

Staying the course

Source: iStock/bymuratdeniz

Key takeaways

- Despite geopolitical uncertainty reaching record highs, global equity markets remain resilient, with stocks—led by international markets—continuing to outperform fixed income. Market leadership remains rotational, favouring “old economy” sectors such as Materials, Energy, Consumer Staples, and Utilities, while Communications and Technology lag.
- The US Supreme Court’s decision to invalidate IEEPA-based tariffs and the administration’s swift response via Section 122 were largely anticipated, helping to ease concerns around unexpected policy disruption.
- Against this backdrop of solid economic and earnings fundamentals, a diversified and fully invested stance remains appropriate. The preferred positioning includes an overweight to equities, particularly emerging markets, selective opportunities in US mid-cap and value stocks, continued exposure to gold, commodities, and hedge funds as diversifiers, an underweight in Fixed Income, and a neutral view on the dollar.

THE BIG PICTURE

Tariff policy and the Supreme Court's ruling against Trump's broad reciprocal tariffs have created volatility during the month of February. The US and Iran's nuclear negotiations have swung between supporting and reducing risk premiums on oil and gold. AI capital expenditure scepticism has weighed on US mega-cap tech. Meanwhile, a weaker dollar, strong central bank gold buying, and geopolitical uncertainty have kept commodities—especially gold—very well supported even after January's sharp correction.

Equities

US stocks had a choppy February, with the S&P 500 hovering around 6,900 as of 26 February—roughly flat for the month and up only modestly year-to-date, ending January at around 6,800 after a shifting +1.4% January. The S&P 500 is down about 1% over the past month, while the Nasdaq 100 dropped nearly 2%. These choppy conditions took place despite underlying corporate fundamentals remaining strong: as of 26 February, the S&P 500 is tracking a blended earnings growth rate of 13.2% for Q4 2025—its fifth consecutive quarter of double-digit earnings growth—with 74% of companies beating EPS estimates.

The big story has been AI and tech, where the mood has turned more cautious. Nvidia beat earnings expectations, but its stock still fell 5%. This shows that investors are closely scrutinising tech companies because they are worried that spending on AI infrastructure may have been overstated. Amazon was another notable laggard, down nearly 13% year-to-date after reporting it expects to spend \$200bn in capex this year—nearly 60% more than last year and well above Wall Street's forecasts.

One of the main stories within global markets has been the brutal selloff of stocks whose business model is at risk of being disrupted by AI. This has been especially evident in the recent selloff in the software sector, which has tumbled over the last few weeks amid a convergence of legitimate long-term uncertainty about AI's role in enterprise workflows and a valuation reset that was arguably overdue after two years of extraordinary gains. The immediate trigger for the software selloff was Anthropic's rollout of new AI-powered Cowork plugins for its Claude model, which automate workflows across legal, finance, sales, and marketing—wiping roughly \$1tr in market value from the software sector. In recent weeks, Anthropic also released Claude Code Security, which scans codebases for vulnerabilities and suggests software patches, hitting cybersecurity names too. The market's reaction was swift and broad. Adobe, Salesforce, and ServiceNow have all slid roughly 25% to 30%. Intuit has fared even worse, falling more than 34% year-to-date after dropping nearly 11% in a single session. In Europe, the pain spread globally: the Stoxx Europe Software and Computer Services index dropped more than 5% in one session, with RELX losing more than 14%, and Capgemini even lower. Gartner, the IT consulting firm, saw its stock fall 30% after forecasting zero revenue growth in 2026 due to a "much tougher selling environment."

So, is the fear justified? The interesting part is that most of these companies are still reporting solid results. It should also be noted that the selloff has been indiscriminate, hitting stocks that could benefit from AI. The truth likely lies somewhere in between: AI will disrupt some business models, while for others it will ultimately be a growth driver. For now, the market appears to be broadly pricing in a worst-case scenario.

All told, the derating of "Mag 7" stocks and the sharp selloff across software and IT have heavily weighed on the Technology & Communications sector. In contrast, traditional "old economy" industries—such as Oil, Materials, and Consumer Staples—have emerged as relative outperformers. Wall Street has even coined a new acronym, HALO (Heavy Assets, Low Obsolescence), to describe the key traits investors are prioritising in stock selection for 2026.

Outside of the US, the picture has been considerably brighter. The S&P 500 has trailed both developed and emerging markets, continuing 2025's trend that extended into early 2026. Japan's Nikkei 225 crossed 59,000 for the first time as the Takaichi trade gained momentum, while European indices have broadly advanced. In Asia, Korea's KOSPI remains the star index with gains close to 150% year-to-date, driven mainly by memory chips stocks.

Fixed Income

US rates and credit markets have shown interesting developments lately as investors reassess growth prospects and the implications of the AI-driven capex cycle.

The US 10-year Treasury yield has traded between 4-4.3% since last August and is back again to the low end of its range. Softer retail sales, easing inflation, and hints of productivity-driven deflationary pressures have driven USD yields lower, with markets again pricing the possibility of additional Fed rate cuts.

However, support remains fiscal stimulus from the Big Beautiful Bill, lower gasoline prices, and the ongoing AI capex wave should underpin consumption and GDP growth. As a result, the 4% level appears to be a significant threshold and potential bottom, unless data further deteriorates or inflation significantly slows down.

In credit, spreads have widened moderately from January's tight levels, returning toward December averages in both Investment Grade and High Yield. The move is led by the Technology sector, at the heart of the AI transition. The High Yield Technology sector has been underperforming the broad HY market since November, with spreads widening sharply since mid-January even as the broader market remains historically tight. In Investment Grade, the shift is more structural: after years of trading at tighter spreads than the overall market, Technology sector corporate spreads have gradually moved toward the IG market average level following heavy AI-related debt issuance. In February, they rose above the broader IG average for the first time in two decades.

Overall, AI is simultaneously supporting macro growth, potentially lowering inflation dynamics, and reshaping credit market equilibria, particularly within Technology. Upcoming data on employment, growth and inflation will be decisive for the near-term direction of US rates and the evolution of credit spreads.

Commodities

Commodities have been the most volatile asset class in February. Gold had an extraordinary January as prices rallied nearly \$1,300 (+29%) intramonth to approach \$5,600 per ounce before reversing sharply late in the month. The pullback followed President Trump's nomination of Kevin Warsh as the next Fed Chair, a move markets interpreted as posing less of a threat to Federal Reserve independence than initially feared. Gold fell more than 9% in a single day in late January—its sharpest one-day drop since 1983—before recovering throughout February. Gold reached its all-time high of \$5,595 on 29 January before stabilising around \$5,210 by the end of February, up enormously year-over-year—roughly +74% versus a year ago. Gold wrapped up its third consecutive weekly gain in the final week of February, benefiting from US dollar weakness and tariff uncertainty.

Oil has also been active. WTI crude surged 22% to a six-month high as US and Iran tensions escalated, though prices eased somewhat after progress in nuclear talks. Brent crude was trading near \$67.50/barrel in mid-February as geopolitical risks ebbed and flowed.

Forex

The US dollar has continued to weaken in 2026, extending the downtrend from 2025. The dollar index has fallen about 1.2% so far this year, following a decline of more than 9% last year. The Chinese yuan has been notably strong, climbing to its highest level against the dollar in nearly three years. The Japanese yen has been volatile: hawkish signals from the Bank of Japan have provided intermittent support, while growth concerns have triggered occasional weakness. Meanwhile, the euro has remained relatively stable, with EUR/USD hovering around 1.08.

Our take on the SCOTUS tariff ruling: what happened and what it means

On 20 February 2026, the US Supreme Court struck down the core of President Trump's tariff agenda in a 6-3 ruling, determining that the administration had exceeded its authority under the International Emergency Economic Powers Act (IEEPA). The Court's key argument was that IEEPA—a law from 1977 designed to regulate commerce during declared national emergencies—never explicitly grants the power to impose tariffs, a power that constitutionally belongs to Congress. The ruling targeted both the trafficking tariffs on China, Canada, and Mexico, justified by the fentanyl problem, and the broad reciprocal tariffs applied to nearly all trading partners on the basis of trade deficits. These IEEPA-based tariffs had accounted for roughly 60% of total US tariff collections, equalling about \$133bn.

The administration's response

The White House anticipated this outcome and moved swiftly. It deployed a two-step strategy. First, it immediately invoked Section 122 of the Trade Act of 1974 to impose a 15% blanket tariff on all trading partners—a temporary measure that can remain in place for only 150 days before requiring Congressional approval, putting a deadline of late July 2026 on the clock. Second, and in parallel, the administration plans to use Sections 232 (national security) and 301 (unfair trade practices) to build more legally durable, country-by-country tariff frameworks over time, though these take significantly longer to implement.

The new tariff landscape: winners and losers

The switch to a flat 15% rate creates an unexpected redistribution of tariff burden. Countries that previously faced the highest targeted rates, such as Brazil (-13.6%), China (-7.1%), India (-5.6%), and Southeast Asian exporters like Vietnam and Thailand, actually see their effective tariff burden fall. Conversely, several US allies that previously enjoyed lower rates now face higher burdens: the UK's trade-weighted tariff rate increases by 2.1%, Italy's by 1.7%, and Singapore's by 1.1%. The overall trade-weighted average US tariff rate now sits at 13.2%, down slightly from 15.3% pre-ruling.

Market and macro implications

The authors' conclusion is measured: do not overestimate the tariff narrative. The \$133bn in IEEPA tariff revenue is only around 0.45% of the \$30tr US economy, inflationary effects have been contained, and the 2025 trade deficit barely moved despite tariff activity (\$901.5bn vs. \$903bn in 2024). US growth remains near trend and corporate earnings are projected to grow at a double-digit pace in 2026.

For markets, the most important consequence of the ruling is the reduction in policy uncertainty. The removal of IEEPA authority makes it structurally harder for any president to announce sudden, sweeping tariff hikes, like last year's Liberation Day measures. Future tariff changes are likely to be smaller, more gradual and more predictable, which markets generally welcome. The ruling also reinforces the rule of law, which could attract foreign capital and support asset prices, though the net dollar effect is ambiguous—lower tariffs could weigh on the currency, while institutional confidence could drive inflows.

The near-term risk is that the 150-day Section 122 window creates uncertainty over what will replace it and completing Section 301 investigations within that timeframe will be challenging. However, the overlap with the midterm election cycle makes a materially higher tariff escalation politically unlikely.

The bottom line: the tariff story is not over, but its most disruptive chapter probably is.

Focus on Q4 earnings season

Earnings performance remains robust across the S&P 500, underscoring continued corporate strength. With 85% of companies having already reported, blended year-over-year earnings growth stands at 13.2%, improving substantially from 11.9% just a month ago. This marks the fifth consecutive quarter of double-digit earnings growth for the index.

While 74% of companies have exceeded EPS expectations—slightly below the 5-year (78%) and 10-year (76%) averages—the size of the beats remains solid. Companies that surpassed estimates did so by an average of 7.2%, broadly in line with long-term norms. Earnings growth has been led by Information Technology, Industrials, and Communication Services, while Energy and Consumer Discretionary continue to post the steepest year-over-year declines.

Revenue trends also remain supportive. Blended revenue growth for Q4 2025 has strengthened to 9.0%, up from 8.2% a month earlier, extending the streak to 21 consecutive quarters of year-over-year revenue growth. Ten of the eleven sectors are reporting higher revenues, with Information Technology (20.6%) and Communication Services (12.2%) leading the advance. Energy remains the sole sector experiencing a revenue contraction.

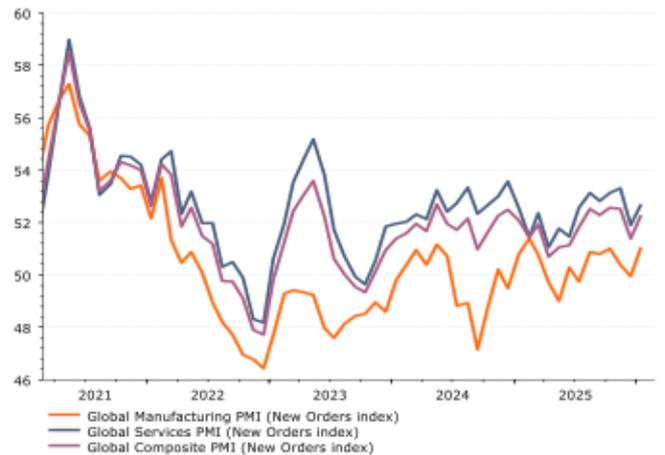
Looking ahead, analyst expectations remain constructive. Earnings growth for 2026 is projected at 11.1% in Q1, 14.9% in Q2, and 14.4% for the full year, pointing to continued momentum. That said, valuations remain elevated: the forward 12-month P/E ratio stands at 21.5x. Although down from 22.2x a month ago, it is still well above the 5-year average of 20.0x and the 10-year average of 18.8x, suggesting markets continue to price in a favourable earnings outlook.

AN UPDATE ON MACRO AND CENTRAL BANKS OUTLOOK

The global growth view:

On a global scale, the economic data over the last month were mostly on the positive side. Particularly in the US, but also in Europe and several emerging markets, the latest economic prints were indicating a continuation of a good economic growth environment. Our expectations for further improvement of the global manufacturing sector were confirmed by the latest leading indicator, which is trending above 50, signalling ongoing sector expansion. Services still lead the Manufacturing sector with a scoring on very solid levels. We stick to our view that global fiscal stimulus will create a positive trend in global capex spending, which should benefit manufacturing. Overall, global growth looks set to continue its positive economic growth path.

Chart 1: Leading indicators are currently confirming our expectations of a global improvement of the manufacturing cycle



Source: LSEG Database / Syz Group

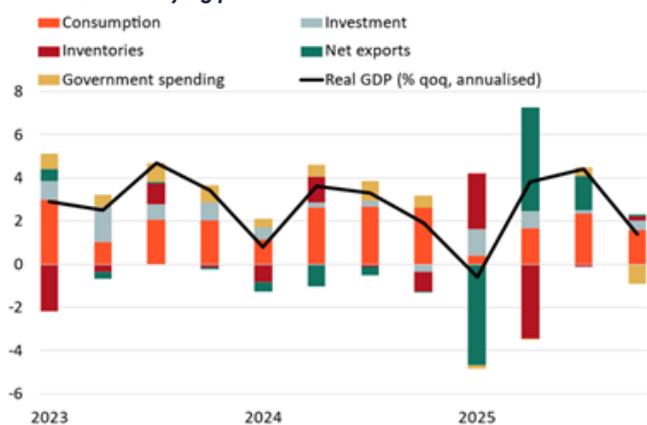
Source: LSEG, Syz Group

Before the latest verdict from the US Supreme Court, trade uncertainty had begun to ease, as new agreements—particularly the deal with India—reassured US trading partners and companies that there is a reasonable path to negotiating future trade deals with the United States. However, the latest verdict of the US Supreme Court, which ruled against the legal framework the US administration has used to install, most of the elevated import tariffs (IEEPA), increased uncertainty once again. This uncertainty began to recede again after US officials and President Trump outlined in press conferences how they plan to rebuild the legal frameworks. They immediately reinstated a temporary measure to raise the US import tariff rate to at least 10%. At the same time, they promised to respect already forged trade treaties with trading partners, exempting them from additional tariffs beyond agreed tariff rates. Global uncertainty also increased in other areas, as recent developments around Iran suggest that a US strike against the regime and its military could be imminent. Any military intervention could push energy prices higher, which, if sustained, would pose a new burden for the global economy—particularly consumers—and could drive global inflationary pressures and market concerns higher.

Macro view on the US:

US economic releases were mostly stronger than expected, supporting our view that the country remains on a positive growth trajectory. This is despite the weaker-than-expected annualised GDP growth rate of 1.4% in Q4 2025, compared with forecasts of 2.8%. The details of the Q4 GDP, however, still paint a positive picture, with solid consumption growth of 2.4% and a substantial increase in fixed investment spending (capex) of 2.6%. While import and export growth largely offset each other, the government sector reduced GDP growth by almost a full percentage point, primarily due to the 43-day government shutdown in Q4.

Chart 2: US Q4 GDP was much weaker than expected due to the shutdown in Q4, but the details were still reassuring the solid underlying private domestic demand



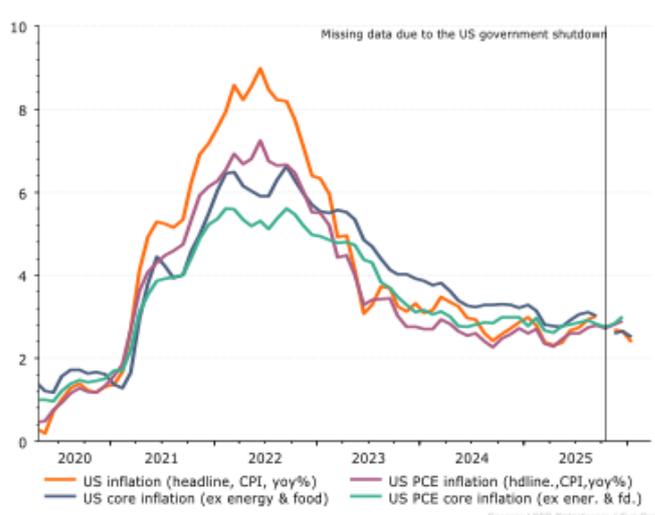
Source: BEA, LSEG, Syz Group

Additionally, the latest economic leading indicators based on company surveys (PMIs) confirmed a continuation of a solid economic activity. On the other hand, they also indicated a continuation of price pressures in the Service and Manufacturing sectors. This was visible in the latest PCE index release, usually the Fed's preferred inflation measure, rising to 2.9% on a headline and 3% on a core basis, excluding energy and food prices. The other inflation gauge, the CPI, declined in January, largely due to the heavier weighting of the shelter component, but it remains above the central bank's 2% target at 2.4%. Combined with a still-resilient—albeit gradually moderating—labour market, the latest US data prompted markets to reassess the timing of the next expected Fed rate cut. Expectations for a June move have softened, while the probability of a July cut has increased, implying that the first rate reduction would take place at the second FOMC meeting under the new Fed Chair rather than at the first meeting. Given the latest US data, we still feel comfortable with our baseline scenario of an "Indian summer" for the US economy, with a warm but not hot economy and inflation. We still expect two rate cuts in 2026, and agree with the market pricing around June or July for the first and September for the second, as the data does not indicate the US economy needs immediate support from lower rates in the coming months. This is despite the fact that the US housing market is still suffering from the current interest rate environment.

Nevertheless, downside risks remain. Consumption could slow, particularly when struggling middle- and lower-income households cut spending at some point. Additional risks include delayed tariff effects on prices and demand, further increases in electricity prices, and a rising debt burden due to persistently high interest rates.

On the other hand, upside risks to growth and inflation also exist. President Trump and his administration have floated several measures to support US households, ranging from tariff rebate checks to a proposed cap on credit card interest rates at 10%. Such measures could re-heat consumption and inflation, leading us more towards an over-heating scenario.

Chart 3: The US central bank's most watched inflation measure (core PCE) now at 3% while the other inflation gauge (CPI) grinding lower towards central bank target

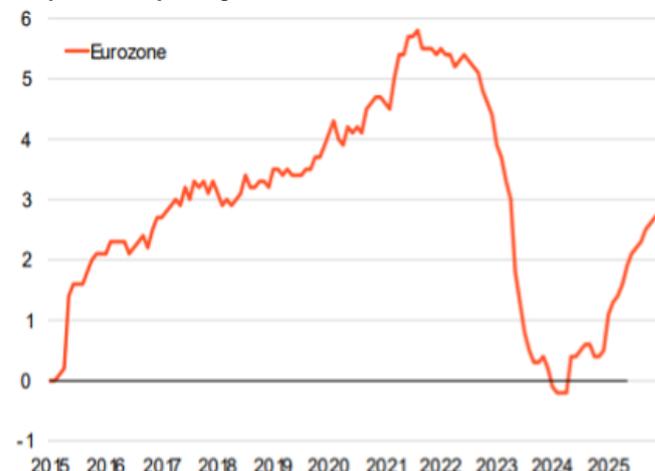


Source: BEA, LSEG, Syz Group

Macro view on the Eurozone:

The latest economic signals from the Eurozone were also mostly positive, particularly the so-called flash PMIs which are released ahead of the official print at the end of the month, and which provide an early indication about the sentiment in the Manufacturing and the Service sector. Both indicators increased further, particularly for Manufacturing, which lagged for more than 2 years and seems to finally have found its path back to expansion. This is also what we expect to continue as fiscal stimulus, not only in Germany, but also in several other major European economies, will help lift economic activity in this sector. Similarly, lower interest rates, triggered by lower key interest rates from the European Central Bank, should support the feeble housing market that suffered in the high-interest rate environment. This is already visible in the much stronger growth of loans granted to households, which was negative in 2024 and lately grew around 3%.

Chart 4: Loans to households for house purchases are now growing much stronger again with a volume growth of 3% compared to a year ago



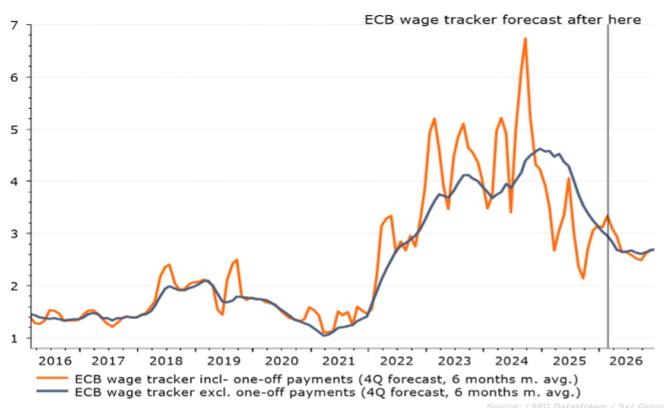
Source: ECB, LSEG, Syz Group

There were also additional positive signs that speak for a continuation of the recovery in the Eurozone. These signs include: a gradual improvement of consumer sentiment, more factory orders—particularly from the domestic companies, and lower energy prices that should support production but also consumption like wise.

Despite the positive signs and the expected fiscal stimulus filtering into the economy in 2026, the Eurozone will still have to contend with higher US tariffs—assumed at up to the agreed 15%—as well as the impact of a still-strong euro, which continues to weigh on the export sector in the EU. A renewed flare-up of trade tensions with the US, alongside the ongoing war in Ukraine, remains the main risk to growth. Yet, in our base case, public spending combined with a global rebound in the manufacturing cycle should help keep the Eurozone economy on track for further recovery.

As the Eurozone’s economy is unlikely to overheat despite the recovery, and the labour market does not seem tight enough to trigger a surge in wage growth, we do not foresee a meaningful rise in inflation. Instead, given a somewhat stronger euro, we expect only mild reflation beginning in the second half of the year. Therefore, we expect the ECB to keep its current key interest rate of 2% and start 2027 rate hike discussions well into the second half of 2026.

Chart 5: Non rising wage growth expected in the Eurozone until 2027

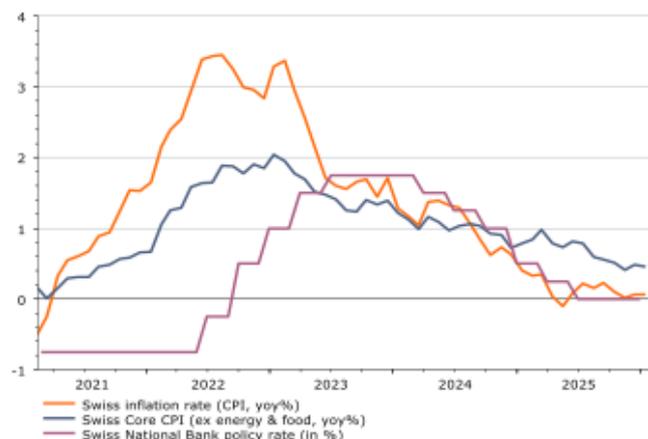


Macro view on Switzerland:

With the release of rather weak but nevertheless reassuring figure of 0.2% GDP growth for the last quarter of 2025, we learnt that the Swiss economy is recovering from the negative growth rates the economy faced in Q3 2025 (-0.5%). This is reassuring, as it demonstrated that after the US tariff announcement last summer, the Swiss export sector seems able to gradually digest the newly agreed 15%. Of course, the continued strength of the Swiss franc does not support the export industry, but the domestic demand remains solid. This demand will be supported by the zero key rates of the Swiss National bank, although the tariffs will continue to affect the Swiss economic performance. This, in combination with our expect-

tation for improving European demand, allows us to anticipate a gradual recovery of the Swiss economy over the next quarters. Inflation is likely to remain at the lower end of the SNB’s 0%-2% target range in 2026. However, the SNB’s Governing Board has made it clear that even a temporary dip below 0% would not be sufficient to push key rates into negative territory. We therefore expect the SNB to keep its key rate at 0% well into 2026, even if the strong Swiss franc will likely lead to at least some months of negative inflation in Switzerland in the coming quarters.

Chart 6: Overall inflation was close to zero at the start of 2026, but the domestic driven core inflation sits more comfortably in the SNBs target band



Macro view on the UK and Japan:

Despite an improvement of the economic activity indicators in the UK, we still expect the high interest rates, negative fiscal impulse, accumulated price increases, and deteriorating wage growth figures to further impact UK consumption. Additionally, the latest inflation prints came in lower, confirming our expectation of further rate cuts by the Bank of England. We currently expect a rate cut in roughly each quarter of 2026.

Following the landslide victory of the LDP party, Prime Minister Sanae Takaichi holds a strong mandate to bring down inflation while also supporting economic growth through additional fiscal stimulus. To address inflation, she has proposed tax cuts to reduce levies in several price sectors and has sought to reassure citizens and market participants that her government will respect the Bank of Japan’s (BoJ) independence in setting key policy rates. Her comments after the early February election victory were well received by markets, leading to a stronger yen, lower bond yields, and higher equity prices.

However, her subsequent nomination of two dovish members—who advocate a low interest rate policy—to the BoJ’s rate-setting body prompted markets to reverse their positive stance on the yen, reflecting growing skepticism about careful management of public spending amid Japan’s already high debt burden. We continue to expect the BoJ to raise its key policy rate in 2026, though likely not before the end of the first quarter.

Macro view on China and the Emerging Markets:

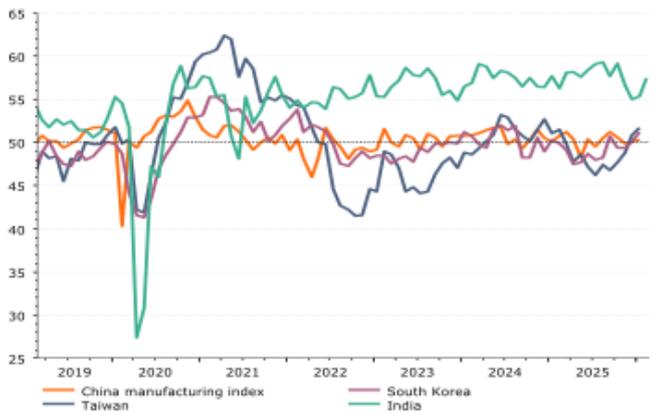
China is currently lagging several other EM countries in terms of economic activity levels. The latest industry sentiment indicators show Taiwan and South Korea will overtake China in terms of manufacturing activity in the months to come. China’s new “anti-involution” campaign aimed at addressing overcapacities appears to be weighing on industrial sentiment and continues to pose a risk to domestic growth by suppressing business confidence.

On the positive side, China managed to redirect exports to trading partners other than the United States and posted positive surprises in its trade data. In addition, the latest US Supreme Court verdict seems to have weakened the US administration’s negotiation leverage, increasing the likelihood that the current trade truce will continue, particularly in a US midterm election year.

The recently announced fiscal stimulus package, aimed at addressing weak domestic demand, should help support economic growth in 2026. Nevertheless, the ongoing economic and geopolitical rivalry with the United States keeps uncertainty elevated. With no comprehensive trade agreement yet in place between the two superpowers, the risk of renewed trade tensions remains a key downside factor for growth in China and for global financial markets more broadly.

Other large EM markets like India appear to be faring well, supporting our positive macro view on the EM complex, particularly in the Asian region. We expect the new trade deal between the US and India to further encourage Indian growth and reduce uncertainty, allowing more capex and foreign investments to flow into the economy. Beyond that, strong semiconductor demand and our expectation of a continued global manufacturing recovery should also support key emerging markets such as South Korea and reinforce the broader positive macro outlook for the asset class.

Chart 7: India’s sentiment in the manufacturing industry is on strong levels while China is trying to catch up, now overtaken by South Korea and Taiwan



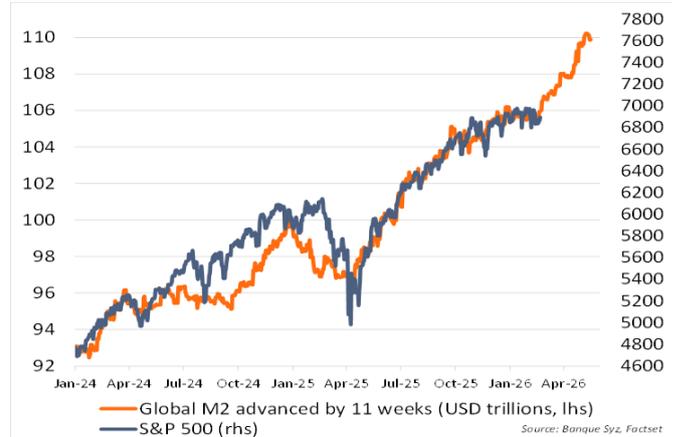
Source: LSEG, Syz Group

LIQUIDITY UPDATE

Our Global M2 proxy indicates an ongoing support from an overall liquidity impulse, which will stay positive for risk assets in the weeks to come. This positive backdrop remains despite a slightly weaker print over the last two weeks, triggered by a USD rebound and neutral liquidity conditions from the US Federal Reserve’s balance sheet and Treasury account dynamics.

The relationship between risk assets and our Global M2 proxy remains a useful gauge of an important driver behind equity markets, but its impact could occasionally be offset by other macro factors.

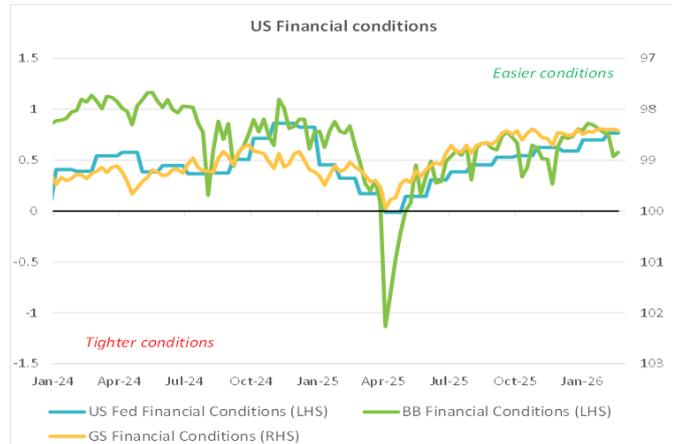
Chart 1: Our liquidity index is pointing to a positive tailwind for the S&P 500 and risky assets in general, despite a slight decline lately



Source: FactSet, Syz Group

Despite the latest tightening of financial conditions, the development stabilised on favourable levels and remains clearly accommodative.

Chart 2: Various US financial condition indices point to an accommodative situation, despite the latest tightening of the financial market



Source: FED, BB, GS, Syz Group

Our core top-down scenario remains unchanged

We continue to believe that our Indian summer scenario remains valid.



<p>"Freeze-risks" to our baseline scenario (triggering low growth and low inflation):</p> <ul style="list-style-type: none"> • US lower & middle income classes freeze their consumption • US AI investment cycle leads firms to layoff employers to justify investments • US AI capex cycle breaks down as expectations (productivity, RoI) cannot be met • Financial system instabilities lead to a credit crunch • Fiscal debt starts to backfire, "austerity" comes back in the USA or France (EU) • China's involution policy chokes domestic growth and global capex cycle 	<p>Our baseline - Growth:</p> <ul style="list-style-type: none"> • Global growth to recover from low levels (less trade uncertainty, more investment) • US economy keeps good growth thanks to well balanced fiscal stimulus, re-leveraging & (AI) productivity gains • Eurozone will finally see growth grinding towards potential • China and EM will enjoy a growth recovery thanks to less trade uncertainty <p>Inflation:</p> <ul style="list-style-type: none"> • Globally, inflation stays calm as regions counterbalance each other • US and UK will see substantial above target inflation, followed by Japan • Eurozone will show only mild price pressures and Switzerland only very weak ones 	<p>"Heatwave-Risks" to our baseline scenario (triggering high inflation & mostly high growth):</p> <ul style="list-style-type: none"> • More fiscal stimulus, re-leveraging of households and firms (AI capex) pushes growth into a boom that let inflation surge (overheating) also due to a lack of productivity gains • Central bank (US Fed) becomes too "dovish" and gets "behind the curve" and needs to catch up finally • Stark escalation of trade disputes could derail supply chains and push goods prices up • A strong geopolitical eruption could lead to an energy price inflation scare
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How does it lead us in terms of asset allocation preferences and portfolio positioning?

Below we review the weight of the evidence and subsequent investment decisions.

The weight of the evidence

Our asset allocation preferences are based on 5 indicators, including 4 macro and fundamental indicators (leading) and 1 market dynamics (coincident). The weight of the evidence suggests a constructive view on equities (positive). Below we review the main drivers for each of them.

Negative -	Neutral =	Positive +
		Macro Cycle
		Liquidity
		Earnings Growth
	Valuations	
		Market Factors

- ▶ **Macro cycle (POSITIVE):** Domestic fiscal stimulus should provide economic support in the US, China, and Eurozone. Trade uncertainties have recently deescalated and macroeconomic data has improved. In the US, macroeconomic data came in stronger than expected, building on an already solid level of economic activity, apart from the labour market. The latest labour market data were reassuring and exceeded consensus, while consumption now-casting indicators point to a rebound at the start of 2026 following the weak December retail print. In Europe, signs of economic recovery are finally appearing in hard macro data, including rising domestic orders and improvements in labor and housing market indicators. In China, domestic consumption remains weak, but the announced cancellation of the rigid 3 red lines" framework for deleveraging the property sector should lift sentiment real estate. Government programs to support domestic demand in the service sector have also just begun. On the industrial side, China's anti-overcapacity campaign continues to weigh on business sentiment. Meanwhile, the latest figures from Asian emerging markets point to a recov-

ery in the global manufacturing cycle, which is promising for emerging economies more broadly. These developments support our current positive macro assessment, although we continue to monitor elevated geopolitical risks and the likely end of the global central banks' rate cutting cycle in 2026.

- ▶ **Liquidity (POSITIVE):** Liquidity conditions for financial markets remain positive overall. The Fed has ended Quantitative Tightening and is purchasing Treasury bills to ease short-term funding conditions. Continuing global M2 growth and the US dollar's softness contribute to a supportive liquidity environment for Q1.
- ▶ **Earnings (POSITIVE):** Earnings remain a tailwind for equities with more sectors to show earnings growth improvement. Technology stocks will continue to benefit from the adoption of AI, while the "old economy" is set to recover from a low base.
- ▶ **Valuations (NEUTRAL):** US large cap stocks trade significantly above their 10-year averages, while international equities trade at a discount vs. the US. However, equity risk premiums remain low in both the US and Europe.
- ▶ **Market factors (POSITIVE):** Symphony indicators are still positive at 75% allocation to equity (50 US / 25 EU)

Indicator	USA	Europe
Trend	NEUTRAL	POSITIVE
Technicals	POSITIVE	POSITIVE
Market Breadth	POSITIVE	NEUTRAL

Indicator	USA	Europe
Sentiment	POSITIVE	POSITIVE
Volume	POSITIVE	POSITIVE
Aggregate	POSITIVE	POSITIVE

Tactical Asset Allocation (TAA) decisions

The weight of the evidence lead us to keep an over-weight stance on equities. Within our asset allocation grids, we are aligning the weights with the recent market drift, leading us to reducing US Equities while increasing the allocation to Emerging Markets equities.

Indeed, while we keep a large allocation to US stocks, we find value outside the US. The shift from US to international markets that started in Q2 of 2025 seems to be gaining momentum, as shown in the chart below.



Source: Strategas

According to Bank of America, we have seen a record 4-week inflow of \$64.6bn, mostly Korea (memory stonks) and Japan (reflation narrative).

Looking at the Big Flow to Know, BofA calculated that in 2026, for every \$100 of inflows to global equity funds, US stocks have accounted for \$26—their lowest share since 2020.

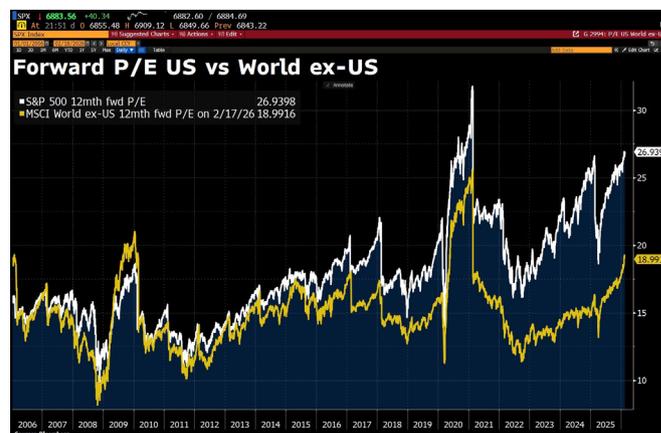
Chart 5: Lower relative inflows to US assets
Share of US in allocation of global equity flows



Source: BofA Global Investment Strategy, EPFR

BofA GLOBAL RESEARCH

Although global markets have narrowed the gap with the US in recent weeks, US equities still trade at a roughly 40% valuation premium to the rest of the world. That premium could shrink further if big tech companies lose their capital-light appeal due to rising capex and begin to be valued more like capital-intensive businesses.

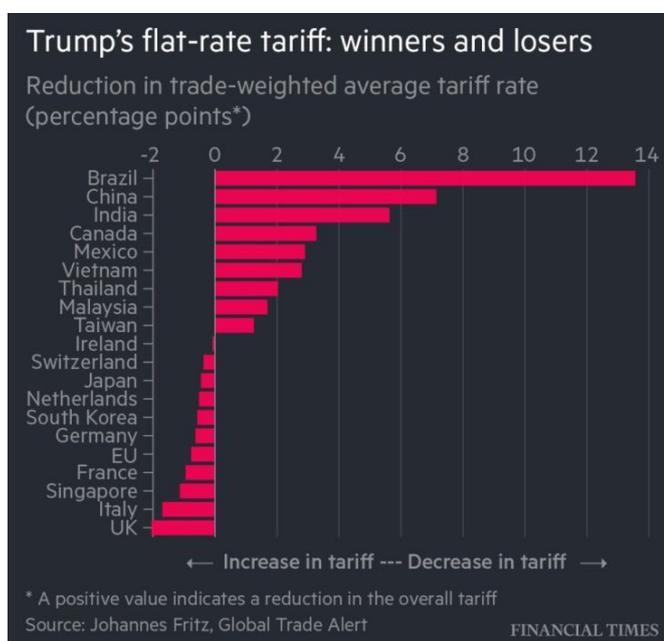


Source: Bloomberg

From a macro perspective, Emerging Markets and Asia are currently the most compelling regions in our perspective. Aggregate valuations remain compelling and earnings growth expectations are accelerating.

Emerging countries are the beneficiaries of the new 15% tariffs. According to new analysis from Global Trade Alert, the very countries frequently singled out for criticism are set to see their average tariff rates drop the most:

- ▶ Brazil: enjoying a massive 13.6% reduction in average tariff rates
- ▶ China: seeing a 7.1% reduction
- ▶ India: seeing a 5.6% reduction
- ▶ Vietnam, Thailand, & Malaysia: set to benefit significantly as previous specific levies are replaced by the blanket rate



In alternatives, we stay overweight gold and overweight commodities.

We stay **neutral hedge funds**.

We currently maintain an overall underweight stance on Fixed Income, due to a negative view on government bonds. Government bonds are not attractive in the current macroeconomic context, and do not bring reliable diversification in portfolios. We keep a constructive stance on Credit and Emerging Market (EM) debt. EM debt remains supported by global growth dynamic, a weaker US dollar, contained public debt and corporate leverage, as well as strong flows, even if spreads are tight. While Credit markets continue to exhibit tight spread levels despite the recent slight widening, those levels appear coherent with the positive economic growth backdrop and provide interesting carry and absolute yields for a fixed income portfolio.

We are **neutral the dollar against all currencies**.

On the EUR/USD, we still expect a weaker USD trajectory over the long-term. This is due to a likely looser monetary policy versus the EUR and higher accumulated inflation. Meanwhile, political intentions to weaken the USD remain—attempts to dismantle the institutional set up behind the USD—and the twin deficit persists.

Short term factors balance each other out, but economic policies seem key:

- ▶ An inflation differential outlook with US prices rising more than Eurozone -inflation speaks against USD
- ▶ A higher interest rate differential and a stronger economic activity in the US vs the EMU speaks for the USD
- ▶ The Fed is unlikely to adopt a more dovish stance than markets currently expect, while the ECB is expected to keep policy unchanged

We thus expect the USD to move sideways versus the EUR in the short term and stay negative USD long term.

These short and long-term views are also valid for the USD/CHF.

Asset Allocation Grid - Tactical Asset Allocation (TAA) – 19 February 2026

	Underweight -	Neutral =	Overweight +
Asset Classes		Cash	
	Fixed Income		Equities
Fixed Income	Govies 1-10	Alternatives	
	Govies 10+		
		Corporate IG (local)	
		High Yield (local / global hdg)	
Equity		EM Debt	
		United States	
		Eurozone	
		UK	
		Switzerland	
		Japan	
			Emerging Markets
Alternatives		China	
		Hedge Funds	
Commodities			Gold
			Commodities
Forex (vs. USD)		EUR	
		CHF	
		GBP	
		JPY	
		EM Currencies	

  Arrows show our latest TAA moves.

Investment conclusions

- ☑ On 20 February, the US Supreme Court invalidated Trump's tariffs imposed under the International Emergency Economic Powers Act (IEEPA) on the United States' global trading partners. In response, the US administration moved swiftly, signalling its intention to invoke Section 122 to introduce 15% tariffs across all trading partners, while using the subsequent 150-day window to conduct additional trade-related investigations.
- ☑ From a market standpoint, the Supreme Court's ruling has effectively removed a key source of uncertainty. Both the decision itself and the administration's response were largely anticipated, helping to ease concerns around unexpected policy disruption.
- ☑ We continue to see a relatively favourable economic and earnings backdrop, and in this environment, we believe staying diversified and staying invested is the prudent approach, regardless of tariff headlines. We stay overweight equities with a preference for Emerging Markets. In the US, we see a compelling valuation in Mid-caps and Value stocks. Gold, commodities, and hedge funds remain portfolio diversifiers. We stay underweight fixed income and neutral on the dollar.
- ☑ As always, we stick to our SAA (Strategic Asset Allocation) and will use our TAA (Tactical Asset Allocation) opportunistically.

Welcome to Syzerland®

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