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# 7 August: Reciprocal tariff day

The US has followed through with its latest tariff offensive, introducing a raft of new import duties on trading partners, and marking an end to the extended Liberation Day pause. While the market response has been relatively muted, more than 90 countries have been directly impacted by the new tariff schedule. Notably, a higher 15- 50% levy has been imposed on those countries where the US has a significant trade deficit or where they perceived to engage in unfair trading practices.

## Switzerland hit especially hard

Switzerland finds itself at the top of the US tariff list among Western nations, facing a steep 39% tariff on a broad range of exports (relative to an average effective duty of less than 1% in 2025). According to the Swiss Government[1] , nearly 60% of Swiss exports to the US are now subject to these duties, though key categories such as pharmaceuticals, semiconductors, consumer electronics, and precious metals, remain temporarily exempt and under review. Compared to other advanced economies with similar trade structures - the EU (15%), UK (10%), and Japan (15%) - Switzerland's tariff burden stands out as particularly severe. The US Trade Representative's office has repeatedly criticised Switzerland's trade regime as rigid and slow to adapt. Areas of contention include:

1. **Trade balance**: The Trump administration has anchored its tariff policy in bilateral trade balances. Switzerland's strong export performance - particularly in gold - distorts official statistics. Although gold is largely exempt, its high volume inflates Switzerland's apparent trade surplus.
2. **Missed trade alignment**: Switzerland declined to join recent US-led bilateral tariff-reduction deals. These were designed to reward countries that opened markets or aligned with US priorities (e.g., digital standards, pharmaceutical pricing reforms, and agricultural protections). Switzerland's non-participation was seen as a lack of cooperation, grouping it with more protectionist economies.

[1] Swiss Government, press release "US tariffs: Federal Council to continue negotiations with the United States"

## Sector-level Exposure

Switzerland's export-heavy economy is most vulnerable in a few key sectors:

- **Watches:** With CHF 4 billion in annual exports to the US, the watch industry is especially exposed. The 39% tariff directly threatens sales and margins, particularly for brands without US-based production.
- **Machinery & Precision Tools**: Worth CHF 3 billion annually, these high-value goods are price-sensitive. Many SMEs face full tariffs and margin pressure due to their Swiss-based production.
- **Medical Technology**: While some MedTech products are currently exempt, the sector remains at risk from future tariff extensions and pricing pressure - especially for firms lacking local manufacturing or partnerships.
- **Pharmaceuticals**: Switzerland's largest export category remains exempt, for now. However, the US has issued warnings. In July 2025, 17 major healthcare companies - including Novartis and Roche - were told to lower drug prices for US consumers or face retaliatory measures. These could include revoking exemptions and applying "most-favoured-nation" pricing rules.

Analysts suggest large firms may prefer absorbing tariff costs over restructuring global pricing, viewing tariffs as the lesser evil. Across all sectors, the full 39% tariff applies to companies that do not manufacture or assemble in the US - particularly specialised exporters and family-owned businesses. In contrast, multinationals with local production or joint ventures are better equipped to mitigate the impact.

Additionally, US tariffs are imposed on the final product as it crosses the border, based on its classification, not on the origin of individual parts. If a product undergoes "substantial transformation" in a third country - meaning its essential character changes - the new country becomes the official origin for customs purposes. This limits the tariff impact on Swiss firms that use international production chains.

## The impact on our portfolios is relatively contained

Market reaction to the tariffs has been relatively sanguine, with global stocks edging higher over the past week. Swiss equities have also been resilient, reflecting both the exemption of key sectors and the high-quality nature of many listed companies.

Following a detailed review of our Swiss equity portfolio, we estimate that only around **20%** of holdings could face meaningful tariff-related earnings impact. Just **10%** appear exposed to supply chain disruptions. This limited exposure reflects our investment philosophy: a focus on high-quality, resilient businesses that play mission-critical roles and command pricing power. Their products typically represent a small share of total customer costs - giving them room to offset tariffs without sacrificing competitiveness.

## The proportion of Swiss equities in non-Swiss-Franc portfolios is very modest

### Swiss companies and new US 39% tariffs

| Company | Business impact | US sales in % | Sales impact |
|---|---|---|---|
| **ABB** | US sales mostly served by domestic operations, limiting tariff exposure | 25% | Low |
| **Accelleron** | Sales are 75% services and 25% new equipment. Services includes local labour and spare parts. End markets are marine and energy. Marine service could be shifted to jurisdictions to circumvent tariffs on spare parts. Overall exposure is manageable | 20% | Low |
| **Belimo** | Belimo manufactures and assembles mainly in Hinwil (Switzerland) and Danburry (US). Most products for the US are made locally relying on local supply chains wherever possible. Impact of tariffs is likely small | 35% | Very low |
| **Flughafen Zurich** | There is no direct exposure to US tariffs. Potentially, there could be less travel to the US which is 10-15% of total passenger volume | 0% | Low |
| **Galderma** | Most of its US portfolio is exempt from tariffs, except for fillers and biostimulators, representing ca. 10% of sales and are imported from the EU. Strong H1-25 performance allows Galderma to absorb any further tariff-related impact without revising its outlook | 40% | Low |
| **Inficon** | Inficon has manufacturing facilities across several countries incl. Liechtenstein, Germany, US, Malaysia and China. Liechtenstein is only subject to 13% tariffs. A better deal than Switzerland and so the impact from tariffs should be limited | 25% | Very low |
| **Kühne + Nagel** | Tariffs increase shipping complexity and costs. This helps Kuehne + Nagel. As a service provider US tariffs have no meaningful direct impact on sales. Potential secondary effects such as lower global trade volumes would be negative but are difficult to judge | 20% | Medium |
| **Lindt & Sprüngli** | Chocolate is made locally and raw materials such as cocoa are largely imported from the source country directly. Therefore, there is limited export from Switzerland to the US directly and limited tariff impact | 35% | Low |
| **Nestle** | With 95% of US revenue sourced domestically, direct exposure to tariffs is minimal. The main risks lie in indirect effects, such as shifts in consumer behavior, currency volatility, and commodity prices, which remain uncertain | 35% | Low |
| **Partners Group** | The direct impact of the new tariffs is negligible as Partners Group is a private equity manager with operations globally and a large footprint in the US. However, the impact on the companies it invested in is difficult to gauge at present | 20% | Low |
| **Richemont** | Luxury companies produce a lot based on local heritage. Passing on tariffs depends on a brand's specific pricing power. Most of Richemont's brands, except Cartier and Van Cleef & Arpels, have less pricing power than Hermès or Ferrari | 20% | Medium/High |
| **Roche / Novartis** | Roche and Novartis face no material risk from US tariffs. Medicines are exempt and both companies benefit from global manufacturing and steady demand. Further, Roche and Novartis have committed USD50bn and USD23bn respectively in investments through 2030, reinforcing their long-term strategic positioning | 50-60% | Very low |
| **Schindler** | Bulk of production is local and service is always very local. Most of earnings from locked-in aftermarket contracts | 25% | Low |
| **SGS** | Testing, inspection and certification is a local business. SGS has offices and labs which are close to where it carries out its activities. Tariffs are negligible. Further, changing supply chains may result in new certification and more business for SGS | 15% | Low |
| **Sika** | Sika's business is very localised and there is no direct tariff impact | 25% | Low |
| **Straumann** | Straumann is largely insulated from US tariffs. The company does not ship goods from Switzerland to the US, and management confirmed on the latest earnings call that tariffs are fully accounted for in guidance, thanks to Straumann's diversified manufacturing network | 25% | Low |
| **Sunrise** | Sunrise is a Swiss domestic telecom provider and fully insulated from US tariffs | 0% | Low |
| **UBS** | UBS's core services (banking, advisory, wealth asset management) are not subject to tariffs, as they are not physical goods | 35% | Low |
| **VAT Group** | VAT delivers valves to toolmakers and semiconductor factories (fabs). Toolmaker often make their machines in Asia but there are US fabs which need spare valves. Also VAT makes valves in Switzerland and in Malaysia which allows for shipping from different countries. Hence, direct tariff exposure is limited | 20% | Low |

Source: Rothschild & Co, Company reporting

## Switzerland's broader trade response

The US is Switzerland's second-largest export market after the European Union, with goods worth CHF 65 billion annually - roughly 17% of total exports[1]. The Swiss government remains engaged in dialogue with the US, aiming to reduce the scope or duration of these tariffs. Furthermore, the Federal Council is maintaining close contact with affected industries and has signaled potential relief discussions in the coming weeks.

## Looking ahead: volatility without visibility?

With no clear timeline for resolution, trade policy remains fluid. Exemptions could change. Agreements may be reached. Diplomatic channels remain open, and a negotiated solution still remains a possibility. For exporters and investors alike, the guidance is clear: stay alert, be flexible, and prepare for possible volatility (even absent revived trade tensions). From an Asset Allocation perspective, we maintain our **neutral stance on Swiss equities** and **regional positioning**, and continue to **actively wait**, as outlined in our previous letter(s)[2] .

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[1] Swiss Federal Customs Administration (2024). Swiss Foreign Trade Statistics 2023. [Accessed: 08.08.2025].

[2] 7 April 2025 - Staying the course, 10 April 2025 -Pause for breath, 19 June 2025 - When the world moves fast, stay grounded