smzh

Investment Guide

Higher. Longer. Pricier.

CIO House View

JUNE 2026

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Higher. Longer. Pricier.

The global economy and global financial markets are in a structural regime shift. Interest rates are rising in response not only to inflation risks but also to growing doubts about the long-term sustainability of public finances. High budget deficits and rising debt lead investors to demand higher risk premia for long-term capital. Capital is thus becoming structurally more expensive.

Higher energy prices reinforce this pressure and fuel the debate about a potential stagflationary environment. The combination of elevated price levels and waning growth dynamics remains a relevant risk scenario but has not yet materialized in macroeconomic data. On the contrary: the global economy is proving very resilient, particularly in the United States, where consumption, the labor market, and corporate earnings continue to exceed many market participants' expectations. This dynamic stabilizes global growth and reduces the likelihood of a broad cyclical slowdown.

Against this backdrop, equity markets are reaching new highs despite higher interest rates and rising risk premiums. This development is particularly pronounced in the technology sector, especially in the areas of artificial intelligence (AI) and semiconductors, driven by strong earnings growth and a structural investment cycle.

"Higher. Longer. Pricier." therefore has a more differentiated meaning for equity markets than for interest rates and inflation. Higher prices do not necessarily equate to more expensive valuations, as long as they are fundamentally supported by earnings growth. "Longer" describes the overarching growth engine: investments in AI, which are likely to be structural and long-term in nature.

This is precisely where the central tension lies: the necessary investments in infrastructure, energy, defense, and technology are up against restrictive financing costs. Capital is becoming more expensive at a time when it is structurally needed. For investors, this environment is less a reason for tactical reactions than for strategic positioning. What remains decisive is disciplined capital allocation that leverages structural growth drivers and consistently puts real assets with stable cash flows, solid balance sheet quality, and high productivity at the core.

Enjoy the read.

Best regards,

Gzim Hasani

Chief Executive Officer
CEO

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Chief Investment Officer
CIO

Global Economy

- The Iran conflict is driving up inflation expectations and increasing the risk of stagflationary dynamics.
- The United States and Switzerland remain relatively resilient, while Europe is more impacted by energy costs.
- Central banks remain restrictive, while AI-driven investments continue to support global growth.

Stagflation concerns persist

The Iran conflict remains one of the central macroeconomic drivers. Higher oil and energy prices continue to fuel inflationary pressure, leading to higher interest rates. The critical question for the coming months is whether higher interest rates will tighten financial conditions and substantively weigh on growth. To date, however, data continues to point to remarkable resilience. Retail sales remain robust, labor markets show no significant weakening, and corporate earnings are developing markedly better than generally expected. At the same time, stagflation concerns become more entrenched the longer energy supply disruptions persist.

Increasing regional divergence

The macroeconomic environment is increasingly fragmented along regional lines. The US remains comparatively well-supported due to its role as a net exporter of energy, robust domestic demand, and ongoing strong growth momentum. Europe faces a more challenging environment. Higher energy costs are weighing on both private consumption and industrial production. Fiscal policy support, particularly from Germany, is expected to provide a partially offsetting effect. Switzerland remains in a special position thanks to low inflation, an appreciating Swiss franc, and lower dependence on oil imports. According to official early estimates, real Swiss GDP is expected to have grown by 0.5% in the first quarter of 2026, with positive contributions from both the industrial and services sectors.

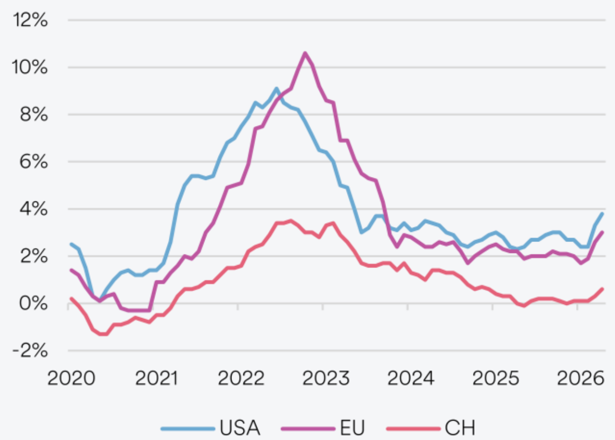
Higher for longer becomes consensus

Monetary policy expectations have clearly shifted toward tightening relative to the rate-cut expectations that dominated just a few months ago. For the Federal Reserve, markets fully price in one rate hike by December, while for the ECB, a rate increase is already priced in for June. Even for the SNB, market expectations for a rate hike by December 2026 remain intact. Among the three major central banks, ECB expectations currently appear most plausible, while rate expectations for the Fed, and particularly for the SNB, remain very ambitious. A softening of these aggressive rate expectations would provide additional support to financial markets.

Energy crisis vs. AI boom

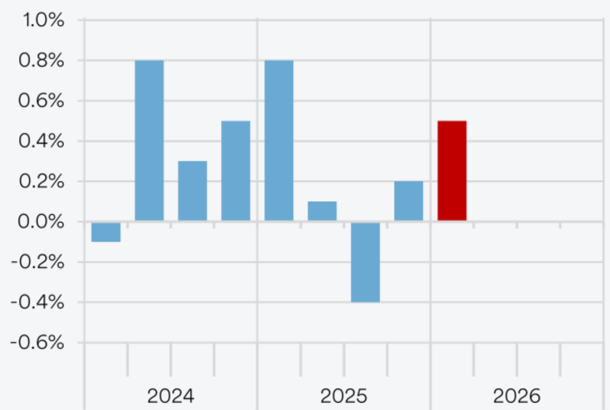
While the energy shock is likely to have lasting effects on growth and inflation, the overarching macroeconomic environment remains constructive thus far. Corporate earnings have proven resilient. Particularly in the United States, sustained high investment in artificial intelligence and related technologies is supporting both investment activity and productivity gains. Thus, two opposing forces face each other, with their interplay likely to shape the macroeconomic regime for the remainder of the year.

Fig. 1: Inflation trend: USA, Eurozone, and Switzerland
Headline inflation year-on-year, 2020–2026



Source: Bloomberg, smzh ag. 30/04/2026

Fig. 2: Swiss GDP growth (month-on-month, in %)
Adjusted for major sporting events



Source: SECO, smzh ag. 18/05/2026

Fixed Income

- High-quality bonds remain attractive as no deterioration in credit quality is expected.
- Emerging market bonds continue to offer decent total return opportunities despite low credit spreads.
- For investors who can tolerate illiquidity, alternative income strategies remain attractive.

A month of two halves

Global bond markets experienced a volatile month as market participants recalibrated both inflation and central bank policy rate expectations. Yields on 10-year US Treasury bonds temporarily rose above 4.6%, while yields on 30-year US Treasury bonds reached over 5.1%, the highest level since 2007. Yields on German bunds also rose to their highest level since 2011, influencing yields on Swiss sovereign bonds. In the second half of the month, ongoing de-escalation efforts in the Iran conflict provided some relief, and declining oil prices led to lower long-term rates, supporting a moderate recovery in bond markets.

Corporate and emerging market bonds more resilient

Corporate bonds performed much better than sovereign bonds. Both investment-grade and high-yield indices posted slightly positive monthly returns despite rising sovereign yields. Credit spreads remained remarkably stable. This was supported by solid corporate earnings, robust balance sheets, and continued high demand for yield. While further spread tightening appears increasingly limited given already ambitious valuations and higher base rates, absolute yield levels remain attractive and continue to offer interesting income opportunities.

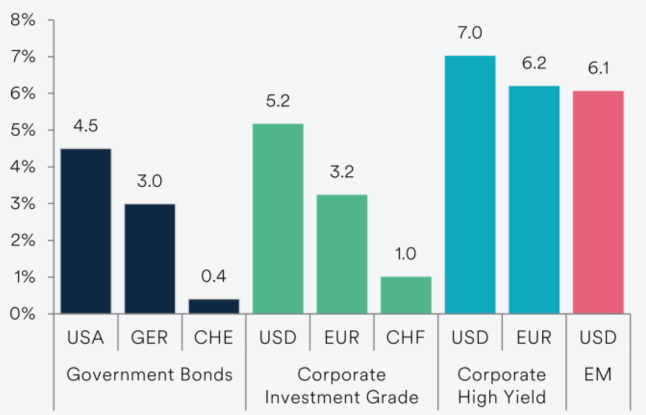
Hard currency emerging market (EM) bonds also proved more resilient overall. During the peak of the oil price shock, oil-importing economies came under pressure, but sentiment improved later in the month as geopolitical risks faded and foreign capital inflows returned.

A regime shift and implications for investors

Investors are increasingly demanding higher risk premia due to inflation uncertainty, rising sovereign debt, and geopolitical risks. Simultaneously, the traditional relationship between bonds and risky assets such as equities has become less stable. In this environment, sovereign bonds no longer work unconditionally as reliable diversification. While current higher yield levels significantly improve income prospects compared to years past, duration is no longer viewed as a clear hedging mechanism when market volatility is driven by inflation and rising government financing needs rather than growth concerns.

For Swiss investors, a combination of investment-grade bonds, high-quality high-yield bonds, and selected emerging market bonds remains attractive. To limit currency risks, CHF-hedged exposure is recommended. For investors with greater illiquidity tolerance, alternative investments in low-correlation asset classes remain interesting.

Fig. 3: Current yields in selected bond markets
Yield-to-worst in %



Source: Bloomberg, smzh ag. 28/05/2026
Past performance is no indication of future results.

Fig. 4: Emerging market bonds in USD
Low credit spreads, high absolute yields

Source: Bloomberg, smzh ag. 28/05/2026
Past performance is no indication of future results.

Equities

- Global equity markets reach new all-time highs, driven by AI impulses and accelerated earnings growth.
- The fundamental environment remains constructive, with rising corporate earnings and positive structural trends.
- The US and technology keep the lead, but Europe and emerging markets remain attractive.

AI lifts all boats

After recovering in April, global equity markets continued their ascent also in May, reaching new all-time highs driven by an accelerated earnings cycle in the technology and AI-related industries. The strongest price gains were recorded in Asia, particularly among semiconductor and memory chip manufacturers, which benefit directly from the global AI investment wave. In Europe, markets have largely stabilized and recovered following the turmoil triggered by the Iran conflict.

Earnings growth driving markets higher

The stability of earnings expectations, already identified in the prior month as a decisive anchor of confidence, has confirmed and broadened. US companies recorded the strongest earnings growth in four years in the first quarter. The dynamic is increasingly broadly supported and no longer concentrated exclusively on the technology sector. Despite elevated index levels, earnings growth has thus prevented a significant valuation expansion. Retrospectively, the valuation correction observed in the prior month has proven to be an attractive entry opportunity.

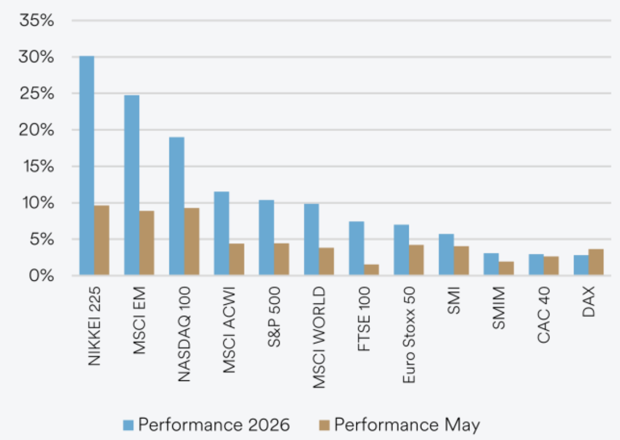
Stay the course with discipline

On balance, the arguments for remaining invested continue to prevail, even despite current all-time highs, but without excessive risk expansion. This assessment aligns with our positioning before and during the correction triggered by the Iran conflict. First, fundamentals remain robust. As long as energy bottlenecks do not persist over an extended period, positive economic growth is expected to continue. Second, fiscal policy continues to provide support in many regions, and ongoing stimulus programs dampen the impact of elevated energy prices on households and businesses. Third, expectations for monetary policy easing by the Fed have reduced but have not completely disappeared. Fourth, structural growth drivers in the AI sector continue to support overall markets.

Regional preferences and risks

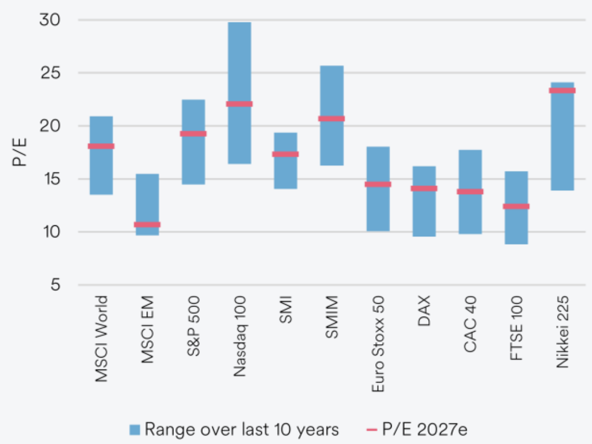
The US, and particularly the technology sector, remains the leader in the near term. At the same time, equity markets in the eurozone and emerging markets continue to appear attractively valued, despite higher sensitivity to energy price shocks. Emerging markets are currently heavily driven by the technology sector. This implies certain concentration risks, yet aligns with the global market leadership of this sector. Swiss dividend stocks continue to offer defensive qualities and stable cash flows. They should remain overweighted in balanced portfolios, particularly in the current environment of elevated macroeconomic uncertainties.

Fig. 5: Major equity markets in local currency, total return
Year-to-date returns



Source: Bloomberg, smzh ag. 27/05/2026
Past performance is no indication of future results.

Fig. 6: Performance driven by earnings growth
Price-to-earnings ratio 2016–2026



Source: Bloomberg, smzh ag. 27/05/2026
Past performance is no indication of future results.

Currencies and Gold

- The US dollar remains susceptible to further corrections, but hedging demand could gradually diminish.
- The Swiss franc benefits from its status as a safe haven but SNB rhetoric limits its appreciation potential.
- Gold remains an attractive diversification instrument in portfolios despite elevated volatility.

Euro between rate hike hopes and growth concerns

Currency markets have remained remarkably stable in recent weeks despite high volatility in oil prices. While US dollar and the Norwegian krone gained strength thanks to these countries' energy exports, the euro was also supported in May by rising expectations of ECB rate hikes. A rate hike in June is now nearly a consensus, and markets currently price in approximately three rate steps by mid-2027. At the same time, the growth outlook is deteriorating, and the eurozone is increasingly approaching a scenario of weaker growth and higher inflation. Accordingly, the euro's further trajectory appears to be trending sideways from here.

SNB rhetoric limits franc appreciation

While the franc initially benefited from its role as a safe haven at the beginning of the Iran conflict, it now faces a more challenging environment. A stronger-than-expected Swiss economy in the first quarter, along with a moderate rise in inflation, has shifted the discussion from SNB rate cuts to potential rate hikes, thereby supporting the franc. However, these expectations appear exaggerated, and the policy rate is likely to remain at zero, with currency interventions continuing to be the central instrument. The SNB has repeatedly signaled its willingness to intervene against further franc appreciation, which limits the CHF in the short term against both the euro and the US dollar.

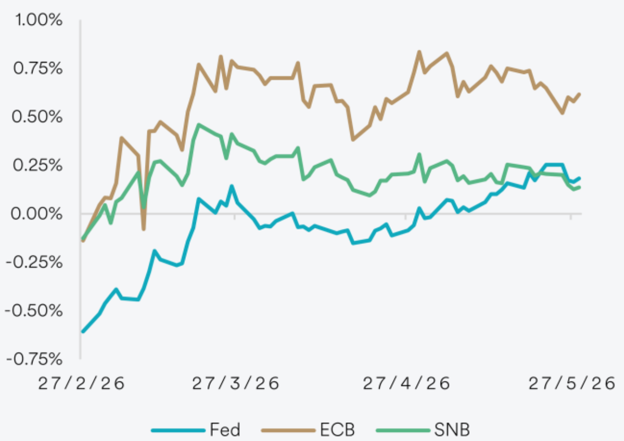
Gold in search of its shine

The weak performance of the gold price despite the outbreak of the Iran conflict and persistently high inflation concerns continues to surprise many market participants, yet can be well explained fundamentally. The rise in both nominal and real rates makes non-yielding gold unattractive from an investor perspective. A stronger US dollar further dampens demand, while central bank purchases in emerging markets have recently been less dynamic. Since the outbreak of the Iran war, gold has traded strongly inversely to oil prices, which temporarily amplifies the headwinds mentioned previously.

Gold remains an attractive portfolio diversifier

Gold can fundamentally serve as a hedge against monetary risks such as currency devaluations, rising deficits, and cyclical slowdowns. However, in phases of market turmoil, countercyclical movements can also occur. We have repeatedly pointed out in the past that gold can experience significant pullbacks in phases of stress. Nevertheless, the fundamental factors supporting gold remain intact. Central banks are buying more cautiously but remain net buyers, and inflows into gold ETFs remain robust. Increasing concerns regarding US sovereign debt, diminishing confidence in US Treasury bonds, and trends toward de-dollarization are expected to continue supporting the gold price.

Fig. 7: Expectations for interest rate increases stay high
Expected rate adjustments by December 2026 (swaps)



Note: The chart shows swap-implied interest rate expectations for selected central banks by December 2026 since the outbreak of the Iran conflict. Values above zero indicate expected hikes, values below zero expected cuts.
Source: Bloomberg, smzh ag. 27/05/2026
Past performance is no indication of future results.

Fig. 8: Rising interest rates weigh on gold price
Gold price vs. yields on 2-year US Treasury bonds

Source: Bloomberg, smzh ag. 27/05/2026
Past performance is no indication of future results.

Cryptocurrencies

- Bitcoin remains in a sideways trend overall, with intra-month volatility remaining elevated.
- Progress in US regulation to clarify the treatment of digital assets is becoming the key driver.
- Despite recorded net outflows, broader market behavior does not yet suggest a complete breakdown in demand.

Bitcoin recovery lacks conviction

Bitcoin remained in a cautious recovery phase in May, unable to sustain momentum despite a promising start to the month. Easing geopolitical tensions, improving spot demand, and progress on US crypto regulation briefly pushed Bitcoin back above USD 80,000. However, the rally lacked conviction, as sticky inflation, elevated Treasury yields and renewed concerns around the Strait of Hormuz limited risk appetite.

Momentum in US spot ETF accumulation also started to cool: after a brief recovery in early May, US spot Bitcoin ETFs recorded renewed outflows, suggesting that institutional demand remains fragile. Sentiment remains cautious, with the Crypto Fear & Greed Index oscillating between fear and neutral, while weaker capital inflows and heavy overhead supply keep conviction below prior bull phases.

Regulatory clarity makes advances

On the regulatory front, the most significant development in May was the advancement of the CLARITY Act through the US Senate Banking Committee, which approved the bill on May 14. Its progress triggered a positive market reaction, with Bitcoin briefly moving back above USD 80,000 and crypto-related equities such as Coinbase rising. The bill now moves to a full Senate vote, which it needs to pass before becoming law.

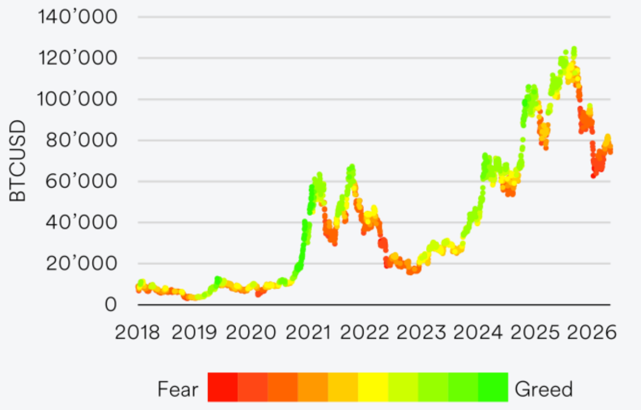
Currently, both the SEC and the CFTC can claim authority over the same crypto assets, with no clear written framework defining which rules apply. This uncertainty leaves companies and investors exposed to potential enforcement actions and can discourage traditional investors from entering the market altogether. The CLARITY Act seeks to resolve this by giving the CFTC authority over spot markets for digital commodities, including Bitcoin, Ethereum and Solana, while the SEC would retain oversight of tokens that behave more like securities. Crucially, this classification would be written into federal law rather than relying on administrative guidance, making the framework more durable across political cycles.

If passed into law, the CLARITY Act could support institutional inflows by reducing regulatory ambiguity, making the market more transparent and easier to access for traditional investors. Together with the GENIUS Act on stablecoins, signed into law in July 2025, it points toward a more regulated and institutionally investable environment for digital assets in the US.

Consolidation needed before a bull transition

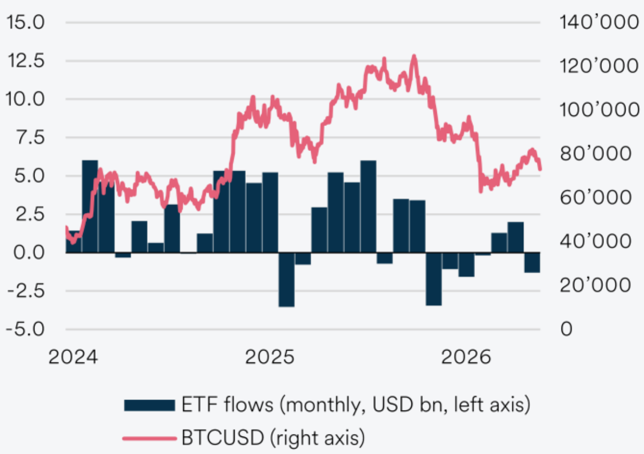
The broader trend for digital assets remains constructive, but fragile. Bitcoin has shown resilience, yet renewed ETF outflows, spot demand that failed to sustain its early recovery, higher yields and a firmer US dollar continue to cap upside momentum. Until these headwinds ease, Bitcoin may struggle to break above key resistance levels and remain within its current range. However, improving regulatory clarity and deeper institutional infrastructure continue to support a more favorable long-term environment for digital assets.

Fig. 9: Sentiment has improved but not yet recovered
Crypto Fear & Greed Index



Note: The Crypto Fear & Greed Index is based on six indicators, including volatility, market momentum, social media activity, Google search trends and survey data.
Source: Bitbo, alternative, smzh ag. 28/05/2026

Fig. 10: Bitcoin ETF flows turned negative in May
Monthly net flows into US spot Bitcoin ETFs and BTC price



Source: Bloomberg, smzh ag. 28/05/2026

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