



# Investment Guide

Climbing the Wall of Worry:  
Rally Despite Iran Crisis

CIO House View  
MAY 2026



## Climbing the Wall of Worry: Rally Despite Iran Crisis

Financial markets staged an impressive recovery in April following the sharp correction in March triggered by the geopolitical escalation in Iran. In several regions, equities even reached new all-time highs. What is particularly striking is that analysts have revised corporate earnings expectations upward despite ongoing geopolitical uncertainties and persistent inflation concerns. How can this apparent disconnect be explained?

The concept of “climbing the wall of worry” captures this phenomenon well: markets often advance despite prevailing skepticism. The recent rebound is supported by several factors. First, de-escalation measures in the Iran conflict have eased market panic. Second, resilient economic data and supportive fiscal measures continue to underpin growth. Third, upward revisions to earnings forecasts reflect confidence in corporate earnings resilience.

An inflationary environment is not inherently negative for all sectors. Technology and AI-related business models, in particular, benefit from structural tailwinds and show limited sensitivity to short-term geopolitical shocks. Although some sectors are showing weakness due to the energy crisis during the current reporting season, the outlook for many companies is overall proving more constructive than feared.

This development follows a familiar pattern: markets do not rise despite uncertainty, but rather through a gradual repricing of it. As long as worst-case scenarios are avoided and fundamental data remains stable, risks are incrementally discounted, allowing markets to climb the wall of worry.

Enjoy the read.

Kind regards,



**Gzim Hasani**  
Chief Executive Officer



**Bekim Laski, CFA**  
Chief Investment Officer

# Global Economy

- The Iran conflict is weighing on global growth prospects and increasing the risk of sustained energy supply constraints.
- Regional divergence is widening, with the US proving relatively more resilient than Europe and emerging markets.
- Central banks are likely to proceed more cautiously than markets anticipate, while AI-driven investments stay supportive.

## Rising stagflation risks

The conflict in the Middle East remains a key macroeconomic driver. The ongoing closure of the Strait of Hormuz materially increases the risk of a broader economic shock. The longer the disruption persists, the more tangible a stagflationary scenario becomes, as growth expectations weaken while inflationary pressures remain elevated. Financial markets, however, have so far shown notable resilience.

## Regional divergence

The impact of the energy shock varies significantly across regions. The United States, as a net energy exporter, is relatively well positioned and better able to absorb the macroeconomic impact. In contrast, Europe and many emerging markets face stronger headwinds due to their reliance on energy imports and their industrial structures. In Europe in particular, elevated energy prices pose a meaningful downside risk to growth, even though rising fiscal spending, especially in Germany, may provide a partial offset. China continues to fall short of its official growth targets, while other major emerging markets maintain solid fundamentals but remain exposed to higher energy costs.

## Central banks need to strike a delicate balance

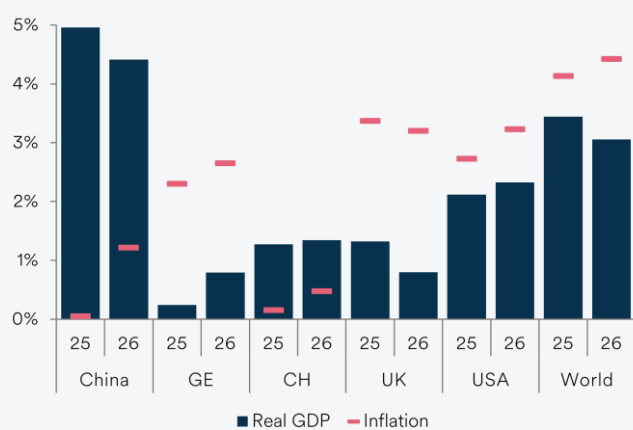
This environment complicates the monetary policy outlook, as rising energy prices push headline inflation higher. Divergences are also evident here. The Federal Reserve’s preferred measure, core PCE inflation, is less sensitive to such developments. More broadly, as long as core inflation remains contained, the Fed and other major central banks are likely to prioritize labor market stability and may act more cautiously than markets currently price. Current market expectations still imply multiple rate hikes by the ECB, the Bank of England, and even the Swiss National Bank. These expectations appear relatively ambitious and may moderate over time, providing additional support to financial markets.

## Energy crisis vs. AI boom

While the energy shock is likely to have lasting effects on growth and inflation relative to the pre-conflict period, the overall macroeconomic backdrop remains supportive. Corporate earnings continue to prove resilient, and investor risk appetite has recovered meaningfully. Economic growth remains solid globally, particularly in the United States, supported by sustained investment in AI and related technologies, which continue to drive capital expenditure and productivity gains.

**Fig. 1: Robust growth outlook despite headwinds**

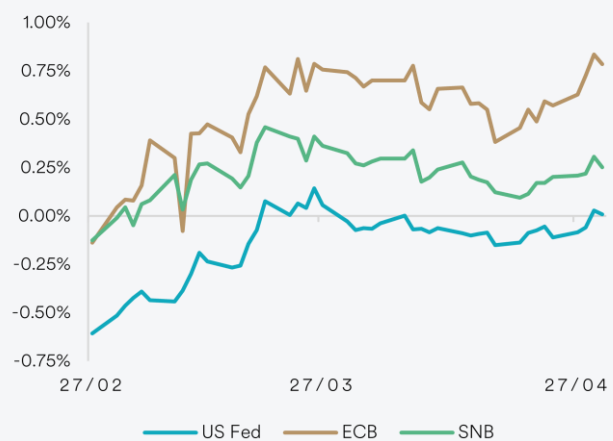
Latest IMF estimates for selected economies



Source: IMF, smzh ag. April 2026

**Fig. 2: Markets expect higher policy rates**

Expected interest rate adjustments until December 2026



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. 29/04/2026

# Fixed Income

- As market conditions normalize, robust fundamentals and the currently elevated yield environment are returning to the forefront, supporting allocations to high credit quality bonds.
- Emerging market bonds continue to demonstrate relative strength despite geopolitical uncertainty and still offer attractive total return opportunities.

## A complex environment for fixed income markets

Fixed income investments typically act as stabilizing components in portfolios in periods of weaker equity markets, as declining growth expectations and rising risk aversion tend to exert downward pressure on yields, thereby supporting bond prices through anticipated interest rate cuts and inflows into safe-haven assets.

In March, however, this relationship proved less reliable. A supply-driven oil price shock created unusual tension: while weakening growth would normally be supportive for bonds, rising inflation expectations reduced the attractiveness of fixed cash flows and pushed yields higher. With growth risks pulling in one direction and inflationary pressures in the other, market pricing became increasingly complex.

This development is in some respects reminiscent of 2022, when bonds lost their traditional diversification role and were unable to offset equity market corrections. Such a constellation was also considered possible in the current environment, particularly as long as supply-side shocks persist.

However, with an expected easing of the conflict in Iran, a reversal of this dynamic was anticipated. In April, this shift already became visible, as fixed income securities largely recovered their previous losses.

Demand for high-quality bonds remains stable, and the currently elevated yield environment continues to offer an attractive starting point for future returns. In this setting, investors should focus on high credit quality bonds in order to benefit from robust fundamentals and a favorable risk-return profile.

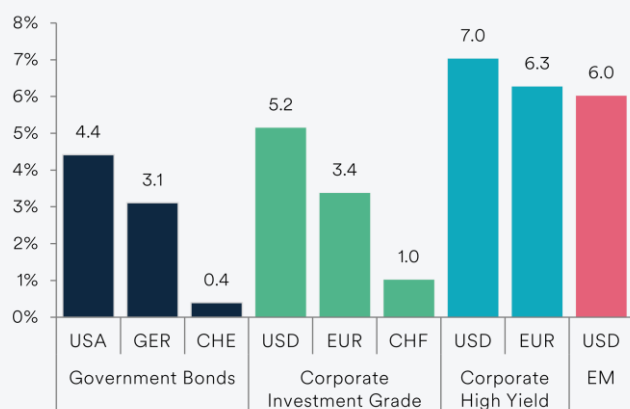
## Emerging market bonds maintain leading role

Emerging market bonds started the year strongly and have continued to outperform developed markets despite increasing geopolitical uncertainty. Although the segment experienced some spread widening in March, emerging market bonds demonstrated notable resilience and recovered in April. This strength reflects solid underlying fundamentals, although risks remain should oil supply disruptions persist or global economic growth weaken over the longer term.

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 3.8% for USD/CHF and 2.2% for EUR/CHF. For investors willing to accept illiquidity risks, alternative investments in non-correlated asset classes remain appealing.

**Fig. 3: Current yields in selected bond markets**

Yield-to-worst in %



Source: Bloomberg, smzh ag. 29/04/2026  
Past performance is no indication of future results.

**Fig. 4: Emerging market bond yields in USD**

Tight credit spreads, high absolute yields



Source: Bloomberg, smzh ag. 29/04/2026  
Past performance is no indication of future results.

# Equities

- Markets recovered quickly from the March lows and are reaching new highs, supported by stable earnings expectations.
- The fundamental backdrop remains constructive, characterized by rising corporate profits and positive structural trends.
- The US and technology sectors continue to lead, while Europe and emerging markets remain attractive.

## From weakness to all-time highs

After global equity markets corrected by nearly 10% in March, the announcement of a ceasefire between the United States and Iran triggered a swift recovery. Many indices reached new all-time highs in April, led by US equity markets. Although the ceasefire remains fragile and the energy situation is far from normalizing, investors take comfort in the fact that a more adverse scenario has been avoided. A key driver of the rebound was the reduction of equity exposure during the correction, followed by the subsequent re-entry of many investors. However, confidence remains anchored in stable earnings expectations, which in some cases have even been revised higher.

## Rising earnings expectations, declining valuations

Consensus estimates for corporate earnings have been rising for several months and recently accelerated, particularly in the United States and the technology sector. While equity prices corrected, earnings expectations remained stable or increased. This led to a valuation reset: price-to-earnings ratios and other valuation metrics declined meaningfully, not only due to falling prices, but because of rising earnings expectations.

The key question remains whether these estimates are overly optimistic, as the ongoing energy crisis has not yet been resolved. Economic activity and corporate earnings could therefore face greater headwinds than currently priced in by markets. In the ongoing earnings season, some sectors and com-

panies are indeed showing weakness related to energy constraints, yet outlook guidance remains more constructive overall than feared.

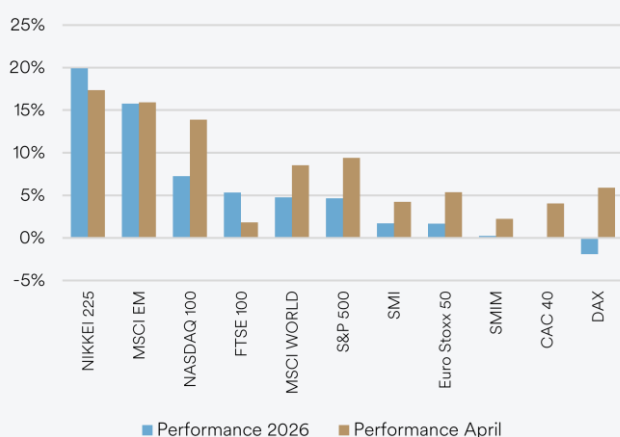
In general, the arguments for staying invested continue to dominate without taking an overly aggressive stance, as we recommended during the correction in March. First, fundamentals remain solid. As long as energy bottlenecks do not persist for months, economic growth remains positive. In addition, fiscal policy in many regions continues to be supportive, and ongoing stimulus programs help to mitigate the impact of higher energy prices on households and corporates. At the same time, prospects for monetary easing by the US Federal Reserve remain intact, while structural trends in artificial intelligence continue to provide support.

## US and technology in the lead, while Europe and emerging markets remain attractive

Equity markets in emerging economies and the Eurozone remain attractive, even though these regions are most affected by the energy crisis. Swiss dividend equities offer stability and should continue to play a preferred role in portfolios. The US market and the technology sector are expected to maintain their leading position in the short to medium term, before markets outside the United States gradually return to greater focus among international investors.

**Fig. 5: Total return in local currency**

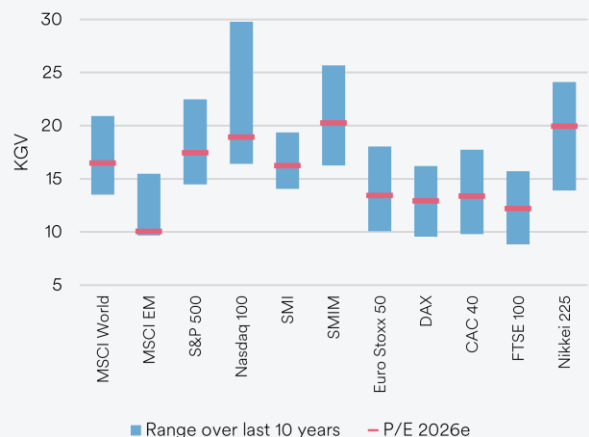
Returns in April and year-to-date



Source: Bloomberg, smzh ag. 28/04/2026  
Past performance is no indication of future results.

**Fig. 6: Equity market valuations in historical context**

Valuations remain attractive despite the April rebound



Source: Bloomberg, smzh ag. 31/03/2026  
Past performance is no indication of future results.

# Currencies and Gold

- The euro is benefiting from more ambitious ECB interest rate expectations and supportive fiscal measures.
- The Swiss franc is losing some appeal due to a widening interest rate differential to its disadvantage and easing geopolitical risks.
- Gold remains an attractive portfolio diversifier despite elevated volatility.

## Euro benefits from interest rate expectations and fiscal policy

While the US dollar in March benefited from heightened risk aversion as a safe-haven currency, April saw a reversal as investors refocused on fundamentals and monetary policy expectations. In this context, the euro has recovered significantly following its March correction. It is currently supported by easing geopolitical tensions related to the Iran conflict as well as fiscal policy measures in Europe. The recent appreciation is also driven by rising interest rate expectations, with market participants currently pricing in approximately three rate hikes by the European Central Bank by December. However, these expectations appear too ambitious. Accordingly, while the euro remains fundamentally supported, further upside potential is likely to be limited, particularly against the Swiss franc.

## Swiss franc losing relative attractiveness

At the onset of the Iran conflict, the Swiss franc briefly benefited as a safe-haven currency. Yet it has since come under depreciation pressure. Rising interest rate expectations, particularly from the European Central Bank, have widened the interest rate differential to the disadvantage of the franc, as the Swiss National Bank is expected to leave interest rates unchanged this year. Although expectations for the ECB appear ambitious, the Swiss franc is likely to remain weak in the near term, as easing geopolitical tensions reduce demand for defensive currencies such as the CHF. However, the franc's further weakness should remain rather contained.

## Gold price under pressure despite geopolitical tensions and inflation concerns

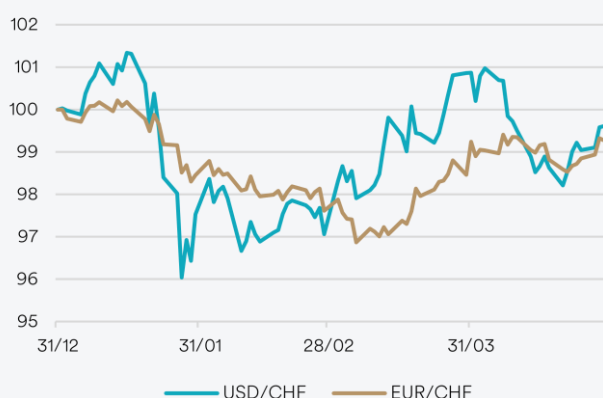
The weak performance of gold despite the outbreak of the Iran conflict and persistently high inflation concerns continues to surprise many market participants but can be well explained from a fundamental perspective. Despite inflation risks, nominal interest rates have risen more strongly than inflation expectations, resulting in higher real interest rates, which reduce the attractiveness of non-yielding assets such as gold. A stronger US dollar has additionally weighed on demand, while central bank purchases in emerging markets have recently lost some momentum. Since the outbreak of the Iran conflict, gold is increasingly showing an inverse relationship with oil prices, further amplifying these headwinds.

## Gold remains attractive in the long term

In principle, gold serves as a hedge against monetary risks such as currency devaluation, rising fiscal deficits and cyclical downturns. However, in periods of market stress, counterintuitive price movements can also occur. As we have been advocating, gold can experience notable drawdowns in times of financial stress. Nevertheless, the fundamental drivers supporting gold remain intact. Central banks continue to be net buyers despite more moderate purchasing activity, and inflows into gold exchange traded funds remain solid. Increasing concerns over US government debt, declining confidence in US Treasuries and broader de-dollarization trends are likely to continue providing structural support for the gold price.

**Fig. 7: CHF against USD and EUR year-to-date**

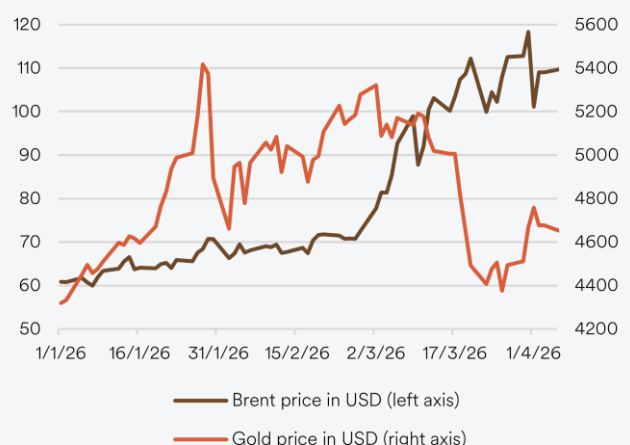
Indexed at 100 as of 01/01/2026



Source: Bloomberg, smzh ag, 29/04/2026  
Past performance is no indication of future results.

**Fig. 8: Gold trading inversely to oil since the Iran war**

Gold and oil since the start of the year



Source: Bloomberg, smzh ag, 29/04/2026  
Past performance is no indication of future results.

# Swiss Real Estate

- Listed Swiss real estate investments have fully recovered following the price correction in March.
- Direct income-generating properties delivered a strong performance in 2025, with residential real estate outperforming and expected to remain relatively resilient in 2026.
- The popular initiative “No to a 10-million Switzerland” is, according to the latest survey, enjoying majority support among respondents.

## Swiss listed real estate recovers quickly

Despite rising interest rates due to the Iran conflict and only moderately lower expectations for further SNB rate cuts by year-end, listed Swiss real estate investments have fully recovered from their price decline observed in March.

This reflects the current risk perception among investors. Geopolitical tensions are still not being priced in as a structural burden for the Swiss real estate market. Instead, attention remains focused on fundamentals, in particular persistent supply shortages, rising rents and a stable underlying demand base.

## Residential segment remains the strongest performer

Data from Wüest Partner and MSCI, published in the Switzerland Annual Property Index, show an above-average total return of 5.4 percent across all income-generating real estate in 2025. The residential segment recorded the strongest performance at 6.2 percent, confirming its structural resilience.

A similar return environment is expected for 2026. Demand is likely to remain supported not only by these fundamental factors, but also by continued capital inflows into indirect real estate investments and improved financing conditions for private and semi-professional investors.

## Latest survey shows majority support for “No to a 10-million Switzerland” initiative

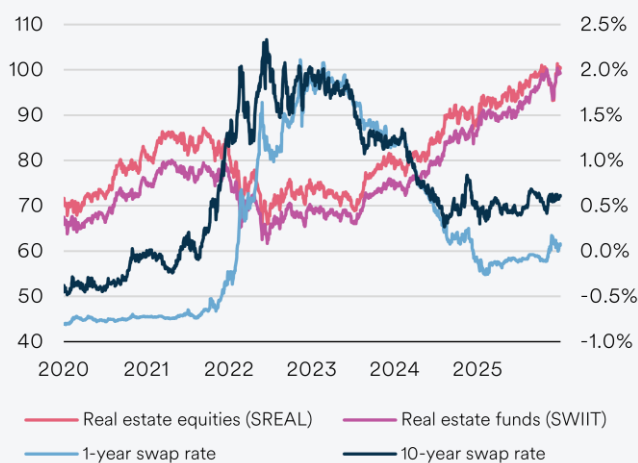
A representative survey by Tamedia of 16,176 participants indicates that 52 percent of respondents intend to support the “No to a 10-million Switzerland” initiative. The vote is scheduled for 14 June. The initiative aims to limit population growth, primarily driven by immigration, and to keep the total population below 10 million until 2050.

Formally, the termination of the free movement of persons agreement with the European Union is seen as a last resort. In practice, however, this is likely to be the central consequence of a Yes vote, as upstream measures such as restrictions in the asylum system or on family reunification are unlikely to materially reduce immigration levels. Accordingly, the economic implications of a potential approval remain highly uncertain.

For the real estate market, a Yes vote would entail significant structural risks. Recent price developments have been closely linked to population growth and the immigration of skilled labor, meaning that a key demand driver would be weakened. At the same time, the supply side would also be affected, as the construction sector relies heavily on foreign labor. As a result, not only demand impulses would weaken, but also construction capacity, potentially leading to project delays and higher construction costs.

**Fig. 9: Swift recovery in listed real estate securities**

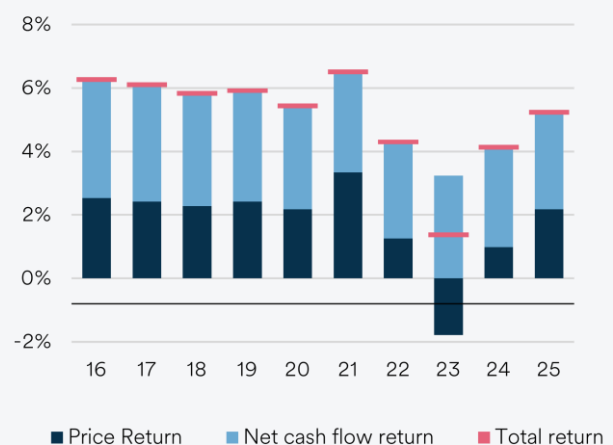
Listed real estate securities versus interest rate swap rates



Source: Bloomberg, smzh ag. 29/04/2026  
Past performance is no indication of future results.

**Fig. 10: Real estate delivered 5.4% total return in 2025**

Performance of direct real estate investments



Source: Wüest Partner, MSCI, smzh ag. 29/04/2026  
Past performance is no indication of future results.

# Cryptocurrencies

- Bitcoin has remained stable at around USD 80,000 but continues to trade below its level at the start of the year and is moving sideways overall.
- ETF inflows and new product launches suggest cautious but gradually increasing institutional demand.
- A high share of long-term holders reduces selling pressure and suggests a more advanced accumulation phase, albeit with elevated volatility.

## Bitcoin consolidates at elevated levels

Bitcoin is stabilizing at levels last seen in early February, prior to the escalation of the Iran conflict. The improvement in risk sentiment is supporting the market, although the recovery remains limited. At prices close to USD 80,000, Bitcoin is still trading around 10 percent below its level at the beginning of the year, indicating an overall sideways trend. Altcoins continue to underperform, as investor focus remains clearly focused on Bitcoin.

Bitcoin spot ETFs have recorded renewed positive inflows since the start of the Iran conflict, albeit at significantly lower levels than in the strong phases seen last year. Nevertheless, this is a constructive signal, as it points to easing selling pressure and a gradual return of institutional demand.

In this context, the launch of Morgan Stanley’s Bitcoin ETF marks a further step in the institutionalization of the market. Since its introduction in early April, the ETF has recorded cumulative inflows of more than USD 180 million, indicating stable institutional demand even in an uncertain market environment.

## Recovery remains constructive, but key tests still lie ahead

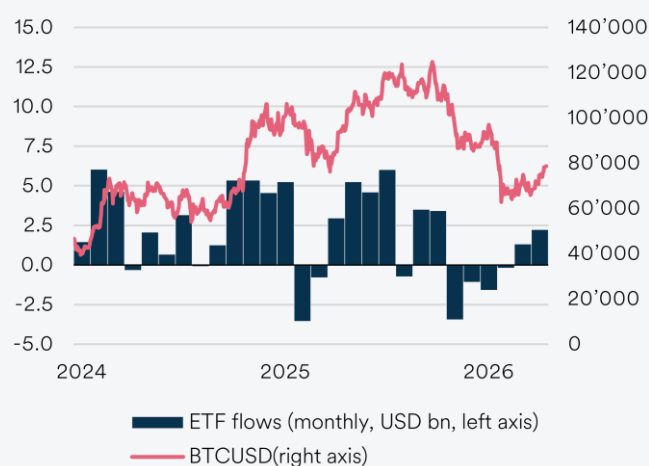
Despite positive ETF flows, Bitcoin’s recovery remains limited. Institutional demand appears in part to act as exit liquidity for shorter-term investors, thereby constraining upside potential. The USD 80,000 level represents a key threshold. At present, a continued sideways movement with elevated volatility appears most likely, while downside risk seems limited.

The share of long-term holders, measured by the Long-Term Holder Supply (LTHS) ratio, defined as the proportion of Bitcoin not moved for at least 155 days, stands at 78.3 percent, close to historical highs. In previous cycles, this share declined in upward phases and increased in weaker market periods. In the current cycle, however, it remains elevated while prices move sideways, representing a deviation from historical patterns.

This suggests that a large share of supply remains in steady hands and selling pressure is contained. Overall, this points to a more advanced accumulation phase. For long-term oriented investors, the environment therefore remains fundamentally constructive.

**Fig. 11: ETF inflows turn positive albeit at moderate levels**

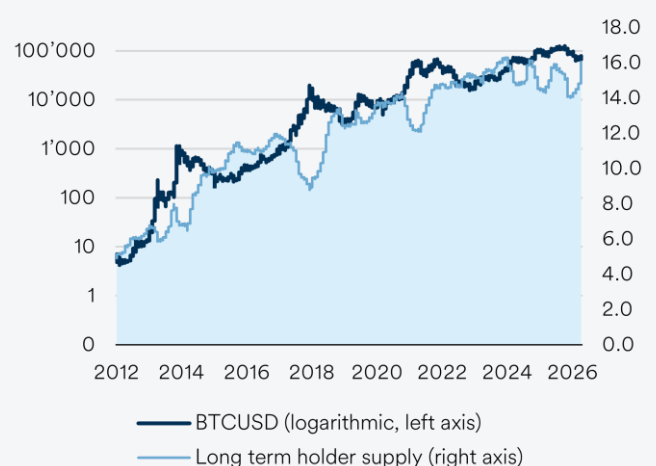
Monthly net inflows into spot ETFs versus Bitcoin price



Source: Farside, Bloomberg, smzh ag. 29/04/2026  
Past performance is no indication of future results.

**Fig. 12: Record-high holdings among long-term holders**

Long-term holder Bitcoin supply versus Bitcoin price



Note: The Long-Term Holder (LTH) supply measures the proportion of Bitcoins that have not been moved for at least 155 days. It serves as an indicator of long-term investor behavior and provides insight into supply dynamics and potential selling pressure.  
Source: Bitbo, smzh. 29/04/2026

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