



Investment Guide

The Strait of Hormuz: No Strait For TACO

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When the Iran war broke out on February 28, financial markets reacted with uncertainty but without panicking. Two narratives initially kept volatility in check: history suggests that geopolitical shocks rarely have a lasting impact on the real economy. And the now familiar pattern known as TACO – “Trump Always Chickens Out” – seemed to be on investors’ minds: in the recent past, US President Donald Trump’s policies repeatedly triggered shocks, only for him to pull back when markets became stressed. The implicit expectation was that de-escalation would occur again this time.

However, this hope fundamentally underrates the nature of wars. While a trade conflict remains politically manageable, since a single decision is all it takes to end it, a military conflict eludes unilateral control. An old insight applies: starting a war requires one decision, but ending it requires two. The Iran war serves as an example in this context: in response to attacks by the US and Israel, Iran is blocking the Strait of Hormuz and is deliberately destabilizing the entire Gulf region. There is no sign of unilateral concession. A TACO moment would depend on one party being able to de-escalate on its own, which does not appear feasible given the circumstances.

What does this mean for investors? Above all: acts of war are unpredictable, but their influence on financial markets is well documented. Be it after the outbreak of the Gulf War in 1990, the Iraq War in 2003, or Russia’s invasion of Ukraine in 2022, markets recovered faster than sentiment suggested. Those who resorted to selling when these wars erupted later regretted their decision.

The outcome of this war is uncertain, but investor behavior should not be. Diversification, a clearly defined investment horizon, and liquidity reserves are not crisis measures; they form the foundation of every robust investment strategy.

Enjoy the read.

Kind regards,



Gzim Hasani

Chief Executive Officer
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Global Economy

- The Iran conflict is weighing on global growth prospects and fueling concerns about sustained energy shortages.
- Central banks face a considerable challenge but continue to pursue a cautious approach.
- The Swiss economy is expected to expand at a noticeably slower, but still solid pace in 2026.

Iran conflict weighs on economic outlook

The Iran war is clouding the global economic outlook and presenting new challenges for the world economy. Uncertainty about potential damage to energy infrastructure is fueling fears of a persistent supply shortage. The ongoing development of the conflict will be decisive in determining whether the economic impact amounts to a short-term shock or evolves into a longer-lasting crisis. Most scenarios continue to assume that energy production and trade routes will gradually normalize. However, concerns are mounting that this outlook may be too optimistic and that normalization could prove more complex and protracted than anticipated.

The past offers guidance, though comparisons are imperfect

Many market observers cite parallels with the energy crisis of 2022, when a sharp rise in oil and gas prices triggered global inflationary pressures and forced central banks to hike interest rates aggressively. However, the current situation differs in several key respects. In 2022, multiple shocks converged: pent-up demand after the pandemic, disrupted supply chains, and the permanent loss of Russian energy exports. Today, the environment is more stable, even as oil prices have once again exceeded USD 100 per barrel. Furthermore, Europe lost a major energy supplier in Russia in 2022, while an eventual normalization of today's supply looks far more likely. Gas prices, despite recent upward movements, remain well below the peaks of 2022. Ultimately, inflation is currently much lower than at the outbreak of the Ukraine war in 2022.

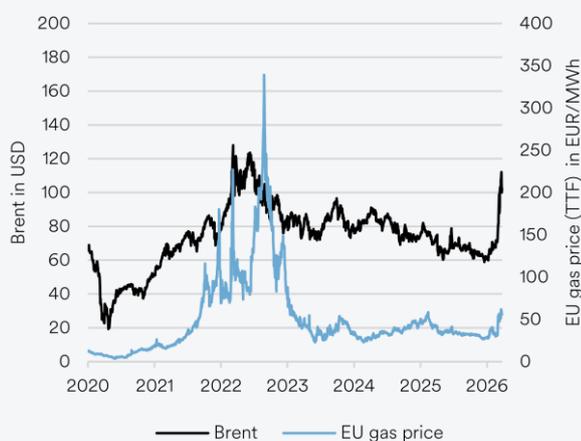
Central banks need to strike a delicate balance

Rising oil and gas prices have a direct impact on consumer prices and production costs, increasing uncertainty about the future trajectory of inflation. As a result, pressure on central banks to strike the right balance between price stability and growth risks is intensifying. While interest rate hikes can help curb inflationary pressures, they also jeopardize economic momentum. Therefore, a cautious, data-driven approach is likely even as market expectations have shifted substantially, with rate hikes now being priced in for the current year instead of rate cuts.

Growth despite cooling

US growth remains resilient despite rising energy prices, supported by fiscal stimulus and robust AI-driven investments. In Europe, inflation risks are milder than in 2022, indicating slower growth but not a recession. The Swiss economy expanded by 1.4% in 2025 and, according to the latest official forecasts, is expected to grow by around 1% in 2026, a noticeably slower, but still solid pace.

Fig. 1: Crude oil and gas prices
European gas prices well below 2022 highs



Source: Bloomberg, smzh ag. 24/03/2026

Fig. 2: Annual inflation in Switzerland, USA and Eurozone
Consumer price index year-on-year



Source: Bloomberg, smzh ag. 24/03/2026

Fixed Income

- Growing inflation concerns and higher interest rates have led to price declines and wider credit spreads.
- Solid fundamentals and attractive yield levels support investments in high-quality bonds.
- Despite geopolitical uncertainties, emerging market bonds continue to offer reasonable total return opportunities.

Increasing market volatility weighs on bond markets

As expected, the increase in market volatility has also impacted the bond markets. Rising inflation concerns have led to higher interest rates. Since rising rates go hand in hand with falling bond prices, fixed income securities came under pressure in March, giving back the gains they recorded since the beginning of the year.

Growing inflation uncertainty is also associated with increased economic risks. Rising production costs and mounting supply bottlenecks are intensifying concerns about economic developments. As a result, credit spreads have widened. The combination of higher benchmark yields and wider spreads is putting additional strain on the riskier segments of the bond markets.

To some degree, this development is reminiscent of 2022, when bonds lost their traditional diversification role and were unable to offset corrections in equity markets. A swift resolution of the conflict in Iran could quickly reverse yield movements. Conversely, a deeper and prolonged escalation would dampen growth expectations, tighten financial conditions, and further weigh on the higher-risk segments of the market.

Nevertheless, demand for quality bonds remains stable, and the current high level of yields offers an attractive starting point for future returns. In this environment, investors should focus on high-quality bonds to best benefit from robust fundamentals and a favorable risk-return profile.

Emerging market bonds remain attractive

Emerging market bonds started the year on a strong note and continued to outperform developed market bonds despite rising geopolitical uncertainties. While some spread widening did occur within this segment, emerging market debt displayed notable resilience. This strength reflects solid fundamentals, even though risks persist should oil supply disruptions become protracted or global economic growth weaken.

For Swiss investors, a combination of investment-grade bonds, high-quality high-yield bonds, and select emerging market bonds remains attractive. To mitigate currency risks, investments with CHF hedging are recommended, despite hedging costs of roughly 4% for USD/CHF and 2.3% for EUR/CHF, respectively. For investors able to accept illiquidity risks, alternative investments in non-correlated asset classes also remain appealing.

Fig. 3: Strong yield increase in government bonds

Yields of 10-year government bonds since the start of war



Source: Bloomberg, smzh ag. 24/03/2026
Past performance is no indication of future results.

Fig. 4: Current yields in selected bond markets

Yield-to-worst in %



Source: Bloomberg, smzh ag. 24/03/2026
Past performance is no indication of future results.

Equities

- The Iran conflict is weighing on global equity markets, especially in Europe and Asia, but also on defensive segments.
- Past geopolitical shocks show that markets often recover quickly after initial declines.
- Over the long term, the environment remains constructive, supported by rising corporate earnings and positive structural trends.

Iran war weighs heavily on equity markets

After a strong start to 2026, equity markets have given back their previous gains, with most regions now even in negative territory. Asian and European markets, which previously led year-to-date, suffered the most in March due to their higher vulnerability stemming from dependence on oil and gas imports.

Defensive sectors lag despite heightened risk aversion

However, this correction was unusual in several respects, both regionally and sector-wise. Traditionally defensive segments did not benefit from increased geopolitical uncertainty. This applies to Switzerland as well as to the healthcare and consumer staples sectors, while energy led the way and the technology sector recorded only modest losses. This atypical pattern can be attributed to the way markets are pricing in the shock. The Iran conflict is largely interpreted as an inflationary and growth-dampening event, rather than a liquidity crisis or a clear signal of recession. The central transmission channel of this crisis is through energy prices and global inflation. Rising input and logistics costs are squeezing margins across a broad range of companies, including traditionally defensive sectors. As a result, the usual quality premium in defensive segments is eroding, and the typical rotation into these segments has not materialized.

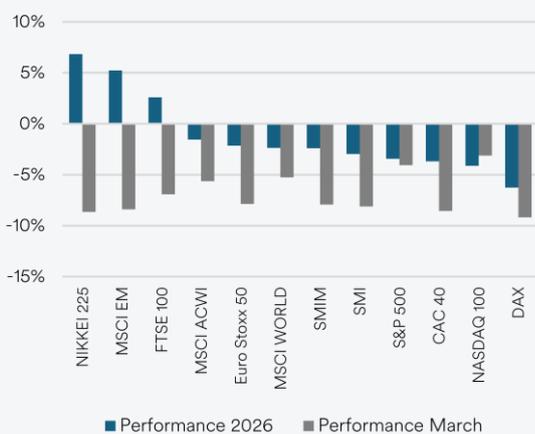
It is impossible to forecast the course of military conflicts. However, two tools can help to analytically address this uncertainty: scenario analyses, which model different conflict outcomes and their economic effects, and historical comparisons with previous geopolitical shocks. While both approaches have their limitations, since economic cycles rarely repeat themselves in exactly the same manner, a look back shows that in past geopolitical shocks, markets often stabilized or recovered within three to six months following initial declines. Although this offers no guarantee for the current situation, the observation remains relevant.

Long-term prospects remain constructive

Overall, the macroeconomic environment remains supportive. Easing global trade tensions, fiscal stimulus in various developed economies, and structural trends in artificial intelligence are fundamentally positive factors. Consensus estimates for corporate earnings have been rising for months and have recently accelerated, particularly in the United States. This has enabled a notable valuation adjustment, without sharp declines in leading indices. A valuation adjustment means that price-earnings ratios (P/E) and other valuation metrics have decreased, not because prices have fallen, but because underlying earnings expectations have increased.

Fig. 5: Total return in local currency

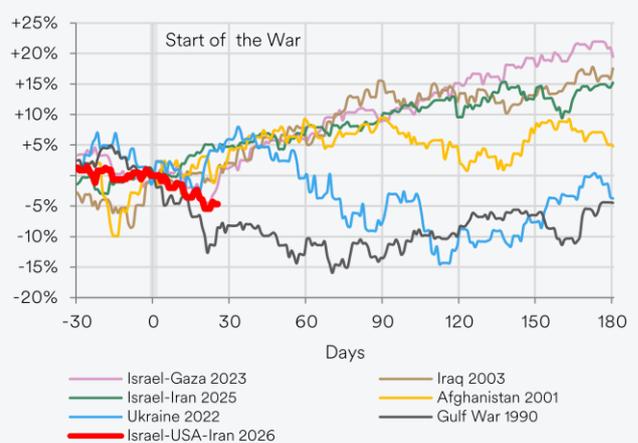
Returns in March and year-to-date



Source: Bloomberg, smzh ag. 24/03/2026
Past performance is no indication of future results.

Fig. 6: Equity markets often prove resilient during wartime

Performance of S&P 500 Index during selected war events



Source: Bloomberg, smzh ag. 24/03/2026
Past performance is no indication of future results.
Note: The chart shows the performance in the 30 days preceding the official start of war and up to 180 days after. Gulf War August 2, 1990, Afghanistan October 7, 2001, Iraq March 20, 2003, Ukraine February 24, 2022, Israel-Gaza October 7, 2023, Israel-Iran June 13, 2025, Israel-USA-Iran February 28, 2026

Currencies and Gold

- The US dollar is benefiting from global risk aversion and higher oil prices as a global safe haven.
- Despite increased volatility, gold remains an attractive diversification asset in portfolios.

Global risk aversion strengthens the US dollar

Unsurprisingly, the Iran conflict has also noticeably influenced global currency markets, triggering a classic pattern of increased risk aversion. In such phases, demand for liquid and perceived safe-haven currencies typically rises. In March, the US dollar benefited most from this trend, with higher oil prices giving the currency additional momentum. The United States is generally considered a net exporter of energy, making it more resilient in periods of energy shocks.

Swiss franc weakens despite global uncertainty

For many, the performance of the Swiss franc is remarkable. The franc lost ground against both the euro and especially the US dollar. At first glance, this appears to contradict its traditional role as a safe haven. However, the current situation highlights that safe-haven characteristics are dependent on the context. In an environment dominated by a global preference for liquidity, the US dollar's leading role in the international financial system gives it greater appeal than the franc. The rhetoric of the Swiss National Bank (SNB) has likely played its part as well; its repeatedly signaled willingness to intervene against excessive franc appreciation has further dampened the currency, even though the SNB's capacity to sustainably influence the franc's value – be it through interest rate policy or direct intervention – remains limited.

No crisis advantage for gold

The weak performance of gold prices despite the outbreak of the Iran conflict surprised many market participants, but this can be fundamentally explained. Rising real interest rates, a stronger US dollar, profit-taking by investors, and especially the forced unwinding of leveraged positions due to market conditions have weighed on gold prices. Additionally, subdued demand from central banks in emerging markets has contributed to weaker demand dynamics.

Gold remains attractive in the long term

Gold fundamentally serves as a hedge against monetary risks such as currency devaluation, rising deficits, and economic downturns. However, in periods of market turmoil, gold can also experience contrary movements. We have repeatedly pointed out that investors should bear in mind that gold can suffer significant setbacks during phases of stress.

Nonetheless, gold remains in investors' focus in the current market environment, and rightly so. The fundamental factors supporting gold are still intact. Central banks, though more cautious, remain net buyers and inflows into gold ETFs continue to be robust. Growing concerns about US government debt, declining confidence in US Treasuries, and ongoing de-dollarization trends are likely to continue supporting the price of gold.

Fig. 7: CHF loses ground against USD and EUR in March

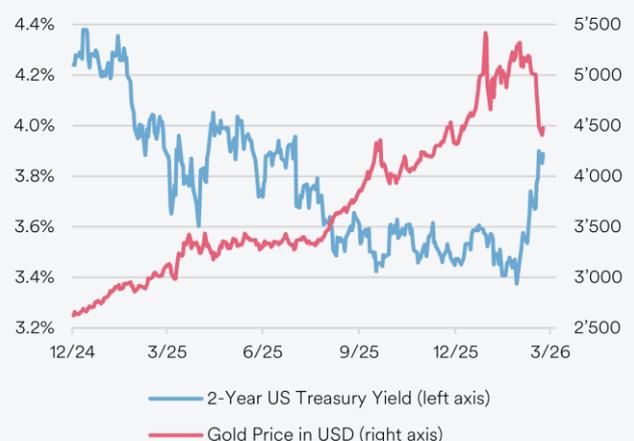
Indexed at 100 as of 1.1.2026



Source: Bloomberg, smzh ag. 25/03/2026
Past performance is no indication of future results.

Fig. 8: Rising yields weigh on gold price

Gold prices vs. 2-year US Treasury yields



Source: Bloomberg, smzh ag. 25/03/2026
Past performance is no indication of future results.

Swiss Real Estate

- Rising interest rates weigh on listed real estate securities, though fundamentals remain intact.
- Several votes are scheduled for June 14: In Zurich, three housing policy initiatives will be on the ballot, and nationally, voters will decide on the “No 10 million in Switzerland” initiative.

Higher rates put pressure on listed real estate securities

Swiss real estate is widely considered to be robust against geopolitical and global economic shocks, but it is highly sensitive to changes in interest rate expectations. Currently, the yield curve has shifted upward across all maturities: at the long end, higher inflation expectations are reflected, while at the short end, the market has temporarily priced in more than two rate hikes by the SNB by year-end. This adjustment has an immediate impact on valuation metrics and puts pressure on listed real estate securities. Accordingly, real estate stocks and funds have lost about 5% to 10% in value, depending on the segment, since the escalation at the end of February – closely tracking the broader equity market.

Fundamental factors remain largely unchanged

However, the investment case for real estate remains intact. The demand surplus in the residential segment continues to grow, while the commercial sector has recovered and the overall outlook remains moderately positive, albeit with regional and sectoral divergences. Recent market movements are therefore primarily interest rate-driven, not indicative of a deterioration in fundamentals. With a normalization of the geopolitical situation, currently elevated risk premiums in rate markets are likely to ease.

Political votes in focus for investors

On June 14, the canton of Zurich will vote on three housing policy initiatives: the Home Ownership Initiative, the Housing Initiative, and the Tenant Protection Initiative. The first two aim to strengthen the role of the public sector in providing affordable housing, both for rent and ownership. The Tenant Protection Initiative proposes a more moderate intervention, aligning with similar measures implemented in Basel. The prevalence of such proposals, especially in urban centers, signals increasing political pressure for market intervention and rising regulatory risks for investors.

Additionally, the national vote on the “No 10 million in Switzerland” initiative will take place on June 14, seeking to limit population growth. Should it pass, it would significantly restrict immigration, dampening a key driver of housing demand. For the real estate market, this would represent a structural shock, fundamentally altering demand dynamics with noticeable impacts on pricing, construction activity, and regional development. Given the far-reaching economic consequences, a “no” vote at the polls is considered more likely than a “yes.”

Fig. 9: Rate expectations weigh on real estate stocks

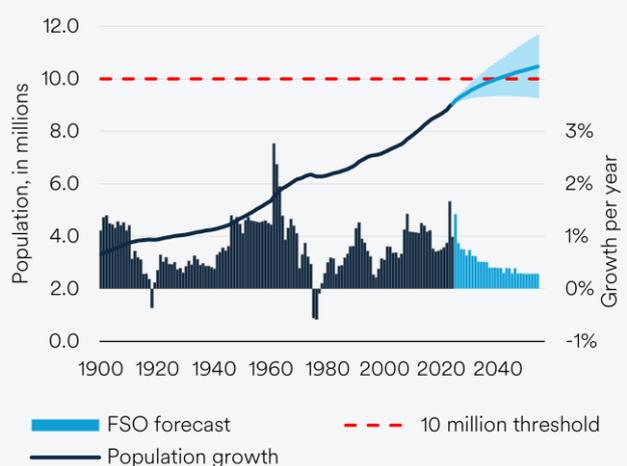
Listed real estate stocks vs. interest rate swap rates



Source: Bloomberg, smzh ag. 25/03/2026
Past performance is no indication of future results.

Fig. 10: Swiss population expected to hit 10m in 2041

Population growth and official forecasts



Note: The forecast is based on the reference scenario of the Swiss Federal Statistical Office. The margin is the result of the scenarios “low” and “high.”
Source: Federal Statistical Office, smzh ag. 25/03/2026

Cryptocurrencies

- Despite geopolitical tensions, Bitcoin’s performance has been remarkably stable, even trending slightly positive in March.
- After weeks of outflows, Bitcoin ETFs are now seeing clear inflows.
- In a broader cycle comparison, Bitcoin is currently in a bear cycle, but the MVRV indicator suggests this cycle may already be in a late stage.

Bitcoin decouples from typical crisis patterns

In the current geopolitical environment, Bitcoin has been showing a remarkable divergence from its usual response patterns. In the past, as the only major, continuously traded asset, Bitcoin often acted as a short-term outlet for risk reduction, particularly in periods when traditional financial markets were closed. As a result, Bitcoin was frequently sold in such scenarios, with prices returning to normal once equity markets reopened.

This dynamic, however, has not been observed recently. Rather, Bitcoin has gained ground amid increasing uncertainty, attracting capital rather than serving as a channel for investors to offload risk.

Pre-emptive correction stabilizes market conditions

At the onset of the Iran conflict, Bitcoin had already experienced significant selloffs. In preceding months, large market participants progressively sold positions, pushing valuations and technical indicators into oversold territory. At the same time, leveraged positions were reduced, improving market structure. Consequently, the market entered the crisis in a structurally cleansed state and was well-positioned to absorb new demand.

Bitcoin price proves surprisingly steady

After several weeks of continuous outflows, ETF flows have turned positive again. This is also indicated by the “Market Value to Realized Value” (MVRV), which measures the ratio between market capitalization and realized value and currently is near historic lows. As a result, many market participants are already in loss positions, which may reduce the remaining selling pressure.

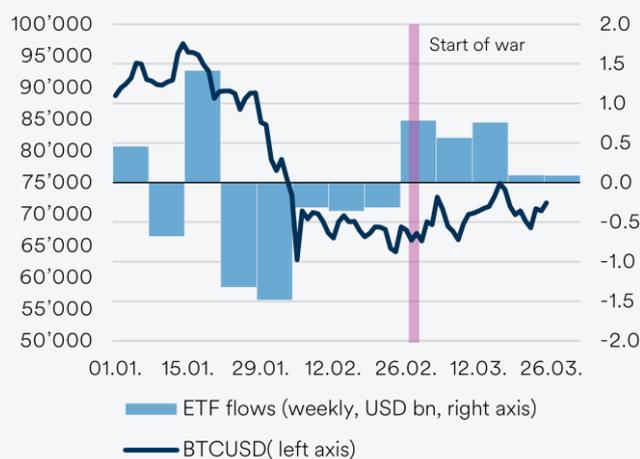
From trading to strategic allocation

If the Iran conflict continues and supply disruptions in the energy market intensify, the risks of renewed inflation acceleration will rise. In such an environment, expectations for rate cuts will disappear, and rate hikes will become a realistic option.

For Bitcoin, this results in a mixed outlook. On the one hand, higher interest rates are a headwind, as rising opportunity costs negatively affect non-yielding assets, and Bitcoin is typically sold during risk-off phases. On the other hand, a substantial part of the correction has already taken place, the market structure has been structurally cleansed, and additional downside potential therefore looks rather limited.

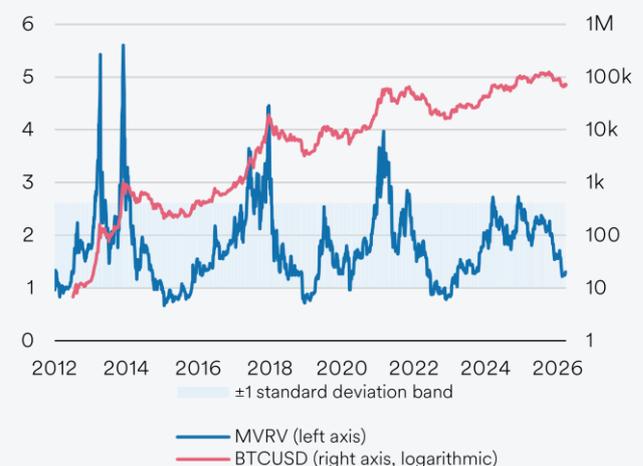
Consequently, Bitcoin’s role shifts from a pure trading instrument to a potential strategic allocation should macroeconomic uncertainty continue to increase.

Fig. 11: Bitcoin spot ETF outflows continue
Bitcoin price and ETF capital movements since start of year



Note: The development of the overall market is based on the change in total market capitalization.
Past performance is no indication of future results.
Source: Bloomberg, smzh ag. 25/03/2026

Fig. 10: Bitcoin price proves surprisingly steady
MVRV vs. Bitcoin price



Note: The MVRV indicator compares Bitcoin’s current market capitalization with its realized value, that is, the sum of all coins valued at the price at which they were last transferred on the blockchain. A high MVRV indicates that many market participants are in profit, while a low value suggests that many are at a loss. Source: Bloomberg, smzh ag. 25/03/2026



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