

MONITOR

2nd Quarter 2026



Market review

The equity market environment in the first quarter was marked by heightened volatility driven by extraordinary events and is likely to remain characterized by persistent underlying risks. Although equity markets recently entered correction territory (>-10%), levels remained comfortably positive on a one-year basis, compared to the lows observed following "Liberation Day" in April 2025. Market sentiment was weighed down by uncertainty in the technology sector, driven by the disruptive nature of AI agents capable of autonomous planning, decision-making, and managing entire process chains. This development is expected to fundamentally reshape the corporate landscape, with far-reaching implications for both the real economy and financial markets. Initial signs of stress also emerged in the private debt segment. At the same time, unlawful US trade tariffs contributed to increased uncertainty within the global trading system.

A prolonged disruption of the Strait of Hormuz could lead to shortages not only in oil and gas, but also in strategically important goods such as fertilizers and

helium – the latter a critical input for the semiconductor industry and the advancement of artificial intelligence.

From a macroeconomic perspective, stagflation risks – weak growth combined with elevated inflation – have re-emerged, though this is not our base case. Despite a recent weakening in Switzerland's KOF Economic Barometer, a recession is not widely expected. The Swiss State Secretariat for Economic Affairs (SECO) projects, in a pessimistic 2026 scenario, inflation slightly above 1% and GDP growth of 0.8%.

The current complex environment calls for a prudent, disciplined, and carefully executed investment strategy.



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Macroeconomic environment

The global economy entered the year with the potential to perform at least in line with the previous year (2026 GDP growth forecast: +3.3%). However, geopolitical tensions have intensified markedly since January – ranging from Venezuela and Greenland to the recent escalation of the Iran conflict. The duration of the Middle East escalation will be a relevant factor shaping growth and inflation dynamics in the months ahead.

Disruptions in the Strait of Hormuz have driven a sharp increase in oil and gas prices. Any sustained reduction in oil output, shutdown of gas facilities, or damage to energy infrastructure across the Gulf region could constrain supply for years. A prolonged crude oil price of

USD 100/bbl could reduce global growth by around 0.2 percentage points and lift inflation by approximately 0.7 percentage points. Europe and Asia would be disproportionately affected due to their dependence on energy imports.

At the same time, consumption and growth have become less sensitive to energy price shocks than in past crises. In the US, private consumption is expected to provide near-term support, partly underpinned by fiscal stimulus measures (tax rebates under the "One Big Beautiful Bill Act"). However, labour market momentum has moderated compared to previous quarters, partly reflecting productivity gains from AI adoption. A pronounced stagflation scenario currently appears

Market data

per 31.03.2026

Equity Markets	since 31.12.2025	
SMI CHF	12,776.79	-3.70 %
S&P 500 USD	6,528.52	-4.63 %
EURO STOXX 50 EUR	5,569.73	-3.83 %
FTSE 100 GBP	10,176.45	2.47 %
MSCI Emerging Markets USD	765.25	-0.17 %
NIKKEI 225 JPY	51,063.72	1.44 %
MSCI All Country World Local	532.37	-2.57 %

Bond Markets	since 31.12.2025	
Eidgenossen (10y)	0.31 %	7.6 bps
US-Treasury (10y)	4.32 %	15.0 bps
Bund (10y)	3.00 %	14.8 bps
SBI AAA-BBB 3-5 TR	132.11	-0.05 %

Money Markets	since 31.12.2025	
CHF (SARON)	-0.04 %	4 bps
USD (SOFR)	3.63 %	-24 bps
EUR (ESTR)	1.93 %	0.8 bps

Exchange Rates	since 31.12.2025	
EUR/CHF	0.924	-0.76 %
USD/CHF	0.800	0.87 %
EUR/USD	1.155	-1.64 %

Alternative Investments	since 31.12.2025	
Swiss Real Estate	575.76	-4.25 %
Gold (USD/Ounce)	4,668.06	8.07 %
US Crude Oil (USD/Barrel)	118.35	94.49 %
Bitcoin (USD/XBT)	68,193.95	-22.20 %

unlikely, as persistently elevated energy prices are ultimately detrimental to most economies.

Looking ahead, central bank responses across major economies will be critical in determining whether inflation can be contained without materially impairing growth. Broad-based fiscal support appears unlikely given constrained fiscal space amid elevated public debt levels, and could further fuel inflationary pressures. As such, interest rates are set to remain the key driver of both global growth and financial market performance.

Traditional Investments

Currencies

The Swiss franc maintained its attractiveness in the first quarter. Against the euro, it appreciated by +0.8%, ending March at 0.924 EUR/CHF. Markets expect higher energy prices to weigh on the European recovery.

The US Dollar Index was notably volatile over the quarter. Early on, the dollar weakened amid rising geopolitical tensions (Greenland, NATO), reflected in a softer USD/CHF. From early February, however, the greenback strengthened on increased risk aversion and robust US economic data. Since the start of the year, the USD ultimately gained 0.9% against the Swiss franc.

The continued dominance of the US dollar will depend on how effectively the US manages its public debt and the oil markets. The Iran conflict could potentially accelerate the gradual erosion of the petrodollar system.

Bonds

The Iran conflict has fundamentally shifted interest rate expectations since late February – at least in terms of direction. The longer the conflict persisted, the more bond markets priced in rate hikes driven by rising inflation expectations, reversing the trend seen at the start of the year. In mid-March, several major central banks (Fed, ECB, SNB, BoJ) refrained from adjusting rates – less a sign of stabilization than of heightened uncertainty.

In Switzerland, markets now even anticipate a rate hike by end-2026, effectively taking negative rates off the table. In the euro area, at least one ECB policy rate increase is priced in, while Fed rate cuts are no longer considered a realistic scenario for the year. Despite rising yields on 10-year government bonds across most Western markets compared to the beginning of the year, many yield curves flattened (2y–10y spreads). Major dislocations were avoided, although credit

risk premia have widened.

Equities

Global equity markets, as measured by the MSCI All Country World Index (in USD), recorded a broadly positive performance up until the US–Israeli strikes on Iran. This was followed by a notable sell-off, leaving the index at –2.6% by the end of March (–1.7% in CHF). Over the same period, the Swiss Market Index (SMI, excluding dividends) declined by 3.7%. Sector performance showed a clear divergence: energy, telecommunications, utilities, and materials benefited from strong investor demand since the start of the year. Against this backdrop, it is unsurprising that country indices such as the UK, Canada, Australia, Brazil, and Mexico delivered the strongest relative returns.

In addition to geopolitical developments, the rapid advancement of artificial intelligence increasingly shaped equity market dynamics. While software companies initially faced the greatest pressure, concerns gradually extended to other sectors, including logistics and financials. Regardless of the geopolitical outlook, AI is expected to remain a decisive structural driver, with lasting implications for business models, productivity, and competitive positioning across industries.

Within the Swiss equity market, mid- and small-cap companies showed relative resilience compared to the broader market. The SMIM declined less than the large-cap SMI (–2.4% vs. –3.7%, excluding dividends), reflecting a more robust performance among domestically oriented and niche players. Investor sentiment had visibly deteriorated by the end of March, a development that has historically acted as a contrarian indicator and, at times, preceded short-term market recoveries. Looking ahead, additional support could come from a pipeline of anticipated IPOs (e.g., *SpaceX*, *Anthropic*), which may provide fresh momentum and renewed investor interest in growth segments.

Alternative Investments

Price movements in precious metals were pronounced. Gold and silver reached record highs toward the end of January (gold >USD 5,400/oz, silver >USD 110/oz), before correcting by 10–35% as the US dollar strengthened and investors took profits to raise liquidity. Despite this volatility, a strategic allocation to precious metals continues to appear justified.

The weak start of Swiss real estate funds (–4%) initially came as a surprise. In addition to elevated premiums (agios), shifting interest rate expectations likely played a primary role, with markets now pricing in higher rate levels in Switzerland for 2026.

Bitcoin also declined amid the prevailing risk-off environment since the beginning of the year. At the same time, tightening liquidity conditions led to outflows from more speculative assets. A key technical support level is seen at USD 60,000.

Private Markets

Private market investments have come under increasing pressure, driven by a combination of liquidity and valuation risks. In private debt, rising redemption requests in illiquid portfolios have led to gating measures – such as 5% limits at *Apollo* and *Ares*, and more stringent restrictions at *Blue Owl*, including effective redemption suspensions in certain funds. At the same time, the use of payment-in-kind (PIK) structures has increased, signalling a deterioration in credit quality as interest payments are deferred and capitalized. In private equity, attention has increasingly shifted to the software sector. High leverage, slowing growth, and potential disruption from AI may necessitate valuation adjustments. Overall, the market is undergoing a structural repricing, with liquidity, leverage, and technological change being reassessed simultaneously. In this environment, rigorous quality selection at the fund level remains essential.



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