

MONITOR

1st Quarter 2026



Market review

The year 2025 ended on a conciliatory note for equity investors, marking the third consecutive year of positive returns. While the upside potential of equity markets became apparent during the year, the magnitude of the rebound following the US tariff shock came as a surprise. Switzerland, as a highly export-oriented economy, was disproportionately affected by trade policy uncertainty. Although US tariffs on Swiss exports were reduced from 39% to 15%, they continue to pose challenges for Swiss corporates. All the more encouraging is that, in 2025, a home bias in equity portfolios proved advantageous for Swiss investors.

In the year ahead, geopolitical tensions, trade disputes and elevated levels of public debt are likely to continue shaping the global economic environment. At the same time, from today's perspective, neither a recession nor a renewed surge in inflation is expected over the coming quarters, suggesting no material deterioration in global economic momentum. In this context, the United States is set to play a central role: How is the US labour

market evolving? How quickly will the AI cycle translate into broad-based adoption? Is there a risk of misallocation of capital? And what are the implications of President Trump's difficult-to-predict policy stance for the emerging global order, international trade, capital markets and the US dollar?

Overall, the current environment supports a constructive outlook, as fiscal and monetary policy tools are well positioned to cushion cyclical risks. At the same time, valuations in certain segments of financial markets are demanding, thereby limiting upside potential. Against this backdrop, a selective allocation with a clear focus on quality, earnings resilience and risk diversification is becoming even more critical.



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Macroeconomic environment

At the turn of the year, the US economy remained resilient, though momentum gradually eased. After growth of just under 2.0% in 2025, economic output in 2026 is expected to be similar, underpinned by a solid labour market and strong investment in artificial intelligence. At the same time, higher import tariffs are weighing on consumption and investment while keeping price pressures elevated. Inflation recently stood at 3.0%, remaining above the Federal Reserve's target. In December, the Fed lowered the policy rate to 3.50–3.75% and signalled cautious further easing in 2026. Ahead of the congressional elections on 3 November 2026, containing inflation is gaining importance.

Economic activity in the euro area proved more resilient than expected in 2025. Following growth of around 1.4% in 2025, economic output could expand by approximately 1.2% in 2026, remaining close to its trend rate. Inflation has eased markedly and is currently hovering around 2.2%, allowing the ECB to keep the deposit rate at 2.0% for the time being. Supportive factors include declining energy prices, rising real incomes and fiscal stimulus, particularly from Germany. Nevertheless, the environment remains fragile: external trade continues to be weighed down by protectionist tendencies and weaker global demand. Political uncertainty in France and rising public debt are set to remain a focus for markets in the year ahead.

Market data

per 31.12.2025

| Equity Markets | since 31.12.2024 | |
|------------------------------|------------------|---------|
| SMI CHF | 13,267.48 | 14.37 % |
| S&P 500 USD | 6,845.50 | 16.39 % |
| EURO STOXX 50 EUR | 5,791.41 | 18.29 % |
| FTSE 100 GBP | 9,931.38 | 21.51 % |
| MSCI Emerging Markets USD | 766.52 | 33.57 % |
| NIKKEI 225 JPY | 50,339.48 | 26.18 % |
| MSCI All Country World Local | 546.44 | 19.71 % |

| Bond Markets | since 31.12.2024 | |
|--------------------|------------------|-----------|
| Eidgenossen (10y) | 0.23 % | 2.1 bps |
| US-Treasury (10y) | 4.17 % | -40.2 bps |
| Bund (10y) | 2.85 % | 49.1 bps |
| SBI AAA-BBB 3-5 TR | 132.17 | 0.83 % |

| Money Markets | since 31.12.2024 | |
|---------------|------------------|---------|
| CHF (SARON) | -0.08 % | -53 bps |
| USD (SOFR) | 3.87 % | -62 bps |
| EUR (ESTR) | 1.92 % | -98 bps |

| Exchange Rates | since 31.12.2024 | |
|----------------|------------------|----------|
| EUR/CHF | 0.931 | -0.99 % |
| USD/CHF | 0.793 | -12.65 % |
| EUR/USD | 1.175 | 13.44 % |

| Alternative Investments | since 31.12.2024 | |
|---------------------------|------------------|----------|
| Swiss Real Estate | 601.30 | 10.62 % |
| Gold (USD/Ounce) | 4,319.37 | 64.58 % |
| US Crude Oil (USD/Barrel) | 60.85 | -18.48 % |
| Bitcoin (USD/XBT) | 87,647.54 | -6.47 % |

The Swiss economy increasingly felt headwinds from abroad. Following GDP growth of around 1.0% in 2025, growth in 2026 is expected to settle in a range of approximately 1.1–1.4%, higher than anticipated three months ago. Export-oriented sectors are facing weaker order intake, the persistently strong Swiss franc and US tariffs, even though the recently agreed rate of 15% has provided some relief. Inflation is expected to remain low in 2026 at 0.2–0.6%, allowing the SNB to keep the policy rate at 0.0% and support domestic demand. Risks continue to stem from US trade policy and exchange-rate movements.

Traditional Investments

Currencies

The US Dollar Index continued to trade sideways in the fourth quarter. The US government shutdown, among other factors, prevented the release of official labour market data, which for some time cast doubt on a December rate cut. After showing initial strength, the US dollar weakened over the course of December. Since the start of the year, the trade-weighted US dollar has declined by around 9%.

In 2025, the Swiss franc lived up to its reputation as a safe-haven currency. Against the US dollar, it remained broadly stable in the fourth quarter, but appreciated by 13% over the year. USD hedging costs for Swiss investors have meanwhile fallen to around 2.80%.

The EUR/CHF exchange rate stood at 0.931 at year-end and has traded within a sideways range since last spring. For the year ahead, we expect a range between 0.93 and 0.97, depending on economic momentum in the euro area.

Bonds

Over the course of 2025, yields on 10-year US Treasuries declined from just under 4.8% to around 4.1%. What initially pointed to slowing economic momentum was reinforced in the second half of the year by concerns about the US labour market, prompting the Fed to implement three rate cuts. Fears that the announced US tariffs would trigger inflationary pressures have so far remained limited. Provided consumer price inflation for US households does not exceed 3% next year, the rate-cutting cycle is likely to conclude soon, with at most two additional moves. A further steepening of the US yield curve appears plausible.

On this side of the Atlantic, neither the ECB nor the SNB currently see a need for further policy action towards lower interest rates. Should the Swiss franc strengthen materially, negative interest rates could once again become a topic. With an expected yield of around 0.23%

on 10-year Swiss government bonds, Swiss sovereign debt remains unattractive, while investment-grade corporate bonds offer little more, at approximately 1.5%.

Equities

Global equity markets extended their positive performance through year-end. The MSCI All Country World Index gained 3.6% in USD terms in the fourth quarter (S&P 500: +2.4%). In addition to a supportive interest-rate environment, key drivers included the ongoing AI investment cycle and upward revisions to earnings expectations. Equity markets in Japan and Spain recorded double-digit gains in the fourth quarter, benefiting from fiscal incentives in Japan's case and Spain's strong economic performance. At the same time, elevated valuations – particularly in the IT sector – limited upside potential and are likely to increase susceptibility to volatility going forward. Despite ongoing uncertainties, market consensus continues to anticipate solid earnings growth in 2026, potentially exceeding that of 2025.

In Europe, measured in local currencies, equity markets outperformed the US in Q4 (Euro Stoxx 50: +4.7%). This was partly driven by more attractive valuations and partly by the sectoral composition of the indices. Commodity, banking and pharmaceutical stocks posted markedly strong gains, while media, chemicals and technology stocks delivered negative performance in the final quarter. Relative to the euro area overall, France and Germany underperformed.

SMI equities advanced by 9.4% over the past three months, bolstered in part by the tariff agreement with the United States. Notably, performance dispersion among comparable index constituents was pronounced: Roche (+26%) versus Novartis (+9%), Holcim (+15%) versus Sika (-8%), and Swiss Life (+7%) versus Swiss Re (-10%).

Alternative Investments

Precious metals – alongside gold, also silver and platinum – reached new record levels toward the end of 2025. Central bank purchases and geopolitical risk factors supported price performance. In addition, declining real yields in the USD area reduced the opportunity cost of holding precious metals, contributing to the observed price trends. Silver and platinum recorded even stronger price moves than gold.

Swiss real estate also ended 2025 at new all-time highs: the index for Swiss real estate funds rose by just over 10% in 2025. In the current low-interest-rate environment, this asset class continues to appear attractive.

In the fourth quarter, Bitcoin, as the leading cryptocurrency, faced headwinds from macroeconomic factors and capital outflows into competing asset classes. While the crypto market continues to mature structurally, the fundamental long-term upward trend for Bitcoin remains intact.

Private Markets

Private equity remains in an adjustment phase, including in capital raising, as transaction activity and exits continue to fall short of pre-2022 levels amid heightened macroeconomic volatility, tighter financing conditions and political uncertainty across regions. At the same time, the relative attractiveness of private market investments is becoming more apparent, as many companies continue to develop on a fundamentally solid footing and valuations of privately held businesses are generally lower than those of publicly listed peers. Particularly in such an environment, a disciplined, selective investment approach offers favourable conditions to lay the groundwork for an above-average and more resilient performance contribution from this asset class over time.



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