

OCTOBER 2026

SWISS PERSPECTIVES

Mapping the Swiss investment landscape

Schweizer Perspektiven · Perspectives suisses · Prospettive svizzere · Perspectivas svizas

EDITOR'S NOTE

The burden of proof has shifted to earnings

Since our August edition, Switzerland's recovery has gained support from hard data. **Real GDP grew 1.5% in the second quarter**, and SECO raised its 2026 growth forecast from 0.9% to 1.7%. Improving manufacturing surveys reinforce that picture. However, exceptional pharmaceutical output contributed substantially to the growth surprise, leaving the breadth of the recovery to be confirmed.

Three developments shape the fourth-quarter outlook. **A softer franc offers exporters relief**, supporting competitiveness and overseas earnings translation. **Equity valuations have become less demanding**: the SPI trades around its ten-year median, while the small- and mid-cap premium has returned to its long-term average. **Higher bond yields may nevertheless constrain multiple expansion**, placing greater emphasis on earnings growth to drive returns.

These changes reinforce our August investment case while **shifting the burden of proof to earnings delivery**. Expected operating margins are near historical highs at around 19%, leaving limited room for disappointment. Stronger orders must now translate into profitable sales and cash flow.

We favour a financially strong large-cap core alongside selective additions to small and mid caps, where normalised valuations and accelerating forward earnings strengthen the investment case. Electrification, datacentre infrastructure and healthcare investment provide complementary growth drivers; improving manufacturing momentum would support broader outperformance.

As ABB CEO Morten Wierod put it: "Our results reflect high demand in the majority of our customer segments, strong execution and solid cash flow." **We expect this combination to become more visible across Swiss companies in the fourth quarter.**

On behalf of the Syz Research team,
I wish you a good start to the fourth quarter.



Florian Marini, CFA, CMT
Head of Research

Contents

03

Swiss Equities: the case for broader participation

Earnings momentum, valuation normalisation and the case for broader participation beyond Swiss large caps.

04

Economy & SNB: surprisingly strong growth and higher inflation

Strong Q2 growth, modestly higher inflation and what they mean for the SNB's path ahead.

05

The Swiss franc

Recent franc weakness against the euro and dollar, with the outlook shaped by rate differentials and hedging costs.

06

Fixed Income: rising rates weigh on long maturities

Rising global yields favour short-duration CHF bonds, while tight spreads call for selective credit exposure.

07

Technical Takes: SPI and SPIEX

Trend, momentum, support and resistance signals across the Swiss broad market and small & mid caps.

Equities



Florian Marini, CFA, CMT
Head of Research



Assia Driss
Research Lab, Team Coordinator

Swiss equities: the case for broader participation

Earnings are growing faster than prices

The SPI's forward P/E has fallen from approximately 20 times in Q1 to 18 times, its ten-year median, as earnings expectations have outpaced share prices. The SPI Extra trades at 21.7 times, down from 28 times in 2022, while forward earnings are accelerating to record highs. Its 25% premium to the SMI, at 17.4 times, is near its long-term average. This valuation normalisation strengthens the case for small and mid caps.

Manufacturing momentum supports the opportunity

Swiss small and mid caps provide exposure to industrial exporters and specialised healthcare businesses. September's US flash manufacturing PMI reached 57.0, while European manufacturing expansion also supports internationally exposed Swiss suppliers.

The improving international manufacturing backdrop supports the case for small and mid caps, with a sustained upturn in Swiss PMI momentum strengthening the prospect of outperformance.

High profitability, with potential currency relief

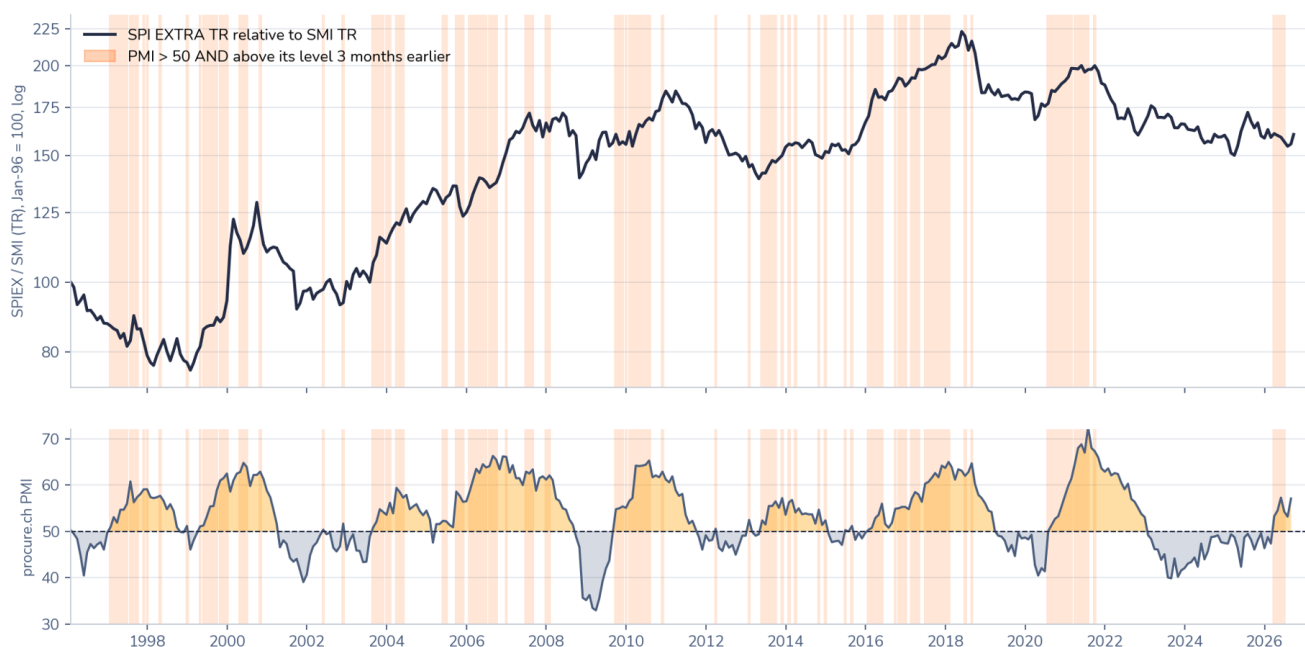
Expected operating margins have reached approximately 19.4%, a new high despite years of franc strength, reflecting confidence in Swiss companies' pricing power and productivity. The franc's approximately 3% trade-weighted depreciation since June offers further support. If sustained, it should improve overseas earnings translation and could ease margin pressure on businesses with Swiss production costs.

Low Swiss yields provide valuation support

At 18 times forward earnings, the SPI offers an implied earnings yield of approximately 5.6%, against around 0.6% on ten-year Confederation bonds. This substantial gap supports equities' relative appeal for CHF investors, although sensitivity to global yields remains.

Our Q4 preference combines a financially strong large-cap core with selective additions to small and mid caps. Normalised valuations, record forward earnings and a more supportive manufacturing backdrop strengthen the case for increasing exposure.

Swiss small and mid caps outperform most when manufacturing PMI is above 50 and rising



Source: Syz Research, Bloomberg



Reto Cueni, PhD
Chief Economist

Economy & SNB

Surprisingly strong growth and higher inflation

Growth and labour market: Swiss GDP surged 1.5% quarter-on-quarter in Q2 2026, adjusted for sporting events, its strongest increase since 2021. Pharmaceuticals drove nearly half the gain, while services and domestic demand also expanded but to a lower degree. The surge somewhat overstates underlying momentum. Employment rose in Q2, while registered unemployment stood at 3.0% in August, above its year-earlier level. The labour market remains resilient, although rising joblessness suggests the recovery is not yet fully underway.

Growth outlook: We expect a growth rate of close to 2% in 2026 and somewhat above 1.5% in 2027. After Q2's pharmaceutical boost, growth should moderate in Q3. SECO's weekly economic activity index provides a provisional Q3 activity gauge, pointing to solid ongoing economic growth in the running quarter. August's KOF barometer, at 106.7, and PMI data signal improvement; consumption and investment should expand moderately.

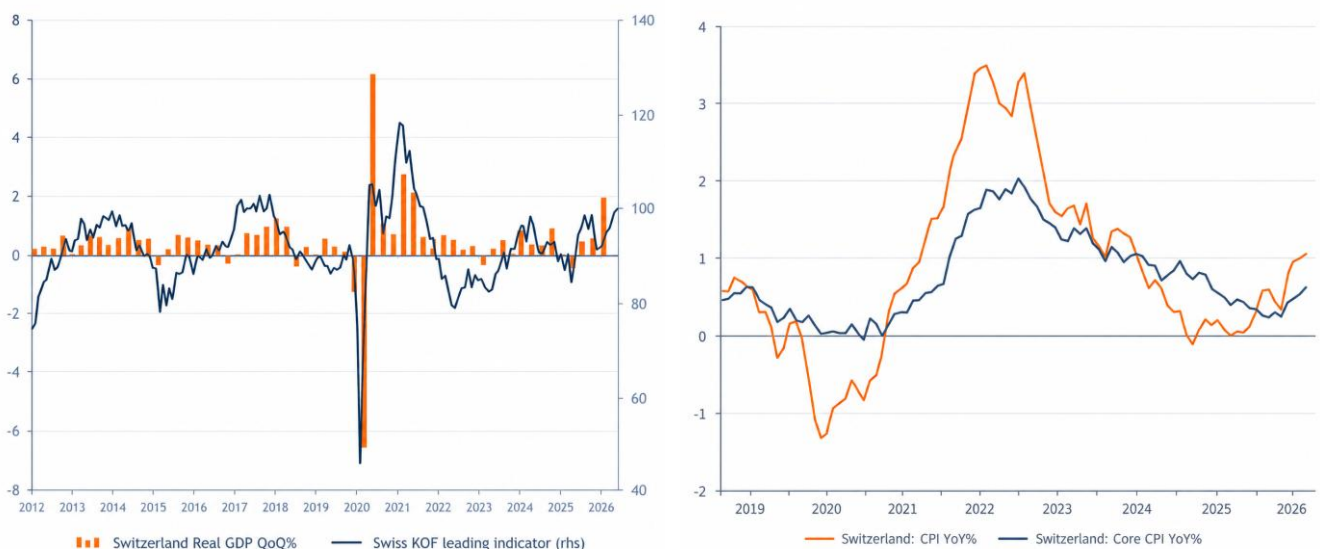
Inflation: After a surprising jump in August to 0.8%, Swiss consumer prices rose 1.0% year-on-year in September, as expected. Higher energy prices were the main driver, while domestic inflation factors did not accelerate compared to August and Swiss core inflation stays at modest 0.5%. According to the SNB, medium-term price pressure has risen only slightly, despite a weaker franc.

Inflation outlook: Inflation should remain modest in Switzerland, despite near-term energy risks. We project Swiss CPI slightly above 0.5% on average in 2026 and up to 1.0% in 2027 over the year. We expect inflation to rise somewhat above 1% in Q4 and Q1 before easing during the remainder of 2027 as energy effects fade. Prolonged disruptions could challenge that outlook.

Politics and geopolitics: The Middle East conflict threatens energy prices and global demand, while US tariffs remain a risk for exporters. Recent franc depreciation offers some relief. Debate over Switzerland-EU Bilaterals III continues: in August, the Federal Council reaffirmed its preference for an optional rather than mandatory referendum. Stable EU relations remain economically important, but ongoing uncertainty poses a risk to the outlook.

Swiss National Bank outlook: In September, the SNB held its policy rate at 0% and reiterated its willingness to act in foreign-exchange markets. Inflation has risen mainly because of energy, while medium-term domestic pressures increased only slightly. Its conditional forecast puts inflation at 0.7% in 2026 and 0.8% in 2027, assuming an unchanged rate. Strong Q2 GDP does not warrant tightening so far, as Chair Schlegel pointed out. Given our positive growth outlook and somewhat higher inflation forecast for Switzerland, we expect the SNB to start hiking in March 2027.

Switzerland: growth momentum, leading indicator and inflation figures pointing upwards





Reto Cueni, PhD
Chief Economist

Forex: The Swiss Franc

The Swiss franc is going through a weak patch

CHF versus EUR:

The franc weakened further against the euro in September. EUR/CHF reached 0.945 on 28 September, compared with 0.939 at the end of August, meaning that one euro bought more francs at the end of September. The SNB held its policy rate at 0% in September, while the ECB raised its key rate, widening the rate differential with Switzerland, and market expectations point to a further widening by next spring. In addition, yields on short- and longer-term government bonds in the Eurozone rose much more than in Switzerland. Expectations for the ECB's forthcoming policy rate also rose more than those for the SNB's policy rate. However, the euro's advance has not removed the possibility of renewed demand for the franc if Middle East tensions intensify, while markets have already priced in substantial support for the euro. Conversely, despite the jump in Swiss inflation to 1.0%, the inflation differential with the Eurozone and its outlook are likely to become a drag on the euro over time.

CHF versus USD:

The Swiss franc also weakened against the dollar. USD/CHF reached 0.832 on 28 September, up from 0.808 at the end of August, meaning one dollar bought more francs. This mainly reflected widening interest rate differentials with the US, as the Fed raised its key rate and hawkish Fed communication together with strong growth and solid labour data also lifted rate expectations. In Switzerland, the SNB kept policy rate at 0% in September and tempered rate hike expectations. Domestic government bond yields rose much less than in the US. This supported the dollar against the franc. However, the cross remains particularly sensitive to US rate and growth expectations as well as energy prices rather than Swiss fundamentals alone, while the widening inflation differential is likely to become a drag on the dollar against the franc over time.

The latest developments into context:

Both crosses point to a softer franc, but not necessarily a lasting reversal. The SNB estimates trade-weighted depreciation of around 3% since June, helping exporters. Swiss activity remains positive and was surprisingly strong in the second quarter (Q2) of this year. SECO's weekly economic activity index points to positive and solid growth in Q3, while also the SNB reports that growth continued in Q3. Yet, in the US, most indicators point to strong growth in Q3 significantly above the Swiss and European growth. Inflation reached 1.0% in September in Switzerland, still low internationally, and the SNB kept its policy rate at 0% in September while retaining the option of FX intervention. Renewed global stress could restore safe-haven demand for the franc.

Swiss Franc: More weakness recently after stronger-than-expected growth indicators and hawkish central bank rhetoric in the US and the Eurozone

USD/CHF and EUR/CHF, September 2024 – September 2026, a rising line indicates a weaker Swiss Franc



Fixed Income



Christophe Pella, CFA
Head of Fixed Income



Maggie Cheng
Senior Fixed Income Analyst

CHF Fixed Income: rising rates weigh on long maturities

Bond markets have turned volatile since the summer. Investors are grappling with **elevated inflation and weak public finances** against a backdrop of rising demand for capital to fund **AI investments**. By pushing yields higher, fixed income investors have in effect asked central banks to confirm their independence and to bring inflation down by **tightening monetary policy**. In countries where government debt is elevated relative to GDP, higher long-term yields can also be read as a call to action for political leaders.

Swiss bonds have not been immune to the general repricing. The 10y Confederation yield climbed to 0.66% on 25 September, the highest close since March 2025. Higher yields have pushed returns across most Swiss fixed income segments into **negative territory year-to-date**.

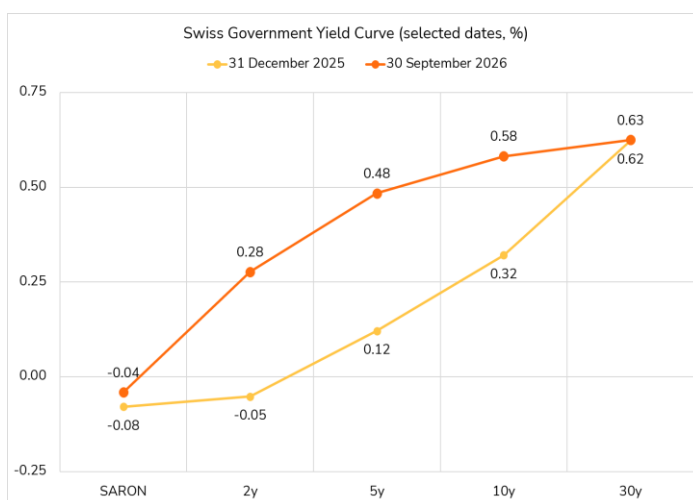
That said, Swiss government yields have risen less than those of most major markets in the last three months. **Switzerland's benign inflation outlook and solid public finances** explain why CHF bonds have been among the least affected in the sell-off. Contained Swiss inflation contrasts sharply with the US and Eurozone, where core inflation has remained above the 2% target set by central bank for more than five consecutive years, a sign that monetary policy in both areas has been too loose. Both the Fed and the ECB have hiked rates in 2026 and investors expect more to come. The SNB has managed to keep inflation on track, and investors expect it to **wait until December or March 2027 before tightening**. This different path for monetary policy has helped CHF bonds. The widening interest rate differential between Switzerland and the US and the euro area has been a negative for the Swiss franc.

The other positive factor for CHF bonds relative to many fixed income markets is the **solid fiscal outlook of the Swiss Confederation**. It has partly shielded Swiss franc bonds from the sharp repricing under way in the US, France and Italy, countries whose public finances are not on a sustainable long-run path.

Swiss bond yields rose over the summer



The yield curve shifted materially higher in 2026, with the strongest increase across the 2- to 10-year segment



Technical Takes

Swiss Performance Index - SPI

SPI: the September pullback held, the uptrend is intact

▲ BULLISH

The primary trend remains positive. The 200-day moving average (19,061) is rising, with a succession of higher highs and higher lows. The 5.7% pullback from the 11 August record (20,637) held the February high (19,310) on a closing basis: former resistance is now support and the sequence is preserved.

Short term, the rebound is stretched. The stochastic at 86 is overbought and the index trades 1% below a flattening 50-day average (20,066), the first hurdle before the record. Failure there extends the 20,637 high; a close below 18,407 would invalidate the trend.

Last
19,861

Support
19,310 / 19,061

Resistance
20,637

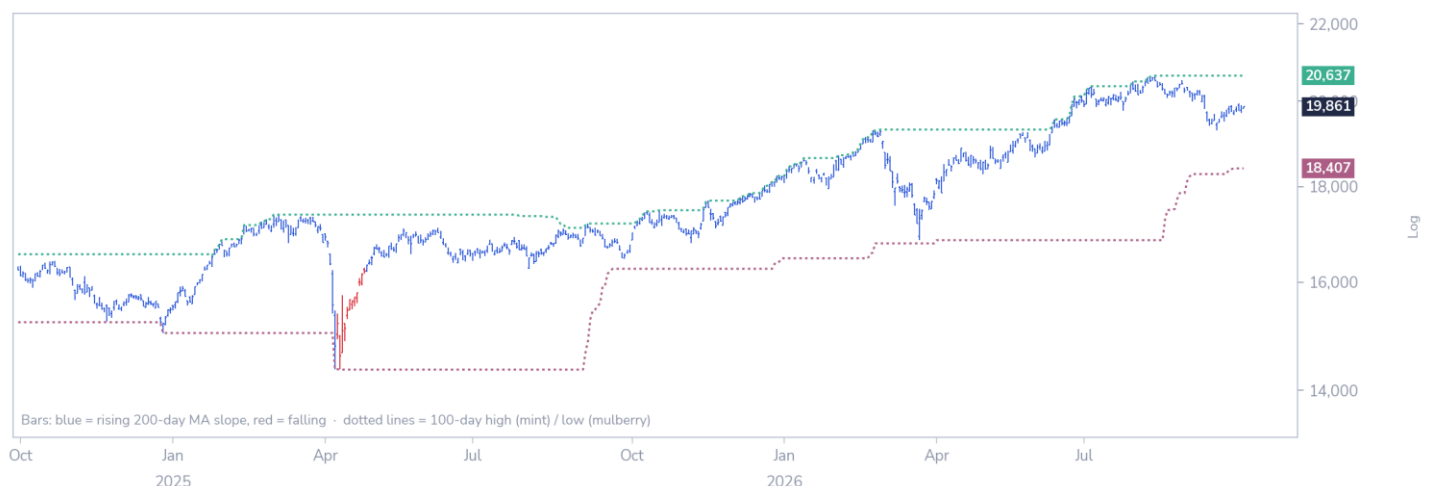
Invalidation
Close below 18,407



Breakout & momentum signals

▲ POSITIVE

The last band broken was the upper band, a new 100-day high at 20,637 on 11 August 2026, a positive trend signal; the lower band (18,407) has not been broken since 9 April 2025. Long-term momentum is positive: the latest bar is blue, so the momentum regime remains constructive.



Source: Syz Research, Bloomberg

Technical Takes

Swiss Small & Mid Caps - SPIEX

SPIEX: uptrend intact, relative strength turning up

▲ BULLISH

The primary trend remains positive. The 200-day moving average (6,311) is rising, with a succession of higher highs and higher lows. The 5.4% pullback from the 7 August record (6,741) briefly undercut the February high (6,414) but reclaimed it within three sessions, along with the 50-day average (6,550).

Relative strength is turning. The SPIEX/SMIC ratio (small & mid vs. blue chips) bottomed at 17.05 in July after a year of underperformance and crossed back above its 200-day average on 22 September. Wait for the ratio's 200-day average to turn up to confirm the outperformance trend.

Last
6,580

Support
6,311 / 6,157

Resistance
6,741 (record high)

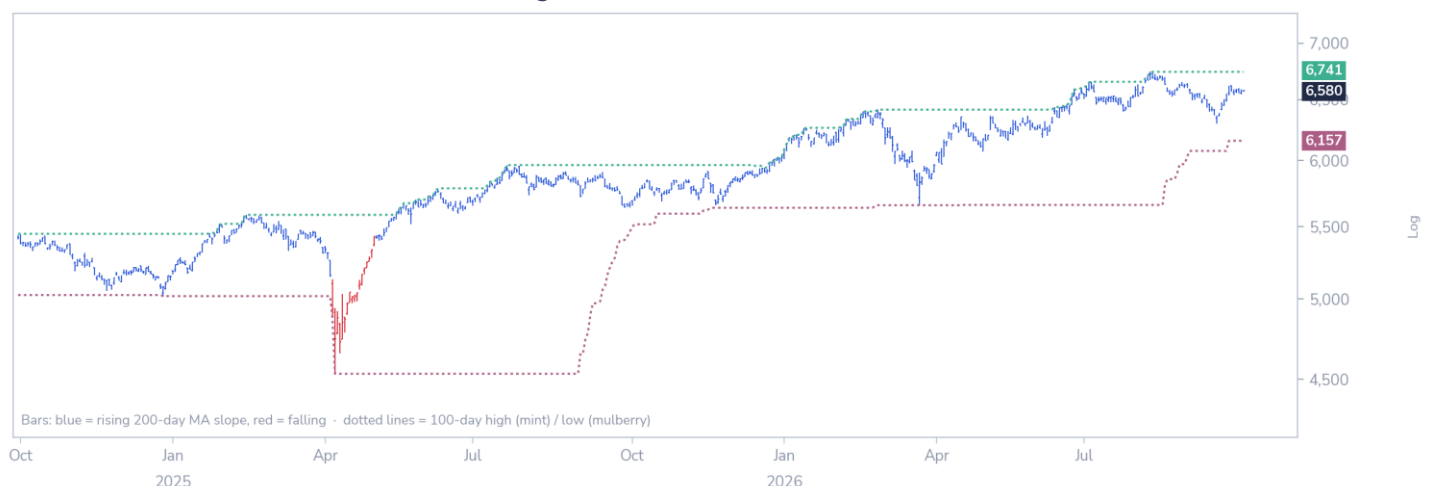
Invalidation
Close below 6,157



Breakout & momentum signals

▲ POSITIVE

The last band broken was the upper band, a new 100-day high at 6,741 on 7 August 2026, a positive trend signal; the lower band (6,157) has not been broken since 7 April 2025. Long-term momentum is positive: the latest bar is blue, so the momentum regime remains constructive.



Source: Syz Research, Bloomberg

CONTRIBUTORS



Florian Marini, CFA, CMT
Head of Research



Reto Cueni, PhD
Chief Economist



Christophe Pella, CFA
Head of Fixed Income



Assia Driss
Research Lab, Team
Coordinator



Maggie Cheng, CFA, CAIA
Senior Fixed Income Analyst



Hugo Morel
Research Lab

LEGAL DISCLAIMER

This communication has been sent to recipients for information purposes only and cannot be considered to constitute an advertisement, an offer or a personalised recommendation to buy or sell a financial instrument or any other investment or currency.

This communication is not directed to any person in any jurisdiction where, by reason of that person's nationality, residence or otherwise, its dissemination or use is prohibited. It cannot be quoted, reproduced, disclosed, distributed or otherwise referred to, in whole or in part, to any third party without the Bank's prior written consent.

This communication may contain information on past performances of a financial product, all kinds of economic and financial valuations and analyses, as well as opinions of the Bank or of third parties. Any market valuations, terms and calculation methods, yields and opinions expressed are subject to change without notice. The information and opinions contained herein have been compiled and provided in good faith, based on information obtained from sources believed to be trustworthy. However, such information has not been independently verified. No guarantee, representation, or warranty of any kind, whether express or implied, is provided by the Bank or by relevant data vendors and other sources with respect to the accuracy, reliability, currentness or exhaustiveness of the information communicated, the methodology employed or the prices contained herein.

Past performance is not a reliable indicator of current or future results. Any reference to the past performance of an investment does not guarantee its future performance. Fluctuations in exchange rates may adversely affect the value, price or income of any investment.

Nothing in the present communication constitutes investment, legal, accounting or tax advice. This information is purely objective since it does not take into consideration the personal situation (including financial knowledge and experience), the investment objectives and risk profile of any recipient. Moreover, certain financial instruments mentioned (in particular, but not exclusively, derivatives, options and futures) involve a high risk of loss and may not be suitable. Accordingly, recipients should consult their own advisors on such matters, including but not limited to the possible tax consequences of investing in any financial product mentioned herein, and make their own assessment of the suitability of such investment product.

Should a recipient make an investment on the basis of the present communication, the recipient alone shall bear the consequences thereof. In no event shall the Bank, its directors, employees, affiliates or agents be held responsible for damages of any kind arising out of the use of all or part of the information provided herein.