MARKET COMPASS

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

JULY 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.

SPOTTED

Tesla's Sales Momentum Stalls – In May, electric carmaker Tesla saw a 40% drop in vehicle sales in Europe compared to the same month last year. This decline is all the more striking given that overall auto industry sales rose for the second consecutive month. While the company attributes the downturn to a model refresh, it is widely speculated that consumers may be growing increasingly critical of CEO Elon Musk's political activism – prompting many to steer clear of Tesla vehicles altogether.

MARKET OVERVIEW:

COOLING IN EUROPE, RECORD HIGHS IN THE USA

European equity markets are struggling – While U.S. equity markets on Wall Street reached new record highs toward the end of the month (S&P 500 +5.0%, Nasdaq 100 +6.3% for the reporting period), momentum in Europe has recently cooled noticeably. The German DAX Index and the EuroStoxx 50 posted losses of 0.4% and 1.2%, respectively, in June. Although both indices still lead their New York counterparts year-to-date, the once comfortable lead has narrowed significantly in recent weeks. In Germany, some of the previous high-flying stocks have come under notable pressure. Rheinmetall (-4.7%) and Deutsche Telekom (-6.9%) were particularly impacted by profit-taking. Meanwhile, the German car manufacturers once again struggled to gain traction. BMW (-3.4% in June), Mercedes-Benz (-5.5%), and VW (-6.0%) continued to be largely ignored by investors. In Switzerland, investor sentiment was also subdued during the reporting month. The SMI index dropped a notable 2.5%, with Nestlé standing out negatively once again, posting its weakest monthly performance (-10.1%) since June 2008. It appears that recent developments in the currency markets are increasingly unsettling investors, as companies in the region are heavily reliant on exports. A strong Euro or Swiss franc is therefore widely viewed as a drag on growth and competitiveness.

Markets driven by politics rarely have lasting momentum. – The military escalation in the Israel-Iran conflict had only a temporary impact on market dynamics over the past month. The U.S. airstrikes on Iran's nuclear infrastructure marked a dramatic end to weeks of provocations and the associated uncertainty - an event the markets likely viewed as the long-awaited "clearing event." While oil prices ended the reporting month up by around 7.1%, the modest performance of gold in June (+0.4%) indicates that market participants never truly perceived the situation as a serious threat to the financial markets. The old market adage that "political influences on markets are often short-lived" has once again proven true. Investors who reacted hastily to geopolitical tensions will likely come to regret their overzealous actions in hindsight.

ECB and SNB signal end of interest rate cycle – The central banks of the Eurozone (ECB) and Switzerland (SNB) held their respective meetings during the reporting month. Both surprised markets with an unexpectedly explicit message that the current interest rate cutting cycle may have come to an end. In the case of the SNB, this stance appears understandable given the context - at its June meeting, the Swiss National Bank lowered its key

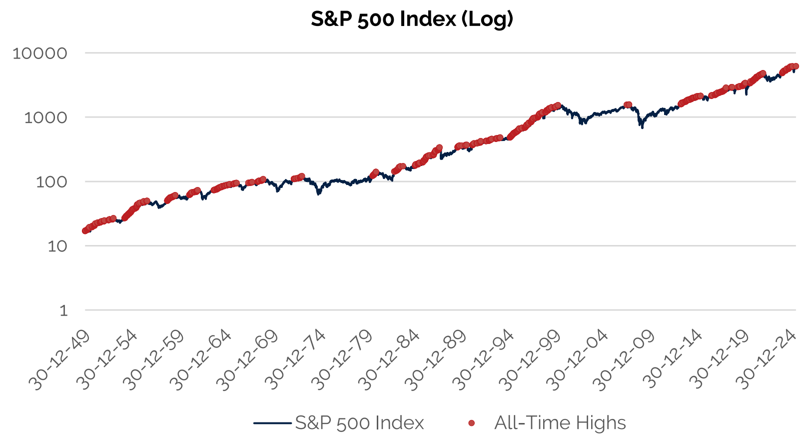
SOON IN FOCUS

Deadline in the Trade Dispute – On April 9, 2025, U.S. President Trump initiated a trade policy reversal by granting America's trading partners a 90-day pause on the imposition of reciprocal tariffs. This "grace period" was intended to provide time for the negotiation of new trade deals with the United States. With the deadline set to expire on July 9, it remains to be seen how the U.S. administration will respond – especially given that few, if any, substantial trade agreements have materialized thus far.

interest rate to 0.0%. While SNB Chairman Schlegel did not explicitly rule out negative interest rates, he indicated they would only be considered in "exceptional circumstances." Accordingly, negative rates in Switzerland appear to be off the table for the foreseeable future, barring a significant economic downturn or recession. In the Eurozone, the key policy rate now stands at 2.0%, which seems relatively high in light of the underlying economic fundamentals. Unsurprisingly, ECB President Christine Lagarde left the door open for further rate cuts should the central bank's expectations regarding growth and inflation fail to materialize.

DID YOU KNOW THAT...

...RECORD HIGHS ON WALL STREET ARE USUALLY A CONSTRUCTIVE SIGNAL FOR EQUITY MARKETS?



SOURCE: BLOOMBERG, TRAMONDO INVESTMENT PARTNERS, BANK OF AMERICA

Despite ongoing uncertainties surrounding U.S. trade tariffs and geopolitical tensions across the globe, the two most closely watched U.S. equity indices – the S&P 500 and the Nasdaq Composite – both ended the past month at record highs. The S&P 500 reached a new all-time high of 6,215 points, while the Nasdaq set a fresh record at 20,369 points. What stands out about the S&P 500's latest record is that – unlike previous breakouts – only 22 of its constituent stocks hit an all-time high alongside the index. For comparison: during the breakout in March 2023, 97 companies reached new highs; in May 2007, it was 82; and in November 1998, no fewer than 66 stocks marked record levels.

HISTORY SHOWS THAT NEW ALL-TIME HIGHS IN THE STOCK MARKET OFTEN SIGNAL THE BEGINNING – RATHER THAN THE END – OF A RALLY.

Among the remaining index constituents, 146 companies are currently trading less than 10% below their all-time highs, while 83 are within 5%. This points to broad underlying strength and may suggest that the market still holds further upside potential. Even if our instincts suggest otherwise, history shows that new all-time highs in the stock market often mark the beginning rather than the end of a rally. Since 1950, the S&P 500 has averaged 20 record closes per year – provided there was no major economic crisis (such as the stagflation of the 1970s or COVID-19) or financial bubble (like the dot-com crash or the 2008 financial crisis) intervening. Given that the U.S. equity market has recorded only three all-time highs so far this year, the S&P 500 may very well have additional room to rise – assuming a major economic downturn can be avoided.

Analyzing equity index levels can provide valuable insights for investor positioning – especially when combined with fundamental data, investor sentiment, and technical chart patterns. A key element of our market assessment is the momentum factor, which refers to the observation of whether trends persist and even strengthen over time. Historically, equity markets that reach new highs tend to continue exhibiting positive momentum – particularly when market breadth remains healthy. Momentum not only helps us better assess short-term overreactions or underreactions, but also serves as an important indicator for evaluating the sustainability of such price movements.

MARKET OUTLOOK

And just like that, the first half of 2025 is already behind us. In retrospect, the past six months could easily serve as the script for a full-length political blockbuster straight out of Hollywood. U.S. President Trump dominated the geopolitical stage like few others before him, with an erratic foreign policy aimed at nothing less than a complete overhaul of the global trade order. A brief military intervention in the Middle East, of course, was part of the script. Domestically, the Trump administration also made headlines with its relentless pace. As the quarter came to a close, the odds looked strong that Trump's "Big, Beautiful Bill" would pass through Congress – a milestone piece of legislation likely to shape U.S. fiscal policy for years to come. In light of this extraordinary dynamism in the U.S., the historic shifts unfolding in the Eurozone – particularly in Germany – have almost faded into the background.

For the financial markets, this political drama created a complex backdrop of uncertainty and disruption – but also unexpected tailwinds. While economic fundamentals proved surprisingly resilient, shifting political narratives and sudden developments repeatedly triggered spikes in market volatility. In an environment characterized by a high density of information and rapidly evolving investor expectations, selective risk management, as well as flexibility and balance in portfolio construction, quickly emerged as key success factors in managing investment solutions – and will likely remain so for the foreseeable future.

INVESTORS ARE LIKELY TO WATCH CLOSELY HOW THE UNCERTAINTY SURROUNDING U.S. TRADE POLICY HAS AFFECTED REVENUE MOMENTUM AND PROFITABILITY AMONG S&P 500 COMPANIES.

From a tactical investment perspective, the coming weeks are likely to be critical for shaping equity market dynamics in Q3 2025. On the trade front, President Trump increasingly finds himself backed into a corner, as his administration has made little meaningful progress – so-called "trade deals" – since the 90-day pause on reciprocal tariffs announced in April. It would therefore come as no surprise if Trump were to double down on his trade ambitions, which could weigh on financial markets in the short term. From a fundamental standpoint, the upcoming trading weeks also carry strategic importance, as U.S. companies listed on Wall Street are set to report their results for Q2 2025 – notably, the first quarter likely influenced by the U.S. tariff policy. Investors will be paying close attention to how the uncertainty tied to American trade policy has impacted revenue momentum and profitability among S&P 500 firms.

In light of these pivotal weeks ahead, we are currently maintaining an equity allocation that sits slightly below our strategic target. While we continue to see attractive medium-term potential in European equities, the strength of local currencies has recently posed a significant challenge for companies in the region. Firms within the Stoxx Europe 600 generate roughly 60% of their revenues outside their domestic markets, with approximately half of that – around 30% – coming from the United States. As such, the significant appreciation of the euro since the beginning of the year is increasingly weighing on these companies and is likely to become a talking point during the upcoming Q2 2025 earnings season. Over the past month, we made a slight adjustment to our sector strategy, upgrading Communication Services to an overweight position. This sector, particularly in the U.S., offers an appealing risk/return profile and provides attractive exposure to structural investment themes such as social media and artificial intelligence.

At the level of fixed income markets and alternative investments, we have made no material changes to our tactical positioning in recent weeks. We continue to view bonds issued by high-quality issuers (investment grade) as an attractive complement to our multi-asset solutions, particularly as a means of hedging against ongoing economic risks. Lastly, a word on gold: after a period of strong performance, the precious metal has recently entered a consolidation phase. Structurally, we continue to view gold as an attractive asset. However, from a tactical perspective, we currently see no reason to increase our exposure and are maintaining our neutral stance. Price pullbacks could be selectively considered as entry opportunities.

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
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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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