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# Our View on 2026

Stability as a scenario



# Stability as a scenario

**The new year begins with the promise of stability. But stability is deceptive. That is why it is worth taking a look at the forces that are already challenging the equilibrium.**

The global economy appears relaxed in the face of turbulence. Neither tariffs nor geopolitics put a spanner in the works. And yet, beneath the surface, the balance is shifting. Investments in artificial intelligence (AI) are reaching record levels, inflation becomes a mere backdrop, and capital is becoming cheaper. These are good signs for financial markets.

In the US, spending on AI and lower interest rates are cushioning the blow which tariffs deliver. Europe is discovering the countercyclical power of infrastructure and defence spending, while China is quietly and steadily changing its growth model. At first glance, nothing spectacular - and yet with potentially major consequences.

2026 will also be a year in which the independence of the US central bank will be put to the test. A new boss, old political reflexes, and a market wondering whether price stability and politics even share the same calendar. The answer will determine yields more than any forecast.

For investors, this means government bonds remain a safe haven, corporate bonds and equities benefit from stable or rising profits, and gold shines because uncertainty remains elevated. The dollar oscillates between economic logic and political wishful thinking.

Perhaps the best way to get through next year is this: don't take stability for granted, but treat it as a scenario - as one of several. If you invest in this way, you will not be thrown off course by unexpected twists and turns. This is what makes portfolios resilient in 2026.

Dr. Felix Brill, **Chief Investment Officer**

# Our View on the Portfolio



- **AI investments** support productivity and growth
- **Interest rate cuts** positive for the markets
- **Infrastructure spending** drive European economy



- **Political intervention** jeopardises Fed independence
- **Tariff issues** still not over
- **Market expectations** can be deceptive

- ● ● ● ● strong overweight
- ● ● ○ ○ neutral
- ○ ○ ○ ○ strong underweight

(Base: Mandate CHF balanced)

## Money Market



## Bonds



Government Bonds



Corporate Bonds



USD Bonds



Emerging Market Bonds



## Equities



Equities Switzerland



Equities Europe



Equities USA



Equities Japan



Equities Emerging Markets



Equities World and Themes



## Alternative Investments



Hedge Funds



Insurance-linked Securities



Gold



Industrial Metals



Real Estate



# Our View on the Economy



- **Economic dynamic** enabled monetary easing, which will have a positive effect in 2026
- High **investment in artificial intelligence** supports the US economy
- **German infrastructure** spending provides impetus



- **Trade disputes** will dampen the global economy in 2026
- **US consumers** expect real incomes to fall
- **Demographic change** slows down EU growth rates

## The global economy will stay its course

In view of the global political and economic fragmentation, there are also risks going into next year. However, there are also positive developments: Investment in artificial intelligence (AI) and in defence and infrastructure, coupled with lower inflation rates and key interest rates, will support global growth. The US economy is likely to grow at a slightly slower pace in 2026 than in 2025, with tariffs having a dampening effect and lower interest rates and AI investments boosting growth. The midterm elections in November will be a test for US President Donald Trump: if the Republicans lose the majority in the House of Representatives, it will be more difficult for Trump. Higher infrastructure and defence spending will drive Germany's GDP, while growth rates in southern Europe will fall due to the expiry of coronavirus stimulus. China's growth rates will continue to weaken due to declining growth quality.

# Our View on Monetary Policy



- **SNB** has almost reached negative interest rates and is keeping key interest rates constant
- **Fed** will continue with moderate interest rate cuts
- **US tariffs** could dampen growth and thus inflation



- **ECB has achieved its primary target** with the deposit rate of 2%
- Geopolitical conflicts could fuel commodity prices and thus **inflation**
- **Higher US tariffs** have an inflation-promoting effect

## Focus on the Fed's independence

In 2026, the US central bank will be under even greater scrutiny than before. It is a question of preserving its independence. President Donald Trump wants monetary policy to be more closely aligned with White House policy. The appointment of the new Fed Chairman, who will take over in May, will give the government the chance to exert more influence. Whether a candidate close to Trump will actually listen to the president remains to be seen. The current Fed Chairman Jerome Powell was also appointed by Trump and has resisted any influence from the White House.

Our main scenario is one with three rate cuts in 2026. Should the Fed cut interest rates more than inflation and the economy allow just because the president says so, then a loss of confidence that is difficult to calculate would ensue. In Europe, the European Central Bank (ECB) and the Swiss National Bank (SNB) are likely to have reached the end of their cycle of interest rate cuts.

# Our View on Government Bonds



- Government bonds are supported if **risk appetite** wanes
- **Tariffs** could weigh on yields
- **Political uncertainty** encourages flight to government bonds
- **Swiss government bonds** remain supported



- **A politically aligned Fed** would hurt US government bonds
- **Swiss government bonds** are exposed to interest rate risk
- **Political risk** is growing in Europe

## Yields likely to rise slightly in 2026

The tariffs introduced on imports are likely to increase inflation in the US until mid-2026, while economic growth remains solid. Both factors argue against falling yields at the long end of the US yield curve, which is also important for other markets. In addition, debt concerns are weighing on long-dated government bonds and doubts about the independence of the Federal Reserve could increase with the appointment of a new Fed chair. If investors demand higher risk premiums for this, yields will rise.

In the eurozone, the cycle of interest rate cuts has probably come to an end, which argues against a downward movement of the yield curve. The Swiss National Bank (SNB) is also unlikely to loosen the monetary reins any further. Yields at the long end of the yield curve should therefore bottom out and tend to rise slightly over the course of the year.

# Our View on Corporate Bonds



- **Economic growth** remains robust
- **Trade uncertainty** decreases
- Companies become even more profitable
- **Credit rating** improves



- Low **Credit spreads**
- **Inflation** above target
- **Midterm elections in the USA** force political response

## More of the same, but...

The positive momentum for corporate bonds is likely to continue in 2026. The US economy remains robust. The consensus for the coming year anticipates the same growth rate as in 2025. Demand for government and corporate bonds remains high, and both credit spreads and risk-free yields are at a low level.

The outlook for corporate profits is encouraging. A jump in profits is expected thanks to tax relief. The high profit margins of recent years are reducing interest costs in relation to profits. Trade uncertainties are diminishing and tariffs on imports are becoming less frightening. The US central bank is also expected to cut rates several times. The big unknown is and remains inflation. Consumer sentiment is poor because wages have risen more slowly than the cost of living in recent years. President Donald Trump must react before the midterm elections - this is the great unknown for 2026.

# Our View on Equities



- Intact long-term **upward trend**
- **corporate earnings**
- **Lower rates** in the US



- Challenging **valuations**
- Less **economic momentum**
- Political **uncertainties**

## Stay invested with a sense of proportion

Despite geopolitical tensions, the trade conflict and the rift between President Trump and Fed Chairman Jerome Powell, the stock market returns for 2025 are likely to be above average for the third year in a row. Setbacks only lasted a short while and many markets reached new highs. The outlook for 2026 looks more challenging. Valuations are high and at the same time, the outlook for the global economy is subdued. On the other hand, rate cuts by the Fed are supporting markets. The decisive factor will be whether companies can continue to meet high expectations with convincing earnings growth. So far, this has worked and markets appear to be climbing the wall of worry. In this environment, small positive impulses are often enough to achieve price gains. Investors should therefore remain invested, but expect lower returns and higher fluctuations.

# Our View on Equities USA



- Earnings growth
- Resilient **economy** as a foundation
- Supportive **monetary policy**
- Market-friendly **political agenda** possible before the mid-term elections in autumn



- Demanding **valuations** and therefore risk of price setbacks
- **Geopolitical conflicts** as a negative factor
- Long-term success of **AI investments** uncertain

## Bull market slowing

While the US equity market rose significantly in US dollars in 2025, performance in foreign currencies such as the Swiss franc was significantly weaker. The arguments in favour of a sustained bull market remain fundamentally intact: solid earnings growth, a resilient real economy and supporting monetary policy. However, economic growth is likely to cool slightly.

Investments in artificial intelligence (AI) will remain an important pillar of support. In addition, the Trump administration - ahead of the mid-term elections in November 2026 - is likely to focus more on economic and market-friendly measures. We see valuations and geopolitical conflicts as a risk. The question whether high investments by AI companies will pay off in the long term will also remain a factor of uncertainty.

# Our View on Equities Nordic Countries



- **Cyclicals and small caps** benefit from improved sentiment in business and among consumers
- Peace in Ukraine would be positive for **stocks from Finland** and construction
- **Banks and real estate** remain interesting



- **Index composition with few heavyweights** may lead to increased volatility
- **Lower energy prices** could put the brakes on Norwegian equities

## Different starting positions

The satisfaction of Nordic shareholders varies greatly: While the Finns are celebrating juicy profits, the pharmaceutical company Novo Nordisk is causing many Danes restless nights. The shares listed in Denmark are a heavyweight in the MSCI Nordic Index and the reason why it remained flat in 2025. However, such regional differences are not unusual. Rather, it emphasises the diversity of the Scandinavian markets.

The strong performance of Swedish equities is likely to continue in the coming year. Business and consumers are more optimistic thanks to trade talks and interest rate cuts. Cyclical and smaller companies (small caps) in particular will benefit from this. Peace in Ukraine could also improve sentiment in Finland, even if trade with Russia does not pick up immediately. More lenient sanctions are depressing oil prices and would slow down Norwegian equities. Denmark hopes that investors will regain confidence in Novo Nordisk.

# Our View on Equities Japan



- **Reforms** of the new Prime Minister
- Increased governance and **shareholder value**
- **Attractive valuation** compared to the global stock market



- **Limited scope** for economic policy
- **Potential headwind** from monetary policy
- **Valuation** compared to own history at a high level

## Takaichi-nomics

Greater transparency, stronger shareholder rights and more efficient capital utilisation are intended to strengthen shareholder value. Japan has been pushing ahead with these reforms for years. And so the market should become more attractive for international investors as valuations are moderate and profitability is increasing. New impetus is also expected from Prime Minister Sanae Takaichi, who is regarded as a political disciple of former Prime Minister Shinzo Abe. His "Abenomics" - a combination of aggressive monetary policy, fiscal stimulus and structural reforms - revitalised the markets after a long period of stagnation. Takaichi wants to initiate similar reforms, but the conditions are different. Japan is no longer struggling with deflation, but with inflation of 3%. At the same time, government debt is extremely high. A further rise in bond yields would be a negative factor, which would significantly restrict the government's room for manoeuvre in terms of economic policy.

# Our View on Insurance-linked Securities



- Lower, but still **attractive returns** expected
- **Best asset class** for diversification



- **Uncertainty** about the timing of major claims
- Declining **insurance premiums** after claim-free years

## The bar is lower after the hat-trick

2025 will probably be the third year in a row in which insurance-linked securities (ILS) have yielded more than 10% in US dollars. The atlantic hurricane season activity was in line with the long-term average. However, it was lower than in recent years and than had been forecast in advance. However, the decisive factor for ILS investors is not the number of storms, but that no major hurricane hits the US.

Only Hurricane Melissa, the last storm of the season, caused devastation in Jamaica and resulted in the only insured damage (0.2% loss) in the asset class. The insurance premium fell by 0.7% to 5% compared to the previous year. The return on the security deposit also fell by 0.5% to 3.8%. The claims-free return is therefore 8.8% with modelled losses of 2.3%; we therefore expect a return of 6.6%. Depending on the storm activity, this figure may increase or decrease. Compared to the decade before 2023, the level still remains attractive.



- **Upward trend** intact
- **Uncertainty** consolidates status as a safe haven
- Central banks diversify **currency reserves**



- High price weighs on **jewellery demand**
- **Rate cuts** and the end of quantitative tightening in the US are priced in
- **High and rapid price gains** suggest consolidation

## Not yet the end of the line

2025 was a special year for gold. Only once before, in 1979, have price gains been higher. The healthy correction in October was followed by an almost muted recovery in November, at least in comparison to silver. Gold failed to reach a new all-time high.

As there was no major correction that would have led the price down to the technical indicator of the 200-day line, there is potential for a consolidation in the coming year. Fundamentally, however, the gold price remains well supported and new highs are still possible. Geopolitical conflicts, rising national debt and the the new head of the Fed are unsettling. These developments set the pace for central bank purchases and inflows into gold ETFs. More interest rate cuts and the end of quantitative tightening in the US should benefit interest-free investments such as gold. Even if the short-term potential has probably been exhausted, gold remains an important portfolio component.

# Our View on Currencies



- **Dollar** remains a sought-after safe haven in unstable times
- The dollar's **interest rate advantage** regains importance
- **High bets on dollar weakness** act as a counter-indicator



- **Dollar weakness** is desired by the Trump administration
- **Current account deficit** remains a fundamental burden on the dollar

## High bets on dollar weakness

The US economy has so far coped well with the tariff turbulence, while the stocks of local tech companies are doing well. The dogma of US exceptionalism has returned to the financial markets. This strengthened the greenback. From a market perspective, the high rate of speculative dollar forward sales is a contra-indicator. If there were to be an unexpectedly abrupt appreciation, these bets on a further weakening of the dollar would have to be unwound. This would have the opposite effect, i.e. strengthen the US currency.

We expect the EUR/USD currency pair to move sideways in the coming weeks. However, the high external imbalance in the US and the risk of excessive monetary easing argue in favour of continued dollar weakness in 2026 as a whole.

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Please note that this is a general investment recommendation and therefore does not take into account your personal circumstances.

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