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Rollercoaster Ride with President Trump: Where is the Exit?

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US politics is causing a rollercoaster ride in the markets—where will the next turn lead? In this first issue, we show how a gradual entry can help take advantage of long-term stock market opportunities.

Since taking office in January, US President Donald Trump has given investors quite a rollercoaster ride. In April, he announced high tariffs for trading partners, including 31% for Switzerland and as much as 145% for China. This led to a sharp drop in the market and a significant depreciation of the US dollar against the Swiss franc. In May, however, the US was able to agree with China on a pause in the trade dispute, with a significant reduction in tariff rates. The stock market welcomed this willingness to negotiate with a strong recovery, and the US dollar regained some strength, albeit temporarily.

We see further benefits for the market over the coming twelve months. Additional trade agreements by the Trump administration could reduce uncertainty, and we anticipate interest rate cuts by the US Federal Reserve and the Swiss National Bank (SNB). The SNB is expected to cut its key interest rates by 25 basis points to 0% on June 19, as Trump's trade policy is also weighing on the outlook for the Swiss economy. If the economic outlook deteriorates further, negative interest rates are even possible. Our commentary on the SNB interest rate decision in our webcast the following day will be available [here](#). Generally, lower interest rates have a positive effect on stocks. In the long term, entering the stock markets has paid off: Swiss stocks have achieved an average annual return of 6% over the past 75 years.

At the same time, today's economic outlook is marked by high uncertainty, which is also likely to be reflected in high market volatility. We cannot rule out another economic policy reversal by Donald Trump that could put markets under pressure again in the coming months. If that were to happen, investors who buy stocks today might regret having chosen the wrong timing. So how should one behave on this rollercoaster?

One option would be to wait before entering the stock market. However, interest rates on savings accounts are currently practically zero. Even in the long term, cash is not an attractive alternative: since 1950, the average interest rate on Swiss savings accounts has been only 1.6%—less than the average inflation rate of 2.2% over the same period. Given the difference in returns between stocks and cash, we advise being in the markets as early and as fully as possible, but in a diversified manner.

One solution we suggest in the current environment is gradual entry into the market. Investors regularly invest smaller amounts and can thus enter volatile markets at an average price. This is not a zero-sum game: most people fear risks much more than they perceive opportunities.

What is important to us is that investors are progressively invested in the market in order to partake in its growth, even though others may still be waiting for the ideal entry point. The rollercoaster rides caused by Donald Trump should not let us forget that, in the long term, the entrepreneurial actions of listed companies create real added value. Patient investors can benefit from this.

In our opinion, an old stock market adage sums it up perfectly: "Time in the market beats timing the market."

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