

TRAMONDO
INVESTMENT PARTNERS

MARKET COMPASS

A MONTHLY BRIEFING ON THE STATE OF THE FINANCIAL MARKETS AND OUR TACTICAL POSITIONING.

SEPTEMBER 2025

TACTICAL POSITIONING

Cash:	○	○	●	○	○
Bonds:	○	○	○	●	○
Equities:	○	●	○	○	○
Alt. Investments:	○	○	●	○	○

We are happy to explain our detailed tactical positioning to you in a conversation. Please contact us.

MARKET REVIEW:

POWELL OPENS THE DOOR – PUTIN BLOCKS PROGRESS – TRUMP LOSES IN COURT

US Federal Reserve signals rate cut – At the recent Jackson Hole Symposium in Wyoming, Fed Chairman Powell emphasized that the focus of monetary policy is increasingly shifting towards weakening labour markets. Both the supply and demand sides of the labour market are showing clear signs of cooling – a factor pushing the Fed towards a more cautious stance. At the same time, Powell indicated that inflation risks have not been eliminated, particularly considering the Trump administration's recent tariff policies, although the central bank expects these effects to remain temporary. All in all, the Federal Reserve appears to be rolling out the red carpet for a rate cut in September. After the current easing cycle was launched in September 2024 with a "jumbo rate cut" of 50 basis points, momentum has since faded noticeably – with investors eagerly waiting for the next rate move since nine months. In fixed income markets, Powell's remarks were met with clear approval. Short-term U.S. Treasury yields in particular – widely viewed as a key gauge of investor expectations for monetary policy – underwent a repricing during the month, with (positive) price effects on corporate bonds: the relevant bond index gained around 1.0% in August.

SPOTTED

Historic meeting between China and India – The leaders of the world's two most populous countries, China and India, met in August on the sidelines of a security conference – their first encounter in seven years. Both nations reaffirmed their intention to strengthen cooperation going forward, after years marked by geopolitical disputes. Their shared (trade-policy) adversary, the United States, is evidently prompting even former bitter rivals to move closer together – at least one positive side effect of U.S. trade policy.

Tough peace negotiations in the Ukraine/Russia conflict – The mid-August 2025 summit between Donald Trump and Vladimir Putin in Anchorage, Alaska, was followed with great international anticipation. The two presidents discussed the situation in the Ukraine war and possible paths toward a political solution. While both sides stressed the need to continue dialogue, no tangible results were achieved. Key points of contention – such as Ukraine's territorial integrity and Europe's security architecture – remained unresolved. Notably, Kyiv was not included in the talks, which significantly limited the meeting's impact and drew strong criticism from Europe. Overall, we view this latest "peace summit" more as a symbolic gesture that primarily offered Putin an international stage, while Trump (once again) failed to secure progress in the deadlocked peace negotiations. European equity markets mirrored this geopolitical theater: at the beginning of August, markets gained strong momentum in anticipation of concrete peace results, only to give up (almost) all of it in the second half. The EuroStoxx 50 ultimately ended the month about 0.6% higher, while U.S. equities posted gains of 1.9% (S&P 500) and 0.9% (Nasdaq 100).

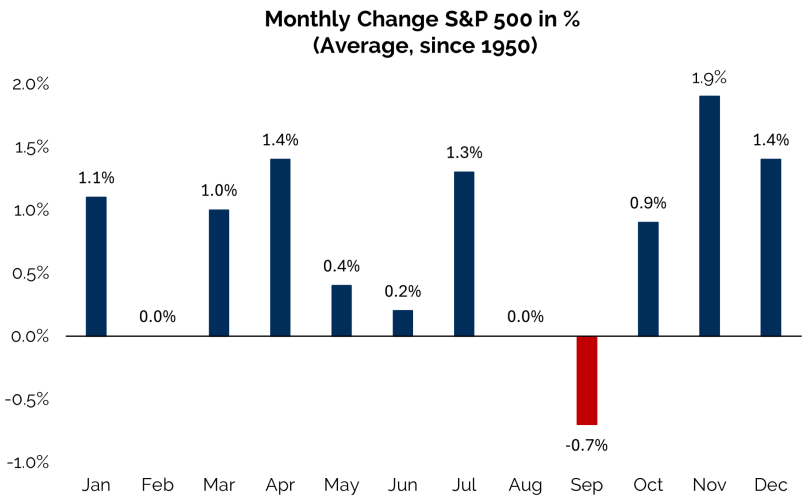
SOON IN FOCUS

Powell under pressure to act – Just on September 17, the Federal Reserve will once again decide on its interest rate policy. Following the latest labour market report, which raised some growth concerns among investors, Fed Chair Powell is likely to (finally) give in and cut rates by 0.25%, the first rate move since December 2024.

Court of Appeals rules import tariffs illegal – On August 29, 2025, a U.S. Court of Appeals ruled that significant portions of the import tariffs imposed by President Trump under the International Emergency Economic Powers Act (IEEPA) are illegal. Earlier in spring, another Court of Appeals had already questioned the legality of these tariffs and deemed them inadmissible – the latest ruling thus reinforces and intensifies the legal pressure on the administration. Nevertheless, the tariffs are allowed to remain in force until October 14 in order to enable the Trump administration to eventually appeal before the Supreme Court.

DID YOU KNOW THAT...

...SEPTEMBER IS THE ONLY MONTH IN WHICH THE S&P 500 SHOWS A NEGATIVE AVERAGE RETURN?



SOURCE: BLOOMBERG, TRAMONDO INVESTMENT PARTNERS

Historical data show that September is far from a star performer for U.S. equities. On average, the U.S. stock index S&P 500 has lost about 0.7% since 1950, making September the only month of the year in which the probability of losses, at 56%, exceeds that of gains.

This can be attributed to a number of fundamental factors, which could exert even greater influence this year.

THIS YEAR, SEPTEMBER'S SEASONAL WEAKNESS COINCIDES WITH A PARTICULARLY CHALLENGING MARKET ENVIRONMENT.

- Buyback blackout period: Many U.S. companies suspend share repurchases ahead of the earnings season. This decline in corporate demand removes an important stabilizing factor from financial markets.
- Quarter end: Towards the end of September, institutional investors tend to carry out extensive portfolio reallocations (rebalancings) to optimize performance reporting or to realize losses for tax purposes.
- Capital raising: After the summer break, companies traditionally enter a phase of increased capital raising. New issues of equities and bonds raise investors' liquidity needs, often prompting them to reduce existing positions – which puts additional pressure on prices.
- Profit warnings: Even ahead of the upcoming earnings season, companies may be inclined to revise their guidance due to rising input costs from import tariffs and ongoing geopolitical uncertainties. In a market environment with high expectations, investors would almost certainly react with disappointment.

At the same time, historically weak September phases have repeatedly created opportunities: market setbacks have often opened attractive entry levels for the final quarter, provided that (overly optimistic) investor expectations were adjusted and financial markets were able to stabilize again. Therefore, investors should keep liquidity at hand in order to selectively build positions during periods of heightened market volatility.

MARKET OUTLOOK

The U.S. equity market defended its record highs over the summer, yet the momentum of recent months appears to be reaching its limits. While the strong Q2 2025 earnings season provided another boost for the S&P 500, market signals suggest that the upside potential is fading. Several indicators suggest that the coming weeks will be more challenging for investors.

SYSTEMATIC INVESTORS ARE ALREADY NEARLY FULLY INVESTED, AND INSTITUTIONAL INVESTORS' CASH ALLOCATIONS HAVE DROPPED TO A CRITICAL LEVEL.

The seasonally weak phase in September is exacerbated by the impending buyback blackout period and the possibility of profit warnings prior to the Q3 2025 earnings season. At the same time, systematic investors are already nearly fully invested, and institutional investors' cash allocations have fallen to a critical level. Against this backdrop, speculative market segments have recently lost considerable momentum, while the previous market leaders started to show signs of fatigue – an environment that increases the likelihood of a correction. Our tactical positioning reflects these risk factors:

- Equities: We keep the allocation slightly below the strategic level – too many factors currently argue against an aggressive stance. In our view, the S&P 500 is likely to trade in a short-term range between 6,150 and 6,400.
- Fixed Income: We maintain our overweight position. High-quality credit issuers (investment grade) remain a key element in stabilizing investment portfolios.
- Alternative investments: We have upgraded our view on gold back to overweight. In addition to favorable seasonality, a technical breakout scenario above USD 3,500 supports further upside potential. Silver could also benefit in this environment and may target its all-time high in the fall.

Overall, we believe that risk factors are likely to dominate equity markets going forward, which is why we prefer a cautious and selective positioning. At the same time, fixed income and precious metals continue to offer attractive diversification and hedging opportunities for balanced portfolios.

WHO WE ARE

Tramondo Investment Partners AG is a bank-independent Swiss asset manager based in Zug and licensed by the Swiss Financial Market Supervisory Authority (FINMA) to act as an asset manager of collective investment schemes. Tramondo is the investment arm of a multi-family office group that has been in existence for over 45 years.

CITYWIRE
TOP 50
IAMs 2025

For the fifth time, the company was named one of the 50 most influential independent asset managers in Switzerland and Liechtenstein by the renowned media company Citywire.

ASV/ASWM
Allianz Schweizer Vermögensverwalter
Alliance of Swiss Wealth Managers

Tramondo is a member of the Alliance of Swiss Wealth Managers (ASV/ASWM), founded in 2016. The members of the Alliance currently represent more than 100 billion Swiss francs in client assets.

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