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PANORAMA
Q1/2026

QUARTERLY OUTLOOK / JANUARY / FEBRUARY / MARCH 2026

NO TIME TO DIE

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Bruellan

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EDITORIAL
NO TIME TO DIE

FLORIAN MARINI, CFA, CMT / CHIEF INVESTMENT OFFICER

A Late-Cycle Environment, Still Supportive

As we enter 2026, investors face an environment shaped by opposing forces. On the surface, the global expansion remains intact: growth is holding up, earnings continue to rise and financial conditions are easing. Beneath this apparent resilience, however, the cycle is showing clear signs of maturity. Valuations are elevated, households are fully invested, labour-market dynamics continue to deteriorate, policy uncertainty is unusually high, while the global bull market is increasingly constrained by the traditional headwinds of the four-year political cycle.

Despite these challenges, we do not foresee a recession in 2026. Rather, we expect a phase of moderate yet positive growth, supported by still-favourable fundamentals.

Late-cycle resilience without recession

Global growth should remain resilient in 2026 despite a more complex policy and geopolitical backdrop. We expect global GDP growth of ca. 2.9%, only slightly below 2025 levels. The US are expected to grow by ca. 2.0%, broadly in line with 2025 but well below the roughly 3.5% median growth of the Biden years – reflecting the drag from higher tariffs. This headwind is partly offset by a still-robust AI-driven capex cycle in data centres, energy infrastructure and software, even as consumer demand cools on the back of a softening labour market. The euro area should grow by ca. 1.1%, in line with potential, supported by infrastructure investment, rising defence spending and easier financial conditions. Asia ex-Japan is expected to expand by ca. 4.5%, driven by strong demand in India and a managed slowdown in China. Japan, by contrast, should grow by ca. 0.8%, with fiscal support providing stability while structural headwinds cap the upside.

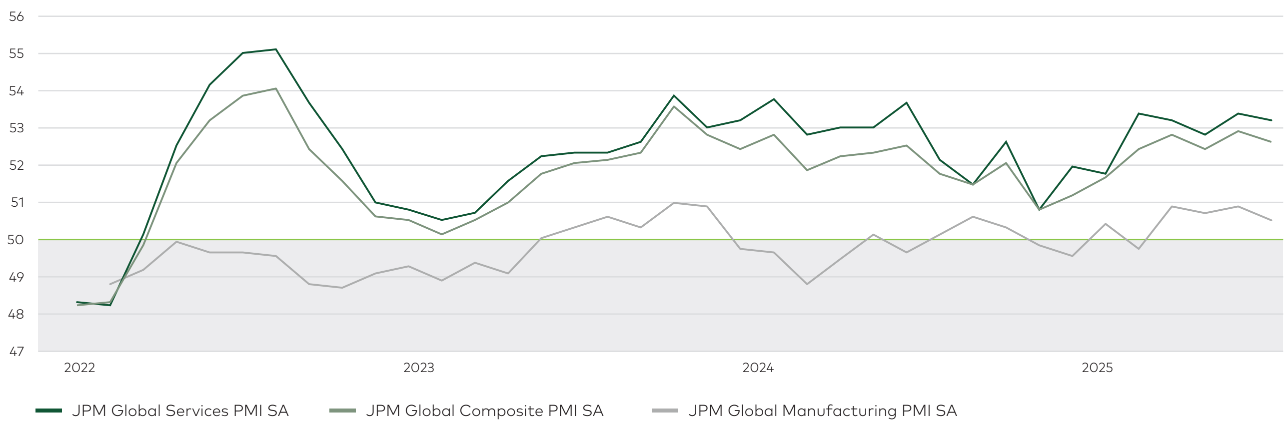
Leading indicators signal firm and broadening momentum

Leading indicators reinforce this constructive outlook, pointing to a cycle that remains firm while becoming more broad-based. The global composite PMI is ending the year firmly in expansionary territory and close to its annual highs, driven by continued strength in services and a gradual – though still modest – recovery in manufacturing activity. This two-speed dynamic remains visible across countries: only about half of the 32 major economies we monitor are currently in manufacturing expansion – an improvement from the post–"Liberation Day" trough – while nearly 90% are in clear services expansion, underscoring the central role of services in sustaining growth. Other forward-looking indicators, including M1 money supply, are also consistent with continued economic expansion across the major regions.

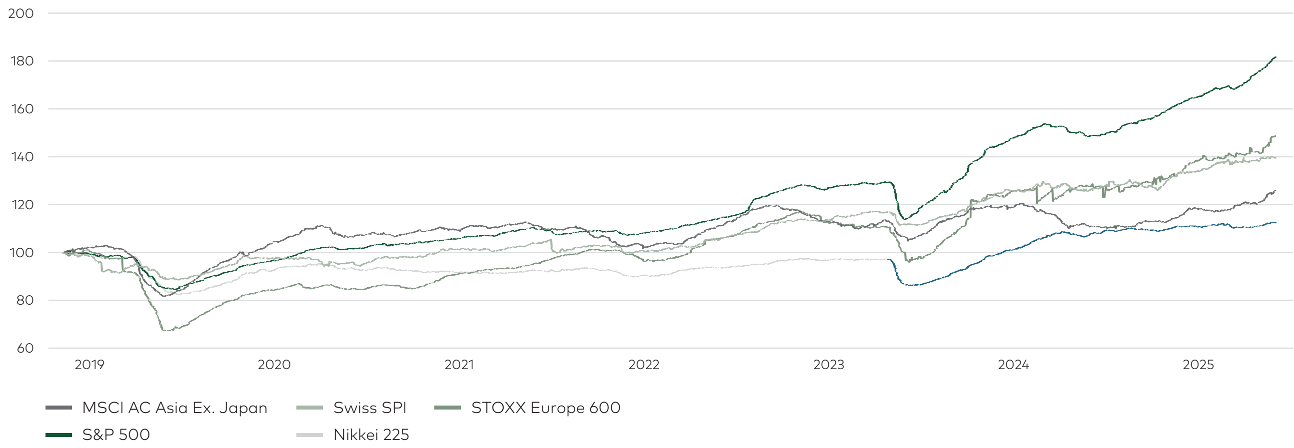
Inflation tamed globally, but a US problem ahead of the midterm elections

Inflationary pressures have largely receded across most economies, with the notable exception of the US (and, to a lesser extent, Japan), where tariffs, tighter immigration policies and AI-related infrastructure spending continue to push costs higher. US headline CPI is closing 2025 at ca. 3.0% compared to ca. 2.2% in Europe, although the European average does mask significant internal dispersion, with inflation ranging from ca. 3% in Spain to near 0% in Switzerland. Producer prices convey a similar message,

Global Composite PMI in Clear Expansion, Driven by Services



Forward EPS across all regions reached all-time highs by end-2025, providing a key anchor for equity markets



albeit at meaningfully lower levels. Looking into 2026, the global inflation backdrop is unlikely to change materially: subdued price dynamics across most regions, with even some cases of outright disinflation, but still a key political risk in the US ahead of the midterm elections.

Central banks remain dovish, but the easing cycle is narrowing

In this environment, central banks are expected to remain broadly accommodative, although the easing cycle is becoming less synchronised. More than two-thirds of major central banks cut rates in 2025, providing a clear tailwind to growth. Next year, the share of central banks delivering additional cuts will likely fall below 50% and the magnitude of easing prove more limited. Given the 12-month lag with which monetary policy affects the real economy, the supportive impact of past rate cuts should nonetheless carry into 2026, with diminishing marginal effects. In the US, the Federal Reserve (Fed) is expected to deliver two to three 25bp cuts, although a potential shift toward a much more accommodative stance under a Trump-backed Fed chair such as Kevin Hassett could come at the cost of institutional credibility. Either outcome – lower policy rates or weaker Fed credibility – would most likely translate into a weaker US dollar.

Broader corporate earnings participation across regions, sectors and market capitalisations

Corporate earnings remain the central support for global equity markets going into 2026, with profit growth broadening across regions and sectors. Earnings growth should be more balanced than in recent years, with all major regions likely to deliver double-digit gains. The US continue to lead the pack, driven by the AI-related capex super cycle, resilient demand and easing financial conditions. S&P 500 earnings are expected to grow in the 10-14% range, increasingly supported by sectors beyond the mega-cap technology leaders. Importantly, this broadening participation is now extending to the small- and mid-cap segment, where EPS growth has been lacklustre and only began to pick up towards the end of 2025. In Europe, Stoxx 600 earnings are set to recover after a weak 2025, driven by better growth dynamics, easier financing conditions and rising infrastructure and defence spending. Japan, as reflected by the Nikkei, offers a more structural earnings story, with corporate reforms and rising shareholder returns supporting a sustained improvement in profitability. In China and emerging Asia, earnings growth should recover gradually, helped by policy support, improving domestic activity and selective upside in sectors linked to industrial upgrading and AI applications.

Valuation dispersion remains pronounced across regions. The US and Japan are the most richly valued markets, with the S&P 500 and Nikkei both trading at ca. 22x forward earnings, followed by Switzerland (SPI close to 18x). European multiples are lower, with the Stoxx 600 at ca. 15x, while China has the cheapest valuation (CSI 300 near 14x).

In this late-cycle environment, earnings delivery – rather than multiple expansion – should remain the primary driver of equity returns in 2026.

Conclusion – No time to die for equities

The global bull market is mature, but remains fundamentally sound. Elevated valuations, high household exposure to equities, moderating growth and an uncertain policy environment argue for diversification and selectivity rather than wholesale risk reduction. Yet the fundamental pillars — earnings growth, easing financial conditions and resilient activity — remain intact. In this context, maintaining an overweight exposure to equities within portfolios diversified across regions and sectors remains warranted.

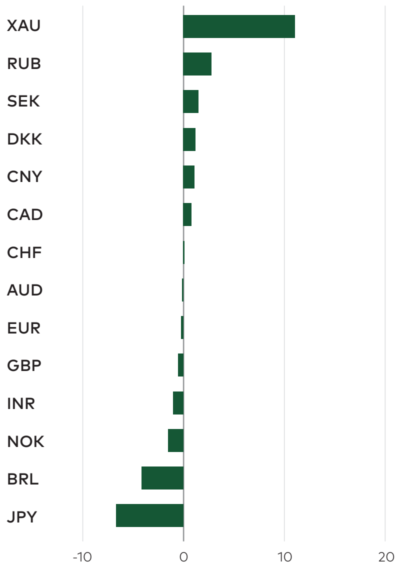
MARKETS PERFORMANCE

Economic Indicators

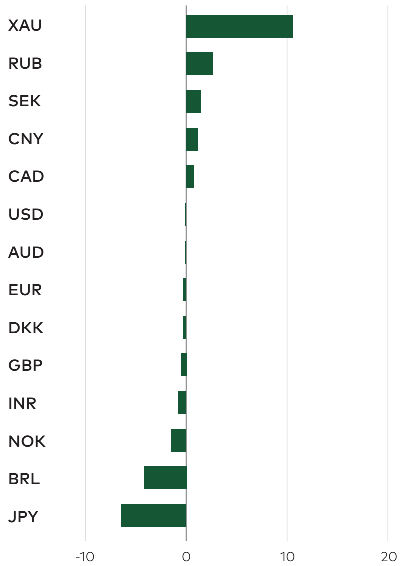
	Real GDP %		Inflation %		PMI	Debt % GDP	Current Account % GDP	Budget % GDP	Unemploy-ment %	Interest rates	
	2024	2025	2024	2025	Current	Current	Current	Current	Current	3 Months	10 Years
USA	2.8	2.0	3.0	2.8	52.2	97.8	-4.4	-5.8	4.3	3.6%	4.2%
Euro Area	0.9	1.4	2.4	2.1	49.6	87.1	2.0	-2.8	6.4	2.0%	2.9%
Switzerland	1.4	1.2	1.1	0.2	49.7	19.9	9.0	0.6	2.9	0.0%	0.4%
UK	1.1	1.4	2.5	3.4	50.2	101.0	-2.6	-5.4	4.8	3.8%	4.5%
Asia ex Japan	5.3	4.7	1.3	1.1	-	4.6	3.1	-6.0	4.4	4.3%	2.9%
Japan	-0.2	1.2	2.7	3.1	48.7	215.9	4.8	-4.0	2.5	-	2.1%
Brazil	3.4	2.3	4.4	5.0	48.8	65.0	-3.6	-8.1	5.6	-	13.8%
Russia	4.3	0.8	8.4	8.8	48.3	18.5	1.7	-3.0	2.2	-	-
India	9.2	6.4	4.8	4.6	56.6	46.5	-0.3	-4.9	8.5	6.0%	6.6%
China	5.0	4.9	0.2	0.0	49.9	330.0	3.4	-4.8	4.0	1.5%	1.8%
World	3.1	3.0	4.2	3.5	-	-	0.6	-	7.1	-	-

Market Performance (from 30.09.2025 to 19.12.2025)
Exchange-Rates

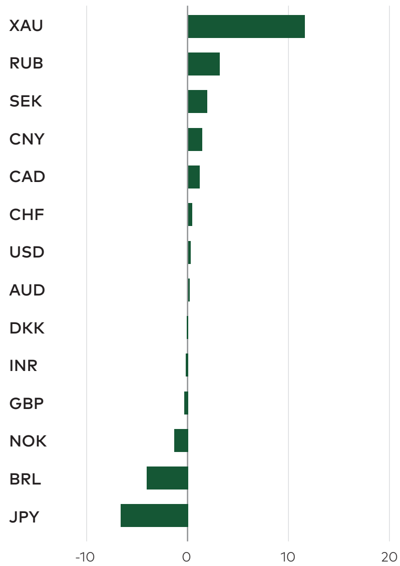
AGAINST USD (%)



AGAINST CHF (%)



AGAINST EUR (%)



Stock Markets / Total Return & Valuation (from 30.09 .2025 to 19.12.2025)

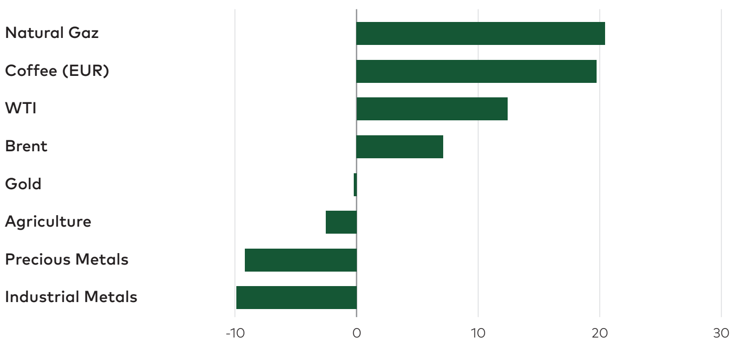
	USD	EUR	CHF	GPB	Leading PE	
					LT Median	Current
S&P 500	2.5%	2.8%	2.5%	3.1%	18.2	25.6
Eurostoxx	4.1%	4.5%	4.2%	4.8%	14.2	17.4
Swiss Perf. Index	7.9%	8.3%	8.0%	8.6%	19.4	20.3
FTSE 100	5.8%	6.1%	5.8%	6.4%	13.8	14.7
MSCI Asia Ex-Jpn	0.8%	1.1%	0.9%	1.4%	14.9	16.6
Nikkei 225	3.4%	3.7%	3.5%	4.0%	20.3	21.0
Brazil Bovespa	4.2%	4.5%	4.2%	4.8%	14.8	9.8
MSCI Russia	-	-	-	-	6.6	-
India SENSEX	4.7%	5.0%	4.7%	5.3%	21.5	24.0
China CSI 300	-0.1%	0.3%	0.0%	0.6%	15.5	16.3
MSCI World	2.7%	3.0%	2.8%	3.3%	17.6	22.8

Bond Market

Sectors / Returns & Valuation (Leading PE)

	USA	Europe	World	USA		Europe		World	
				LT Median	Current	LT Median	Current	LT Median	Current
Cons discr.	1.9%	4.4%	1.6%	21.7	30.5	14.6	22.7	18.9	28.0
Cons. Staples	0.2%	4.1%	1.4%	19.7	22.7	18.2	16.6	19.4	20.6
Financials	1.7%	8.8%	3.8%	14.5	17.7	11.3	12.1	13.6	15.4
Energy	-2.2%	2.9%	-1.1%	14.6	17.6	10.5	9.7	13.4	14.6
Industrials	0.4%	1.4%	1.1%	18.4	28.2	18.9	24.2	18.3	25.3
Technology	0.9%	2.4%	1.0%	22.6	36.5	26.4	31.4	23.4	36.1
Materials	0.1%	5.2%	3.7%	17.9	23.3	15.0	19.9	16.4	21.0
Utilities	-3.1%	9.6%	0.9%	17.0	19.9	13.8	15.1	16.9	17.8
Health Care	10.4%	10.2%	9.8%	19.9	20.7	20.2	16.9	20.3	19.6
Telecom	5.2%	-7.4%	3.3%	18.2	24.0	15.3	20.1	18.3	22.5
Real Estate	-4.8%	-4.0%	-0.9%	43.7	36.7	22.6	16.6	28.4	28.8

Commodities



ALLOCATION GRIDS

Global Asset Classes

	Overweight	Marketweight	Underweight	Main Drivers	Risks
Equities	●			The cycle is mature but global equities should remain supported in 2026 by resilient growth, broadening earnings momentum and still-accommodative financial conditions.	Trade wars fuelling inflationary pressures and uncertainty weighing on growth remain key risks.
Bonds	●			Global bonds offer attractive yields, despite the Fed and ECB pause. The new Fed Chair will be even more sensitive to downside economic risks.	Stickier-than-usual inflation and very expansive fiscal policies.
Gold		●		Central bank purchases and demand for gold as a hedge against uncertainty will continue to support prices.	Normalisation of the Trump administration's tariff policy and a potential peace agreement in Ukraine.
Cash			●		

Equities

	Overweight	Marketweight	Underweight	Main Drivers	Risks
US		●		The US is expected to maintain a slower but resilient expansion in 2026, sustained by AI-driven investment and still solid consumption, despite elevated inflation risks and persistent policy uncertainty.	Valuations remain elevated, and policy uncertainty (particularly on the trade front) continues to pose risks for the market.
Europe		●		European equities are supported by improving earnings momentum, easier monetary policy, infrastructure investment and rising defence spending.	The main risk is a resurgence of political or fiscal fragmentation that undermines confidence, delays policy support and weighs on investment and earnings.
Switzerland		●		The Swiss equity market enters 2026 in stabilisation mode, thanks to improved external visibility, a stable and accommodative SNB, aswell as strong earnings visibility-particularly in defensive sectors and pharmaceuticals.	The main risks remain sustained Swiss franc strength and subdued domestic consumption, which could reinforce deflationary pressures and weigh on exporters' margins and confidence.
Asia Pacific ex-Japan		●		China's structural weaknesses (real estate, tariffs and labour market) have stabilised but are showing little real progress. Liquidity, policy support and earnings drove the market rebound.	A potential reinforcement of US tariffs.
Japan		●		Japan should see modest growth in 2026, supported by wage gains and corporate investment, as the Bank of Japan continues a gradual and well-telegraphed normalisation of monetary policy.	Rising interest rates and a renewed appreciation of the yen are the key risks, potentially weighing on growth, exports and corporate earnings.

Bonds

	Overweight	Marketweight	Underweight	Main Drivers	Risks
Developed Sovereigns	●			Following three 25bp rate cuts, the Fed has signalled a pause. Its new Chair will likely be more dovish, resulting in more than two further cuts during 2026. We remain overweight developed sovereigns, favouring US mid-maturity bonds.	Faster economic recovery thanks to the fiscal boost, improvement in employment but still sticky inflation.
Corporates (IG)	●			Investor appetite is resilient but supply could increase at the onset of the year. IG corporate performance will be driven by sovereigns.	An economic slowdown, a risk-off episode or a credit event could pressure corporate balance sheets, driving spreads wider and impairing total returns.
High-Yield		●		High yield credit spreads are at near historically tight levels, but they reflect strong investor demand for yield. Spreads could widen slightly.	Current spreads price in a benign economic scenario. A deterioration would negatively impact the asset class.
Emerging		●		EM bonds remain supported by the gradual weakening of the US dollar and the Fed's easing bias. These conditions provide a constructive backdrop for local currency-denominated bonds. Some EM countries stand to slow their monetary easing.	Renewed USD strength would pose meaningful headwinds, by tightening financial conditions and limiting policy space across EM economies.

Currencies

	Overweight	Marketweight	Underweight	
EUR vs USD		●		Faster Fed easing than the ECB and a narrowing rate differential should support modest EUR appreciation against the USD in 2026.
EUR vs CHF			●	The CHF is expected to continue appreciating against the EUR in 2026, supported by its safe-haven status, strong fundamentals and limited scope for the SNB to counter currency strength.
USD vs CHF			●	With a more dovish Fed stance and limited SNB tolerance for renewed FX intervention, the USD should remain under pressure against the CHF.
EUR vs GBP	●			Weaker UK growth, earlier BoE easing and persistent external imbalances should keep the EUR biased to the upside vs.the GBP.
EUR vs JPY	●			The yield differential should continue to favour (limited) EUR strength versus JPY in 2026, even as the Bank of Japan gradually normalises monetary policy.
USD vs GBP			●	A sharper Fed cutting cycle relative to the BoE points to gradual USD depreciation vs. the GBP on a 12-month horizon.

SWITZERLAND

2026: MORE FAVOURABLE SIGNS AMID PERSISTENT WEAKNESSES

ANICK BAUD / SENIOR FUND MANAGER

After a succession of shocks over the past two year – sharp monetary tightening, trade tensions, a strong franc and a weakening global industrial cycle – the Swiss economy is entering 2026 on a very different note. The worst seems behind, but the path to a lasting normalisation remains narrow and uneven, with growth still modest, visibility imperfect and domestic drivers fragile. That said, several headwinds have abated and new sources of support are gradually emerging. As such, rather than a year of rebound, 2026 stands to be one of stabilisation, during which opportunities will arise, provided the enduring risks are not underestimated. Selectivity, diversification and the search for visibility thus remain as critical as ever.

MAIN OPPORTUNITIES

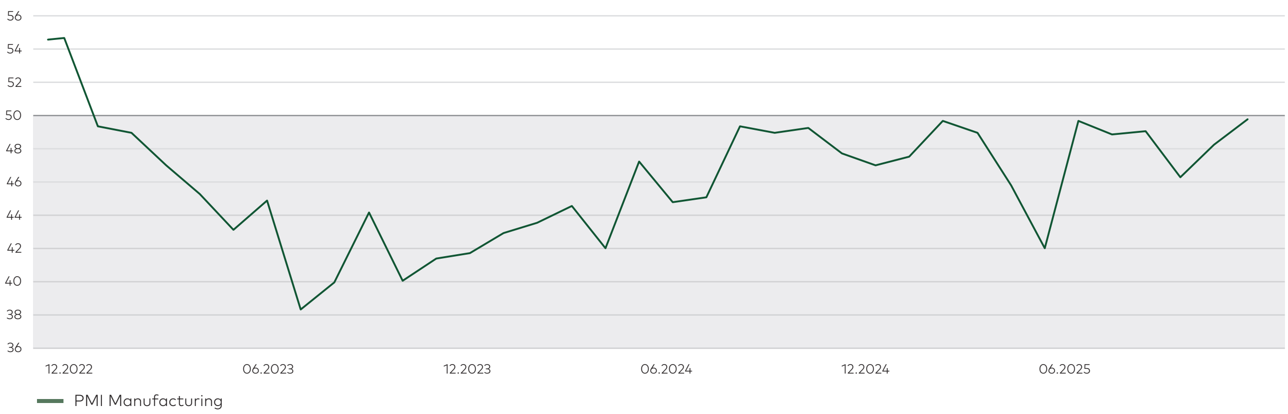
Trade relief on the US front

The agreement to slash US tariffs on Swiss exports from 39% to 15% is an important turning point. While not completely eliminating the competitive disadvantage, this move significantly reduces the uncertainty weighing on exporters and makes for a much clearer trade environment in 2026. According to available estimates, this relief could support Swiss growth by several tenths of a percentage point of GDP. Even more important than the direct effect is the dissipation of the extreme scenario: companies can once again plan, invest and adjust their value chains in a less hostile environment. This improvement in the external backdrop is also beginning to show in leading indicators. After 35 consecutive months in contraction territory, the manufacturing purchasing managers' index (PMI) has rebounded markedly, with the latest publication standing at 49.7, close to the expansion threshold (chart 1). While not yet signalling a genuine industrial recovery, this development does suggest that the cyclical low point may be behind. The Swiss National Bank (SNB) itself points out that the third quarter GDP decline was largely attributable to one-off factors and that economic visibility has improved recently, thanks in particular to the trade agreement with the US and to a slightly more buoyant global economy.

Improved economic visibility and fiscal upturn in Europe

After several years of stagnation, Europe seems to be finally emerging from a long slump. Germany's fiscal U-turn, focused on infrastructure, defence and the energy transition, is a strong signal, even though its effects will remain gradual and probably not very visible until 2027. Several leading indicators suggest that the cyclical low point is now behind: PMI surveys in the eurozone picked up towards the end of 2025 and business confidence, particularly in Germany, is showing tangible signs of stabilisation. In this context, the combination of increased fiscal support, less restrictive monetary conditions and continued flows linked to the European programmes launched in 2020 significantly improves 2026 macroeconomic visibility, even

After 35 consecutive months of contraction, the manufacturing PMI appears to reflect this relief



though the pace of growth is expected to remain moderate. For Switzerland, which is closely integrated within the European industrial fabric, this development is particularly important: Europe will not become a powerful engine of growth again in the short term, but it could cease to be a drag which, in a still uncertain global environment, already represents a significant change.

Accommodative and stable Swiss monetary policy

In December, the SNB kept its policy rate at 0% despite a situation that is close to deflation. Notwithstanding very low inflation, attributable to specific and temporary factors, the SNB is prioritising stability. It is therefore prepared to tolerate below-target inflation rather than re-enter a spiral of negative interest rates, with well-known collateral effects on the financial system and savings. The threshold for a return to negative rates remains high, which reinforces the predictability of the monetary framework. This stability provides an important anchor for the domestic economy, supporting domestic demand, the property market and financial assets, while giving the SNB the flexibility to intervene in foreign exchange markets should tensions on the Swiss franc resurface.

The defensive and visibility attributes of the Swiss stock market

In a world marked by persistent geopolitical uncertainties and uneven global growth, the Swiss equity market retains its structural advantages. Its defensive bias, the high earnings visibility of its large cap components, and the quality of cash flow generation and dividends reinforce its attractiveness. In 2026, earnings growth is expected to remain strong. The consensus projects ca. 6% growth for the market as a whole and 15% for small- and mid-caps (chart 2), driven by a catch-up effect and a gradual improvement in the European industrial environment. In this context, the Swiss pharmaceutical sector appears to be a market pillar from a visibility standpoint. After several years of headwinds (erosion of blockbusters, regulatory pressure, post-Covid normalisation), 2026 could prove a turning point. The major players now have better-defined pipelines, with concrete clinical and regulatory catalysts expected during the year, particularly in oncology, autoimmune diseases and neurology. We could therefore see a gradual recovery in earnings momentum, against a backdrop of new launches, improved visibility on volumes and increased cost discipline. Furthermore, the Swiss pharmaceutical sector boast characteristics that are particularly sought after in the current environment: very limited exposure to the economic cycle, strong cash flow generation capacity, solid balance sheets and relative resilience to a persistently strong Swiss franc. While the ongoing debate surrounding drug pricing in the US remains a factor to monitor, it is now taking place within a clearer, more gradual framework that has been largely priced in by the market.

MAIN RISKS

Domestic consumption under pressure

While consumption has so far acted as an economic buffer, its ability to support the economy could lessen in 2026. The labour market is showing signs of normalisation, with a slowdown in job creation and a gradual rise in unemployment, albeit from historically low levels. Real wage growth remains positive, but more limited than in previous years. In a sluggish growth environment, the risk is not one of a collapse in consumption, but of a more wait-and-see attitude among households, which would weigh more heavily on domestic momentum, unless the manufacturing sector takes the lead following nearly three years of crisis.

Sustained Swiss franc strength and deflationary risks

The Swiss franc remains structurally attractive, thanks both to its fundamentals and its safe haven status. Although some disinflationary pressures pertaining to exchange rates could ease during the year, a sustained strong currency continues to weigh on exporters' margins and price dynamics. Near zero inflation, even slightly negative at times, is fuelling the risk of a wait-and-see attitude on the part of both consumers and businesses. The SNB has tools at its disposal to constrain these effects, but its room for manoeuvre remains limited and the use of negative interest rates is not desirable if growth is not sluggish.

Geopolitical risks

Geopolitical tensions remain a constant background noise. Residual trade tensions, political uncertainty in the US, conflicts in Ukraine and the Middle East: none of these factors form part of the central scenario, but all represent potential sources of exogenous shocks. In an environment already characterised by weak growth momentum, such events could quickly weigh on confidence and visibility. Ultimately, this would further strengthen the Swiss currency, undoubtedly complicating the task of exporters and the SNB.

EUROPE

2026: THE RETURN OF EARNINGS

MALEK DAHMANI / FUND MANAGER

Favourable macroeconomic conditions, but no exuberance
After many sluggish years, the European domestic economy showed signs of recovery in 2025. Germany is finally embarking on an investment cycle, supported by a vast infrastructure programme. That said, surveyed executives point out that the effects will be slow to materialise. Projects are moving forward, but they will not truly change the situation until the latter half of 2026. The improvement is thus real, but gradual.

For its part, the European Central Bank (ECB) may continue to ease financial conditions. While the market is currently expecting a status quo, we believe that a scenario of more pronounced rate cuts in the first half of the year is possible. Companies are reporting moderate wage increases. Given also the strength of the euro, which is importing deflation, and the slow easing of capital costs, we consider deflationary pressures to be more pronounced than the short-term inflationary risks potentially generated by the public spending of certain European countries. At the very least, the environment is favourable, without necessarily justifying a monetary shock.

Valuations remain a positive anchor. European equities are trading at a significant discount to US peers, and dividend yields remain attractive. The microeconomic landscape does, however, suggest that share buybacks will not be a widespread driver: companies are prioritising balance sheet strength in the face of a still uncertain environment.

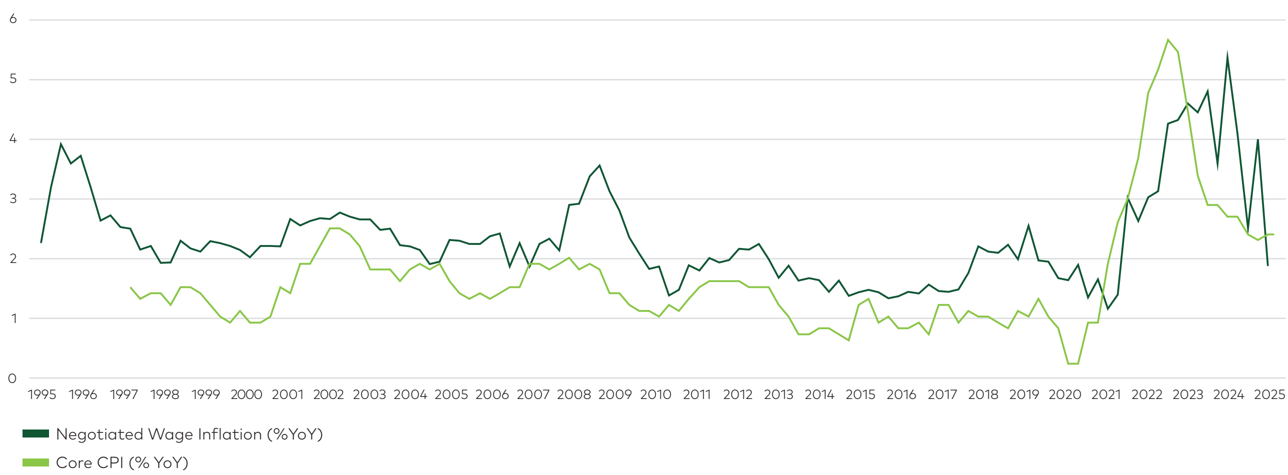
Earnings: theoretical optimism vs. cautious reality
The main point of tension lies in earnings estimates. Consensus expects earnings per share (EPS) growth of ca. 10-13% – an elevated rate which, given Europe's track record, raises questions. European expectations typically undergo revisions during the year, and 2026 will probably be no exception.

It seems to us that part of this projected earnings growth is based on the consensus that the euro-dollar parity will not depreciate further, or at least to a significantly lesser degree than in 2025. It is true that a considerable portion of last year's earnings was wiped out by exposure to the US currency, directly or indirectly, of a large share (nearly 30% on average) of European companies' revenues. If the euro-dollar stabilises, part of the expected earnings growth could therefore be achieved thanks to base effects.

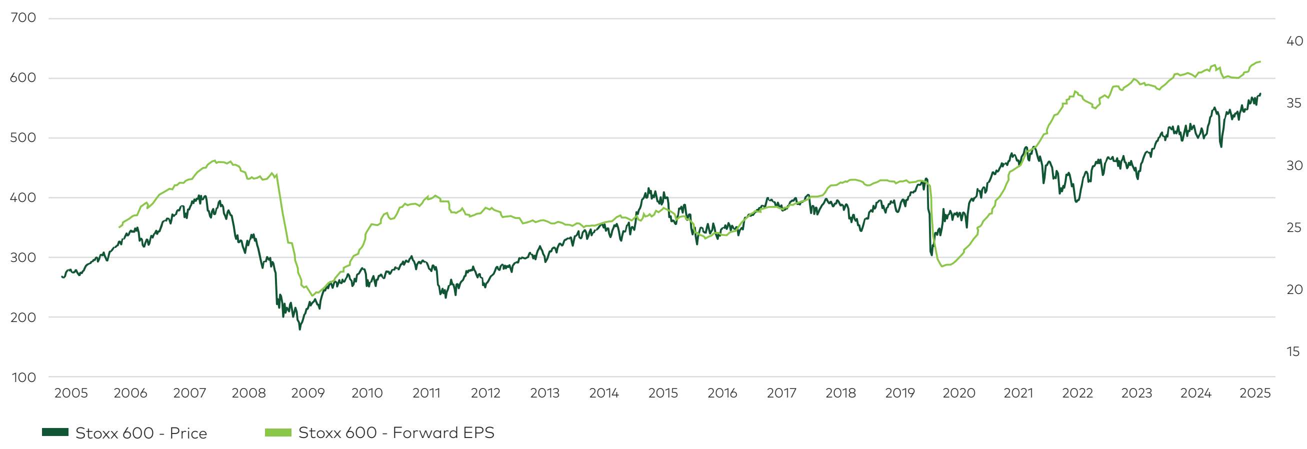
Market still polarised, but to a lessening extent
For the past eighteen months, the European market has shown a persistent divide: domestic cyclical and value stocks have driven performance, while high-quality stocks with international exposure have suffered. In light of macro- and microeconomic signals, this polarisation could continue into 2026, but with decreasing intensity.

The drivers of domestic value stocks – gradual decline in interest rates, German internal recovery and the strength of so-called 'peripheral' countries, particularly Spain and

Cooling wages tilt inflation risks to the downside



Earnings growth expected to return in 2026



Ireland – remain in place, even if their momentum is no longer accelerating. Conversely, companies exposed to global demand, and especially to China, continue to face structural headwinds that show no sign of abating any time soon.

That said, some turning points are emerging. Pessimism regarding quality stocks is beginning to reach excessive levels, their multiples have adjusted, and visibility on cyclical earnings will likely deteriorate as negative revisions progress. 2026 could thus see the beginning of a de-intensification of market polarisation, with domestic leadership remaining strong at the onset of the year, followed by a selective return to quality names as the year progresses. Such a move should particularly impact segments linked to electrification, networks, applied AI and non-China international markets. A partial rotation, rather than a reversal, could be the dominant pattern.

AI, electrification, defence: narrative vs. reality
The adoption of AI in Europe opens up significant potential in terms of productivity, but feedback from businesses reveals that it is still in very early stages. There are gains to be made – sometimes spectacular on a microeconomic level – but far from validating the many narratives of immediate transformation. In 2026, AI will be a tailwind, not a driving force.

Electrification, on the other hand, is already materialising in the form of pressure on networks, rising demand and structural modernisation needs. Network, cable and equipment companies are enjoying a tangible order book. Defence remains a strategic theme, but the data do not yet reflect the scale of the political rhetoric.

Chinese shadows
Chinese demand remains the greatest area of fragility. Strategists talk about risk, companies talk about reality: no rebound, massive overcapacity in chemicals and petrochemicals, persistent competitive pressure and a luxury sector which, contrary to hopes for stabilisation, is showing no clear signs of recovery. The medium-term outlook thus remains highly deteriorated.

Guidelines for 2026: conviction vs. discipline
When it comes to markets, 2026 will see neither a surge in beta nor a collapse. It will be a bal-ancing act: taking advantage of a more favourable economic environment than in 2024-2025, while coping with a slowly recovering microeconomic cycle. True alpha generation will come from disciplined selectivity:

- Favour companies with contractual visibility, strong balance sheets and supportive domestic exposure;
- Avoid recurring illusions – notably the Chinese rebound for cyclical sectors dependent on a still-struggling PMI or cautious Chinese consumers.

Europe has a number of engines – public investment, monetary easing, attractive valuations – but fuel remains rationed. 2026 thus stands to be a year of measured progress.

UNITED STATES
A CONSTRUCTIVE OUTLOOK IN A MATURING CYCLE

FLORIAN MARINI, CFA, CMT / CHIEF INVESTMENT OFFICER

The US enters 2026 in a phase of slower but still solid expansion. Growth has stabilised following the 2025 tariff shock, supported by firm leading indicators, resilient consumer spending and strong investment in AI-related infrastructure. At the same time, important headwinds persist. Tariffs continue to exert cost pressure, the labour market is softening and inflation is becoming a political fault line ahead of the mid-term elections. Policy signals also remain mixed, with fiscal stimulus from the One Big Beautiful Bill Act (OBBBA) offset by renewed trade frictions and uncertainty surrounding the appointment of the next Fed Chair. Despite these risks, the underlying fundamentals remain constructive, supported by firm corporate earnings growth, AI-driven capex and a monetary policy stance likely to remain accommodative throughout the year.

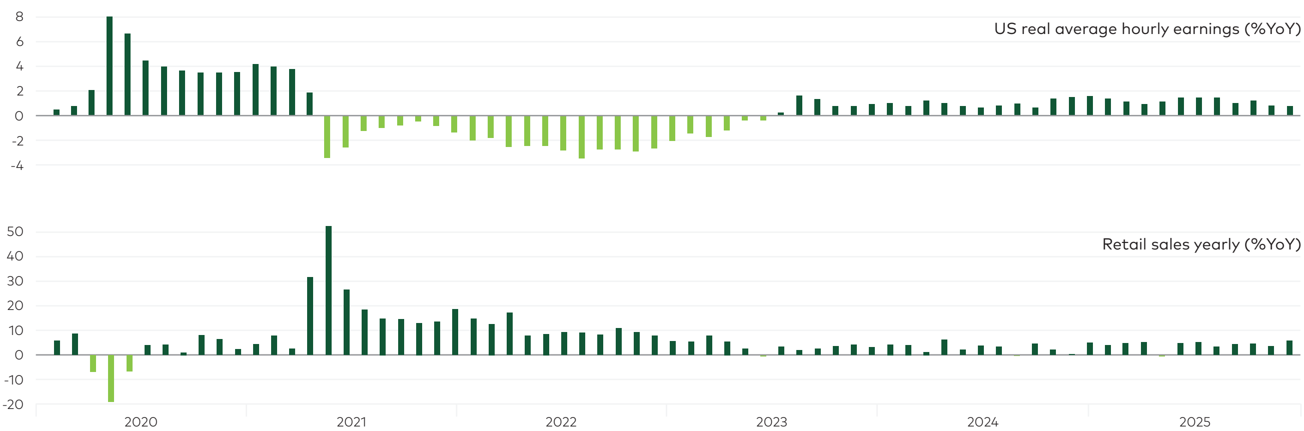
Growth supported by fiscal tailwinds but constrained by tariffs
Real GDP growth is expected to remain close to 2.0% in 2026, supported by an early-year boost from lower taxes and full capex expensing under the OBBBA. This outlook is notably better than initially feared: in the weeks following "Liberation Day", consensus projections for 2026 dropped to around 1.4% as markets anticipated a sharp tariff-induced slowdown. Since then, resilient domestic demand, a more supportive Fed and improving leading indicators have helped expectations recover towards 2%.

Leading indicators buttress this strengthening trend: the US manufacturing PMI has moved back into expansionary territory, while the services PMI remains at levels consistent with solid activity. Both indicators are closing the year near the upper end of their three-year range, suggesting momentum is firmer than the tariff shock implied.

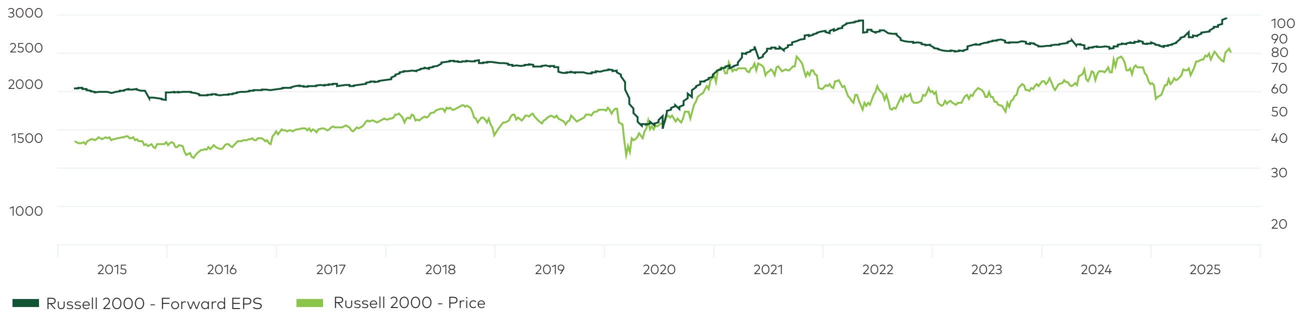
Consumers remain resilient
Consumer spending, the backbone of the economy, is set to cool amid continued deterioration of labour market conditions. Hiring is slowing, labour hoarding is fading and the unemployment rate is expected to drift towards 4.7%, even as immigration restrictions further tighten labour supply and mask underlying softness. Still, consumers remain more resilient than headlines suggest. Real wage growth has remained modestly positive – with a median gain of ca. 1% over the past two years – supporting firm retail sales, up roughly 4% on a median basis over the same period. Household finances remain strong among higher-income cohorts, while rising delinquencies continue to pressure the more vulnerable segments.

Tariff-driven inflation could shape the 2026 mid-term elections
Inflation is likely to remain around 3% in 2026. Goods inflation should firm as tariff-buffered inventories diminish,

Retail sales continue to be supported by real wages



Forward EPS expectations for US small- and mid-caps strengthened in the latter part of 2025 (Russell 2000 index)



while services inflation will ease only gradually thanks to moderating shelter and wage pressures. These disinflationary trends are partly offset by cost-push forces: higher import tariffs, rising energy/materials costs linked to AI-related investment and tighter labour supply resulting from reduced immigration. As a result, price levels remain significantly above pre-pandemic norms despite slowing headline inflation.

This persistence is becoming a central political issue. President Trump continues to claim that "just about everything is down", yet households still face significantly higher prices for everyday goods. Polling already shows the President's approval rate slipping to its lowest level since his return to office, indicating that inflation may become one of the most decisive fault lines of the mid-term elections.

A more dovish Fed likely, but the degree matters
With Jerome Powell's term ending in May, markets increasingly expect a more dovish Fed under a new Chair, Kevin Hassett being widely viewed as the leading candidate. Hassett is perceived as pro-rate-cuts, aligned with the administration and supportive of looser financial conditions.

The policy rate is still expected to move toward the low-3% range by the end of 2026. Historically, falling rates coupled with solid earnings growth tend to support valuation expansion. The key risk, however, is a perception that the new Chair may be yielding to political pressure. Any erosion of Fed independence could undermine credibility and become a negative catalyst for both equity and fixed income markets.

An earnings cycle that remains the market anchor
Corporate earnings remain the central pillar of the US equity outlook. S&P 500 EPS growth is expected to end 2025 near 12% and maintain a double-digit pace in 2026. Importantly, earnings breadth is improving: an increasing number of sectors and companies beyond the "Magnificent 7" are contributing to growth. Small- and mid-cap forward earnings have also strengthened, with double-digit increases expected in 2026.

AI continues to drive a powerful capex cycle. High-tech investment grew more than 15% in 2025 and is set to remain robust in 2026, dominated by datacentres, software and energy infrastructure. Non-tech capex is still subdued but stands to benefit from full expensing and easier financial conditions.

Operating margins remain high, although the outlook is uncertain. The balance between tariff-driven margin pressure and potential productivity gains from AI integration is difficult to quantify. Even small shifts in either direction could materially influence the EPS trajectory.

Valuations remain a vulnerability, but this is no AI bubble
Valuations remain the main vulnerability. At roughly 22x forward earnings, the S&P 500 trades above historical norms. That said, conditions differ substantially from the dot-com era. Profitability, balance-sheet strength and free-cash-flow generation are markedly higher today. A useful reminder of the difference is Cisco. At its peak in 2000, the stock traded above 200x earnings, a price level that even after two decades of steady EPS growth, it has still not reclaimed— a classic example of how extreme multiples can overwhelm solid fundamentals. By contrast, today's AI leaders, including Nvidia, trade at multiples that remain broadly aligned with their earnings trajectories (25x), far from the excesses of the late 1990s.

Positive into mid-year, more defensive thereafter
The outlook for US equities remains cautiously constructive. Growth is moderate, inflation still contained and monetary policy should stay supportive as the year unfolds. While valuations are stretched, the prospect of double-digit earnings growth in 2026 provides a solid fundamental underpinning. This backdrop justifies a constructive stance for the first half of the year, although the maturity of the cycle argues for increased diversification as policy tailwinds fade. The bull market looks intact through mid-2026, but conditions are likely to become less supportive thereafter.

ASIA

CHINA 2026 – A RENEWED SILK ROAD OF OPPORTUNITIES

FLORIAN MARINI, CFA, CMT / CHIEF INVESTMENT OFFICER

Economic stabilisation rather than reacceleration
After a deep post-Liberation Day trough in April, expectations for Chinese near-term growth have improved. GDP growth estimates for 2025 have been revised up from 4.2% to 4.9%, and the 2026 consensus now stands near 4.4%. This signals stabilisation and lays the ground for a more balanced and sustainable expansion over the coming cycle.

Property remains a long-lasting structural drag
The property sector will continue to weigh on growth for several years. Historical parallels with housing adjustments in the US, Japan, Spain and Ireland suggest that a real-estate downturn of this magnitude could take another two years to find a durable bottom.

Consumption and industrial production provide cyclical stability
Despite subdued household confidence, consumer spending has held up better than expected. Disposable income has been growing at around mid-single-digit rates for the past two years, providing a stable foundation for consumption. Industrial production has also proved resilient, expanding at roughly 5%, supported by equipment manufacturing and high-tech segments. A gradual easing of global tariff uncertainty and recovering Asian supply chains will help stabilise exports.

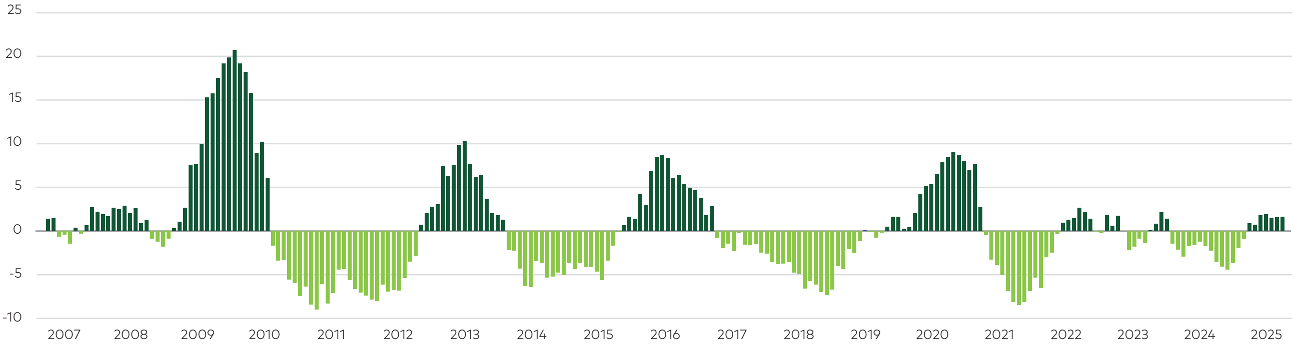
Confidence remains the missing link despite a large savings buffer
A critical feature of the Chinese macro landscape is the gap between very low consumer confidence and very high household savings. Indeed, households hold more than USD 23 trillion in bank deposits and liquid savings – a sum larger than the country's GDP. This pool of savings represents a powerful source of potential demand: even a modest reduction in the savings rate could generate a meaningful consumption impulse. For Beijing, restoring confidence is thus the most effective lever to support growth and, by extension, the domestic equity market.

Policy remains supportive but incremental
Chinese authorities continues to deploy a pragmatic and targeted policy mix. Fiscal measures focus on manufacturing upgrades, digital infrastructure and selective support for local government refinancing, rather than broad-based stimulus. The People's Bank of China (PBoC) maintains a pro-growth bias through liquidity injections and small rate adjustments, but remains cautious about reigniting leverage in the property sector. The ultimate policy objective is to shift growth away from fixed-asset investment towards a more consumption-driven model, although confidence constraints limit the pace of this transition.

Leading indicators point to an improvement in 2026
The Credit Impulse index – one of the strongest predictors of Chinese and global momentum – has been expanding since April. Because changes in the marginal flow of credit drive China's investment cycle, the impulse typically leads global PMIs, commodity prices and emerging market performance by several months. This is reinforced by a clear rebound in Chinese M1 money growth, which leads services activity, retail spending and short-term business sentiment.

Structural themes: renewed policy support, AI acceleration and the 15th Five-Year Plan
After several years of regulatory tightening, Beijing adopted a more supportive stance towards the private sector in early 2025.

Chinese Credit Impulse and M1 money growth



China Credit Impulse 12 Month Net Change

The MSCI AC Asia ex-Japan forward EPS has reached a new all-time high

At a February symposium with leaders from Alibaba, Xiaomi, Meituan, Huawei, CATL, BYD, DeepSeek and Tencent, officials reaffirmed the need for regulatory clarity and better protection for entrepreneurs, signalling a reset in state-private sector relations.

This shift coincided with the preparation of the 15th Five-Year Plan (2026-2030), centred on developing "new quality productive forces", i.e. advanced manufacturing, digital infrastructure and technological self-reliance.

A central pillar of this agenda is the rapid acceleration of China's AI ecosystem. Companies such as ByteDance, Tencent, Meituan, JD.com, Huawei, Sany and Haier are already integrating large-scale AI systems, while Ant Group and Ping An use them for real-time analytics in financial services.

These developments highlight Beijing's ambition to shift toward a more resilient, innovation-driven economy, less dependent on property and more anchored in technology and productivity.

China and the tariff landscape heading into 2026

At the onset of 2026, tariffs remain a key uncertainty for China, despite the one-year trade truce signed with the US in late 2025. At the same time, China retains strong leverage through its dominance of critical minerals – particularly rare earths – since it controls most of the refining, separation and magnet production. Recent export controls highlight Beijing's willingness to use this advantage, helping temper risks of an escalation in trade tensions and support its higher-value export sectors.

Corporate earnings: early signs of recovery but still bifurcated

Chinese corporate earnings appear to have bottomed in 2025 after a three-year recession caused by weak demand, property stress and margin pressure. The recovery is increasingly visible in technology, communication services, consumer discretionary, consumer staples, financials, healthcare and materials, where forward earnings revisions are positive for the first time since 2021.

By contrast, property and construction, real-estate services, traditional industrials and utilities remain in recession, still weighed down by weak confidence, falling home sales and excess capacity.

Valuations remain very attractive: the Shanghai-Shenzhen CSI 300 trades near 14x forward earnings, compared to roughly 22x for developed market equities, offering selective entry points.

A broader Asian earnings recovery

Importantly, the earnings improvement is not limited to China. The MSCI AC Asia ex-Japan forward EPS reached an all-time high in 2025, marking the strongest regional profitability trend in nearly a decade. This reflects firm export growth across Asia, easing tariff uncertainty, recovering supply chains and the tailwind of a depreciating US dollar. These dynamics should continue into 2026, supporting both regional equity performance and Asia's role as a stabilising force in global earnings growth.

Conclusion

China enters 2026 with a more balanced and resilient economic profile. Leading indicators are signalling a stabilisation, earnings have bottomed after a prolonged recession and technology-driven sectors are emerging as new engines of growth. Structural challenges persist – especially the property market and consumer confidence – but large household savings, targeted policy support and rapid advances in AI provide a foundation for selective opportunities. As the 15th Five-Year Plan accelerates innovation, China's growth model continues to shift towards higher value-added activities. For investors, the landscape within China and across Asia makes for a renewed Silk Road of opportunities in 2026 and beyond.

FIXED INCOME

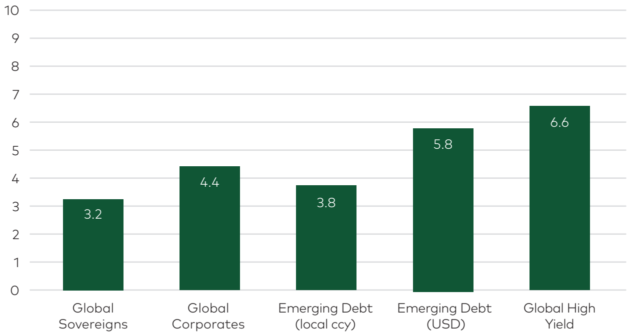
MANUEL STREIFF / ADVISOR

The final quarter of 2025 saw signs of stabilisation in the global macroeconomic backdrop, although regional divergences persisted. In the US, the economic picture became more uneven amid the temporary federal government shutdown. Labour market data revealed softening conditions, with a modest uptick in unemployment but broadly resilient payrolls.

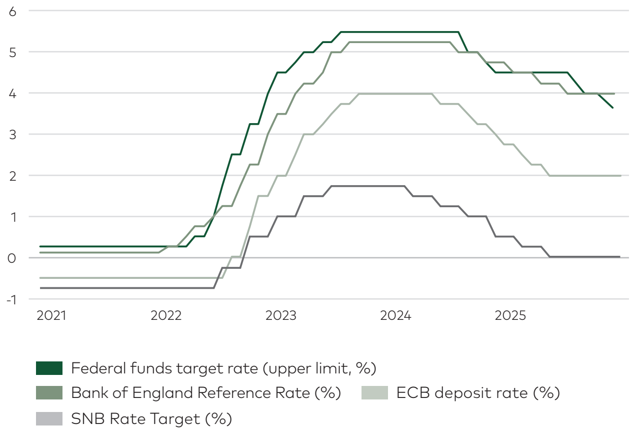
Europe continued to display economic resilience, while the Japanese economy maintained momentum despite headline GDP figures understating underlying strength. China's economy, however, remained challenged, facing entrenched deflationary forces and persistent fragility in its property sector.

Financial markets were underpinned by an increasingly accommodative Fed, which cut rates at each of its fourth quarter policy meetings. This shift catalysed strong credit market performance, even as risk sentiment briefly wavered in AI-related sectors.

Yield to maturity per fixed income segments: Sovereigns, Corporates, Emerging debt in local currencies, Emerging debt in USD and High Yield



Key central banks target rates

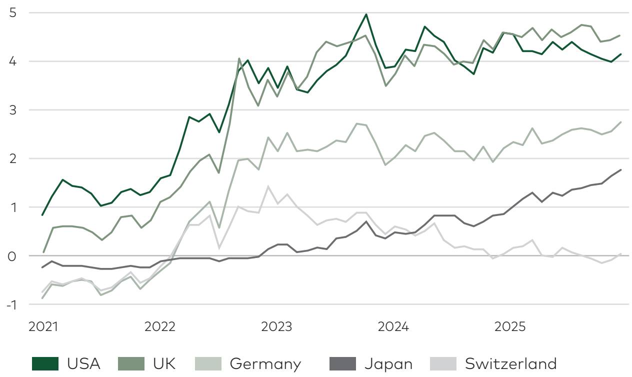


DEVELOPED MARKET SOVEREIGNS

Sovereign bond markets primarily traded in defined ranges. Expectations for further Fed easing were tempered by scepticism about the wisdom of cutting rates in the face of inflation that is still above target. The UK gilt market outperformed on the back of a transparent and credible fiscal policy framework, while Japan's government bond yields rose further, reflecting robust domestic growth, renewed fiscal expansion and lingering inflation.

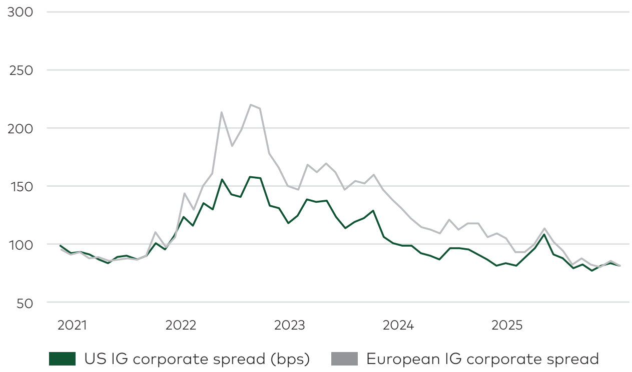
Antipodean bond markets (Australia and New Zealand) sold off, as investors recalibrated expectations for the end of their respective easing cycles.

Sovereign yield to maturity (10Y benchmarks)



Swiss bonds also sold off somewhat, with the SNB reluctant to move policy rates into negative territory despite low recent inflation. Following an agreement with the US Treasury, the SNB has more leeway to intervene in currency markets.

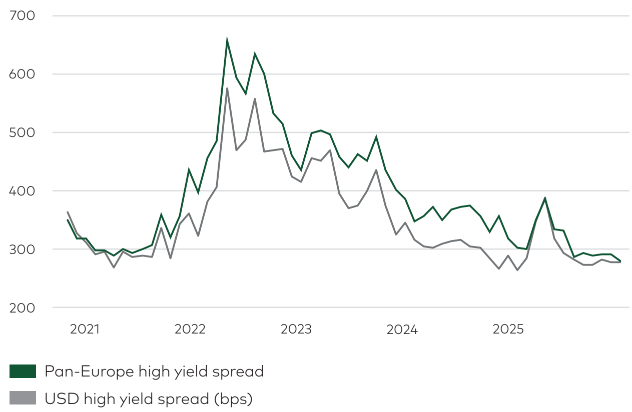
US and European Corporate Spreads (Investment Grade)



DEVELOPED MARKET CORPORATES

During the first few weeks of the quarter, US credit suffered from concerns regarding the economy during a period of limited data releases. US technology companies raised significant funds for AI-related investments by issuing bonds, leading to wider credit spreads.

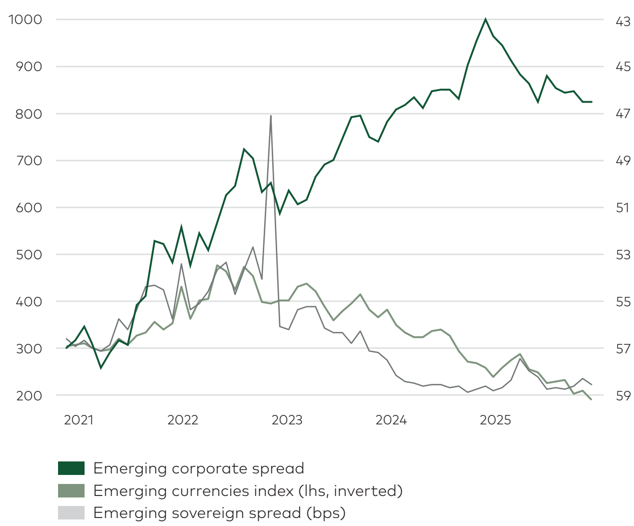
US High Yield spreads and probability of recesssion, as derived from the yield curve



HARD CURRENCY EMERGING MARKET DEBT

EM hard-currency bonds were boosted by easing US monetary policy, rate cuts by many EM central banks and a generally constructive market tone. The Argentine election results and US financial support for the country were a significant boost to its US dollar bond market.

Emerging Spreads (corporate and sovereign) and emerging currencies index (vs. USD, inverted)

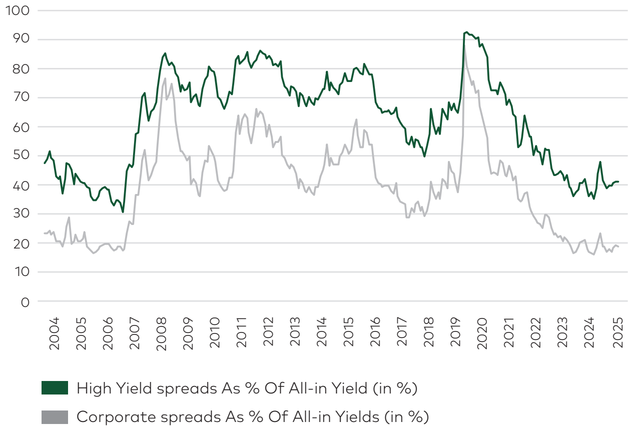


LOCAL CURRENCY EMERGING MARKET DEBT

Fed easing throughout the quarter and a softer dollar in December boosted local currency EM bonds. Policymakers were able to respond to worries about the impact of higher US tariffs with lesser concern regarding adverse currency shocks. By the end of the year, many EM countries will also have a clearer picture of US tariff policy, though some large countries such as India and Indonesia have been negatively impacted by these taxes.

Since mid-quarter, China has allowed its currency to appreciate, providing additional relief for EM countries facing a realignment in trade flows following US tariffs.

Credit Spreads as % of all-in Yields



FIXED INCOME PROJECTION

Segments	Yeld (%)			Return View (12m horizon)
	USD	EUR	CHF	
Cash	3,65	1,87	-0,12	↘
Short-Term High-Yielding	4,61	2,74	0,43	↗
10y Government Bonds	4,18	2,86	0,34	↗
10y Government Inflation-Linkers	1,89	0,87	n.a.	↗

Segments	Spread over Sovereigns (bps)	Return View (12m horizon)
Developed Corporates	80	↗
Corporate Hybrids	147	↗
Developed High Yield	296	↗
Emerging Sovereigns	184	↗
Emerging Corporates	217	↗
Emerging Local-Currency Debt	n.s.	↗

Source: Bloomberg indices hedged in the respective currency

CREDITS
CONTRIBUTORS

REDACTION
Florian Marini, Chief Investment Officer
Anick Baud, Senior Fund Manager
Malek Dahmani, Fund Manager
Manuel Streiff, Advisor

GRAPHIC DESIGN
Yves Ninghetto, LaFabrique Geneva

PROOF READING
Karen Guinand

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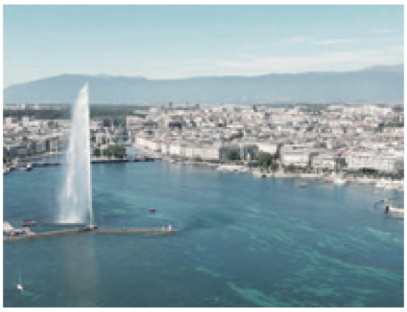

GENEVA

Bruellan S.A.
Rue Pecolat 1
CH-1201 Geneva

Tél +41 22 817 18 55
www.bruellan.ch

VERBIER

Bruellan S.A.
Rue de Médran 16
CH-1936 Verbier

Tél +41 27 775 56 56
www.bruellan.ch

CRANS-MONTANA

Bruellan S.A.
Rue du Pas-de-l'Ours 6
CH-3963 Crans VS

Tél +41 27 486 24 24
www.bruellan.ch

www.bruellan.ch

GSTAAD

Bruellan S.A.
Gstaadstrasse 8
CH-3792 Saanen

www.bruellan.ch

MARTIGNY

Bruellan S.A.
7, Place du Bourg
CH-1920 Martigny

www.bruellan.ch

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