Global Investment Strategy

First Quarter 2026

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Overview

World economy

- Global growth forecasts have been revised upwards in recent months, pointing to fairly solid economic trends in 2026.

- The eurozone economy is benefiting from increased government spending, particularly in Germany. The US economic expansion will continue in 2026, with growth similar to 2025. In China and Japan, higher government spending will be supportive.

Capital markets

- A positive economic outlook and comparatively high growth in corporate earnings argue in favour of equity investments in 2026.

- In the wake of better economic data, interest rate cuts and capital gains on bonds are increasingly unlikely. Corporate bonds are set to outperform government bonds once again. We expect the US dollar to weaken, though not significantly.

Agenda

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Western Europe: Moderately better at a low level

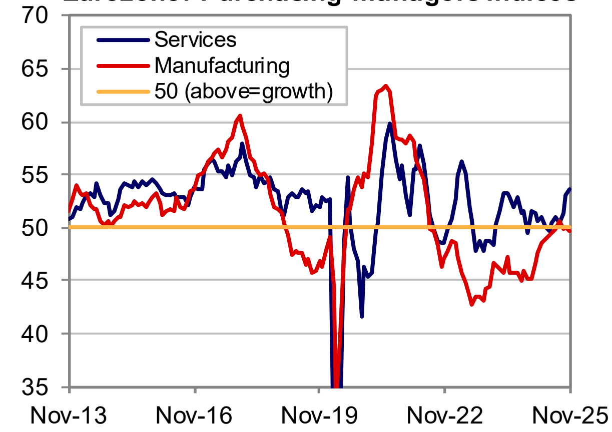
Europe's economies performed better than expected in 2025, albeit at a modest level. Real consumer spending grew at an annual rate of less than 1%. The unemployment rate in the eurozone has been largely unchanged for some time, though it stabilised in Germany over the course of 2025. Industrial production in the eurozone has been fairly stable for some time and, similar to the US, is at pre-pandemic levels. Germany's industrial sector has remained weak. Germany's infrastructure package is gradually finding its way into the economy, which is a positive starting sign for the economy in 2026.

Overall, growth in Western Europe remains subdued, but the current comparatively good momentum is likely to carry over into 2026.

Eurozone	4Q-2024	1Q-2025	2Q-2025	3Q-2025	Avg.
Pers. consump.	0.5	0.2	0.3	0.2	0.3
Gov. consumpt.	0.6	0.0	0.4	0.7	0.4
Investments	0.7	2.6	-1.7	0.9	0.6
Domestic dem.	**0.6**	**0.7**	**-0.1**	**0.4**	**0.4**
Exports	0.1	2.3	-0.4	0.7	0.7
Imports	0.1	2.2	-0.1	1.3	0.9
GDP	**0.4**	**0.6**	**0.1**	**0.3**	**0.3**
Net exports	0.0	0.4	-0.7	-1.0	-0.3
Inventories	-0.6	-0.8	1.9	0.4	0.2

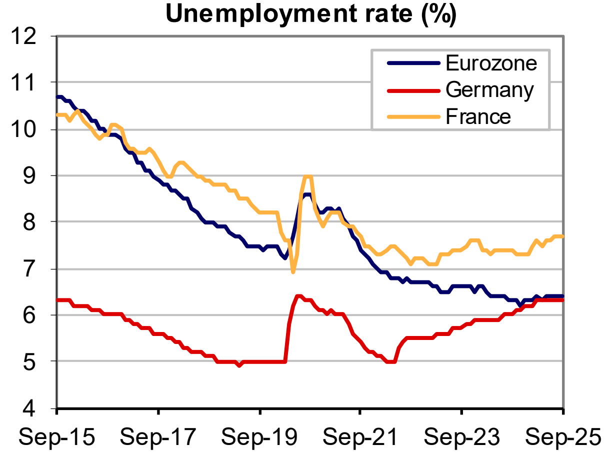
Note: Change in gross domestic product from previous quarter, in %. Source: Eurostat

Eurozone: Purchasing managers indices



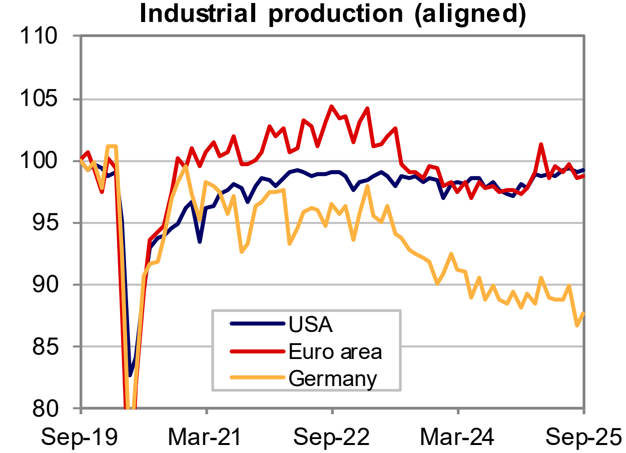
Source: S&P Global

Unemployment rate (%)



Source: Eurostat, Deutsche Bundesbank

Industrial production (aligned)



Source: Fed, Eurostat, Statist. Bundesamt

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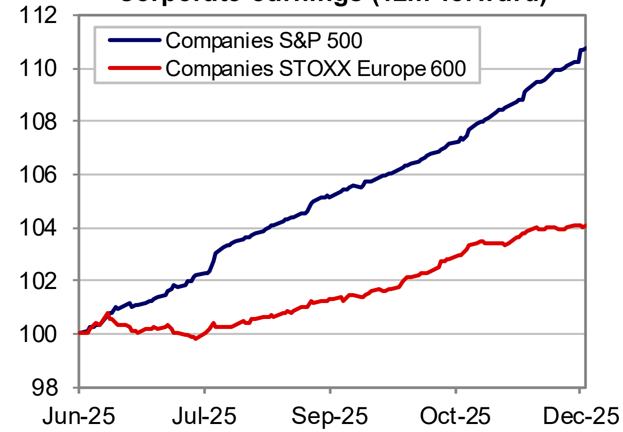
Positive earnings trends

Despite the weaker dollar, third-quarter earnings and corporate outlooks in Europe were well in line with expectations, which is reflected in positive earnings estimates (12-month forward). In the US, the earnings revision trend is more positive than in Europe. In both regions, profit margins have been at high levels for quite some time.

The analyst consensus shows that earnings growth of at least in the high single digits is expected in all major markets in 2026 and 2027.

Corporate earnings (12m forward)



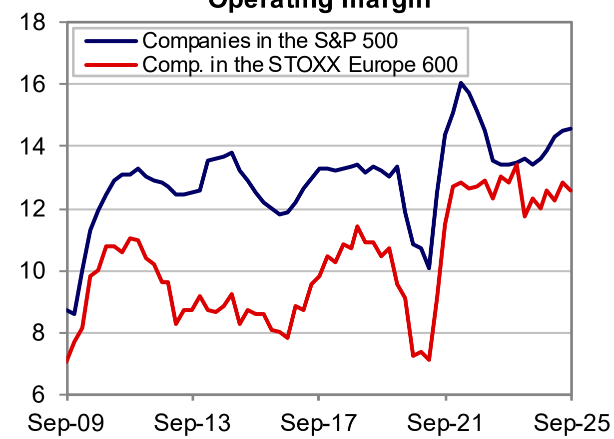
Soucre: Consensus estimates (Bloomberg)

Equity indices: Earnings growth and valuation

	S&P 500	Mag. Seven	Stoxx 600	DAX	SMI	MSCI Japan	Em. Asia	China
Earnings growth								
2026	13%	19%	10%	15%	7%	8%	19%	13%
2027	14%	18%	11%	14%	8%	8%	14%	15%
Valaution (price/earnings ratio, earnings 2026)								
PE	22.3	34.0	15.0	15.6	17.6	16.7	13.8	12.2

Note: Data as per 12-Dec-25. Based on company analyst estimates (bottom-up). Earnings adjusted for extraordinary items. Source: Bloomberg, ow n calculations

Operating margin

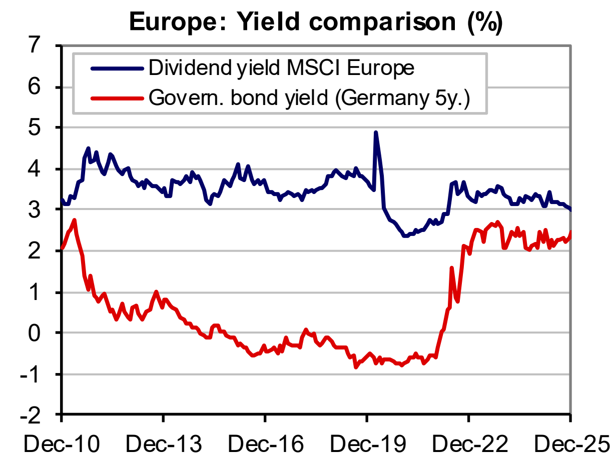


Source: S&P Global, STOXX

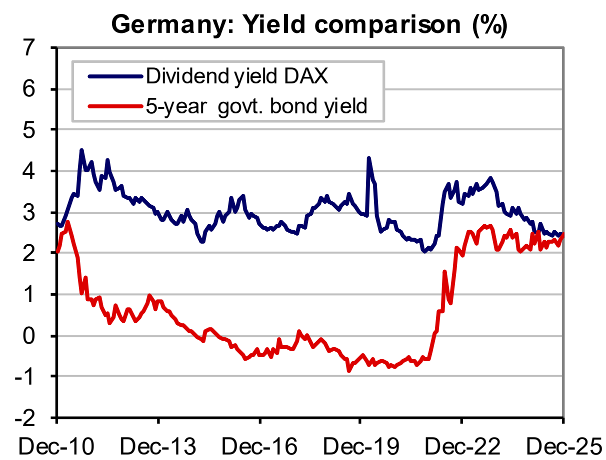
Attractive dividend yields in Europe

In Europe, equity dividend yields are higher on average than bond yields, which is an important argument in favour of equities. Unlike fixed-coupons bonds, equities offer nominal and real dividend growth and thus protection against inflation, which was impressively demonstrated in the post-pandemic inflation phase.

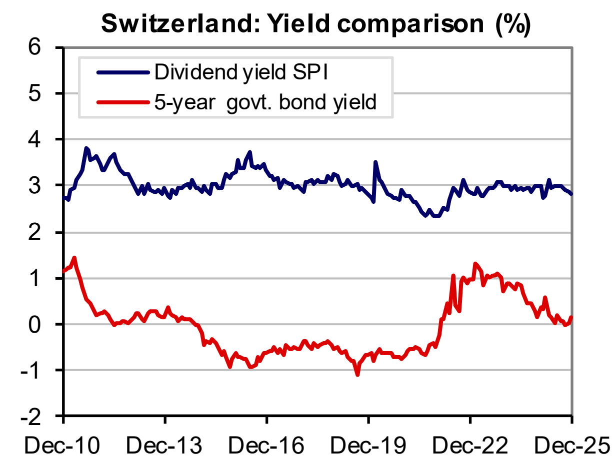
For Swiss investors, the yield discrepancy is even larger as 5-year government bond yields have fallen to near zero, while the SPI dividend yields has been stable over the years at around 3%.



Source: MSCI/Bloomberg



Source: Deutsche Boerse

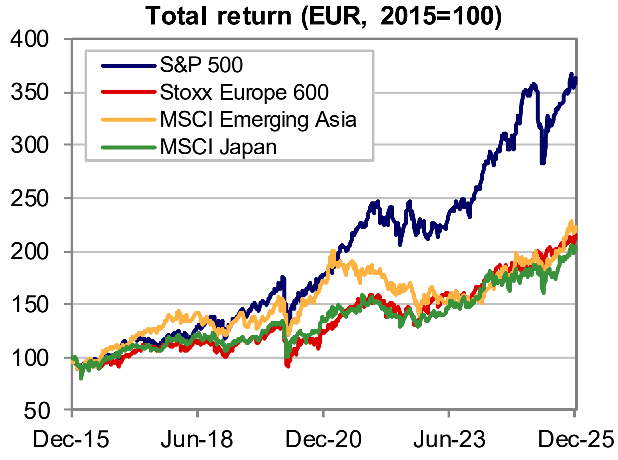


Source: Six Swiss Exchange

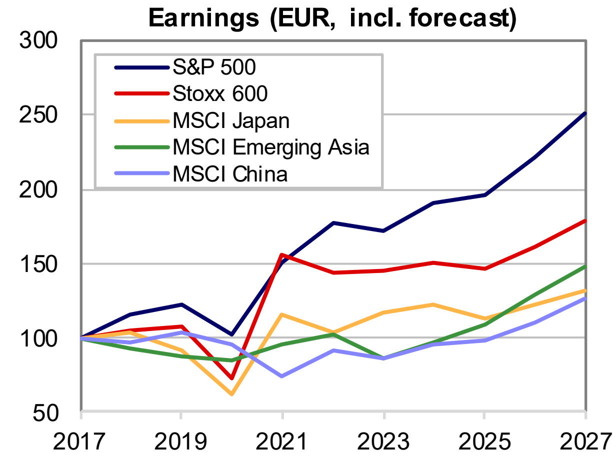
Regional trends: Companies are the key driver

The US stock market (S&P 500) outperforms Europe and the Asian emerging markets in terms of corporate earnings and performance over the long term. The technology sector and the quality growth segment are particularly well represented in the US.

Despite some interesting companies, most notably in the technology and internet sectors, profit growth in emerging Asia (with China as the key market) was subdued. In terms of performance, these markets are roughly on a par with Europe in the medium term. The same is true for Japan.



Source: S&P Global, STOXX, MSCI

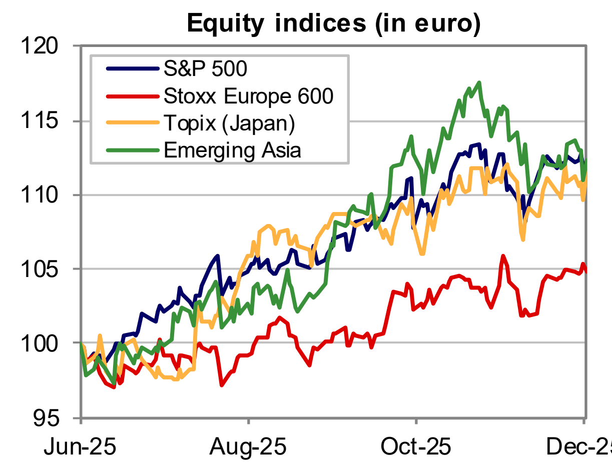


Source: Bloomberg

Equity indices

	S&P 500	Stoxx 600	MSCI JP	Em. Asia
		Earnings growth		
2026	13%	10%	8%	19%
2027	14%	11%	8%	14%
		PE-Ratio (earnings 2026)		
PE	22.3	15.0	16.7	13.8

Note: Data as per 12-Dec-25. Based on company analyst es (bottom-up). Earnings adjusted for extraordinary items. Sour Bloomberg, ow n calculations



Source: S&P Global, STOXX, TSE, MSCI

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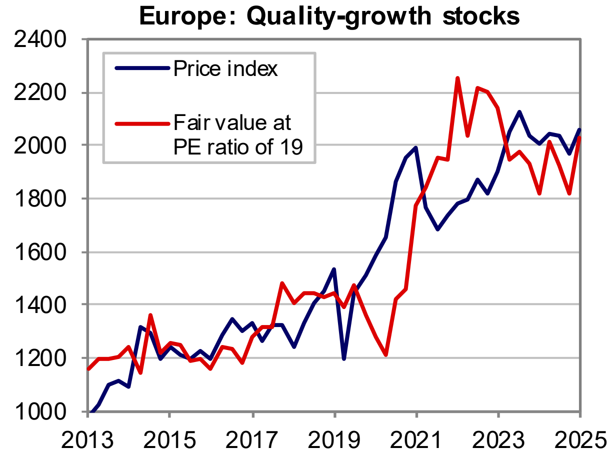
Equity segments: Quality, growth and value

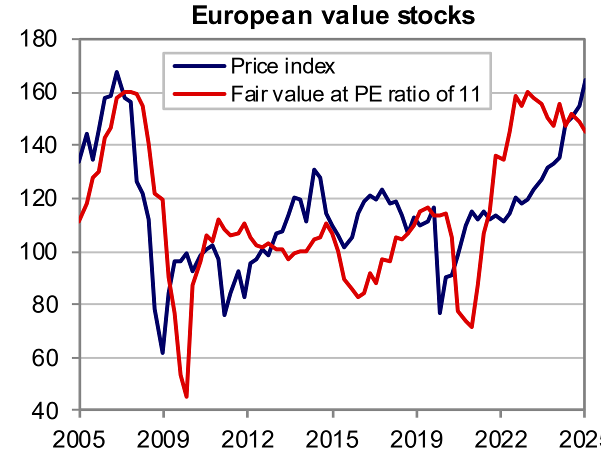
Quality growth stocks perform slightly better than the market in the longer term. This year, the segment is clearly lagging behind the overall market in Europe, which is mainly attributable to the strong performance of banks (in the value segment, not quality growth). Mid-caps (medium-sized companies) are also benefiting from the this year's economic environment, which is quite good by European standards.

While quality growth stocks perform particularly well in a weak economy, their valuation in Europe is reasonable, though growth remains below average.

The US market continues to be dominated by artificial intelligence, from which almost all of the Magnificent Seven companies are benefiting.



Source: STOXX



Source: STOXX

Equity markets: Factors, styles, segments

	Performance (price)				2026	
	Dec-25*	4Q25*	2025*	10 yrs.	Growth	PE
MSCI Europe	**0.3%**	**3.5%**	**13.7%**	**56.9%**	**13.1**	**15.1**
MSCI Europe Value	0.5%	5.8%	22.4%	45.0%	11.8	11.9
MSCI Europe Growth	0.1%	1.2%	5.4%	64.4%	16.7	21.0
MSCI Europe Quality Growth	0.1%	3.3%	4.4%	60.6%	8.8	18.1
MSCI Europe Equal Weighted	0.1%	2.3%	12.6%	46.7%	-	-
MSCI Europe Mid Cap	-0.2%	2.1%	16.5%	57.9%	23.4	14.1
MSCI US	**-0.3%**	**1.9%**	**16.0%**	**234.3%**	**18.2**	**22.4**
MSCI US Value	0.9%	1.4%	11.6%	106.0%	14.0	17.7
MSCI US Growth	-1.5%	2.1%	19.7%	405.2%	26.4	30.6
MSCI US Quality Growth	0.0%	3.7%	14.9%	277.0%	14.3	24.6
Magnificent Seven	-0.5%	3.2%	23.1%	2249.6%	19.9	28.8
MSCI US Equal Weighted	1.0%	1.3%	9.4%	145.9%	-	-
MSCI US Mid Cap	0.9%	1.0%	8.4%	147.9%	31.0	19.1

*Data as per 14-Dec-25. Source: MSCI, Bloomberg

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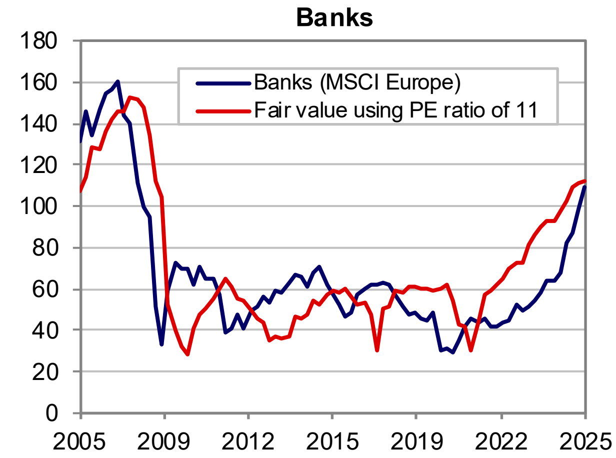
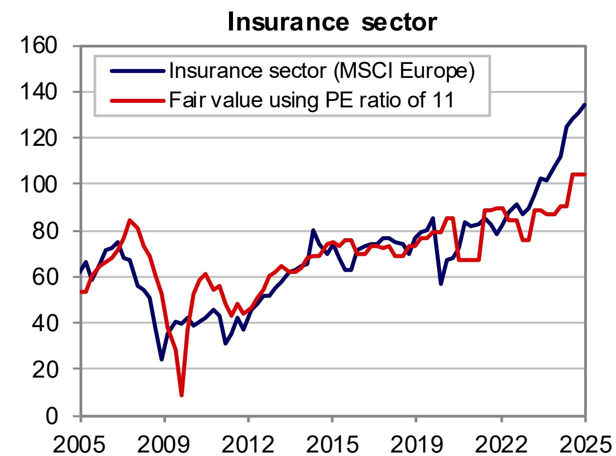
Europe: Banks and insurance companies

With the end of the negative interest rate phase in the wake of post-pandemic inflation, interest rates in the eurozone have returned to positive territory on a sustained basis. This means that the deposit and lending business is now more profitable than it was when interest rates were zero or even negative, with profit levels now structurally higher. The performance of the MSCI Europe Banks index reflects the earnings trend, with some upside left according to normal valuation levels. Nevertheless, profit and price normalization is likely in the end phase. It is unlikely that the banking sector will be capable of more than low single-digit profit growth in the medium term, though in 2026 and 2027, growth is likely to remain higher than usual.

The profit trend in the European insurance sector was much more positive than that of banks after the financial crisis, though the MSCI Europe Insurance Index has recently outpaced profit growth.



Source: MSCI

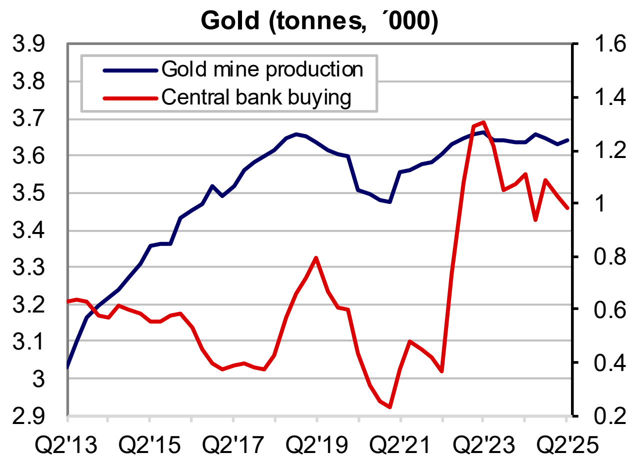


Source: MSCI

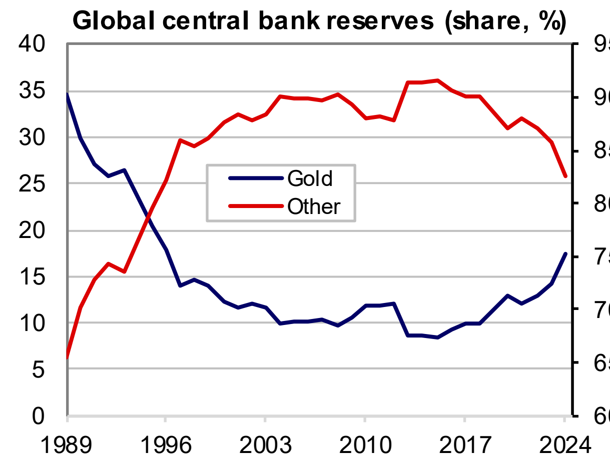
Central banks: Increased gold purchases since 2022

With Russian foreign exchange reserves frozen following the invasion of Ukraine in the spring of 2022, central banks have increased their gold holdings at the expense of foreign exchange reserves (especially US dollars). The unpredictability of the Trump administration is likely to keep central banks diversifying their reserves away from the US dollar. At present, however, it is mainly financial investors (via ETFs) who are driving up demand.

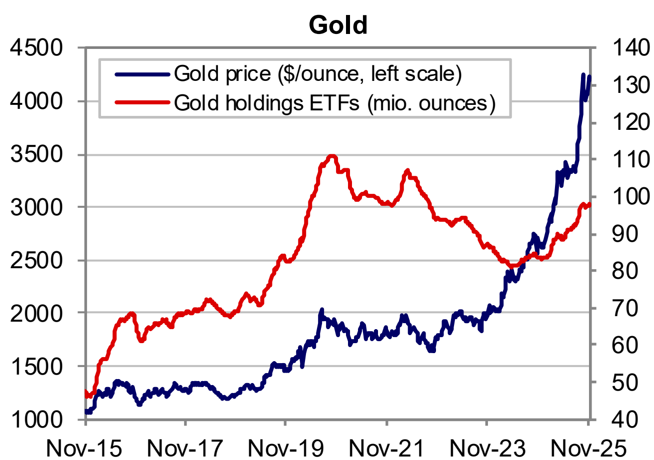
Gold production has changed little since 2017. If demand increases only slightly in a commodity market with limited opportunities for supply expansion, price increases can be enormous. Gold production is likely to rise in the coming years. Whether this will be enough to meet demand is not a foregone conclusion.



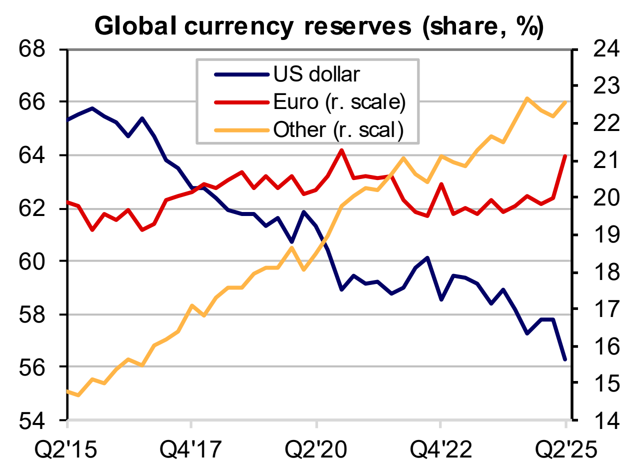
Source: World Gold Council



Source: World Bank



Source: Bloomberg



Quelle: IMF

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