



Market Outlook

**GLOBAL OUTLOOK
H1-2026**



Market Outlook

CONTENTS H1-2026

Foreword

Charles-Henry Monchau, CFA, CAIA, CMT, Chief Investment Officer

04

Top 10 charts: 2025 in the rear view

Charles-Henry Monchau, CFA, CAIA, CMT, Chief Investment Officer
Assia Driss, Syz Research Lab Team Coordinator

05

Global Economic Outlook: When the Indian summer moves in

Reto Cueni, PhD, Chief Economist

10

Currency markets: The dollar shines brighter for a while, but then loses strength again

Reto Cueni, PhD, Chief Economist

16

Equity markets: Powered by robust earnings growth

Gaël Combes, Head of Equities

19

Fixed Income: Our 2026 Fixed Income playbook: balancing yield carry and quality

Adrien Pichoud, Head of Fixed Income
Maggie Cheng, CFA, CAIA, Senior Fixed Income Analyst

23

Alternatives: Depth over breadth

Colla Rensch, Head of Alternatives, Funds and Quant Research
Leftéris Lagopoulos, CFA, CAIA, Private Markets & Alternatives

28

Commodities: Different commodities, different futures

Nevine Pollini, Senior Investment Analyst

31

Multi-asset portfolio strategy:

Balancing opportunities and diversification in a transforming world

Gianluca Oderda, PhD, CFA, CQF, Head of Discretionary Portfolio Management

33

Welcome to our 2026 Outlook!

As we look ahead to 2026, markets are entering a new phase defined by structural shifts in geopolitics, technology and macro policy. Our top 10 convictions outline the forces we believe will shape the year—and the opportunities they create for long-term investors.

1. Global growth accelerates

We expect global economic growth to strengthen in 2026, driven by a renewed global capex cycle, still-accommodative monetary policies, ongoing fiscal support across the US, Europe, and China, and a temporary easing in trade tensions. Inflation should remain warm but manageable.

2. A new geopolitical and economic order

The world continues to shift away from the open-border, efficiency-driven globalisation of the 1990s–2010s toward a regime defined by national interest, strategic rivalry, and economic security. The US–China competition will remain central. Both powers are prioritising three domains, AI, defence, and electric power, requiring tighter strategic alliances, currency war, reshoring, and greater control over critical commodities. This backdrop also implies structurally higher sovereign debt, increasingly absorbed via monetary expansion. The outcome is persistent inflation, elevated bond yields, and ongoing monetary debasement—making long-term exposure to real assets essential.

3. The AI supercycle continues

The secular AI bull market is far from over. It is a multi-year, multi-sector growth engine. AI infrastructure investment triggers broad-based multiplier effects across construction, utilities, heavy industry, transportation, and urban development. This wave of spending extends well beyond technology alone.

4. A broader US equity bull market

We expect US market leadership to widen beyond technology and communication services. Investors should avoid excessive concentration in a single theme and instead expand exposure to sectors poised to benefit from rising productivity and a global growth reacceleration, such as: industrials, consumer discretionary, health care, and mid-caps.

5. US exceptionalism is here to stay—but diversify globally

Developed markets outside the US, along with emerging markets, are regaining momentum thanks to a stronger global backdrop and a weaker US dollar. Valuations abroad remain attractive relative to the US. Emerging markets, in particular, tend to outperform during Fed easing cycles and offer meaningful exposure to global tech innovation. International diversification is essential.

6. A weaker dollar over the medium and long term

Although the dollar has stabilised recently, it remains vulnerable to fiscal and political uncertainty and the Fed's rate-cutting path. We continue to view the Swiss franc as the strongest fiat currency.

7. Commodities in structural deficit remain in a secular uptrend

AI infrastructure build-out, rising electricity needs, and increasing defence spending are boosting demand for industrial and precious metals, as well as critical minerals such as uranium and rare earths.

8. G7 sovereign bonds remain poor diversifiers

Correlations between G7 government bonds and equities remain elevated, reducing their effectiveness as portfolio diversifiers. A renewed rise in G7 yields could even trigger the next market correction, making close monitoring essential. In particular, the 10-year US Treasury yield continues to serve as a key indicator for investors.

9. Seek income diversification

Investing in bonds and companies outside the G7 can boost income while spreading risk across your portfolio.

10. Alternatives to enhance risk-adjusted returns

Hedge funds, private debt, and infrastructure continue to offer attractive characteristics and can meaningfully improve portfolio risk/reward profiles.

As we enter 2026, these convictions reflect the trends and opportunities we believe will shape markets and guide investment decisions. We hope this outlook helps you navigate the year ahead with confidence, focus, and a clear sense of where opportunities lie. From all of us at Syz Bank, here's to a successful and prosperous year.



2025 in the rear view

The 2025 season is coming to an end. This year has been anything but quiet: Donald Trump's historic return to the presidency, the April "Liberation Day" tariff shock and market crash, DeepSeek's AI breakthrough that shook Silicon Valley, stablecoins reaching mainstream adoption, bitcoin's volatile journey above \$120,000 then back below \$90,000, and the markets' remarkable recovery from April's depths to new all-time highs by June. Here are ten stories to remember.

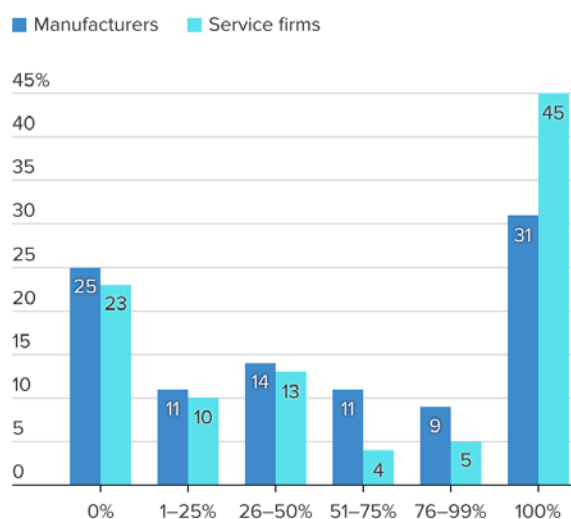
Chart #1

US tariffs are passed on to consumers

This year was highly influenced by the tariffs imposed by President Trump on almost all countries worldwide on "Liberation Day". The most notable rate was imposed on China, with initially a tariff of 34%, later raised to as high as 125% for some Chinese imports. China retaliated, introducing tariffs on US imports at 84%, then raising some to 125%. Recently, both countries reached an agreement to reduce some of these tariffs. This led to an estimated effective tariff rate on Chinese imports to the US of 29.3%. Before the agreement, the tariffs led to a drop in profits of 9.1% for Chinese industrial firms in May 2025. High tariffs were also imposed on Switzerland, with an initial rate of 31% announced on "Liberation Day". These fell back to 10% during the 90-day negotiation period, before being raised to 39% at the end of the window, on 1 August. Recently, Trump announced the rate would be lowered to 15%, a similar rate to Switzerland's European counterparts.

The macroeconomic effects of the tariffs on the US were in line with economists' expectations: core goods prices were 1.9% above pre-2025 trend as of June. TBL estimates that 61-80% of the new tariffs were passed through to consumer core goods prices. At the same time, dollar-denominated import prices excluding tariffs have risen YTD, while foreign-currency-denominated import prices have been falling but are only back to mid-2024 levels. This signals that foreign exporters are not lowering their prices to offset Trump's tariffs, meaning US consumers are bearing most of the burden.

Share of U.S. businesses passing some or all of increased tariff costs to consumers



Note: **Horizontal axis** shows pass-through bracket rates: How much of increased tariff costs are businesses passing to consumers. **Vertical axis** shows the share of businesses in each pass-through bracket.



Source: Federal Reserve Bank of New York

Chart #2

Most central banks are cutting rates

The Federal Reserve delivered its first rate cut in September since the end of last year. It cut again in October, lowering its benchmark rate to a target range of 3.75% to 4.0%. The Fed also announced in October an end to quantitative tightening (QT) in December, stopping the reduction of its balance sheet.

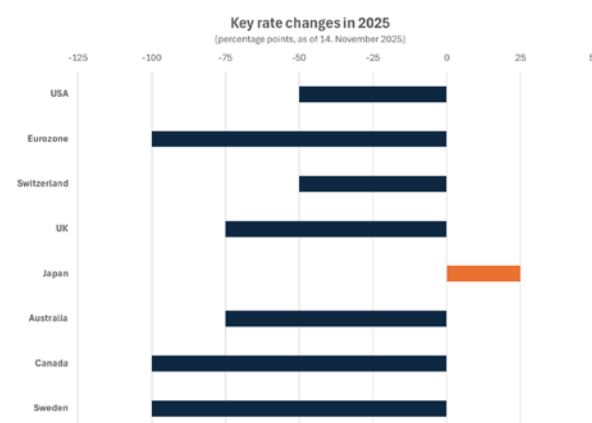
Across the Atlantic, the European Central Bank (ECB) cut rates four times this year, bringing down the deposit facility rate from 3% to 2%. The ECB held rates steady since June as Eurozone inflation remained close to the ECB's medium-term target of 2%.

In the United Kingdom, the Bank of England cut rates three times in 2025 (-75 bps), bringing the bank rate to 4.00%. The Swiss National Bank pursued the most aggressive easing among advanced economies, lowering its main policy rate from 1.25% at year-start to 0% by June. This marked a return to zero-interest-rate policy amid deflationary pressures. The cuts countered Swiss franc appreciation—up 11% against the USD—driven by safe-haven inflows and US tariff uncertainties.

The People's Bank of China maintained a moderately loose stance, favouring liquidity support over full-scale QE. It

delivered one key rate cut and lowered the reserve-requirement ratio, injecting more than RMB 1.3 trillion into the economy.

In contrast, the Bank of Japan continued normalisation, raising its policy rate once by 25 bps to 0.5% in January — the highest in 17 years— and holding steady thereafter.



Source: CNBC

Chart #3

Greece and Vietnam were 2025's top performers

Global equity performance in 2025 was wildly uneven, with a handful of smaller markets posting outsized gains, while the big, developed benchmarks delivered far more muted returns. Greece, Vietnam, South Korea, Peru, and Poland topped the table with 60–70% rallies, driven by macro improvements and strong domestic flows. Most notably, Vietnam emerged as a prime beneficiary of the “China Plus One” strategy.

Meanwhile, broad-based exposures such as ACWI (+27.5%), World ex-US (+27.5%), and EM (+29%) posted

solid but not spectacular returns, reflecting a year where diversification helped but regional selection mattered more. The US lagged the global pack in USD terms as the dollar's strength clipped foreign returns, and the AI rally became increasingly concentrated. The Magnificent 7 carried a weight of roughly 35% of the index. At the other end, a mix of political noise, weak growth, and capital outflows pushed markets like Turkey, Indonesia, and Argentina into the red.

Global Equity ETFs: 2025 Total Returns (in US \$)								
Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR
Greece	GREK	69.2%	Brazil	EWZ	32.6%	UAE	UAE	22.3%
Vietnam	VNM	69.2%	Belgium	EWK	32.1%	Japan	EWJ	22.1%
South Korea	EWY	67.4%	Singapore	EWS	31.0%	Total World	VT	18.8%
Peru	EPU	64.9%	Sweden	EWD	30.3%	Ireland	EIRL	16.1%
Poland	EPOL	60.4%	Israel	EIS	29.9%	US	SPY	14.5%
South Africa	EZA	59.4%	Hong Kong	EWH	29.3%	Australia	EWA	14.4%
Spain	EWP	59.4%	Europe	VGK	29.1%	Qatar	QAT	8.9%
Austria	EWO	51.7%	Emerging Markets	IEMG	29.0%	Malaysia	EWM	6.8%
Colombia	COLO	49.9%	Norway	NORW	28.0%	Denmark	EDEN	5.6%
Mexico	EWV	43.2%	World ex-USA	ACWX	27.5%	Philippines	EPHE	2.8%
Italy	EWI	42.8%	Canada	EWK	27.3%	India	INDA	2.1%
Finland	EFNL	37.7%	EAFE	IEFA	26.9%	Saudi Arabia	KSA	1.8%
Chile	ECH	36.3%	France	EWQ	26.6%	New Zealand	ENZL	0.9%
China	MCHI	36.3%	United Kingdom	EWU	26.5%	Thailand	THD	0.5%
Eurozone	EZU	34.1%	Kuwait	KWT	25.6%	Indonesia	EIDO	-4.4%
Netherlands	EWN	32.7%	Switzerland	EWL	25.6%	Turkey	TUR	-7.8%
Germany	EWG	32.7%	Taiwan	EWT	25.6%	Argentina	ARGT	-12.1%



CREATIVE PLANNING

Data via YCharts as of 10/15/25

@CharlieBilello

Chart #4

Europe finishes the year stronger

The EURO STOXX 50 started 2025 with a rare burst of strength, briefly beating the S&P 500 and posting its best opening in decades. The momentum didn't last. Political uncertainty in France, weak data from Germany, and persistent earnings downgrades dragged the region back into underperformance through mid-year, in local currency denomination.

The backdrop improved in the second half. The ECB's liquidity boost, falling inflation, German fiscal stimulus finally kicking in, and a firmer domestic outlook in China all strengthened the macro floor. After seven months of consolidation, the risk-reward turned meaningfully better, with 2026 EPS growth now expected around +15%.

Europe didn't become a growth engine overnight, but the combination of rising liquidity, fiscal support, stronger earnings prospects, and a broad valuation reset left the region better positioned heading into 2026 than it was at the start of the year.

It is worth noting that this analysis was made in local currency terms. In USD, the STOXX50 has been ahead of the S&P500 for the entire year, thanks to the euro's strong performance relative to the dollar.



Source: Bloomberg

Chart #5

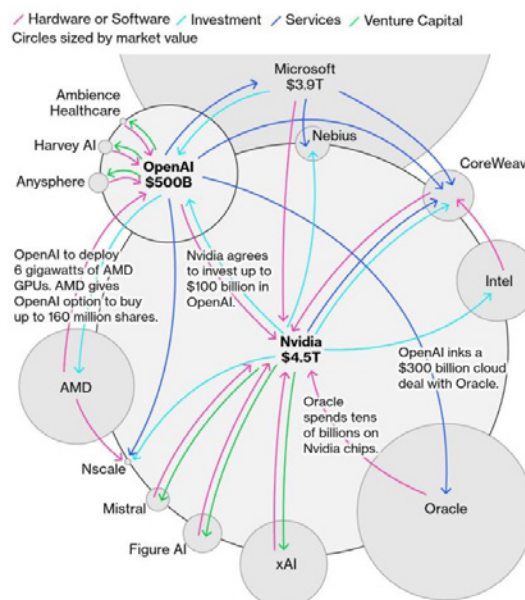
AI's virtuous cycle

AI was the winning theme of the year, propelling tech-heavy equity indices to new highs despite economic headwinds. Nvidia's market cap surpassed \$5 trillion in October (+37.5% YTD performance). The company's success rippled across the hardware ecosystem: TSMC +35%, AMD +104%, Broadcom +48%, a resurgent Intel +75% and storage specialist Seagate +199%.

This momentum extended across the AI value chain, most visibly through a surge of data-centre projects and cloud spending. For instance, the project Stargate, announced in January, is a joint venture between OpenAI, Oracle, SoftBank, and MGX and intends to invest \$500 billion over the next four years to build out AI infrastructure in the US. According to Data Corp, global AI-related capital outlays reached approximately \$430 billion in 2025. The scale of required investment has been so large that several major players turned to dedicated "AI bonds" to fund it. Meta Platforms, for instance, issued \$30 billion bonds, attracting the largest order book ever recorded. GPU-cloud providers also surged, with CoreWeave gaining more than 93% YTD.

At the application layer, OpenAI closed the year at a \$500 billion valuation, cementing its status as the world's most valuable privately held company. Big tech firms embedded AI into their core products: Apple with Apple Intelligence, Tesla with FSD and Dojo, Alphabet with Gemini across Search and Workspace, and Meta with Llama-powered ads and tools. Software companies such as Palantir (+131%) also benefited as enterprise adoption accelerated.

As Nvidia CEO Jensen Huang summed up at the 2025 APEC CEO Summit: AI is now locked in a powerful virtuous cycle, better models drive wider adoption, higher profits fund massive new factories, and those factories produce even better models.



Source: Bloomberg

Chart #6

Renaissance in Chinese equities

Chinese equity markets have experienced a long-awaited recovery this year, with some recent consolidation. Year-to-date, the MSCI China index, a benchmark of major Chinese companies listed onshore and overseas, has returned over 34%. DeepSeek's breakthrough model reignited interest in China's tech sector and supported a broad rebound. Foreign investors have returned as well. According to the Financial Times, offshore purchases of Chinese equities reached a four-year high, with inflows of \$50.6 billion from January to October, compared with \$11.4 billion in 2024.

Foreign investors are putting more money into Chinese equities



Source: Financial Times

Chart #8

Gold tops all asset classes in 2025

Gold was the standout performer of 2025, reaching a new all-time high of \$4,355 per ounce and delivering a year-to-date gain of approximately 55% as of mid-November. It is the precious metal's best yearly performance since 1979 (+133%). There are a few key reasons for this rally. Central banks continued to accumulate gold as part of a broader effort to diversify away from the US dollar, a trend reinforced by the rise of stablecoins and digital assets.

Chart #7

A year of dollar decline

The broad trade-weighted dollar is down roughly 7% this year, and the forces driving that decline show no signs of reversing. The US is running large fiscal and current-account deficits simultaneously, and when unhedged foreign capital becomes harder to attract, the adjustment shows up in cheaper US assets or a weaker currency—usually both. The total US debt has now reached 37 trillion. While President Trump started his second mandate advocating for debt reduction and budget cuts through D.O.G.E, his "Big Beautiful Bill" turned that plan into an old story. President Trump still seeks to increase investments in defence and productive assets through more debt, as he avoids increasing taxes. To amortise this debt, he wants to use inflation and weaken the USD.



Source: Bloomberg

CREATIVE PLANNING		Asset Class Total Returns Since 2011 (Data via YCharts as of 11/14/25)															@CharlieBilello	
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2011-25 Cumulative	2011-25 Annualized
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	26.7%	55.3%	171%	7.0%
EFA	EAFE Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	3.5%	28.2%	153%	6.5%
VWO	Emerging Market Stocks	-18.7%	19.2%	-4.9%	0.0%	-15.8%	12.2%	31.5%	-14.8%	20.8%	15.2%	1.3%	-18.0%	9.3%	10.6%	25.7%	71%	3.7%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	25.6%	19.5%	1174%	18.7%
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	33.1%	17.6%	865%	16.5%
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.9%	15.7%	597%	14.0%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	10.1%	15.3%	281%	9.4%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	5.5%	12.6%	80%	4.1%
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	14.2%	12.1%	338%	10.5%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.4%	8.3%	271%	9.2%
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	2.2%	7.4%	-5%	-0.3%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	0.9%	7.1%	72%	3.7%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	8.0%	7.0%	104%	4.9%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	1.7%	6.9%	50%	2.8%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	1.4%	6.5%	41%	2.3%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-8.1%	5.5%	43%	2.4%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	7.2%	3.8%	89%	4.4%
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	13.6%	3.8%	328%	10.3%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	5.2%	3.7%	21%	1.3%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	4.8%	3.6%	189%	7.4%
N/A	Bitcoin (SBTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	121%	1.2%	31510160%	135%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	BTC	BTC
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	BTC	DBC	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	100%	95%	95%

Source: Charlie Bilello

Chart #9

Commodities carried by precious metals

Precious metals have had a very strong year, as gold, silver, and platinum have risen by 55%, 73%, and 72.4% YTD, respectively. This contrasts with broader commodities as the GSCI Index is up only 0.5% YTD, held back primarily by the energy segment. Crude oil is down 16%, brent is down 13.7%, coal 11.7%, but US natural gas is still up 23.6%. The fall was mainly due to strong supply conditions at a time when demand has softened following China's slowdown, a weak European economy, and softer

US manufacturing activity. In addition, geopolitical risk premiums receded as conflicts in the Middle East did not lead to any disruptions in supply. Industrial metals have been among the brighter spots. The LME Index is up about 20% YTD. Copper gained roughly 25% on lingering mine disruptions (Cobre Panamá closure, grades decline in Chile), early-year optimism around AI-driven power demand, and expectations of stronger green-energy consumption.



Chart #10

A tough year for cryptocurrencies

After a nearly 30% drawdown from January to April, driven by US tariff fears and the \$1.5 billion Bybit ether hack, bitcoin snapped back with the equity relief rally, hit a new all-time high at \$126,270 in October, and then round-tripped back below its yearly opening level (-2.7% YTD as of 18 November). That makes it the worst-performing major asset this year, breaking its usual rhythm: historically, bitcoin has moved in clean four-year cycles, with three years of outperformance after a market bottom before turning into the laggard in year four. This time, the cycle flipped early. BTC bottomed in 2022, led the field in 2023 and 2024 as expected, but rolled over in 2025, one year ahead of schedule.

Through the upswing, bitcoin traded like a pure risk-on, high-beta asset, exhibiting a high correlation with the S&P 500. Except for Ripple (XRP), which stayed close to bitcoin, altcoins followed the same pattern but with higher volatility, as usual. The December Fed-cut odds collapsing (from 67% on November 11 to 44% on November 14) added pressure across the space. Ethereum dropped roughly 9% YTD, while Solana was the worst performer among major cryptocurrencies (-29% YTD). In the top 10, the largest underperformers are Dogecoin (-50%) and Cardano (-45%).

However, one major exception among the top 10 this year was the Binance Coin (BNB), which delivered a +31% return YTD and is now the 4th largest market cap

of the field, behind BTC, ETH, and USDT. Drivers include Coinbase weighing a listing, president Trump's pardon of Binance CEO Changpeng Zhao, and CMBI tokenising its USD money-market fund on BNB Chain.

Bitcoin hits \$100,000

Bitcoin has doubled this year, and is up about 45% in the four weeks since Trump's election victory in the U.S.

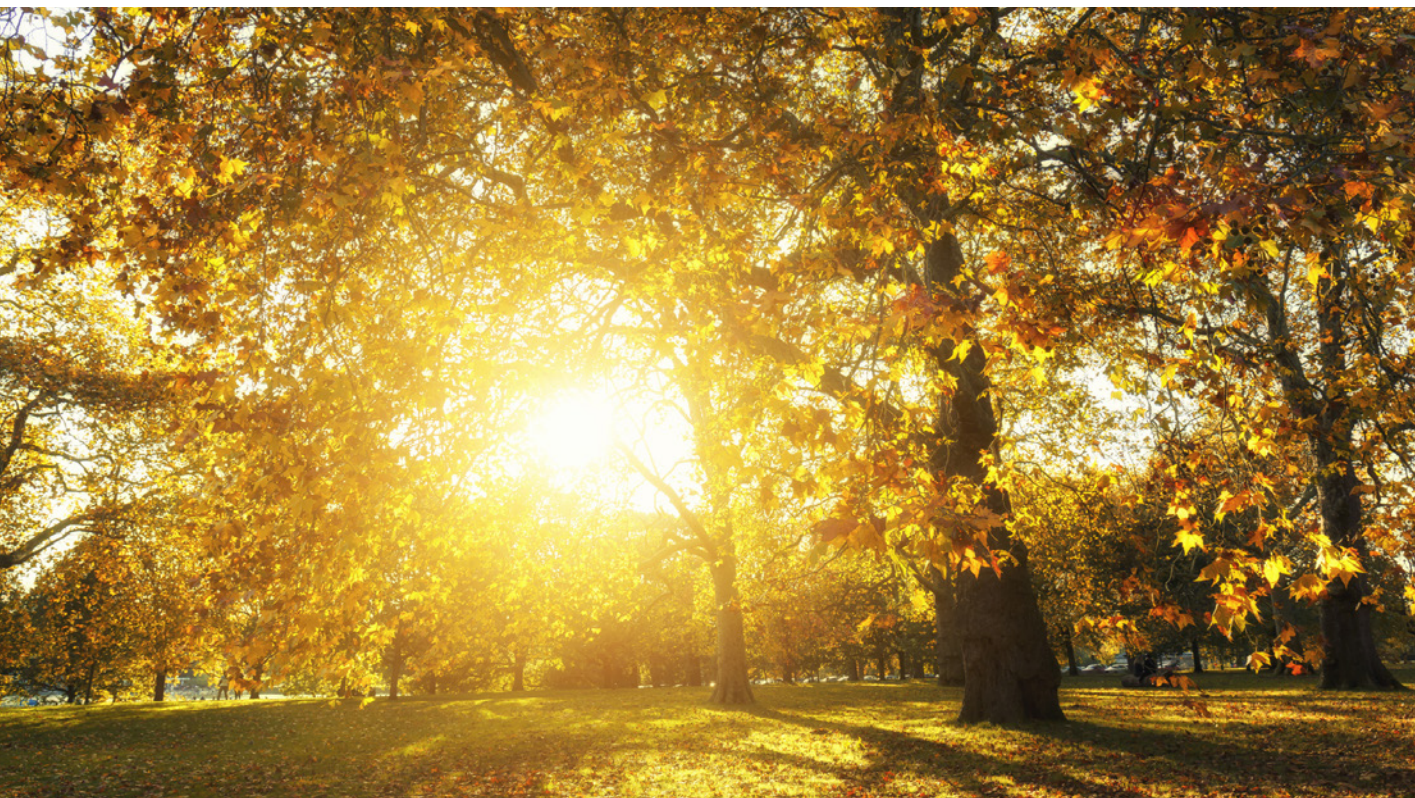


Note: Data as of Dec. 5, 2024 02:42 a.m. GMT

Source: LSEG Workspace | Reuters, Dec. 5, 2024 | By Pasit Kongkunakomkul and Tom Westbrook

Source: Bloomberg

When the Indian summer moves in



Did you enjoy the economic dance that carried on through the second half of the year? Financial markets certainly did — picking up the rhythm and quickening their steps. As we wrote in our mid-year outlook, the dance has become livelier, while the once thin ice beneath the economy has grown somewhat thicker.

And now, temperatures have stayed so warm that we’ve drifted into an “Indian summer.” In Europe, this is often called “Saint Martin’s summer,” when warmth lingers well past the traditional end of the season, even as occasional frosty winds appear. In economic terms, the cycle remains unusually warm for this stage — and several key factors are behind it.

What kept the dance going and thickened the ice in the second half of 2025?

During the second half of 2025, the ice got thicker and the “economic dance” continued as expected, particularly in the US. Some more dancing also happened across the globe where business sentiment improved across regions (see chart 1).

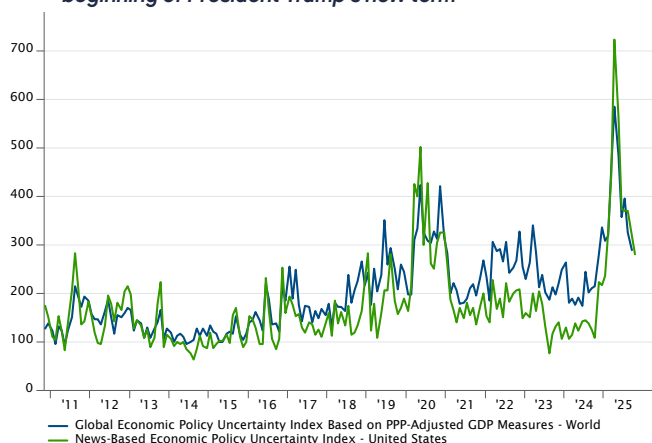
Chart 1: Global business sentiment is improving after a harsh start into 2025



Source: FactSet, Syz

Important for the positive economic surprises in the US but also elsewhere, we witnessed a more careful approach to the trade disputes by the US administration under President Trump (see chart 2). This was also confirmed by the latest “trade truce” agreement between the US and China. The positive growth rates of US consumption were, among other factors, due to the fact that despite the sometimes sky high headlines about US tariff rates of 50% and more, the effective tariff rate at the end of September was estimated to be around 12-15% across all imports to the US. Although this is notably higher than the roughly 3–4% seen at the start of 2025, it did not surge past 25% as had been feared following President Trump’s “Liberation Day” in April. On the other hand, there were several positive news about fiscal spending impulses with the passing of Trump’s “Big Beautiful Bill”. In China we got a similarly positive signal from the new economic five year plan, which allows regional governments to increase spending, enabling them to provide more targeted support for growth. Meanwhile in Europe, Germany tried to bolster business sentiment with more announced fiscal spending, not only on infrastructure, but also in the defense sector.

Chart 2: Global uncertainty did recede massively since the beginning of President Trump’s new term



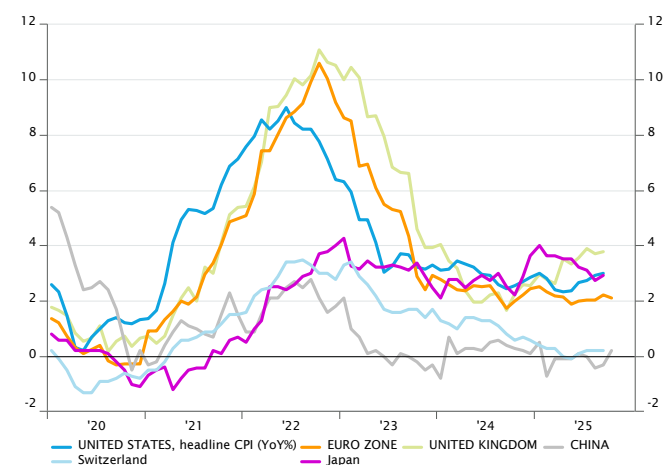
Source: FactSet, Syz

On the geopolitical front, tensions eased after peaking with the US bombing of Iranian nuclear sites, which did not trigger a spike in energy prices. Also, the latest cease-fire agreement between Israel and Hamas contributed to the risk reduction. Unfortunately, the fighting is not over yet, which is also the case in the Ukraine, where Russia continues to try to bring more land under its control. Although neither of these geopolitical flashpoints has been resolved, they have not had a major impact on financial markets and have not significantly distorted economic activity on the globe.

Finally, the steady flow of new liquidity, combined with the overall decline in key interest rates, helped boost sentiment — not just in financial markets, but across global business as well. A case in point is the world’s most influential central bank: the US Federal Reserve. The Fed began lowering its key rates in September for the first time in 2025 and followed up with another cut in October, both of which were relatively “hawkish,” citing “risk management” as labour data came in weaker than expected. This was before the recent US government shutdown halted almost all official data on growth, inflation, and the job market.

These moves and the ongoing market expectations of an additional cut in December and then several more cuts until summer 2026, helped financial conditions to remain ultra-loose. However, after strong pressure from President Trump and his allies, the Fed appears to have at least partially regained its “shield” from political interference — an important development given that inflation in the US remains elevated, with the consumer price index (CPI) at 3.0% and underlying price pressures suggesting further increases ahead (see chart 3). This is also what allowed Fed Chair Powell to stress in the October press conference that additional rate cuts at the December meeting and beyond are by no means guaranteed. However, the Fed’s announcement of the end of its quantitative tightening programme supported markets and is expected to help the US banking system, which showed some signs of a liquidity crunch in certain segments in October.

Chart 3: Inflation readings are still substantially elevated for the US and the UK, while Switzerland and China stay round the zero line



Source: FactSet, Syz

What to expect in 2026: an Indian summer

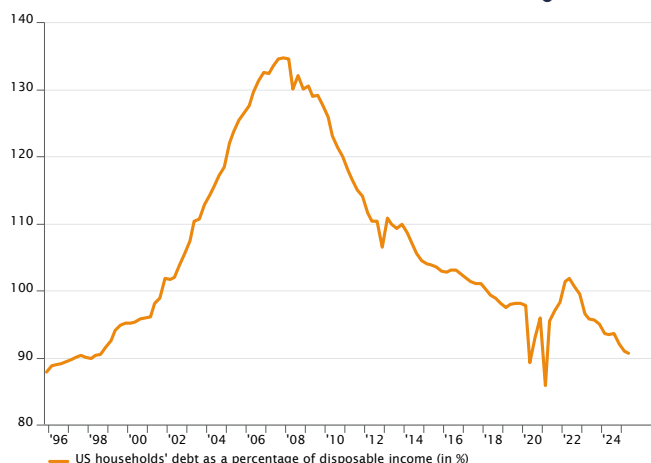
We think the Indian summer is here to stay in 2026. We will surely experience some cold winds from the mountains, or a cool breeze from the sea, but overall, we expect the economic temperature to stay warm in our baseline scenario.

Globally, growth is expected to rebound in 2026 after a weaker 2025, supported by a revival of the global capex cycle, continued fiscal stimulus in the US, Europe, and China, and a gradual easing of trade tensions worldwide. Reshuffling of trade lines and work-arounds will be in place and more clarity about the final versions of trade deals will help. Although the US administration under President Trump will be perceived to stay erratic, the global trade system is now better prepared to deal with the administrative shocks and the president and its party is expected to be less keen to shock the global economy and markets significantly in a midterm election year. The trade truce between China and the US will help to keep the global super-powers’ rivalries and trade disputes under control. Secondly, Europe and China have their own economic problems and have no strong incentives to interfere too

much with President Trump's goal of a sound economic environment ahead of the mid-terms in 2026.

In the US, we expect the economy to grow at a solid pace. The congressional budget office estimated that additional stimulus from Trump's "Big Beautiful Bill" will surge in 2026 and 2027 propelling growth in the states further. Yet, the latest legislative changes are set to increase healthcare costs for lower-income groups, who are already facing falling real incomes —particularly compared with higher-income households— as well as the added pressure of higher mortgage rates. Additional support is therefore needed to keep the economy in its warm "Indian summer." President Trump's proposal for direct aid, in the form of "tariff rebate checks" for lower-income households, would help boost their consumption once again. In addition, we expect a modest re-leveraging of US households and firms, which have been steadily deleveraging since the end of the Great Financial Crisis (2008/09), with household debt falling from around 130% of disposable income to roughly 90% (see chart 4). Hence, households have plenty of room to re-leverage, especially after the rebound in household wealth and as sentiment is likely to improve when interest rates ease further in the first half of 2026 (see chart 5).

Chart 4: The US household have room to re-leverage



Source: FactSet, Syz

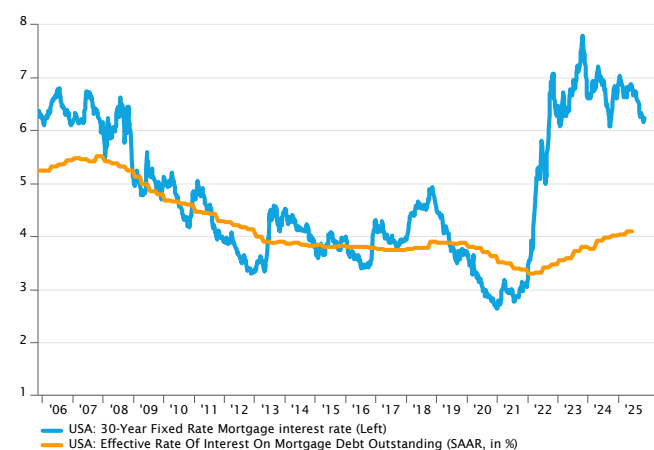
Chart 5: US households have a lot of wealth, at least on the paper (unrealised gains)



Source: FactSet, Syz

Similarly, US companies delivered a tangible de-leveraging after the pandemic and have also more space to increase their leverage to finance new investments. This is likely to sustain the US capex boom, initially driven by producers and consumers of Artificial intelligence (AI), albeit at a somewhat lower—but still healthy—level, as debt is expected to help finance AI-related purchases and investments. As such stimulus will also keep inflationary pressures alive, we assume in this baseline scenario that the re-leveraging, the fiscal stimulus, the capex spending, and the consumption will not heat up inflation too much, but to stay in the warm yet digestible range. This is important as otherwise we end up in an inflationary "heatwave" scenario, which we describe further below. But even in this comfortably warm scenario, the US economy has to digest the elevated price increases, but also modestly restrictive interest rate levels (see chart 6), and the US central bank will probably not decrease its key rates as fast as currently expected by financial markets —3 additional cuts at the time of writing, between December 2025 and August 2026.

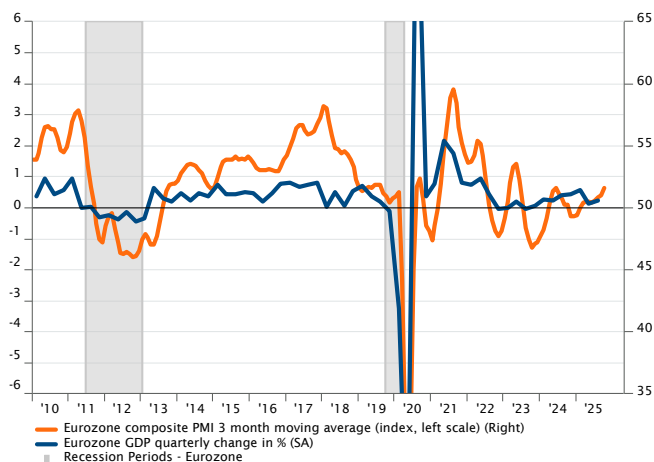
Chart 6: US mortgage rates still high and new borrowing remains costly



Source: FactSet, Syz

Outside the US, we expect the additional fiscal stimulus to arrive in the economy. Particularly in Germany, the stimulus should be meaningful and help to improve business and consumer sentiment (see chart 7). It remains to be seen how strong the impact of the economic measures will be, as certain parts appear to be used more for "consumption" rather than serving as genuine "investment" in the future. The latter would have much more stimulative effects. However, it will be crucial to get Germany back on the growth track and avoid another year of economic sluggishness and political turmoil, especially as France is currently experiencing such challenges. With other large countries like Italy and Spain, from the so called European "periphery" currently growing strongly, the "core" countries have to speed up to make more total growth in the Eurozone happen. With the gradual increase in growth, price pressures are also expected to rise moderately in the second half of 2026, but not in a way that would alarm markets, nor the ECB. We expect the ECB to keep key rates unchanged in the first half of 2026, only considering hikes later in the year — if at all, likely not until the year's end (see chart 9).

Chart 7: Eurozone leading indicator points towards gradual economic recovery

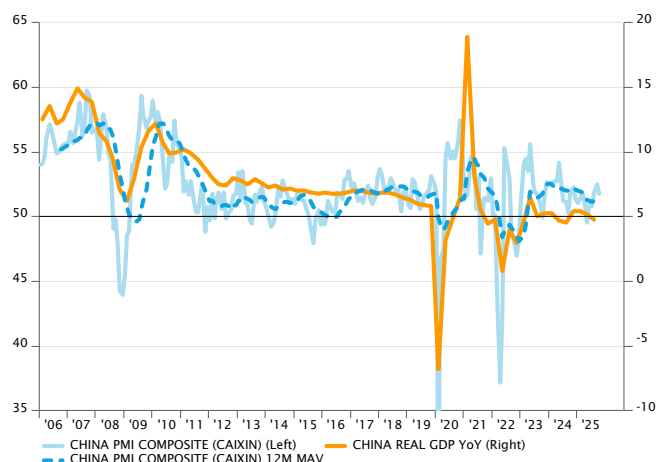


Source: FactSet, Syz

This is similar to our expectations for the Swiss National Bank: we expect the SNB to stay at the “zero” policy rate line and not to let drop its key rate into negative territories but neither to raise them. We argue that inflation in Switzerland will stay between 0% and 1% with a potential temporary drop below 0%, but not in a way that would alarm the SNB. We do not expect price pressures to return quickly, as the Swiss economy is still absorbing the impact of higher US import tariffs on its exports — even with the recently announced reduction. Meanwhile, the European growth recovery is likely to proceed slowly, keeping growth and inflation in Switzerland moderate in our baseline scenario of an “Indian summer.”

Meanwhile in China, we expect the announced fiscal stimulus at both the central and regional levels to support growth directly by boosting overall demand and indirectly by improving consumer sentiment, which in turn should spur domestic spending (see chart 8). We view the recently announced “anti-involution” campaign — aimed at reducing overcapacity in the industrial sector — as a potential risk to business sentiment, growth, and investment. However, we do not expect this risk to materialise in our baseline scenario for 2026. Similarly, we do not expect the campaign to lead to a surge of inflationary pressures. If so, only towards the end of 2026, as price pressures are still mostly absent in China. On the other hand, we anticipate trade uncertainties will continue easing — as mentioned above — which should support growth not only in China but also across other emerging markets. We therefore project a moderate improvement in China’s growth from its recent sluggish levels, while other emerging markets should benefit from the restart of the global capex cycle, reduced trade uncertainty, and an adjusted global trade system following the shift in US tariff and trade policies. This development should also be supported by the expected low inflation environment outside the US, the UK, and Japan, as several major emerging market central banks still have room to cut policy rates and are signaling a dovish path for future key rate adjustments.

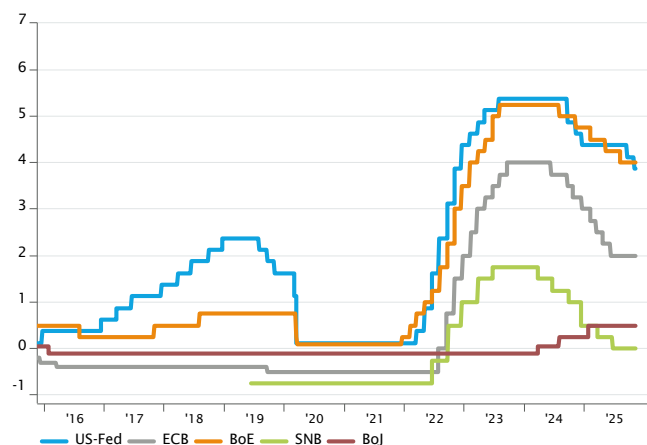
Chart 8: China’s economic growth should be supported by improved business sentiment



Source: FactSet, Syz

Chart 9: Some major central banks lowered key rates substantially and are reaching a bottom

Key rates of major Central banks (reates in %)



Source: FactSet, Syz

The assumptions in our “Indian summer” scenario point to a continuation of positive nominal growth globally, particularly in the US. This should help translate the economic “Indian summer” into a goldilocks-like scenario for financial markets, where growth and inflation remain elevated — warm enough to support returns but not so hot as to burn investors’ fingers, and not so cold as to push them away from riskier assets.

What are the risks to our Indian summer outlook?

The “heatwave” and the “freeze”.

Our “Indian summer” scenario could drift into an “inflation heatwave” scenario, where a surge in business and consumer sentiment drives not only stronger growth but also a pronounced rise in inflation. This would likely unsettle financial markets, pushing yields higher, and prompt central banks to pivot from a more expansionary stance to a tighter, more restrictive monetary policy. Particularly in the US, we see several major “heatwave-risks” that could trigger a shift from our baseline scenario into the inflation heatwave scenario.

Major risk factors that could trigger an “inflation heatwave” scenario:

- ▶ US households and companies could over-leverage, turning the AI boom into a broad-based inflationary surge, as rising wages outpace productivity gains in an unexpectedly tight labour market. The evolving wage-price spiral is likely to unsettle markets and prompt the Federal Reserve to shift from the expected rate-cutting cycle to considering — and potentially implementing — rate hikes.
- ▶ Monetary policy error, potentially due to the “dismantling” of the Fed by the current US administration, as they would front load key rate cuts at the start of 2026, falling significantly “behind the curve,” and triggering runaway inflation.
- ▶ A sharp escalation of trade disputes with the US occurs, prompting major economies such as the EU or China to retaliate against new US tariffs. This tit-for-tat response could abruptly halt trade flows and disrupt supply chains, driving goods —and depending on the tariffs also services— prices significantly higher. Similarly, a strong geopolitical eruption, for example an escalation in the Russian war against the Ukraine or a renewed warlike conflict between Israel and Iran, could lead to a global energy price spike that triggers an inflation heatwave.

On the other hand, we see a tangible risk that our Indian summer base case could drift into a “growth freeze” scenario, which would bring a sudden decline in demand, hampering economic growth and pulling down inflation. Such a scenario usually triggers a “dovish” reaction by central banks, lowering their policy rates, trying to beef up demand through lower interest rates. We identified several key risks that could bring us into this scenario of a low growth and low inflation environment.

Major risk factors leading to a “growth freeze” scenario:

- ▶ Lower-income US households, already facing above-average inflation, falling real incomes, and a prolonged high-interest-rate environment, could eventually see a drop in consumer sentiment, halting household consumption.
- ▶ The US driven capital expenditure boom in the AI sector could falter as expectations for substantial productivity gains could not be fulfilled, leading to a drop in economic growth rates, due to a sudden drop in investments.
- ▶ As companies need to justify their massive investments in AI, they start to layoff people leading to cracks in the US job market and a drop in consumer and business sentiment and finally to a halt of consumption.

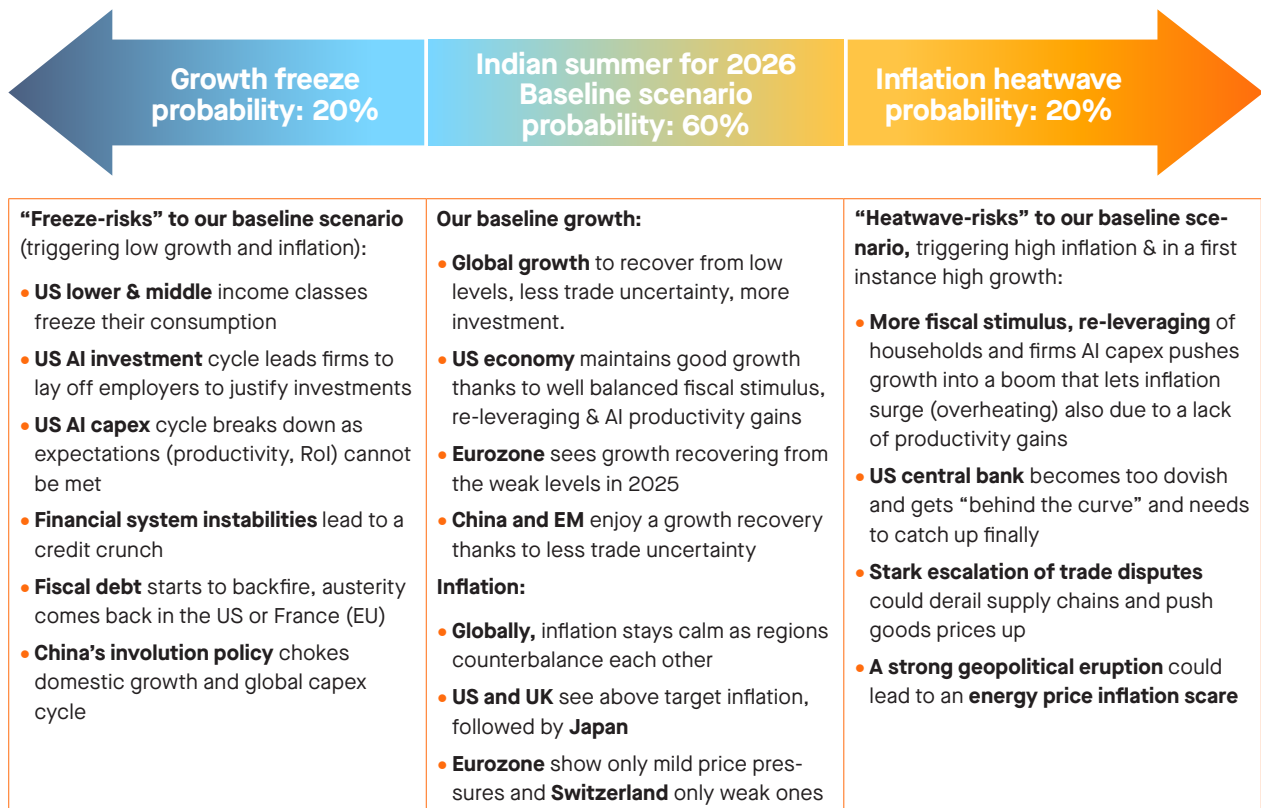
- ▶ We already witnessed in the second half of 2025 some minor financial system instabilities triggered by market worries about credit defaults in smaller US regional banks. As Jamie Dimon indicated, we could find more “cockroaches” and this could lead to a tangible de-stabilisation of the US financial system ending in a credit crunch and a stop of the re-leverage cycle and investment boom in the US, and potentially elsewhere.
- ▶ The global and regional debt burden has continued to rise, with several major economies struggling to manage higher debt levels and sizable budget deficits. Particularly in the US and in France, the situation could become more tense, leading to political pivot from pro-growth fiscal stimulus to a “austerity” policy that risks to choke demand and growth.
- ▶ Last but not least, we could witness the government’s anti-involution campaign in China to backfire and crash domestic demand and economic growth. The campaign aims to stop the detrimental price-war amongst Chinese producers by reducing overcapacity. The problem of too many producers chasing too few buyers became visible in late 2023, when producer prices (year-on-year) plunged and have remained in negative territory ever since.

We see multiple up- and downside-risks for growth and inflation, and will monitor global and regional economic and financial data closely to determine whether our base-line “Indian summer” scenario persists, or if we drift into an alternative “inflation heatwave” or “growth freeze” scenario. As you can see in our diagram below, we currently allocate a probability of 60% to our Indian summer base case and 20% of the remaining probabilities to each of the alternative scenarios.

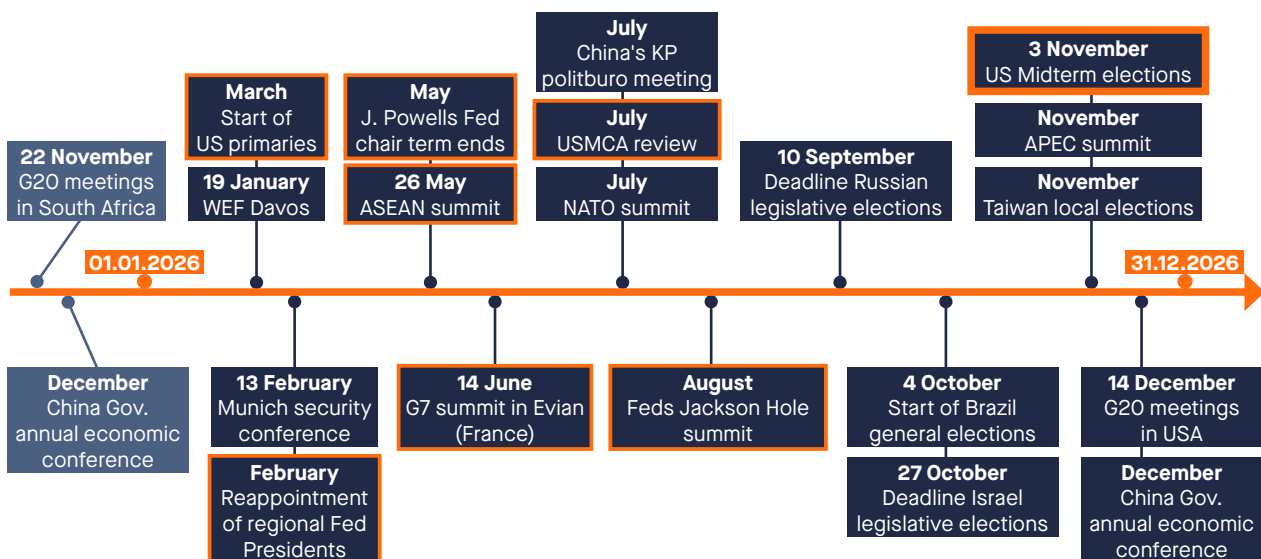
As far as timing is concerned, we have attempted to compile the potential triggering events to a timeline for 2026. The chart looks quite packed, but the US mid-term elections is outshining all other events at this point. This is likely to be the main reason President Trump and Republican representatives will use all available measures to keep the US economy thriving, ease potential flare-ups in trade disputes (such as a China-US trade truce), and provide direct financial support — so-called “tariff rebate checks” — to lower-income households to alleviate their current worries. Still, the current polling indicates that the Republicans will likely lose the majority in the House of Representatives during the Mid-term elections and, hence, Congress will be split between a republican majority in the Senate and a democratic majority in the House. The political bargaining is likely to intensify further in 2027. But before that, let’s consider the key milestones in 2026: what could prove a game changer? The end of Fed Chair Powell’s term in May? The G7 Summit in France in June? Or, last but not least, the FIFA World Cup in the US, Canada, and Mexico, which could spark a euphoric summer of consumer spending across the three countries.

We don’t know what will happen, but with our scenarios we are well prepared to monitor and adjust our macro views and investment strategy in a manner that is appropriate and consistent – but for now, we hope that we can enjoy an Indian summer throughout 2026.

Our alternative risks scenarios for the "Indian summer" in 2026



Major key dates in 2026 from a financial markets perspective (beside central bank meetings)



The dollar shines brighter for a while, but then loses strength again



When the summer extends its sunshine way into fall, plants at first shine even greener, but nevertheless wilt and colour the world in wonderful yellow and orange. The same is likely to apply to the US dollar if our Indian summer scenario for 2026 plays out. We may first see some stability or even modest strength, but as the warm conditions persist, we ultimately expect the dollar to weaken again.

In 2025, the US dollar depreciated in value against many other currencies, mirrored also in the Dollar Index's drop during the first half of the year (see chart 1). After hitting a low, the world's reserve currency regained some strength as investors began to downplay the risk of a more aggressive US dollar depreciation policy. Under President Trump, his economic advisor Stephen Miran often promoted such a policy, informally referred to as the "Mar-a-Lago Accord," a nod to Trump's residence in Florida.

Chart 1: The US dollar price index shows a strong devaluation of the dollar in the first half of 2025



Source: FactSet, Syz

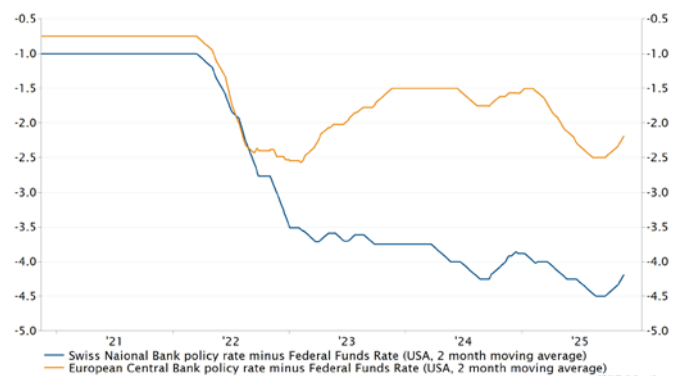
While we believe the White House still aims to weaken the dollar over time, the greenback is likely to show short-term strength as we enter 2026. The Federal Reserve will likely signal that a rapid rate-cutting cycle is not on the table. As a result, the policy rate differential between the Fed and the ECB and SNB will narrow more slowly than markets previously expected (see chart 2).

However, over the longer term, we expect the dollar to weaken further, most likely due to a looser monetary policy versus the Euro (EUR) and the Swiss Franc (CHF) as well as continued political intentions to weaken the USD. At a minimum, we expect further attempts to challenge the institutional framework supporting the US dollar, namely the Federal Reserve and its policy-setting body, the Federal Open Market Committee (FOMC). We will likely

get a next glimpse into the strategies of the current US administration in February 2026, when the re-appointment process of the regional Fed presidents, who also sit in the FOMC, will take place. So far, the Supreme Court supported the independence of the Fed and the FOMC, but did announce they would issue another ruling in all likelihood, in January. Depending on the verdict, the US administration could be motivated or discouraged to interfere with the Fed's decisions and decision makers. Another potential milestone is the end of current Fed chair Jerome Powell's mandate in May 2026. If President Trump and his advisers were to appoint someone with an overtly political agenda and an extremely dovish bias favouring aggressive expansionary policy, markets could once again question the independence of the FOMC, putting renewed pressure on the US dollar. In addition, we expect the so called twin deficit – a deficit in the budget and in the current account – to persist and not to improve tangibly over the next 4 quarters. Combined with inflation that is likely to remain higher for longer than in many other major currency regions, and our view that the relative strength of the US economy will decline versus other key economies in 2026, we expect the US dollar to weaken again.

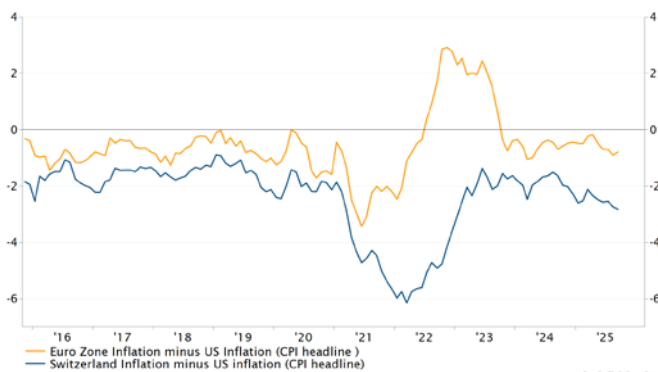
In the shorter term, however, we have a neutral to slightly positive outlook for the US dollar, as the factors supporting the dollar against its major currency pairs are likely to outweigh the negative ones in early 2026. A likely rising and persisting positive US inflation differential speaks against the USD index, but this will allow the Fed to cut less and also signal a more hawkish (i.e. restrictive) monetary policy for the moment, net supportive for the USD. Similarly, a probably growing bond yield differential with higher relative yields in the US is set to help the USD to keep some strength.

Chart 2: Key rate differentials between the USA (USD) and Europe (Euro) or Switzerland (CHF) will likely not narrow as swiftly as expected by markets



Source: FactSet, Syz

Chart 3: Inflation differentials between the US, the Eurozone and Switzerland will likely persist if not become larger during 2026



Source: FactSet, Syz

Our USD view currently applies to both of our most important currency pairs in our portfolios – versus the Swiss franc as well as versus the euro. However, within the two currencies, we see quite some cyclical up-side potential for the euro, once the economic recovery in Europe and a re-start of the global capital expenditure, i.e. a global recovery in business investments, would tangibly take place. Ultimately, from a conviction standpoint, the Swiss franc is likely to remain the strongest currency among these three pairs over the long term. In our alternative scenarios, we foresee an earlier and more pronounced

depreciation of the USD versus the EUR, but particularly versus the Swiss franc (CHF), in our “growth freeze” scenario, where economic weakness would stem mostly from the US. On the other hand, in an “inflation heatwave” scenario, which would likely be most pronounced in the US, we expect the dollar to flourish more and longer and to appreciate gradually versus the two other currencies. Also here, we see such a move to be more distinct versus the euro than versus the Swiss franc. However, since we cannot predict which direction these alternative scenarios might take relative to our base case, our outlook could look very different. For example, if a “growth freeze” was triggered by a European debt shock leading to fiscal austerity in the Eurozone, it could directly weaken the euro.

Finally, the US midterm elections in November 2026 will be key to see how the current political power balance may shift again, particularly with foresight to the next presidential elections in 2028. The current “political will” to weaken the dollar – at least as perceived by many market participants – could quickly shift toward a more dollar-supportive stance. However, this does not appear imminent. Current polling suggests that under President Trump, Republicans are likely to lose their majority in the House of Representatives while retaining control of the Senate. This would weaken Republican influence over political decision-making in Washington and limit the White House’s scope for pursuing its ambitions, but it would likely not lead to a fundamental change in policy dogma.

Powered by robust earnings growth

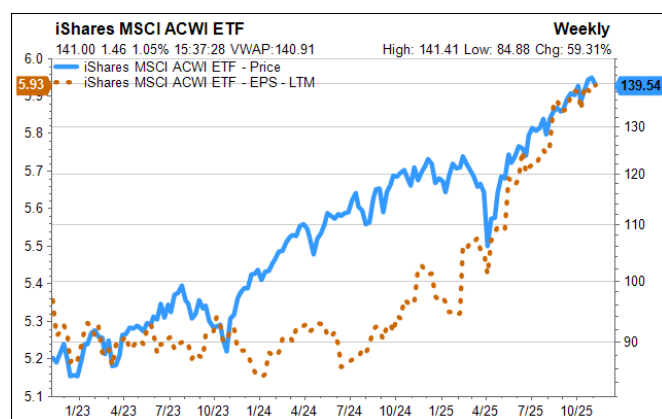


The starting point

Equity market performance has been strong over the past few years. As a reminder, the MSCI All Country World Index total return was +22% in 2023, +21% in 2024, and stands at +17% year-to-date in 2025 as we write. So far this year, global equities have shrugged off the DeepSeek event, a weakening dollar, and new US tariffs.

As shown in Figure 1, this equity market performance (blue) has been supported by growing corporate earnings (dotted brown).

Chart 1: MSCI All Country World Index Total Return and Earnings per share.



Source: FactSet, Syz

However, this market performance has been uneven, with a small number of stocks contributing disproportionately. For instance, in the US, the S&P 500 is up 72% in total return over the past three years, while the equal-weighted S&P 500 has gained only 37%. We have all read about the dominance of technology stocks and the Magnificent 7 in recent years. Today, within the S&P 500, only two of the top ten companies are not technology stocks—Berkshire Hathaway and JP Morgan—and they occupy the 9th and 10th positions respectively.

For 2026, our central scenario remains an “Indian summer”, in which global monetary policy stays supportive as inflation remains contained, stimulus plans are implemented in Europe and ramped up in China, allowing for an improvement in global economic activity. This is the scenario we develop further below.

However, we see two alternative—though less likely—scenarios. First, a meaningful slowdown in economic activity could occur if US consumers begin to tighten their belts. This would weigh on equities as consumption weakens and corporates become more cautious, slowing their adoption of AI. A sharp correction in equity markets could, in turn, further dampen US consumption, as the top 10–20% of households—who account for roughly half of consumer spending and hold substantial equity exposure—would experience a decline in wealth and confidence.

The second alternative scenario is one in which government stimulus, combined with overly dovish central banks, fuels surging demand and renewed inflationary pressures. In such an environment, equities would also come under pressure as valuation multiples compress, and investors rotate toward more asset-heavy, commodity-linked sectors.

The Magnificent 7 and the AI trade

The Magnificent 7 (or rather the “Mag8”, as Broadcom has now surpassed Tesla in market capitalisation) have led markets over the past three years, benefiting from the rapid adoption of AI and their early ability to monetise it.

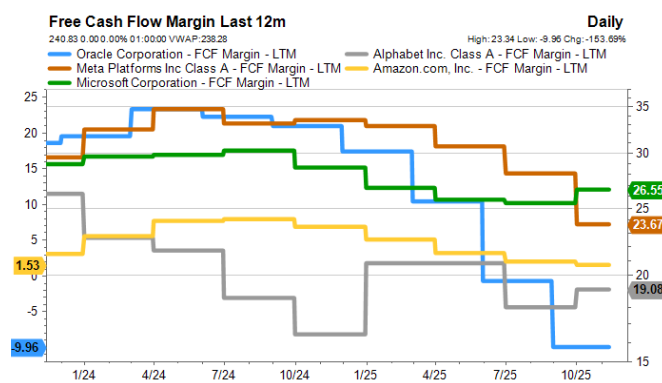
Looking forward, investors are questioning the future returns on these massive investments, the use of debt to fund them, circular holdings, and valuation levels.

When examining revenue growth and profitability, it is clear these companies have already begun to monetise certain AI applications. Hyperscalers, which are companies operating massive, global-scale data centres and cloud infrastructure, such as Amazon, Microsoft, and Alphabet, are benefiting from accelerating AI adoption by corporates worldwide. As firms implement AI-enabled tools, they require significant data storage, compute power, and access to AI models. Hyperscalers provide this backbone and can already charge for it, giving them reasonable visibility into future demand.

However, one thing has changed. For much of the past two decades, these companies grew within ecosystems built atop existing internet infrastructure, allowing them to expand rapidly with limited capital investment and generate substantial free cash flow. Now, they are the ones building the new infrastructure, a far more capital-intensive activity, resulting in lower free cash flow margins.

For comparison, Oracle, though not part of the Mag8, is also investing heavily as a hyperscaler and has seen its free cash flow margin come under pressure (blue line in Fig. 2).

Chart 2: US mega capitalisation stock free cash flow margin (incl. Oracle)



Source: FactSet, Syz

The combined free cash flow of Apple, Microsoft, Amazon, Alphabet, Tesla, and Meta peaked six quarters ago. As these firms ramped up capital expenditures for AI infrastructure, their combined annual free cash flow declined from USD 339 billion to USD 312.6 billion. It is still ample, but lower.

This compression in free cash flow has two main consequences:

- ▶ Increased reliance on external financing, such as debt. Meta and Oracle, for instance, have raised debt to fund infrastructure expansion. While the Mag8 can easily handle leverage due to strong profitability, this marks a shift from the asset-light model of the past. This is not a major issue for established players, but it increases risk for smaller firms that rely heavily on debt-financed growth. Should demand slow, those companies would be more vulnerable.
- ▶ Limited valuation multiple expansion, as free cash flow is a key valuation driver for mature, profitable tech companies and free cash flow as a percentage of revenue is compressing.

Circular holdings have historically not been favourable to shareholders from Japanese keiretsu crossholdings to customer financing by industrial conglomerates. However, in the current context of fast evolving technology, there is some logic, as companies seek strategic partnerships to secure technological advantages. This is acceptable as long as financing remains ample.

Overall, we continue to view the Mag8 as well positioned as the demand for their products remains strong, cash generation solid, and they have the flexibility to moderate investments if conditions weaken.

Sectors & countries

The AI trade extends beyond the Mag8. The data centre build-out requires vast amounts of concrete, steel, and energy, benefiting companies in industrials, materials, and utilities. However, these sectors remain dependent on the investment pace of hyperscalers; should it slow, the impact would be significant.

Meanwhile, more companies are beginning to leverage this AI infrastructure to expand their own businesses, from autonomous driving (e.g., Waymo, Tesla) to industrial robotics and humanoids.

Industrials remain attractive, supported both by AI-related infrastructure investment and by potential cyclical recovery as monetary policy eases and stimulus takes effect.

Consumption is more nuanced. In the US, spending is highly concentrated among the top 10–20% of earners, who account for roughly half of all consumption. With midterm elections approaching, we expect potential government support for lower-income households. However, companies targeting these consumers continue to face headwinds.

In Europe, consumption growth remains muted as households maintain high savings rates. German stimulus measures are expected to gradually improve sentiment, while greater political stability in France and progress in Ukraine would also provide support.

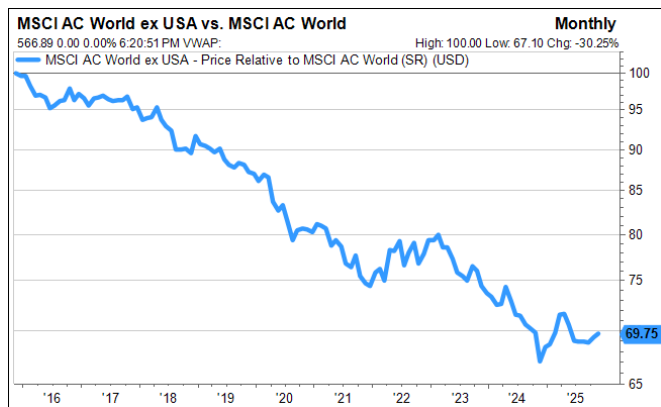
In China, consumption appears to be bottoming and should strengthen as stimulus continues. However, the scars of the lingering effects of the housing bubble mean that consumers remain cautious.

In financials, banks should benefit from higher-for-longer long-term rates. A push for lighter regulation in the US could spur M&A, while lower short-term rates will support capital markets activity. In insurance, premium repricing has largely run its course, and returns on investment portfolios remain tied to long-term yields.

Healthcare should perform better as tariff uncertainties ease, though patent expiries continue to weigh on large pharmaceuticals. M&A will remain active as firms seek to replenish their pipelines. China is also emerging as an innovative player in this space.

Regionally, US equities have long outperformed global peers, but since late 2024, international markets have started to catch up, supported by cheaper valuations, a weaker dollar, and improving earnings outlooks abroad. We think conditions are in place for this trend to continue in 2026.

Chart 3: Relative performance of ex-US global equities vs. US equities



Source: FactSet, Syz

Earnings

In 2026, the United States is expected to maintain its status as the world's "compounding region," with consistent earnings growth. Earnings growth is expected to accelerate in 2026, driven by industrials, materials, and energy.

In Europe, a cyclical recovery should take hold after a flat 2025, as the drag from tariffs and currency volatility fades and German stimulus gains traction—likely from Q2 2026 onward.

Emerging markets will benefit from sustained AI-driven chip demand—specially Korea and Taiwan—a dovish Fed, and an improving China.

Chinese equities have already begun recovering, driven by strong performance in the technology sector. At the same time, broader economic activity should improve gradually with ongoing stimulus.

AI-related investment is expected to remain strong as China pursues self-sufficiency, while stimulus helps offset the impact of measures addressing industrial overcapacity.

In Japan, earnings growth should remain steady, supported by AI demand and stimulus from the new government, though the yen remains an ongoing uncertainty.

Chart 4: Broader EPS growth expected in 2026

Regions	EPS 2024	EPS 2025	Gr yoy	EPS 2026	Gr yoy
S&P 500	239.4	268.1	12.0%	304.1	13.4%
STOXX Europe 600	35.2	35.2	0.0%	39.3	11.8%
iShares MSCI China ETF	4.3	4.3	-1.5%	4.9	14.2%
iShares MSCI Emerging Markets	3.0	3.5	15.2%	4.1	17.2%
iShares MSCI Japan ETF	4.5	4.6	2.8%	5.1	10.1%

Source: FactSet

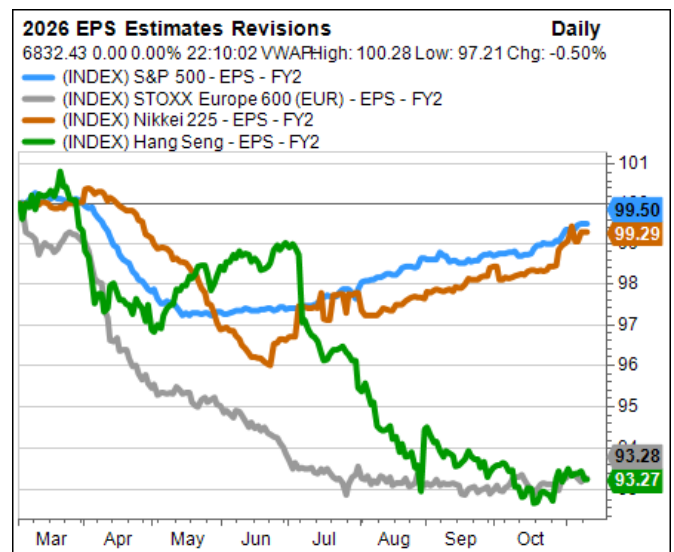
Overall, the earnings outlook remains supportive for equities and help justify elevated valuations. The third-quarter earnings season has been stronger than expected supported by technology companies but, in aggregate, companies have been able to retain or even increase profitability despite the impact of tariffs.

As a result, positive earnings revisions continue to be the strongest for the technology/AI group and it has helped US earnings revision to outpace the rest of the world for 2026.

Europe has been particularly revised lower during the March-July period due to tariffs and a strengthening euro, but things are stabilising.

Finally, China was also significantly revised lower as tariffs bit and the government addressed the overcapacity issue. Here as well, estimates have stabilised.

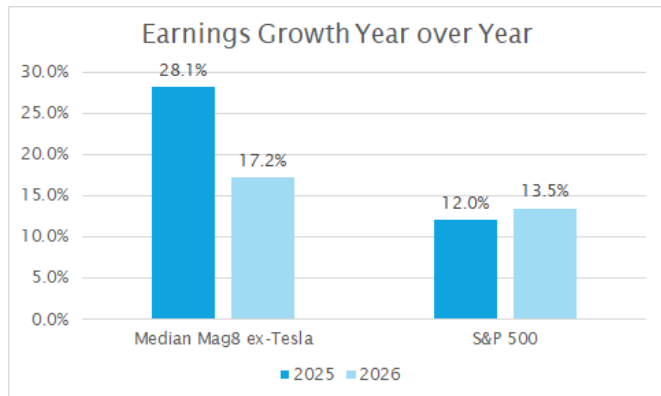
Chart 5: Earnings revision have been resilient for US equities. Negative revisions have stabilised for European and Chinese equities



Source: FactSet, Syz

Among the Magnificent 8, earnings growth is expected to outpace the broader market but to slow from +28% in 2025 to +17% in 2026. On the other hand, at the S&P 500 level, growth is seen accelerating from +12% in 2025 to +13.5% in 2026.

Chart 6: Earnings growth for the S&P 500 and the Magnificent 8. Remark: we removed Tesla from the statistic due to the high earnings volatility for this company in 2025 and 2026



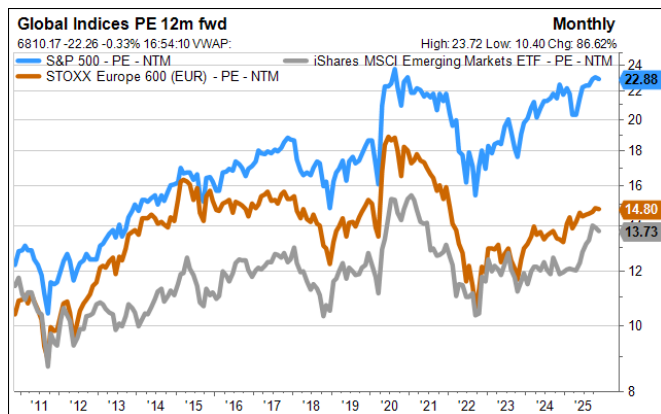
Source: FactSet, Syz

Valuations

Equity market valuations are elevated, largely due to high multiples for US large-cap stocks. However, these valuations are supported by strong growth and profitability.

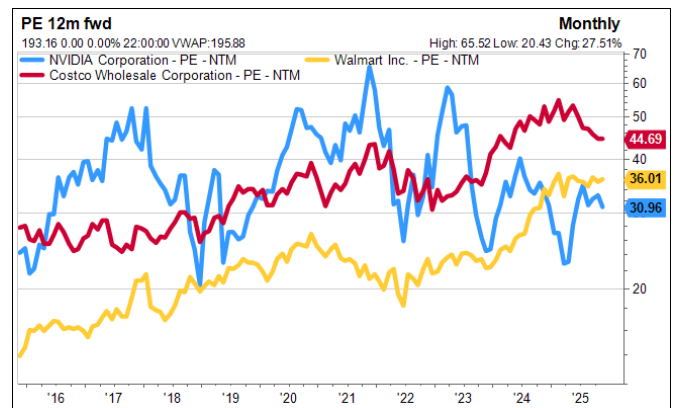
As global activity improves, other regions with lower valuations offer catch-up potential. We do not expect non-US or non-technology multiples to reach US tech levels, but some convergence is likely.

Chart 7: PE 12m fwd valuation multiple by region



Concerns about an AI bubble persist, with parallels drawn to the dot-com era. However, unlike 2000, current performance is earnings driven. For instance, Nvidia now trades at a lower PE multiple than Costco or Walmart, which are GDP-like growth companies.

Chart 8: PE 12m fwd valuation multiple



Source: FactSet, Syz

Conclusion

Our core scenario remains an “Indian summer”, underpinned by accommodative central banks and government stimulus supporting a global economic recovery.

We also expect continued monetary debasement due to high public debt and the financing of fiscal programmes. Therefore, we remain positive on real assets, and equities remain an essential asset class in this environment.

The AI secular boom is far from over and it will continue to spread through the economy via infrastructure build-out and corporate adoption.

However, after three years of highly concentrated equity performance driven by a small group of stocks, we expect broader market participation ahead.

We thus recommend diversifying beyond US mega-caps, into other sectors and regions. This rotation has already begun, with international equities performing better in 2025, and we expect this trend to continue into 2026.

Our 2026 Fixed Income playbook: balancing yield carry and quality



Our most reasonable assumption for 2026 is a scenario when bond returns will come mainly from coupon and yield, while range-bound rates and stable credit spreads will only have a limited impact on total performance. For those circumstances, investors can build fixed-income portfolios offering attractive returns, deployed in a defensive and low-volatility manner. Opportunities abound across corporate credit and emerging-market debt, both of which should benefit from an environment of positive global growth and moderate inflation dynamics. What to pick and avoid within the AI-driven capex cycle, get exposed to the European real-estate sector, introduce high-yield markets off the beaten tracks, select improving emerging economies, all are interesting ways to create value in bond portfolios for the coming year.

Investors should nevertheless keep in mind two types of risk surrounding this “calm and warm” base case, each of which would call for a significant adjustment in positioning. On one hand, should a growth freeze abruptly end the Indian summer, government bonds would likely regain their traditional safe-haven role. Corporate and emerging-market debt could then fall out of favour as default risks rise, particularly in the lower-rated segments. On the other hand, if the macroeconomic backdrop overheats

under the combined influence of fiscal and monetary stimulus, bond investors could be the first to get burned. A scenario of resurgent inflation and higher interest rates would require a swift shift toward shorter-dated bonds, avoiding medium- and long-term maturities from both sovereign and corporate issuers during any potential “heatwave”.

While these “growth freeze” and “heatwave” outcomes cannot be ruled out, they currently appear to be low-probability scenarios given today’s macro and market dynamics. Focusing too much on these tails risks carries a cost in Fixed Income—namely, the yield carry investors can earn if the central scenario unfolds. With interest rates out of their decade-long hibernation, now back to normalised levels and above inflation rates in most markets, bonds offer a compelling source of recurring returns with contained volatility.

There are ways to structure a bond allocation that makes the most of an Indian summer environment while limiting volatility and the impact of unexpected weather changes over the coming year. Here is our playbook for bond portfolios as we enter 2026.

Rangebound sovereign yields in 2026

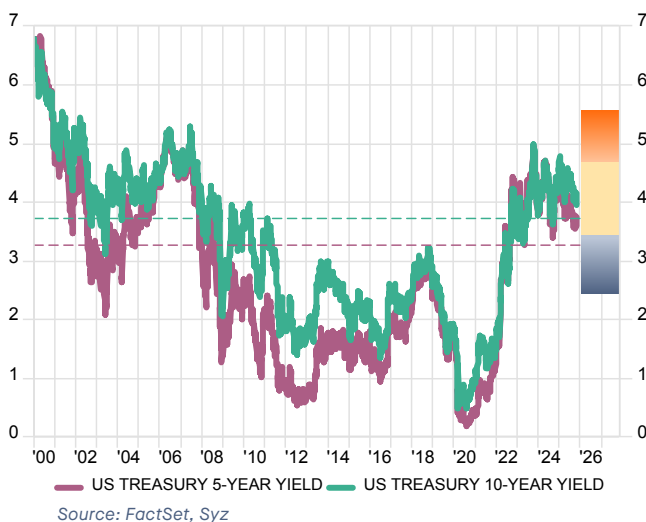
Interest rates across most markets and maturities are back to “normal” levels, after a decade of very low or negative yields and the violent adjustment in 2022/23. In USD and EUR markets, medium- and long-term yields are above current inflation levels, close to their average level of the past twenty-five years. GBP yields are even above their average, due to inflation and fiscal dynamics’ concerns. CHF rates have fallen back toward zero but appear unlikely to re-enter negative territory.

Central banks have been lowering short-term interest rates since 2024 as the post-pandemic inflationary wave has ebbed. The European Central Bank and the Swiss National Bank have likely completed their rate cut cycle and EUR and CHF short term rates can be expected to remain stable in 2026. The US Federal Reserve and the Bank of England may have a few additional steps to go before reaching their neutral rate level, but bond markets are already pricing in this likely adjustment in USD and GBP markets.

In a scenario of positive economic growth, moderate inflation and the end of central banks’ rate cuts, our “Indian summer” central scenario, medium- and long-term government rates are likely to trade rangebound in 2026.

Solid nominal GDP growth creates a floor for the level of sovereign yields, while anchored short-term rates can be expected to contain the risk of a pronounced increase. Fluctuations in market sentiment around growth and inflation prospects will certainly fuel short-term, but a sustained upward or downward deviation in government rates appears unlikely. If anything, lingering inflationary pressures, fiscal stimulus and rising public debt levels might exert moderate upward pressures on long-term yields in 2026. But for a significant decrease or increase to materialise, a clear slowdown in growth and inflation (“growth freeze” scenario) or a pronounced acceleration in inflation (“heatwave” scenario) would have to occur.

US Treasury 5-year and 10-year USD yields and their 25-year average level



We therefore expect for 5-to-10-year US Treasury yields to evolve into a 3.5%-to-4.5% range in 2026. In EUR, German government bonds with similar maturities should see their yield remain between 2% and 3%. CHF yields appear stuck to the 0% level in a context of no Swiss inflation and low public debt. GBP medium- and long-term yields may benefit from Bank of England rate cuts, but continue to be influenced by inflation and public debt uncertainties, and can be expected to remain above 4% next year.

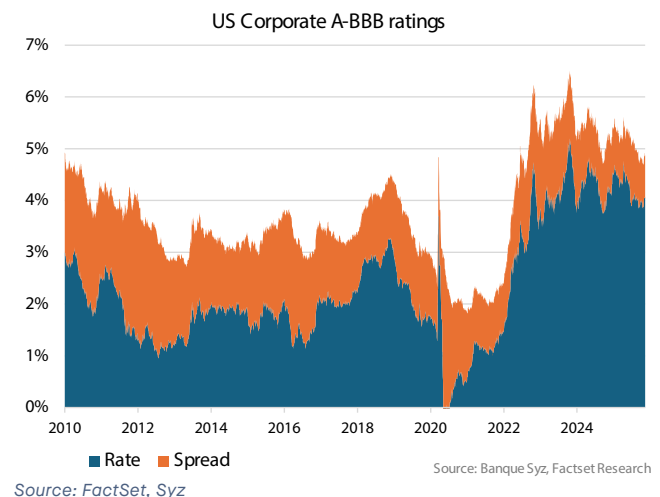
This environment brings back to bonds their original “fixed income” feature: coupons will likely be the essential source of bonds’ return in 2026, and investors shouldn’t expect government bonds to bring significant capital gains next year in an “Indian summer” economic scenario.

Favour credit and Emerging Market debt over Government bonds

The environment of rangebound sovereign rates and positive economic growth expected in 2026 strongly pleads for favouring Corporate issuers and Emerging Market debt in Fixed Income portfolios.

The risk price is admittedly not cheap, as Investment Grade, High Yield and Emerging Market spreads are all very tight from an historical perspective. Compensation for lending money to private issuers rather than to government has maybe rarely been as low as it currently is, but there may be good reasons for this situation. Corporate leverage is generally low and has been trending lower as a share of GDP, unlike government indebtedness. Positive economic growth prospects contain the risk of financial stress for the corporate sector. The weaker US dollar environment is supportive of Emerging Market issuers in hard currency. Some Investment Grade corporate issuers with strong balance sheets can increasingly be perceived as attractive alternatives to government bonds in economies where the public debt dynamic appears to get out of control.

Breakdown of the yield of the US Investment Grade Corporate bond market by rate and spread components



Will default risk rise in 2026?

Recent defaults have been shaped by frauds and idiosyncratic risks rather than by broad credit weakness. The collapses of First Brands, an auto-parts supplier, and Tricolor, a deep subprime auto lender, both stemmed from misconducts. Similarly, US regional banks, Zions and Western Alliance, incurred impairments linked to the same fraudulent real estate borrower.

Over the past two decades, including the global financial crisis and the pandemic, US investment-grade companies have shown resilience, recording a historical one-year default rate below 0.1%. Their financial flexibility and better access to capital markets enable them to withstand external shocks.

In the High Yield space, European defaults reached in September the lowest monthly figure year-to-date. The lower interest rate, resilient corporate earnings, and cooling trade tensions should continue to help containing distress among high yield companies. S&P expects Europe's high yield default rate to ease to 3.25% by June 2026, from 3.7% in August 2025. In the US, this rate is expected to dip to 4.25%, from 4.6% over the same period.

Those drivers have been behind the strong investors' interest for Credit and EM debt in the past two years and they can be expected to remain dominant in 2026. While the potential for additional credit spread compression is certainly limited from current levels, the risk of a significant credit spread widening is also limited in an "Indian summer" scenario. In the absence of any strong directional trend in rates and spreads next year, the main source of bond return is therefore likely to be the yield carry. The way to optimise the yield carry of a bond portfolio is to include a contribution from spreads on top of the "risk-free" rate.

The allocation of the spread risk between low-risk Investment Grade and higher-risk High Yield and Emerging Market bonds depends on the profile of each investor. It also should be considered from a broader portfolio construction perspective. An investor with a significant allocation to equities might want to favour strong Investment Grade issuers in the bond allocation, for a low-volatility steady source of return to complement other more volatile parts of the portfolio. An investor focused on Fixed Income could consider exposures to High Yield and Emerging Market debts as ways to improve the yield of the portfolio.

The broad range of risk levels offered by the Fixed Income Credit and EM market provides opportunities for various investors' risk profiles. It will also likely offer opportunities to actively manage spread fluctuations, sectorial and thematic trends as well as primary market opportunities in 2026.

A selection of attractive themes in Investment Grade markets

We expect the broad Investment Grade market to deliver another year of positive performance in 2026, but some thematics and sectors might stand out as significant contributors. The AI revolution is a major driver of equity market performance, but it has also filtered through the fixed income market as an increasing number of companies have been turning to bond investors to finance their growing capex needs. Structural shifts and still attractive spreads in the European real estate market are also an ongoing story in the fixed income landscape.

Let's dive into these two exciting opportunities for the year ahead.

AI capex wave from a credit lens

AI infrastructure investment marks a classic front-loaded capex cycle with back-loaded payoffs. The recent surge in AI-related bond issuance has tested investor appetite. Meta Platforms' largest ever bond subscription and Alphabet's heavy oversubscription imply that AI may be capital-intensive, but confidence remains deep.

Unlike the 2001 dot-com bubble, today's hyperscalers are profitable and cash-rich. Meta and Alphabet benefit from very low costs of capital and are backed by highly cash generative underlying businesses. They can afford to take their time to determine the best way to extract value from AI over a decade or more.

By contrast, most technology firms in 2001 generated little or no revenue.

Undoubtedly, bondholders favour investments over share buybacks. What we do not want to see is companies putting free cash flow at real risk. Excessive leverage will strain credit quality. For example, Oracle may add \$50 billion of debt to its \$100 billion debt load over three years.

In hardware, Fitch expects AI-related revenues to account for three-quarters of sector revenue by 2026. Dell has already demonstrated an improved credit profile from AI-server growth.

Where should we look for opportunity? In companies that have strong execution, not just innovation. Investors should favour disciplined growth over ambition, and consistent delivery over promises. The AI-driven boom must translate into real cash flow and stable leverage, not just headlines. Ultimately, technological progress creates value only when it reinforces earnings quality and long-term resilience.

Beyond rate cuts: structural shifts in Europe's property market

Property revaluations are being driven not only by central bank rate cuts, but also by rental growth.

Once seen as the main casualty of e-commerce, European shopping centres have defied expectations, recording steady rent increases. With CPI-linked leases now accounting for roughly half of rental growth, this supports property revaluations.

In European logistics, years of low vacancy and structural undersupply have kept fundamentals tight. While new developments are expected to ease this imbalance, a new trend is emerging — data centre projects are taking over parts of logistics land, constraining available space and underpinning property values and supporting higher property values.

Meanwhile, residential real estate remains a relatively safe harbour. The pandemic-era favourite continues to outperform in select countries, buoyed by limited housing stock due to rising construction costs. These dynamics make housing one of the more resilient segments in today's market.

Ultimately, real estate remains one of the most heterogeneous asset classes—success depends on deep research on local dynamics.

Opportunities in High Yield and EM Debt

In an “Indian summer” scenario, High Yield and EM debt will undoubtedly bring value by improving the yield of fixed income portfolios. Those riskier segments of the bond market would obviously be sensitive to a potential deterioration of the economic backdrop, especially given their current elevated valuations. Diversification is of particular importance in that space, but building an allocation with selected segments can be considered in the current macroeconomic environment.

Nordic High Yield markets an attractive diversification

The Nordic High Yield market can be seen as an attractive segment within global High Yield credit markets. Once dominated by energy issuers, it has evolved into a more diversified credit universe, with sectors such as financials, industrials, and shipping.

A key strength of the Nordic HY market lies in the fundamental quality of its issuers. Companies operating in the region tend to maintain stronger balance sheets and lower leverage than their counterparts in the USD or EUR HY markets. They operate in economies with sound fundamentals, political stability and dynamic export-driven growth.

Due to the “niche” nature of these markets, credit spreads remain attractive, above spread levels of USD and EUR issuers with similar credit quality. This offers investors a compelling opportunity to diversify their High Yield exposure with a different mix of country and sector risk than those of US, EUR or EM High Yield markets.

Another notable feature of the market is its short average maturity and significant proportion of Floating Rate Notes, that make this segment appealing to get credit exposure with very limited interest rate sensitivity.

Beware of political risk in Emerging Market Debt

Emerging market (EM) corporate bonds have held up remarkably well in 2025, supported by solid company fundamentals and an improved sentiment toward EM sovereigns. Dollar weakness means EM currency strength and disinflationary pressure. EM central banks now have room to cut rates and to support growth. Still, with tight valuations and investors reaching into lower credit quality, credit selection is paramount.

Companies with sound balance sheets and prudent cash management are far better positioned than highly leveraged state-linked companies still burning cash. Indeed, state-owned companies account for a large share of EM debt, but government backing alone offers no guarantee of safety—fundamentals matter more than flags. At the same time, rising Chinese exports and potential oversupply continue to pressure margins across several EM industries.

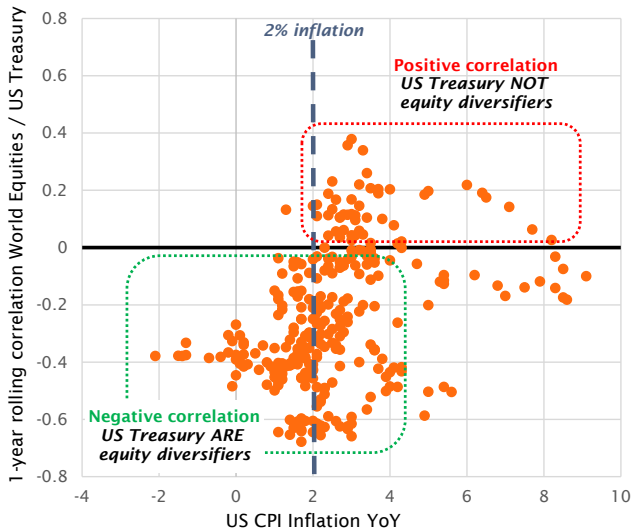
Adding to this complexity, political risk remains a defining theme. Following President Javier Milei's party's unexpected midterm victory in Argentina, investors are now looking ahead to a crowded 2026 election calendar. Votes in Peru (April) Colombia (March and May) and Brazil (October) could be pivotal moments, testing investor confidence across Latin America.

Don't expect government bonds to always be a diversifier to your equity allocation

For much of the past two decades, investors have grown accustomed to government bonds acting as a reliable counterbalance to equities. From 2000 to 2021, when inflation mostly hovered—sometimes significantly—below 2% across developed economies, government bonds tended to rise during equity market selloffs, thus providing an effective “riskoff” hedge that helped to reduce portfolio volatility.

However, when looking at historical data, this relationship is not constant and should not be taken for granted. It appears that it essentially depends on the inflation level and regime. Historical data over the past 25 years shows that, when inflation was below 2%, the bond–equity correlation has always been negative over a 1-year period. In other words, for any given year when inflation was below 2%, government bonds always rose when equity markets declined. In this context, they could reliably be considered effective hedges against equity downside risk.

Historical Equity/Bond 1-year correlation depending on US inflation levels since 2000

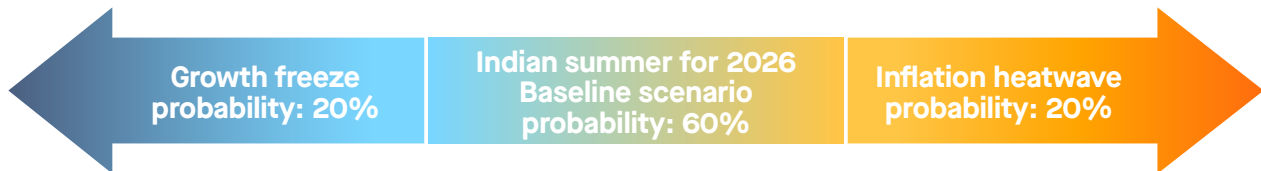


Source: Bloomberg

However, the situation is different once inflation rises above the 2% threshold. The relationship between government bond and equity performances becomes far less stable. Sometimes the negative correlation holds, but sometimes it does not, as government bonds move in tandem with equities. In such cases, government bonds are no longer a diversifier for multi-asset portfolios, turning from volatility dampeners into an additional source of risk.

With inflation currently around 3% in the US and 2% in Europe, the protective qualities of government bonds cannot be guaranteed. They would certainly regain this role in a “growth freeze” scenario, but their contribution can be erratic in our “Indian summer” scenario. They could even become significant detractors in a “heatwave” scenario. As such, any exposure to government bonds should be considered with these three possibilities in mind when entering 2026.

Syz 2026 Fixed Income outlook in a nutshell



Rates: Significant decline Credit Spreads: Significant widening, especially in HY and EMD	Rates: Rangebound and Volatile, moderate upside risks Credit Spreads: Anchored at tight levels	Rates: Upward pressures on the long-end Credit Spreads: Volatile but still tight
Government Bonds: Very Positive Investment Grade Credit & EM Debt: Negative High Yield: Very Negative	Government Bonds: Neutral Investment Grade Credit: Positive High Yield Credit: Positive Emerging Market Debt: Positive	Government Bonds: Negative Investment Grade Credit: Neutral short/medium mat. High Yield & EM Debt: Neutral short/medium mat.
Core allocation in Government bonds with tilt toward long maturities Reduce Investment Grade credit and EM Debt exposure Low High Yield credit exposure	Core allocation in Investment Grade bonds with medium maturities (3-7 years), actively managed Diversified allocation to High Yield credit (1-4 years) and Emerging Market Debt (3-7 years) Reduce or avoid Government Bonds exposure	Cash and Bills the place to hide in Fixed Income Opportunities in Short Duration credit (Investment Grade, High Yield & EMD) Reduce or avoid Government Bonds , especially long maturities

Depth over breadth

As we enter 2026, alternatives remain a vital engine of long-term portfolio performance and diversification, offering independence from broader macro scenarios. While the environment remains demanding, investors who combine discipline, selectivity, and access to differentiated opportunities can continue to unlock meaningful value. At Syz, our conviction remains rooted in active ownership, deep specialisation, and thoughtful diversification across private equity, private credit, and hedge funds.

In this outlook, we explore the themes we believe will define the coming year and how they align with our focus on generating resilient, high-quality returns for our clients.

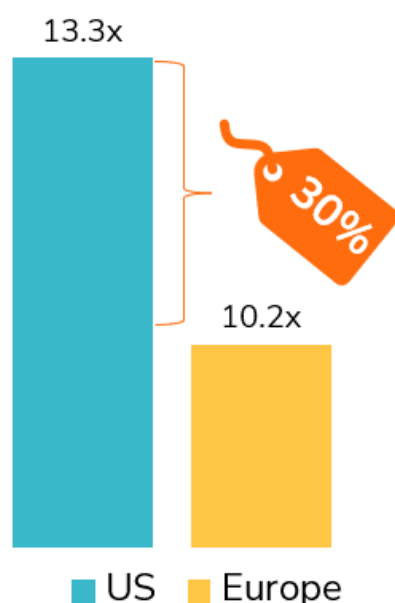
Private equity: European lower mid-market buyouts

The European lower mid-market continues to offer some of the most compelling opportunities in private equity. It remains an underexplored space, that combines reasonable entry valuations, a vast universe of high-quality SMEs, and a clear path for hands-on value creation. With fewer competing funds and continued fragmentation across industries, disciplined investors can find fertile ground for buy-and-build strategies that generate operational value rather than relying on financial leverage.

Importantly, the European lower mid-market has demonstrated remarkable resilience relative to the large-cap segment. In recent years of muted exit activity and low distributions across private equity, this area of the market proved notably more stable.

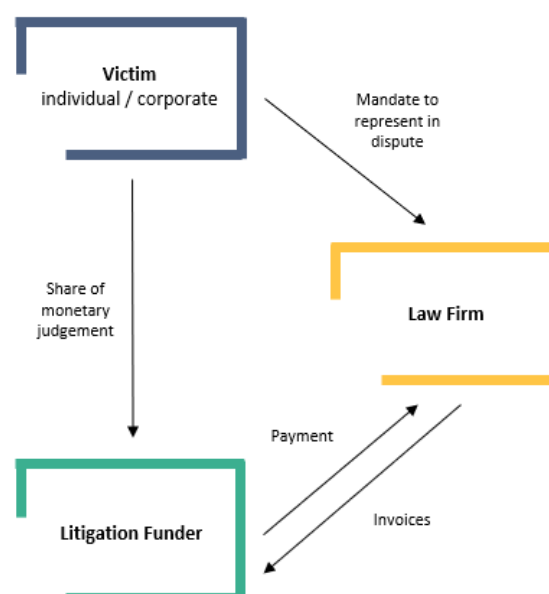
For investors, this segment offers an appealing balance between growth potential and downside protection. The opportunity lies in its ability to create value through operational improvements, strategic expansion, and disciplined capital management, rather than through financial engineering. In an increasingly competitive private equity landscape where returns are under pressure, the European lower mid-market segment stands out as an underinvested segment where carefully selected opportunities can become attractive long-term performers.

Average EV/EBITDA multiples (x)



Sources: PitchBook. (2024). "European PE Breakdown. Q2 2024;"
PitchBook. (2024). "US PE Breakdown. Q2 2024."

The Litigation Finance Ecosystem



Source: Syz Capital

Legal assets: true uncorrelated return potential

Among the most differentiated areas in private markets, legal assets stand out for their ability to generate returns independent of traditional market cycles. Litigation finance and law firm lending have evolved into a distinct asset class, supported by clear cash flow visibility, short-to-medium duration, and attractive return potential.

A key strength of these strategies lies in their natural cash flow and distribution profile as returns are realised progressively, following legal decisions rather than being dependent on the sale or exit of an investment. This creates a more predictable and steady distribution pattern, contributing to portfolio liquidity while maintaining uncorrelated performance.

At Syz, we view legal assets as a powerful diversifier within alternatives, combining robust underwriting discipline with outcome-based returns that are fundamentally detached from economic or market cycles.

Private credit: focus on quality to generate income with resilience

Private credit continues to assert its role as a resilient and income-generating asset class, particularly in an environment marked by macroeconomic uncertainty and evolving monetary policy. In 2026, we expect the asset class to remain a cornerstone for long-term investors seeking stable returns with robust downside protection.

In private credit, quality, discipline and origination capabilities remain defining factors of success. We continue to focus on senior secured, first-lien direct lending to businesses with proven models, predictable cash flows, and conservative leverage. This segment of the market delivers attractive yields while preserving capital through rigorous selection and diversified portfolios.

Recent events in credit markets have underscored the resilience of private credit firms, which have solidified their role as financing partners for private companies—capturing premium yields while benefiting from robust downside protection through seniority in the capital structure and strong covenants. This dynamic is particularly relevant amid an estimated \$2 trillion funding gap through 2028, driven by elevated levels of dry powder in private equity and a looming maturity wall exceeding \$600 billion in performing loans, including more than \$620 billion in high-yield bonds and leveraged loans coming due between 2026 and 2027.

In 2025, credit spreads have run especially thin in the upper mid-market as competition increased. We favour players that have the flexibility of a diversified portfolio featuring lower mid-market to upper mid-market companies, faster execution, greater confidentiality, and the ability to handle complex transactions.

Looking ahead to 2026, the outlook for private credit remains constructive, though not without headwinds. Our base-case scenario is supportive of higher-for-longer interest rate environment, resulting in sustained elevated yields—particularly in floating-rate structures that have benefited from base rates such as SOFR, which has remained above 4% in recent quarters. Potential rate declines could, however, weigh on net returns. Nonetheless, high-quality senior direct lending is expected to continue offering an attractive premium relative to high-yield alternatives.

Hedge funds: liquid diversification

As we enter 2026, best-in-class hedge funds are reasserting their role as a core component of diversified portfolios. In an environment marked by greater dispersion across asset classes and regions, active trading strategies are once again demonstrating their value in capturing idiosyncratic returns and managing portfolio volatility.

We see the most compelling opportunities in two areas: quantitative equity market-neutral and discretionary macro strategies. Quantitative equity market-neutral approaches benefit from persistent dislocations across factors, sectors, and regions, providing steady, uncorrelated returns through disciplined, data-driven processes. Discretionary macro managers, meanwhile, are well positioned to navigate shifting global dynamics, expressing high-conviction views across interest rates, currencies, and commodities.

Across all investment styles, the common denominator is selectivity: access to managers with proven risk discipline, robust infrastructure, and genuine edge in execution. Hedge funds play a key role within the alternative space as they smooth portfolio volatility without being a drag on performance and while maintaining an attractive liquidity profile leading to an increase in portfolio resilience.

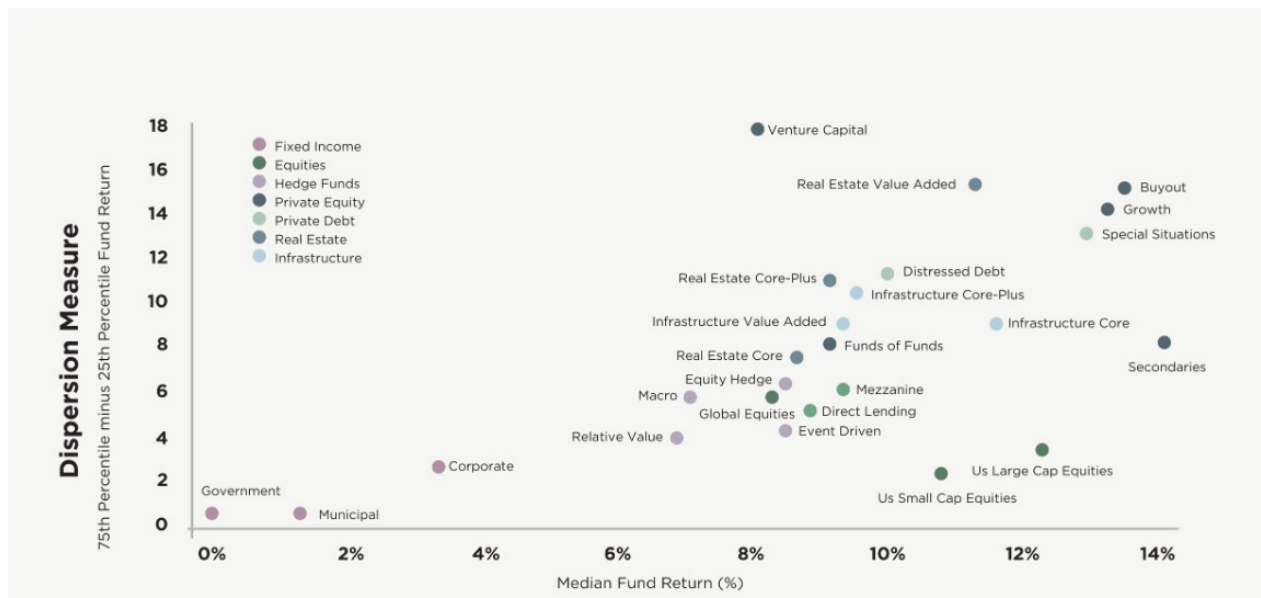
At Syz, we view hedge funds not as tactical trades but as long-term building blocks for diversified portfolios, designed to deliver consistent, high-quality alpha through changing market regimes.

Looking ahead

Across the alternative universe, return dispersion has widened, making access and manager selection more decisive than ever. We believe the future belongs to investors who are highly selective, identifying specialist managers with a clear edge in sourcing, strategy execution, and alignment.

Equally important is diversification across both geographies and strategies. Investors benefit from balancing exposure between regions such as Europe and the US, and across complementary approaches. We are keeping a close eye on US growth and buyout opportunities in the private equity space, as well as global infrastructure, as key additions for 2026. Thoughtful diversification not only enhances returns but also strengthens portfolio resilience across a wide range of market environments.

In 2026, alternatives will reward depth over breadth and conviction over scale. At Syz, we remain focused on these areas, guided by the belief that selectivity and diversification — across strategies, geographies, and liquidity profiles — are the twin pillars of long-term success. By maintaining our disciplined approach and partnering with exceptional teams, we aim to continue delivering consistent, high-quality returns for our investors in the years ahead.



Source: www.petiole.com

Different commodities, different futures



Today, structural forces on both the supply and demand sides are fuelling a rally concentrated on a handful of key commodities. Supply remains vulnerable for key materials essential to AI-driven electrification and the green energy transition, while crude oil markets stay well supplied despite geopolitical risks. Meanwhile, investors continue to turn to precious metals to hedge portfolios despite expectations of manageable inflation as our “Indian summer” base-case scenario anticipates.

Precious metals: shining through times

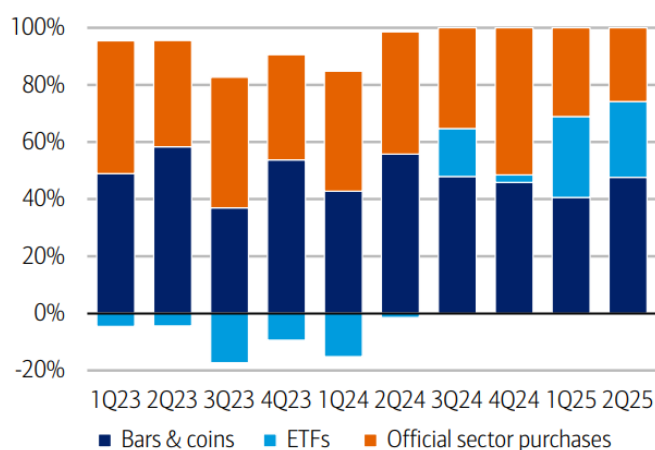
Amid persistent geopolitical tensions and even in a balanced macro setting, gold demand should remain resilient in 2026, though on a steadier path than in 2025. Support from an easing monetary policy, a weaker dollar, rising US fiscal concerns, and continued central banks buying—particularly from emerging markets seeking to de-dollarise—should continue to underpin interest in safe-haven assets across all investor groups, from central banks to individuals.

We believe investors should look beyond short-term market noise and view price pullbacks as opportunities to build exposure to gold, which fits two of our three core scenarios: acting as an inflation hedge in a potential “heatwave” scenario or offering resilience in a warmer than usual baseline “Indian summer” environment.

Furthermore, gold remains under-owned. Bank of America estimates that total gold investment is still only around 5% relative to equity and bond markets, leaving ample room for further allocation.

Gold investment demand had been evenly balanced between the three main buyers; ETFs tend to be the most volatile component

Breakdown of gold investment



Source: Bloomberg, BofA

Silver outperformed gold in 2025, supported by its dual role as a safe-haven and an industrial metal; silver is a key component in photovoltaic cells, semiconductors, AI-enabled technologies etc. Supply disruptions in key producers' countries like Peru and Mexico also underpin prices, while the still-high gold/silver ratio suggests silver remains undervalued.

Among the Platinum Group Metals, platinum benefited in 2025 from South African supply issues, strong hybrid-car demand, and jewellery substitution. Although short-term upside may be limited, platinum's role in new technologies is growing, particularly in hydrogen fuel cells, where demand could account for up to 35% of its total use by 2040, according to the CME. Palladium's use is limited outside the automotive sector, and its heavy reliance on Russian supply constrains its growth potential.

Industrial metals: the economics of scarcity

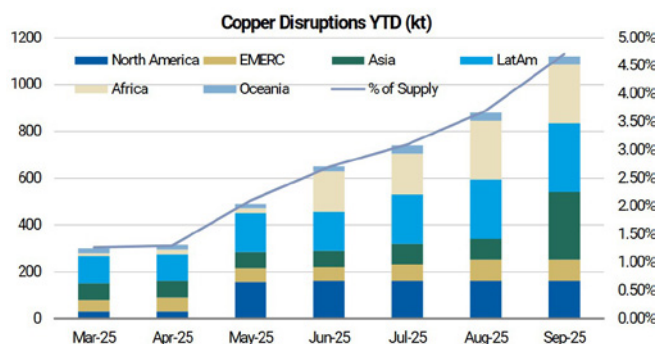
Our view on base metals is straightforward: we favour metals essential to electrification and the energy transition, such as copper and aluminium, whose demand is further driven by rising AI and data centre power needs, both in the West and in China.

China's targeted stimulus and the recent easing in US-China trade tensions have created a more supportive backdrop for industrial metals, even though their outlook will continue to be influenced by tariff uncertainty, at least until the Xi-Trump meeting in April 2026.

Copper stands out as the "metal of the decade", being central to electrification, AI infrastructure, and the green transition. Yet, limited mine growth and frequent supply disruptions point to a lasting deficit, with the ICSG expecting the market to move into shortage by 2026.

Breakdown of the yield of the US Investment Grade corporate bond market by rate and spread components

Exhibit 1: We now estimate disruptions of 1.1 mln tonnes or 4.7% of supply



Source: Woodmac, Morgan Stanley Research estimates. For September, we add 200kt to disruptions for Freeport's Grasberg mine, and 20kt for El Teniente, where the return to full production is likely to take longer, and 20kt for the temporary suspension at HudBay's Constancia.

Source: Morgan Stanley

While we are generally cautious on processed metals, aluminium looks attractive. Demand is rising for lighter, more energy-efficient materials, while supply is tightening due to China's anti-involution policy—aimed to curb industrial overcapacity—and at the same time, US producers' reluctance to invest in new capacity, assuming the current 50% tariffs on aluminium sheets will only last through the Trump administration. This combination creates a potential window of opportunity for aluminium.

Energy: trying to break the oil glut

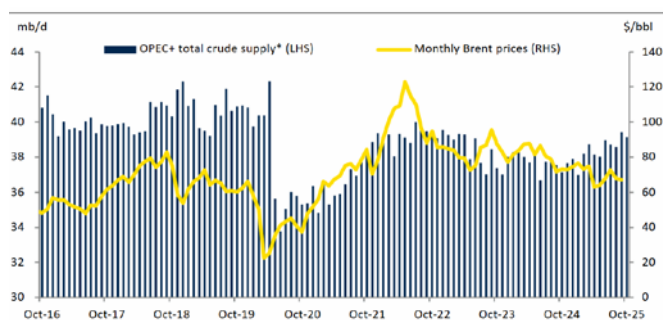
The oil market outlook has shifted notably. Until recently, oil prices were expected to remain subdued, as both the IEA and the US Energy Information Administration projected a record oil surplus in 2026, driven by higher production from both OPEC+ and non-OPEC countries. However, in early November, OPEC+ surprised the market announcing it will pause its production increases from January to March 2026 to avoid worsening an already global bloated market.

The decision comes as inventories are building and adding more barrels could further push prices down. At the same time, there is growing uncertainty around Russia's supply. Ukraine has intensified its attacks on Russian energy infrastructure, and new sanctions on Rosneft and Lukoil are disrupting the market as they are straining Russia's export capacity, and refiners relying on dollar transactions are already seeking alternative suppliers.

Currently, our base-case for crude oil is one of broadly stable prices, consistent with our "Indian summer" outlook. We expect global supply to remain abundant, while prices are likely to stay "politically" capped as the Trump administration seeks to contain inflation ahead of the midterms. At the same time, Trump seems determined to curb Russia's energy revenues, signalling a new phase of geopolitical tension that could reshape the oil market into 2026 and push prices higher which may cause our "heatwave" scenario to materialise.

Finally, within the energy complex, uranium stands out as a winner across all scenarios, as nuclear power regains importance with governments and hyperscalers alike pursuing energy security and decarbonisation.

OPEC supply to market and Brent prices



Source: FactSet, Syz Bank

Agriculture: far from supermarket prices

We would avoid agricultural commodities, first because they are often driven by unpredictable factors such as weather conditions, and also because the sector is rapidly adopting precision agriculture methods (GPS, sensors, AI) to help stabilise production and maintain yields despite climate uncertainties. However, while unlikely, a severe global drought could trigger our "heatwave" scenario, driving food inflation to new global highs. Reinforcing our cautious outlook, China—the main demand driver—is now focused on self-sufficiency, even though the recent US-China trade deal provides short-term support for crops such as soybeans.

Balancing opportunities and diversification in a transforming world

In 2026, our multi-asset portfolios will be positioned to navigate a landscape defined by enduring monetary debasement alongside potential rotations in market leadership and structural shifts across the globe. Our investment convictions embody a disciplined philosophy aimed at preserving and enhancing portfolio value through diversified exposures that harmonise growth, income, and protection.

Within equities, we anticipate a broadening phase following an extended period dominated by technology and communication sectors. This implies heightened capital investment and earnings growth expanding beyond the core Mag7 US tech giants. Our strategy will maintain diversified exposure within US equities to capture growth from widening economic expansion while cushioning against sector-specific volatility.

We also intend to keep balancing our US equity exposure with broad international diversification—firmly grounding our convictions in the enduring exceptionalism of the US market, which combines technological leadership with a dynamic business infrastructure—while increasingly favouring Europe, Japan, and Emerging Markets, where a weakening USD could offer additional tailwinds.

Anticipating a rise in equity volatility from historically subdued levels, we will maintain an actively managed approach to risk mitigation. We will continue to use systematic strategies employing dynamic allocation across cash and equity markets informed by a diversified set of indicators, including market sentiment, volume, trend, and breadth. Additionally, we will explore approaches that combine full participation in equity growth with asymmetrical protection—leveraging tail risk puts, put spreads, and their combinations—to bolster portfolio resilience amid market turbulence.

On the fixed income front, we expect an environment characterised by calm, rangebound interest rates and stable credit spreads, yielding returns predominantly via coupons rather than capital appreciation. We will seek to construct diversified fixed-income portfolios that marry attractive yield generation with defensive, low-volatility positioning.

Given the uncertain inflationary context and mounting public debt, traditional government bonds are unlikely to provide consistent hedging against equity volatility. Consequently, in the absence of our two tail risk scenarios, respectively, growth freeze and inflation heatwave, we anticipate maintaining a structural reduced exposure to G7

sovereign bonds. Their diversification benefits are uncertain and may become liabilities in an inflationary regime.

The structural underweight in sovereign bonds will be offset by an increased allocation to investment grade credit, concentrated in medium maturities and actively managed. Benefits stem from strengthening corporate fundamentals, contained leverage, and the momentum of the AI-driven capital expenditure cycle, offering steady income with moderate risk.

We maintain positive convictions toward High Yield credit and Emerging Market hard-currency debt as satellite fixed income assets, underpinned by solid global growth and contained default risk. A weakening USD and improving fiscal discipline in emerging economies favour these exposures, though we will meticulously select issuers given the associated political risks.

Within satellite fixed income allocations, we will continue to pursue niche opportunities, including subordinated financial debt and the Nordic High Yield market. Both offer robust issuer quality and short duration, providing compelling diversification benefits.

Confronted with the persistent erosion of fiat purchasing power, we will dedicate a portion of the portfolio to real assets and stores of value beyond central bank control. Precious metals—primarily gold and, to a lesser extent, silver—will serve as core pillars, serving cyclical upside potential as well as reliable hedging against monetary debasement and market volatility. Complementing this, a tiny allocation to leading cryptocurrencies—bitcoin and ethereum—will reflect our conviction in their role as emerging, uncorrelated stores of value aligned with monetary innovation and wealth preservation.

We will persist in employing hedge funds and liquid alternatives to enhance the overall risk-reward profile of our multi-asset portfolios, fortifying resilience in diverse market environments. For specific clients with longer investment horizons and sufficient asset bases, we will offer opportunities to broaden alternative allocations into private markets, encompassing asset classes such as private equity, private credit, and litigation finance.

Finally, anticipating a gradual medium- to long-term weakening of the USD, we will strategically hedge portions of USD exposure within foreign-currency denominated multi-asset portfolios.



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