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Our View in January

Calm markets in a turbulent world



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The news flow continues unabated, the tone in politics is harsh, and the geopolitical situation is tense. Anyone who had hoped that 2026 would be somewhat calmer than the previous year was quickly proven wrong. The US intervention in Venezuela and the new wave of protests in Iran show: there is already a lot going on in global politics. So far, financial markets have remained remarkably unstirred.

Equities have had a good start to the year. At the same time, gold and silver are chasing new records almost daily. The two are not contradictory but signal something important. Risk appetite and hedging currently go hand in hand. This confirms an old, often quoted but not always applied rule: don't put all your eggs in one basket.

The start to the new year is very reminiscent of 2025. Political shocks briefly dominate headlines but quickly fizzle out on the market. At least as long as an event does not disrupt supply chains or global demand. At the same time, other forces are at work: high investment in artificial

intelligence, falling inflation rates and supportive monetary policy. The environment remains constructive, but not without conflict.

Applied to portfolios, this means staying invested but not becoming complacent. We are therefore sticking to broad diversification. In the bond sector, we are focusing more strongly on emerging markets due to better growth and inflation prospects and more attractive yields.

By contrast, we take a critical view of Swiss government bonds. In our opinion, the high interest rate risk combined with low yields no longer fits the current balance of opportunities and risks. We are therefore reducing the strategic quota at the beginning of the year.

Perhaps the lesson of this January can best be summarised as follows: markets may appear confident, while the world remains uncertain. But appearances can be deceiving.

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

Our View on the Portfolio



- **Diversification** remains the best protection
- **Emerging market bonds** offer attractive interest rates
- **Gold and silver** are good for your portfolio



- **Swiss government bonds** carry high interest rate risks
- **Political risks** relevant to the market at any time
- **Markets calmness** should not to be confused with certainty

- ● ● ● ● 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



- Central banks have **lowered interest rates** due to the weaker economy, a positive for 2026
- **High investment in AI** is supporting the US economy
- Germany's **infrastructure spending** provides domestic economic stimulus



- **Trade conflicts** will slow global economic growth in 2026
- US consumers expect **falling real incomes**
- **Demographic change** is dampening Europe's growth rates

Subdued economic outlook with no risk of recession

The US attack on Venezuela will not have any major consequences for the global economy for the time being. However, the latest data from 2025 confirms the reduced global growth outlook. At the same time, there is no sign of a recession.

Economic data from China shows that growth stagnated in the fourth quarter. This means that further economic measures are likely to be decided by the People's Congress in March. The manufacturing sector is a drag not only in China but also in the US and Europe. Although the tariff debate is likely to subside in 2026, the US import duties will show their full effect. Investments will be delayed, and US consumers will see their purchasing power waning due to rising prices. On the other hand, lower rates and investments in artificial intelligence will provide positive economic impetus. Overall, economic growth in 2026 is likely to be very similar to that of the previous year.

Our View on Monetary Policy



- Swiss overnight rate Saron **remains negative**, meaning that the SNB has achieved its provisional target
- **Fed will continue with moderate rate cuts**
- **Tariffs** could dampen growth and thus inflation



- **ECB** is likely to have reached the end of its rate cut cycle
- Geopolitical conflicts are **a risk for oil prices** and thus for inflation rates
- **Higher tariffs** and unionised workers' wage agreements are driving inflation

Focus on Fed independence

As expected, the US Federal Reserve lowered its target range for interest rates by 25 basis points in December. The majority of the Open Market Committee supported this move, but there were three dissenters. Stephan Miran, who is close to the president, wanted a 50 basis point cut. The presidents of two district banks voted for no change. But one issue is more controversial: the independence of the Fed. The Department of Justice has threatened to take legal action against Fed Chairman Jerome Powell in connection with the renovation of the Fed headquarters. Powell himself sees this as an attempt to influence monetary policy. The markets also have reservations about the upcoming nomination of the new Fed chairman in May. Trump sees Kevin Hassett, head of the National Council of Economic Advisers, as the favourite. Hassett is critical of the Fed's interest rate policy. This points to greater political influence and thus monetary easing. If the Fed lowers interest rates more than inflation allows, this would damage its reputation.

Our View on Government Bonds



- **Tariffs** are weighing on the US economy and are causing yields to fall
- **Swiss government bonds** are well supported due to low inflation
- **Government bonds** help when risk appetite on the financial markets wanes



- **Political pressure on the Fed** weakens confidence in US treasuries
- **Swiss government bonds** come with a high interest rate risk

Steeper yield curves ahead in Europe and the US

Inflation in the eurozone is close to 2%. This is in line with the inflation target set by the European Central Bank (ECB). Growth remains moderate and should therefore keep long-term yields stable or cause them to rise slightly. In the US, inflation is above target. The Fed is therefore only cutting rates cautiously.

Yield curves in both regions are therefore set to steepen slightly in the coming year. This is because short-term interest rates will remain stable or, in the case of the US, fall slightly, while long-term yields will rise moderately. However, fiscal uncertainty and rising government debt could significantly increase pressure on yields in a risk scenario. Greater political influence on the Fed is also weakening investor confidence. This could put US government bonds under selling pressure. In such a scenario, high-quality European government bonds are likely to benefit.

Our View on Corporate Bonds



- Economic **growth** remains robust
- **Trade uncertainty** is decreasing
- **Profitability of companies** is increasing



- **Low credit spreads**
- **Inflation** above target path
- **Midterm elections** in the US force political response

Goldilocks scenario likely to continue

The US economy remains robust. Expected growth for 2026 is slightly above the previous year at 2.1%. Demand for government and corporate bonds remains high, with credit spreads and risk-free yields remaining low.

Corporate profits are expected to rise significantly thanks to tax breaks. High margins in previous years have reduced companies' interest burden relative to profits. Trade risks are declining and tariffs are losing their scariness.

For its part, the US Federal Reserve is likely to cut interest rates further. The path of inflation, or rather fears about it, remains unclear. Consumer sentiment is extremely weak, as wages have risen more slowly than the cost of living. This is weighing on households, which is why US President Trump's poll ratings have fallen. Trump must respond before the midterm elections in the autumn, but how he will do so is the key unknown.

Our View on Emerging Market Bonds



- **Emerging market bonds** benefit from a weaker dollar
- **Interest rate advantage** over developed countries
- **Better growth and inflation prospects**



- **Emerging markets** more affected by geopolitical risks
- **Bonds** from emerging markets react disproportionately sensitively to global risk aversion

Weak dollar is only one argument

With a double-digit performance, emerging market bonds were among the winners within the bond universe in 2025. One explanation is a weaker dollar. As its value drops, debt in the domestic currency decreases. Hard currency bonds as well as local currency bonds benefit from the improved credit worthiness.

However, this explanation is only one part. Comparing the data, economic growth of 4.2% is expected in emerging markets in 2026, compared with only 1.7% in developed countries. Inflation is expected to reach 2.7% in emerging markets and 2.9% in industrialised countries. In the new multipolar world order, emerging markets are likely to be courted by several blocs. This goes hand in hand with investment and new sales markets. With their yield to maturity, emerging market bonds remain attractive relative to more developed regions.

Our View on Equities



- Intact **long-term upward trends**
- **Convincing** corporate profits
- **Market-friendly** US monetary policy



- Challenging **valuations**
- **Restrained** economic momentum
- Geopolitical **uncertainties**

Strong showing despite geopolitical turmoil

Despite a number of challenges, 2025 was an above-average year for equities. International conflicts, the tariff dispute initiated by the US and fiscal policy decisions in Germany shaped the year. The rapid rise of artificial intelligence was also one of the defining developments of 2025. However, those who hoped for geopolitical détente in 2026 were quickly disappointed: the US military intervention in Venezuela sent a clear signal right at the start of the year. Nevertheless, the stock markets reacted calmly, as geopolitical shocks usually only have a short-term effect unless there is a threat of impact on the global demand or supply chains.

Investors continue to focus on AI and investor-friendly US monetary policy. Warnings of a speculative bubble are growing louder, but there are no signs of an abrupt end. New highs, but also temporary fluctuations, may be expected.

Our View on Equities Switzerland



- **Record high** for the Swiss Market Index
- **Pharma secures tariff-free status** with the US for another three years
- **German investment programmes** as a catalyst



- Swiss **economic situation** weakening
- **Unpredictable US trade policy** as a continuing source of uncertainty
- **Strong Swiss franc**

Swiss stock market at a high

At the end of the year, the Swiss stock market reached a new high. The SMI exceeded its record level from March for the first time – albeit only narrowly. The significant price gains of the two large pharmaceutical companies, which are benefiting from a new tariff agreement with the US, were central to this. The three-year extension of tariff exclusion was a decisive factor.

Nevertheless, the environment remains challenging. Economic momentum in Switzerland is likely to slow in 2026, and it can be assumed that US trade policy will continue to be challenging. In addition, the stronger Swiss franc is weighing on the competitiveness of many Swiss companies. On the other hand, positive signals are coming from the EU: Germany's extensive investment and defence spending programme will generate indirect growth impulses for Swiss suppliers in the coming months.

Our View on Equities Europe



- German **infrastructure programme** raises hopes for economic recovery
- **Upward trend** intact
- New price highs likely to **attract more capital**



- Higher prices a result of **valuation expansion**
- **Corporate profits** must follow suit
- **Tariffs hamper** economic growth

Capital inflow expected

European equities continued their positive run in 2025, posting strong gains for the year. Their more attractive valuations compared to US stocks and the weakness of the US dollar drove capital flows into European markets. In addition, the government investment programmes adopted in Germany provided an impetus that prompted international investors to shift their investments in favour of euro stocks.

However, many positive factors have already been priced in. At the same time, the tariffs imposed by the US are hampering economic growth. It is therefore all the more encouraging that German companies are as optimistic about their order development as they were four years ago, according to the European Commission's quarterly business survey. This confidence increases the chance that the recent highs on the stock markets will attract further capital over the course of the year.

Our View on Equities Emerging Markets



- **Attractive** valuations
- **State support measures**
- **Technological sovereignty** sought



- **Real estate crisis** weighs on Chinese economy
- **Domestic consumption** needs support
- **Corporate profitability** needs improvement

Market strength despite legacy issues in China

After coming under massive pressure due to the real estate crisis, regulatory intervention and capital outflows, the Chinese stock market experienced a strong rebound in 2025. The problems have not yet been completely resolved, but the government is working to stabilise the situation: it is providing targeted support to the real estate sector, easing regulations, opening up more to foreign capital and taking measures to revive consumption. Technological sovereignty is likely to play an important role in the upcoming five-year plan, which will be adopted in March. China wants to develop future technologies such as semiconductors, AI and digital infrastructure on its own in order to reduce dependencies and strengthen its own innovation and competitiveness. At the same time, China is diversifying its trade relations and making targeted use of strategic resources such as rare earths. Despite ongoing structural risks, the market remains attractive in the long term.

Our View on Industrial Metals



- **Electrification and AI** are driving demand
- Flight to real assets due to **geopolitical uncertainties**
- **Interest rate cuts** increase the attractiveness of interest-free investments



- **Full US storage facilities** could ease supply concerns
- **Low fossil fuel prices** reduce demand for renewable energy sources
- **Technological advances** could reduce demand for metals

Soaring

Driven by supply shortages and robust demand, industrial metals achieved exceptionally high returns in 2025. Investments in silver paid off particularly well, with prices rising by almost 150% and thus exceeding the previous all-time high from 1980. This was driven by high inflows into listed silver funds and its growing importance as a safe haven in uncertain times. Copper also reached a new record high in 2025. Due to ongoing investment in artificial intelligence and data centres, as well as accelerated electrification, high demand is meeting scarce supply. The threat of US tariffs has further exacerbated this bottleneck. In addition, geopolitical tensions are increasing the need for defence spending with that on industrial metals. We expect industrial metals to remain strategically relevant in the new year and to be in high demand thanks to more rate cuts and sustained investment appetite.



- Growing **housing shortage** in Switzerland
- Strong **demand** due to persistently high migration
- Supply cannot keep pace, **low vacancy rates**



- Massive **premia** (agios) of 36% on real estate funds
- **Sentiment can quickly turn**, if the investment crisis resolves itself.

Real estate funds in demand due to zero interest rates

As in the previous year, Swiss real estate funds achieved double-digit returns of around 10%. This is a significant gap to bonds, which remained at zero. The so-called investment crisis accompanying zero interest rates has Switzerland firmly in its grip. In addition to price gains, real estate funds achieve stable distributions of around 2% p.a. Fundamental demand drivers are also supporting. Net migration remained high at over 80,000 people. This corresponds to the population of the city of St. Gallen. The supply of real estate cannot keep pace with this growth. Complex building permit procedures and limited available building land is slowing down new construction projects. The vacancy rate is correspondingly low at around 1%. The average advertising period for rental apartments is now only 24 days. The only downside is the high premiums: at 36%, the premium on the stated value of real estate funds is close to the 2021 high.

Our View on Currencies



- **Interest rate advantage of the USD** comes back into focus
- More rate cuts by the ECB could weigh on the euro
- High **bets on USD weakness** are a counter-indicator, thus suggesting appreciation



- **US government** welcomes a weaker dollar
- Political measures taken by the US administration could lead to a **loss of confidence**

Sluggish foreign exchange trading – for how much longer?

The foreign exchange markets barely reacted to the US attack on Venezuela. The central bank meetings in December went as expected and without surprises. The most important currency pairs are therefore continuing their sideways movement. However, such phases are often the calm before the storm. The storm could be triggered by stronger political influence on the Fed. This could weaken the dollar significantly. However, the widespread expectation of dollar weakness calls for caution. There has been high speculative dollar selling on the futures markets in recent months. If these positions have to be closed after a surprise dollar appreciation, the dollar will rise significantly. This scenario would be the perfect storm. It is therefore likely that the market situation will have to stabilise before renewed dollar weakness can manifest itself.

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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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