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Investment Guide

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CIO House View

SEPTEMBER 2026

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A number that is generating headlines. In August, US government debt surpassed the USD 40 trillion mark for the first time, having more than doubled within a decade. As expected, this dynamic has also drawn significant attention across financial markets. While the absolute figure is undoubtedly concerning, it provides only limited insight into fiscal sustainability. What matters more is the relationship between debt, economic output, and the associated interest burden.

A more meaningful metric is government debt relative to GDP. At around 125%, this ratio is also at a very high level and, according to the IMF, is expected to rise above 140% by 2031. Compared with other advanced economies, however, such a debt ratio is by no means unprecedented and should not be equated directly with a debt crisis. At the same time, the US is not an ordinary borrower. The size and dynamism of the US economy, the dollar's status as the global reserve currency, and the world's deepest and most liquid capital market give the US substantial financing capacity. This special position makes high debt levels more sustainable, but at the same time increases their global significance, since US Treasuries serve as a key reference point for international financial markets and for the valuation of numerous financial assets.

Rising fiscal risks are already reflected, among other things, in higher yields on US Treasuries. Higher refinancing costs are making debt service more expensive, further adding to fiscal pressure. At the same time, rising rates are weighing on equity valuations, particularly in highly valued growth and technology segments.

For investors, this still does not suggest retreating from equity markets but rather calls for broader positioning. The second-quarter earnings season showed that profit growth is increasingly spreading beyond the previous AI market leaders. In a more challenging market environment, balanced positioning across regions, sectors, and investment styles is becoming increasingly important. The current market environment offers welcome opportunities to do so.

Enjoy the read.

Best regards,

Gzim Hasani

Chief Executive Officer
CEO

Bekim Laski, CFA

Chief Investment Officer
CIO

Global Economy

- The global economy is proving more resilient than expected, with AI investment emerging as a key driver of growth.
- The US remains the main engine of global growth, while the euro area is supported by fiscal stimulus.
- Switzerland combines resilient growth with low inflation and substantial monetary policy flexibility.

Resilient growth, persistent inflationary pressure

The global economy is proving more resilient than expected despite the energy price shock. Leading indicators continue to point to an expansionary environment, although the global industrial cycle has weakened somewhat in recent months. At the same time, growth dynamics remain uneven across regions, while the global economy is increasingly shaped by investment-driven growth in AI, also outside the US. According to Bloomberg consensus estimates, global GDP growth is expected to reach 2.5% in 2026 and 2.6% in 2027, with inflation projected at 3.3% and 2.7%, respectively. As a result, the balance of risks is shifting increasingly from growth towards inflation. One key question will be whether higher energy prices feed through to producer and consumer prices and, ultimately, into core inflation.

The US remains the global growth engine

The US economy remains robust, supported by resilient consumer demand and, in particular, continued high corporate investment in AI infrastructure. At the same time, the labor market remains stable, with no significant additional pressure from wage growth. Following a decline in inflation in June, price pressures largely stabilized in July. Against this backdrop, the Fed may remain on hold for longer than currently expected by financial markets, which continue to price in one rate hike by year end.

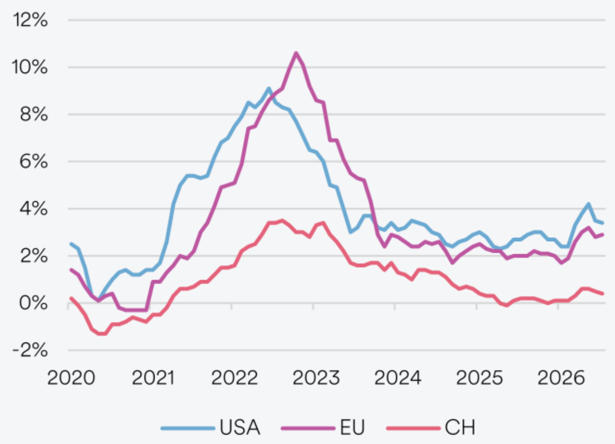
Eurozone supported by fiscal stimulus

The Eurozone is also proving more resilient than expected. GDP expanded by around 0.3% quarter on quarter in the second quarter, while recent leading indicators point to continued, albeit moderate, expansion. Growth is supported in particular by the services sector and increasing German spending on defense and infrastructure. Consensus estimates point to GDP growth of 0.8% in 2026 and 1.2% in 2027. At the same time, inflation remains above the ECB's target, particularly in services. This limits the scope for monetary easing, and financial markets are therefore pricing in one to two further rate hikes by year-end.

Switzerland remains an outlier

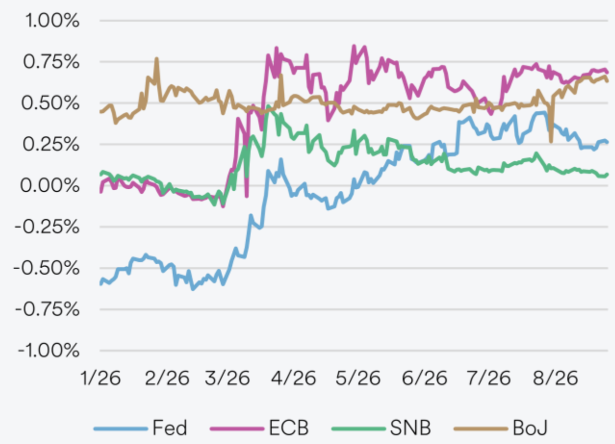
Switzerland remains a clear outlier among advanced economies. According to the preliminary SECO estimate, GDP increased by 1.5% quarter on quarter in the second quarter. This was driven primarily by the industrial sector, particularly chemicals and pharmaceuticals, while the services sector also expanded. At the same time, inflation declined to 0.4% in July from 0.5% in June, placing it at the lower end of the SNB's target range. The combination of resilient growth and low inflation provides the SNB with substantial monetary policy flexibility. Should growth accelerate further in 2027, an initial rate hike during the year could become a realistic scenario. The SNB expects GDP growth of around 1.0% in 2026 and 1.5% in 2027.

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



Source: Bloomberg, smzh ag. 31/07/2026

Fig. 2: Rate-hike expectations remain elevated
Market expectations for cumulative rate changes in 2026



Note: The chart shows market expectations for cumulative rate changes by December 2026, derived from swap rates. The baseline is the policy rate as of 1 January 2026. Negative values represent expected rate cuts, positive values rate hikes. Source: Bloomberg, smzh ag. 25/08/2026

Fixed Income

- Attractive absolute yields and solid corporate balance sheets continue to support high-quality bonds.
- Emerging market bonds maintain their relative strength and continue to offer attractive total return potential.
- Alternative investments with limited sensitivity to economic and financial market cycles provide additional diversification.

Fiscal concerns drive long-term yields

The past two months have been characterized by rising yields across global government bond markets, particularly at the long end of the yield curve. In several advanced economies, long-term yields reached multi-year highs in August. Switzerland also experienced rising yields, though the rise was much less pronounced than in other developed markets. The move was particularly pronounced in 30-year US Treasuries, whose yield temporarily reached its highest level since 2007. The increase has been driven primarily by persistent inflation risks, elevated fiscal deficits and the resulting high levels of government bond issuance.

In a reflection of these developments, US government debt surpassed USD 40 trillion for the first time in August. While this negative record is concerning, the absolute figure alone provides limited insight. Rather than looking at it in isolation, US government debt should be assessed relative to economic output, such as GDP. The US debt-to-GDP ratio currently stands at around 125%. While this is higher than in many other advanced economies, it remains within the broader range observed across developed markets. Recent measures by the US Treasury to expand buybacks at the long end have provided some short-term relief but are unlikely to materially alter the structural supply dynamics. A sustainable easing of pressure at the long end will ultimately require a credible stabilization of US fiscal policy.

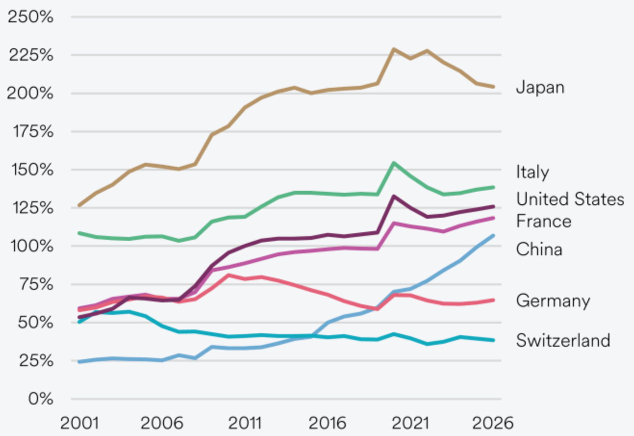
Corporate and emerging market bonds continue to outperform

Corporate credit markets remained resilient, outperforming government bonds on a total return basis. High yield proved more resilient than investment grade. Credit spreads remain broadly well supported, though the rapidly increasing volume of corporate bond issuance to finance AI investments is increasing overall supply and tightening competition for investor capital. At current yield levels, however, carry remains broadly attractive for long-term investors.

Emerging market bond markets have outperformed their developed market counterparts year to date despite continued geopolitical and market volatility. Emerging market bonds have therefore demonstrated considerable resilience in the face of geopolitical risks, reinforcing their role as an important source of portfolio diversification.

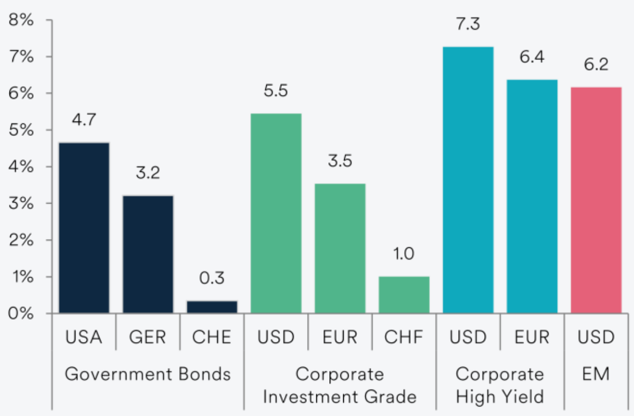
For Swiss investors, a combination of investment grade bonds, high-quality high yield and selective emerging market bonds remains attractive. To limit currency risk, CHF-hedged exposure is advisable, despite hedging costs of around 3.9% for USD/CHF and 2.6% for EUR/CHF. For investors with a greater tolerance for illiquidity, alternative investments with very low correlation to traditional economic and financial market cycles, such as catastrophe bonds (cat bonds), remain an attractive source of diversification.

Fig. 3: Government debt of selected countries
Debt-to-GDP ratios, 2001–2026



Source: IMF, smzh ag. 08/2026
Past performance is no indication of future results.

Fig. 4: Current yields in selected bond markets
Yield-to-worst in %



Source: Bloomberg, smzh ag. 25/08/2026
Past performance is no indication of future results.

Equities

- Many equity markets are reaching new highs, supported by AI and continued resilience in corporate earnings.
- AI remains the dominant growth driver, while also increasing concentration risks across global equity markets.
- Technology remains the leading sector, with the US and emerging markets among the main beneficiaries. European equities and Swiss dividend stocks offer attractive diversification opportunities.

The rally is broadening

Global equity markets continued their upward momentum in July and August, albeit with increasing volatility. The key difference compared with the earlier stages of the rally is its growing breadth. Gains are no longer driven exclusively by the major AI and technology stocks, but increasingly by companies and sectors beyond the previous market leaders. This is also evident in an exceptionally strong second-quarter earnings season. Corporate results significantly exceeded already ambitious consensus expectations, with earnings growth increasingly broadening into industrials, financials, energy and consumer cyclicals. Crucially, positive earnings momentum is spreading beyond the market leaders. This broader earnings base strengthens the fundamental support for equities without requiring a further expansion of valuation multiples.

The regional picture is also broadening. US equities remain resilient, while European equities are benefiting from more attractive valuations and accelerating earnings growth. Emerging markets have regained momentum following a recent consolidation, while Swiss equities remained well supported by solid corporate earnings and their more defensive sector composition.

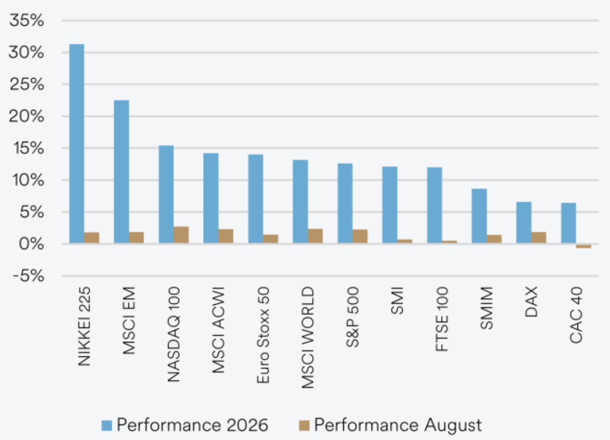
A more challenging environment

The fundamental backdrop remains broadly constructive. Continued investment in artificial intelligence, broadening earnings growth and a gradual easing of inflationary pressures support further upside potential for equities. However, liquidity conditions provide less support than in previous phases of the recovery. The key countervailing force is now rising long-term interest rates. Combined with the unresolved situation around Iran and the associated oil price risks, this is increasing both inflationary and valuation pressures. Following the strong recovery from the March lows, the market environment therefore appears more challenging. A more selective approach is warranted, particularly within AI and technology, while defensive and cyclical sectors beyond the previous market leaders are gaining importance.

Eurozone remains attractive, Switzerland provides stability

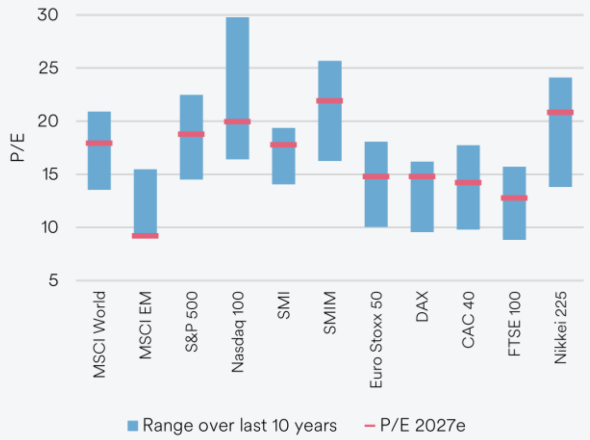
From a regional perspective, the Eurozone, emerging markets and the US remain attractive. Eurozone equities are supported by relatively attractive valuations and could benefit from a further easing of geopolitical risks and a normalization of energy prices. Swiss dividend stocks offer defensive characteristics and stable cash flows and should remain preferred within the Swiss equity market, particularly in the current environment of elevated macroeconomic uncertainty. In balanced portfolios, these positions can continue to be complemented by selective exposure to small and mid-caps.

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



Note: sorted in descending order by year-to-date performance.
Source: Bloomberg, smzh ag. 25/08/2026
Past performance is no indication of future results.

Fig. 6: Price gains driven by earnings growth
Price-to-earnings ratios of major equity markets, 2016–2026



Source: Bloomberg, smzh ag. 31/07/2026
Past performance is no indication of future results.

Currencies and Gold

- The USD is coming under renewed pressure amid declining expectations for further rate hikes and growing fiscal concerns.
- Monetary policy divergence supports the CHF against the USD, but weighs on the CHF against the EUR.
- Gold remains attractive despite elevated long-term yields, supported by USD weakness and structural demand.

Swiss franc between dollar weakness and euro strength

Foreign exchange markets were characterized by renewed weakness in the US dollar in July and August. Weaker US economic data, easing inflationary pressures and growing doubts about further Fed rate hikes weighed on the currency. At the same time, concerns over US fiscal policy led to higher risk premia in the US Treasury market, further weighing on the dollar. For the Swiss franc, this resulted in a differentiated picture. The CHF continued to appreciate against the dollar, with USD/CHF temporarily falling below 0.80, while weakening significantly against the euro, with EUR/CHF rising above 0.94.

Monetary policy divergence drives exchange rates

The key driver of these divergent developments is the increasing divergence in monetary policy. While the SNB is keeping its policy rate at 0% and remains prepared to counter excessive appreciation of the franc through foreign exchange interventions, the ECB is moving towards a more restrictive monetary stance. For the CHF, the key question therefore is less whether it will appreciate or depreciate in general, but rather against which currency. Against the USD, declining expectations for further Fed rate hikes are weighing on the dollar and supporting the franc. Against the EUR, by contrast, the widening interest rate differential in favor of the euro area is weighing on the CHF. The franc is therefore likely to remain weaker against the EUR, while USD weakness should continue to support it against the dollar. Overall, however, movements in the franc are likely to remain relatively contained.

Gold recovers despite higher interest rates

Gold continued its recovery in July and August, temporarily rising above USD 4,600 an ounce in August. The key factor was a shift in the underlying macroeconomic drivers. While rising interest rates and a stronger dollar exerted significant pressure on gold in June, declining expectations for further Fed rate hikes and, in particular, a weaker USD supported the precious metal. The USD was further weakened by growing concerns over US fiscal policy and rising government debt. This increases the attractiveness of gold as a reserve and diversification asset relative to the dollar and government bonds.

Persistent geopolitical risks, particularly the unresolved situation around Iran, are also supporting demand for gold as a hedge. Structural demand remains robust as well. Central banks continue to accumulate gold, while gold ETFs recorded renewed inflows in July, according to Bloomberg, following outflows in May and June.

Overall, the environment for gold remains broadly constructive, although elevated long-term yields continue to represent an important headwind. Gold is therefore benefiting increasingly not only from traditional safe-haven flows, but also from demand for diversification away from the dollar, government bonds and rising fiscal risks.

Fig. 7: CHF versus USD and EUR year-to-date
Indexed to 100 as of 1 January 2026

Source: Bloomberg, smzh ag. 25/08/2026
Past performance is no indication of future results.

Fig. 8: Gold rises despite higher US yields
Gold price vs. yields on 5-year US Treasury bonds

Source: Bloomberg, smzh ag. 25/08/2026
Past performance is no indication of future results.

Swiss Real Estate

- Initial vacancy data continue to point to a shortage of housing.
- However, further tightening is not yet evident, as weaker construction activity is increasingly offset by softer demand given lower net immigration.
- Construction activity is becoming increasingly divergent across regions.

Initial 2026 vacancy data confirm a tightly balanced housing market

The national vacancy figures for 2026 will be published by the Federal Statistical Office on 10 September. However, initial cantonal data already provide a relatively clear picture: there is no evidence of an easing in the residential property market so far.

In Zurich, the vacancy rate increased slightly year on year but remains exceptionally low at around 0.5%. In Basel-Stadt and Basel-Landschaft, vacancy rates declined further. Overall, the data currently available suggest that Switzerland's nationwide vacancy rate will remain around 1% or slightly below in 2026.

No further tightening, but no recovery yet

On the supply side, activity remains subdued. In 2025, net housing additions amounted to only around 32,000 units, significantly below the levels recorded between 2016 and 2023. A rapid recovery in construction activity is not currently in sight.

At the same time, demand has also lost some momentum. Net immigration has declined, partly due to weaker labor market conditions. As a result, housing demand is growing less rapidly than in previous years. The housing shortage is therefore unlikely to tighten materially in the near term. However, given persistently low construction activity, a meaningful easing is also unlikely.

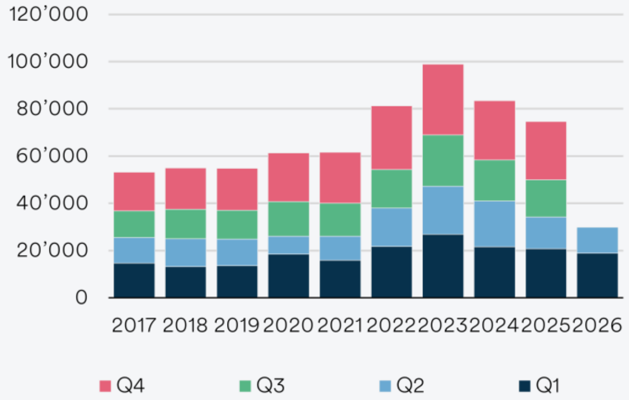
Investors are increasingly looking beyond the major centers

The environment remains attractive but challenging for investors. Capital available for residential real estate remains abundant, while suitable properties and development projects, particularly in major centers, are scarce and regulatory hurdles continue to complicate project execution. As a result, investment and development activity is increasingly shifting towards well-connected regions outside the major centers. Projects can often be realized more efficiently in these locations, while high rents in urban centers and increasing willingness to commute provide additional support for demand.

This shift is also evident in building permit applications. Although the number of planned residential units across Switzerland has recently increased, construction activity is becoming increasingly divergent. Zurich, Northwestern Switzerland and the Lake Geneva region remain significantly below their multi-year averages, while the Bern and Central Switzerland regions are recording strong increases.

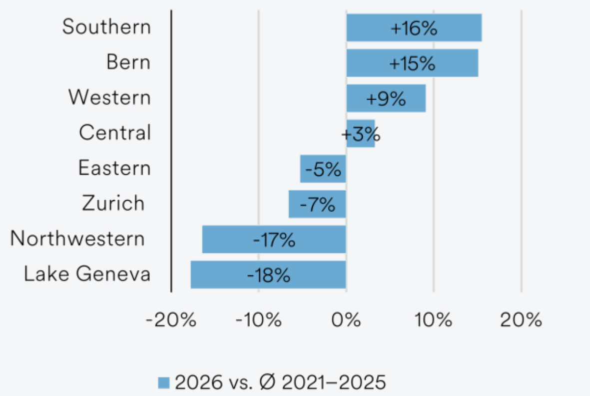
This development suggests that investment and development activity is increasingly shifting towards regions where projects can be implemented more efficiently.

Fig. 9: Net immigration continues to decline
Net immigration, permanent resident population



Source: State Secretariat for Migration (SEM), Fahrländer Partner, smzh ag

Fig. 10: Regional trends in building permit applications
Comparison of number of residential units in building permits



Source: Wüest Partner, smzh ag. 24/08/2026

Cryptocurrencies

- Bitcoin's August breakout from its three-month trading range was amplified by a historic short squeeze. Renewed ETF inflows point to an improvement in underlying demand.
- Long-term holders remain stable, suggesting that the rally has not triggered broad-based profit-taking.
- A sustained move above USD 80,000 would strengthen the case for a broader market recovery.

Short-covering wave drives Bitcoin price higher

Bitcoin staged a strong comeback in August after spending several weeks in a narrow trading range around USD 62,000–65,000. Once prices broke above resistance, the move accelerated rapidly, with Bitcoin rising toward USD 80,000.

The rally was amplified by one of the largest short-liquidation events on record. More than USD 1 billion Bitcoin shorts were liquidated within roughly one hour, while crypto-wide short liquidations reached around USD 2.7 billion. However, the move was not driven by derivatives positioning alone. US spot Bitcoin ETFs also turned positive again, recording around USD 517 million in net inflows on August 19 and approximately USD 1.9 billion over the week. The combination matters: forced short covering accelerated the rally, but renewed ETF demand suggests that genuine spot buying also played a role.

Main catalysts behind the move

Several catalysts helped trigger the breakout. Long-term US Treasury yields declined after the Treasury expanded its bond buyback operations, while sentiment improved further following President Trump's meeting with crypto industry executives in Washington on regulatory developments. A weaker US dollar and renewed ETF inflows added further support, while the short squeeze amplified the move as investors with leveraged positions were forced to cover their short positions into rising prices.

Sustainable rally or short squeeze?

The key question is what happens once forced buying disappears. There are encouraging signs: ETF flows have improved, large holders are accumulating again, and Bitcoin has absorbed substantial selling pressure after months of weakness. At the same time, parts of the market remain cautious, with retail participation still subdued.

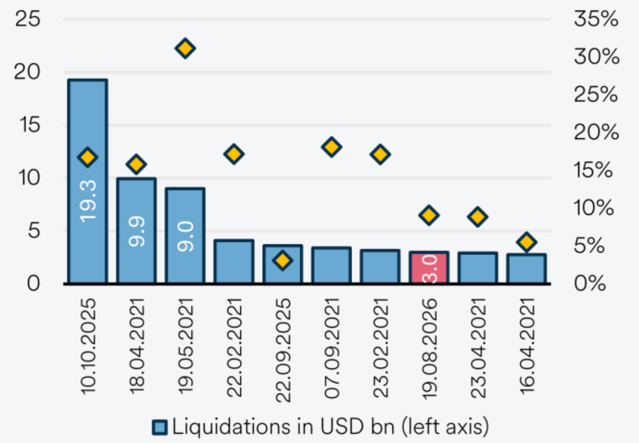
Long-Term Holder Supply, which measures Bitcoin held for at least 155 days, also remains constructive. It has stayed near record highs and barely moved during the August rally, suggesting that long-term investors are not rushing to sell despite higher prices.

Is the bear market over?

The August move may therefore be more than a technical rebound and could be a sign that the bear market has reached its bottom, although it is still too early to confirm a new bull market. Yet the market structure has changed materially. Spot ETFs have turned positive again, sentiment is improving, and growing holdings by corporate treasuries, sovereigns and institutional investors suggest that the market structure now increasingly reflects long-term conviction, while a growing portion of supply is held by long-term or illiquid investors.

A sustained move above USD 80,000 would provide a stronger signal that the recent rally marks a broader market reversal rather than a temporary short squeeze.

Fig. 11: The largest liquidation events
Liquidations according to scope and price amplitude (Top 10)



The chart captures leveraged positions on leading exchanges, including Binance, OKX and Bybit. Price amplitude is defined as the volume of liquidated 10-day average positions divided by the daily range: (High – Low) / High for negative daily performance and (High – Low) / Low for positive daily performance.
Source: Coinglass, Binance, smzh ag. 25/08/2026

Fig. 12: Long-term holders remain patient
BTC price vs supply held by long-term holders

Source: Lookintobitcoin.com, smzh ag. 25/08/2026

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

smzh