Vontobel

Investors' Outlook

A bowl of tricky treats

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Editors
Corinne Gretler,
Senior Investment Writer,
Vontobel
Investment Content Team,
Vontobel

Authors
Stefan Eppenberger,
Chief Investment Strategist,
Multi Asset Boutique, Vontobel
Michaela Huber,
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel
Christopher Koslowski,
Senior Fixed Income & FX Strategist,
Multi Asset Boutique, Vontobel
Mario Montagnani,
Senior Investment Strategist,
Multi Asset Boutique, Vontobel
Dan Scott,
Head Multi Asset,
Chief Investment Officer,
Multi Asset Boutique, Vontobel

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A bowl of tricky treats

—
Dan Scott
Head Multi Asset,
Chief Investment Officer,
Vontobel

Dear readers,

Over the last month, investors have again been rewarded for showing up at markets' doorstep. We believe the narrative around money supply, fiscal policy, and central bank easing still holds, and we find it difficult to build a bearish case in this environment.

Despite occasional volatility, risk assets have kept climbing. Some shine has come off gold as prices have retreated from their all-time highs, while equities have continued to rise, along with US Treasuries.

Investors still got some jitters ahead of Halloween, though. US regional banks briefly spooked markets after Zions Bancorp and Western Alliance Bancorp disclosed bad loans tied to funds that invest in distressed commercial mortgages. Coupled with the recent bankruptcies of subprime lender Tricolor Holdings and auto supplier First Brands Group, the industry-wide banking index declined amid worries that there might be more hidden credit troubles lurking in the shadows.

Macroeconomic developments also contributed to suspense. Japan has now joined the global stimulus story as new Prime Minister Sanae Takaichi's early rhetoric points to more government spending, which would add yet another major economy to the list of those providing fiscal support. And in China, gross domestic product growth slowed to 4.8 percent, slightly better than the 4.7 percent expected, though year-to-date growth of 5.2 percent keeps Beijing on track for its 5 percent target this year. We consider valuations in Chinese equities low and believe they can offer diversification away from concentrated exposure to artificial intelligence (AI).

Speaking of AI, many investors have been wondering about a bubble. We believe it's worth flipping through the 1990s playbook. Equity multiples peaked near 100 times earnings ahead of the dotcom bubble[1], and we're nowhere near that today. Beyond that, most of the internet high-flyer companies weren't profitable, whereas today's tech titans aren't only highly profitable, most are also net cash. So before we speak of bubbles, we'd likely first need to start seeing activity such as leveraged buyouts, corporate share issuance, or oversized buybacks. Early signs, like the US Securities and Exchange Commission's review of a proposed five-times-leveraged NASDAQ product[2], suggest retail investor interest to take on leverage exists, but it's still early days.

In this Investors' Outlook, you'll find the Multi Asset Boutique's outlook for 2026, a closer look at cocoa prices, and our take on the stock market.

Some headlines can haunt markets. But we believe diversifying is the real trick, and we aim to help our clients find a variety of treats to choose from.

→ Webcast
To view our webcast on recent market developments, click **here.**

[1] See "Glossary and sources" on p. 19.

—
Stefan Eppenberger
Chief Investment Strategist,
Multi Asset Boutique, Vontobel

Through the fog

October started with a US government shutdown, its 20th since 1976, sending thousands of federal workers home and suspending important economic reports. The Bureau of Labor Statistics, the Bureau of Economic Analysis, and the Census Bureau have temporarily paused data collection and publication, with some exceptions.

Market participants turned to alternative sources to gauge the state of the economy and were faced with a mixed picture. Private payroll data from ADP[3] suggested about 32,000 jobs were lost in September, while credit card and other high-frequency spending data signaled weaker consumer activity. Investors appeared to conclude that the once-hot labor market has cooled, with companies cautious on hiring, though widespread layoffs have yet to show up in the data.

The lack of official data didn't deter the US Federal Reserve (Fed) from cutting interest rates in October, with policymakers expressing concerns about the labor market. Opinions seem to differ on whether to deliver another cut this year, and it remains to be seen whether the Fed will go ahead with another reduction at the December 9 – 10 session.

By then, we'll be in the final sprint to the end of the year, and our attention is already turning to 2026. What's our outlook? We remain constructive on global growth amid the prospect of accommodative monetary policy and pro-growth measures. We don't anticipate a repeat of the kind of surge in inflation seen in 2021 – 2022. We also reiterate that 2026 being a midterm election year, US President Donald Trump is likely to have an incentive to minimize uncertainty. As such, Vontobel's Multi Asset Boutique's Investment Committee has chosen to keep its current asset allocation unchanged. Details can be found on page 5, and our comprehensive 2026 outlook beginning on page 7.

	UNDERWEIGHT[4] significantly	UNDERWEIGHT[4] slightly	NEUTRAL[5]	OVERWEIGHT[6] slightly	OVERWEIGHT[6] significantly	
1 Liquidity			→			We maintain a neutral stance on cash, ready to deploy it as opportunities present themselves.
2 Bonds		→				Within the fixed-income segment, we prefer government and emerging-market (EM) bonds with a neutral stance. We maintain an underweight in corporate investment grade. In our view, following the spread tightening since Liberation Day, current yields do not offer adequate compensation relative to historical levels, especially when factoring in risks and market volatility. The same rationale applies to high-yield bonds, where we also maintain our underweight stance.
3 Equities				→		If our base case assumptions hold (see details from page 7), we believe equities are poised to continue outperforming bonds. Therefore, we maintain our overweight position in equities and underweight position in bonds. Our equity overweight is focused on Eurozone and EM stocks, as we believe both regions are likely to benefit from a projected weaker US dollar, present what we consider interesting relative valuations, and are likely to gain from domestic stimulus measures. We stay neutral for Swiss, US, and Japanese equities.
4 Gold			→			We also remain neutral for gold, which continued its record breaking streak in October, pushing past USD 4,300 per ounce. One of the main drivers was the growing expectation that the Fed would continue cutting interest rates, as lower rates make non-yielding assets like gold more attractive. Strong safe-haven demand (due to trade friction, US government shutdown risks, currency debasement fears) further boosted gold's appeal as a hedge. Some central banks continued to increase their gold reserves, bolstered by strong exchange-traded fund inflows. However, toward the end of the month, gold experienced a sharp sell-off, declining by more than 5 percent in a single day. This was driven by profit-taking, a strengthening US dollar, and a waning appetite for safe-haven assets. While the long-term fundamentals—such as debt fears, currency debasement concerns, and central banks' efforts to de-dollarize—remain intact, the recent sell-off highlights that gold's rapid rally may have become overextended.
5 Commodities			→			We maintain a neutral stance on commodities. Throughout much of 2025, the global economy has grown below its potential, hindered by trade war concerns and policy uncertainty. Looking ahead, several of our baseline economic assumptions support this cyclical asset class, including anticipated improvements in global manufacturing Purchasing Managers' Indices (PMIs[7]) and continued weakness in the US dollar. However, to adopt a more bullish outlook, we would need to see stronger inflationary pressures and a reduction in oil oversupply.
6 Alternative strategies			→			We reaffirm our neutral position on alternative funds and real estate.

Note: Views are as of October 2025. Subject to change without further notice.

Changes month-on-month: same → higher ↗ lower ↘

A year of tricks and treats is behind us … and we're preparing for more ahead

"Trick or treat?" It's the classic Halloween refrain, but during US President Donald Trump's second term, it wasn't kids in costumes knocking on doors—it was Trump himself. With his unpredictable trade and foreign policies, he kept global markets on edge, rattling investors with the uncertainty about what might come next. Would it be a trick, in the shape of tariffs, sanctions, or geopolitical tensions, or a treat, like a surprise trade deal or a stock market rally? In true Halloween spirit, Trump also occasionally handed out sweets, rewarding investors with bursts of optimism and unexpected gains amid the chaos.

—
Michaela Huber
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel

—
Stefan Eppenberger
Chief Investment Strategist,
Multi Asset Boutique, Vontobel

Since returning to office in late January, Trump has pursued a bold agenda: sweeping trade measures, aggressive industrial policies, deep deregulation, and an expansion of executive power. At times, the interplay of these initiatives raised more questions than answers—for businesses, investors, and the broader macroeconomy alike.

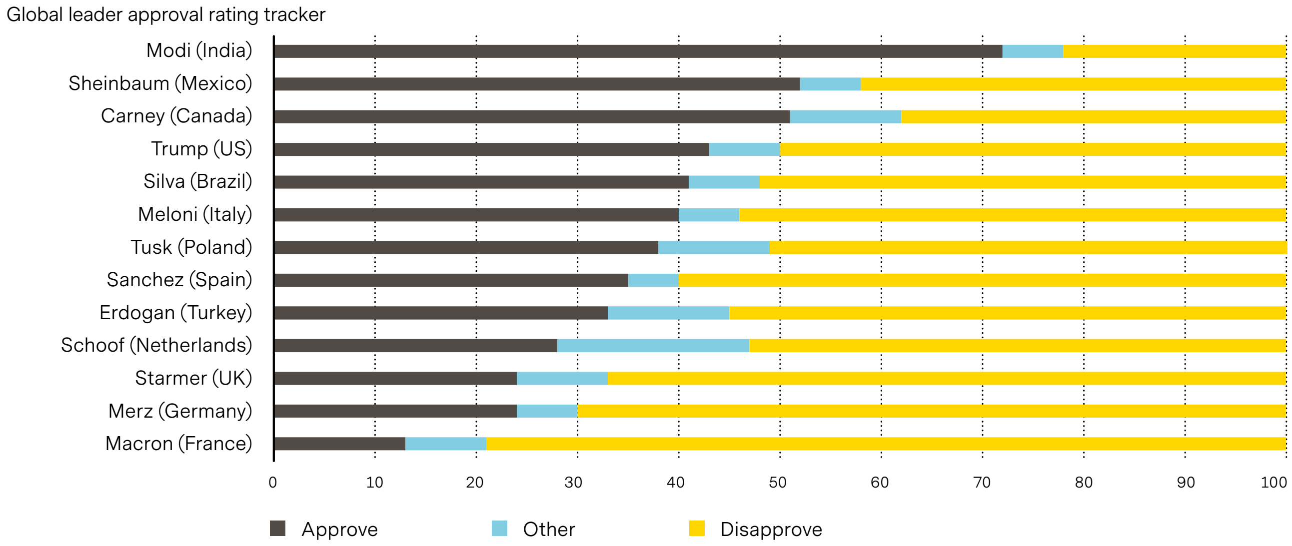
On the trade-war front, Trump's barrage of tariffs sent ripples through global supply chains, raising concerns about rising input costs for companies and, at the end of the day, for consumers. Trading partners responded by threatening retaliatory tariffs and / or rerouting their goods elsewhere. Businesses—particularly those based in the US—responded in two distinct ways. First, many firms rushed to stockpile goods to "front-run[8]" anticipated tariffs. By doing so, they significantly distorted several macroeconomic indicators, such as global export data and US gross domestic product (GDP) figures. Second, many postponed their capital spending and hiring plans.

This has also left its mark on the once red-hot US labor market. While the unemployment rate remains at a historically low 4.3 percent, private-sector job creation has slowed, and even turned negative, since the summer. The release of a particularly weak monthly jobs report resulted in the dismissal of a high-ranking labor official, raising concerns about the reliability of US data. Despite the overall loosening of the labor market, certain sectors, especially those reliant on migrant labor, remain tight, largely due to Trump's hardline immigration stance.

Trump's policies also influenced the latest US inflation reports. After consumer prices eased early in the year, falling to 2.3 percent year-on-year in April, they have since steadily increased, reaching 3.0 percent in September, with notable rises in goods and food prices. Despite Trump's claims that foreign exporters would shoulder the cost of the trade war, inflation remains benign in regions such as the Eurozone (+2.1 percent in October), China (−0.3 percent in September), and Switzerland (+0.1 percent in October).

Amid a weakening labor market, persistent geopolitical tensions, and stubbornly high prices, US consumers have grown increasingly pessimistic. The University of Michigan's consumer sentiment index cooled for the third consecutive month in October, while the Conference Board's indicator echoed a similarly cautious outlook. This trend has prompted some consumers, particularly those in

Chart 1: Global leaders must act decisively (through pro-growth measures) to ensure their political survival



Source: Morning Consult (date range October 1 – October 7, 2025), Vontobel.

lower- and middle-income brackets, to scale back spending. Although this shift may not be immediately visible in retail sales data (which is not adjusted for inflation[9]), it is more apparent in personal consumption expenditures, a key component of US GDP.

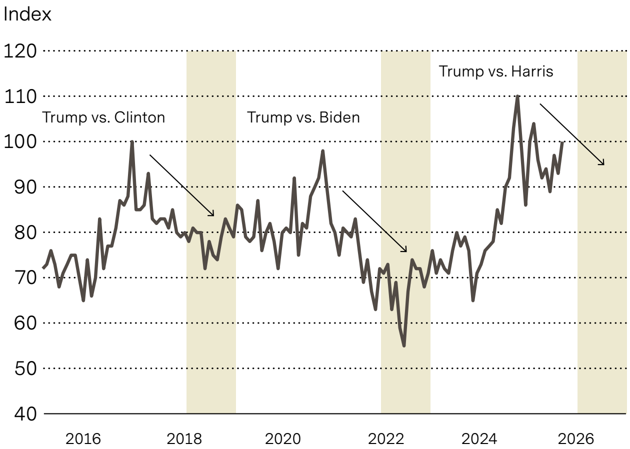
The combination of slowing growth, sticky inflation, and limited visibility complicated the Fed's path toward interest-rate cuts. Despite public pressure from Trump to lower rates, Fed Chair Jerome Powell cited policy uncertainty and inflation risks as reasons to hold back. As a result, the Fed remained in a holding pattern for several months before finally resuming interest-rate cuts in September. Elsewhere, major central banks continued easing relatively unperturbed. Several members of the European Central Bank have signaled that, after eight rate cuts, the "easing cycle is close to an end or at its end[10]." And the Swiss National Bank has reduced rates to zero and indicated that the bar for implementing negative interest rates remains high[11].

Our economic baseline scenario for 2026: Bracing for more tricks but also more treats

As we head into 2026, what might await us in terms of economic growth, inflation, and monetary policy? On global growth, our outlook is constructive, and there are several reasons for this. First, most of the world's central banks remain in a rate-cutting cycle rather than a rate-hiking one. This includes the arguably most influential one—the Fed—which still has significant ground to cover before reaching "neutral" territory. According to the Fed's own projections, a neutral policy rate is around 3 percent, implying that roughly four additional rate cuts would be required to reach that level. Since monetary policy typically affects the "real" economy with a lag, we expect the positive impact of past (and forthcoming) rate cuts to carry through well into 2026. A look at US commercial bank loans and leases reveals that many banks have increased lending, driven by lower interest rates and expectations of regulatory easing (after Trump appointed Fed member Michelle Bowman as vice chair for supervision, she has advocated for an overhaul of banking regulations).

On the fiscal side, we believe political leaders around the globe will need to step up and implement more pro-growth measures—at least if they wish to ensure their political survival. This is particularly acute for European leaders, who are far from enjoying widespread popularity (see chart 1). According to International Monetary Fund

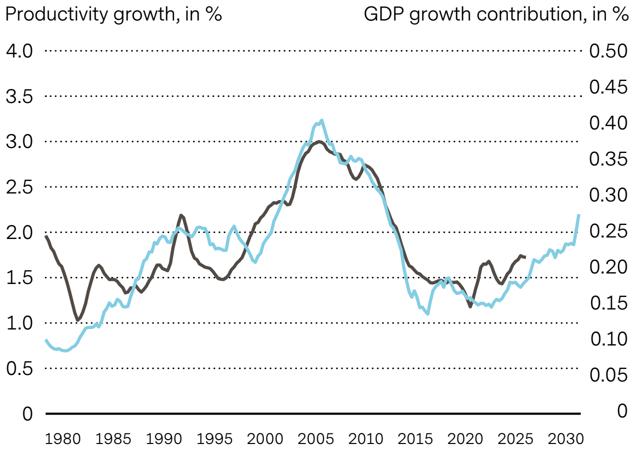
Chart 2: Policy uncertainty used to find its bottom in midterm election years



US small business uncertainty index (NFIB)
Midterm election years

Source: LSEG, Vontobel; as of October 24, 2025.

Chart 3: Technology investment used to have a good lead on productivity growth



US productivity growth (left axis)
Computer & software investment (5-year lead, right axis)

Source: LSEG, Vontobel; as of October 24, 2025.

estimates, fiscal deficits are expected to remain large next year, with several countries (e.g., Germany, China, India) projected to even increase them.

Incentive to reduce uncertainty

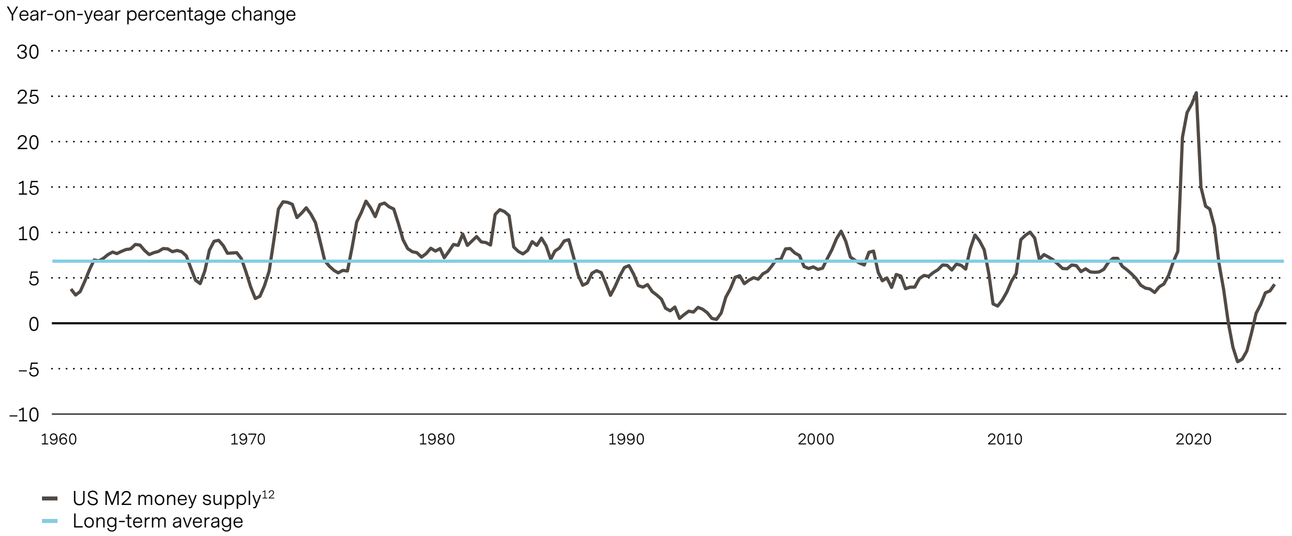
In the US, we believe Trump has strong incentives to avoid introducing excessive uncertainty and instead focus on reducing it. The looming midterm election, scheduled for November 3, 2026, will determine control of Congress, where Republicans currently hold a slim majority in both chambers. As shown in chart 2, policy uncertainty has historically reached its lowest levels during midterm election years. This is hardly surprising, as uncertainty is generally unhelpful when attempting to secure electoral victories. We believe the upcoming joint review of the United States–Mexico–Canada Agreement (USMCA), set for July 2026, may also offer Trump an opportunity to pursue what he would likely call "great" trade deals.

Lastly, we see potential for increased productivity driven by the broader adoption of artificial intelligence (AI). The 1990s serve as a powerful reminder of how technological advancements can boost economic growth without triggering significant inflation (see chart 3). During that period, the adoption of computers, the internet, and other digital tools enhanced productivity across industries, enabling faster communication, greater automation, and improved efficiency. Higher productivity allowed businesses to pay higher wages without raising prices.

Outlook on inflation

What is our outlook on inflation? US consumers will likely feel the pinch of higher tariffs in 2026. Right now, it is believed that US companies have passed on some, but not all, tariff-related costs to consumers, and we expect further pass-through as the year progresses. We also anticipate that a weaker US dollar will likely result in higher prices for imported goods.

Chart 4: US money supply growth is nowhere near previous territories that laid the foundation for higher inflation



Source: LSEG, Vontobel; as of October 24, 2025.

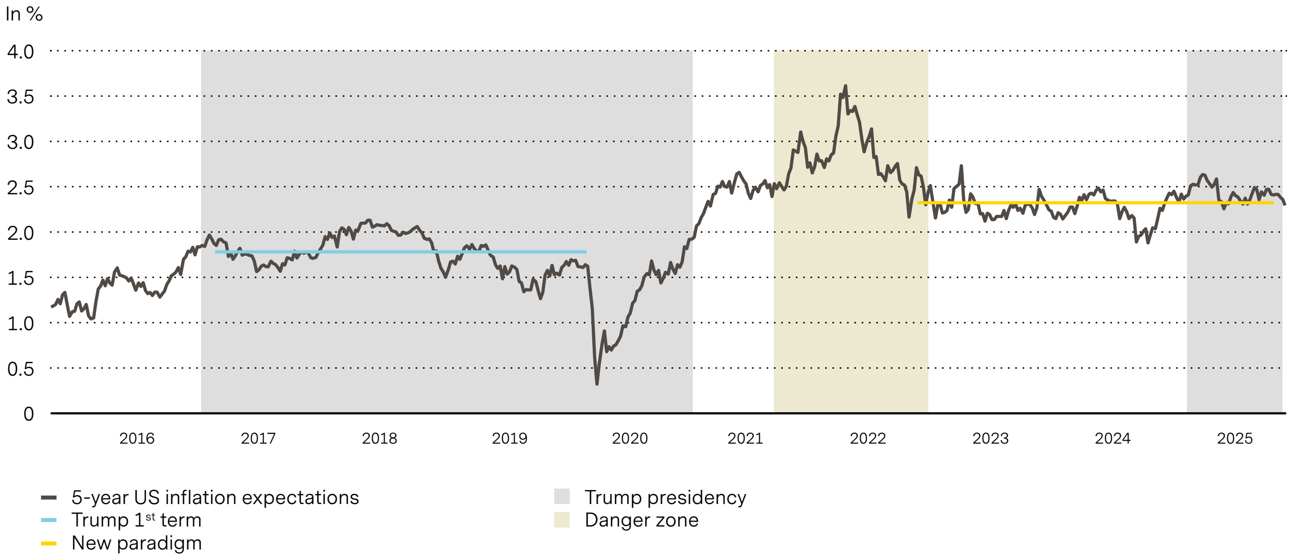
That said, we don't expect a sharp surge in inflation similar to that of 2021–2022. Why is this the case?

1. Goods prices carry a much smaller weight in the US inflation basket than, say, services prices.
2. Tariffs act as a tax on consumers, reducing disposable income and limiting spending.
3. While we expect the Fed to cut interest rates toward "neutral" levels in the coming months, we do not anticipate a move into "accommodative" (i.e., stimulative) territory. While US money supply is rising, it remains well below the levels that historically laid the foundation for significantly higher inflation (see chart 4).
4. As the US labor market weakens, workers lose bargaining power, which reduces upward pressure on wages.
5. We currently also observe no major supply or supply chain problems: the Organization of the Petroleum Exporting Countries and its allies (OPEC+) continues to bring additional crude oil to market through the end of December, and rising OECD inventories have kept prices capped between USD 60 to 65 per barrel.
6. We continue to believe that China will "export" deflation into the world due to significant overproduction in key industries, such as electric vehicles and solar panels.
7. We also believe the widespread adoption of AI may be disinflationary.

Risks to our 2026 outlook
As always, there are risks to our outlook. One risk to growth, perhaps unsurprisingly, is Trump himself. While we believe it would make sense to reduce uncertainty in a midterm election year, we cannot be sure that Trump shares this view. The US tariff rate—measured as customs duty revenue as a percentage of durable imports—currently stands at a multi-decade high of around 10 percent. However, this does not necessarily mean it cannot increase further; during the first half of the 20th century, the rate was roughly twice as high.

The Russia-Ukraine war poses another risk to our growth outlook. While a ceasefire remains possible, the conflict could still escalate and potentially trigger an oil price shock before any resolution is reached. Let's also not forget about the fiscal woes across several economies. France faces high deficits amid political gridlock, while the US grapples with high debt levels and high debt costs.

Chart 5: Room for political experiments without severe consequences is likely limited



Source: LSEG, Vontobel; as of October 24, 2025.

There's also a legal dimension to watch, as the Supreme Court could rule Trump's trade war illegal. Several small businesses and Democratic-led states are challenging the import levies, arguing they amount to a USD 3 trillion tax increase on Americans and exceed presidential authority. Should the US government be forced to repay tariff revenues, it could potentially trigger a fiscal crisis. Another concern is the potential for a worsening credit crunch. Consider, for example, the recent bankruptcy saga involving auto parts supplier First Brands and auto lender Tricolor, which prompted JPMorgan Chase CEO Jamie Dimon to warn of "more cockroaches" in the US economy[13].

One risk to our inflation outlook is foreign-exchange (FX) debasement. The US dollar has already depreciated roughly 10 percent against a basket of major currencies in 2025, and many of Trump's actions, particularly the potential replacement of Fed Chair Powell with a more dovish successor, could exert additional downward pressure on the greenback. A significantly weaker dollar could push imported inflation even higher.

That said, longer-term US inflation expectations have broken out of the range they remained in during Trump's first term. After peaking above 3.5 percent during the 2022 – 2023 inflation crisis, they have now shifted into a new, higher paradigm. This matters because when inflation expectations rise sharply, they risk becoming self-fulfilling prophecies, influencing consumer behavior and hence could push inflation levels higher. We believe that leaves little room for politicians to indulge in too many "tricks" without facing severe consequences (see chart 5).

Tone over trend as data goes dark

—
Christopher Koslowski
Senior Fixed Income &
FX Strategist,
Multi Asset Boutique, Vontobel

With the US government shutdown cutting off official economic data, markets are flying without their usual compass. The steady flow of numbers on jobs, spending, prices, and output has gone quiet, leaving sentiment surveys and anecdotes to fill the gap. In that vacuum, tone beats trend. Investors are parsing every Fed speech, corporate earnings call, and credit-card tracker for direction. Perception becomes a market force of its own.

At its last meeting, the Fed cut rates by 25 basis points to 4.00 %. The move was expected, but Chair Jerome Powell said another cut this year isn't assured. Policymakers were divided. Kansas City Fed President Jeffrey Schmid voted to hold rates steady, while Fed Governor Stephen Miran argued for a deeper half-point cut. Powell said those differences reflected strongly differing views on the balance of risks and the outlook. Alongside the rate decision, the Fed announced an early end to its balance sheet reduction, or "quantitative tightening". Powell emphasized the challenge of operating without a full set of economic data. "If you're driving in the fog, you slow down[14]," he said, suggesting the data blackout could influence the tone of December's meeting.

Markets are pricing deeper cuts next year than the Fed is signaling (see chart 1), even though labor data shows little additional softening. Still, we believe this isn't the moment to rebuild bearish positions, as sensitivity to credit quality and ongoing trade tensions remain high.

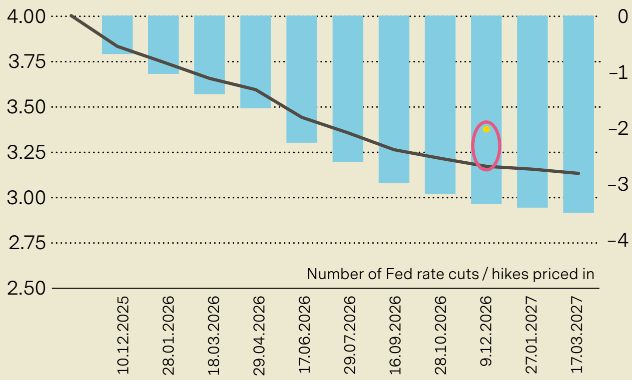
High yield: carry, but little cushion
High yield still pays carry but offers little cushion. The credit premium is thin, in our view. Spreads make up roughly 42 percent of total yield versus a long-term average near 66 percent. A look at chart 2 shows how compensation for credit risk has eroded over the past decade.

All-in yields sit near multi-year highs, yet a smaller share of that income comes from spread. In plain terms, investors are being paid the risk-free rate more than true credit compensation. So yes, the total yield appears decent, and the total return outlook is certainly passable, but we believe the margin for error is not. We believe there isn't much buffer against softer growth or a rise in defaults.

To us, this is carry without a safety net, and the payoff is unlikely to come from spread tightening. On an aggregate basis, our view is that the case for broad credit is weak and that selectivity matters. We prefer to lean on issuer quality, structure, and liquidity, and believe this is where active management earns its keep.

Chart 1: What markets are pricing and what the Fed is signaling

Market-implied Fed policy rate, in %

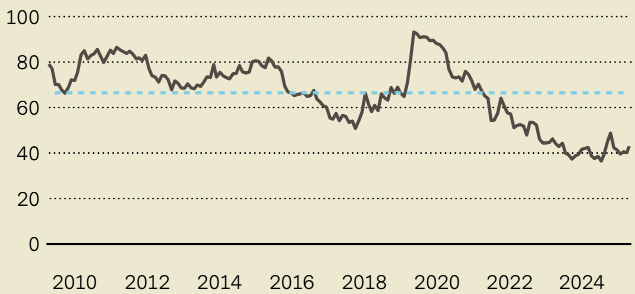


Number of Fed rate cuts priced in (right axis)
Market-implied Fed policy rate
FOMC Sept. 2025 median dots (in %, left axis)

Source: LSEG, Vontobel; as of November 3, 2025.

Chart 2: Carry without cushion—spread share still well below historic compensation levels

In %



High-yield option-adjusted spread as a percentage of total yield
Average high-yield option-adjusted spread as a percentage of total yield

Source: LSEG, Vontobel; as of October 22, 2025.

AI spending boom or bubble?

—
Mario Montagnani
Senior Investment Strategist,
Multi Asset Boutique, Vontobel

Bears and bulls have found themselves locked in heated debates over the surge in AI-related investments, the lofty valuations of companies exposed to this trend, and the self-sustaining ecosystem forming around it. Many now wonder whether we're riding the next great bubble (see chart 1).

Warnings of a potential AI bubble have multiplied in recent months, from financial institutions but also from the very executives leading this megatrend. While few doubt AI's long-term transformative potential, many acknowledge the possibility of setbacks along the way.

These concerns come amid a seemingly unstoppable rally in equity markets, driven largely by a handful of large US tech companies exposed to AI and premium valuations. Even the US government has taken stakes in some of these firms, funding major AI-related initiatives like the Stargate project[15], and urging tech giants to commit to multi-billion-dollar domestic AI investments over the coming years. But data center capital expenditures (capex) tell just one side of the story. Power demand tells another, as it becomes a critical constraint. For example, recent contracts signed by OpenAI, owner of ChatGPT, represent electricity commitments of 17 gigawatts[16]. That's roughly the capacity of 17 nuclear power plants[17]. This has stoked concern that the combination of valuations, circular investment flows, and rising power demands is creating a self-reinforcing vortex that keeps growing in scale, but with very little insight into how the companies will monetize the returns from these investments.

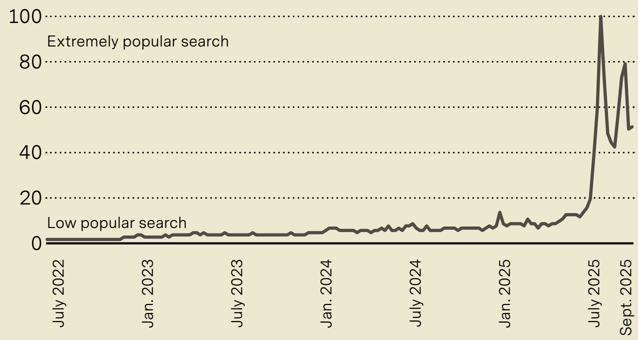
The impact of AI-driven investments on US real GDP growth is already clear (see chart 2). With annual GDP near USD 30 trillion, AI-related spending now contributes more than 1 percent to quarterly growth, or roughly one-third of total expansion. In other words, AI has become a key engine of the US economy. But does that make it a bubble?

Our multi-criteria analysis, comparing current conditions to past bubbles, paints a nuanced picture. Some signals point to growing overheating risks, others indicate that the current environment differs meaningfully from previous speculative episodes. Lower leverage, fewer unprofitable initial public offerings, more reasonable relative valuations, and strong earnings contributions from AI leaders to the S&P 500 Index point to a more balanced, sustainable setup, consistent with early adoption phases of past disruptive technologies.

While vigilance is warranted, we believe US AI-linked tech stocks are not in a bubble – at least not yet.

Chart 1: Global Google searches for "AI bubble" have jumped

Google Trends, for expression "AI bubble"

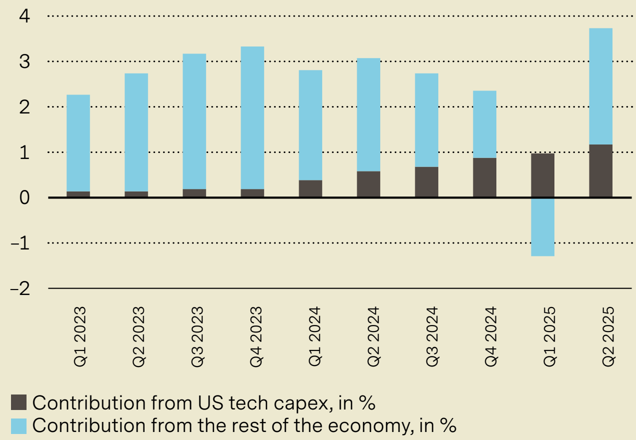


Note: A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

Source: Google Trends, Vontobel; as of October 23, 2025.

Chart 2: How tech and AI investments are driving US quarterly GDP growth

US quarterly real GDP growth, in %



Source: Bloomberg, Vontobel; as of October 23, 2025.

Every sweet hath its sour

—
Michaela Huber
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel

Once the star of soaring commodity prices, cocoa prices have started to come back to earth, leaving traders and producers facing a market that's turned from rich and creamy to a touch bitter.

For years, cocoa prices seemed to follow only one trajectory: upward. Last year, the little beans temporarily surged past USD 12,000 per metric ton. However, as we go to press, prices trade around USD 6,000 (see chart 1).

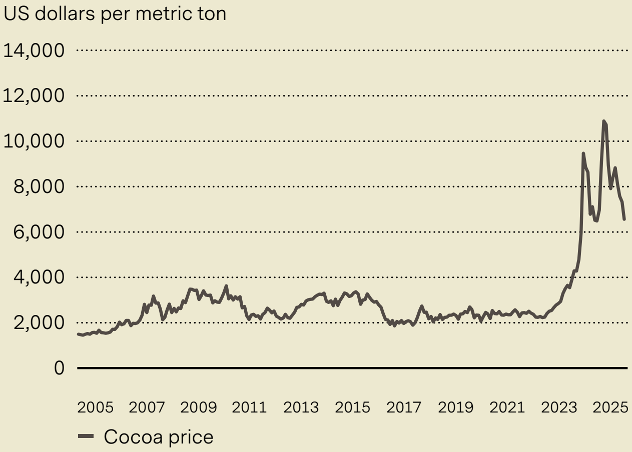
Several factors have contributed to the reversal. Most significantly, global supply expectations have improved after multiple seasons of weather-related disruptions. In West Africa, where 70 percent of the world's cocoa is grown, conditions have stabilized. Rainfall in top producer Ivory Coast has reduced supply pressures. The second-largest producer, Ghana, brought forward its 2024 / 2025 harvest by two months, which helped alleviate supply fears. And the European Union has proposed another one-year delay of its anti-deforestation law. This delay may temporarily ease rising costs and production complexities, as Europe accounts for more than a third (36 percent) of global cocoa demand.

At the same time, demand indicators have weakened (see chart 2). Cocoa grindings, a key metric for chocolate-sector demand, declined by 4.8 percent year-on-year in Europe and 3.4 percent in Asia in the third quarter. With prices still elevated by historical standards, manufacturers have responded by cutting back purchases or adjusting formulations, contributing to downward pressure. Speculative positioning has also shifted. Hedge funds and other investors who had piled into cocoa in 2024 began aggressively unwinding positions in early 2025, accelerating the downturn.

Governments in producer countries have responded to the shifting landscape. In October, Ivory Coast raised its farmgate price to a record 2,800 CFA francs per kilogram for the 2025 – 2026 main harvest to support farmers. This could encourage farmers to bring their beans to market rather than holding them back to artificially increase prices.

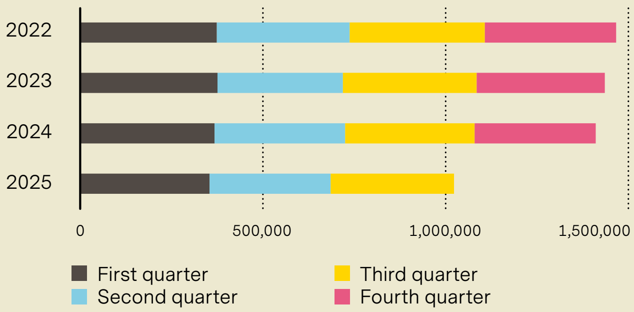
As of October, the cocoa market appears to have entered a more stable phase, with prices trading in a lower but less volatile range. While the risk of another spike can't be ruled out, particularly if harvests underperform or demand rebounds unexpectedly, the panic-driven highs of 2024 now seem to be behind us. Market participants are watching closely for fourth-quarter grind data and the outcome of the West African main crop. For now, cocoa appears to have settled into a more fundamental-driven trading environment.

Chart 1: A bitter start to the year



Source: International Cocoa Organization (ICCO), Vontobel; as of October 20, 2025.

Chart 2: Chocolate manufacturers' demand has come down



Note: Western European cocoa grindings indicate the demand for cocoa and chocolate products by chocolate manufacturers. An increase in grindings signals stronger demand, while a decrease suggests weaker demand, e.g., due to high prices, supply chain issues, or consumer spending habits.

Source: StatSer (Statistic Services), Leusden, the Netherlands; as of 3Q 2025.

No frights for the US dollar and the Swiss franc casts its spell

—
Christopher Koslowski
Senior Fixed Income &
FX Strategist,
Multi Asset Boutique, Vontobel

The US government shutdown that began on October 1 has, so far, had little immediate effect on the US dollar, much like previous shutdowns, including the one in 2018 – 2019, when the currency remained relatively stable. However, if the shutdown persists, its impact could become more pronounced, potentially weighing on GDP growth and consumer spending.

US Treasury Secretary Scott Bessent has warned that the shutdown could cost the economy USD 15 billion per week[18], potentially reducing GDP growth by 0.1 – 0.2 percentage points each week. The Council of Economic Advisers also projects a USD 30 billion drop in consumer spending over a month-long shutdown[19]. The most significant economic disruptions are related to missed paychecks, particularly affecting federal employees and contractors. Federal workers are generally guaranteed back pay, but contractors are not, which could lead to increased financial strain and dampened consumer spending, and may, in turn, weigh on indicators like consumer confidence and retail sales. Despite these developments, the US Dollar Index rose 1.3 percent from October 1 to 23 (see chart 1).

Record gains for the Swiss franc

The Swiss franc is poised for record gains in 2025, with its appeal driven by structural factors such as fiscal health, manageable debt, and external surpluses, positioning it to continue outperforming other G-10 currencies. Looking at calendar-year performance since 1971 for the Swiss franc against the dollar (CHF / USD), the year with the strongest appreciation for the Swiss franc occurred back in 1974 (see chart 2). However, 2025 is shaping up to be one of its best starts in recent memory, with the Swiss franc gaining significant ground against the US dollar. If the current momentum continues, this could be a year with potentially unprecedented gains for the franc. Ongoing global uncertainties, including trade tensions and geopolitical risks, and Switzerland's stable economic fundamentals, such as low unemployment, and political stability, have bolstered demand for the franc as a safe-haven currency.

We believe the Swiss franc's appeal remains strong, especially as structural drivers like fiscal health, debt dynamics, and external factors like its financial and trade links to the rest of the world become more relevant for G-10[20] currencies. Currencies with solid fiscal positions, manageable debt, and external surpluses, are expected to keep outperforming.

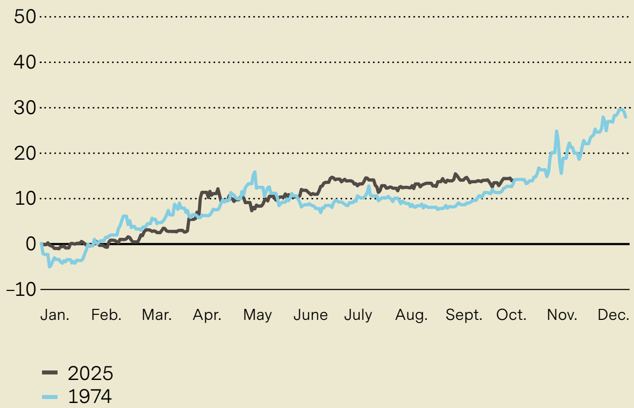
Chart 1: The US dollar has shown resilience despite shutdown uncertainty

Index

Source: LSEG, Vontobel; as of October 23, 2025.

Chart 2: The Swiss franc delivers its strongest start since the 1970s

Calendar year CHF / USD performance, in %



Source: LSEG, Vontobel; as of October 22, 2025.

Economy and financial markets 2024 – 2026

The following list shows the actual values, exchange rates, and prices from 2024, as well as consensus forecasts for 2025 and 2026 for gross domestic product (GDP), inflation / inflationary expectations, key central bank interest rates, 10-year government bonds, exchange rates, and commodities.

GDP (IN %)	2024[1]	CURRENT[2]	2025 CONSENSUS	2026 CONSENSUS
Global (G20)	3.0	3.3	2.4	2.5
Eurozone	0.9	1.3	1.3	1.1
USA	2.8	2.1	1.9	1.8
Japan	0.1	1.7	1.1	0.7
UK	0.9	1.4	1.4	1.2
Switzerland	1.4	1.3	1.1	1.2
Australia	1.0	1.8	1.8	2.2
China	5.0	4.8	4.9	4.3

INFLATION	2024[3]	CURRENT[4]	2025 CONSENSUS	2026 CONSENSUS	VONTOBEL VIEW IN 2025[5]
Eurozone	2.4	2.1	2.1	1.8	↓
USA	3.0	3.0	2.8	2.9	↓
Switzerland	1.1	0.1	0.2	0.6	→

KEY INTEREST RATES (IN %)	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
EUR (deposit rate)	3.00	2.00	1.93	1.95	→
USD (Fed funds rate, upper bound)	4.50	4.00	3.61	3.26	→
CHF	0.50	0.00	–0.03	0.00	→

GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
EUR (Germany)	2.37	2.65	2.85	2.97	↓
USD	4.57	4.09	4.10	4.07	→
CHF	0.33	0.12	0.42	0.59	→

FOREIGN EXCHANGE RATES	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
CHF per EUR	0.94	0.93	0.94	0.96	↑
CHF per USD	0.91	0.81	0.80	0.81	↓
USD per EUR	1.04	1.15	1.19	1.21	↑

COMMODITIES	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
Brent crude oil, USD per barrel	75	65	62	63	↑
Gold, USD per troy ounce	2,625	3,963	3,800	3,925	→
Copper, USD per metric ton	8,768	10,664	9,935	10,250	→

Note: Views are as of November 5, 2025. Forecasts are based on current market conditions and assumptions and are subject to change without further notice. They do not guarantee future results.

1 Subject to revisions (e.g., potential revisions to 4Q data)
2 Latest available quarter
3 Subject to revisions
4 Latest available month, G20 data only quarterly
5 ↑ above consensus, → in line with consensus, ↓ below consensus

Source: Vontobel, respective statistical offices and central banks; as of November 5, 2025.

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Glossary and sources

[1] Period of speculative stock market growth in the late 1990s as investors poured money into internet-based companies that were often new, unprofitable, and overvalued. The bubble burst between 2000 and 2001.

[2] Source: Reuters article, published October 17, 2025. reuters.com/legal/government/sec-says-unclear-if-proposed-3x-5x-leveraged-etfs-would-be-approved-2025-10-16/

[3] ADP is a company that tracks and reports how many people are getting hired or paid in the US each month, giving an early look at job trends before official government reports.

[4] “Underweight” means the Vontobel Multi Asset Investment Committee has a lower preference for an asset class or sub-asset class. This reflects the belief that the asset class is less attractive relative to others in the current market environment. It is not a recommendation to avoid the asset entirely but suggests a reduced allocation.

[5] “Neutral” means the Vontobel Multi Asset Investment Committee has neither a higher nor lower preference for an asset or sub-asset class. This reflects a balanced view, where the asset class is expected to perform in line with its historical or market-average performance. It is not a recommendation to take action but suggests maintaining the current allocation.

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[7] Economic indicators based on survey of business managers that measure the health of a sector. A PMI above 50 means growth, below 50 means contraction.

[8] Companies taking action in advance of an expected event to gain an advantage. In this case, buying or importing goods before new tariffs or regulations took effect.

[9] Retail sales not adjusted for inflation, also known as nominal retail sales, measure the total dollar value of sales without accounting for price changes. This means an increase in sales could be due to consumers buying more goods, or simply because prices for those goods have gone up due to inflation.

[10] Source: CNBC article, published October 16, 2025. cnbc.com/2025/10/16/top-ecb-board-members-see-sticky-inflation-but-clear-rate-path.html

[11] Source: Swissinfo article, published September 8, 2025. swissinfo.ch/eng/snb-has-high-bar-for-next-rate-cut%2C-schlegel-tells-migros-magazin/89964365

[12] M2 is the total amount of money in cash, checking, and easy-to-access savings in the US economy.

[13] Source: CNN article, published October 16, 2025. edition.cnn.com/2025/10/16/business/jamie-dimon-us-economy-cockroaches

[14] Source: US Federal Reserve transcript, published October 29, 2025. federalreserve.gov/mediacenter/files/FOMCpresconf20251029.pdf

[15] Large-scale US initiative that aims to build the physical and digital infrastructure (like data centers and the power needed to run them) to support advanced AI systems.

[16] Source: Computing article, published September 26, 2025. computing.co.uk/news/2025/ai/sam-altman-s-planned-ai-datacentres-will-consume-more-power-than-entire-countries

[17] Source: US Department of Energy Infographic, published March 31, 2021. energy.gov/ne/articles/infographic-how-much-power-does-nuclear-reactor-produce

[18] Source: Reuters article, published October 15, 2025. reuters.com/world/us/us-investment-boom-is-sustainable-bessent-says-2025-10-15/

[19] Source: The Council of Economic Advisers, published October 2025. whitehouse.gov/wp-content/uploads/2025/10/Economic-Consequences-of-a-Government-Shutdown-4.pdf

[20] The G-10 is a group of major developed countries that discuss and coordinate policies on global finance and the economy.

Bank Vontobel AG
Gotthardstrasse 43
8022 Zurich
Switzerland

vontobel.com