QUARTERLY REPORT:

ECONOMY AND MARKETS

Q2 2025 - BANCA DEL SEMPIONE

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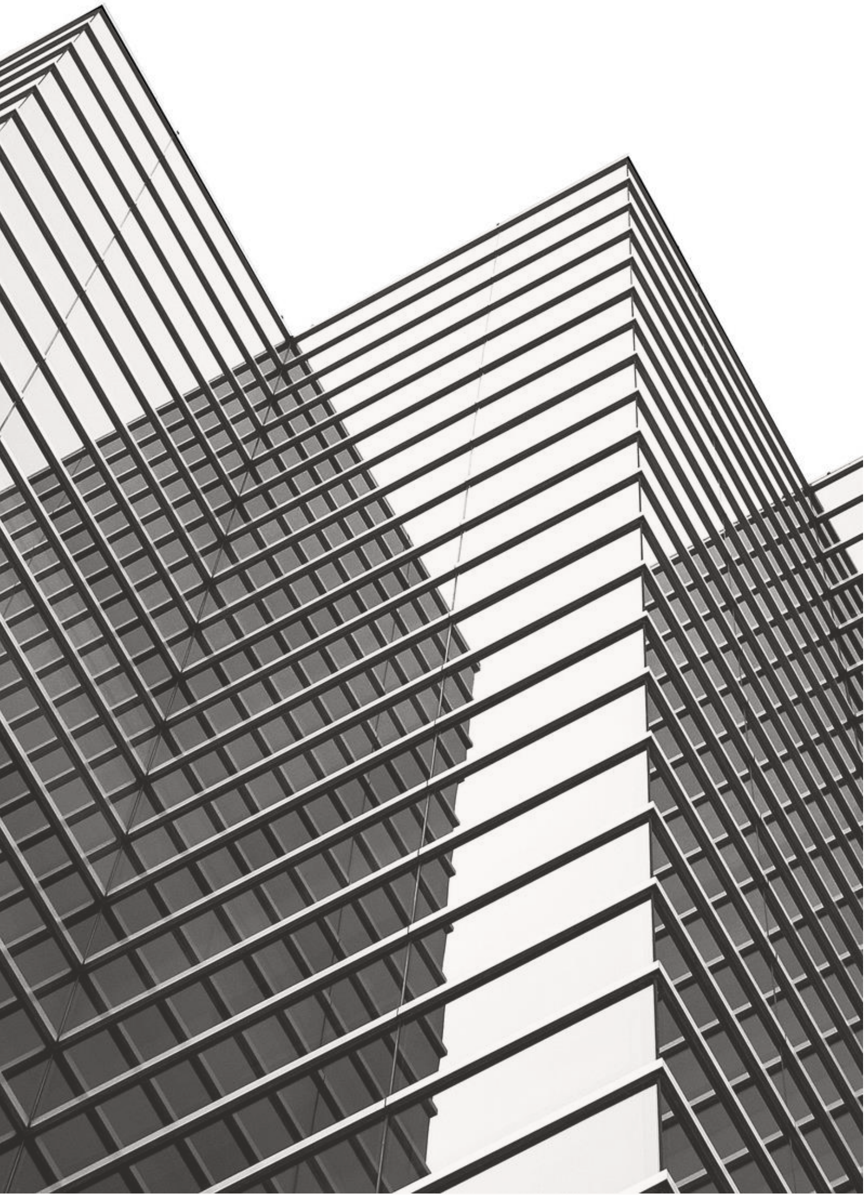
PRIVATE BANK
SINCE 1960



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MESSAGE – FINANCE AND MARKET DIVISION

In the past quarter, despite the presence of potentially concerning geopolitical elements, markets displayed a decidedly more positive trend, which gradually strengthened following the disorder sparked by the "Liberation Day" announced by the American President in early April.

We note an ever-increasing divergence between media coverage, targeted at a general audience and still inclined, as in the past, to provoke instinctive protective reactions in the face of major geopolitical events, and the growing rationality shown by market behavior. This does not necessarily mean that at certain times the risk of volatility does not increase, with potential consequent damage to economic activity and therefore to listed financial instruments. Clearly, markets perceive the risk of disorder as increased, though not yet to the extent of making it the central scenario on which to build a strategy.

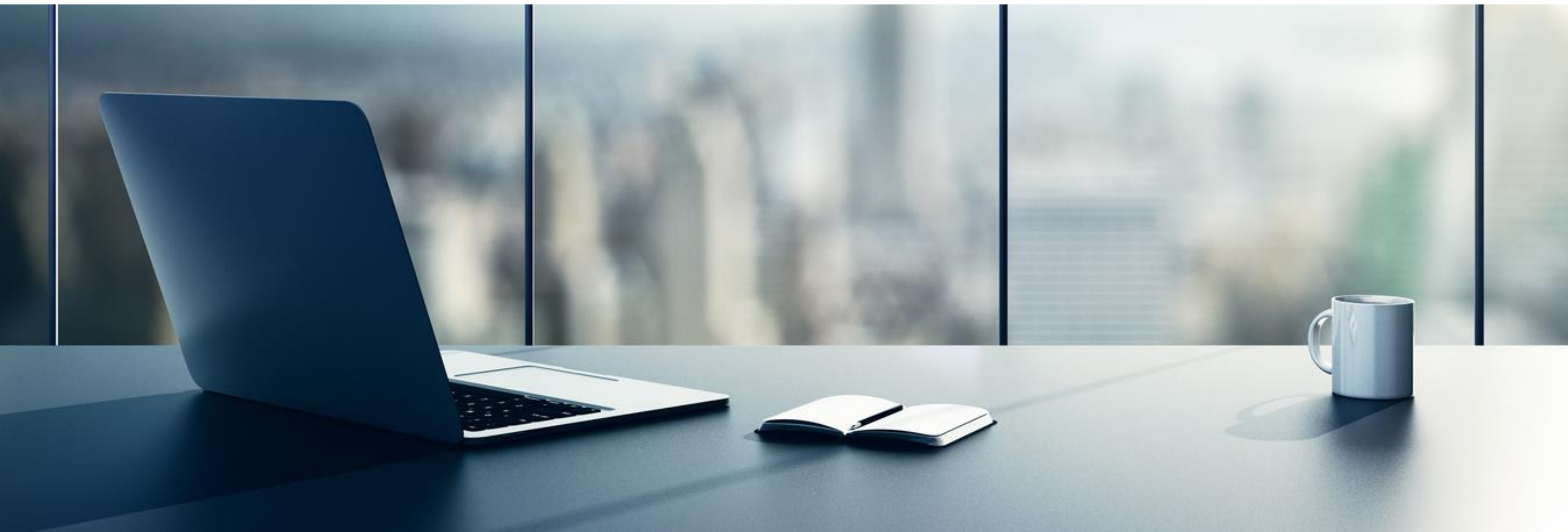
In the meantime, the American strategy on tariffs is becoming clearer: probably, between exaggerations and threats on the one hand and conciliatory tones on the other, trade partners will likely have to accept a significant level of duties, at least 10% on exports to the USA. The effects, which will be felt particularly on certain sectors and countries, should not be enough to derail overall economic momentum, as macroeconomic data confirm for the time being. With these assumptions, U.S. stock markets are back near their highs, staging a strong recovery, whereas other markets such as Europe and Asia remain more affected by the ongoing trade negotiations with the Trump administration.

Currently, the U.S. Congress is working on approving a plan, the so-called *“One Big Beautiful Bill*”, which confirms a structural U.S. deficit of 7%. Given the initial stance of the new administration, aimed at containing public spending, the narrative that growth induced by the bill will restore public finances to a more sustainable path appears unconvincing. So far, aside from a slow but continuous depreciation of the U.S. dollar, the Treasury market appears to have found a new balance, with 10-year yields holding steadily below 4.5%.

We are essentially maintaining our current strategy: medium-to-long duration and a preference for government bonds within the bond sector, negative view of the dollar, constructive approach to equities, with a preference for sectors and countries that have benefited less from strong market rallies in recent years and therefore maintain valuations in line with or below historical averages.

PIETRO SCIBONA

DEPUTY GENERAL MANAGER
HEAD OF THE FINANCE AND MARKETS DIVISION



MACROECONOMY

Global economic scenario

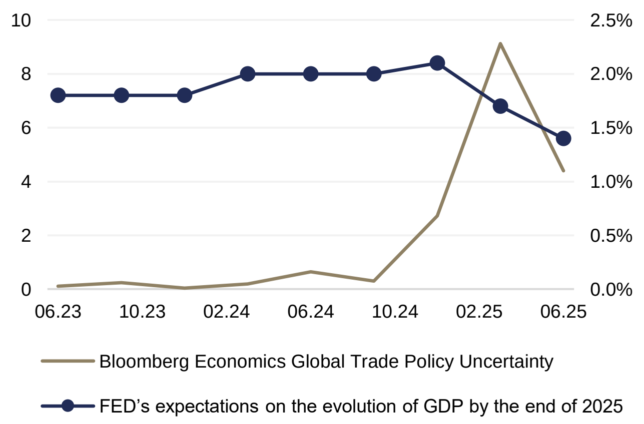
The second quarter of 2025 confirmed the general climate of uncertainty that had already emerged at the beginning of the year, mainly fueled by the continued shifts in direction of the new Trump administration.

The most emblematic episode occurred during the so-called "*Liberation Day*," when a series of tariffs, described as reciprocal, were announced against most of the world's major economies. These decisions triggered instability in financial markets and weakened investor confidence in the early stages of the quarter. The repercussions also affected the **Federal Reserve's** (FED) macroeconomic forecasts, prompting a downward revision of growth estimates for the current year, from 1.7% to the current 1.4%.

Despite the lingering uncertainty surrounding the economy, macroeconomic data, particularly from the **United States**, have shown modest resilience. The much-feared tariffs, at least for now, have not had a significant impact on inflation, which, although slightly above the FED's target levels, has not shown any notable increase. In this uncertain environment, the FED has adopted a so-called "*wait-and-see*" approach, leaving interest rates unchanged during the quarter, despite strong pressure from the U.S. President to cut them. It is also worth noting a few unflattering statements made by Trump regarding the current FED Chair, Jerome Powell

Comparison between 2025 GDP expectations and tariff uncertainty

% U.S. GDP expectations (right axis), index points (left axis); 06.23 – 06.25



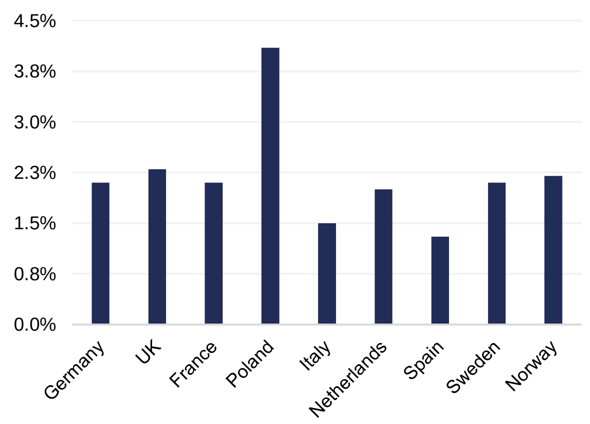
Source: Bloomberg

In **Europe**, the economy showed signs of stabilization, with key manufacturing indicators (PMIs) improving slightly, though still below the expansion threshold. The labor market remained solid, supported by easing inflation thanks to a stronger euro and declining energy prices, factors that should support a recovery in real incomes and consumption. On the fiscal front, the spending plans announced by Germany at the beginning of the year have been reinforced by EU-NATO agreements, which foresee an increase in military expenditure to 5% of GDP, supporting medium-term growth. In this context, the **European Central Bank** (BCE) projects eurozone GDP growth of 0.9% in 2025 and 1.1% in 2026. With inflation easing but growth still modest, the ECB cut the deposit rate from 2.5% to 2.0% during the quarter, though signaling the possible end of the monetary policy cycle.

Lastly, in **China**, industrial activity recorded a modest slowdown, partly due to the normalization of volumes following the strong front-running activity toward the United States earlier in the year. Although Washington has partially eased tariffs, Beijing has nevertheless sought to intensify efforts to diversify trade toward other economies in order to offset the imbalances in American demand. However, doubts remain regarding the sustainability of the 5% growth target set by Beijing, given still-weak domestic consumption and fragile household confidence, despite recent fiscal measures aimed at supporting demand.

Eurozone Defense Spending

As a % of each country's GDP; 2024



Source: McKinsey & Company

MACROECONOMY

Focus: geopolitical context and Switzerland

Geopolitical context

The second quarter of 2025 marked one of the most intense phases of the deglobalization process in recent history. As previously highlighted, the announcement by the new Trump administration of a **broad tariff package** triggered strong reactions on a global scale, sharply straining diplomatic relations among the major economic powers. Faced with the risk of an international escalation and severe repercussions on financial markets, Washington gradually softened its tone, adopting a more conciliatory approach which, especially in the second half of the quarter, facilitated a partial easing of tensions between the involved parties.

On the international front, however, President Trump's attempt to put an end to the major conflicts dominating the global agenda proved more difficult than expected. The crises in Ukraine and the Gaza Strip remain at a stalemate, with no significant progress toward a resolution. In fact, the quarter saw a dangerous escalation of the conflict in the **Middle East**. In particular, tensions between Iran and Israel intensified following the publication of a report by the International Atomic Energy Agency (IAEA), which confirmed significant advancements in **Iran's nuclear program** beyond the limits set by international agreements. In response, Israel carried out a series of preemptive strikes against strategic infrastructures of the nuclear program, followed by targeted bombings by the United States on three of Iran's main nuclear sites.

The possibility of retaliation by Tehran through the blockade of the **Strait of Hormuz**, a crossroads for over one-third of global maritime oil traffic, raised serious concerns. However, such a measure would have caused extremely damaging consequences for Iran itself, the world's third-largest crude oil exporter and a key energy partner of China. For this reason, Tehran opted for a symbolic retaliation, targeting an American base in the region. After intense diplomatic pressure, the parties reached a ceasefire agreement, temporarily easing tensions without causing significant impact on the markets, except for notable volatility in crude oil prices.

Switzerland

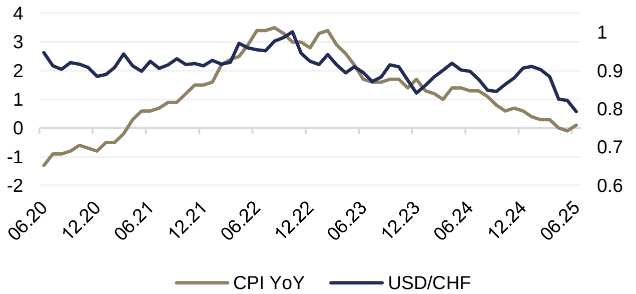
After a first quarter marked by solid growth, supported by the advance of exports to the United States in anticipation of new tariffs introduced by the Trump administration, the Swiss economy has recently shown signs of increasing uncertainty regarding the economic outlook. The worsening macroeconomic environment, due to the escalation of trade tensions and the conflict in the Middle East, has indeed led to a downward revision of global growth forecasts, prompting the **Swiss National Bank** (SNB) to adopt a more cautious approach and to estimate a GDP increase between 1% and 1.5% for 2025.

In an effort to stimulate growth and counter weak inflationary pressure, with the consumer price index falling in May for the first time since March 2021, the SNB opted for a further rate cut during the quarter, reducing deposit remuneration to zero and ending nearly three years of positive borrowing costs. The institution stated that it considers the current monetary policy stance appropriate, while maintaining the possibility of intervening in the foreign exchange market to manage the strength of the franc. The growing demand for Swiss currency as a safe haven, fueled by global uncertainty, has indeed contributed to containing price growth in the country.

According to most economists, 0% rate should represent the minimum threshold set by President Schlegel for the cost of money in 2025. However, a minority of the consensus does not rule out a further cut should the trade war intensify or the Swiss franc strengthen further.

Consumer Price Index (CPI) vs USD/CHF Trend

USD/CHF (right axis); Consumer Price Index (left axis); 06.20 – 06.25



Source: Bloomberg

FINANCE

Equity market

Indices	Price	Quarterly Performance	YTD Performance
MSCI World	4.026,44	10,96%	8,27%
SMI	11.921,46	-5,37%	2,76%
STOXX Europe 50	5.303,24	1,05%	8,91%
FTSE MIB	39.792,22	4,57%	16,40%
DAX	23.909,61	7,88%	20,09%
S&P 500	6.204,95	10,57%	5,05%
NASDAQ 100	22.679,01	17,64%	6,99%
Nikkei 225	40.487,39	13,67%	1,49%
Hang Seng	24.072,28	4,12%	20,11%

Source: Bloomberg

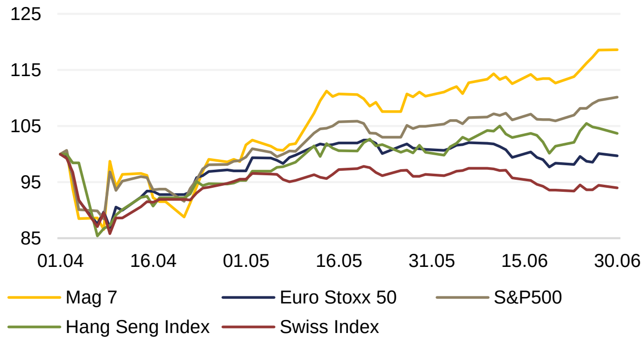
The second quarter of 2025 proved to be particularly eventful, marked by numerous developments that influenced the performance of global equity markets, with significant divergences both geographically and across sectors. The first and most notable event was undoubtedly the **tariff war** unleashed by Trump, announced on April 2nd, known as **"Liberation Day**". Although the new administration's intention to reduce the trade deficit was known, markets did not expect measures of such a broad scope based on a logic considered by many international economists to be overly simplistic. The consequences on the markets were extremely significant not only in equities but also in bonds and currencies, with investors fleeing American assets. In this context, even geographic areas that had recorded strong performances in the early months of the year, such as Europe and China, suffered heavy corrections.

As the quarter progressed, following several reversals by President Trump, partly driven by the particularly negative market reaction, the indexes began to regain ground. Supporting the rebound were renewed **optimism** regarding trade negotiations, particularly with China, and a strong earnings season that confirmed the strength of the American technology sector, with growth linked to **artificial intelligence** and investments that, although slowing down, remain at high levels, indicating a continuously evolving trend.

In the United States, after a particularly negative April for the **S&P 500,** with a loss exceeding 14% in just a few sessions, we witnessed a significant recovery. Driving the rebound were the gradual easing of trade tensions and the move toward more constructive dialogues initiated by the Trump administration with major trading partners.

Comparison of global Indices

Rebased to 100; 04.25 – 06.25



Source: Bloomberg

An additional boost came from quarterly earnings results that were significantly better than expected, especially in the technology sector. These factors made the markets surprisingly resilient, even in the face of the escalation of the conflict in the Middle East between **Israel** and **Iran**, which also involved the **US**, and led the indices to reach new historical highs right at the end of the quarter.

In Europe, performances were more fragmented: the **Euro Stoxx 50** closed the quarter with a modest 1% gain, while Germany and Italy stood out with significantly better results, posting returns of +7.90% and +4.60%, respectively.

Switzerland was among the most penalized countries during the period. On one hand, the strength of the Swiss franc, which hit new lows against other major currencies, and on the other, the index composition, heavily exposed to the pharmaceutical sector, currently at the center of discussions about potential tariffs, were the main factors that led to a negative quarter for the **Swiss Market Index (SMI).**

Finally, mixed performances came from the Asian continent. **China**, the primary target of the tariffs imposed by Trump and still struggling with stagnant domestic consumption, recorded slightly positive returns on the Hong Kong stock exchange, while its domestic market remained almost flat. **Japan**, on the other hand, closed the quarter with a very positive result: the **Nikkei** posted +13.70%, supported by the weakness of the yen and the rapid start of trade negotiations with the US.

FINANCE

Bond market

Government yields (in % p.a.)	2 years	5 years	10 years
Switzerland	-0,11	0,11	0,41
Italy	2,06	2,70	3,48
Germany	1,86	2,17	2,61
United States	3,72	3,80	4,23

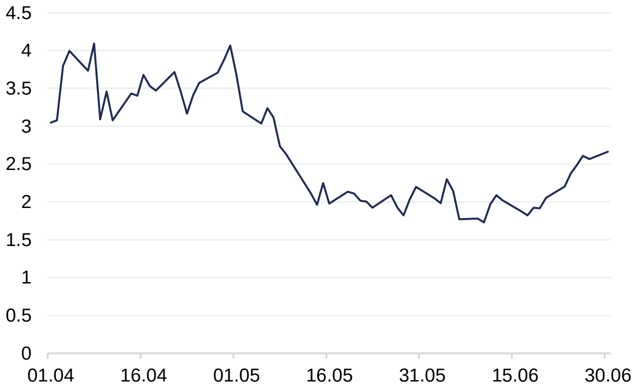
Source: Bloomberg

Despite a quarter full of macroeconomic events and volatility, the yield on the US 10-year Treasury ended nearly unchanged at around **4.20%**. April was marked by great uncertainty regarding the role of US government bonds: initially, the shock following the tariff announcement triggered a "**flight-to-quality**" movement, pushing yields sharply lower. However, this dynamic quickly reversed within a few hours, causing a worrying drop in bond prices. The weakness of the Treasuries was mainly attributed to **declining confidence** among international investors in the dollar's safe-haven role, due to the increasing unpredictability of the US administration. An alternative interpretation links the movement to rising inflation expectations related to tariffs, which could lead the **FED** to keep rates higher for longer. In the second half of the quarter, thanks to a more conciliatory stance by the United States towards its trading partners, the bond market regained stability without significant outflows from Treasuries.

The **FED** is currently in a delicate phase, marked by limited visibility on the future economic outlook and high political pressure. Governor Powell has repeatedly expressed his intention to keep interest rates steady at 4.25%–4.50% for a few more months, in order to better assess the actual impact of tariffs on inflation and growth. However, in June some board members began expressing doubts about this stance, in light of slowing macroeconomic data and inflation remaining subdued in April and May. Adding complexity to the situation are strong pressures from President Trump, who has publicly criticized Governor Powell on multiple occasions, calling for immediate and more aggressive rate cuts. A more accommodative monetary policy is seen as crucial to reduce the cost of US government debt and necessary to make the Republican Party's plans for primary deficit expansion more sustainable.

Expectations on the number of FED rate cuts in 2025

04.25 – 06.25



Source: Bloomberg

The **ECB** appears to be in a more comfortable position, with rates having fallen to 2% and inflation seemingly under control. The **SNB** was the first central bank to officially return to a zero-rate policy, driven by the persistent strength of the Swiss franc and the near absence of domestic inflation. Japan, on the other hand, remains the only major country still engaged in a rate-hiking cycle, which started late and with real rates still in negative territory.

The **Bloomberg Global Aggregate Bond Index** (euro version with currency hedging) recorded a +1.02% return in the second quarter, bringing the year-to-date result to +1.83%. The credit segment once again showed great strength; although spreads widened sharply at the beginning of April (the crossover index rose from 290 to 430), the movement was short-lived. Flows continue to support credit, with investors maintaining a strong search for carry trade opportunities; in the absence of a recession or financial shocks, spreads are likely to remain close to their lows, although offering a less attractive risk/reward profile compared to other historical periods. Finally, the weakness of the dollar helped support emerging markets, both in hard currency and local currency.

FINANCE

Currency and commodities market

Currencies	Price	Quarterly Performance	Yearly Performance
EUR/CHF	0,9348	-2,25%	-0,60%
USD/CHF	0,7931	-10,31%	-12,24%
EUR/USD	1,1787	8,98%	13,26%
GBP/USD	1,3732	6,30%	9,42%
USD/JPY	144,03	-3,95%	-8,17%

Source: Bloomberg

Currencies

Volatility in currency markets, already evident in the first quarter, continued. The main casualty was the **US dollar**, which kept depreciating against major currencies. Confirming this weakness, the **Dollar Index** fell well below the 100 threshold, while the EUR/USD exchange rate reached 1.18.

The decline was mainly driven by a **lack of confidence** in the Trump administration, accused of generating geopolitical instability and, as a result, being perceived by markets as a less reliable player on the global stage.

In this environment, the **Swiss franc** emerged as the only true safe haven currency, recording significant gains despite the **SNB** having brought rates back to zero.

The **Japanese yen**, on the other hand, failed to benefit from the dollar's weakness, remaining broadly unchanged and losing further ground against the euro.

EUR/USD exchange rate trend

01.25 – 06.25

Source: Bloomberg

Commodities	Price	Quarterly Performance	Yearly Performance
Commodity Index	102,02	-4,12%	3,19%
WTI Oil	65,11	-8,91%	-8,28%
Brent Oil	67,61	-9,54%	-9,11%
Gold	3.303,14	5,75%	26,73%
Silver	36,11	5,94%	24,73%

Source: Bloomberg

Commodities

Volatility also marked the commodities market in the second quarter of 2025, driven by ongoing geopolitical uncertainty. The **Bloomberg Commodity Index** ended the period down by 4.1%.

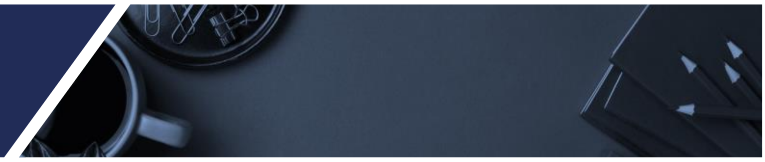
As already seen in previous months, precious **metals** stood out with positive performances: **gold** and **silver** closed the quarter with gains of over 5%, while **platinum** surged by an impressive +36.6%. This asset class was mainly supported by escalating geopolitical tensions and a weakening dollar.

In the **energy segment**, the quarter ended with extreme volatility and trading volumes returning to record highs, especially in oil. Following the escalation of the conflict between Israel and Iran, **WTI** crude reached $78 per barrel before retracing and closing at $65, down from the beginning of the period.

The industrial metals sector was also very active, primarily affected by tariffs imposed by Trump. The quarter opened with widespread declines, especially in **copper**, due to concerns over an economic slowdown impacting demand outlook. However, during the period, some supply-side tensions in the physical market and speculation about a potential Trump tariff on the metal contributed to a partial recovery in prices.

Soft commodities and **agricultural goods** also saw high volatility and mixed results. Prices of beef and cocoa rose, with the latter still facing supply constraints due to climate change and persistent severe weather in key West African producing countries such as Côte d'Ivoire and Ghana.

Did you know that...



> *...Alphabet's Willow processor solved a complex calculation in less than 5 minutes, a task that would have taken a traditional PC about 10 septillion years...*

At the Nvidia GTC event in Paris held in May, CEO Jensen Huang emphasized that progress in Quantum Computing is reaching "*an inflection point*" in what promises to be a major technological revolution.

How does a quantum computer work and which companies are active in its development?

The "*quantum computer*" is a revolutionary technology based on the principles of quantum mechanics, aimed at creating supercomputers capable of performing increasingly complex calculations in much shorter times.

To date, traditional PCs use so-called "bits" to solve calculations, which can only have two values, 0 or 1. Quantum computers, on the other hand, use "*qubits*", which can simultaneously hold both values, allowing them to process large amounts of data and exponentially speed up computing processes. This is the case with Alphabet's Willow processor, which solved a complex calculation in less than 5 minutes, a task that would have taken a traditional PC about 10 septillion years.

However, this technology poses significant challenges: a high likelihood of calculation errors, sensitivity to environmental conditions, and the need for advanced cooling systems. These factors still make large-scale deployment far off.

Currently, major tech giants such as Alphabet, Microsoft, Amazon, and IBM have allocated substantial funds to R&D, alongside specialized startups like D-Wave and IonQ, which are actively developing quantum infrastructure.

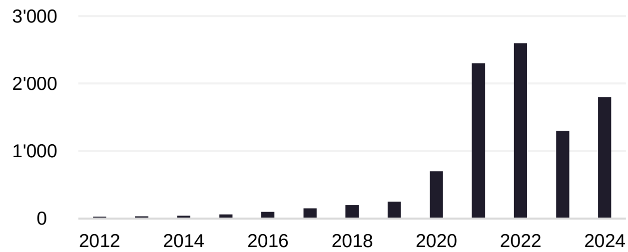
What concrete impacts could the development of quantum computers have?

The most well-known application of quantum computers concerns the enhancement of artificial intelligence, particularly in the training phases of neural networks and in improving analytical and computational capabilities. However, their potential impact extends far beyond this. In the chemical sector, for example, quantum computing will enable advanced molecular simulations useful for designing new drugs, innovative materials, or high-performance batteries. In the pharmaceutical industry, it could significantly accelerate the development and approval of new medicines. In logistics, it will allow more efficient optimization of resources, fleets, and timing. Finally, in meteorology, it will make climate simulations more accurate, improving the quality of forecasts.

However, this innovation also brings new risks, particularly in the field of cybersecurity. Current password and encryption systems would not be able to withstand cyberattacks conducted by quantum computers, making it necessary to develop new encryption and identification solutions to protect personal and corporate data, as well as blockchain-based systems.

Global investments in quantum technologies

In billions of USD, 2012–2024



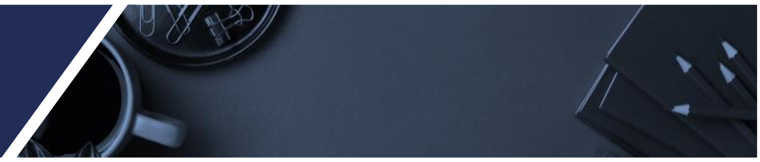
Source: World Economic Forum

KEY TAKEAWAYS

1 – ESTIMATES FOR THE QUANTUM COMPUTER MARKET IN 2040, IN USD[1]:	2 – COMPANIES ACTIVE IN THE R&D OF QUANTUM SOLUTIONS[2]:	3 – FUNDS INVESTED IN QUANTUM-RELATED INITIATIVES OR R&D, IN USD[3]
450-850 mn	**1'288**	**14.3 bn**

Source: 1) BCG, 2) World Economic Forum, 3) Quantum Insider

Expert Talk
Andrea Barbaro



«The SNB is considering the possibility of a return to a negative interest rate monetary policy»

*Interview with **Andrea Barbaro**, FX Sales and Advisor:*

Could the Swiss National Bank (SNB) be the first Central Bank to "dust off" negative interest rates?

On June 19th, the Swiss National Bank (SNB) cut its benchmark interest rate to 0%, a move that revives the ultra-accommodative policies of 2015. That year, the Swiss institution introduced negative interest rates for the first time amid the currency turmoil triggered by the removal of the EUR/CHF floor at 1.20, aiming to contain deflation risks. A similar context could soon lead to a return of negative interest rates.

The SNB's declared objective is to keep inflation between 0% and 2%. In May, Switzerland's Consumer Price Index fell into negative territory for the first time since 2021. Adding to this dynamic is the persistent strength of the franc, the ultimate safe-haven currency, which acts as a disinflationary factor. The geopolitical and currency landscape further complicates the situation. On June 5th, the U.S. Treasury Department placed Switzerland on its watchlist for potential currency manipulation. To avoid increased scrutiny from the Trump administration, the SNB might therefore prefer more conventional monetary policy measures, such as rate cuts, rather than direct currency market interventions.

In recent remarks, the Chairman of the SNB, Martin Schlegel, emphasized a willingness to consider all options, including a rate cut below zero. This statement, in a context of growing macro-financial uncertainty, sounds like a warning to the markets.

What alternatives can the SNB consider?

One possible option is to adopt a more wait-and-see approach. This would mean tolerating a phase of negative inflation, if deemed temporary, thereby postponing any more drastic measures. However, this approach requires constant monitoring of the Swiss franc, which represents the true indicator of global sentiment.

From this perspective, any signs of geopolitical easing could become a real "*game changer*" for Swiss monetary policy. A de-escalation of trade tensions or an improvement in the global geopolitical outlook would reduce pressure on the Swiss currency, lessening the need for monetary interventions.

The SNB therefore faces a complex strategic choice: managing the delicate balance between national autonomy, global dynamics, and deflationary pressures.

“[…] The Chairman of the SNB, Martin Schlegel, emphasized the willingness to consider all options on the table”

ANDREA BARBARO

FX Sales and Advisor

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