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When the world moves fast, stay grounded

I was just about to share my thoughts with you when the situation - already complex - grew even more tangled with the emergence of a conflict between Israel and Iran. While not entirely unforeseen, such events are never fully anticipated.

Oil prices have risen, though not as dramatically as one might have expected, and stock markets remain relatively muted despite the serious developments unfolding in the Middle East. While the risks are clearly visible, markets appear to be pricing in the assumption that this new conflict may not have a lasting impact under current conditions. However, it is still too early to make a definitive assessment. The situation remains highly fluid and could take unexpected and destabilising turns. In recent days, there has even been talk of prospective US involvement in the conflagration.

Beyond the headlines: staying invested in this volatile world

This heightened uncertainty underscores a broader trend: markets today risk being more reactive to news than ever before. In recent months, the impact of headlines has grown dramatically. Today's financial markets are faster, more connected, and more sensitive than ever. As a result, headlines can trigger instant reactions - influencing investor mood, setting off automated trades, and causing sharp market swings in a matter of minutes.

As we experience almost daily, the current global landscape is marked by a series of unpredictable and often contradictory developments. The Trump administration continues to issue bold policy announcements - ranging from extensive economic

reforms to aggressive trade measures - only to walk them back, delay their implementation, or abandon them entirely within weeks or even days. This pattern is leaving markets and investors uncertain about the direction of the US leadership and its impact on the global economy.

On another front, even though it has largely slipped from the headlines, the conflict between Russia and Ukraine shows no signs of resolution. Despite the reduced media attention, the ongoing war continues to disrupt global supply chains, especially in energy and agriculture, and remains a persistent source of geopolitical tension. This situation is fueling investors' caution and contributing to ongoing market volatility.

At the same time, concerns about inflation and slowing economic growth dominate the headlines. A combination of higher oil prices and tariffs can push inflation higher despite mitigation efforts of the Federal Reserve, and may eventually also lead to weaker growth rates in the US.

This combination of higher inflation and sluggish growth - often referred to as “stagflation” - is particularly troubling for investors as it makes it harder for central banks to respond effectively and creates uncertainty around company profits and consumer spending.

Fundamentals matter even in a noisy market

Despite the fact that May was an exceptionally strong month for the stock market, it's no surprise that many people held back considering the above factors. In short, investors have been worried about the constant stream of negative headlines. As a result, some may have missed out on valuable opportunities.

It is important to be aware that beneath the surface of all this uncertainty, the fundamentals continue to paint a more encouraging picture. Corporate earnings have remained solid, with many companies reporting strong results despite the challenging backdrop. Consumer spending has also held up better than expected, and key economic indicators suggest that the broader economy remains resilient.

Recent US inflation data supports this view. The Consumer Price Index (CPI)¹ came in softer than expected, and all major inflation measures were below forecasts. This suggests that, so far, consumers have not felt the full impact of President Trump's proposed tariffs - possibly because the most severe measures are still on hold, or because businesses are absorbing the added costs rather than passing them on to consumers. Meanwhile, markets continue to digest the evolving dynamics of the US-China trade dispute, adding another layer of complexity to the outlook.

Safe havens are not always safe for the long run

There is clearly a disconnect between what people feel and what data say, and it highlights a crucial point: while headlines can shape short-term behavior, long-term market performance is still grounded in economic fundamentals. We are fully aware that, with so much noise in the news, staying focused and committed can be challenging. But this is exactly what should happen to meet long-term financial goals. It is essential to analyse the geopolitical landscape, filter out the distractions, and focus on the information that truly matters.

Given the current geopolitical events, it is understandable that some investors may feel tempted to retreat to cash or traditional “safe havens.” However, history has shown that such defensive moves rarely yield strong long-term results. In times like these, it is especially important to stay disciplined, remain invested, and keep a clear focus on long-term objectives. For example, some might argue that gold's recent performance - reaching record highs - makes it a superior investment. While we

¹The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

acknowledge its strong run, we consider gold to be a valuable component of a well-diversified portfolio, not a standalone solution. Its role is to complement other assets, not replace them.

And the data backs this up. Over the past decade (Bloomberg, Rothschild & Co, all data as of June 16 2025, timeframe 30 June 2015 - 11 June 2025), the S&P 500 delivered impressive returns - even without dividends, it rose by 192%, translating to an annualized return of 11.2%. When dividends are included, the total return jumps to 249%, with an annualised growth rate of 13.3%. These figures highlight the power of staying invested and the long-term rewards of participating in the market, even through periods of uncertainty.

It is worth reiterating that, despite the escalating situation in the Middle East, markets remain remarkably quiet. This subdued response may reflect a degree of desensitization, as investors have been navigating geopolitical tensions for some time. For now, the focus seems to remain on macroeconomic fundamentals and corporate earnings rather than political developments. At this stage, we simply don't have enough visibility to justify any meaningful adjustments to our portfolios.

The news flow has been relentless -and so have we

In response, we have been meeting far more frequently than usual to assess the situation and review our asset allocation, ensuring our strategy remains aligned with the evolving market landscape. We have been gradually neutralising our tactical views on the market, but our strategic views remain unchanged.

And we will continue to do so. We are convinced that such a volatile environment requires that we actively wait. This does not translate into “doing nothing” - rather, it is about being prepared, informed, and disciplined. That is why we continuously monitor market conditions, and reassess portfolio allocations to be ready to act when opportunities arise, while importantly, always keeping you informed.

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