



# Investment Guide

Wake me up when  
September ends

CIO House View  
SEPTEMBER 2025



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# Wake me up when September ends

The song “Wake Me Up When September Ends” by Green Day holds deeply personal meaning for the band’s lead singer and, in its original context, has of course no link to financial markets. Nevertheless, the title serves as a metaphor for a widely discussed phenomenon: market seasonality and, in particular, the so-called weak September. Historically, this month has been one of the most challenging in the calendar year, leading one to wonder whether it might be best to “sleep through” September and only become active again in October or even later. This topic is particularly relevant at present, as equity markets continue to reach new highs despite ongoing geopolitical tensions, trade policy uncertainties and concerns about global economic growth.

Seasonality describes recurring patterns or anomalies that emerge during certain periods. Familiar examples include the saying “Sell in May and go away” or the so-called “Santa Claus rally” at the end of the year. For decades, such anomalies have been the subject of academic research as well as market wisdom among investors. The seasonal market weakness in late summer, especially in August and September, is among the most prominent patterns. Data from many international equity markets indicate that average returns in these months often lag the annual average. Possible explanations include lower market liquidity, seasonal profit-taking following the earnings season, or institutional portfolio adjustments. Yet, despite these explanatory approaches, they remain merely tendencies as there are years in which markets post considerable gains during this period.

## Between statistics and strategy: Staying invested is key, even during market turbulences

The crucial question is whether such patterns should serve as a basis for investment decisions. Critics argue that modern markets have become more efficient, and that many historical anomalies can be diminished through arbitrage and algorithmic trading. Empirical patterns, therefore, do not represent guarantees. Market dynamics are influenced by a wide range of factors, including economic indicators, corporate earnings, geopolitical developments, or monetary policy decisions, which can override any seasonal pattern.

Given the strong performance of major equity markets since the beginning of the year, valuations are currently at elevated levels. In an environment shaped by persistent uncertainties, a healthy correction could indeed be overdue. However, this does not mean that investors should withdraw completely from equities. Despite heightened risks, it remains key to stay invested to avoid jeopardizing long-term investment objectives.

For investors whose equity allocation is above their strategic target level, optimization measures such as partial profit-taking or portfolio reallocations may be appropriate. All others might be inspired by the charming notion of simply “skipping” a potentially turbulent September and instead devoting time and energy to personal interests or long-postponed projects.

Enjoy the read.  
Best regards,



**Gzim Hasani**  
CEO



**Bekim Laski, CFA**  
Chief Investment Officer

# Global Economy

- Despite elevated uncertainties, global growth is expected to stay positive.
- In the US, a weaker job market is paving the way for the Fed to cut interest rates in September.
- Swiss negative interest rates offer only limited relief for the economy.

## Weak US labor market data overtaking inflation concerns

The much-anticipated speech by US Federal Reserve Chair Jerome Powell at the annual Jackson Hole symposium on 22 August opened the door to lower interest rates as soon as September. Powell's speech suggested that while tariffs have created significant uncertainty about the path of inflation, it is now the US labor market that the Fed needs to watch closely. Indeed, an unexpected weakening in the US job data for July, coupled with unusually high downward revisions for May and June, suggest that the US economy has effectively recorded only minimal net job growth over the past three months. Consequently, the probability of a September interest rate cut by the Fed surged to 88% based on Fed funds futures pricing, while the likelihood of a total of two rate cuts by year-end rose to 80%.

Powell's update comes as the central bank faces growing internal divisions and increased political pressure from US President Donald Trump, who is calling for immediate and pronounced interest rate cuts, raising concerns about the Fed's independence. For the Fed, striking the balance on its dual mandate of maximum employment and price stability has become increasingly challenging given the upside risks to inflation and downside risks to growth and employment. Therefore, the next step in monetary policy remains a pivotal focal point for investors.

## Global economy more resilient than expected

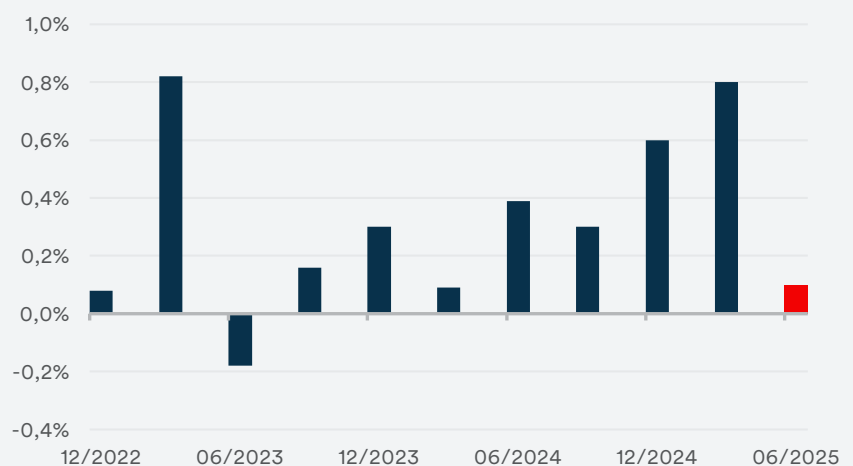
At the same time, the global economy has proven more resilient than many feared. The attempt to ship goods ahead of the implementation of higher tariffs has led to anticipatory exports, supporting numerous economies and companies, and has largely protected consumers from price increases so far – even though inflation risks persist. Combined with growth-oriented fiscal stimulus measures and lower interest rates, these factors will continue to support economic growth in the medium term.

Nevertheless, investors may overlook the fact that early inventory build-ups are masking the true inflationary impact of tariffs. Since such implications can affect supply chains over extended periods, an unexpected rise in inflation could present significant challenges for the US Federal Reserve when it comes to making substantial interest rate cuts.

## Swiss economy stagnating

In Switzerland, real GDP grew by only 0.1% in the second quarter of 2025. Unsurprisingly, growth in services was offset by a contraction in the industrial sector. The outlook for the export industry remains challenging due to prevailing tariffs, the strength of the Swiss franc, and weak foreign demand. Nevertheless, as long as the US tariff shock remains limited to only a few sectors, the overall economic impact is expected to remain contained, making a broad-based recession unlikely. However, growth is likely to remain weak and close to stagnation for the remainder of the year.

FIG. 1  
Swiss real GDP growth adjusted for sports events



Source: SECO, smzh ag. 28/08/2025

# Fixed Income

- The fundamentals for investment-grade bonds remain solid, as no significant deterioration in credit quality is expected.
- Quality high-yield and emerging market bonds offer reasonable total return opportunities despite low credit spreads.
- Private debt and real estate investments are attractive alternatives to bonds.

## Rising deficits weigh on longer-term yields

Over the past month, we saw a divergence in interest rate movements between the US and other regions. While US yields for 2- and 10-year maturities declined by 0.35% and 0.2%, respectively, interest rates in Europe and other advanced economies edged higher. In the US, expectations of interest rate cuts by the central bank have anchored short-term yields, whereas concerns about inflation, rising budget deficits, and the politicization of monetary policy are continuing to push longer-dated yields higher, resulting in a steeper yield curve. European bond yields have also risen, likely reflecting heightened awareness of the increased government borrowing required to fund higher defense spending.

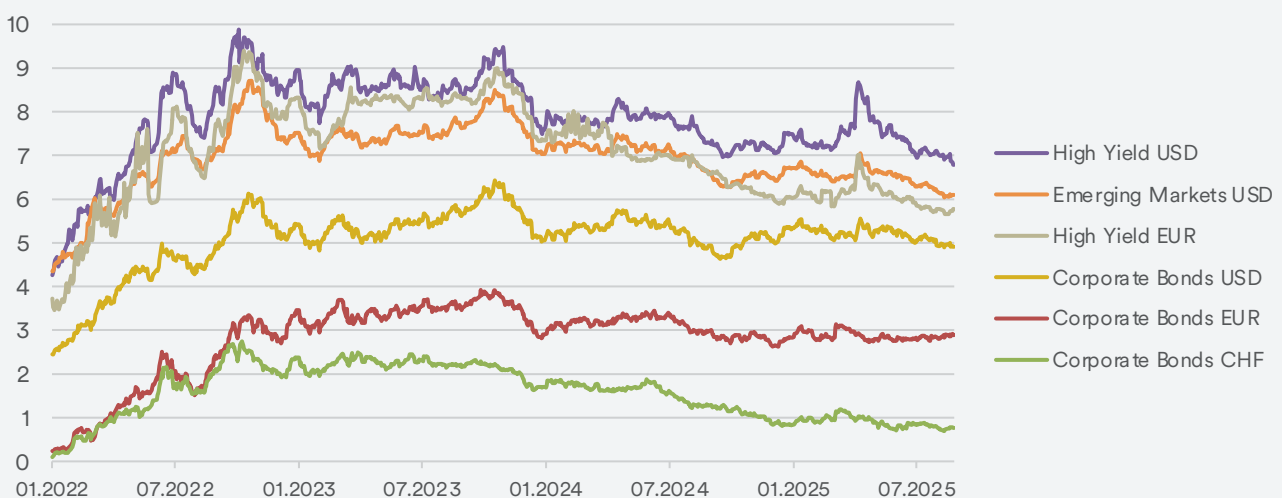
Corporate credit spreads tightened further and boosted total returns across fixed income segments, which continued to outperform cash over the course of the year. Emerging market debt continues to lead, driven by local currency debt, which is underpinned by a combination of high-income generation, contained inflation and strengthening currencies as global investors seem to have increased their exposure to emerging market currencies to historically high levels as a reflection of a growing trend toward diversification away from the US dollar.

## Investment strategies for Swiss investors amid low CHF yields

For low-interest regions such as Switzerland, government bonds do not really look appealing given persistent low yields. For Swiss investors, a combination of investment-grade bonds, high-quality high-yield bonds, and selected emerging market bonds remains attractive despite elevated currency hedging costs of around 4.5% and 2% for USD/CHF and EUR/CHF, respectively.

For investors who can tolerate illiquidity risks, alternative opportunities in private credit, private equity, real estate and other non-correlating asset classes remain attractive.

FIG. 2  
**Evolution of yields in selected bond markets (%)**



Source: Bloomberg, smzh ag. 28/08/2025  
Past performance is no indication for future results

# Equities

- In most regions, equity market valuations are no longer cheap.
- Tailwinds for European and emerging market equities remain intact despite ongoing challenges from US trade policies.
- Swiss equities provide stability but the market lags global peers due to low exposure in the IT sector. Income strategies like defensive dividends look particularly attractive.
- Spikes in volatility offer opportunities to explore derivative strategies.

## Bad news is good news

Recent trends of a cooling US labor market and softer economic growth, usually seen as negative, have been welcomed by investors as they increase the likelihood of interest rate cuts that historically tend to lift equities. History shows that when the US Fed lowers interest rates outside of recessions, equities often rally strongly. This so-called “soft landing” scenario, one with lower rates without a sharp downturn, could therefore extend the ongoing bull market. Within the more cyclical segments of equity markets, small caps may have further room to close their underperformance if the macro environment does not deteriorate.

## Are financial markets getting a bit ahead of themselves? A healthy correction may be overdue, but staying invested is key

Given the strong performance that has led equity markets to trade at elevated valuation levels while uncertainties persist, a healthy correction may be indeed overdue. At the same time, market seasonality is coming into greater focus. Historically, September is considered one of the weakest months for equity markets and often associated with an increased risk of setbacks. While it is important to remember that seasonality patterns alone should never be used as trading signals, it may be time to step back a bit.

However, this does not mean that investors should abruptly withdraw from equity markets. Despite heightened risks, staying invested remains prudent. The resilience of the global economy, stable corporate earnings, supportive interest rate dynamics, and continued fiscal support all underpin a compelling case for staying invested, even as policy volatility and trade tensions generate headline risks. Furthermore, strong structural trends, such as advances in artificial intelligence, should continue to bolster corporate earnings, as evidenced by the solid second quarter earnings season.

After a significant rise in equity market valuations since April’s correction, earnings growth is expected to be the key driver for price appreciation going forward, which will naturally limit how much markets can climb in the near term. In addition, while investors are primarily focused on risks from trade policy and economic growth, attention may soon shift back to pro-growth and deregulation policies in the US.

Investors with equity positions above strategic allocations may explore optimization measures such as portfolio reallocations or partial profit-taking, either directly or through structured products and derivatives.

## Reassessing Swiss equities in a technology-driven market

Swiss equities enjoyed a strong start to 2025, but the market’s relatively low exposure to key structural growth themes such as information technology has weighed on performance in recent months. Although Swiss equities offer a unique combination of stability and solid growth potential, the ongoing technology-driven rally suggests that Swiss equities may continue to underperform their global peers in the near term.

While Swiss equities remain a cornerstone of a Swiss investor’s portfolio, their strategic role merits reconsideration. Complementing core Swiss holdings with increased international diversification and a targeted focus on high-growth themes can enhance both performance and resilience. Additionally, in Switzerland’s persistently low-interest rate environment, quality dividend stocks continue to stand out as attractive options for investors seeking stable income.

# Special Topic: Harnessing volatility effectively

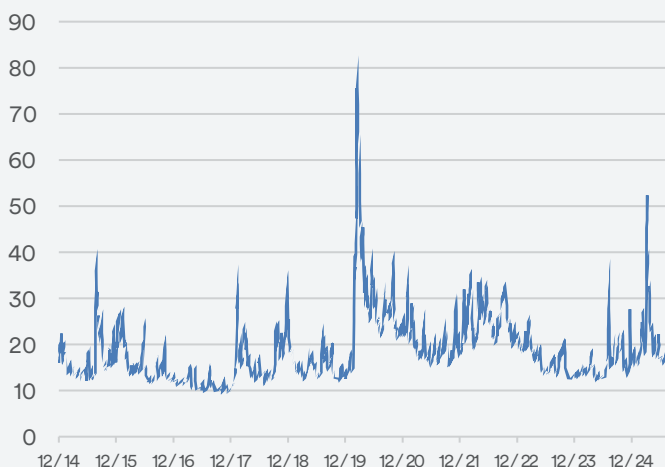
- Volatility is inevitable; it can be reduced through portfolio diversification or used as an investment opportunity.
- Examples include investment solutions such as hedge funds or structured products.

## What exactly is volatility and how can investors benefit from it?

Simply put, volatility describes the range of price fluctuations – such as those of equities or indices – within a given period. It indicates how significantly a price deviates from its average value. High volatility signals pronounced price swings, while low volatility suggests more stable price movements. Volatility indicators are generally “mean-reverting,” meaning they tend to return to their average level. In practice, this means that volatility can rise sharply during market crises, but over time, it declines back to the long-term average or even below. Unlike equity indices, volatility measures cannot rise or fall without limit but rather fluctuate around their mean.

A key volatility benchmark is the VIX Index, which reflects the expected price fluctuations of the S&P 500 over the next 30 days, based on options prices. Over the past 10 years, the historical average of the VIX has been around 18 percentage points. Statistically, this means that on approximately two out of three trading days (68% probability), the S&P 500 Index moves up or down by less than 1.1%.

FIG. 3  
**The VIX Index is currently trading below its long-term average**



Source: Bloomberg, smzh ag. 28/08/2025  
Past performance is no indication for future results

## Volatility is inevitable but can be used as an opportunity

Market volatility is a topic that is regularly and intensely discussed in financial markets. Currently, it is gaining even more relevance, as equity markets continue to reach new highs despite ongoing geopolitical tensions, trade policy uncertainties, and concerns about global economic growth. At the same time, market seasonality is coming into sharper focus. Historically, September is considered one of the weaker months for stock markets and is often associated with an increased risk of setbacks.

Even though the future cannot be predicted, volatility and market corrections are inherent to any sound investment strategy. This is a factor that should always be taken into consideration. Broad and optimal portfolio diversification remains the best and most cost-efficient strategy to effectively protect against volatility. This means consistently adhering to a long-term asset allocation, even in the face of market fluctuations.

However, there are investment strategies specifically designed to benefit from volatility. These include investment solutions involving hedge funds or structured products. The characteristics of volatility are crucial for the functioning of such solutions. It is particularly important to consider whether these strategies profit from rising or falling volatility. This distinction is not always straightforward, as many products have complex volatility profiles, where the volatility position changes over the product's lifetime.

Some of the best-known structured products that benefit from declining volatility include reverse convertibles, barrier reverse convertibles, autocallable certificates, and express certificates. Structured products that benefit from rising volatility include warrants, mini-futures, outperformance certificates, and leverage certificates, to name a few.

It is advisable to always consider current volatility indicators before employing structured products. As a rule of thumb: If volatility levels are below the long-term average, products that benefit from rising volatility may be more attractive than those positioned for falling volatility. In periods of unusually low volatility, instruments such as reverse convertibles or barrier reverse convertibles generally offer less attractive conditions.

# Currencies and Gold

- The ongoing trend of international diversification away from the US dollar is weighing on the currency.
- The Swiss franc is caught between expensive valuations and its safe-haven status.
- Gold continues to shine and remains an attractive portfolio diversifier.

## US dollar has stabilized but stays vulnerable

The path of the US dollar remains uneven. After its first positive month in July following six consecutive months of losses, the greenback lost ground again in August. Mounting concerns about the US current account and budget deficits, uncertainty surrounding the future Fed chair, and market expectations of upcoming rate cuts, even as inflation may rise temporarily, have all contributed to a challenging backdrop for the currency. As a result, the ongoing trend of international diversification away from the dollar could put further downward pressure on the currency. Investors holding excess USD may therefore want to reduce or hedge their exposure.

## SNB negative interest rates offer only limited relief for the economy

In recent months, the Swiss franc has been driven more by external factors than domestic data and this trend is likely to continue. But as the high US tariffs gradually begin to affect the supply chain of Swiss exporters, market focus is likely to turn to domestic economic developments and the potential response of the Swiss National Bank (SNB).

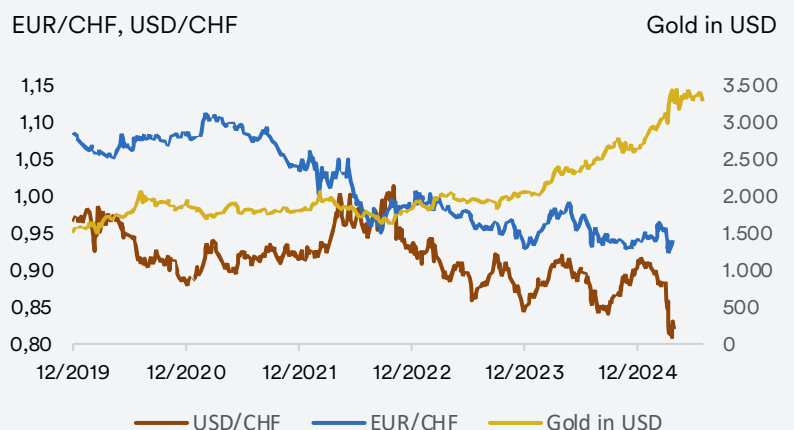
The prevailing view remains that the introduction of negative interest rates by the SNB would primarily influence the exchange rate in the short term, while the overall relief for the economy would be limited. Attention is now on the USD/CHF exchange rate, which has stabilized at around 0.80 over the past two months. In principle, a slowdown in the Swiss economy should weaken the Swiss franc, reducing the need for further rate cuts. However, increased global risk aversion could strengthen the franc's status as a safe haven, offsetting this depreciation pressure. While according to consensus economist views, the SNB should not attempt to mitigate the effects of US tariffs through monetary policy measures, current market pricing suggests that a step into negative interest rates over the coming six months remains more likely than not. For the September SNB meeting, the probability of a rate cut currently stands at only about 10%.

The most significant potential relief factor for the Swiss franc in the coming weeks remains progress in Russia-Ukraine peace talks, as such an outcome would support the euro, remove a major geopolitical tail risk and reduce demand for safe-haven currencies like the franc. In the meantime, the CHF is likely to trade range-bound.

## Gold remains an attractive portfolio diversifier despite pullback risks

After having surged almost 30% year to date in dollar terms, gold has been trading sideways over the last three months. Its stellar performance is driven by heightened geopolitical risks, growing worries about US fiscal dynamics, and concerns about the future of the US dollar. Although gold is known for its volatility, lack of income generation, and mixed performance as an inflation hedge, investors are rightly considering its role in portfolios in the current market environment. Weakening global growth, potential lower interest rates, persistent fears of higher inflation, worries over the independence of the US central bank, and persistent geopolitical risks continue to support the metal. Having said this, investors need to be aware that in times of market stress, gold can also suffer sizeable declines when investors seize the opportunity to realize profits or meet liquidity demands.

FIG. 4  
Evolution of CHF and gold



Source: Bloomberg, smzh ag. 28/08/2025  
Past performance is no indication for future results

# Swiss Real Estate

- Nationwide vacancy stood at 1.08% in 2024 and is expected to have fallen further toward 1.00% in 2025.
- The vacancy rate in the canton of Zurich reached 0.48%, the lowest level since 2003.
- Cities show a mixed picture: Vacancy rates in Zurich and Winterthur are slightly higher, but stable in Bern, and lower in Geneva. Basel is a statistical outlier with more small apartments vacant.
- Demand is increasingly shifting to agglomerations and well-connected surrounding regions.

## Vacancy rates drop to record lows: robust demand in suburban areas

The official vacancy figures for Switzerland will be published on 9 September. However, data already available from individual cantons provides an early indication of this year's trend. The nationwide vacancy rate stood at 1.08% in 2024, having steadily declined from a peak of 1.72% in 2020. In 2025, it is expected to have fallen further toward 1.00%.

The results so far show mostly declining vacancy rates across cantons. Basel is a statistical outlier with a slight increase: on the one hand, additional apartments came back onto the market after renovations, and on the other, the number of vacant small apartments rose noticeably. At the same time, total floor space of vacant housing decreased – meaning the vacancy rate alone gives a distorted picture. In Swiss cities, the picture is mixed, with vacancy rates in Zurich and Winterthur slightly higher, stable in Bern, and lower in Geneva.

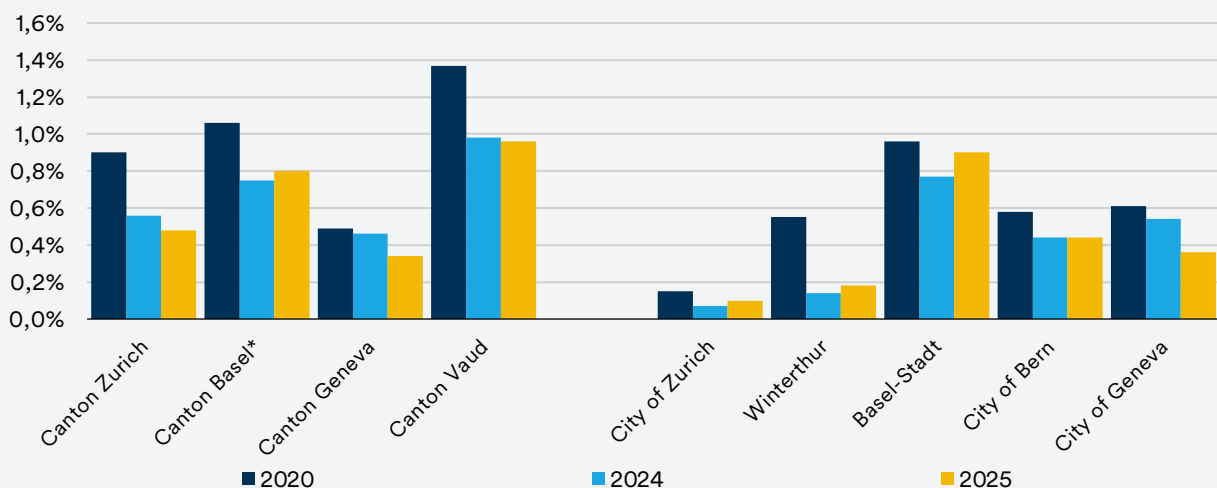
In the canton of Zurich, the vacancy rate has fallen to the lowest level since 2003 to 0.48%, while in the city of Zurich the rate rose slightly from 0.07% to 0.10%.

At first glance, this may look like relief for the rental housing market. Yet, at a closer look, it is the result of shifting supply-and-demand dynamics: population growth in Zurich has slowed sharply since 2023 and in 2024 was at a similarly low level as during the pandemic year 2020. At the same time, the rental prices of vacant apartments are above last year's levels. Against this backdrop, there is much to suggest that persistently high rents are deterring households from moving into the city and that demand is increasingly shifting to surrounding regions.

The structural shortage of supply and excess demand in the rental housing market persist. For investors, this means that demand continues to move out of the core cities into surrounding regions. In the urban centers, landlords can still enforce high rents but not dictate any price level without dampening demand. As a result, agglomerations, commuter belts and well-connected suburban municipalities are becoming increasingly important to project developers and investors.

FIG. 5

### Declining vacancy rates in cantons and cities



\*Canton of Basel = Basel-Stadt and Basel-Landschaft combined.  
Source: Statistical offices, smzh ag

# Bitcoin

- The price of Bitcoin peaked at USD 125'000 before pulling back to USD 110'000.
- Ethereum dominance is growing at the expense of Bitcoin.
- Exchange-traded funds and treasuries now hold nearly 8% of Ethereum supply (vs. 3% in April).
- Market rotation: capital shifting from Bitcoin to Ethereum, with further potential for selected altcoins.

## Investors pivot to Ethereum as Bitcoin rally cools

Bitcoin continues to trade with volatility: after an interim peak of nearly USD 125'000 in mid-August, the price has pulled back to around USD 110'000. However, this does not signal that the cycle peak has been reached. Instead, the focus of many market participants is increasingly shifting away from Bitcoin toward altcoins, most notably Ethereum.

This trend is visible in market capitalization dominance. Since 2022, Bitcoin has seen the sharpest decline, while Ethereum has closed much of the gap. This shift is also reflected in trading volumes. In spot markets, over the past 30 days, ETH and BTC were nearly equal, with each around USD 1.8 trillion. On the price side, strong demand lifted Ethereum by almost 50% in July and another 25% so far in August. The price came close to the USD 5'000 mark before a correction set in.

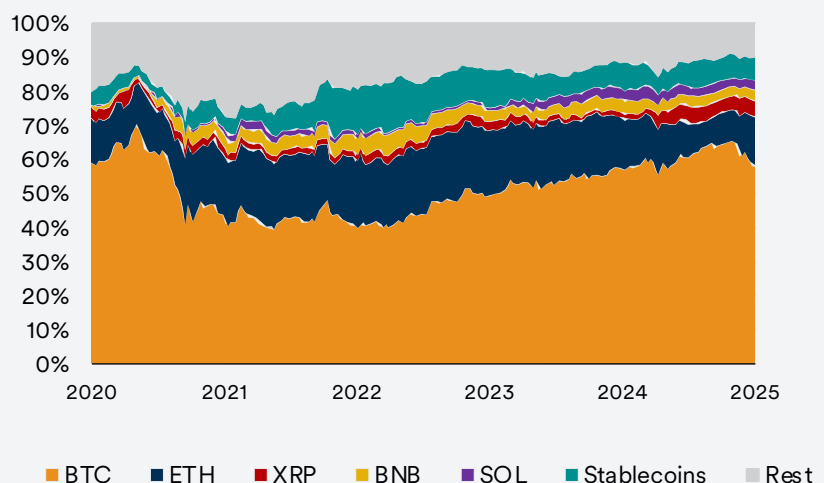
One key driver of this increase has been the rising accumulation by ETFs and corporate and government treasuries, which now hold nearly 8% of Ethereum's total supply – a sharp increase from just 3% in April. This supply absorption has pushed the price from USD 1'800 in spring to above USD 4'600 at present.

The rally was accompanied by a wave of liquidations. When Ethereum temporarily rose above USD 4'900, positions totaling USD 381 million were closed within 24 hours, including USD 193 million in ETH short positions alone. Highly leveraged traders were hit hardest, underscoring how market mechanics can amplify short-term price swings.

Those who have experienced past bull cycles in crypto know that the market operates not only in cycles, but also in rotations: capital first flows into Bitcoin, then into Ethereum, and eventually into selected altcoins. A sustained break above the USD 5'000 threshold in Ethereum would therefore be a strong signal for the broader altcoin market. In such an environment, investors are increasingly turning to larger projects such as Solana for broader allocation.

FIG. 6

### Bitcoin dominance continues to decline: Altcoins gain market share, led by Ethereum



Note: The group "Stablecoins" includes USDT, USDC, USDee and DAI.  
Source: CryptoCap, smzh ag



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