



MARKET COMPASS

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

AUGUST 2025

TACTICAL POSITIONING



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

SPOTTED

Meta Platforms with mega AI project – Meta CEO Mark Zuckerberg announced in July that he wants to build AI data centres on a gigantic scale. The two projects, with the evocative names 'Prometheus' and 'Hyperion,' are intended to ensure that the advertising business can be completely automated by the end of 2026 – the company is already investing around USD 70 billion in this for 2025.

MARKET OVERVIEW:

TRADE POLICY EASING MEETS MONETARY POLICY UNCERTAINTY

Progress in US trade policy – Over the past month, U.S. President Trump has reached agreements in the tariff dispute with several key trading partners. As a result, companies from the European Union (EU) and Japan will each face U.S. import tariffs of 15% going forward. The basic structure of the "Trade Agreements" concluded with these two economic powers is relatively similar: in addition to the import duties, both partners have committed to making substantial investments in the U.S. and to integrating selected U.S. sectors (including energy, agriculture, and defense) more deeply into their economic relations. These "deals" have, for the time being, removed much of the recent uncertainty; however, many details of the agreements—such as possible sector-specific tariffs—remain unresolved. Equity markets reacted with some restraint to the (likely already priced-in) progress in the tariff negotiations. On the very last day of the reporting month, the U.S. administration announced a series of (revised) reciprocal import tariffs, serving as a sobering reminder to investors that, despite the easing of uncertainty, the challenges posed by the new trade regime remain significant—both for the United States and for the global economy.

Big Tech delights investors – US companies' results for Q2 2025 have so far been better than expected. The big tech companies from Silicon Valley in particular impressed investors (once again) with their outstanding sales and earnings momentum. The growth rate of earnings per share (EPS) for these companies averaged just under 30% (excluding Apple and Tesla; Nvidia will not report its results until the end of August) – significantly higher than the 7.7% earnings growth achieved by the market-wide S&P 500. The record-high investments in AI infrastructure, which were viewed rather critically by some investors, appear to be having a positive effect on operating results, although a large portion of the corresponding returns will likely only be monetised in the coming years. Given this backdrop, it is not surprising that the technology-heavy Nasdaq 100 (+2.4%) and the S&P 500 (+2.2%) performed significantly better than the German DAX (+0.7%) and the EuroStoxx 50 (+0.3%) in the month under review. The Swiss stock market closed July around 0.1% lower, as the disappointing performance of food giant Nestlé (-9.8%) once again weighed on the index.

Fed chief under pressure – The US Federal Reserve kept its key interest rates unchanged at its last meeting in July. Since December 2024, when Fed Chairman Powell cut US key interest rates by 0.25% to 4.50%, the world's most important central bank has remained in a wait-and-see mode, which

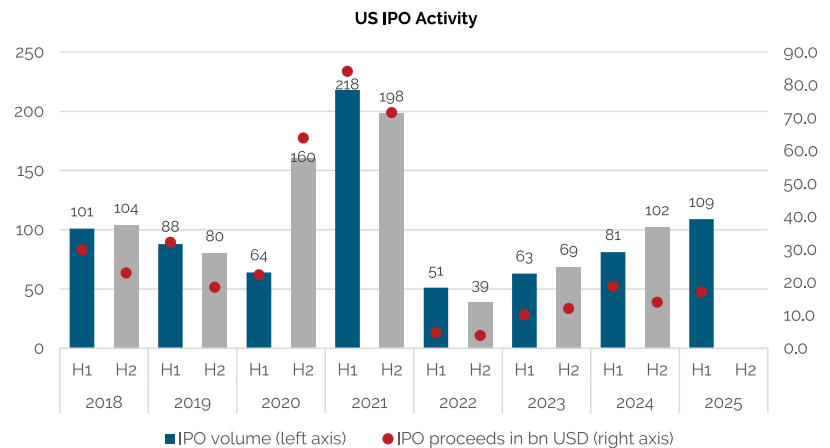
SOON IN FOCUS

Trade dispute between Switzerland and the US – Just one day before the national holiday on 1 August, Switzerland received the bad news that the US administration would be imposing a record-breaking 39% tariff on Swiss imports. The government has only a few days left before the measure comes into force on 7 August to negotiate a better deal with the US president. Without a significant improvement in the trade policy framework, thousands of jobs in small and medium-sized enterprises are likely to be at risk.

has recently led to heated discussions, particularly in the Oval Office in Washington. The latest US labour market data strongly support the US president's critical comments: job growth in the US has cooled significantly in recent months and, looking at the last three months, averages just 35,000 – the weakest momentum since 2010 (apart from the pandemic period). Fed Chairman Powell is therefore faced with the delicate task of defining a monetary policy compromise between rising inflation due to US tariff policy and weakening growth momentum – a truly difficult task, even without a ranting US president breathing down his neck.

DID YOU KNOW THAT...

...THE US MARKET FOR INITIAL PUBLIC OFFERINGS (IPOS) HAS RECORDED ITS STRONGEST HALF-YEAR PERFORMANCE SINCE 2021?



SOURCE: BLOOMBERG, TRAMONDO INVESTMENT PARTNERS, BANK OF AMERICA

HISTORICALLY, STRONG IPO MARKETS HAVE BEEN SEEN AS AN INDICATOR OF INVESTOR OPTIMISM AND USUALLY CORRELATE WITH A POSITIVE STOCK MARKET ENVIRONMENT.

Despite volatility on global stock markets in the first half of 2025, the market for initial public offerings (IPOs) has recovered. According to a recent study, there were 539 IPOs worldwide in the first half of 2025 with a total volume of USD 61.4 billion, representing a 17% increase in issue proceeds compared to the previous year. As in previous years, the US market remained the most important driver of global equity issues. In the US alone, 109 IPOs were recorded in the first half of the year – an increase of 35% compared to the same period in 2024 and the best first half since 2021. The renewed interest in SPACs (special purpose acquisition companies) contributed significantly to the recovery. SPACs accounted for 40% of total issuance volume in the reporting period. At their peak in 2021, SPACs accounted for nearly 63% of all US IPOs and generated about half of total issuance proceeds at that time.

Asia also recorded impressive growth in the first half of 2025, led by a strong recovery in Hong Kong and China, where issuance volume rose by 172% to USD 28.4 billion. In contrast, European markets weakened, with issuance volume falling by 24% to USD 5.9 billion.

Historically, strong IPO markets have been seen as a sign of investor optimism and usually go hand in hand with a positive stock market environment. On the other hand, booming IPOs often attract speculative trading, especially from private investors, which can lead to excessive hype and increased volatility after the IPO. A sharp rise in IPOs – especially from lower-quality companies – often occurs in the late stages of

a bull market and can be a sign of overheating. Together with the recent all-time highs of US stock indices and historically high valuations, the increased number of IPOs and SPACs suggests an extremely optimistic investor sentiment.

In the US in particular, the current reporting season has so far maintained positive investor sentiment thanks to solid earnings growth. Easing trade tensions, stabilising volatility and pent-up demand for private equity exits point to continued IPO momentum in the second half of the year. Ultimately, however, the further course of the IPO market will depend largely on the stability of the global macroeconomic environment and the geopolitical situation – both key factors influencing investor sentiment.

MARKET OUTLOOK

The US stock market is definitely not experiencing any summer fatigue. In addition to progress on trade policy, it was primarily strong quarterly results during the recent earnings season that drove the S&P 500 to new record highs. In this context, US companies have certainly also benefited from the fact that earnings expectations for Q2 2025 have been massively reduced (from 10.9% to 4.9%) due to trade policy uncertainties in recent months. This favourable basis for comparison has logically led to around 80% of companies in the S&P 500 exceeding earnings expectations so far – a remarkable achievement given the trade tensions and the increasing slowdown in the US economy.

Despite supportive fundamentals from Corporate America, the party mood on Wall Street seemed to come to a sudden end towards the end of the month. Even strong quarterly results from individual companies (including Amazon) did little to boost prices at this point. Combined with another wave of tariff announcements and a weak US labour market report, this prompted some investors to take at least some of their profits. In the short term, we consider a scenario of temporary consolidation following the spectacular rally of recent months to be plausible for the following reasons:

IN THE SHORT TERM, WE CONSIDER A SCENARIO OF TEMPORARY CONSOLIDATION FOLLOWING THE SPECTACULAR RALLY OF RECENT MONTHS TO BE PLAUSIBLE.

- Market positioning: Systematic trend-following strategies (CTAs) and private investors in particular have fuelled the market massively in recent months. However, positioning data now suggests that these two market segments are already very aggressively positioned. Institutional investors who have largely missed out on the rally so far would therefore need to step into the breach – but we currently consider an increase in risk appetite among these investors to be unrealistic.
- Seasonal risks: Historically, August and September tend to be weak months on the stock market. These seasonal patterns are further exacerbated by (ongoing) political uncertainties.
- Margin risks: Although corporate profit margins have remained surprisingly stable so far, the full impact of US tariff policy is not yet fully reflected in the profitability of US companies. We have recently received initial warning signals in this regard from individual early-cycle sectors (including US automotive companies).
- Breadth of the market recovery: The latest index gains have been driven largely by a few heavyweights, primarily tech companies such as Nvidia, Meta Platforms and Microsoft. There are currently no clear signs of healthy market breadth to support a sustained uptrend.
- Signs of exhaustion among market leaders: Various style segments that have recently given the US equity market a strong boost, above all growth and US tech, are now in technically overbought territory. No new market leaders are currently in sight.

Overall, these factors point to a slightly cautious, tactical positioning on the equity markets. Consequently, we are currently maintaining an equity allocation that is slightly below our strategic target (beta-adjusted).

We have not made any material adjustments to our tactical positioning in the bond markets or alternative investments in recent weeks. We therefore continue to regard bonds from high-quality issuers (investment grade) as an attractive addition to our mixed investment solutions in order to hedge against the existing economic risks. Gold remains structurally attractive to us, but we currently see no reason to increase our exposure and are sticking to our neutral assessment. However, price declines should continue to be viewed selectively as entry opportunities.

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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.

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.



Tramondo Investment Partners AG
Unter Altstadt 10
CH-6302 Zug
T +41 41 710 76 76
F +41 41 710 76 78
contact@tramondo.ch
www.tramondo.ch

CONTACT US

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