Quaterly Report

4th quarter 2025

Global economic shocks have shaped the past half-decade. Can we expect more from the second half?

The world experienced an unprecedented cascade of shocks in the first half of the decade.

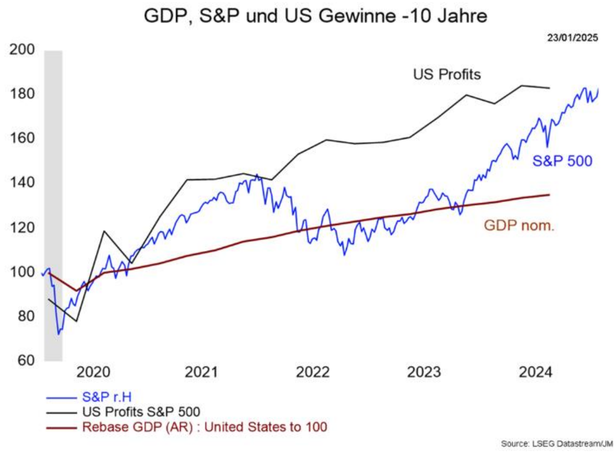
First came the global pandemic, which prevented many workers from going to their jobs. This was followed by a boom in demand as people sought to compensate for the forced reduction in consumption during the pandemic. Then came the war in Ukraine, with serious consequences for the energy markets. Europe was particularly hard hit, as energy supplies from Russia came to an abrupt halt.

Setbacks in the fight against the pandemic led to major disruptions in supply chains. These resulted in far-reaching production losses in almost all industries. The lack of supply allowed companies to significantly increase margins and prices. This situation was reflected in inflation figures close to double digits in both the US and Europe. This prompted the US Federal Reserve in particular to take shock braking measures, which were also followed by the European Central Bank.

In the meantime, global production has recovered and inflation figures have returned to the desired level of 2%. Only in the US has last year's tariff shock kept inflation at around 3%.

Overall, the five shocks have led to high economic costs. Not only has the pandemic led to above-average deaths and high production losses, but governments have also been forced to put together unprecedented aid packages to prevent the economy from collapsing. As a result, the debt of OECD countries has risen from around 95% to 100% of GDP. This is a record high in peacetime. It is also a burden that is likely to severely restrict the community of states' scope for action. Among the losers of the shocks are most of the population who have invested their savings in bank accounts and bonds. They lost around 20% of their assets in real terms, as cumulative inflation in the OECD over the last five years exceeded 20% (around 8% in Switzerland). The winners were those who had mortgages, which were devalued by the rate of inflation. However, the biggest winners were companies that were able to exploit the shocks by increasing their margins and which are usually financed with borrowed capital. This also explains why equities have generated above-average returns over the last five years. The positive shocks of innovations summarised under the term 'artificial intelligence' also contributed to this brilliant result. The providers of these technologies promise high Productivity gains for almost all industries. Due to the high initial investment costs, only a few providers will be able to offer high-quality services. This limited competition means that high profit margins can be expected. However, current prices are likely to more than reflect this.

This brief review shows, however, that global shocks can be costly or even tragic for many, but that there are also many winners. Shareholders have benefited from higher profits due to supply shortages. The American stock index has almost doubled in the past five years.



2026 begins with another bang.

The trigger is the National Security Strategy report recently published by the American government (Nov. 2025).

German historian Andreas Rödder describes the strategy outlined in the report as a ‘paradigm shift’. At its core is the concept of state sovereignty. For over 100 years, the American government has defined this concept as it is enshrined in most constitutions and in European international law. Namely, as the right of final decision within the state and, externally, as the independence and integrity of a state within the community of states. No stronger state should have the right to invade and take possession of a weaker one, as happened in the case of Iraq when Saddam Hussein invaded and annexed Kuwait. Bush rightly argued at the time that the ‘rule of law must replace the law of the jungle.[1]

The new administration rejects this concept of sovereignty and explicitly postulates that only those who have the power to guarantee it are sovereign. States must take this new reality into account. They operate in an environment that is no longer characterised by international agreements, but by the principles of evolution.

The strategy report explicitly states that no other power should be allowed to take over leadership in the world. Undisputed leadership is to be ensured in the military, industrial and energy sectors.[2]

At the same time, the sphere of influence of the USA is being redefined. The focus is on the ‘Western Hemisphere’, which also includes the Pacific and Atlantic oceans. In this area, the dominance of the USA is considered unrestricted. No other power will be allowed to build up positions that could pose an obstacle to the development of the United States. (Strategy Report, p. 15: "We will deny non-Hemispheric competitors... to own or control strategically vital assets, in our Hemisphere. This ‘Trump Corollary’ to the Monroe Doctrine is a common-sense and potent restoration of American power..."

The implementation of the new strategy is being tackled swiftly. Venezuela, the country with the world's largest oil reserves, was ‘temporarily taken over by the US’ at the beginning of January 2026, a fact that was assessed by the NZZ am Sonntag as follows: ‘This is an enormous announcement. The US wants to be a colonial power in the Western Hemisphere again, so to speak.’

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[1] Andreas Rögger, NZZ, 21. Dec 2025, p. 24
[1] Strategy report, p. 3
[1] **Andreas Bernath, NZZaS, 4 1. 2026, p. 20**

This potential is expected to be exploited through the granting of drilling licences to American oil companies. American citizens will appreciate this, as lower energy prices are a declared goal of the new strategy.

The report also sees a reversal of the strategy of recent decades for Europe. It must be interpreted as a veritable divorce decree. The suggestion that Europe will have to take care of its own security in future is likely to have serious consequences. This jeopardises not only Europe's conventional defence capabilities, but also its nuclear defence capabilities. Enormous efforts will be required in the coming decades to restore Europe's sovereignty.

Another change in strategy is likely to lead to conflicts of interest with Europe, namely the rejection of international agreements and the simultaneous emphasis on national ideas. [4]

He explicitly believes that Europe is on the wrong track[5] when he states that the EU's integration process is hindering the development of nations.[6] He also explains what the US wants: namely, a departure from the current path.[7] Or, as Andreas Bernath puts it: "Trump's USA therefore wants to support like-minded people in Europe.

In plain language: anti-pluralist right-wing parties and illiberal democracies such as Hungary.[8] Furthermore, Europe must not lean on hostile states in order not to jeopardise the security interests of the US. This refers to China, on which Congress produced another report in November, describing China as the greatest challenger to the US.

At present, it is difficult to predict where Trump's power rush might end. Given the power imbalance between the US and most other countries, there are virtually no limits to asymmetric deals. Territorial claims against several neighbouring countries are already being considered. Economists also doubt that tariffs can permanently eliminate the US trade deficit. The government also has considerable leverage over asset transfers due to its extremely high level of debt. Debt restructuring could be considered essential for national security. This is even more so as the countries with trade surpluses could be held responsible for the high level of US foreign debt.

How the international community will react to this abuse of power is completely open. Now, everyone seems to be blocked. As in most cases where force is used, there is an icy silence for the time being. Everyone is cowering before the perpetrator of violence, as resistance would only

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[1] "We stand *for* the sovereign rights of nations, *against* the sovereignty-sapping incursions of the most intrusive transnational organizations…(Sicherheitsbericht, S. 9)

[1] Although they (the authors, ed.) do not name any states that could threaten America, the authors focus on a hostile ideology. Not on Chinese communism, not on Russian autocracyor Islamic extremism, but on European liberal democracy. That is what this radical faction really fears: people who talk about transparency, accountability, civil rights and the rule of law. (Anna Appelbaum, NZZ, 5 Jan. 2026, p.19)

[1] "The larger issues facing Europe include activities of the European Union and other transnational bodies that undermine political liberty and sovereignty, migration policies that are transforming the continent and creating strife, censorship of free speech and suppression of political opposition, cratering birthrates, and loss of national identities and self-confidence." (Sicherheitsbericht, S.25)

1 "Our goal should be to help Europe correct its current trajectory. We will need a strong Europe … to prevent any adversary from dominating Europe." (Sicherheitsbericht, S.26)

[1] Andreas Bernath, NZZaS, 7. Dez. 2025, S. 22

provoke further blows. Sooner or later, the affected countries will have to pull themselves together and put an end to this behaviour, which is damaging to prosperity. Initially, this will probably take the form of moral disapproval, followed in a second phase by collective action on security and economic policy. The EU, at least, has a responsibility in this regard. The first test could come if Trump were to annex European territory.

However, the dangers lie in monetary policy. Since Trump accepts neither constitutional rules nor institutional rules of good governance, we must also assume that he has no time for the intellectual concept of ‘central bank independence’. We must therefore assume that Powell's successor will be a loyal Trump supporter who will read the president's wishes from his lips. And these have long been known: namely, lower interest rates. Together with expansionary fiscal policy, this could result in a dangerous cocktail.

However, the questionable trends in democracy and foreign policy are offset by economic policy issues that are of considerable importance for investment policy.

Firstly, Trump has shown on several occasions that he always bases his decisions on the performance of the stock market. For example, he justified his second run for the presidency with the strong performance of the US stock market, among other things. He also immediately reversed the tariff bombshell of April last year after investors caused global share prices to plummet by around 20%. We therefore assume that he will do everything in his power to offset any stock market losses.

Secondly, the government has passed a fiscal package that provides significant relief for companies and increases their chances of profit accordingly. The tariffs imposed on imported goods also increase the pricing flexibility for domestic suppliers. This will result in price and margin increases. Thirdly, the abandonment of the energy transition has triggered a boom in fossil fuel and nuclear production facilities and caused energy prices to fall sharply. This has significantly improved the competitiveness of domestic industry. This step has abruptly reversed a decade-long struggle to internalise external costs (illness and environmental damage) into the market economy system.

Fourthly, many authorities will only be able to carry out their supervisory and control activities to a limited extent due to a lack of personnel and reduced powers. This creates scope for entrepreneurial activity but also means more responsibility and risks for consumers and employees. Fifthly, this government does not think much of market competition. Companies now have greater freedom to set up monopolistic structures and cartels. Large corporations are even promoted by the government because they are able to skim monopoly rents abroad as well. Foreign countries that attempt to regulate such structures on their territory are even threatened with sanctions.

These same companies also have the administration's full support in developing their artificial intelligence (AI) strategy, whether it be for the procurement of land, energy, interconnection agreements or licences.

Overall, it can be said that this administration is largely putting the government apparatus at the service of companies.

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[1] U.S.-China Economic and Security Review Commission: 2025 Report to Congress, Nov. 2025 (China-Review)
[1] “Taken together, these actions form a coordinated strategy to prepare China for the possibility of potential conflict while steadily seeking to erode U.S. deterrence and the resilience of allied security networks” (China-Review, S.19)
[1] Economists are therefore right to talk about a Trump put.

Many of these profit opportunities have been reflected in the valuation of American stocks over the past year. They are now significantly higher valued than companies in other regions. However, there is no reason to take them more seriously, as the risks of a political setback for Trump's strategy in the November midterm elections cannot be underestimated.

For Europe and the rest of the world, the Americans' shift from the international legal order to a power-oriented order means that they will all have to spend a lot of money to regain their sovereignty.

This will lead to large government investment programmes, which will further increase the already high levels of debt in most countries. This does not bode well for bonds in the medium term. As rising inflation rates and interest rates are to be expected in such phases, nominal values such as bank deposits and bonds lose value. We are not there yet, but it is advisable to prepare for this in good time. On the other hand, we are reducing US bonds from neutral to slightly underweight. This is to consider the risk that the US will not fully repay the holders of its government securities.

In addition, the geopolitical paradigm shift also calls for caution in asset allocation. Since smaller countries are less able to defend themselves, they are also more susceptible to blackmail. This makes broad diversification of equity assets even more important. Too many portfolios are still invested too heavily in the domestic market. This needs to be corrected.

What we cannot alleviate with these material precautions is the pain caused by the loss of a good friend who has abandoned the shared ideals of democracy, freedom, human rights and state sovereignty and replaced them with brute force.

However, we must not simply accept this. It deserves a powerful moral outcry, as the central banks have forcefully demonstrated.

So much for the broad outlines.

The details of asset allocation can be found in the following table. You can obtain the detailed documentation underlying the decision-making process from your adviser.

With kind regards,

Prof. Dr Josef Marbacher

Investment Strategy 1st Quater 2026

Meeting of the investment advisory commitee 18.12.2025

		Investment strategy							
	Asset class	**Income**	+/-	**Balanced**	+/-	**Growth**	+/-	**Capital gain**	+/-
Defensiv	Liquidity	8%	0%	7%	0%	5%	0%	5%	0%
Defensiv	Fixed income Incl. Bond Funds	60%	0%	35%	0%	15%	0%	0%	0%
Offensiv	Stocks Incl. Stock Funds + ETF	25%	0%	50%	0%	70%	0%	85%	0%
Offensiv	Others Real Estates, Commodities, Gold, Structure Products, Alternatives	7%	0%	8%	0%	10%	0%	10%	0%
		100%		100%		100%		100%	

Additional parameters

Reference currency CHF

Currency allocation

CHF	min.	50 %
EUR	max.	20 %
USD	max.	20 %
GBP	max.	15 %
Other	max.	20 %
	(max 10 % per currency)	

Variations +/- 5 % are possible for the various investment categories.

The global economy is likely to grow moderately over the next two years. Regional growth will be more heterogeneous. Momentum in the US and China could slow, while the eurozone and Switzerland could see a recovery. Inflation prospects also vary. In Europe, the inflation rate is likely to remain low. In contrast, inflation in the US could rise in 2026 and remain at elevated levels.

Swiss equities remain attractively valued, even compared to CHF bonds. Earnings expectations are realistic. We also see good investment opportunities in Europe, as we do in equities.

In our view, the Swiss franc will continue to appreciate, as the US government's influence on the Federal Reserve will also increase and, in addition to high US inflation, could lead to further dollar weakness.

In this environment, real assets such as certain equities (dividend stocks), real estate and commodities are more sought after. It will also be worthwhile to remain broadly invested in 2026.