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Our View in March

Relief on demand



Relief on demand

US President Donald Trump has declared the war in the Middle East to be 'very complete'. The markets applauded – as is, by definition, their reflex. A brief rally, a deep breath, and on they go.

Is the war against Iran really over? One thing is certain: the Mullah regime has appointed its new supreme leader – Ali Khamenei's son. He is also a hardliner, so this is not a new beginning, but rather more of the same with a more intense focus. What this means for the region, the oil price and the balance of power in the Gulf remains to be seen.

The most important question from a market perspective is how long the relief will last. Geographically, the Strait of Hormuz remains still closed and is still located between a country with similar leadership and a world that depends on the free passage of tankers.

Markets have short memories. Sometimes this is their strength, because it allows overreactions to be corrected. Sometimes, however, it is also their weakness.

Those who are breathing a sigh of relief today because the US President has declared the war mostly complete should ask themselves: Which of the underlying tensions have really been resolved in the last ten days since the attacks began?

We are sticking to our positioning. We are underweight in European equities – the region carries a high energy policy risk. Diversification remains the order of the day. Gold has proven its value as an anchor of stability often enough. Bonds from emerging market countries continue to offer attractive yields.

The last few days have once again demonstrated how quickly things can change. How quickly the tide can turn. That is why it is so important to structure your portfolio during good times in a way that it remains resilient in turbulent times.

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

Our View on the Portfolio



- **Diversification** protects in uncertain times
- **Gold** as an anchor of stability
- **Emerging market bonds** remain attractive



- **European equities** more exposed to energy prices
- **Oil price** remains a sensitive indicator
- **Sentiment** can change quickly

- ● ● ● ● 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



- Investments in infrastructure for **artificial intelligence** support global growth
- Central banks still have **capacity for rate cuts**
- **Manufacturing** is recovering worldwide



- War with Iran could trigger a **surge in inflation**
- **Major currency movements** would slow down the economy
- Central banks could be **forced to raise** interest rates

Economic fallout of the Iran war still uncertain

The economic consequences of geopolitical conflicts are unpredictable. In the case of the Iran war, the losses to the global economy will depend on how long the Strait of Hormuz remains impassable. If the conflict is short-lived, the economic fallout will be negligible.

Much higher oil and gas prices over a longer period of time, on the other hand, would result in measurable losses in growth. The rule of thumb is that a 10% increase in the price of oil would reduce growth rates in the US and the eurozone by around 0.2 percentage points. Higher energy costs lead to a noticeable loss of purchasing power for consumers and consequently also affect businesses. Given the relatively low growth rate, the eurozone would quickly be confronted with a decline in GDP. In the US, the Fed could lower interest rates more sharply because of the higher level.

Our View on Monetary Policy



- The **Chinese central bank** is likely to support the economy with further interest rate cuts
- The **Swiss National Bank** is expected to keep the interest rate unchanged for now
- In the event of economic risks, the **Fed** has scope for interest rate cuts.



- **Iran war** affects oil prices, which could increase inflation
- **US tariffs** drive up prices in the US and cause uncertainty
- **Independence of the Fed** called into question

Fed sticks to its course

Despite the war with Iran, the US Federal Reserve will stick to its interest rate policy for now. The economy is still growing solidly, and the unemployment rate is showing signs of stabilising. Despite all the turbulence, this argues against rapid interest rate cuts. In view of the appointment of the new Fed chair, the US monetary policy has taken a back seat in recent weeks anyway.

Another question currently being asked is whether the Fed will remain independent. In our view, Kevin Warsh, the candidate proposed by President Donald Trump for the Fed chairmanship, will pursue a stability-orientated monetary policy. Under his leadership, however, further interest rate cuts are very likely in the second half of the year, regardless of how the situation in the Gulf region develops.

Our View on Government Bonds



- **Relatively high real interest rates** in the US make bonds attractive
- **Swiss government bonds** are fundamentally well supported
- Government bonds play their part in **portfolio diversification**



- **Swiss government bonds** are exposed to a particularly high interest rate risk due to low yields
- **Rising yields in Japan** could weigh on bond markets

Higher yields in the US

Safe havens such as government bonds were sought immediately after the start of the war between Israel and the US against Iran. Yields on 10-year US government bonds fell below 4%. Following the rise in oil prices, inflation expectations are now being priced in. This led to higher yields at the long end of the interest rate curve. Higher energy prices increase inflation rates on the one hand, and on the other, they restrict the spending power of consumers and businesses. This has a dampening effect on demand. Bond markets are also caught in this situation. Due to the uncertainty about the length of the conflict and the impassability of the Strait of Hormuz, fixed-income markets will not take a clear position for the time being.

Our View on Corporate Bonds



- Corporate bonds in the US are resilient
- Solid **economic environment**
- **Interest rates** are likely to be lowered further



- **Credit spreads** at low levels
- Risks in **supply chains** due to the war against Iran

Resilience required

Credit markets are reacting remarkably composed to the war in Iran. A week after the start of the attack, credit spreads were even below pre-war levels. The markets expect a quick resolution to the conflict. Nevertheless, there is a risk of a tightening of global energy supplies. This would lead to sharply higher prices for available energy sources. Historically, a 50% rise in oil prices has almost always been followed by a recession.

In this scenario, the US has an advantage over Europe: it has transformed itself from the largest energy importer to a net exporter. In an emergency, it could protect its own economy with an export ban. Net household wealth has grown from 400% to 550% of gross domestic product (GDP) over the past 15 years, while debt has fallen to 65% of GDP. US corporate bonds are therefore well equipped to weather bad times.

Our View on Equities



- Market reaction to Middle East conflict **not panicky so far**
- **Experience from previous crises** strengthens investor discipline



- Stock markets in **Europe and Asia** more severely affected
- Higher energy prices could **fuel inflation** and put pressure on supply chains

No panic despite the war in Iran

As Europe and Asia are dependent on energy imports, while the US is a net energy exporter, the war in the Middle East is having a varying impact on stock markets in different regions. US markets have held up better than those in Europe and Asia, which have reacted more strongly to the recent geopolitical turbulences. Global investors fear that higher energy costs could put renewed pressure on inflation and supply chains, thereby jeopardising the still fragile global economic recovery. Although prices have fallen worldwide, the decline has been orderly so far.

Many investors have learned from previous crises that geopolitical shocks are often only temporary. However, as there has been no panic so far - often a good entry signal - a further escalation of the war in the Middle East could well lead to greater volatility in the short term.

Our View on Equities Europe



- Encouraging **economic signals**
- **Rising earnings expectations** strengthen fundamental potential
- **Valuation advantage** over US stocks



- Dependence on energy imports bring exposure to **rising energy prices**
- **Structural weakness** in tech
- **Growing competition** from China

Dependent on energy imports

In recent months, European equities have increasingly come into focus compared to their US counterparts. After years of dominance by the US stock markets, investors are diversifying regionally. In recent months, the MSCI Europe Index has shown above-average price performance, but this has been partially erased by the war in the Middle East in recent days. Economic signals have been encouraging recently: the German purchasing managers' index for the manufacturing sector rose significantly in February, climbing above the growth threshold of 50 for the first time in over three and a half years.

Another positive factor is that valuations are well below that of the US markets. In the long term, Europe faces structural challenges due to a weak technology sector and increasing competition from China. In the short term, the war in the Middle East is also weighing on European stock markets.

Our View on Equities USA



- As a **net exporter of energy commodities**, the US is less affected
- **Earnings growth** among companies
- **A resilient real economy** as a foundation



- Length and course of the **Iran war**
- Uncertainties caused by **AI disruption** and **erratic US tariffs policy**
- Challenging **valuations**

Market proves more resilient

Despite the war against Iran, uncertainty about investments in artificial intelligence (AI) infrastructure and unclear tariff policy, the US stock market is showing remarkable stability. This is supported by the recent sector rotation: the shift away from a high concentration on mega-tech towards a broader sectoral base is increasing resilience. Weakness in the software and big tech sectors has recently been offset by strength in the energy, materials and industrials sectors. This was reflected in the equally weighted S&P 500, which outperformed the conventional index.

This is an encouraging sign for a sustainable bull market. The consolidation in the technology sector is part of a healthy revaluation. However, the rules of the game have changed. It is no longer a case of "everything with AI" rising, but rather a shift towards business models that use AI productively, scalably and profitably.

Our View on Gold



- One of the first assets to recover in **crises**
- Ensures long-term **stability** in the portfolio
- **Central banks** increase purchases during setbacks



- Creates **liquidity in stressful periods**
- **Large gap to technical support levels** harbours risks of setbacks
- **Stronger US dollar** and higher interest rate expectations reduce attractiveness

When the insurance does not pay out immediately

Investors are wondering, why gold has been trading lower after the attack on Iran. This is not unusual, as history shows. Gold is considered a particularly liquid asset. So when financial markets come under pressure, investors like to sell their gold positions in order to create liquidity. Typically, the correction is minor. However, the recovery is rapid, but varies in strength. Profits are higher in financial crises than in geopolitical conflicts. In the latter case, the focus is often on country-specific commodities, such as energy in the Gulf region at present.

We maintain that gold deserves a place in the portfolio for diversification reasons. Nevertheless, a stronger US dollar and higher yields have reinforced our view that gold will consolidate in 2026. This is also supported by the price being way above the 200-day line.

Our View on Oil



- **State reserves** could ease pressure in the short term
- Peace negotiations reduce risk of **impending supply shortage**
- Thanks to **US escorts and insurance guarantees**, shipping traffic could resume



- Strait of Hormuz remains a short-term **price driver**
- Damaged **infrastructure** poses risk of sustained higher oil prices
- **Processed products** are rising significantly more

High risk of supply shortages

The Strait of Hormuz is considered the main artery for the oil market. When conflicts break out in the Gulf region, the markets price in an increased supply risk. In most cases, higher prices quickly evaporated because crude oil remained widely available. Now, however, the strait is effectively closed. This means that around 30% of global oil supplies are not reaching their customers. Alternative transport routes are limited and, similar to strategic reserves in certain countries, can only reduce the pressure in the short term. As long as the conflict continues, prices will continue to rise. Although the attacks on the energy infrastructure in the region have been manageable so far, they harbour the risk of prolonged supply shortages for natural gas and oil products.

Nervousness has increased, and crude oil prices have risen significantly. The situation is even more tense for oil products such as kerosene and diesel, as stocks are running low and capacities are more limited. In some cases, production has been curtailed and exports have even been halted.

Our View on Currencies



- **Unwinding of yen carry trades** could lead to distortions in foreign exchange markets
- **Interest rate advantage of the USD** comes back into focus
- **Dollar forward sales** act as a counter-indicator for short-term dollar strength



- **Dollar and Swiss franc** remain in demand in times of high uncertainty
- **Swedish krona** has potential for an appreciation
- **Yen** is the most significantly undervalued currency and could appreciate in the longer term

Swiss Franc remains strong

The Swiss franc is once again proving robust against the euro. The currency is in demand in times of global uncertainty. It plays this role not only against the euro, but also against the dollar. On the one hand, President Donald Trump's tariff policy is causing uncertainty, and on the other hand, Trump is also stirring up geopolitical conflicts. At the same time, fundamental factors are favouring the Swiss franc. The inflation rate in Switzerland is currently around 0%, meaning that prices are stable. However, as prices continue to rise in the rest of the world, there is a shift in purchasing power parity - in favour of the Swiss franc. The current strength of the Swiss franc is therefore based not only on soft factors, but also on hard economic data. As there is unlikely to be any significant change in the situation for the time being, the Swiss franc will probably continue to appreciate.

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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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