



Market Commentary

1st Quarter 2026

Business Activity and Global Economy

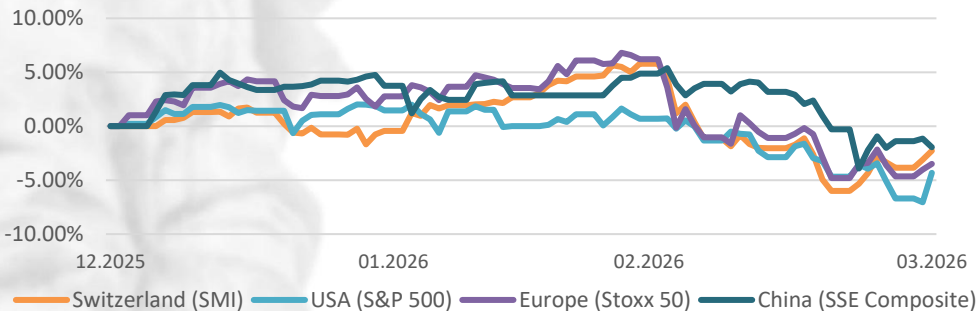
The first quarter of 2026 was marked by an unusually high concentration of trade-related and geopolitical events, which had a significant impact on the global economy and capital markets. At the very beginning of the year, the U.S. military operation in Venezuela, during which head of state Nicolás Maduro was arrested and transferred to the United States, marked a geopolitical turning point. As the quarter progressed, the political backdrop remained tense and ultimately culminated in an unpredictable escalation in the Middle East.

From a macroeconomic perspective, signs of a slowdown in the United States became increasingly evident. The labor market cooled more sharply than expected, with the unemployment rate rising to 4.4%. Companies grew more cautious in their hiring decisions, reflecting both uncertainties surrounding tariffs and ongoing developments in artificial intelligence. At the same time, trade policy remained highly unpredictable: announcements of new tariffs were reversed at short notice, existing tariffs were struck down by the courts and subsequently reintroduced under a different legal basis. For companies, this continued to result in low planning certainty, weighing on investment activity and overall economic momentum. Most recently, annualized GDP growth for the fourth quarter of 2025 was revised down from 1.4% to 0.5%.

In the euro area, GDP grew by 1.3% year-on-year in 2025, with Spain and Poland standing out in particular as key growth drivers. Switzerland also managed to post full-year growth of 1.4%, despite a weak third quarter. Private consumption and investment activity largely offset the continued weakness in export momentum. It is also worth noting that the industrial sector, which had previously been contracting, returned to moderate growth at the start of the new year in several European countries for the first time in months. Labor markets remained resilient, with unemployment in the euro area close to historic lows.

In Asia, China reported GDP growth of 5.0% for 2025, although momentum weakened over the course of the year, with the final quarter recording the weakest growth in three years. Weak domestic demand and declining investment, particularly in the real estate sector, continued to constrain economic activity.

Figure 1: Stock Indices in Local Currency in the First Quarter



Key Takeaways

- Despite high volatility, our mandates remained resilient and generated a slightly positive return in the first quarter
- Financial markets were affected by a sharp deterioration in the geopolitical situation in the Middle East, which triggered broad-based risk aversion. At the same time, bond yields rose sharply amid mounting inflation concerns
- Developments in the Middle East triggered a global flight to liquidity, resulting in an overall appreciation of the U.S. dollar. By quarter-end, the Swiss franc was trading broadly in line with its level against the U.S. dollar at the start of the year, but had appreciated modestly against the euro
- Gold and silver were characterized by high volatility over the course of the quarter. Nevertheless, both precious metals ended the quarter above their levels at the beginning of the year. At the same time, oil and gas prices rose sharply, driven by the conflict in the Middle East and growing concerns over supply security

Monetary Policy

In the first quarter of 2026, central banks found themselves balancing moderate inflation, rising geopolitical risks and early signs of an economic slowdown. The conflict in the Middle East and higher energy prices complicated the monetary policy outlook, prompting most central banks to maintain a wait-and-see stance for the time being, while market expectations for interest rates shifted noticeably.

In the United States, the year began with inflation at 2.4%, slightly lower than at the end of the previous year. Against this backdrop, the Federal Reserve initially left interest rates unchanged. Later, however, the Fed was confronted with a sharp escalation in the Middle East and rising energy prices. At the same time, signs of a gradual softening in the labor market became more apparent. The Fed also kept rates unchanged at its subsequent meeting. It nevertheless made clear that the war in the Middle East and the related increase in oil prices were likely to complicate further progress on disinflation. Beyond rate decisions, developments surrounding the Fed's leadership also added to uncertainty. Fed Chair Jerome Powell came under renewed pressure after investigations against him became public, although these were later dropped due to insufficient evidence. At the same time, the President of the United States nominated Kevin Warsh as Powell's successor as Chair of the Federal Reserve.

The ECB likewise maintained its cautious stance and left key interest rates unchanged. By February, inflation in the euro area had risen to 1.9%, while core inflation stood at 2.4%. The increase was driven in particular by higher prices for services and unprocessed food. The ECB also pointed out that the war in Iran had made the outlook materially more difficult to assess. At the same time, it revised its medium-term inflation projections upwards: average headline inflation in the euro area is now expected at 2.6% for 2026, 2.0% for 2027 and 2.1% for 2028.

The Swiss National Bank and the Bank of Japan also left their policy rates unchanged, at 0% and 0.75% respectively. The SNB signaled an increased willingness to intervene in the foreign exchange market if needed in order to counter a further appreciation of the Swiss franc. Against the backdrop of persistent geopolitical tensions, safe-haven currencies such as the Swiss franc are likely to remain in high demand. Inflation in Switzerland remained very low at 0.1%, while core inflation declined from 0.5% in January to 0.4% in February. A key driver of this development was lower import prices as a result of the strength of the Swiss franc.

The Bank of England also met during the quarter but, like most other central banks, decided to leave rates unchanged for the time being, keeping its policy rate at 3.75%. Against the backdrop of rising energy prices, the BoE projected inflation to rise again to around 3.5% in March, up from 3.0% in February. Only a few weeks earlier, markets had expected two rate cuts over the course of the year. By now, at least one rate hike is expected by year-end.



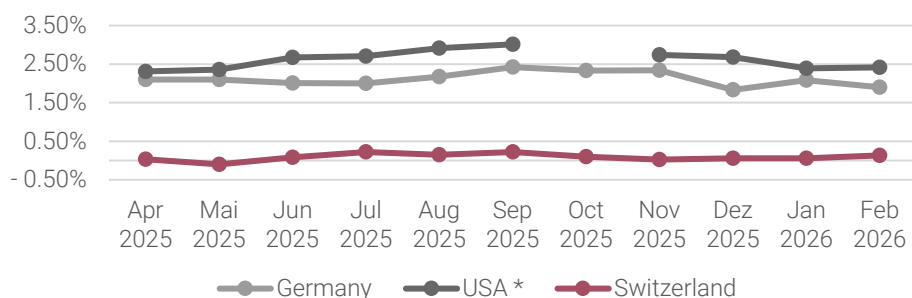
Market Data

Equity Markets Perf.	2026
SPI	-2.11%
DAX	-7.39%
Euro Stoxx 50	-3.49%
S&P 500	-4.33%
Nasdaq Composite	-7.11%
Yield to Maturity of Government Bonds	in %
10Y Swiss Federal Bond	0.36%
10Y German Federal Bond	2.97%
10Y U.S. Treasury	4.32%
Gold (oz.) Perf.	2026
in CHF	8.43%
in EUR	8.97%
in USD	6.90%
Commodities Perf.	2026
Oil Brent	98.66%

Performance in local currency, data as of March 31, 2026 retrieved on April 8, 2026

Source: LSEG Workspace

Figure 2: Inflation Rates Over Time (Annualized Rates)



* No data available in October due to the government shutdown

Source: LSEG Workspace as of 08.04.2026

Financial and Capital Markets

The year started positively in financial markets before geopolitical tensions caused a clear shift in sentiment. While equity markets initially benefited from continued optimism at the beginning of the year, the conflict in the Middle East later led to heightened volatility and broad-based risk aversion across asset classes.

Equities initially carried the positive momentum from the previous year into the new year. In Europe in particular, including Switzerland, several new highs were reached during the first few weeks. Emerging markets also performed strongly: South Korea's market index KOSPI at times recorded gains of almost 60%, driven by positive developments in the dominant semiconductor sector. The United States was an exception. Although the S&P 500 briefly reached a marginal new high at the start of the year, it didn't build sustainable momentum. The technology-heavy Nasdaq even failed to reach a new all-time high in the new year. In addition to trade policy uncertainty, elevated valuations and growing doubts about the profitability of large-scale AI investment weighed on sentiment. At the same time, concerns increased that artificial intelligence could disrupt existing business models, particularly in the software sector.

Towards the end of February, however, sentiment shifted abruptly in other regions as well. The escalation in the Middle East, including attacks on Iran and retaliatory action affecting Israel and neighboring Gulf states, triggered a broad-based flight out of risk assets. This led to a global sell-off, affecting not only equities but also bonds. Rising inflation concerns pushed yields sharply higher: the yield on two-year U.S. Treasuries rose from around 3.4% to above 4.0% within two weeks, while the yield on two-year German Bunds increased from roughly 2.0% to 2.7%. Even the yield on two-year Swiss government bonds moved back out of negative territory. Japanese yields, which had already risen sharply in the previous quarter, also moved higher again.

Precious metals were likewise marked by heightened volatility. Gold rose by almost 30% in U.S. dollar terms in January, reaching an all-time high of just under USD 5'600 per ounce, before a sharp correction. Nevertheless, gold still ended the quarter in positive territory at USD 4'600 per ounce. Silver saw even larger swings. As the conflict in the Middle East escalated further and the Strait of Hormuz was blocked, oil and gas markets came into focus. Brent crude prices at times nearly doubled, given that around 20% of global oil supply passes through this route. Asia is particularly exposed, with approximately 85% of volumes transported through the Strait of Hormuz flowing to the region. In addition, key industrial facilities in several Gulf states were damaged in attacks, adding further pressure on supply. Energy equities performed accordingly well: companies such as Eni and TotalEnergies, with share price gains of around 54% and 45% respectively, were the top performers in the Euro Stoxx 50 during the quarter.

The shift in sentiment was also reflected in foreign exchange markets. In the flight to liquidity, the U.S. dollar appreciated and temporarily even gained against the Swiss franc. Over the quarter as a whole, however, the USD/CHF exchange rate remained broadly stable, as the franc had already appreciated significantly before. By contrast, the euro traded around 1% lower against the Swiss franc than at the start of the year.

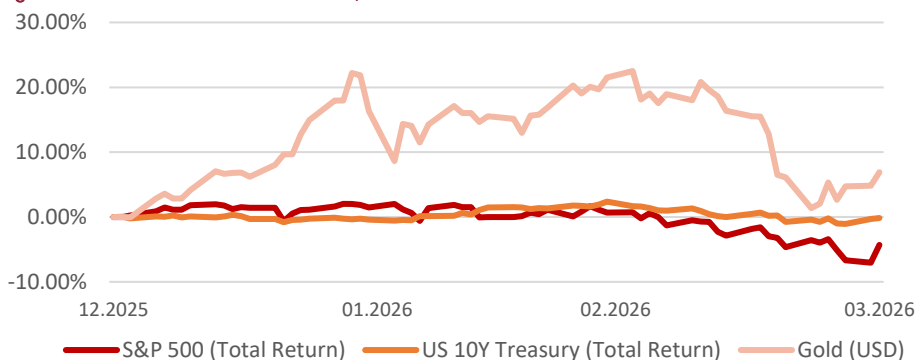


Asset Allocation

Asset Class	Positioning
Cash	Overweight
Fixed Income	Underweight
Equity	Small Underweight
Gold	Strong Overweight

- In Q1 2026, we maintained a cautious positioning and elevated liquidity due to heightened uncertainty and market volatility
- In fixed income, we continued to focus on shorter-dated corporate bonds and were able to further optimize the portfolio structure through targeted portfolio adjustments
- Thanks to our broadly diversified equity allocation, we were able to generate positive contributions from selected positions despite the general sell-off, particularly outside the United States and Europe
- Our gold allocation remained overweight during the reporting quarter and made a positive contribution to performance despite high volatility

Figure 3: Total Return of the S&P 500, 10Y Treasuries and Gold for the Year 2026



Source: LSEG Workspace as of 08.04.2026

Current Asset Allocation

We began the year with well-positioned portfolios, enabling consistent execution of our strategy throughout the first quarter. Further refinements were made during the reporting period, particularly in fixed income, further improving the portfolio structure. At the same time, we used market movements to realize gains in selected positions and selectively reinvest proceeds. As a result, the portfolio remains well aligned for the coming months.

Overall, we delivered a positive return in the reporting quarter. Despite elevated volatility, our balanced strategy enabled us to navigate the challenging market environment in a stable manner. In particular, our equity allocations outside Europe and the United States, as well as our positioning in precious metals, had a positive impact. In addition, our rebalancings made a further positive contribution to performance.

The first quarter was marked by a noticeable increase in geopolitical risks and significantly higher volatility. In particular, the rise in energy prices and the related inflation concerns temporarily triggered broad-based risk aversion across asset classes. These developments reinforce our rather defensive positioning. In equities, we remain slightly underweighted, particularly in the United States, and continue to focus on broadly diversified investment vehicles combined with selectively chosen individual securities. In fixed income, our positioning at the short end of the yield curve continues to serve us well. We are maintaining our strategic gold allocation in the current environment, where it once again proved a valuable component of the portfolio during the quarter. At the same time, we continue to execute selective rebalancings.

Looking ahead, the environment is likely to remain characterized by elevated uncertainty. In addition to further geopolitical developments, inflation dynamics and central bank responses will be key market drivers. At the same time, it remains to be seen to what extent higher energy prices will feed through into the real economy and affect macroeconomic momentum. In any case, the market backdrop is likely to remain challenging, and elevated volatility should be expected.



Contact

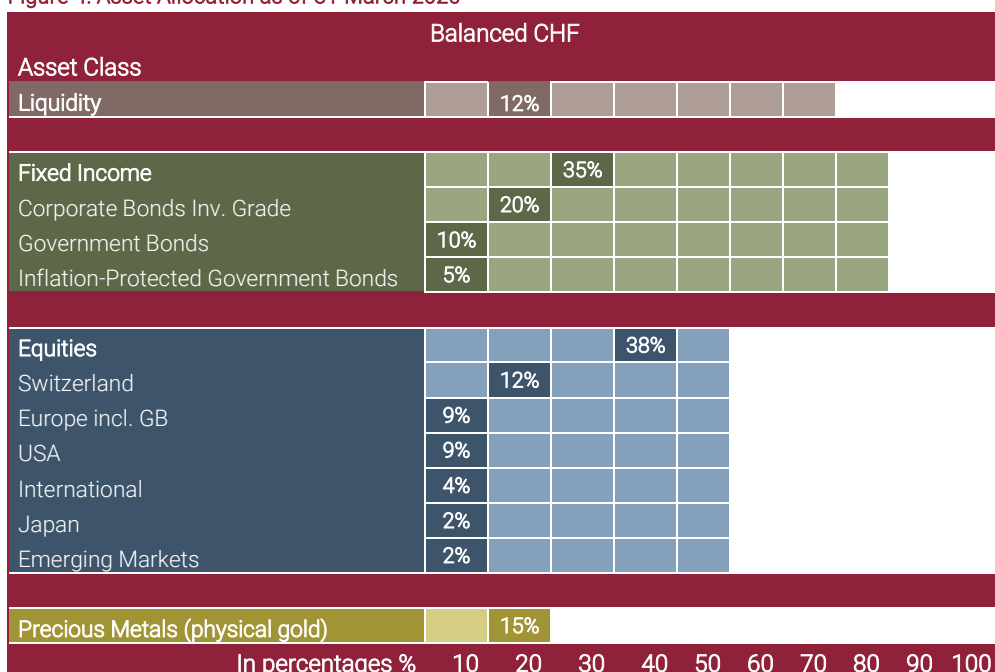
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Figure 4: Asset Allocation as of 31 March 2026



This report was created on the 8th of April 2026.