



Source: AI generated

**2026 Q1**  
**in 10 stories**

Investors faced one of the most turbulent quarters in recent memory during Q1 2026. The year began with optimism, but markets were soon affected by the outbreak of conflict in the Middle East, a historic surge in oil prices, significant movements in bonds and currencies, and the rapidly growing impact of artificial intelligence. In the sections below, we recount the story of Q1 2026 in ten charts, from the initial equity rally to the lasting opportunities in fixed income.

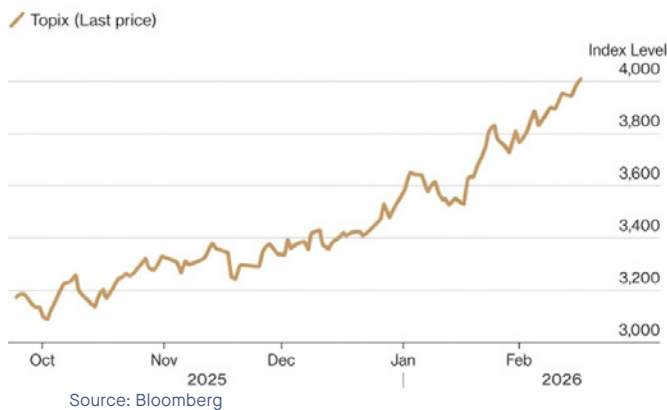
**Charles-Henry Monchau, CFA, CAIA, CMT**  
Chief Investment Officer  
[charles-henry.monchau@syzgroup.com](mailto:charles-henry.monchau@syzgroup.com)

### Story #1

## Equities start 2026 on the front foot

The first weeks of 2026 offered a deceptively calm start for investors. Equity markets rose on strong Q4 2025 earnings, enthusiasm for AI-driven productivity, and expectations of at least one Federal Reserve rate cut. Value stocks outperformed growth early, while emerging markets, especially Taiwan and South Korea, benefited from AI-related semiconductor demand. Japan's TOPIX led major markets, up 3.6%, supported by yen weakness and the ruling Liberal Democratic Party's February election win, seen as pro-stimulus. The FTSE All-Share gained 2.4%, aided by commodity exposure and a softer sterling. However, cracks emerged in mega-cap tech as investors questioned whether hyperscalers could justify surging AI capital spending and deliver returns to shareholders a concern that would intensify throughout the quarter.

### TOPIX Performance at the Start of 2026



### Story #2

## Gold and silver volatility surges while Bloomberg Commodities index is the top performer in Q1

Precious metals started 2026 on strong footing, with gold at high levels and silver rising, supported by inflation-hedging demand and industrial use linked to the energy transition. Yet the quarter brought unexpected volatility rather than a steady climb, as both metals saw sharp swings that surprised many systematic and momentum-driven funds. Gold was initially a widely favoured trade, paired with emerging market equities as a hedge against a weaker dollar and geopolitical risk. But when the Middle East conflict broke out and the US dollar surged, these crowded positions unwound quickly, driving simultaneous declines in gold and EM equities. Silver's higher beta magnified the swings. Despite this, the Bloomberg Commodity Index led the quarter, up 24.4%, driven mainly by energy, while precious metals' volatility remained a standout story.

### Bloomberg Commodity Index Performance



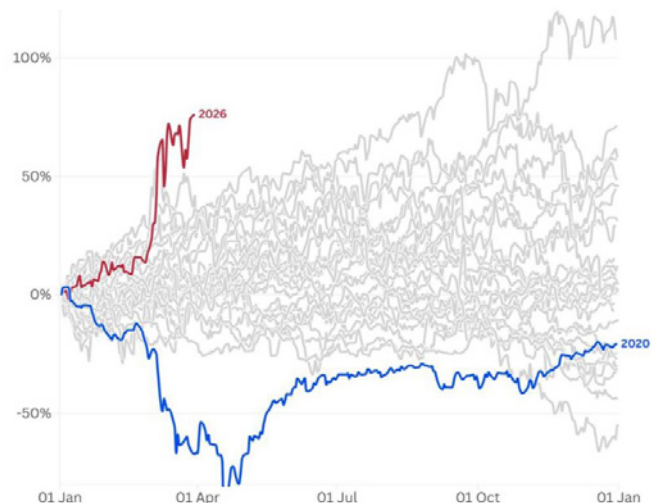
### Story #3

## Oil's most violent start to a year in 3 decades

The defining macro event of Q1 2026 was the escalation of conflict in the Middle East, which quickly reshaped the investment landscape. The conflict severely damaged the regional energy infrastructure and effectively closed the Strait of Hormuz, a critical route for over 80% of Asia-bound global oil and gas. The impact on energy markets was immediate and dramatic: Brent crude surged 63% in March alone, marking the largest monthly increase in 40 years. Grain and other agricultural commodities also jumped, as the Strait is vital for food shipments. The supply shock posed a major challenge for central banks. The Fed, ECB, and Bank of England faced rising inflation while weighing growth support, with the BoE keeping rates steady in March amid unprecedented uncertainty.

## Oil's Most Violent Year in Three Decades

Brent Crude year-to-date price change for each year since 1996

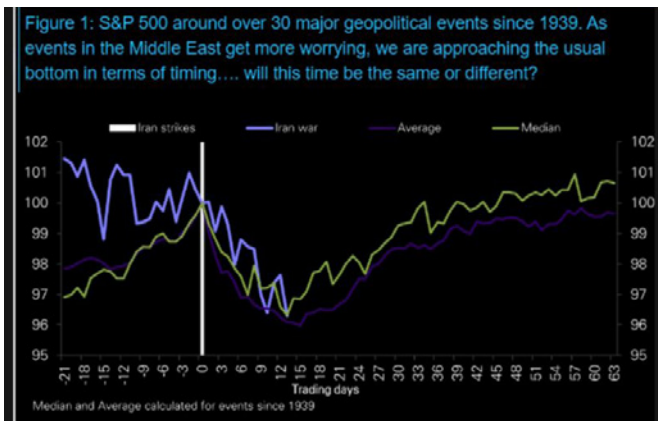


Source: Bloomberg, Arkevium Research • Each line represents the cumulative percent change in Brent Crude price from January 1st of that year. ARKEVIUM  
Source: Maxence Visseau & Arkevium Research

### Story #4

## The Middle East shock

The geopolitical shock turned an already uncertain equity market into a highly volatile one. The S&P 500 fell 4.3% for the quarter, but this headline masked extreme internal divergence. BlackRock reported that 74% of its constituents moved more than 5% in either direction, with dispersion reaching the 98th percentile, levels last seen during the Global Financial Crisis. The sell-off was global. The MSCI World dropped 3.5%, while European equities (MSCI Europe ex-UK) fell 2.3%, pressured by soaring gas prices and growth concerns. Emerging markets were broadly flat (-0.1%), though Asia's oil exposure weighed on some markets, while Taiwan and Korea benefited earlier from AI. In the US, value stocks (+1.3%) outperformed growth (-8.4%), and technology, the most crowded sector early in the year, fell 3.8% in March. Higher-quality tech names held up better, as investors favoured cash flow visibility amid heightened uncertainty.

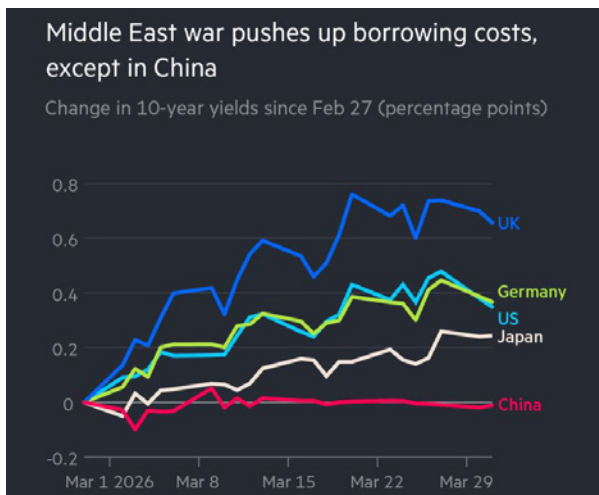


Source: DB

### Story #5

## Bond markets whipsaw

Government bond markets saw some of the quarter's most dramatic repricing. At the start of Q1, most major central banks were expected to cut rates multiple times in 2026. By March, markets had sharply reversed, pricing in potential rate hikes, triggering notable losses across sovereign bonds. UK Gilts fell 2.0%, the worst-performing major market, while European bonds declined 0.6% as the ECB hinted at a possible hiking bias. Japanese Government Bonds dropped 1.6%, with long-dated issues selling off ahead of the February snap election amid expectations of looser fiscal policy. ECB projections suggested headline inflation could reach 3.1% year-on-year in Q2, before the March oil peak. US Treasuries stood out, ending the quarter flat. As a net energy exporter, the US was less affected by oil, and a cooling labour market non-farm payrolls fell 92,000 in February helped moderate domestic inflation. The Fed kept rates unchanged in March, maintaining a dovish outlook for one cut in 2026, in contrast to the more hawkish BoE and ECB.



Source: Financial Times

### Story #6

## The dollar surges

The geopolitical shock was the sharp rise of the US dollar. As tensions escalated and global risk appetite weakened, investors moved into dollar-denominated assets, unwinding positions that had been built on expectations of a weaker dollar. This reversal hit gold and emerging market equities especially hard, as both were widely held as hedges against dollar weakness. When the dollar surged, these crowded trades declined quickly, highlighting how fast sentiment shifts can force investors to exit. Dollar strength also created headwinds for emerging market debt, which fell 1.1% during the quarter, as borrowing costs increased and import pressures intensified. In contrast, a weaker sterling supported UK equities with international exposure, helping the FTSE All-Share post a positive return.

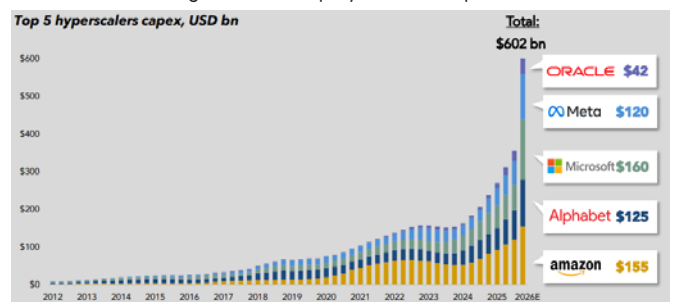


Source: Bloomberg

### Story #7

## AI crosses from thesis to reality

One of the most structurally important stories of Q1 2026 unfolded quietly within corporate financials: artificial intelligence shifted from an investment idea to an operational reality. Microsoft reported that AI now writes 35% of its code, Meta cut 21,000 jobs while boosting productivity, and Intuit, ServiceNow, and Salesforce each saw efficiency gains of 15–30%. The move to agentic compute AI systems managing other AI systems accelerated in late 2025 and continued through Q1 2026, pushing enterprise adoption from augmentation to automation. BlackRock noted that coding questions on Stack Overflow, once over 300,000 per month in 2020, are now near zero, highlighting deep labour and cost implications. Hyperscaler capex is projected to reach more than \$600bn in 2026, up from \$360bn in 2025, while global AI infrastructure spending could exceed \$2.2tr by 2028. Companies successfully turning AI into sustainable cost advantages and cash flow resilience are pulling sharply ahead, contributing to record equity market dispersion.



## Hyperscalers Expected to Fund ~50% of Data Center Spend

Source: IEEE



# Welcome to Syzerland®

## For further information

### **Banque Syz SA**

Quai des Bergues 1  
CH-1201 Geneva  
T. +41 58 799 10 00  
syzgroup.com

### **Charles-Henry Monchau, CFA, CAIA, CMT**

Chief Investment Officer  
charles-henry.monchau@syzgroup.com

This marketing document has been issued by Bank Syz Ltd. It is not intended for distribution to, publication, provision or use by individuals or legal entities that are citizens of or reside in a state, country or jurisdiction in which applicable laws and regulations prohibit its distribution, publication, provision or use. It is not directed to any person or entity to whom it would be illegal to send such marketing material.

This document is intended for informational purposes only and should not be construed as an offer, solicitation or recommendation for the subscription, purchase, sale or safekeeping of any security or financial instrument or for the engagement in any other transaction, as the provision of any investment advice or service, or as a contractual document. Nothing in this document constitutes an investment, legal, tax or accounting advice or a representation that any investment or strategy is suitable or appropriate for an investor's particular and individual circumstances, nor does it constitute a personalized investment advice for any investor.

This document reflects the information, opinions and comments of Bank Syz Ltd. as of the date of its publication, which are subject to change without notice. The opinions and comments of the authors in this document reflect their current views and may not coincide with those of other Syz Group entities or third parties, which may have reached different conclusions. The market valuations, terms and calculations contained herein are estimates only. The information provided comes from sources deemed reliable, but Bank Syz Ltd. does not guarantee its completeness, accuracy, reliability and actuality. Past performance gives no indication of nor guarantees current or future results. Bank Syz Ltd. accepts no liability for any loss arising from the use of this document.