

Review & outlook

July 2026

Review of the first half of 2026

Solid start ahead of geopolitical hit

The year began with constructive underlying sentiment on financial markets. Solid corporate earnings, persistently robust US growth and initial signs of an economic stabilisation in Europe delivered a tailwind. This development was supported by fiscal policy stimuli: In the US, implementation of the fiscal measures contained in the OBBBA package ensured positive sentiment. In Germany, expectations of an economic revival rose on the back of the fiscal package for infrastructure and rearmament. The backdrop was additionally driven by continued high levels of investment in future technologies such as AI as well as the prospect of a gradual easing of monetary policy. All in all, sentiment in the initial months was dominated by a positive environment for risk assets on the back of largely intact economic momentum.



“The first half of 2026 was marked by geopolitical tensions, rising energy prices and uncertainty over monetary policy. Despite these challenges, equity markets held up well. Solid corporate earnings and a robust economy constituted the basis for positive capital markets.”

Alexander Hunziker,
Chief Investment Officer a.i.

Iran war as turning point

Geopolitical tensions returned to financial markets at the end of February 2026 following the launch of massive US and Israeli attacks on Iran. The war in the Middle East and the almost complete dual blockade of the Strait of Hormuz had a tangible impact on financial markets. The resulting rise in the price of oil to levels above USD 100 per barrel for a time added to inflationary pressures and dampened global economic momentum. Although economic headwinds remained moderate in the case of the US, the impact on Europe and parts of Asia was greater. The key factor for markets was not so much the absolute level of energy prices but rather uncertainty about how long prices would remain at such a high level. Political uncertainties and monetary policy reversal added to this backdrop, although energy prices have meanwhile declined significantly, reducing this source of uncertainty.

Political uncertainties and monetary policy reversal

Domestic policy themes served to heighten volatility in the US, too. The appointment of new Fed Chairman Kevin Warsh, coupled with rising inflation, led to the adjustment of interest rate expectations. Whereas four or five cuts in interest rates had been the assumption at the start of 2026, the expectation now is that rates are set to increase. The scope for rapid interest rate reductions has narrowed in the face of rising energy prices, with the Fed maintaining unchanged benchmark rates in the 3.50% to 3.75% range. In Europe, the ECB adopted a more restrictive stance and raised key interest rates at its meeting on 11 June 2026. This created additional headwinds for an already fragile economic situation.

Economy losing momentum slightly

The global economy saw moderate growth in the first half of the year, before losing momentum due to the political situation. Growth in the US was solid at around 2%, driven by

ongoing investment in AI infrastructure. At the same time, the labour market cooled, and consumer spending tapered off slightly. Europe enjoyed the first signs of a stabilisation, bolstered by fiscal stimuli and the manufacturing sector's gradual recovery from a period of malaise. On the other hand, the energy shortage – the “sword of Damocles” – significantly dampened growth expectations. Switzerland remained a stable albeit low-growth anchor, weighed down by the strong Swiss franc and dwindling foreign demand.

Investment classes show divergent picture

The various investment classes showed a nuanced picture. Equities remained a preferred asset class, supported by stable corporate earnings and structural growth themes. To a limited degree, bonds once again fulfilled their role as a stabilising force and offered some potential for returns – particularly in foreign currencies after hedging costs. Rising inflation rates and worries about the debt situation sent yields soaring. Swiss real estate benefited from low interest rates and a lack of alternatives. Gold only partly lived up to its safe-haven status, with the rise in real interest rates providing alternatives to the unprofitable precious metal.

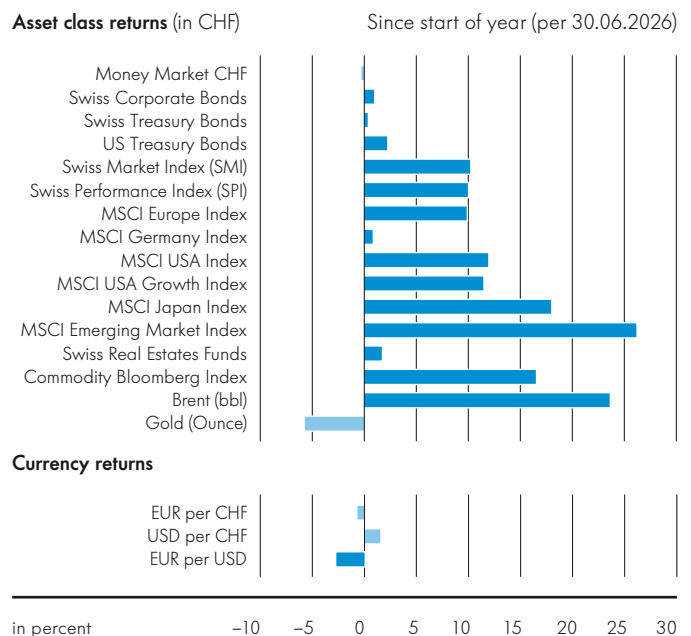
Equity markets robust despite volatility

Capital markets showed remarkable resilience in the first half of the year. Although major fluctuations did occur, particularly in the tech sector, risk assets generally held up well. Distinct differences were visible at individual stock level: While companies linked to AI infrastructure and firms from the energy industry made significant gains, other sectors came under pressure from time to time. The high degree of market concentration in the US was the centre of increasing discussion, with the sustainability of current share price levels being called into question.

US as value driver – nuanced picture for Europe and Switzerland

The dominant role played by the US equity market was confirmed during the first half of the year, with the market remaining structurally attractive thanks to robust economic conditions, strong corporate earnings and persistently high investment. In addition, the fact that the US showed resilience in the face of geopolitical risks and energy price shocks further underscored its importance in the context of an investment portfolio.

Meanwhile, the European economy remained in fragile shape. In particular, visibility was restricted by the dependence on energy prices and the geopolitical situation. Although fiscal stimuli – from Germany in particular – supported expectations, this provided only partial compensation for the structural uncertainties. Switzerland confirmed its status as a defensive anchor of stability in portfolios. Driven by quality companies, stable cash flows and minimal cyclicality, the market proved robust – particularly in periods of heightened uncertainty. At the same time, upside potential was modest on account of limited earnings momentum.



Source: Zuger Kantonalbank, Bloomberg Finance LP, MSCI Inc., SIX Index AG

Outlook for the second half of 2026

Between energy shock and resilience

The second half of 2026 began against a backdrop that remains beset by heightened uncertainty. The ongoing conflict in the Middle East, disrupted energy flows and the blockading of key shipping routes are increasingly weighing on the world's economy. Our core scenario nevertheless remains constructive: Global growth is likely to be sub-trend, although a pronounced recession is not the most likely scenario. Fiscal stimuli in the US and Europe, investment in AI, AI-driven productivity gains and a robust overall economic landscape are having a supportive effect. The global economy is likely to enter the second half of the year in a slightly weakened but not weak state.

Middle East escalation exacerbating uncertainty

The already fragile situation in the Middle East has deteriorated again of late. Iranian missile attacks on Israel were immediately followed by military retaliation, resulting in the de-facto end of the ceasefire. Thus the pace of events has recently accelerated again. At the same time, regional players such as Hezbollah and the Houthis are also becoming increasingly involved in the conflict again. Although the US is seeking a de-escalation, it is keeping its military options open. In overall terms, the geopolitical situation remains extremely unstable – and the longer the conflict goes on, the greater the risks to energy security, supply chains and the global economy.

Strait of Hormuz still the critical factor

Looking ahead, the situation surrounding the Strait of Hormuz remains key. Although supply shortages have so far been met through strategic reserves and falling demand, this does not constitute a stable equilibrium. The longer the blockade or disruption of supply chains continues, the greater the cost to the economy. This affects not just the oil market but also natural gas, chemicals, fertilisers and various manufacturing intermediates. Thus a more prolonged stalemate is likely to dampen global growth further and increase inflationary pressures for several quarters to come. Therein lies the central risk for the second half of the year.

Central banks remain under pressure

Hopes for a rapid, broad-based monetary easing have faded significantly. In the US, the Fed is constrained for now in the face of rising inflation rates and a persistently solid labour market. Though still possible, reductions in interest rates are likely to be delayed further. Europe is in an even more difficult position: The Eurozone is significantly more energy-dependent, with the ECB stuck between a rock and a hard place of weak growth versus increased price pressures. For Switzerland the picture is more nuanced, with inflation remaining low and still well below US and Eurozone levels. The SNB can therefore afford to be a good bit more cautious, even though the strong Swiss franc and fragile global environment remain negative factors.

Equities: US remains attractive; Europe and Switzerland neutral

Despite high valuations, the US is the most attractive equity market. Robust corporate earnings, structural productivity gains due to AI, major investment in infrastructure and technology as well as a comparatively limited direct impact from the energy shock continue to favour US shares. The backdrop is additionally favoured by fiscal stimuli and regulatory breaks. By contrast, Europe remains a market with limited visibility. Fiscal programmes in Germany in particular are insufficient to fully offset the hit from high energy prices and weaker economic momentum. Switzerland remains a defensive, quality market and therefore a dependable core within the portfolio. The country's lower energy intensity, stable domestic structure and strong quality stocks are also supportive factors. Even so, the upside potential is limited by moderate earnings momentum. This provides a clear logic for our allocation: US overweight, Europe neutral, Switzerland neutral.

“Markets are caught between geopolitical risks, ongoing inflationary pressures and robust structural drivers such as AI. Discipline, diversification and a clear allocation remain crucial until the energy shock subsides on a lasting basis, with uncertainty remaining at a high level.”

Alexander Hunziker, Chief Investment Officer a.i.

Bonds: Government bonds remain unattractive

The situation remains challenging for government bonds. The energy shock, persistently high government deficits and only a limited fall in inflation expectations militate against significantly lower capital market interest rates. European government bonds are suffering from the unfavourable combination of a weak economy and elevated price pressures. Swiss government bonds are relatively stable, but only offer limited potential for returns. Against this backdrop, a significant underweighting of global government bonds continues to make sense. Selective corporate bonds are more attractive, though here too, low credit premiums limit further upward potential.

Gold strategically important; real estate neutral

Gold remains a sensible portfolio component, notwithstanding our profit-taking in the first half of the year. Geopolitical risks, structural doubts around fiat currencies, diversification of central bank reserves and gold's role as a crisis hedge continue to favour a slight overweight. Although gold can show short-term volatility-

during periods of rising real interest rates and in the event of profit-taking, the backdrop remains supportive in strategic terms. Swiss real estate retains its position as a stabilising building block for portfolios, but does not merit an aggressive stance in light of high valuations, political risks and the fact that the potential for additional rate cuts remains limited.

Outlook for second half of 2026: Opportunities, certainly – though discipline required

The market environment in the second half of 2026 is unlikely to be straightforward, although investment opportunities will continue to present themselves. Rather than recession, the core scenario is sub-trend growth coupled with elevated price pressures. The crucial factor is whether the energy shock gradually fades or causes additional harm to the economy and inflation over time. Provided US fundamentals remain intact, corporate earnings hold up and policy cushions a portion of the headwind, risk assets continue to look attractive relative to government bonds. Our focus therefore remains on US equities, a neutral stance in Europe and Switzerland, low weighting of government bonds and persistently constructive stance on gold as a strategic hedge.

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