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Diversification and selectivity in times of uncertainty

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US tariff and foreign policy are creating a market environment characterized by uncertainty and increased volatility. We recommend ensuring a high level of diversification and selectively taking advantage of individual market opportunities.

Who would have thought: Looking at the development of stock markets since February, one might be tempted to conclude that Donald Trump has not helped MAGA, but rather MEGA ("Make Europe Great Again") to break through. The 4 percent decline in the S&P 500 this year contrasts with the 17 percent increase in the DAX. At the beginning of the year, the consensus was unanimously that one had to be an investor in the US, as tax cuts and deregulations under the new government were expected to continue to provide tailwinds for the stock market.

But the erratic tariff threats from the White House against its closest trading partners have fueled fears of a growth slump in the US itself, while Trump's threat to restructure or even dissolve the NATO alliance has prompted Europe—and especially Germany—to make fiscal policy leaps that seemed unthinkable just a few weeks ago. And it is still unclear how severely American foreign trade policy will continue to shake the global economy, as it will only become apparent at the beginning of April to what extent the US will impose reciprocal tariffs on other countries. Only when it can be assessed afterward that the global economy remains on a growth path can we expect a calming of market activity.

How should investors behave in this environment? First of all, we will probably have to resign ourselves to the fact that uncertainty and thus fluctuations in the markets could persist for a while. The patent remedy against this is still—as trivial as it may sound—diversification, diversification, and more diversification. Across asset classes, regions, and sectors.

Since we assume in our main scenario that growth in the US will continue despite the foreseeable tariffs, we also advise not to panic and to keep an eye on positive developments. In the world's most innovative and dynamic economy, we expect significant productivity gains, particularly from the technology and AI sectors, which should support profit growth in the medium and long term. For investors who are underinvested in the US stock market, it may therefore be sensible to use any further setbacks for purchases, especially in the areas of AI and the energy and raw materials sectors.

In Europe, we recommend a selective approach with a focus on small and medium-sized companies and our theme "Six ways to invest in Europe." In Switzerland, we advise—especially for a core allocation of a portfolio—to focus on high-quality dividend stocks. In the local stock market, we also see opportunities in various companies that have a high proportion of local production for the local market, making them more immune to the looming tariffs. In Asia, we also recommend a selective approach and see opportunities, for example, in Taiwan and India.

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