

Global Investment Strategy

Second Quarter 2026

Overview

World economy and capital markets

- ❑ In the face of sharply rising energy prices, the world economy's resilience – which was better than feared when dealing with the drags from post-pandemic inflation and last year's US tariff increases – will be tested once more.
- ❑ Iran's de facto blockade of the Strait of Hormuz is causing significant supply shortages of crude oil, distillates, LNG and fertilizers, which is exerting sustained upward pressure on prices. US interest in negotiations has recently increased noticeably.
- ❑ While events in the Middle East are not expected to have an impact on capital markets in the medium term, there remains a broad range of scenarios for the coming months:
 - Bond yields are moving in tandem with oil prices. Nevertheless, current yield levels are attractive from a medium-term perspective.
 - While we continue to see positive medium-term trends for equities, near-term opportunities and risks are roughly balanced. A worst-case scenario involving sustained and significant upward pressure on energy prices does not appear to be priced in.

Agenda

Chapter 1: Performance review	page 4
Chapter 2: World economy – Resilience tested	page 5
Chapter 3: Central bank policy – Inflation worries	page 16
Chapter 4: Bond markets – Energy inflation weighs	page 18
Chapter 5: World currencies – Safe havens and commodities	page 27
Chapter 6: Hedge funds and real estate	page 30
Chapter 7: Equity markets – Broad correction	page 32
Chapter 8: Commodities – Energy in the spotlight	page 43
Chapter 9: Investment strategy – How much of a dent	page 48

Switzerland: Strong franc mitigates inflation risks

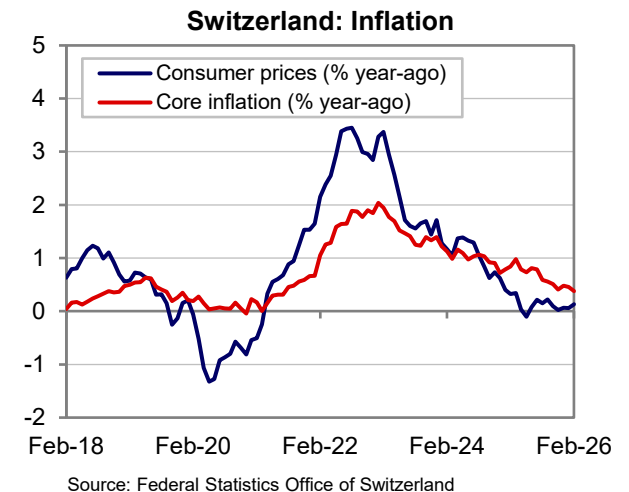
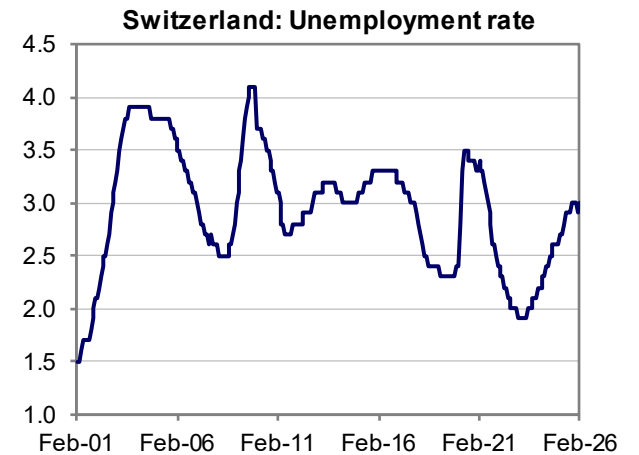
The unemployment rate in Switzerland has risen across all major sectors and areas of the economy since its low point in spring 2023 but has remained more or less stable this year.

The purchasing managers index, which tracks industrial activity, is hovering around the stagnation mark, i.e. just below 50. We expected a negative impact from the energy-price shock.

Inflation is virtually non-existent, both the headline and the core rate (which excludes energy, among other things). The strong Swiss franc is likely to mitigate the price surge resulting from higher oil prices. Our Swiss inflation forecast has risen less than that for key European countries. We do not see an immediate need for the SNB to act.

Switzerland	1Q- 2025	2Q- 2025	3Q- 2025	4Q- 2025	Avg.
Pers. consump.	0.1	0.5	0.4	0.4	0.4
Gov. consumpt.	0.1	0.6	-0.2	-0.1	0.1
Investments	1.6	-0.4	0.2	1.6	0.8
Domestic dem.	0.5	0.3	0.3	0.7	0.4
Exports	12.8	-12.2	1.1	0.6	0.6
Imports	13.3	-6.2	1.4	1.7	2.5
GDP	0.7	0.1	-0.4	0.1	0.1
Net exports	1.1	-5.3	-0.1	-0.6	-1.2
Inventories/diff.	-0.8	5.2	-0.6	0.2	1.0

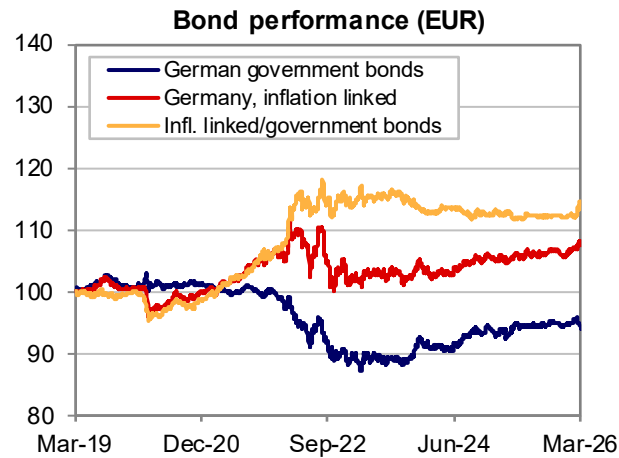
Note: Change in gross domestic product from previous quarter. Source: SECO



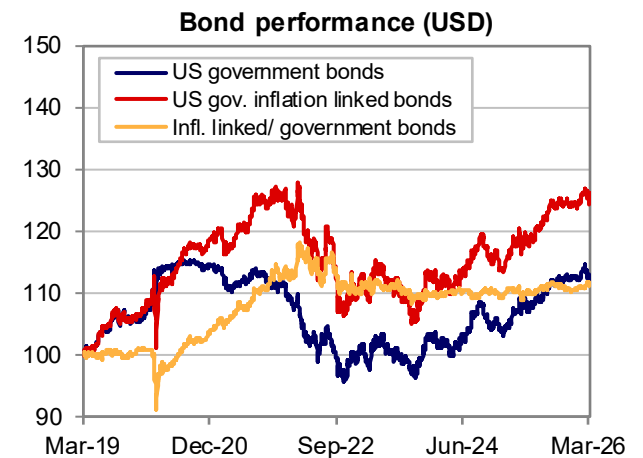
Inflation linked bonds

Over the medium term, inflation-linked bonds serve to diversify fixed income investments and offer roughly the same total returns as standard government bonds. They thus merit an allocation in bond portfolios (part of the neutral position).

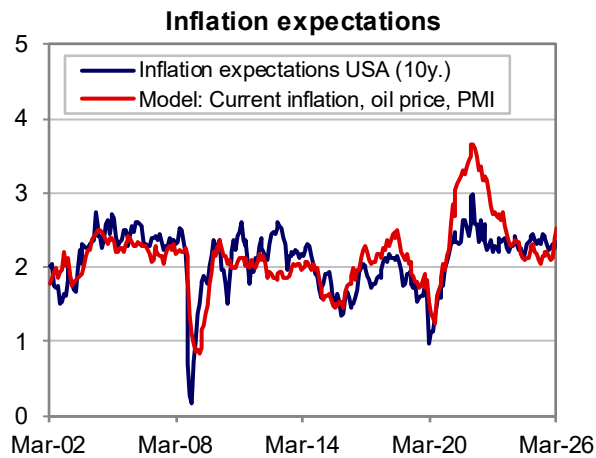
With the oil price shock, inflation is rising in Europe and could remain high in the US for longer than previously thought, which makes inflation-linked bonds a good tactical choice.



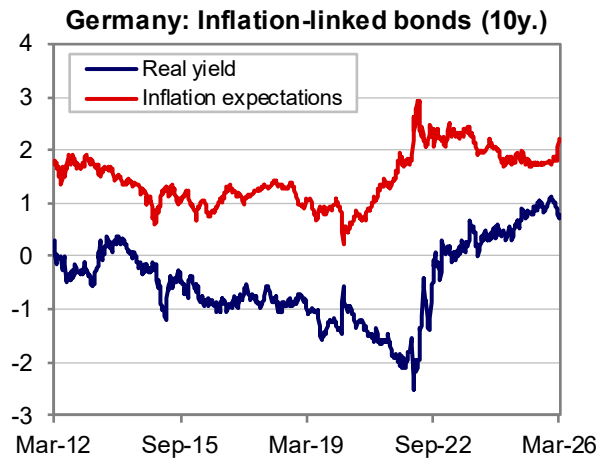
Source: Bloomberg Indices



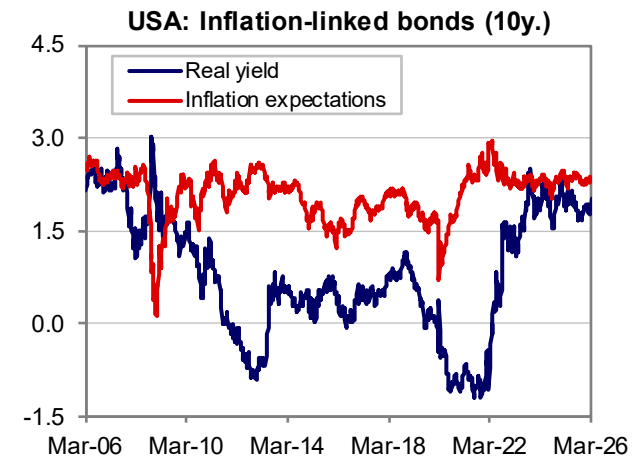
Source: Bloomberg indices



Source: Bloomberg, own calculations



Source: Bloomberg, own calculations



Source: Bloomberg, own calculations

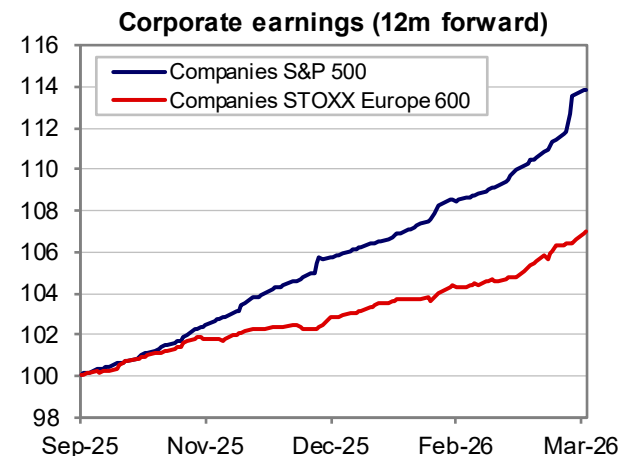
Earnings trends: Positive, but a lagging indicator

The fourth-quarter earnings season showed positive trends. When the economy is performing fairly well, profit growth generally meets expectations, as reflected in the stable trend of analysts' earnings forecasts for the next 12 months.

Profit margins are at high levels in both Europe and the US.

The analyst consensus indicates that above-average, mostly double-digit profit growth is expected this year and next in Europe (Stoxx 600), in the US (still driven by the Magnificent Seven) and particularly in emerging Asia (including China).

Analyst forecasts will likely drop as a result of the energy-price-related impact on economic growth, though analysts tend to lower estimates only once companies communicate new targets. Earnings estimates are thus not a timely indicator to judge equity markets.

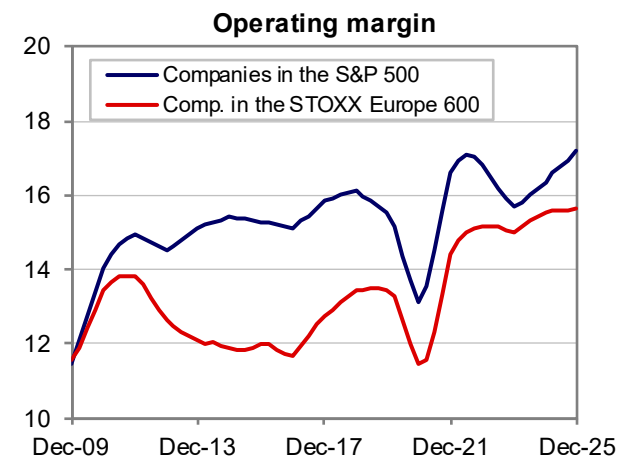


Source: Consensus estimates (Bloomberg)

Equity indices: Earnings growth and valuation

	S&P 500	Mag. Seven	Stoxx 600	DAX	SMI	MSCI Japan	Em. Asia	China
Earnings growth								
2026	16%	19%	9%	13%	4%	7%	37%	12%
2027	16%	20%	10%	14%	9%	11%	18%	15%
Valuation (price/earnings ratio, earnings 2026)								
2026	20.4	27.2	14.6	14.7	17.3	16.9	12.2	11.1

Note: Data as per 24-Mar-26. Based on company analyst estimates (bottom-up). Earnings adjusted for extraordinary items. Source: Bloomberg, own calculations



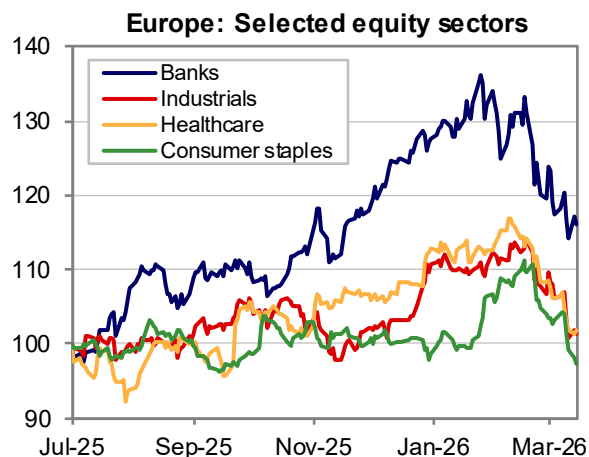
Source: S&P Global, STOXX

Equity segments: Quality de-rating

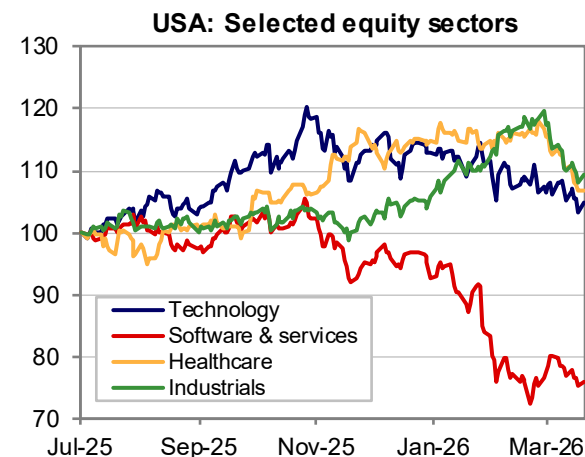
Selling pressure in March has affected all major sectors and market segments in both Europe and the US.

The US technology sector, including the Magnificent Seven, has lacked momentum since last autumn. The software and services sector has stabilised somewhat following the sell-off in February, which was triggered by AI-related concerns.

In an economic environment that is no longer quite as subdued as in previous years, the quality segment is no longer particularly sought after in Europe and has not even outperformed during the sell-off in March. Unlike in the 2010s, the market is increasingly unwilling to pay a premium for quality companies.



Source: Stoxx, MSCI



Source: S&P Global

Equity markets: Factors, styles, segments

	Performance (price)				2026	
	Mar-26*	1Q26*	2025	10 yrs.	Growth	PE
MSCI Europe	-9.0%	-2.5%	16.3%	69.5%	19.0	14.8
MSCI Europe Value	-8.4%	-1.0%	25.8%	61.4%	21.4	11.9
MSCI Europe Growth	-9.7%	-4.2%	7.3%	72.3%	14.8	20.3
MSCI Europe Quality Growth	-10.7%	-4.8%	6.3%	65.0%	6.8	17.3
MSCI Europe Mid Cap	-8.3%	-1.5%	19.6%	69.6%	23.0	14.0
MSCI US	-4.3%	-4.0%	16.3%	220.3%	25.1	20.4
MSCI US Value	-5.5%	0.3%	11.2%	103.4%	24.6	16.8
MSCI US Growth	-2.9%	-8.4%	20.6%	368.3%	25.5	26.7
MSCI US Quality Growth	-5.6%	-3.0%	15.0%	263.6%	15.0	23.5
Magnificent Seven	-3.4%	-10.0%	24.6%	2034.7%	20.2	25.6
MSCI US Mid Cap	-6.4%	-2.0%	7.2%	137.5%	39.5	18.3

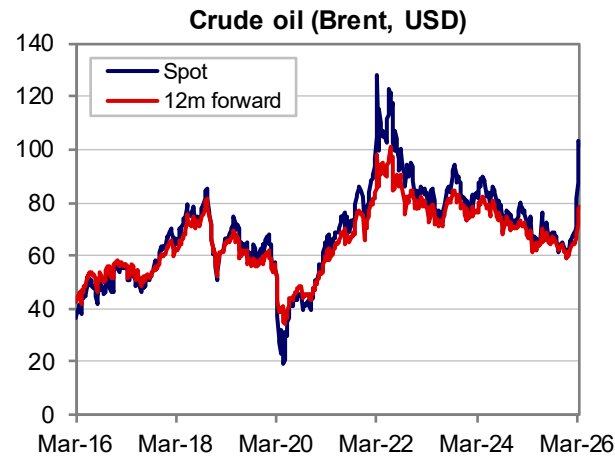
*Data as per 24-Mar-26. Source: MSCI, Bloomberg

Oil markets: Asymmetric risk profile

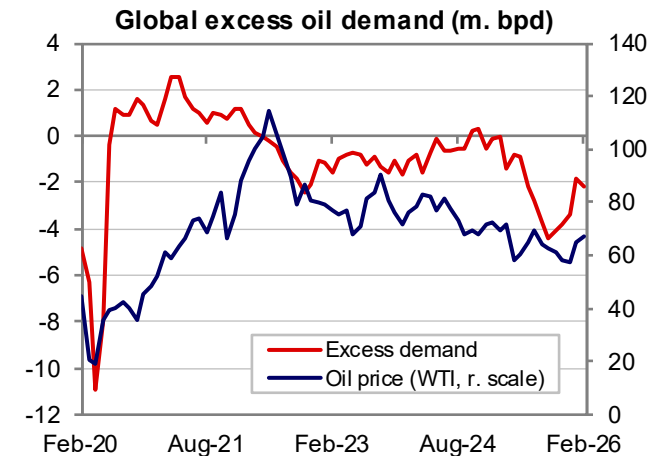
Iran is allowing ships to pass through the Strait of Hormuz only on a highly selective basis.

According to the International Energy Agency, the current supply disruption is the largest in the history of global oil markets.

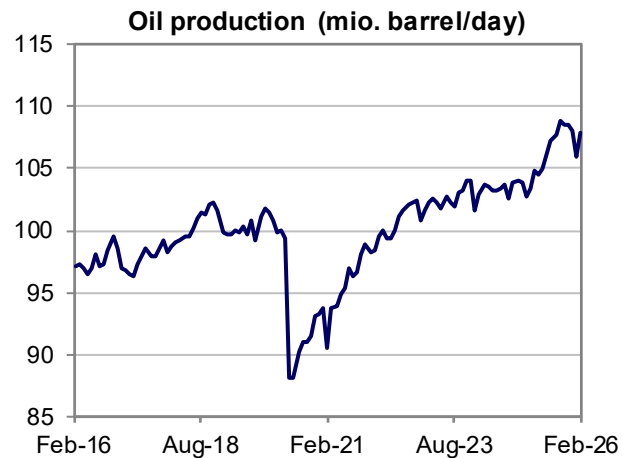
A rough calculation of global oil availability indicates that even in a best-case scenario (including pipelines used to bypass Hormuz, spare capacity outside the Gulf region, the release of strategic reserves and lower demand from air traffic), there remains a shortage of at least a mid-single digit million barrels per day. Such a shortage suggests an asymmetric oil price outlook, quite strongly tilted towards the upside, until shipping via Hormuz resumes in a meaningful way.



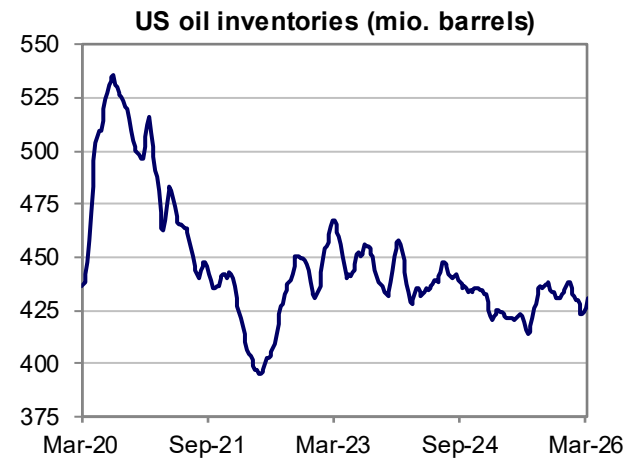
Source: NYMEX



Source: DOE, eigene Berechnungen



Source: DOE



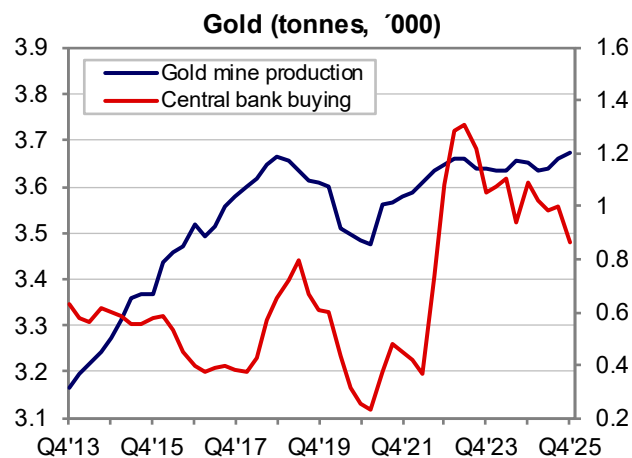
Source: DOE

Gold

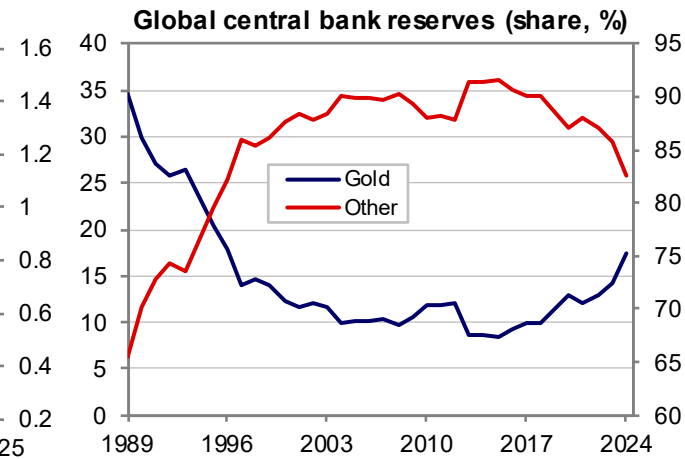
Central to the sharp rise in the price of gold in recent years have been central bank gold purchases, which roughly doubled immediately after the freezing of Russian foreign exchange reserves in spring 2022.

The price of gold now lies well above established valuation ranges when compared to cash production costs and full costs. An even slightly higher valuation was last seen only at the height of the eurozone debt crisis of 2010 and 2011.

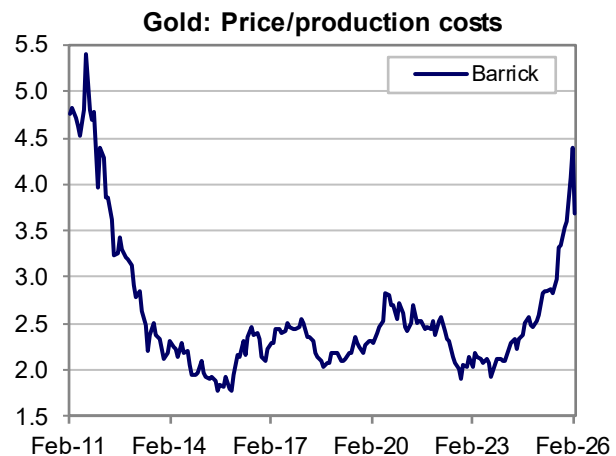
It is not unusual for gold to be sold off in periods of market stress as investors aim to secure liquidity. Looking beyond the near term, the combination of a high gold valuation and lower central-bank purchases in 2025 suggests a more symmetric, rather than a clearly positive, outlook.



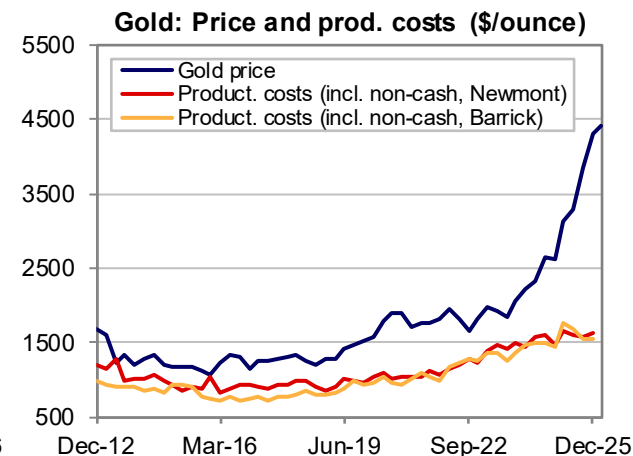
Source: World Gold Council



Source: World Bank



Source: Companies, Bloomberg BGN, own calculations



Source: Companies, index provider

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