

## Navigating a New Macroeconomic Balance

The global economic and financial climate is undergoing profound transformation. In the United States, the confrontation between Donald Trump and the Federal Reserve over interest rate cuts illustrates the growing risk of monetary policy becoming politicized. The latest signals from Jackson Hole show that presidential pressure is real, even as Jerome Powell continues to defend the Fed's independence and proceeds cautiously on the question of potential rate cuts.

At the same time, high tariffs weigh on international trade, undermining the competitiveness of European and Swiss exporters. Finally, U.S. fiscal policy—combining tax cuts with massive spending—sustains an exceptionally high deficit, a persistent source of upward pressure on long-term rates.

In Europe, markets and forecasters anticipate that the European Central Bank will maintain a *higher-for-longer* stance, with rates likely to remain close to 2% at least until 2026, even as the institution itself stresses its data-dependent, meeting-by-meeting approach. This stance limits its ability to support growth despite a fragile economic environment. Switzerland is following a different path: the Swiss National Bank lowered its policy rate to 0%, mainly to counter the persistent strength of the franc and the risk of deflation. Yet this strong currency continues to penalize exporters.

Beyond these dynamics, one phenomenon deserves particular attention: the correlation between equities and bonds. Traditionally negative, this correlation allowed bonds to play a defensive role in times of market stress. But in periods of economic uncertainty and rate tensions, it can turn positive erasing that defensive effect.

In a context of persistent deficits and potential inflationary pressures, equities and bonds could now decline in tandem. This fundamentally changes how investors must view the bond allocation. It is no longer a simple automatic hedge, but a **strategic component** whose role varies depending on the macroeconomic regime—whether inflationary or recessionary.

At Selvi, we have made this evolution a key element of our management approach. The bond allocation is actively managed, adjusted in both composition and weight according to economic transitions. Our framework rests on three timeless principles: **prudence**, to protect our clients' wealth; **flexibility**, to adapt to shifting cycles; and **conviction**, to transform major global trends into



clear and lasting investment decisions.

In a world where U.S. policy is reshaping the global economic balance, we ensure that every market movement is integrated with discernment. Our mission remains unchanged: to preserve and grow our clients' wealth, navigating with clarity and consistency in a rapidly changing environment.



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