

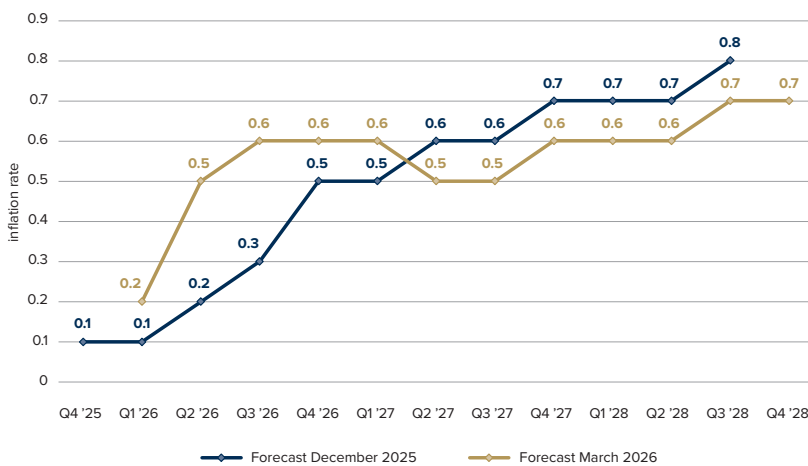
SWITZERLAND

Market Report

Developments in Financial and Commodity Markets

Markets are entering a more selective phase, where strong headline performance is being tested by deeper structural pressures across geopolitics, sovereign debt, AI economics, and strategic supply chains. Equity valuations remain elevated as AI momentum continues to support risk appetite, yet recent market behaviour shows that shocks, volatility, and uncertainty can quickly unsettle sentiment. The Trump-Xi summit appears to have reduced near-term escalation risk but has offered little concrete progress on the core economic and strategic security issues shaping the US-China relationship of late. Bond markets remain the clearest pressure point, as rising long-end sovereign yields suggest investors are demanding compensation not only for inflation risk but also for deeper concerns around fiscal sustainability and institutional credibility. Meanwhile, the Iran conflict is amplifying macroeconomic uncertainty through energy-price volatility, safe-haven flows, weaker external demand, and constrained policy flexibility. AI adoption remains a powerful growth narrative, but enterprise token costs are emerging as a margin and execution risk.

SNB Conditional Inflation Forecast March 2026



Highlights

• Trump-Xi Talks Reduce Escalation Risk

The Beijing summit offered cautious geopolitical relief through renewed US-China dialogue but delivered little clarity on core issues.

• Bond Markets Signal Caution

Rising yields are reinforcing macroeconomic uncertainty through sovereign risk repricing, safe-haven flows, and constrained policy flexibility.

• AI Token Costs Challenge Productivity Narrative

AI enterprise adoption remains a growth theme, but usage-based token costs are raising questions about whether productivity gains can offset compute expenses.

• Gold Volatility Supports Defensive Case

Gold's recent swings appear cyclical rather than structural, while broader market conditions reinforce its role as a defensive asset.

• Market Risk Signals Supports Selective Growth

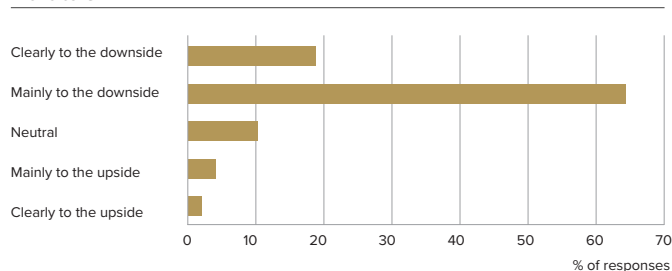
Portfolio positioning remains diversified while shifting toward growth, upside potential, and tactical flexibility.

The conflict in Iran is shaping Switzerland's economic outlook through its impact on the Swiss franc and inflation dynamics. Heightened geopolitical uncertainty has triggered strong safe-haven inflows, pushing the franc to multi-year highs and raising concerns over export competitiveness and deflationary pressure. In response, the Swiss National Bank has signalled a greater willingness to intervene in foreign

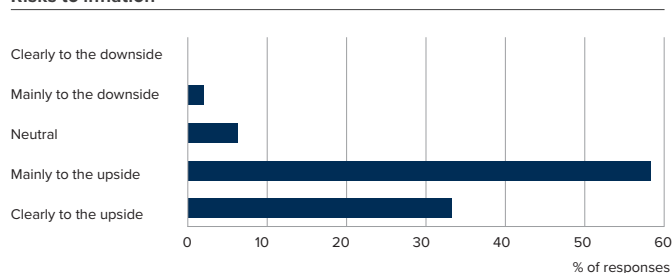
exchange markets to limit excessive currency appreciation. While inflation remains low, the situation has introduced additional uncertainty into the outlook, particularly via energy prices and global demand. As a result, policymakers are relying more heavily on currency management as a key stabilisation tool amid limited room for conventional rate adjustments.

After several years of strong growth, Spain's economic outlook is now facing uncertainty as the Middle East conflict drives sharp increases in energy prices and heightens financial market volatility. To better assess the potential impact on the Spanish economy, the country's central bank developed two alternative scenarios, "adverse" and "severe", alongside its baseline forecast. Both scenarios assume higher energy prices and weaker external demand, resulting in slower GDP growth and higher inflation. In the adverse scenario, disruptions are temporary and only moderately affect growth and inflation. In the severe scenario, however, a prolonged conflict leads to sustained energy shocks that significantly weaken growth and sharply accelerate inflation. Rising energy costs would spread through the broader economy by increasing production expenses and consumer prices, while eroding household purchasing power. The uncertainty surrounding future geopolitical and market developments makes the case for gold ownership increasingly compelling.

Risks to GDP



Risks to inflation



Sources: Banco de España

Precious Metals and Commodities

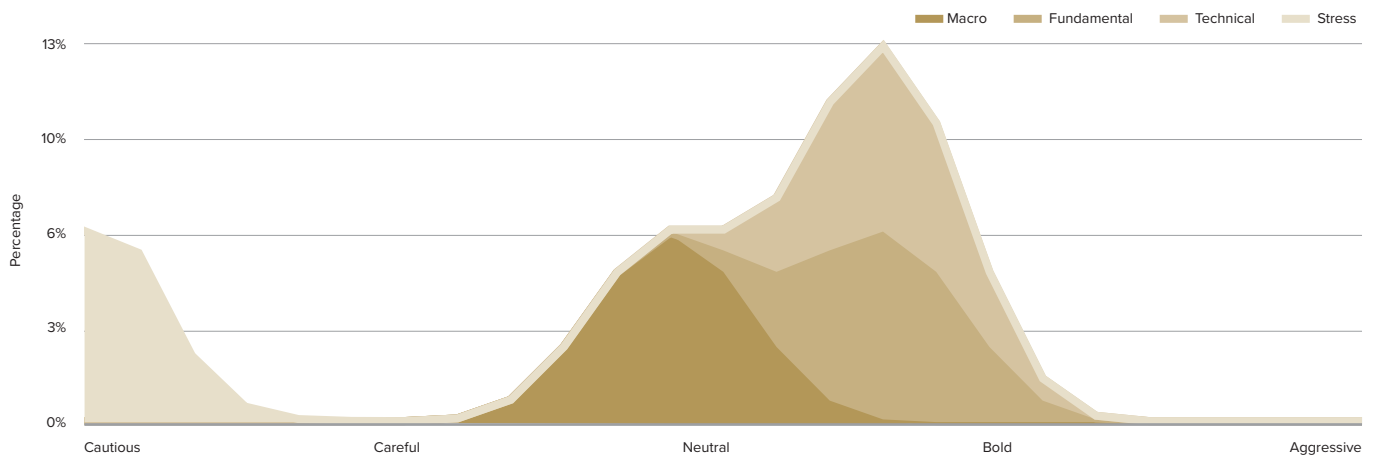
Precious metals and commodities remain broadly supported, though near-term performance is likely to be mixed. Precious metals, copper, and oil may trade sideways in the short term, while agriculture faces upward pressure. Over the medium term,

precious metals, copper, and agriculture are expected to strengthen, with oil remaining flat. In the longer term, the outlook across all major commodity groups remains bullish.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	→	→	→	→	↗
Outlook	↗	↗	↗	→	↗
Trend	↗	↗	↗	↗	↗

Market Risk Signal

Market Risk Signal



Gold vs stocks forecasting model

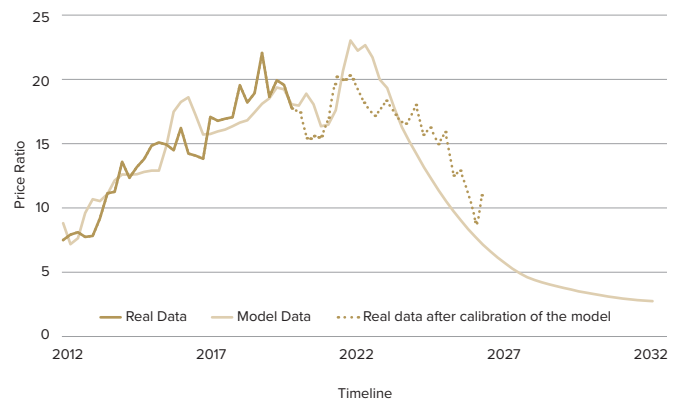
The current level of debt relative to real economic output is similar to that of European economies prior to WW1, and to that of France leading up to the French Revolution in the 1790s. In such high-debt level scenarios, the likelihood of instability and a deleveraging process is amplified.

Since gold holdings are normally free from others' liabilities, the deleveraging process tends to have a gentler impact on gold prices than on equities. The anticipated deleveraging process can be modelled using coupled differential equations which suggest that gold will perform better than stocks from 2022 onwards. The model was calibrated in 2019 and has not since been adjusted for new input data.

Based on this model, the peak at which economic activity-linked assets (such as equities) outperformed gold was around Q3 2022. From then on, the model predicts an outperformance of gold relative to stocks (solid line). When compared to actual data on the stock-to-gold price ratio (dotted line), the trend of gold outperforming stocks appears to have begun early in 2022.

Since the model's 2019 calibration, the AI boom has emerged as a significant new force influencing capital allocation, equity valuations, and debt creation. Like Covid, this may alter the trajectory and extend the timeline, however, it does not change the model's underlying macroeconomic conclusion.

Ratio of stock to gold prices in the US



Gold Feature

Gold's recent price movements have raised questions about whether the metal's behaviour has fundamentally changed, prompting the World Gold Council to examine the issue. They found that episodes of increased volatility have historically been temporary rather than structural and noted that gold volatility tends to be mean-reverting. Similar to equities, large price swings typically halve within roughly 1.6 months following a volatility shock. Importantly, the research shows that trading volumes and market liquidity have remained strong, even during periods of stress. Despite the recent swings, the WGC argues that gold continues to provide important diversification benefits because of its consistently low correlation with equities and bonds, particularly during inflationary shocks.

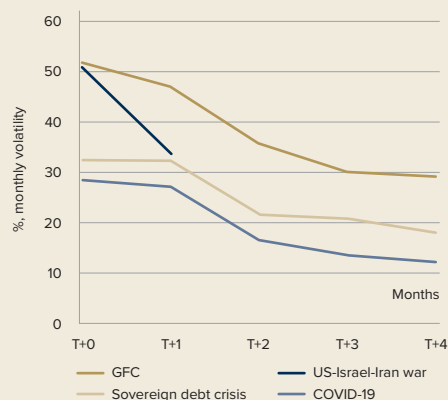
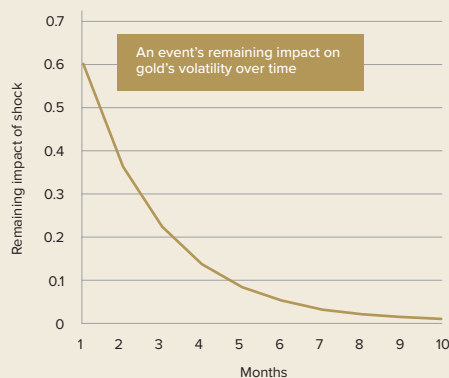
According to analysts at UBS, several structural drivers could push gold prices towards USD 5,900/oz by late 2026. They

point to uncertainty surrounding upcoming US midterm elections, ongoing tariff negotiations, expectations for a weaker US dollar over time, and declining real interest rates as the Fed moves towards additional rate cuts. UBS also notes that investment demand remains robust, particularly in Asia, while central bank buying continues to support the market. In light of this, the bank views pullbacks into the USD 4,400–4,600/oz range as attractive opportunities to add long exposure.

Meanwhile, the Iran conflict is increasingly impacting global currencies. India recently more than doubled tariffs on gold and silver imports in an effort to defend the rupee, which has weakened sharply amid rising oil-import costs tied to the conflict. More broadly, the conflict is reinforcing concerns that prolonged military spending and rising debt levels could accelerate currency debasement globally, strengthening the long-term investment case for gold as a store of value.

Historical data suggests gold volatility shocks halve after 1.6 months

Left: Decay of a shock's impact on gold's volatility - Right: Historical patterns following a volatility shock



Source: Bloomberg, World Gold Council

Current investment situation

Equity markets continue to draw support from AI-driven optimism, but elevated valuations leave them exposed to shifts in inflation expectations, energy prices, and geopolitical sentiment. Fixed income is currently a key source of market vulnerability, with the rise in long-maturity sovereign yields reflecting more than inflation uncertainty; it also points to growing investor sensitivity to debt sustainability, fiscal discipline, and the credibility of policy institutions. The key risk is that another upward move in long-end yields spills over into equity valuations, credit spreads, and assets exposed to fiscal-risk premia. The ongoing conflict in Iran continues to influence the macroeconomic outlook by affecting energy costs, currency flows, external demand, and the room for policymakers to respond. At the same time, these pressures are reinforcing the

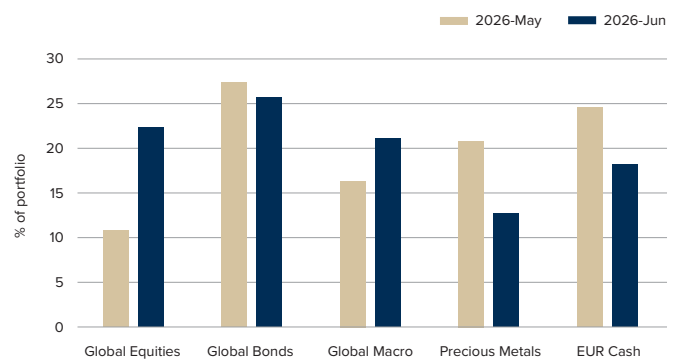
constructive outlook for commodities, supported by geopolitical fragmentation, currency-debasement concerns, and the strategic importance of physical supply chains.

AI remains central to the growth narrative, but the economics of deployment are becoming more important. Rising token and compute costs may challenge corporate margin assumptions, potentially proving more expensive than human capital and separating disciplined adopters from firms merely adding a new cost layer. Overall, the investment environment calls for selective risk exposure, greater emphasis on balance-sheet quality, and continued allocation to real assets, inflation protection, and volatility-resilient investments.

Allocation adjustments

The investment environment is becoming more selective, as resilient equity performance is increasingly tested by long-end yield pressure, geopolitical uncertainty, and AI economics. Portfolio positioning therefore remains focused on diversification and resilience, while rebalancing towards areas with stronger relative opportunities. Compared with last month, allocations have increased to global equities and global macro strategies, while exposure to precious metals, EUR cash, and bonds has been reduced.

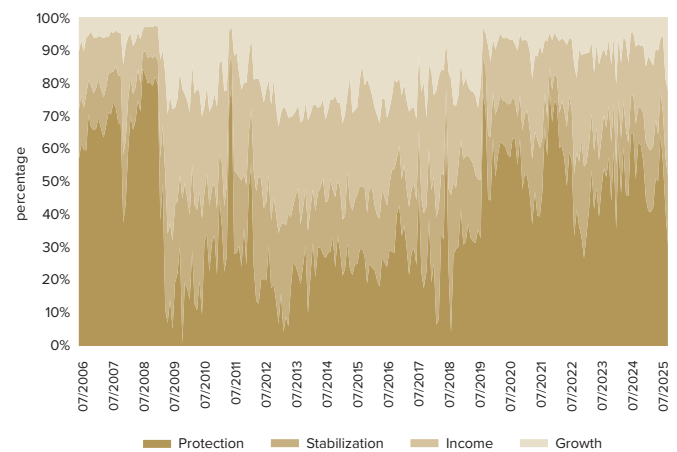
Allocation compared to the previous month



Allocation changes over time

The market risk signal remains broadly neutral, but current positioning reflects a more selective and opportunity-driven stance. The portfolio has increased exposure to growth strategies while reducing allocations to protection, income, and stabilisation. This suggests a preference for maintaining diversification while reallocating capital towards areas with stronger relative upside and tactical flexibility. Prudence remains important as markets continue to respond to long-end yield pressure, geopolitical uncertainty, commodity volatility, and shifting AI-driven growth expectations.

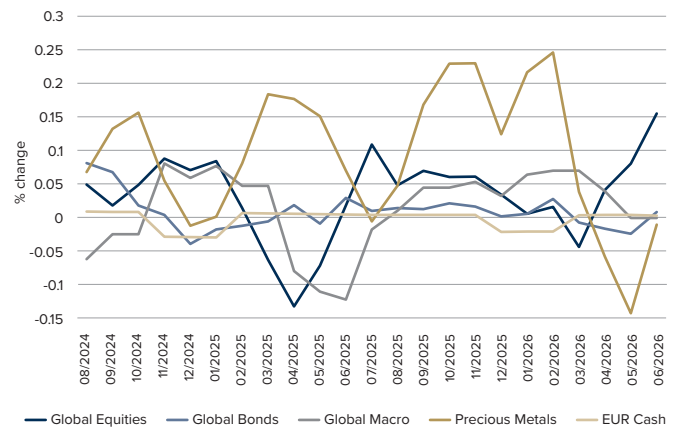
Allocation by portfolio role



Rolling three-month performance of various asset classes

Dynamic asset allocation (active rotation between equities, bonds, and gold) has consistently enhanced portfolio returns, as can be seen by tracking the rolling three-month performance. Global equities delivered the strongest rolling three-month performance, supported by renewed risk appetite and AI-driven momentum. Precious metals appear to be recovering from their sharp drawdown but have yet to return to prior highs. Nevertheless, the rebound suggests that the recent weakness was more of a consolidation phase than a break in the longer-term trend.

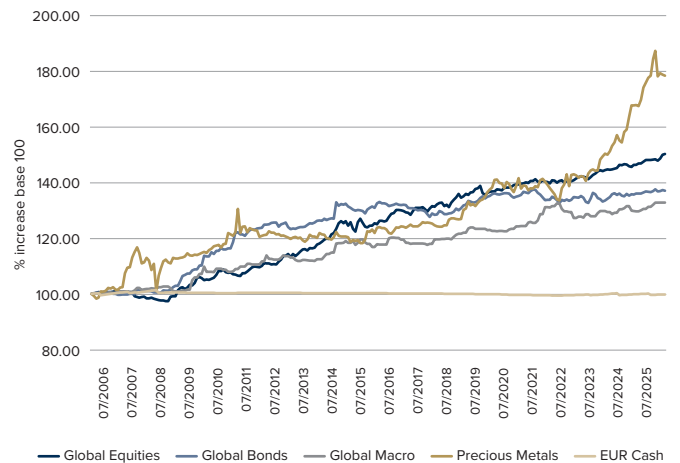
Rolling 3-month performance



Performance contribution of various asset classes

The performance contribution illustrates how much each asset class has contributed to overall portfolio performance during a given period, with relative allocation playing a key role. Precious metals remain the largest long-term contributor to portfolio performance, and the recent pullback has not materially changed their leadership over the full period. Global equities' performance has continued to improve and now represents the second-strongest contribution. Bonds and global macro remain positive but more moderate contributors.

Performance Contribution



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