

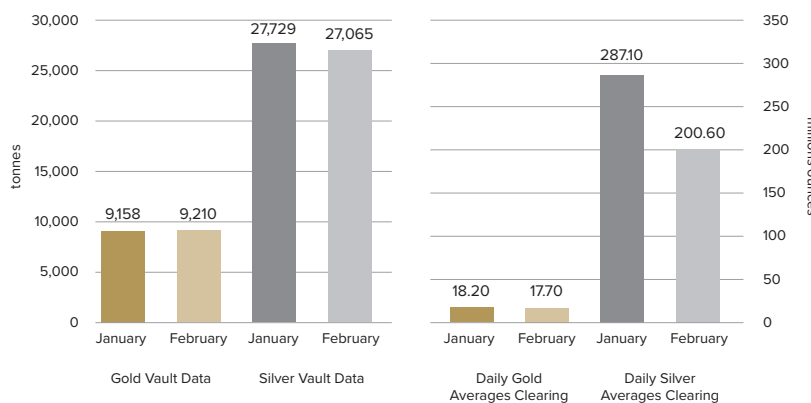
UNITED KINGDOM

# Market Report

## Developments in Financial and Commodity Markets

**Rising geopolitical tensions** in the Middle East are amplifying financial and macroeconomic stress. Private credit markets show mounting fragility, with surging redemptions, tightening liquidity, and rising default expectations, signalling a broader loss of investor confidence. Simultaneously, household strain and increasingly tight global financial conditions point to rising downside risks to growth. Inflation pressures are re-emerging, driven by energy and fertiliser shocks reminiscent of 2022; however, stronger central bank vigilance and less extreme supply disruptions suggest a more moderate outcome, with inflation likely rising but not surging to prior peaks. In Europe, structural and policy adjustments are increasing the focus on labour availability, energy security (including nuclear), and regulatory efficiency, which, if successful, may improve Europe’s global competitiveness.

London Precious Metals Clearing and Vault Data



### Highlights

- **Energy Shock Revives Inflation Risks**

Higher energy and fertilizer costs are reviving inflation, but stronger central bank responses and milder disruptions.

- **Gold and Silver Trends Diverge**

February’s gold holdings and transaction activity signal a shift in investor preference toward gold.

- **Gold Buffers Bundesbank Losses**

Despite ongoing balance-sheet pressures, strong gold reserves provided balance-sheet stability.

- **Gold’s Role Shifts to Monetary Anchor**

Modern gold dynamics are increasingly driven by interest rates, central bank demand, and structural shifts within the global financial system rather than immediate geopolitical shocks.

- **Risk Signal Remains Cautious as Uncertainty Has Increased**

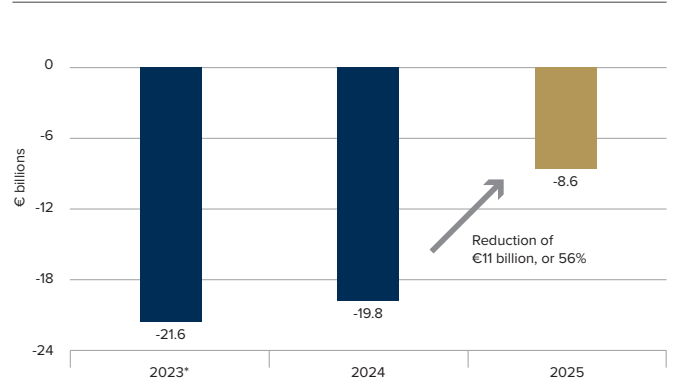
Portfolio allocations remain focused on managing risk exposure while slightly increasing defensive assets.

**London vault holdings** rose slightly in February 2026, with gold increasing 0.56% to 9,210 tonnes (valued at USD 1.546 trillion), while silver holdings edged down 2.4% to 27,065 tonnes (valued at USD 78.3 billion). While daily gold transfer volumes decreased by 2.7% month-on-month, the value of the transfers increased by 3.3%, and the number of transfers was

up by 16.8%. Silver saw a sharper drop in both volume and value, down 30.1% and 37.4%, respectively. The number of transactions also decreased by 23.4%. Meanwhile, the gold/silver price ratio fell from 51.5 in January to 60.8 in February, indicating a relative strengthening in gold prices.

**Germany's Bundesbank** more than halved its 2025 annual loss to €8.6 billion amid easing earnings pressures, though cumulative losses remain high at €27.8 billion. Officials expect further easing but anticipate another loss in 2026. Despite this, the balance sheet reportedly remains strong, supported by substantial revaluation reserves and rising gold valuations. Meanwhile, euro area inflation has returned to target, though households still feel the impact of higher prices. The ECB remains focused on maintaining price stability, while Germany's economic outlook depends on broader economic conditions to revive growth.

**Bundesbank loss for full-year 2025 more than halved**



Source: Deutsche Bundesbank

\* Loss for the year before release of general provision for risk

## Precious Metals and Commodities

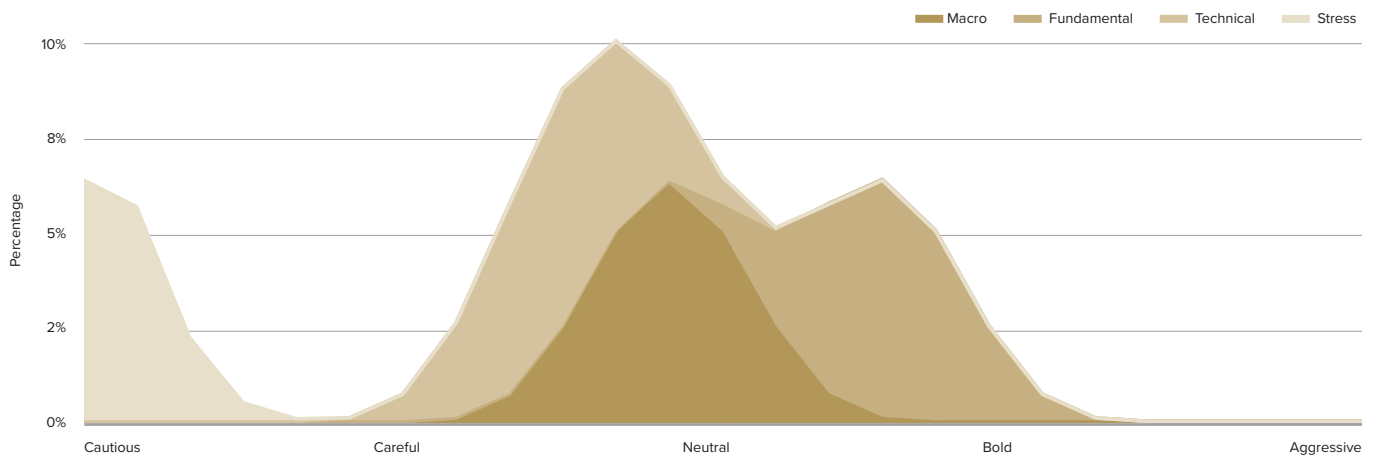
**With ongoing geopolitical tensions** in the Middle East unresolved, near-term price dynamics remain highly uncertain and contingent on the timing of a resolution, however, recent fertiliser

shortages may exert upward pressure on agricultural prices. Over the medium to long term, the broader commodities bull market is expected to remain intact.

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

# Market Risk Signal

## Market Risk Signal



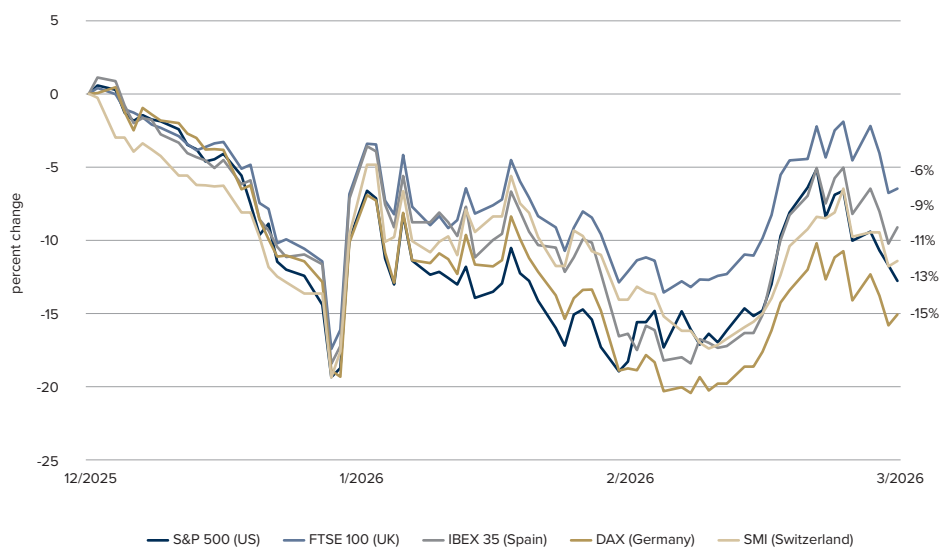
# Index Performance in Gold Terms

**Measuring equities in gold terms** strips out currency debasement and monetary distortion, revealing whether gains truly increased purchasing power or merely reflected inflation and foreign exchange effects. Performance is calculated using gold priced in each index's native currency.

Year-to-date performance of equity benchmarks in gold terms:

- US: S&P 500: **-12.71%**
- UK: FTSE 100: **-6.45%**
- Spain: IBEX 35: **-9.08%**
- Germany: DAX: **-15.01%**
- Switzerland: SMI: **-11.37%**

## Equities Performance Priced in Gold (Jan-Mar 2026)



## Gold Feature

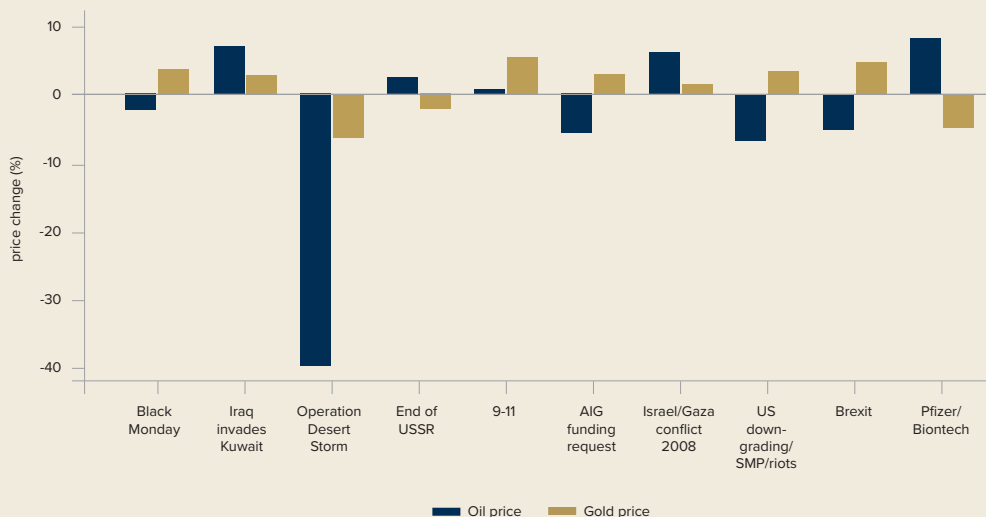
In earlier decades, military conflicts often pushed investors toward precious metals as protection against uncertainty and currency instability. For example, major oil disruptions during the 1973 Yom Kippur War and the 1990 Gulf War coincided with strong gold rallies. Today, however, gold prices are influenced more by interest rate and inflation expectations as well as central bank reserves demand. As a result, investors increasingly view precious metals less as an immediate crisis hedge and more as long-term protection against shifts in monetary conditions and inflation. This dynamic was demonstrated in the early days of the Russia-Ukraine war. Following a sharp surge after Russia's invasion, gold prices declined for roughly eight months. By year's end, however, they had rebounded, driven by central bank responses to Russian sanctions and rising inflation.

Bundesbank research shows that market reactions to uncertainty depend on the type of shock: supply-side (wars or disasters) or demand-side (financial or political crises). Supply shocks tend to push both oil and precious metals higher, while demand shocks weaken growth expectations and therefore

often only lift gold prices. While conflict-driven uncertainty can still trigger traditional demand mechanisms, the effects are now filtered through more complex market structures. These include potential crosscurrents from divergent central bank policy responses, institutional portfolio mandate constraints, hedging activity in which paper-market flows overshadow physical demand, and algorithmic trading driven more by technical signals than geopolitical developments. Additionally, energy markets often dominate investor attention during conflicts, temporarily drawing capital away from metals.

In short, the absence of an immediate price surge, or even a sharp pull back, does not mean the underlying bull case for precious metals has disappeared. The structural drivers — ongoing central bank accumulation, expectations around real interest rates, inflation hedging demand, and geopolitical fragmentation of the global financial system — remain intact. While the modern market structure may delay or mute short-term reactions to conflict, the long-term monetary and geopolitical forces that are driving the current precious-metals bull run remain in place.

Daily price changes in gold and oil at important events



## Current investment situation

The **global macro backdrop** in 2026 is showing signs of increasing strain as geopolitical tensions and tighter financial conditions begin to weigh more heavily on growth. While central banks remain cautious amid renewed energy-driven inflation risks, stress is building in private credit markets, with rising redemptions, liquidity constraints, and higher default expectations signalling weakening investor confidence. At the same time, early signs of household strain suggest underlying resilience may be more limited than headline data implies.

Europe is undergoing structural and policy adjustments, producing stricter migration controls, renewed emphasis on nuclear energy, and efforts to reduce regulatory fragmentation.

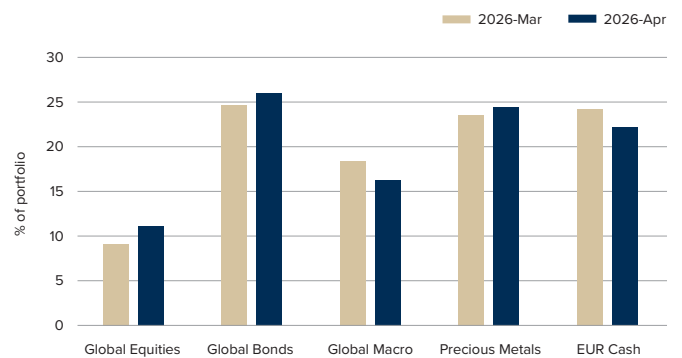
These developments reflect a broader move toward economic pragmatism and strategic autonomy, which could improve the region’s investment environment if effectively implemented, though execution risks remain.

Meanwhile, ongoing geopolitical tensions are reinforcing commodity-driven uncertainty, particularly across energy and agriculture markets. While inflation pressures are re-emerging, they currently appear more contained than in 2022 due to more proactive policy responses. Overall, markets are entering a late-cycle regime characterised by tighter liquidity, elevated volatility, and rising tail risks, supporting a more constructive outlook for real assets relative to financial assets.

## Allocation adjustments

The **current investment environment** is marked by elevated uncertainty as geopolitical tensions and tighter financial conditions are beginning to weigh more visibly on growth and inflation dynamics. Renewed energy and commodity shocks are reinforcing inflation risks, while stress in private credit markets points to underlying fragilities. Portfolio allocations remain focused on resilience, combining steady equity exposure with continued positions in defensive assets such as bonds and precious metals, while retaining flexibility to adapt as macroeconomic or geopolitical conditions evolve.

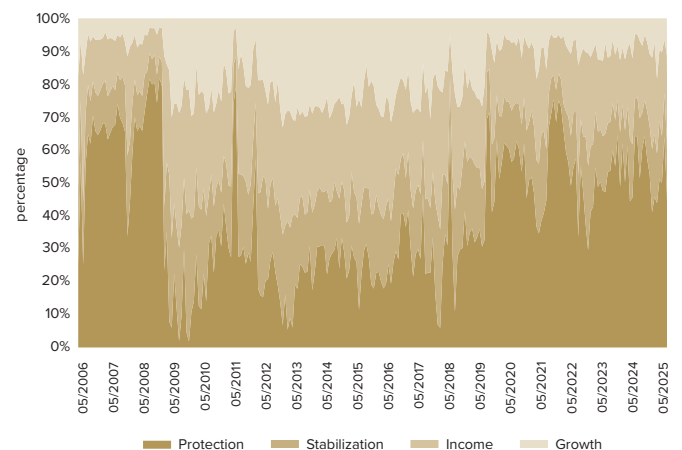
Allocation compared to the previous month



## Allocation changes over time

The **market risk signal** (derived from economic data, capital investment valuations, and market behaviour) remains in neutral territory, but recent developments call for prudence. This implies trimming overall risk exposure while still taking advantage of opportunities. As a result, the allocation shifts toward higher exposure to equities and bonds, a reduced weighting in cash, and a modest increase in precious metals, supporting a portfolio positioning that responds well to volatility and uncertainty.

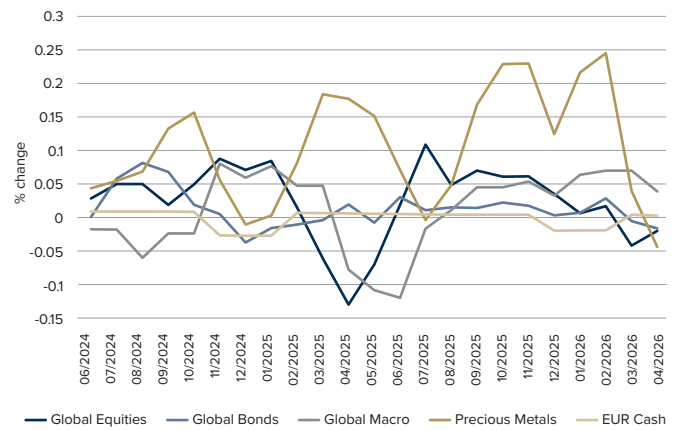
Allocation by portfolio role



## Rolling three-month performance of various asset classes

**Dynamic asset allocation** (active rotation between equities, bonds, and gold) has consistently enhanced portfolio returns, as evidenced by rolling three-month performance. While gold has detracted from performance in the short term, over a longer time horizon it remains a key contributor and continues to play an important diversification role.

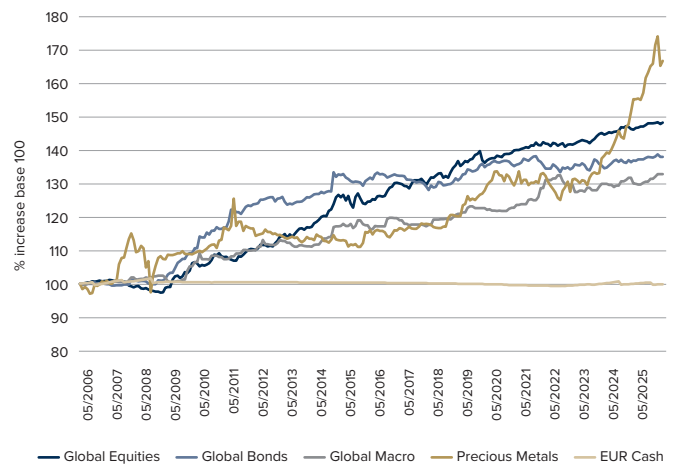
Rolling 3-month performance



## 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. While precious metals have experienced a pull-back, following their strong performance earlier in the year, they continue to outperform all other asset classes by a considerable margin.

Performance Contribution



**Disclaimer:** SIM Research Institute AG is the provider responsible for the compilation and preparation of this document. The opinions expressed herein and in the referenced sources are those of the stated publisher or author and do not necessarily reflect the views of Degussa Goldhandel AG or SIM Research Institute AG.  
 Degussa Goldhandel AG · info@sharpspixley.com · www.sharpspixley.com

SHARPS PIXLEY

A MEMBER OF

Degussa  GROUP

#smart



**Strategic, not short-lived.**

Frankfurt | Munich | Berlin | Zurich | Geneva | London | Madrid



[sharpspixley.com](https://sharpspixley.com)

**SHARPS PIXLEY**

A MEMBER OF

**Degussa**  **GROUP**

Frankfurt | Munich | Berlin | Zurich | Geneva | London | Madrid