10 February 2026

Our View in February

Put to the test

Put to the test

The last few weeks have felt like a stress test for investors' narratives. Precious metals fluctuated sharply, crypto currencies went into free fall, and volatility in equities and bonds also increased.

On top of that, there was a pronounced sector rotation taking hold of the equity markets. Business models that were previously considered superior are now questioned. Software-as-a-service is a good example of this. This segment had been spoilt for a long time but was punished in the last two weeks. Good or bad? Neither is quite to the point. Rotation is not a sign of weakness but rather a sign that market gains are spread across more stocks. Capital is seeking new opportunities.

At the same time, there is an exciting economic contrast. For the first time in around two years, economic data is better than expected across the board. The economic surprise indices which measure this are turning upwards, not only in some countries but globally. This momentum is at odds with the nervousness in individual market segments.

We are not allowing ourselves to be infected by higher levels of nervousness. Not because we know better, but because we are not putting all our eggs in one basket. Investors who are broadly diversified need not fear rotation. They can benefit from it. This was recently demonstrated in Japan, where the election results triggered a strong market reaction – unexpected for some but no worry for diversified portfolios.

For us, volatility is not the opposite of stability, nor is it necessarily a bad thing. The key is not trying to explain every move but to be well positioned. That way, you can live with price swings and use them to your advantage. That is why we continue to hold on to gold and industrial metals in our portfolio.

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

Our View on the **Portfolio**

- **Diversification** pays off
- Positive **economic surprises**
- **Japan as an example:** Political events can have a positive effect

- **Avoid portfolio concentrations**
- **Geopolitical risks** have not disappeared
- **Market psychology** overshoots in both directions

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	●●●○○

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

(Base: Mandate CHF balanced)

Our View on the **Economy**

- **US economy** continues to perform robustly
- More growth in **Germany** in 2026
- Higher investment spending **could support global exports**

- **Trade conflicts** pose a risk to the global economy this year
- **Growth** in China continues to slow down
- In Europe, demographic challenges **are coming to the surface**

Declining growth in China

The Chinese economy continued to weaken in the final quarter of 2025. Compared to the previous year, gross domestic product (GDP) grew by 4.5% after adjusting for inflation, down from 4.8% in the previous quarter. In a quarterly comparison, the increase was marginally higher than in the previous quarter at 1.2%. This means that the economy expanded by 5% in 2025, which is exactly in line with the government's target. However, a look at the detailed figures reveals a weakness: investment fell by 3.8% in 2025. This underlines the fact that the Chinese economy is weak domestically.

Exports were the number one growth driver, which is respectable given the tariff conflicts. However, growth rates will continue to decline this year. The government is focusing on the quality of growth rather than quantity. The challenges remain considerable: a weak domestic economy paired with a challenging international economic situation.

Our View on **Monetary Policy**

- **Chinese Central bank** likely to support economy with further interest rate cuts
- **Fed** to continue with moderate interest rate cuts
- In the **eurozone** core inflation rate remains elevated

- **The European Central Bank (ECB)** has achieved its target for the time being with a deposit rate of 2%
- Geopolitical conflicts are risky for **oil prices**, which would fuel inflation rates
- **Food** has recently been driving up prices

What will the Fed look like with chair Kevin Warsh?

US President Donald Trump has nominated Kevin Warsh as the next Fed chairman. If confirmed, he will take over from Jerome Powell, whose term ends in May. Warsh was a Fed governor from 2006 to 2011 and most recently worked at Stanford University, among other places. Like Powell, he is a lawyer and is considered a hawk, favouring a tighter monetary policy. At the same time, he has recently criticised elevated interest rates.
Instead, he seems to prefer to cut the central bank's balance sheet. However, this stance creates a trade-off. Further reducing securities holdings would withdraw liquidity from the market. This could lead to considerable tensions in the money markets, resulting in higher short-term yields. So it remains to be seen whether Warsh will comply with Trump's demands to lower interest rates. However, Warsh understands the central importance of the Fed for a stable financial system. In our view, fears about the Fed's credibility will not be confirmed.

Our View on **Government Bonds**

underweight

- Warsh focuses on **stability**, which argues against significantly rising yields
- **Political uncertainties** could trigger a flight to government bonds
- **Swiss government bonds** are fundamentally well supported

- **Swiss government bonds** carry a high interest rate risk
- The Fed's **loose monetary policy** could increase yields on 10-year US treasuries

Warsh trade in bond markets

The yield curve in the US steepened again. The designated Fed chairman, Kevin Warsh, cast his shadow over the bond markets. At the same time, expectations regarding future rate cuts shifted.
The main scenario remains unchanged: based on futures contracts, the US Federal Reserve is expected to cut its key interest rate twice this year. However, the money markets are also signalling that the probability of three interest rate cuts has increased. This shift led to the recent rise in US yields at the long end of the yield curve. Market participants expect the Fed not to pursue an aggressive easing policy. If this is confirmed, a further rise in yields will remain limited. The same applies to the eurozone. The European Central Bank (ECB) will probably refrain from further interest rate cuts. A stability-orientated monetary policy should also dampen the rise in yields in the eurozone.

Our View on **Corporate Bonds**

neutral

- **Corporate profits** and **margins** at record highs
- **US corporate debt** falling relative to gross domestic product
- Bonds **haven't been this safe in a long time**

- **Risk premiums** significantly below average
- **Higher vulnerability** with declining risk appetite

Highly profitable US companies makes bonds safe

Companies in the United States are in the midst of releasing their financial reports for the fourth quarter. So far, the numbers have been surprisingly good, as they significantly exceed expectations on average. Since the outbreak of the pandemic, companies (excluding the financial industry) have grown profits by 125%, while debt has grown by only 17%. The same is true for household balance sheets, where assets rose more than liabilities. As a result, net assets are up by 56% since the pandemic and stand now at five and a half times GDP. Debt, on the other hand, has fallen from 81% to 67% of GDP during this period. So a recession without an exogenous shock is hardly conceivable in this situation. Accordingly, the repayment of corporate debt is secured. This is why credit spreads for high-yield bonds (2.6 percentage points) and investment-grade bonds (0.7 percentage points) are so low, close to their all-time lows in fact. And we do not expect the spread to widen in the near future.

Our View on **Emerging Market Bonds**

●●●●○
overweight

- **Higher yields**
- **Less Inflation** paird with higher growth in 2026
- **Broadly diversified** economic profile

- Low **risk premiums** compared to history
- Geopolitical opportunities also **carry risks**
- **Politically less stable**

Thriving in a multipolar world

Securing supply chains of superpower nations dominates geopolitical events. In such a world, emerging economies are literally being courted and grow in significance. Their product range primarily includes agricultural goods, metals, rare earths and energy. The prices of these products have risen sharply in recent years, partly due to the weaker US dollar. This benefits these countries' debt securities, as the level of debt in local currency is falling. To put this in numbers, this means that emerging markets are expected to grow by 4.3% in 2026, compared with only 1.9% in industrialised countries. At the same time, inflation is forecast to be lower at 2.6% than in industrialised countries at 2.8%. This is good news for investors in fixed-income securities. Although the starting position for emerging markets is better from a macroeconomic perspective, they offer significant advantages with a current yield of 5.8%.

Our View on **Equities**

neutral

- **Upward trend intact**, despite short-term consolidation
- **Rotation increases market breadth**
- **Expectations of rate cuts** in the US provide support in the medium term

- **High valuations** make investors wary, especially in the US
- **Tech and AI stocks under pressure**: reallocations lead to increased volatility
- **Geopolitics** remains a risk factor

Rotation into cyclicals

Despite geopolitical tensions – from Greenland to Venezuela and the domestic political escalation in Iran, including threats from the US – stock markets got off to a good start this year. At the end of January, however, the nomination of Kevin Warsh as the future Fed chairman triggered a visible shift in sentiment. The US dollar strenghtened, while precious metals and mining stocks fell sharply. At the same time, the rotation away from technology and AI stocks and towards cyclical sectors such as industrials, commodities and energy intensified. This triggered a healthy consolidation in the technology sector. However, the overall upward trend on the markets remains intact. Although valuations – especially in the US market – remain a negative factor, robust economic data, solid corporate earnings and the prospect of US rate cuts this year support the overall picture.

Our View on **Equities Europe**

neutral

- **Improved economic outlook** supports corporate earnings
- **New trade agreements** increas medium to long-term potential
- **Medium-sized companies** should benefit disproportionately

- **Reform deficits** in the EU remain a structural weakness
- **A stronger euro** reduces competitiveness
- Growing **competition from China** is a burden

Resilient

The European stock market has performed well so far this year, despite the renewed threat of US tariffs, a stronger euro and increasing competition from Chinese companies. This is because the economic outlook is brightening. A more expansionary fiscal policy, in particular Germany's major infrastructure programme, and the European Central Bank's (ECB) already relaxed monetary policy should provide additional impetus over the course of the year.
The recently concluded trade agreements improve the medium-term outlook and promote the EU's strategic independence. At the same time, the domestic economy is gaining momentum, which should be reflected in higher corporate profits. Medium-sized companies in particular would benefit disproportionately. Despite existing structural weaknesses, Europe offers to be a promising region to be exposed to in 2026.

Our View on **Equities Emerging Markets**

neutral

- Favourable **macroeconomic environment**
- **Index heavyweights** benefit from the growht of data centre capacity
- **China's new five-year plan** strengthens the technology sector

- Emerging markets' stocks have **run a bit hot** in the short term
- **Dependence** on global interest rate and dollar movements
- **High concentration** on technology heavyweights increases cluster risks

Emerging markets benefit from global technology trend

Emerging markets have shown above-average price momentum at the start of the year. They find themselves in a favourable macroeconomic environment: a weaker US dollar combined with expectations of rate cuts in the US is fundamentally positive. In addition, index heavyweights such as the Taiwanese contract manufacturer TSMC – the world's largest independent manufacturer of semiconductor products – are benefiting from the global growth of data centres.

China's new five-year plan, which prioritises technological sovereignty and the expansion of the technology and renewable energy sectors, is also likely to provide tailwinds. The aim is to reduce dependence on other nations and strengthen the country's own innovation and competitiveness in the long term. The valuation compared to the global stock market remains attractive, although equities have become somewhat overheated in the short term.

Our View on **Insurance-linked Securities**

neutral

- **Diversification** in turbulent times
- Lower, but still **attractive returns**

- **Losses** can occur at any time
- More suitable for **longer-term investors**
- Comparatively **high fund fees**

Declining but still attractive returns

The result of three virtually claim-free years has led to a cumulative performance of 45% or 13% p.a. in USD for insurance-linked securities (ILS). This result won't be repeated in 2026. The yield to maturity is 8.9% with a modelled risk of 2.3%. If claims came in as modelled, the performance would be 6.6%. In reality, however, damages are often significantly lower or higher than the model predicts. Despite the lower expected return, the risk premium remains attractive.

The main advantage of this asset class lies in diversification: ILS perform independently of the equity and bond markets and remain unaffected by turbulence on the stock market. After an eventful start to the year, this provides stability to the portfolio. The renewal period for insurance contracts runs until May, during which yields may still change slightly before the new hurricane season begins in June.

Our View on **Gold**

neutral

- **In demand** during uncertain times
- **Upward trend** intact after correction
- **De-dollarisation** drives central bank purchases

- **Speculators and retail investors** increase volatility
- **Consolidation potential** after rapid price gains
- **Macro developments and uncertainties** priced in

Overdue correction

In view of geopolitical uncertainties and the threat of a loss of confidence in US institutions, gold was able to play the role of safe haven. While institutional buyers have been building up positions for some time, the momentum has recently also attracted small investors and speculators. However, record-breaking volumes in leveraged products and options significantly increased volatility. At the same time, price developments increasingly decoupled from fundamental data. In this environment, the nomination of Kevin Warsh as the new chairman of the Fed was enough to trigger a countermove.
Within a few days, the price per troy ounce fell below USD 5,000. Even if the price managed to stay above the 50-day line, gold is likely to consolidate this year. Should the uncertainties dissipate or rate cuts in the US fail to materialise, a correction cannot be ruled out. However, the strategic value of gold as a stabilising asset in a portfolio remains undisputed.

Our View on **Industrial Metals**

neutral

- **Industrial demand** remains supported by structural trends
- **Hardly any investment** in new mines limits supply in the medium term
- **Offer protection** against protectionism and inflation

- **Volatility** remains high
- **Bottlenecks** in physical supply have eased
- **Correction in copper or aluminium** has not yet materialised

Do not act hastily

The strategic relevance of industrial metals is undisputed in times of technological change, tariffs and military conflicts. Unlike gold, however, they are considered more cyclical and are subject to the rules of supply and demand dynamics. The rally, which was initially driven by fundamentals, has recently been fuelled by speculators. At the same time, higher inventories and China's lack of appetite for raw materials have eased the physical bottleneck.

After strong moves, particularly in silver, prices have decoupled from fundamentals. The abrupt end to the metal boom is therefore anything but a surprise. Despite the already lower silver prices, we see further correction potential, especially in copper and aluminium. Volatility is likely to remain high in the short term.

Our View on **Currencies**

- If the **economic recovery** fails to materialise in 2026, this could weigh on the dollar
- The **interest rate advantage** of the USD is coming back into focus
- High levels of **dollar forward sales** point to short-term dollar strength

- The **US government** prefers a weak dollar
- The **high US current account deficit** is a burden on the dollar

Dollar moves after nomination of new Fed chair

The dollar has recently been on a rollercoaster ride. Geopolitical tensions and fears of intervention in the foreign exchange market have weighed on the greenback. At the same time, high levels of speculative dollar forward sales are dampening selling pressure on the spot market. On the other hand, the US economy is performing surprisingly well considering the higher tariffs in imports. This resilience is supporting the greenback and repeatedly leading to price increases.

The key factor for the US currency's exchange rate in the coming months will be whether the Fed maintains its independence under its new chairman, Kevin Warsh. This raises the question of whether political influence will increase to such an extent that the Fed will pay less attention to inflation. However, the high volume of forward sales has the potential to strengthen the dollar in the short term. If the USD rises unexpectedly, many investors will have to close their positions. This would further accelerate the appreciation.

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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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