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Posted 8/5/2025 by Christian Luchsinger

SoundInsight N°34

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Trade conflict poses risks and opportunities for long-term investors.

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Swiss equities: Stability, innovation, and global strength.

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Tariffs are rarely permanent, but quality remains.

U.S. Tariffs on Swiss Exports: Context and Outlook

On the night of 31 July 2025, the U.S. announced it would impose 39% import tariffs on Swiss goods starting 7 August. The move affects trade volumes of approximately CHF 50 billion annually, making it a significant blow to Switzerland's second-largest export market after the EU.

Political Posturing or Breakdown in Negotiations?

The announcement came as a surprise. As recently as June 2025, U.S. Treasury Secretary Bessent publicly praised bilateral relations, and in July, the Swiss Federal Council signed a joint declaration of intent. However, this was never countersigned by the U.S. President. In a final phone call, Donald Trump informed Swiss officials that the bilateral trade surplus remained a sticking point, leaving no room for compromise.

This stance overlooks the fact that Switzerland's surplus is largely driven by gold and pharmaceutical exports, sectors with low price sensitivity. Ironically, these very sectors appear to be exempt from the new tariffs, raising questions about the coherence and intent of the U.S. policy. Rather than a calculated move, the decision seems erratic, highlighting the fragility and unpredictability of the negotiation process.

Swiss Exports: Competing on Quality, Not Price

One crucial point risks being overshadowed in the current tariff debate: Swiss exports seldom compete on price. Instead, they are known for precision, reliability, and specialization, from high-end instruments to cutting-edge pharmaceuticals. Demand for such products tends to be relatively inelastic, with limited short-term alternatives even in the face of higher prices.

This dynamic affords Switzerland a degree of negotiating leverage while simultaneously putting pressure on the U.S. Where goods are irreplaceable, cost increases are absorbed within the U.S. economy, by importers, businesses, or consumers. The tariff action risks becoming an own goal for the U.S.

Who Bears the Cost?

Import price data suggest that U.S. tariffs to date have rarely been offset by price adjustments from exporters. According to Bloomberg Economics, tariff-inclusive import prices have risen almost in lockstep with the tariffs themselves, up 11% against a 10.9% tariff increase year-to-date. The implication: U.S. importers and consumers are shouldering the cost. If these effects persist, domestic opposition to protectionist policies may escalate.

Economic Impact and Growth Risks

UBS estimates that the average tariff burden on Swiss exports could rise to as much as 41.2%, should existing tariffs remain in place and new ones eventually apply to pharma and gold as well. The projected figure exceeds the newly announced 39% rate due to cumulative impacts, including the still-valid 50% tariffs on steel and aluminum.

A 10-percentage-point rise in the average tariff level could reduce Swiss GDP by approximately 0.2 percentage points within a year. Cyclical sectors such as machinery, chemicals, and watchmaking are particularly vulnerable, already under pressure from weak global demand, a strong franc, and rising levels of short-time work. If tariffs remain, disproportionate drag in these industries is likely.

SNB Faces a Policy Dilemma

Absent a resolution, the Swiss National Bank (SNB) may come under pressure to act. While weaker growth prospects would argue for monetary easing, the SNB remains cautious about returning to negative interest rates. Currency interventions appear more likely, especially if the franc continues to appreciate. However, ongoing U.S. scrutiny of potential currency manipulation further narrows the SNB's room for maneuver.

Markets Look Beyond the Headlines

In the short term, Swiss equities, especially those with significant U.S. exposure, may face headwinds. Markets remain jittery, though the relatively muted response thus far suggests that many investors are still pricing in a resolution. Should this fail to materialize, margin pressures and uncertainty would rise, particularly in export-oriented, cyclical sectors.

Medium to long term, however, markets tend to focus on fundamentals: stability, innovation, and structural competitiveness. Tariffs are rarely permanent. We view potential overreactions as opportunities for long-term investors.

Quality and Trust as Competitive Advantages

The U.S. tariffs present a serious challenge to Swiss industry, but also to the U.S. economy. Swiss companies are structurally resilient: their products are highly specialized, difficult to replace, and often indispensable. In an era of protectionist rhetoric, quality, precision, and trust continue to prevail.

We maintain a constructive view on the Swiss equity market. Large-cap names in particular offer global diversification, strong balance sheets, and stable cash flows, traits that are especially valued in volatile times.

Long-Term Case for Swiss Equities Remains Strong

- Defensive Market Structure: Switzerland has a high concentration in defensive sectors like healthcare, consumer goods, and basic technology, offering lower cyclicality and higher earnings visibility.
- Innovation and Regulatory Expertise: Swiss firms lead in regulated, research-intensive fields such as pharmaceuticals, medtech, and precision technologies.
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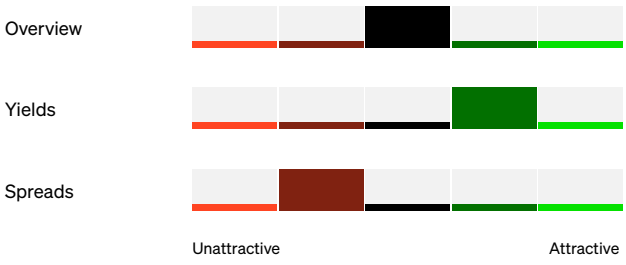
Stable Operating Environment: Political stability, prudent fiscal policy, and a reliable legal system provide a solid foundation for long-term investment.

- Currency Strength as a Confidence Signal: The Swiss franc remains a safe haven for investors and global corporations alike. Its strength reflects structural confidence, even if it presents short-term challenges.

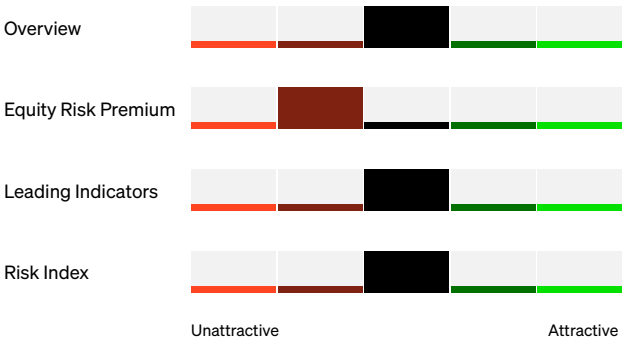
Given these factors, we view the current tariff dispute as a temporary disruption rather than a structural change. For long-term investors, Swiss equities continue to offer a compelling combination of quality, resilience, and stability.

Nonetheless, caution is warranted. If tariffs are implemented in full, further significant market dislocations cannot be ruled out.

Bonds



Equities



Appendix & Disclaimer

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- **Focusing on the essentials**
  Interest rate level, risk **premium**, valuation, economic development, investor sentiment and positioning. These are the decisive factors for success on the financial markets, especially in turbulent times when the temptation to react irrationally to the headlines is particularly strong.
- **Comparability over time and place**
  The factors mentioned above are equally relevant for all markets and at all times. This is the result of a strict «backtesting» process that continues into the future.
- **Cumulating our investment experience**
  Our strength lies in the many years of experience of our partners and principals. It is precisely this experience that we summarize and make it applicable with SoundInsights.
- **Transparency**
  Thanks to our monthly publication, our clients always know where we stand in the investment cycle and how we expect the financial markets to develop.

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