



Investment Guide

Keeping a steady hand in turbulent times

CIO House View
MARCH 2026



Keeping a steady hand in turbulent times

The US-Israeli strikes on Iran and Iran's immediate retaliation have plunged the Middle East into open war. The scale of the conflict suggests it could prove longer and more intense than the twelve-day war of last June.

Wars and armed conflicts cause immeasurable human suffering and have profound political, economic, and social consequences. For financial markets, they typically represent acute but temporary shocks, provided they remain regionally contained and do not permanently disrupt global energy supplies. The greatest risk to the world economy currently lies in disruption to oil and gas supply and potential further regional escalation. Rising commodity prices could reignite inflation concerns and shift expectations around monetary policy. Over the medium to long term, however, economic fundamentals outweigh individual geopolitical events. History shows that markets absorb geopolitical shocks, and the underlying forces of global growth ultimately prevail.

Even if financial markets remain characterized by volatility and risk aversion, current economic conditions support staying invested. Robust global growth, solid corporate earnings, and substantial fiscal stimulus provide a resilient foundation, even in a tense geopolitical environment.

Investors should therefore maintain discipline despite the gravity of the situation and avoid abandoning strategic positions in response to short-term headlines. Panic selling in the aftermath of shocks often leads to poor outcomes. Market reactions are frequently exaggerated before normalizing, and those who exit markets risk missing the recovery. Diversification, quality, and discipline remain the most effective tools for navigating periods of heightened uncertainty. Investors who allow emotions to drive decisions increase the likelihood of costly mistakes, whereas those who stay the course create the strongest foundation for long-term investment success.

Enjoy the read.

Best regards,



Gzim Hasani

Chief Executive Officer
CEO



Bekim Laski, CFA

Chief Investment Officer
CIO

Global Economy

- Despite elevated uncertainty, global growth is expected to remain positive in 2026 and beyond.
- Erratic US trade policies continue to weigh on activity but should not derail the overall resilient environment.
- The Swiss economy resumes growth following a contraction in the third quarter of 2025.

Market volatility is not macro volatility

Financial markets entered 2026 with heightened volatility, and the open conflict with Iran is likely to accentuate this further in the coming weeks. However, it is crucial to distinguish this from the underlying health of the global economy. Economic growth remains resilient, supported by fiscal stimulus and AI-related investments, which by now have become the key driver of expansion worldwide, particularly in the USA.

In addition to the Iran conflict, two recent developments have shaped the US economic environment. First, the Supreme Court struck down parts of President Trump's tariff framework. While the decision was largely expected, it leaves many questions unanswered. Second, US GDP grew by 1.4% in the fourth quarter of 2025, contrary to consensus expectations of 2.8%. This deviation was mainly due to the government shutdown, which curbed public spending and, according to official estimates, reduced growth by roughly 1.2 percentage points. Without this one-off effect, GDP growth would have largely met expectations. Technological investment once again led activity, and despite stagnant employment, consumption remained robust.

Political and geopolitical events often trigger short-term market disruptions, but they typically leave no lasting impact when fundamentals and global growth dynamics ultimately outweigh temporary shocks.

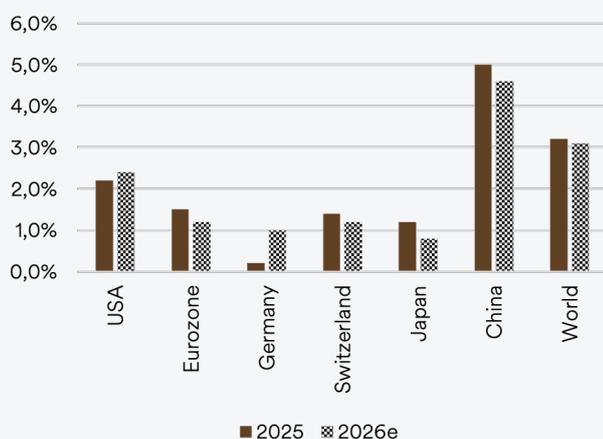
Consensus expects US GDP to grow around 2.4% in 2026, supported by robust investment and steady consumption. Europe remains softer, constrained by weaker AI-related spending but supported by fiscal stimulus. Japan and China exhibit similar patterns, with policy easing rather than private demand sustaining growth. Overall, the picture is not one of a “new boom,” but of broad-based macro resilience.

Swiss economy resumes growth

Switzerland's economy regained modest momentum at the end of last year. GDP, adjusted for major sporting events, rose 0.2% in the fourth quarter compared with the previous three months, when it fell 0.4%. For the year as a whole, growth reached 1.4%, in line with government expectations. Despite this recovery, companies remain under pressure from the strong Swiss franc, which recently climbed to its highest level in a decade against the euro and the US dollar. Each renewed appreciation intensifies calls for intervention by the Swiss National Bank (SNB), putting the central bank in a challenging position. However, there are also limits to what monetary policy can achieve. Foreign exchange interventions and interest rate cuts by the SNB cannot ensure a sustained depreciation of the franc as long as global capital continues to flow into perceived safe assets. Although the SNB ranks among the world's most influential central banks, its policy instruments are constrained in an interconnected global financial system. With inflation close to zero and economic growth stabilizing, the SNB is likely to maintain its policy rate at zero through 2026.

Fig. 1: Consensus forecasts for real GDP growth

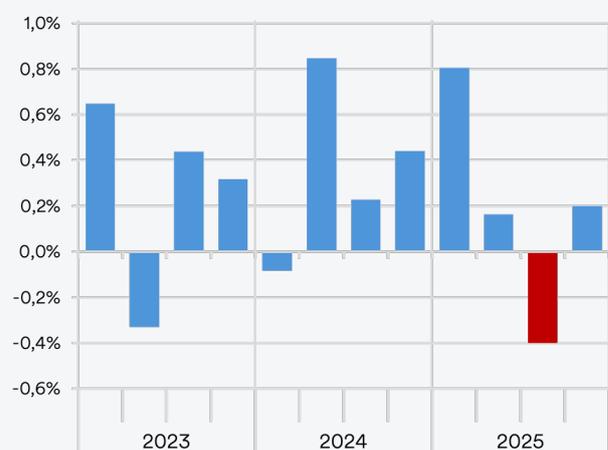
Year-on-year change in %



Source: Bloomberg, smzh ag. 25/02/2026

Fig. 2: Swiss GDP growth (month-on-month, in %)

Adjusted for major sporting events



Source: SECO, smzh ag. 27/02/2026

Fixed Income

- The fundamentals of higher quality bonds remain solid, as no significant deterioration in credit quality is expected.
- Emerging market bonds still offer reasonable total return opportunities despite low credit spreads.
- Private equity and real estate look more attractive than private debt.

Income over capital gains

Fixed income markets have remained remarkably stable in 2026 despite heightened overall volatility in financial markets. This also applies to the US corporate bond market, despite one of the largest new-issue cycles in its history, including elevated AI-related supply. Financial markets have continued to focus on resilient economic fundamentals, without material pressure on pricing or market functioning.

In addition, corporate credit spreads, the yield premium over government bonds, have continued to tighten, falling further to the tightest levels in decades. Such compressed levels increase the probability of some normalization, which would lead to falling bond prices. However, such a widening would most likely be driven by technical rather than fundamental factors. More importantly, investors should continue focusing on interest carry rather than capital appreciation through surging bond prices.

Still elevated nominal yields, ongoing strong investor demand, and robust corporate balance sheets continue to make credit markets an attractive source of income in portfolios, even in 2026. Lastly, the ongoing easing cycle of the US Federal Reserve (Fed), with two further rate cuts expected in 2026, continues to support global bond markets.

Emerging market bonds: stretched but solid

After a strong performance in 2025, emerging market (EM) bonds have continued their advance this year. Spreads have tightened further to multi-year lows and are at risk of widening. But as with other fixed-income investments, coupon income, rather than capital gains, remains the primary driver of performance. Fundamentally, a weaker US dollar, anticipated Fed rate cuts, and continued growth momentum in major EM economies provide a constructive backdrop. EM debt remains seen as a credible alternative to developed market debt.

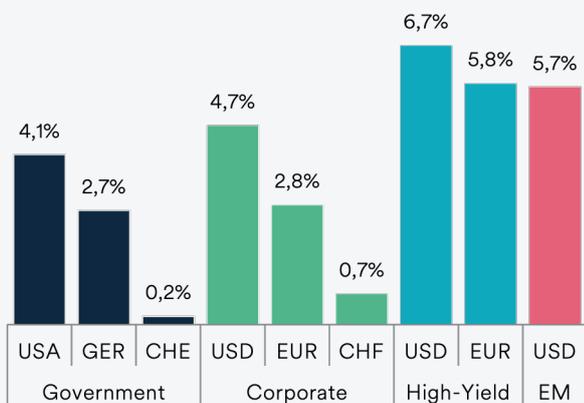
Limited options for Swiss investors amid low CHF yields

In Switzerland, nominal and real yields remain subdued. For Swiss investors, investment grade bonds, quality high-yield bonds, and selected emerging market debt remain attractive building blocks for portfolios even though hedging costs remain high (currently at around 3.8% for USD/CHF and 2.1% for EUR/CHF).

For investors who can tolerate illiquidity risks, alternative opportunities in real estate and other non-correlating asset classes remain attractive. Within private markets, private equity looks more attractive than private debt.

Fig. 3: Current yields in selected bond markets

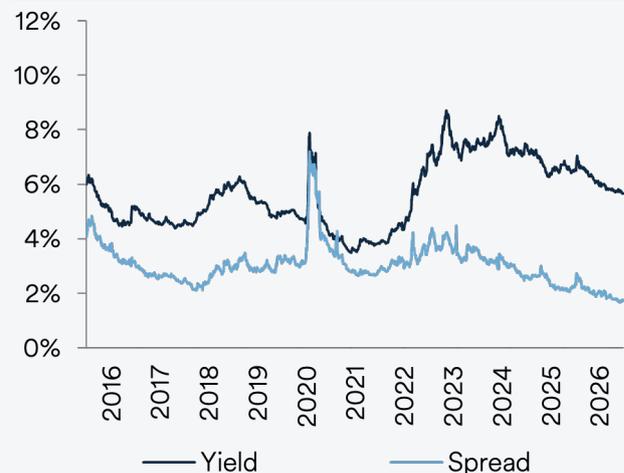
Yield-to-worst in %



Source: Bloomberg, smzh ag. 25/02/2026
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. 25/02/2026
Past performance is no indication of future results.

Equities

- In most regions, equity market valuations are no longer cheap. Diversification away from the AI theme looks prudent.
- European and emerging market equities remain supported by fiscal policies and more attractive valuations.
- Swiss equities provide stability but may lag global peers due to low exposure in IT secular themes. A combination of dividend equities and small & mid-caps looks particularly attractive.

AI dislocations

Equity markets have continued their positive trend into 2026 and shown resilience despite geopolitical flare-ups (Venezuela, Greenland) and changing expectations for central bank policies, especially following the nomination of Kevin Warsh as the next Chair of the US Federal Reserve. A major change this year, particularly in February, has been the breadth of performance, which contrasts sharply with the narrow, artificial intelligence (AI)-driven rally that dominated last year.

While a broadening of the AI theme, from AI enablers to AI adapters, was widely expected going into 2026, what stood out was the intensification of sector and regional rotations in February. Companies and sectors have increasingly been grouped by their perceived AI immunity or vulnerability, with the latter being punished. This has affected industries such as Media and Business Services, Software, Financial Services, Logistics, and even Real Estate. Selling pressure among perceived ‘AI losers’ has become indiscriminate, often driven more by narrative than fundamentals.

From a regional perspective, emerging markets, Japan, Asia, Switzerland, and Europe continued to outperform key US indices such as the S&P 500 and Nasdaq.

Earnings growth prevails over AI fears

Looking beyond these dislocations, the broader backdrop remains constructive. The resilience of the global economy, stable and growing corporate earnings, supportive interest rate dynamics, and continued fiscal support all make a compelling case for staying invested despite elevated valuations and concerns about potential setbacks. After a significant rise in equity market valuations, earnings growth is expected to be the key driver of price appreciation going forward, which should naturally limit upside in the near term.

Eurozone and emerging market equities remain attractive

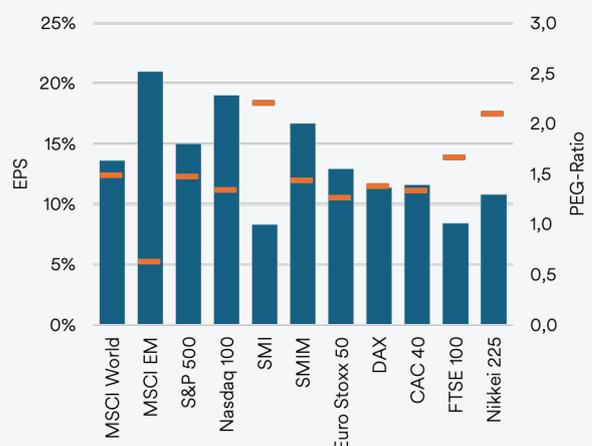
Swiss dividend equities, Eurozone equities, and emerging market equities continue to offer attractive opportunities. European equities benefit from signs of increased fiscal activity, especially in Germany, and relatively attractive valuations. The valuation outlook also favors emerging markets. Furthermore, a stable or weaker US dollar, ongoing monetary easing by EM central banks, and fading trade-related headwinds provide additional support. In Switzerland, a combination of dividend stocks and small and mid-cap equities remains appealing.

Fig. 5: Major equity markets in local currency, total return
Year-to-date returns and 12-month forward P/E ratios



Source: Bloomberg, smzh ag. 25/02/2026
Past performance is no indication of future results.

Fig. 6: Consensus earnings growth estimates for 2026
Double-digit earnings growth expected for most regions



Equity markets show elevated valuation levels for 2026. However, when price-to-earnings ratios are viewed in relation to expected earnings growth (reflected in the PEG ratio), valuations appear more reasonable.
Source: Bloomberg, smzh ag. 30/01/2026
Past performance is no indication of future results.

Currencies and Gold

- The US dollar remains vulnerable but the need for hedging may gradually fade in 2026.
- The Swiss franc continues to benefit from its safe-haven status.
- Gold remains an attractive portfolio diversifier despite recent heightened volatility.

Has the US dollar found a bottom?

The substantial weakness of the US dollar, and consequently the strength of the Swiss franc, was a key theme in global currency markets in 2025. While the dollar's path remains fragile and uneven, the dollar continues to bear the brunt of the "Sell America" trade. Growing concerns about the US budget deficit and trade imbalances, uncertainty regarding the future direction of the Federal Reserve, and continued expectations of interest rate cuts despite persistent inflation continue to weigh on the dollar. In particular, the combination of falling nominal interest rates alongside sticky or even rising inflation would lead to declining real interest rates in the US, further diminishing the dollar's attractiveness.

A similar trajectory is likely for the Swiss franc, to some extent. Interest rates in Switzerland are expected to remain low while inflation could pick up slightly, resulting in negative real interest rates as well. While the de-dollarization trend remains intact and hedging USD risks continues to be a dominant theme given that further downward pressure on the USD cannot be excluded, the need for renewed hedging by Swiss-based investors could gradually fade in the coming months. This is especially true as hedging costs for USD/CHF amount to around 3.8% annualized. As a result, the relationship between explicit hedging costs and potential devaluation losses becomes less pronounced.

Gold remains an attractive portfolio diversifier

In 2026, gold has continued its remarkable rally, though with unprecedented volatility. After closing 2025 with gains of 65% in USD terms, gold surged to a record high of USD 5,626 per ounce by the end of January, before experiencing its most volatile period since the 2008 financial crisis. The extreme price swings have been driven by several factors. Speculative positioning reached stretched levels in late January, triggering profit-taking and margin calls that amplified the downturn. Exchange operators raised margin requirements amid the turbulence, further pressuring leveraged positions.

Yet the fundamental drivers supporting gold remain intact: central banks continue to steadily accumulate gold, albeit at a more measured pace, while ETF inflows have stayed robust. Geopolitical tensions, US policy uncertainty, and concerns over fiscal sustainability continue to underpin demand for gold, even as the metal's volatility occasionally exceeds that of Bitcoin.

Having said this, investors need to be aware that in phases of market stress, gold can also suffer sizeable declines when investors seize the opportunity to take profit or meet liquidity demand, as happened in late October and January. Still, investors are rightly considering its role in portfolios in the current market environment.

Fig. 7: CHF appreciation continues in 2026

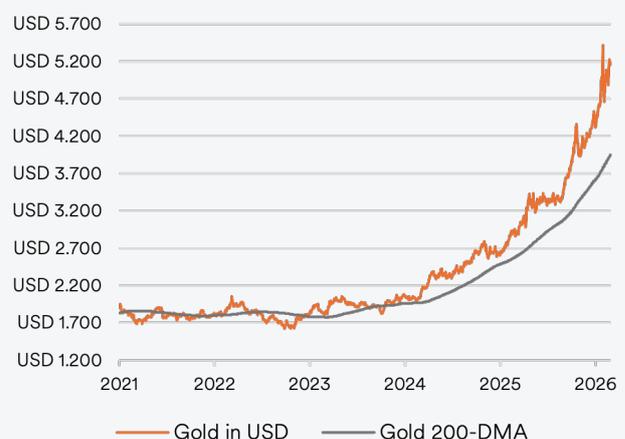
Indexed at 100 as of 1.1.2026



Source: Bloomberg, smzh ag. 25/02/2026
Past performance is no indication of future results.

Fig. 8: Gold recovered from turbulence in February

Gold prices and its 200-day moving average (200 DMA)



Source: Bloomberg, smzh ag. 25/02/2026
Past performance is no indication of future results.

Cryptocurrencies

- Bitcoin has lost more than 20% in value since the beginning of the year and is trading nearly 50% below its cyclical peak of USD 126,000. Drawdowns of this magnitude are not unusual from a historical perspective.
- The current crypto winter largely mirrors previous market cycles, with stabilization likely to occur later in the year.
- For long-term investors, a gradual accumulation strategy remains advisable.

Weakness in crypto markets continues in 2026

While real assets such as gold and silver reached new highs early in the year, Bitcoin struggled, undergoing a pronounced correction. The cryptocurrency currently trades roughly 25% below its level at the beginning of the year and is back in the price range seen before Donald Trump's election victory in November 2024. Major altcoins have also declined significantly, leading to a nearly 25% decline in the total market capitalization of the crypto market.

Alongside this correction, Bitcoin spot ETFs have suffered capital outflows. Since the peak in October 2025, several billion USD have left the market. Market sentiment in the crypto space is currently very bearish, even bordering on panic. Any brief upward corrections in price have been quickly reversed within days.

A drawdown of nearly 50% since the peak

Since reaching a cyclical high of around USD 126,000 nearly five months ago, Bitcoin has lost almost half of its value. Yet this drawdown is within a range that is not unusual compared to previous crypto market cycles.

In the last cycle, Bitcoin fell from a peak of around USD 69,000 in 2021 to roughly USD 15,000 in 2022, a decline of more than 75%. Even in a historical context, the latest correction appears less extraordinary, though it is substantial in the short term. For investors who entered the market at USD 100,000 and above, the current development is painful. Nevertheless, there is reason to remain calm, as the structural factors that support Bitcoin in the long term remain intact.

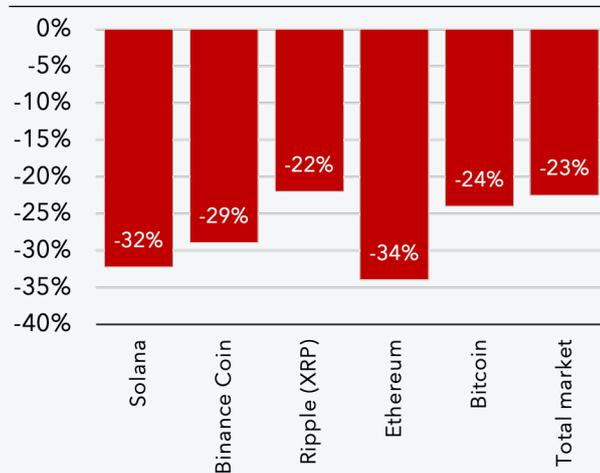
How long can the crypto winter last?

Previous bear-market cycles in the crypto space have lasted about a year on average, most recently around 330 days. In the current cycle, another few months of weakness are likely. The growing participation of institutional investors could support more stable market structures and potentially shorten the duration of this crypto winter.

For long-term investors, this environment offers an opportunity to enter the market gradually, for example using a dollar-cost averaging strategy.

Fig. 9: Heavy losses in cryptos in 2026

Year-to-date performance of selected cryptocurrencies



Note: The development of the overall market is based on the change in total market capitalization.

Source: Bloomberg, smzh ag. 25/02/2026

Fig. 10: Bitcoin spot ETF outflows continue

Cumulative net inflows into Bitcoin spot ETFs in USD billion



Source: Bloomberg, smzh ag. 25/02/2026



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smzh ag
Tödistrasse 53, CH-8002 Zurich
+41 43 355 44 55
contact@smzh.ch
www.smzh.ch

