Diversification with Cash-Flow-Generating Stocks

With job growth of 162’000 (vs. an expected 53’000) in August, the U.S. significantly exceeded expectations, thereby also increasing the likelihood of a key interest rate hike next week. This is because inflation, at 3.4%, remains well above the target, and the labor market is likely to be able to handle this rate hike. Wage growth of 3.1% is below the inflation rate, which represents a moderate decline in real purchasing power.

At the same time, we expect that the Swiss National Bank, in its monetary policy assessment on September 24, will likely highlight uncertainties and risks to price stability but will ultimately leave the key interest rate unchanged. In August, consumer prices were on average 0.8% higher than a year earlier. Due to the low energy intensity of the economy’s value added, the global energy price shock is having a relatively minor impact in Switzerland.

The Strait of Hormuz will likely remain under fire from the Iranian Revolutionary Guards until after the U.S. midterm elections in two months. Their hope is that voters will “punish” the U.S. president at the polls for the war-driven high gasoline and diesel prices. Diesel now costs a record-high $5.85 per gallon, a first in U.S. history, and is noticeably eroding non-energy households’ spending power.

The ongoing war in the Middle East is keeping crude oil prices and refinery margins at elevated levels. We now expect a return to “normal” production and price levels no sooner than spring 2027. Market forces clearly do not anticipate that new arrangements will be reached any sooner. Consequently, inflation rates are likely to remain elevated well into 2027, exerting direct pressure on the bond markets and, indirectly, on the stock markets as well.

It is encouraging to see that growth forecasts for the European economy (including Switzerland) were raised last week, both for the current year and the coming year. The stock markets, however, appear to have already priced in part of this. Part of the economic recovery driven by higher investment in infrastructure, defense, and data centers is likely already priced in, while higher bond yields (in euros, pounds, etc.), the strength of the euro, and geopolitical risks (with the Strait of Hormuz as a flashpoint for European energy prices) are limiting the immediate upside potential.

Conversely, valuations in Europe remain more attractive than in the U.S., even though average earnings are expected to rise by about 25% over the next two years. A resolution to the energy problems in the Middle East is likely to have an exceptionally positive impact on European industry. This is another reason why new opportunities are selectively emerging in some areas regarding the sectors and companies in which to invest. Technology-driven growth with negative cash flows should be diversified with cash-flow-generating business models. The Swiss Market Index ended last week unchanged.

Market data

Stock markets		since 31/12/2025
SMI	14’395.9	+8.5%
SPI	20’206.2	+10.9%
DAX €	26’046.4	+6.4%
Euro Stoxx 50 €	6’392.9	+10.4%
S&P 500 $	7’718.6	+12.8%
Dow Jones $	53’414.3	+11.1%
Nasdaq $	26’507.0	+14.0%
MSCI EM $	1’726.3	+22.9%
MSCI World $	4’986.9	+12.6%

Bond markets		since 31/12/2025
SBI Dom Gov TR	220.2	−1.3%
SBI Dom Corporate TR	121.9	+0.3%

Real estate markets		since 31/12/2025
SXI RE Funds	590.4	−1.8%
SXI RE Shares	4’644.5	+2.7%

Commodities		since 31/12/2025
Oil (WTI; $/Bbl.)	91.5	+59.3%
Gold (CHF/kg)	115’349.1	+4.6%
Bitcoin (USD)	79’764.5	−8.8%

Currencies		since 31/12/2025
EUR/CHF	0.9405	+1.0%
USD/CHF	0.8099	+2.1%
EUR/USD	1.1614	−1.0%

Short-term interest rates

	3-m	3-m. fcst.	12-m. fcst.
CHF	-0.04%	-0.1%–0.0%	-0.1%–0.0%
EUR	2.68%	1.9%–2.1%	1.7%–1.9%
USD	3.84%	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	3.31%	2.8%–3.0%	2.5%–2.8%
USD	4.78%	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: Global bond markets remain under pressure

Bond markets are the surprising losers of the year, as war-driven rising oil prices have fueled inflation concerns. Since the beginning of the year, yield curves have shifted upward globally. At the short end of the 2-year government bond market, yields jumped by as much as 90 basis points in the U.S., Italy, Portugal, and South Korea. In France, Germany, and the United Kingdom, the increase was more than 80 basis points, and even in Switzerland, it exceeded 20 basis points. At the long end of the 10- and 30-year bond spectrum, the rise was somewhat less steep, but given the long maturities of these bonds, the impact was all the more painful.

The most recent trigger for the rising yields was the keynote speech by Fed Chairman Kevin Warsh. He reaffirmed his commitment to curbing inflation. There is a 62% probability that the federal funds rate will be raised by 25 basis points to a range of 3.75% to 4.00% as early as the upcoming meeting on September 16. Since higher borrowing costs threaten to weigh on the economy in the run-up to the midterm elections in November, U.S. President Donald Trump is hardly pleased with this prospect.

But investors around the world are beginning to raise their expectations for interest rates. Globally, bonds are also under pressure as investors worry about increased government spending. September and October have been the weakest months for the global bond index over the past ten years. The index lost an average of more than 1% in each of those two months.

Because yields have now reached their highest level in nearly two decades, investors are making another consideration: Those who expect persistent inflation over a longer period are selling bonds. More and more investors are swapping bonds for stocks. In Switzerland, this makes sense, as the yield on a five-year Swiss government bond yields a cumulative 1.1% over five years. In our dividend portfolio, by contrast, the annual dividend yield is approximately 4%; over five years, that amounts to a cumulative 20% – even if we assume no dividend increases and no reinvestment: That would still be 19% more than can be earned from the coupons on Swiss government bonds. In short: Dividends now fulfill a function that previous generations were able to experience through interest.

The most important data points in the new week

September 7, 2026	Eurozone: GDP growth and employment for the second quarter
September 10, 2026	Eurozone: Central Bank Meeting and ECB Refinancing Rate
September 11, 2026	U.S.: CPI inflation and core inflation for August
September 12, 2026	India: BRICS Summit in New Delhi

Events

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 Swiss German)

Introduction Event for Private Individuals – Presented in English – Longevity II: Investing for a Longer Life – October 2026

Our next information session for individuals, held in English, will take place on Wednesday, October 21, 2026 at 6:00 p.m.
The event is aimed at English-speaking individuals who would like to get a feel for our company with no obligation.

Register here
(Event in English)

Zug Trade Fair 2026

We will once again be exhibiting at the Zug Trade Fair this year. The largest fall trade show for retail and commerce 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 to the Zug Fall Trade Fair in **Hall B1** at our **booth (B1.18).**

Find more information here.