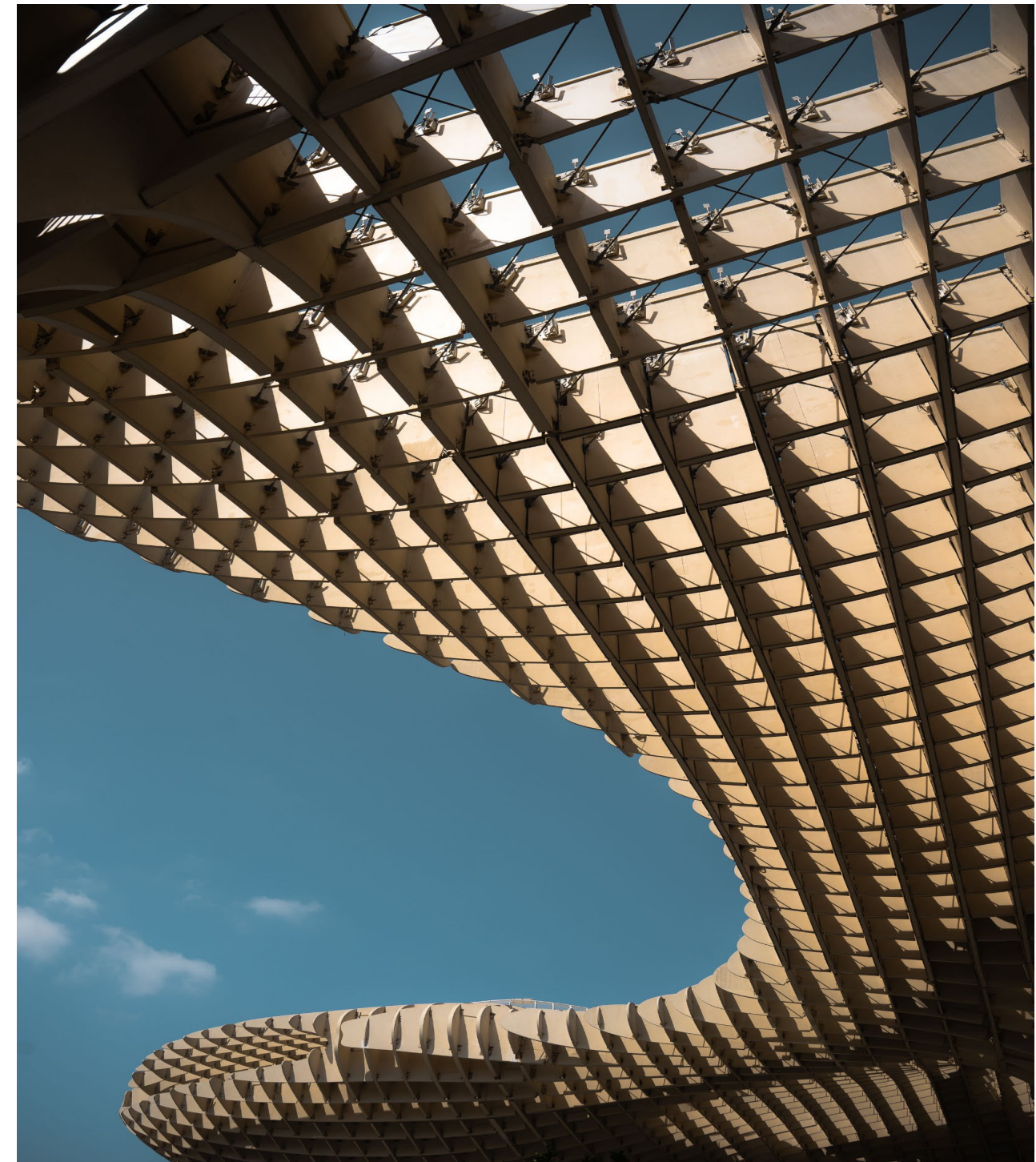


10-year US Treasury rate has been in a 3.5% - 5.0% range since Q4 2022



NG Predictions III – Equities over bonds

- The [Bloomberg \(BBG\) Global Credit index](#) generated a cumulative total return of -8.7% over the last 3 years (2021 – 2024) and -2.7% over the last 5 years in USD terms. The main culprit for this negative outcome was the fact that we came out of the zero-interest rate policy (ZIRP) era post covid and carry (coupon income) in this period was completely offset by a massive rise in sovereign rate curves globally. 2025 started on a more positive footing (+7.7% in USD). While credit spreads are at multi-decade lows and don't contain much risk premium, our view that rates can continue to go down from current levels over the next 6 – 12 months imply [credit should continue to eke out further small gains in the near-term](#). The risk to this view would be an unforeseen spike in inflation and its potential negative impact on corporate spreads with little safety buffer.
- MSCI World beat BBG Global Credit index by 13% to 15% annualized over the last 3 and 5 years. Given our views on rates, credit spreads, corporate earnings growth and equity valuation multiples, we [continue to favor global equities over global credit](#).
- Within credit, we would continue to [position in global investment grade \(IG\) credit](#), notably USD/EUR/CHF low A-to-BBB rates, while slightly [extending our duration bracket from 5 years to 7 years](#).
- In currencies (FX), we believe CHF will remain the safe-haven currency, during a time when all other major currencies are tainted by ongoing worries around the fiscal health of their sovereign. While these fiscal worries have probably peaked for USD, we remain less positive on the EU and the UK, since there is much less scope to control their government spending (given the leftist social tendencies in Europe) and also get additional help from the underlying growth of their economies. Sustainable economic growth is one of the few ways to get out of a debt spiral, and we believe the US is much better positioned than Europe in that regard. We see a way out of the fiscal quagmire for the US. Net net, we [continue to like CHF](#) but would also see [opportunities for a partial reversal of the moves seen in the EURUSD pair](#) so far in 2025.



Asset Class Grid

Asset Classes	Positive	Neutral	Negative
Fixed Income & Cash	UST Bills US Treasuries (up to 10 years) US/EUR IG	EU Sovereign (up to 5 years) US/EUR HY	EM Corp
Equities (sectoral view)	Technology/AI infrastructure Technology/Software Health care	Consumer Staples & Discretionary US Financials Industrials/AI Power Energy Metals & Mining Utility	Chemicals EU Banks
Commodities	Gold Copper	Crude Oil Nickel Coal	Iron ore



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