Disinflation Is Gaining Momentum

The most important news of the past week involved falling prices. For example, consumer prices in the U.S. fell sharply in June. Statistically, this caused inflation to drop from 4.2% to 3.5%. The decline in producer prices was even steeper, falling from 6.0% to 5.5%; excluding energy, the rate was "only" 5.1%.

Naturally, Federal Reserve Chairman Kevin Warsh had to emphasize that this did not yet mean the monetary policy goal of price stability had been achieved. At the same time, it became clear to all market participants that any interest rate hikes were off the table. Yields on two-year Treasury bonds fell by more than ten basis points within a week, and those on ten-year bonds also dropped significantly.

Disinflation has been clearly evident recently. Inflation expectations fell, causing consumer sentiment—as measured by the University of Michigan—to rise more sharply than expected. In fact, beneath the surface, the U.S. stock markets likely look healthier than the current sell-off in semiconductor stocks would suggest. A defensive rotation is taking place away from the narrow "AI" sector and toward broader markets. This is evident in the fact that the equally weighted S&P 500 Index closed at a record high last Thursday, even though the tech-heavy Nasdaq fell sharply and global chipmakers took a nosedive.

Incidentally, this is also linked to the rapid improvement of Chinese open-source language models and the associated market assessments. One of the simplistic arguments behind the plunge in semiconductor stocks was: The faster these affordable language models gain capabilities, the less technology hardware will be needed. However, the exact opposite is to be expected. The low cost of AI is accelerating its rapid penetration into all business processes, which in turn requires even more computing and storage capacity.

We view precisely this kind of scrutiny as our mission: We analyze technological progress as well as every business model and every component in detail. For example, Apple's capital expenditures are relatively modest. Apple's free cash flow is rising this year and is expected to continue rising next year. Conversely, Alphabet and Amazon are "sacrificing" their current liquidity for significantly higher investments and much more distant earnings prospects. Due to skepticism regarding the rapid monetization of data center investments, for example, Apple's stock has risen in recent weeks—with the onset of the defensive rotation—while the prices of Amazon and Alphabet have fallen.

We will pay particular attention to Alphabet's quarterly earnings report. At the end of the first quarter, the company reported a backlog of $468 billion, 99% of which was attributable to Google Cloud. Forty percent of this backlog comes from a single customer (Anthropic), which has committed to spending $200 billion over five years on Google's cloud services and chips. Similar customer risks can be found in the order backlogs of Amazon and Microsoft. However, if these customers face challenges from Chinese competitors, these orders could vanish into thin air.

Market data

Stock markets		since 31/12/2025
SMI	14'343.7	+8.1%
SPI	20'156.3	+10.6%
DAX €	24'831.0	+1.4%
Euro Stoxx 50 €	6'230.9	+7.6%
S&P 500 $	7'457.7	+8.9%
Dow Jones $	52'146.4	+8.5%
Nasdaq $	25'520.2	+9.8%
MSCI EM $	1'620.7	+15.4%
MSCI World $	4'807.7	+8.5%

Bond markets		since 31/12/2025
SBI Dom Gov TR	219.9	−1.4%
SBI Dom Non-Gov TR	121.8	+0.2%

Real estate markets		since 31/12/2025
SXI RE Funds	609.4	+1.3%
SXI RE Shares	4'861.0	+7.5%

Commodities		since 31/12/2025
Oil (WTI; $/Bbl.)	82.5	+43.7%
Gold (CHF/kg)	104'270.1	−5.3%
Bitcoin (USD)	64'076.5	−26.9%

Currencies		since 31/12/2025
EUR/CHF	0.9230	−0.8%
USD/CHF	0.8073	+1.9%
EUR/USD	1.1439	−2.6%

Short-term interest rates

	3-m	3-m. fcst.	12-m. fcst.
CHF	-0.04%	-0.1%–0.0%	-0.1%–0.0%
EUR	2.48%	1.9%–2.1%	1.7%–1.9%
USD	3.75%	3.4%–3.6%	3.0%–3.3%

Long-term interest rates

	10-years	3-m. fcst.	12-m. fcst.
CHF	0.44%	0.2%–0.5%	0.4%–0.7%
EUR	3.09%	2.8%–3.0%	2.5%–2.8%
USD	4.55%	4.1%–4.4%	3.7%–4.0%

Inflation

	2025	2026P	2027P
Schweiz	0.1%	0.3%	0.5%
Euroraum	2.2%	1.8%	1.8%
USA	3.0%	2.5%	2.0%

Economy (real GDP)

	2025	2026P	2027P
Switzerland	1.2%	1.3%	1.5%
Eurozone	1.4%	1.4%	1.7%
USA	2.3%	2.2%	2.0%
Global	3.0%	3.0%	3.0%

Topic of the week: The Defensive Rotation

The first-half earnings season has begun, and investors worldwide have started a rapid rotation into defensive stocks and stock markets. This has benefited, for example, the equally weighted S&P 500—which reached a new record high last week—and the Swiss Market Index (SMI). At 14'343 points (+1.1%), the SMI has moved in the opposite direction since the start of the second half of the year compared to the technology-heavy Nasdaq 100 ETF (-5.1%).

This rotation was evident worldwide. The defensive shift hit the U.S. semiconductor index SOX (-18.1%) the hardest. Asian semiconductor-related indices, such as South Korea's Kospi (-19.5%) and China's Shenzhen Composite (-14.3%), also lost significant ground in a short period, while the defensive Indian Sensex (+2.2%) gained ground.

In Switzerland, winners since the start of the month included Swiss Re (+8%), Kühne+Nagel, and Swiss Life (both +7%). Even Partners Group (+3%) posted gains. Deutsche Telekom (+14%) was the top-performing stock in the Euro Stoxx 50, but failed to match Apple's performance (+15%). On the other hand, the global market leaders among energy solution providers for data centers suffered significant losses: ABB and Accelleron (both -10%), Belimo (-12%), Schneider Electric (-8%), and Siemens (-6%). Semiconductor suppliers such as VAT (-6%), Comet (-14%), and Inficon (-13%) also suffered.

The general trends over the summer are certainly interesting. However, one shouldn't read too much into the individual price movements in July and August. While certain trends can certainly be discerned from the reports, liquidity is significantly higher in the fall, once all stock traders and fund managers are back from vacation.

At Partners Group, there was grumbling about the growing assets under management. At ABB, the costly expansion into automation failed to impress. The Siemens rival plans to acquire the British specialist Rotork and finance the deal with the proceeds from the sale of its robotics division. The logistics provider Kühne+Nagel is winning over more and more analysts. Richemont shone in the past quarter thanks to the jewelry brands Cartier and Van Cleef & Arpels, but its watch business has also grown strongly recently. Notably on the international front was the streaming service provider Netflix, which, while in an enviable market position, offered a more cautious outlook than expected.

The most important data points in the new week

20 July 2026	Germany: Producer Price Index for June
21 July 2026	Switzerland: June Trade Balance
23 July 2026	U.S.: Unemployment Claims (July)
24 July 2026	U.S.: New Home Sales, Building Permits (June)

Podcast / Events

"Zugerberg Finanz Perspektive" – Financial Insights on the Go

The podcast provides concise insights into markets, the economy, and investments. Chief Economist **Prof. Dr. Maurice Pedergnana** and CIO **Cyrill von Burg** explain complex topics in an accessible way.

Listen to the podcast here
(Podcast in Swiss German)

Information Session for Private Individuals – Presented in Swiss German – Investing Is Also a Matter of Trust

On **Thursday, September 17, 2026**, our next information session for private individuals will take place here at the Lüssihof. This event is primarily aimed at those interested in getting to know us better and who would like to gain a non-binding impression of our company.

Register here
(Event in in Swiss German)

Zug Trade Fair 2026

We'll be back at the Zug Fair again this year. The largest fall trade show for commerce and industry in Central Switzerland will take place from **Saturday, October 24**, through **Sunday, November 1, 2026**, at the **"Stierenmarkt"** grounds in Zug.

We look forward to welcoming you at the Zug Fall Fair for a chat and a glass of wine. More information will follow shortly on our website.