

PROBUS  PLEION

# Monthly Newsletter

October 2025

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## EDITORIAL

### The impact of currencies on performance

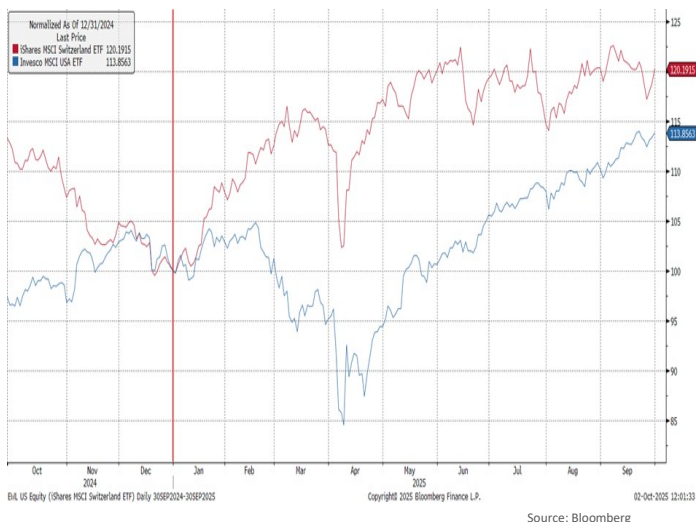
#### The strength of the franc is hurting performance in CHF

As an investor in Swiss francs based in Switzerland, I am almost genetically programmed to deal with the franc, whose relentless rise continues to undermine the performance of foreign assets held and weigh on the nominal performance of Swiss equities.

Over the past 25 years, the US dollar has lost more than half its value against our currency, and the euro more than 40%. We all remember the shock of January 15, 2015, the day the SNB abandoned its minimum exchange rate of 1.20 against the euro. On that day, the franc appreciated by more than 20% and the SMI index plunged by nearly 9%, while foreign investors automatically made a gain of nearly 10% on Swiss equities

After a year in 2023 in which the Swiss franc had been pushed up by the SNB in order to counter inflation, 2024 had, for once, brought foreign exchange gains to Swiss investors, both on their dollar and euro holdings.

#### The global index of Swiss equities vs. US equities in USD



### The dollar is experiencing its worst year since 1973.

With the financial media landscape overwhelmingly dominated by American players, we are constantly bombarded with ultra-positive messages about annual performance in 2025, including relentless hype about the superiority of American stocks over the rest of the world. It is true that since 2010, as mentioned in a previous letter, this has mostly been the case, but this year is a little different when performance in local currencies is rebalanced into a single currency. While we may rightly complain about the apathy of the Swiss stock market in 2025, did you know that over the first nine months, the global Swiss stock index outperformed the global US stock index? How did this happen? Simply because of the pronounced weakness of the Uncle Sam's currency.

### It would have been better to hedge the USD, yes, but...

To complicate matters further, hedging dollars against francs is expensive and doing so at the start of 2025 would have immediately reduced the performance of US equities by 4.5% over the year. This was a difficult gamble to take, even for those who were bearish on the greenback at the beginning of the year.

### What consequences can we expect for the markets?

The weakness of the greenback is likely to persist and boost the nominal performance of US equities, but above all that of emerging markets. At this stage, the big winner is gold, which offers the best protection against a further decline in the USD.



**Kim Muller**  
CIO (Switzerland)



## Assessment of the economic situation

The US economic growth in Q2, revised upward twice, finally stands at 3.8%. French debt continues to increase, with no immediate political solutions in sight. Gold is soaring once again.

### The US economy rebounds strongly in Q2

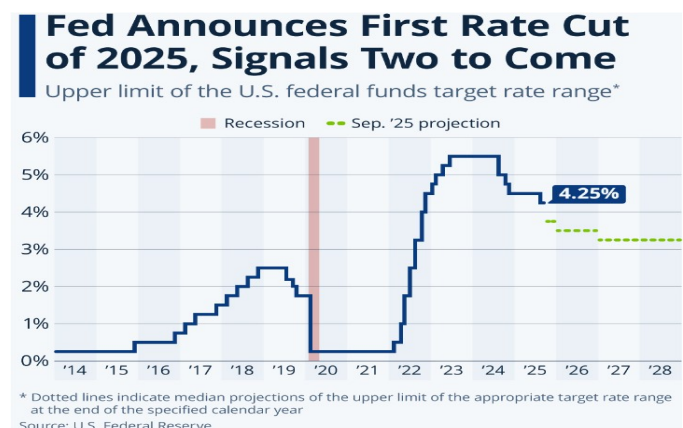
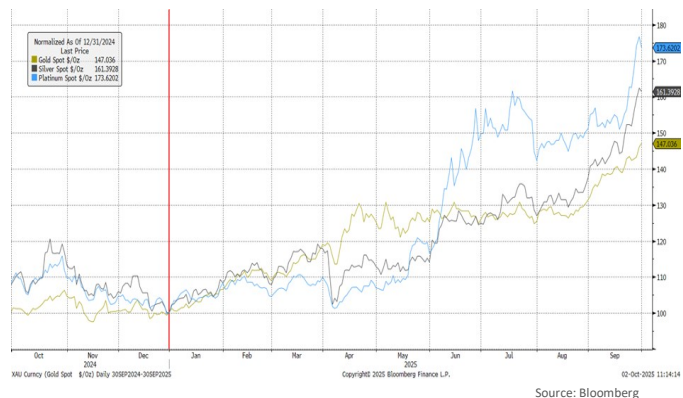
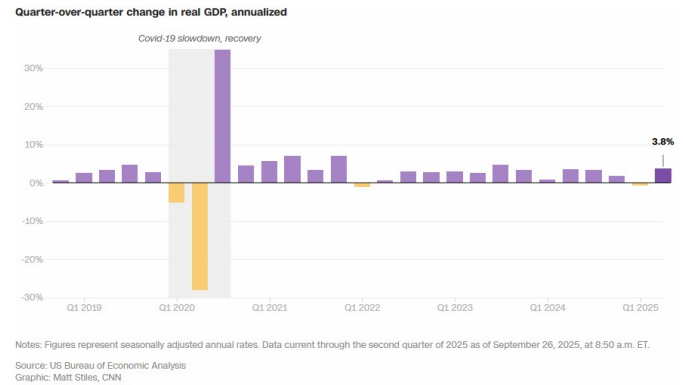
We recall that in the first quarter, the US economy experienced negative growth of -0.5%, mainly due to the massive increase in “precautionary” imports to avoid upcoming customs duties. In the second quarter, imports were significantly lower, but it was mainly private consumption, which was much stronger than anticipated, that “forced” the statistics office to significantly revise its initial estimates upwards on two occasions. Indeed, the second revision of private consumption growth, from 1.6% to 2.5%, led to final US GDP growth of 3.8% on an annual basis.

### Gold, silver, and platinum—it's party time!

By setting one record after another since the beginning of 2024, gold has ended up “contaminating” other precious metals, particularly silver and platinum. Until recently, silver had a ratio of 100 (100 ounces of silver for the price of one ounce of gold), a level that proved to be a strong buy signal for silver. A “catch-up” movement then began, bringing this ratio to around 80, which is more or less its long-term average value. During speculative peaks in silver, this ratio even fell to around 33, which indicates the potential for rampant speculation on “poor man's gold.” Platinum has also begun to reduce its “discount,” but remains very illiquid.

### The Fed “preventively” cuts interest rates by 0.25%

Under relentless pressure for months from President Trump, the Fed and its Chairman Jay Powell find themselves in an uncomfortable position, caught between the White House's stated desire to lower rates and the central bank's duty to remain vigilant in the face of inflation that is more stubborn than some would like. The recent weakness in the job market, with figures being revised sharply downward, offers an opportunity to cut rates by a quarter of a point as a “precautionary” measure, in the Fed's words, without risking a loss of credibility.



### What about the SNB's monetary policy?

As initially hoped and subsequently expected, the SNB halted its cycle of rate cuts in September, after six rate cuts since March 2024. It expects moderate inflation of 0.2% this year, 0.5% in 2026, and 0.7% in 2027.

Economic growth will be modest, held back by US tariffs. Perhaps more importantly, its president Martin Schlegel emphasized the institution's reluctance to return to negative rates. Not ruled out, but unlikely.



## Financial markets during the month

The negative seasonality of the stock market in September did not occur this year, with 2025 confirming its atypical status. AI remains a hot topic, while cryptocurrencies are slightly less so. Precious metals are in the spotlight.

### The AI hype continues, with Oracle in the spotlight

The marked enthusiasm (to say the least) for AI continues unabated, and while its benchmark company Nvidia has been “stalling” a little for the past two months at around \$180, other stocks linked to the theme are taking over. During trading on September 10, Oracle shares rose by a staggering 43.1% (!) at the top of the day, adding nearly \$300 billion to its market capitalization (!!). The company had just announced that it expected orders of more than \$450 billion for its cloud business. Oracle reportedly signed a \$300 billion contract with OpenAI, the creator of ChatGPT. When you consider that OpenAI currently has \$12 billion in revenue and burns through \$8 billion in cash per year, it raises some questions, even if a financing plan for OpenAI by Nvidia and Oracle (well, well...) is in place.

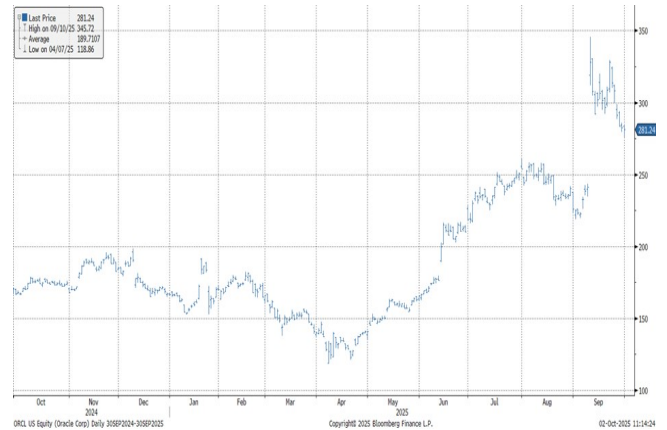
### LVMH's debt better perceived than France's OAT

Negative signals from the bond market regarding French government debt, namely OATs (obligations assimilables du Trésor), continue to accumulate. The additional yield required compared to German government bonds (Bunds) has continued to rise, with the yield required for OATs becoming higher than that required for Spanish bonds, then Greek bonds, and now also higher (or equivalent) to that of Italian bonds. OATs are currently at the bottom of the pile of euro-denominated government bonds, and recently, the yield on LVMH corporate bonds has also fallen below that of OATs. At this rate, further downgrades by credit rating agencies are to be expected, and we cannot rule out the possibility of Brussels imposing partial supervision of the French budget within the next year or two.

### Precious metals and currencies

After consolidating its previous peak in April at \$3,500 per ounce for four months, gold finally broke through a new barrier at the beginning of the month, reaching new historic highs. The \$3,500, \$3,600, \$3,700, and \$3,800 per ounce thresholds were easily surpassed, and analysts had no choice but to revise their forecasts upward, which now stand at around \$4,000 per ounce. In this context, the stars are perfectly aligned for gold mines, which also benefit from very favorable energy costs. In other words, current margins are often outrageous, with an estimated average production cost of between \$1,400 and \$1,600 per ounce. At this rate, analysts' profit forecasts for the sector are sure to be revised upwards again, suggesting that upside potential remains. The only downside at present is the sector's highly overbought technical situation.

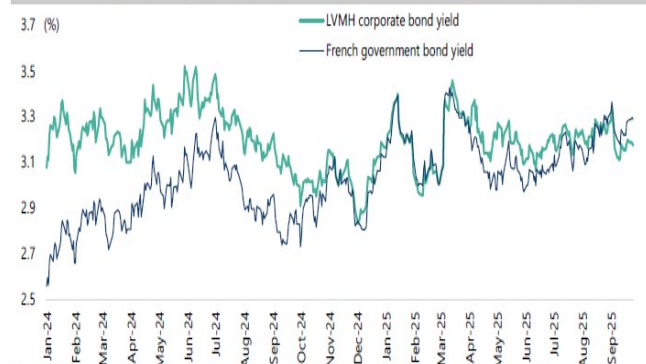
### Historic trading session for Oracle Corporation stock



Source: Bloomberg

### LVMH bond yield < OAT yield

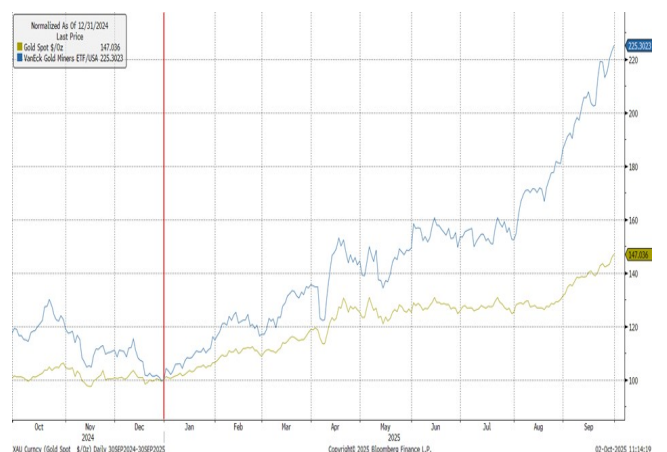
Exhibit 7: LVMH corporate bond yield and French government bond yield (both maturing 2033 with 3.5% coupon)



Note: LVMH bond maturing September 2033, French government OAT maturing November 2033. Source: Bloomberg

Source: Fear & Greed

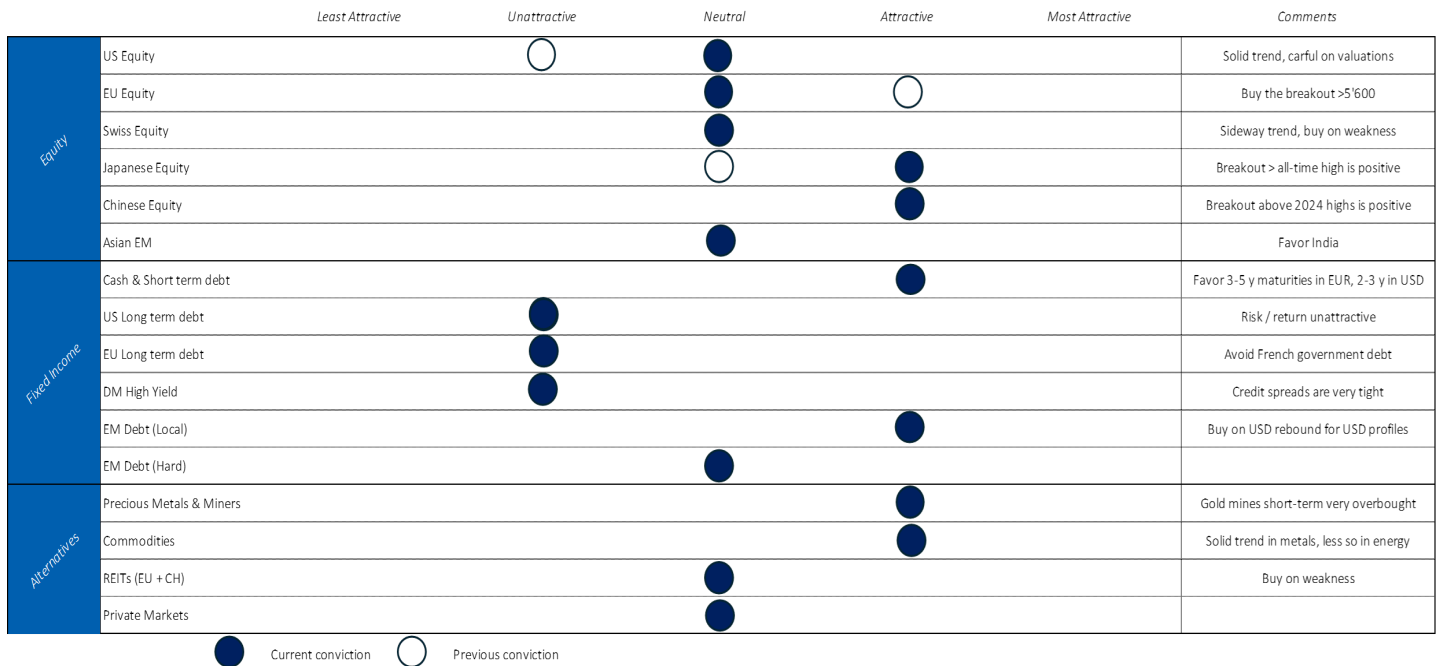
### The “comeback” of gold mines



Source: Bloomberg



## Our convictions



## Comments on investment decisions

The cycle of rate cuts is coming to an end in Europe, while the Fed has approved its first “pre-emptive” reduction in its key interest rate this year. German equities are taking a breather, while Chinese and Japanese markets are regaining momentum. The dollar remains weak, while precious metals are soaring.

### Equities

The rise in the markets has automatically increased our allocation, which has now reached our neutral point of 45% in balanced portfolios. European indices have been hovering around their historic highs for nearly seven months, but a breakout to the upside cannot be ruled out. In such a case, the trend would clearly strengthen and our positioning would shift from neutral to positive once again. The US market remains buoyant, but valuations leave little margin for error in the event of disappointment. Chinese tech stocks are at their highest since 2021.

### Bonds

The sharp downward revision of US employment figures pushed all USD bond yields lower, with the 10-year Treasury briefly falling back below 4%. The Fed's measured tone, which was less accommodative than expected at its September meeting, caused yields to rise, ending the month close to their initial levels. In Europe, apart from French government bonds, which were under pressure, the trend was also more or less unchanged, with the ECB now in pause mode

### Precious metals, listed real estate (REITs)

The yellow metal completed its consolidation period at the beginning of the month and subsequently set new records on an almost daily basis. At current levels, gold is now trading at twice its previous cycle high of 2011, when it reached \$1,920 per ounce. This very bullish trend has spread to all precious metals, with silver now close to its historic 2011 record of \$49.83 per ounce. In the wake of this, gold mines have surged, bringing the GDX ETF of major miners to an annual performance of 125%!

### Currencies

Unable to rebound, the US Dollar Index (DXY) nevertheless enjoyed a respite following comments from the Fed that were perceived as slightly less dovish than expected. The index ended the month almost unchanged, but has only posted one positive month this year. The euro held steady, particularly against the Swiss franc, while the yen curiously fell over the month. Ultimately, the currency market remained fairly calm, despite a busy economic and political news flow.



## Performance summary

### Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	12109	-0.6	4.4	-0.5
STXE 600 (EUR) Pr	558.2	1.5	10.6	6.7
CAC 40 INDEX	7896	2.5	8.0	3.4
DAX INDEX	23881	-0.1	19.9	23.6
FTSE 100 INDEX	9350	1.8	15.1	13.5
Euro Stoxx 50 Pr	5530	3.3	13.6	10.6
DOW JONES INDUS. AVG	46398	1.9	9.0	9.6
S&P 500 INDEX	6688	3.5	13.2	16.1
NASDAQ COMPOSITE	22660	5.6	16.3	24.6
RUSSELL 2000 INDEX	2436	3.0	9.4	9.3
TOPIX INDEX (TOKYO)	3138	2.0	12.7	18.6
FTSE CHINA A50	15142	1.2	11.5	8.0
Global Index	984.78	3.5	16.7	15.6

### Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	139.3	0.5	0.6	1.9
Euro-Aggregate	246.2	0.4	1.0	1.1
U.S. Aggregate	2323.3	1.1	6.0	2.9
Global Aggregate	500.1	0.7	7.8	2.4

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.796	-0.5	-11.9	-5.8
EUR	1.173	0.4	12.8	5.4
DX	97.78	0.0	-9.6	-3.0
GBP	1.345	-0.4	7.1	0.5
JPY	147.900	0.6	-5.7	3.0
CNY	7.121	-0.1	-2.4	1.5
CAD	1.392	1.3	-3.0	2.9
AUD	0.661	1.1	6.3	-4.3
BRL	5.322	-2.0	0.0	-2.4
INR	88.791	0.0	3.8	6.0
MXN	18.312	-1.8	-11.3	-7.0
EURCHF	0.935	-0.1	-0.6	-0.8

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	3859	11.9	48.1	46.5
Silver	46.65	17.4	61.1	49.7
WTI	62.37	-2.6	-12.1	-8.5
Copper	485.65	7.5	18.7	6.7
Industrial Metals	147.25	3.3	4.0	-4.3
Agriculture	53.63	-3.7	-5.2	-8.1

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