



FERI CIO Office

Annual Outlook 2026

Politics drives markets:
Leveraging opportunities
and minimizing risks

As of November 2025



We wish you
a successful investment year in 2026...



Dr. Marcel V. Lähn
Member of the Board & CIO

...with our
Multi Asset Expertise!



Inhalt

Scenario 2026: Executive summary	5
A. Global Outlook	
Politics drives markets: What the move to an new world order means for the capital market environment	6
1. Transitioning to a multipolar world order	6
2. Asset Allocation: Resilience through diversification and scenario-based thinking	8
3. Sustainability: Impact Investing gains importance	10
B. Our Outlook for individual Asset Classes	11
1. Cash & Currencies: Sustained Dollar weakness	12
2. Equities: Artificial Intelligence as both catalyst and risk	13
3. Bonds: Anchor of stability in the portfolio, only limited driver of returns	15
4. Commodities & Precious Metals: Environmental transformation and loss of confidence as drivers	16
5. Private Markets: Promising subsegments in a complex investment environment	18
6. Hedge Funds: Attractive environment for trend-following, arbitrage and sector strategies	20
7. Digital Assets: The unstoppable blockchain revolution – disruption in progress	21
8. Volatility: Contradictory environment offers opportunities	23
9. Real Estate: Optimistic mood as market bottoms out	24
Opportunities and Risks:	
Factors we will pay particular attention to in 2026	26



Scenario 2026: Executive summary

Key theses for 2026

Implications for investors

Global outlook: “Economic nationalism” as a strategic factor; monetary and fiscal easing; US inflation as key variable



Diversified multi-asset approach and scenario-based thinking as key to success; growing importance of other valuation metrics (key word: resilience)

1. Cash & Currencies:
Sustained Dollar weakness



Dollar weakness as a non-linear process, active currency management essential; only moderate yen appreciation realistic given hesitant central bank

2. Equities: Artificial Intelligence as both catalyst and risk



US as core element on the equities side (strength in innovation), but high valuations bring risks as the year progresses; EmMa/China attractive: especially tech segment with acceptable valuations

3. Bonds: Anchor of stability in the portfolio, only limited driver of returns



Monetary policy easing induces steeper yield curves; long duration only sometimes attractive given inflation risks and high issue volumes; opportunities in EmMa debt

4. Commodities & Precious Metals: Environmental transformation and loss of confidence as drivers



Compelling case for industrial metals; sound strategic prospects for gold/precious metals; crude oil as an attractively valued geopolitical hedge, but oversupply risks dominate in 2026

5. Private Markets: Promising subsegments in a complex investment environment



Infrastructure: numerous megatrends require large-scale investment; Private Debt: opportunistic segments with attractive prospects; Private Equity: more selectivity, focus on operational value creation strategies

6. Hedge Funds: Attractive environment for trend-following, arbitrage and sector strategies



Constructive market backdrop continues; a partial rotation in leadership seems likely; remains a key portfolio diversifier

7. Digital Assets: The unstoppable blockchain revolution – disruption in progress



Bitcoin: Rising demand amid broader adoption and market maturity; altcoins: real-world use cases as key differentiator; stablecoins: growing importance within the digital asset ecosystem

8. Volatility: Contradictory environment offers opportunities



Important source of diversification; political uncertainty creating attractive volatility risk premium

9. Real Estate: Optimistic mood as market bottoms out



Residential: opportunities in existing properties with sound energy efficiency standards; commercial: selective approach advisable, favor core properties in attractive locations

A. Global Outlook

Politics drives markets: What the move to an new world order means for the capital market environment

1. Transitioning to a multipolar world order

Trump's second term in office as US president marks the **definitive end of the rules-based world order**, led and guaranteed by the United States, that shaped the postwar era. We now find ourselves in **transition to a new multipolar world order**. While its exact shape remains unclear, it is already triggering a series of fundamental changes.

One of the most significant changes for the capital market environment is the emergence of what could best be described as **"economic nationalism"**: the tendency for economic and trade policy in the multipolar world order to serve as a means of imposing and defending national interests and goals, even when this entails confrontation with other countries and regions. This forces businesses to submit to the primacy of political decision making and adjust their strategies and business models accordingly. Corporate decisions are thus no longer guided chiefly by efficiency considerations but must also explicitly account for the need for resilience to exogenous (e.g., political) shocks.

The most visible expression of this was the tariff regime initiated by the US president in 2025, which resulted in the largest average **increase in US import tariffs** for more than a century, from less than 3% in 2024 to around 11% now. The world economy, and especially the US economy, have so far proven surprisingly robust in the face of this shock. Nevertheless, we expect the effects predicted by trade theory to become more noticeable over time. This implies generally rising import prices in the US, pressure on the prices of foreign exporters, declining real trade volume and ultimately a loss of real income around the world. This does not necessarily have to lead to a global recession, and in our view, it will not. However, we expect **global growth momentum to slow in 2026** compared with 2025.

The fact that a greater slowdown can be avoided owes to a **set of positive factors underpinning growth**: In most countries,

inflation is under control and within the central banks' target ranges. This creates scope for a more expansionary monetary policy stance. In many cases, additional stimulus is also likely to come from fiscal policy, even though generally high levels of government debt remain a concern. Positive effects are also stemming from the massive investments in artificial intelligence, which have already contributed noticeably to maintaining solid growth rates in the United States in 2025.

Alongside tariff effects and investments in technology, the **reshaping of American institutions** will remain an important factor for the capital market environment. The trend toward an autocratic form of government will continue. In 2026, the focus is likely to be on finally gaining political influence over the Federal Reserve's (Fed) monetary policy. Upcoming changes to the Fed's Board of Governors provide an opportunity for this. As an institution, the Fed's stability over the decades has been fundamental to the country's economic success. The extent to which the US government will achieve its aim remains unclear. However, the trend of **declining trust in the reliability and predictability of US policy** is likely to continue.

Within this global context, **diverging regional drivers** will bring significantly different outcomes for the capital market environment in individual countries and regions again in 2026, as they did in 2025.

In the **United States**, AI-related capital expenditure will likely remain a substantial driver of investment growth. US taxpayers are expected to receive tax refunds of more than 100 billion US dollars in the first half of the year, offsetting the cooling labor market and help sustain **overall robust aggregate demand**. An acceleration in US growth appears possible in the first half of the year. The **continuation of the Fed's rate-cutting cycle** will also have a positive effect. We expect the Fed to fully exploit its scope to reach a neutral interest rate of around 3%.

Inflation poses particular **risks** to the continuation of a positive environment later in the year: The higher import tariffs will result in the inflation rate continuing to exceed the Fed's target. Amid strong macroeconomic demand, we see limited prospect of inflation nearing the 2% level on its own. That could lead the Fed to keep monetary policy restrictive, disappointing the prevailing expectations and dampening aggregate demand. Alternatively, it could result in the economy overheating and driving up inflation further, potentially forcing the Fed to hike rates again. We see a somewhat higher probability for the second scenario, which would have greater downside effects on the economy overall. All in all, the picture described is one of high complexity. The uncertainty surrounding the Fed's monetary-policy independence adds an additional complicating factor.

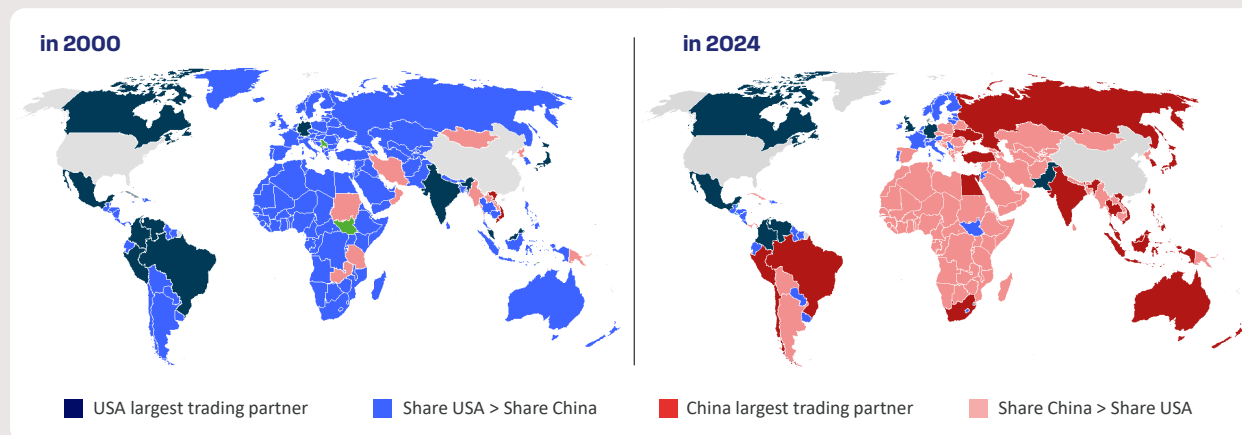
In **Europe**, overall growth momentum remained weak again in 2025. Positive factors are the fall in inflation to 2% and the ECB cutting interest rates to a neutral level. **Growth momentum is set to improve** compared with 2025, driven by higher defense spending prompted by the changed security architecture. In Germany, rising infrastructure investment financed through a substantial increase in borrowing will provide additional support. A **sustainable upturn**, however, continues to require a **fundamental realignment of European economic policy**. Experiences to date are reason-

able for skepticism, that this will be achieved. The result would be that Europe continues to lose ground in global competition. In this case, potential growth would remain weak. The high levels of public debt in most countries (apart from Germany) entail the risk of renewed crises and further political fragmentation.

In **China**, the severe property-market crisis has not yet been overcome, and the anticipated additional fiscal stimulus to boost domestic demand has yet to materialize. Moreover, exports have lost their function as growth driver. A **slowdown in growth momentum in 2026** is therefore the most likely scenario, unless the political leadership decides to take more far-reaching measures than it has so far. The aggressive expansion of AI infrastructure and targeted support for certain industries are positive.

The **Emerging Markets** are suffering from the impact of Trump's tariff policy and from weak demand in China. Relatively fragile growth momentum, moderate inflation in most countries, and stable currencies continue to offer considerable scope for central bank interest rate cuts. We hold a positive view on the significant improvement in financing conditions and see the possibility of a new economic upswing emerging.

Trade with USA and China

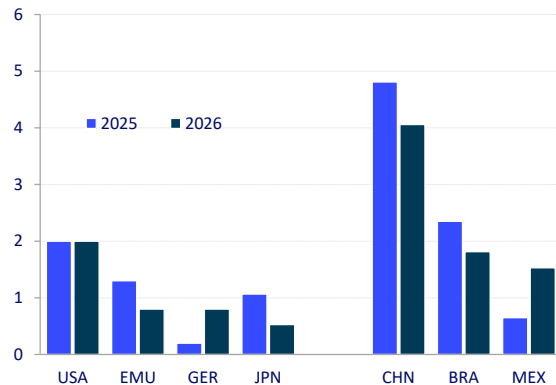


Source: FERI

U.S. trade policy leads to reduced global growth momentum | Positive fiscal impulse in Germany

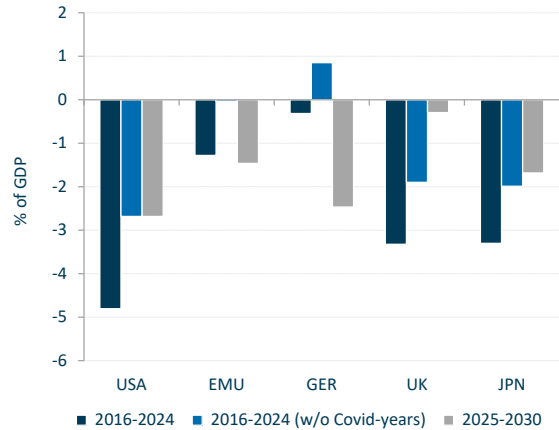
GDP: Selected Countries

- real GDP growth, year over year in % -



Primary Budget Balance by Country

- annual -

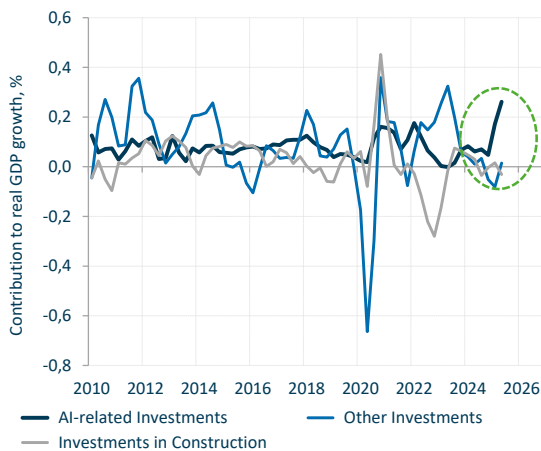


Source: FERl, Haver Analytics, Congressional Budget Office, IWF

AI investments as a key growth driver | Persistent inflation risk amid solid economic momentum

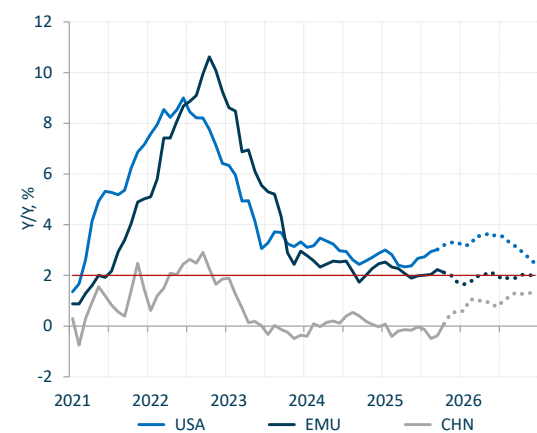
USA: AI-related Investments

- quarterly, 2-quarter moving average -



Inflation Rates

- monthly -



Source: FERl, Haver Analytics

2. Asset Allocation: Resilience through diversification and scenario-based thinking

The transition to a multipolar world order has considerable implications for asset allocation.

Firstly, there is the potential for geopolitical power shifts, combined with a current American administration whose policies focus solely on US interests, to bring an end to US exceptionalism in the investment market. We see no immediate threat of this, however, since the United States will

remain an engine of innovation, particularly with its strong position in AI. Despite the already visible loss of confidence in the reliability of U.S. policy in 2025, we assume for now that the U.S. dollar will maintain its dominant role in the global financial system and that U.S. Treasuries will continue to serve as a safe haven. The stability promised by these Treasuries will come under pressure, however, as debt continues to rise. Of even greater practical relevance is the possibility

that the US dollar could lose its status as a reserve currency in the long run. Further declines in the value of the U.S. dollar are both possible and likely in the coming years. Global investors need to take this into account and hedge against negative performance contributions from currency effects.

Secondly, there are clear differences in companies' abilities to adapt to changing political circumstances. While global companies face the risk of breakdowns in previously intact supply chains, this is less relevant for firms whose operations are mainly national or local. This creates an opportunity to identify key trends along with potential winners and losers and to pick assets accordingly.

All in all, investors remain confronted by very mixed developments in the key regions of the world economy. This will give rise to generally increased uncertainty and potentially shorter cycles in both the real economy and capital markets, resulting in fast-changing risk-return profiles. Investors are therefore well advised to implement a broadly diversified multi-asset strategy that intelligently combines different investment segments and return drivers, complemented by a certain flexible exposure management. This offers the opportunity to optimize expected risk and returns. Expanding the investment universe – by including private markets, hedge funds, volatility strategies, digital assets and real assets such as commodities and precious metals – can ensure portfolio stability and resilience.

We will pay close attention in 2026 to the consequences of continued disruptive policy in the United States and particularly to the threat to the independence of the Federal Reserve. Central banks are in a difficult position, having to balance the fight against inflation with the need to accommodate high levels of public debt, and may even consider the use of financial repression. In addition, a political dimension is emerging – either through fiscal dominance or direct political interference.

The further rise in debt levels around the world is also likely to draw increasing attention from investors, adding to the underlying pressure on the financial system. This could further erode confidence in established currencies – fertile ground for “debasement trades” that boost precious metals and digital assets.

In 2026, investors will once again require a sophisticated multi-asset portfolio to reflect the complex capital market environment. They will need to respond to changing scenarios and pay close attention to geopolitical developments. In essence, the structural factors outlined above call for maintaining a real-asset-oriented asset allocation focused on resilience and active risk management. Scenario-based thinking will remain essential in 2026.

Performance of Asset Classes over 10-Year Period (2016-2025 YTD) | Performance in EUR

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
131,2% Digital Assets	2390,7% Digital Assets	11,9% Volatility	45,4% Private Markets	210,5% Digital Assets	161,4% Digital Assets	26,0% Commodities & Precious Metals	101,1% Digital Assets	109,6% Digital Assets	17,6% Commodities & Precious Metals
14,9% Commodities & Precious Metals	10,1% Private Markets	0,4% Bonds	42,2% Digital Assets	15,2% Volatility	62,9% Private Markets	1,9% Hedge Funds	38,4% Private Markets	32,8% Private Markets	9,0% Equities
12,0% Private Markets	8,9% Equities	0,3% Commodities & Precious Metals	28,9% Equities	6,7% Equities	38,3% Commodities & Precious Metals	0,0% Cash & Currencies	18,7% Equities	25,9% Equities	6,2% Real Estate
11,1% Equities	0,7% Bonds	-0,3% Real Estate	23,1% Real Estate	4,0% Bonds	30,5% Real Estate	-1,6% Volatility	7,2% Bonds	19,3% Volatility	1,8% Cash & Currencies
9,2% Real Estate	-0,3% Cash & Currencies	-0,4% Cash & Currencies	10,6% Hedge Funds	1,5% Private Markets	27,5% Equities	-13,0% Equities	3,3% Real Estate	12,4% Commodities & Precious Metals	1,8% Bonds
5,6% Hedge Funds	-1,7% Real Estate	-2,0% Hedge Funds	9,5% Volatility	-0,5% Cash & Currencies	18,5% Volatility	-17,2% Bonds	3,1% Cash & Currencies	12,3% Hedge Funds	-1,2% Volatility
3,3% Bonds	-6,9% Hedge Funds	-4,8% Equities	6,0% Bonds	-2,0% Hedge Funds	11,5% Hedge Funds	-17,3% Real Estate	-0,4% Hedge Funds	5,8% Real Estate	-3,5% Digital Assets
3,0% Volatility	-12,3% Commodities & Precious Metals	-9,7% Private Markets	3,2% Commodities & Precious Metals	-12,6% Commodities & Precious Metals	-0,5% Cash & Currencies	-26,6% Private Markets	-9,3% Volatility	3,6% Cash & Currencies	-4,5% Hedge Funds
-0,3% Cash & Currencies	-20,1% Volatility	-79,9% Digital Assets	-0,4% Cash & Currencies	-16,8% Real Estate	-2,9% Bonds	-63,3% Digital Assets	-10,4% Commodities & Precious Metals	2,6% Bonds	-12,0% Private Markets

The performance of various asset classes highlights the importance of active multi-asset management

Color scheme of asset classes aligned with the FERI Multi Asset Cube | Performance before fees, currency: Euro | Equities: MSCI ACWI Gross Total Return | Bonds: Bloomberg Euro Aggregate Total Return | Real Estate: Custom Benchmark-Index | Commodities & Precious Metals: Bloomberg Commodity Index & Gold price | Hedge Funds: HFRX Total Return | Volatility: Custom Benchmark-Index | Private Markets: LPX 50 | Cash & Currencies: Euro Short Term Rate | Digital Assets: Digital Assets 100 Index | Source: FERI, As of: October 31, 2025

3. Sustainability: Impact Investing gains importance

It became clear in 2025 that sustainable finance is now firmly established in capital markets, but also that it exists in a tension between the pressures of economic transformation, political upheaval and social expectations. Rather than growing on a linear path, the importance of sustainable investing varies significantly in response to geopolitical and economic crises. In the United States, Trump's return to the presidency resulted in a renewed exit from the Paris Agreement and the scaling back or discontinuation of elements of the previous ESG strategy. This triggered substantial uncertainty for investors and businesses.

Nevertheless, investments in sustainable financial products, particularly ESG funds and green bonds, continued to rise around the world. Awareness of long-term environmental and social impact is growing particularly among professional asset owners. Countries continue to work toward the global obligations under the Paris Agreement, though some are revising national taxonomies and delaying the application of binding rules.

Climate policy remains central: As a result of extreme weather events and the costs of the transition, the issue of sustainability and the demand for transparent and effective financial solutions will continue to gain momentum. Both the ECB and the EU regard the challenge of averting the physical risks of climate change as a high priority for the whole economy. Across Europe, regulatory frameworks and corporate disclosure requirements are being tightened, while new standards such as those of the ISSB are gaining international adoption.

We see the following key trends for 2026:

- **Future-oriented and sustainable investing** will be driven less by voluntary initiatives and instead by binding rules, real proof of impact and technology-driven innovations.
- **Technology-based solutions:** The rapid growth of AI and digital services requires sustainable solutions to meet the high energy demand. At the same time, digitalization, AI and blockchain technology will be used to improve monitoring, transparency and efficiency in sustainable business models.
- **Sustainable Bonds and Fixed-Income Investments:** Issuance of green bonds and other sustainable financial products will grow further, offering defensive stability and direct climate impact.
- **Impact Investing & Biodiversity:** Investments in nature-based solutions, biodiversity projects and the circular economy will become ever more important. Investors will benefit from a transformation in which the focus is not only on reducing CO₂ but also on positively impacting ecosystems.
- **Risk and Resilience Management:** A clear integration of climate risks, political factors and financial KPIs (particularly in stress-tested portfolios) is essential.

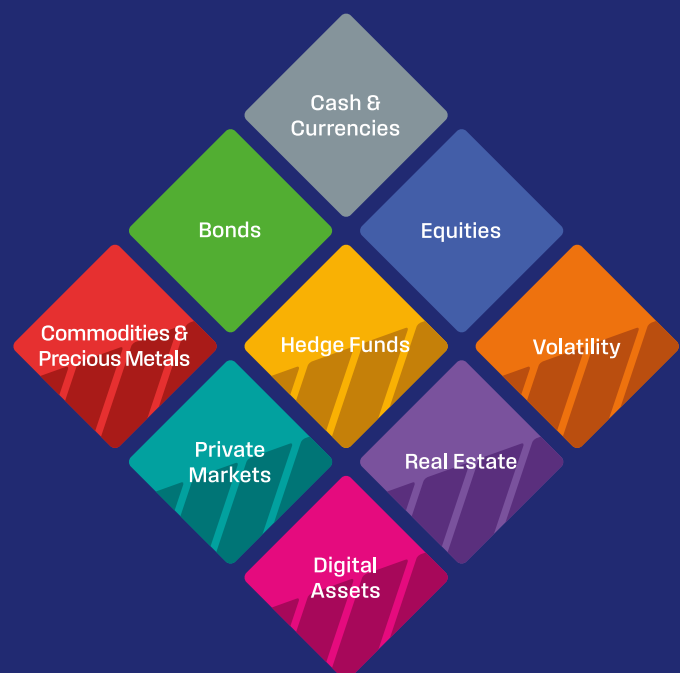
In the future, investors must incorporate geopolitical tensions, regulatory shocks and climate damage into their investment strategies. At the same time, the intergenerational transfer of wealth is increasing interest in credible sustainability and impact solutions and will continue to drive growth in the market for impact-oriented investments.

Impact Investing: Assets under Management - annual, projections from 2025 onward -



Source: FERl, Grand View Research

B. Our Outlook for individual Asset Classes



1. Cash & Currencies: Sustained Dollar weakness

As part of an active multi-asset strategy, holding cash positions is generally a sensible move during periods of heightened uncertainty or volatility. This enables a fast and flexible response to changing circumstances and emerging opportunities. Given the complexity of the various factors affecting the economy and financial markets, we regard such periods as highly probable in 2026.

Euro-Dollar exchange rate

The US dollar will retain its dominant role in global trade and financial relations for the time being, if only for the lack of real alternatives. The U.S. government's disruptive and at times erratic policies – marked by a strict focus on national interests and disregard for the overarching principles of the international order – could trigger capital flight from the United States. This, in turn, would put pressure on the U.S. dollar. The dollar already experienced a broad depreciation in 2025 and fell by more than 10% against the euro.

The same features of US policy will continue to shape the picture in 2026. Further depreciation of the US dollar against the euro is therefore the most likely scenario. This is reinforced by the fact that the dollar remains significantly overvalued in terms of purchasing power parity and that a weaker dollar is also favored by fundamental factors such as the persistently high budget deficit and a higher inflation rate vis-à-vis the eurozone. On top of this is the political desire for the dollar to weaken.

On the other hand, the US-EU tariff regime agreed in August 2025 is likely to at least temporarily reduce the US balance of payments deficit against the EU, which will tend to provide support for the dollar. The Fed opting for fewer rate cuts than the markets currently expect, or the ECB cutting its key interest rate again, would also strengthen the dollar against the

euro. Temporary reversals within the broader trend of ongoing dollar depreciation may therefore occur repeatedly.

In short, investors should expect dollar depreciation in 2026 and beyond and strategically reduce their U.S. dollar exposures. At tactical level, however, this depreciation is likely to unfold in cycles and sudden swings. Active currency management will therefore remain essential in 2026.

Other Currencies

The Japanese yen has long been clearly undervalued against the euro. However, expectations of a trend reversal and yen appreciation have not yet materialized. This mainly reflects the Bank of Japan's cautious approach to normalizing monetary policy, still highly expansionary at present. For its part, the central bank is constrained by Japan's very high debt level. There are still fundamental arguments for the yen to gain ground against the euro. However, we expect at most a moderate appreciation trend in 2026.

The Swiss franc remains in demand as a safe haven given global uncertainty and geopolitical tensions. However, the weaker growth outlook due to US tariff policy is likely to slow its upward trend. Overall, we expect the franc to depreciate slightly against the euro in the course of 2026.

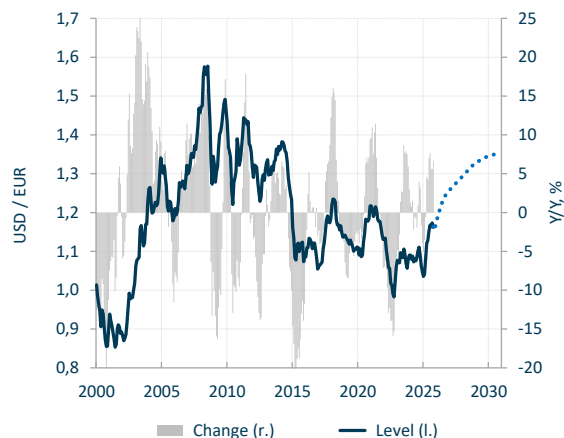
Falling inflation and the resulting opportunity for the Bank of England to further cut interest rates could lead sterling to fall against the euro, especially since markets have so far priced in only moderate BoE rate cuts and the British economy finds itself in a difficult position.

The further lowering of interest rates, along with China's structurally weak growth and deflationary tendencies, will weigh on the yuan against the euro.

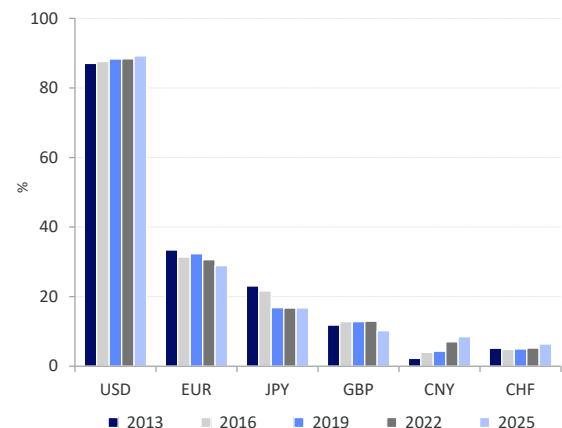
Dollar weakness to persist in 2026 |

The U.S. dollar's dominance in global currency markets endures for the time being

USD / EUR
- monthly -



Share of Global FX Transactions by Currencies
- annual -



Source: FERI, Haver Analytics, Bank for International Settlements

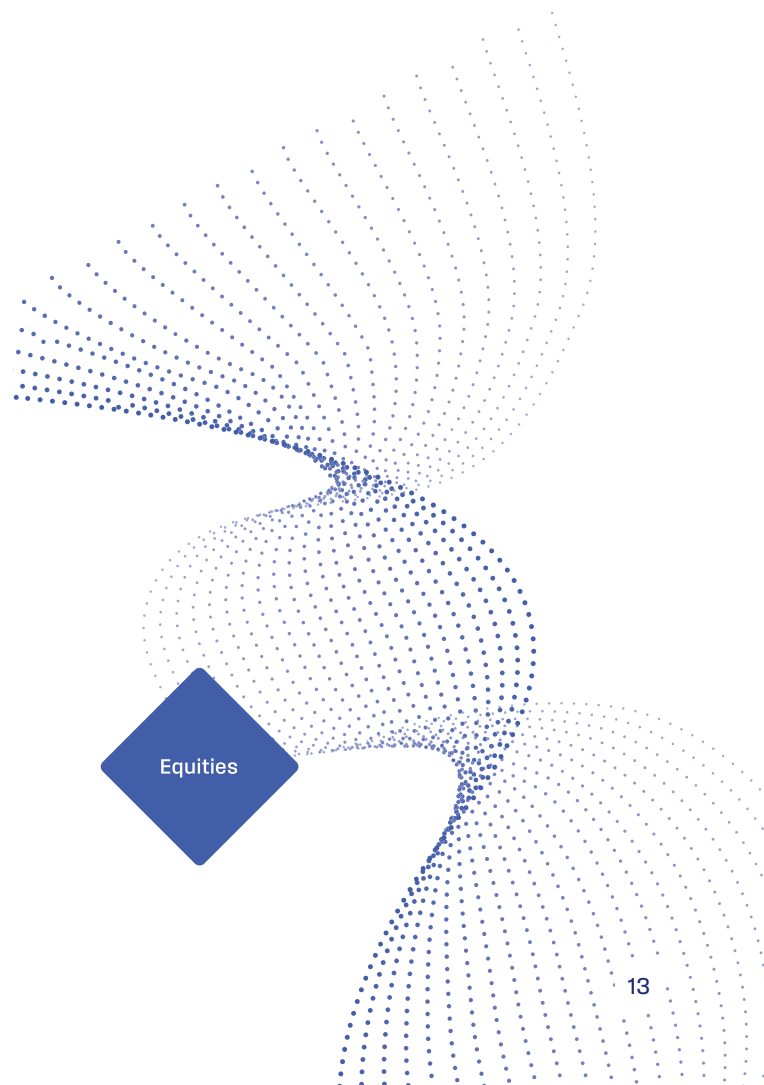
2. Equities: Artificial Intelligence as both catalyst and risk

Propelled by robust corporate profits and global policy rate cuts, the stock markets quickly overcame the turmoil of “Liberation Day” and recorded appreciable gains in 2025. US technology stocks and the AI boom were once again the main drivers of the positive market trend.

The market environment for equities will initially remain positive in 2026. While significantly higher tariffs will act as a drag on the global economy, these will be offset by the positive effects of fiscal stimulus and further interest rate cuts. The inflation trend in the US poses the risk that interest rate hikes or disappointment in the Fed’s monetary policy could cloud the market outlook.

Progress in the adoption of AI applications and the resulting profit expectations for technology companies will remain an important driver for equity markets in 2026. The AI boom is likely to act as both a positive market driver and a risk factor – making the stock market environment correspondingly complex. Sound fundamentals in the form of dynamic profit growth are colliding with very high and increasingly speculative valuations. On top of this, an opportunistic “financial engineering” is currently manifesting itself: High stock market valuations are being used to mobilize financial resources for circular deals, in which networks of companies both invest in and buy from one another. This is (artificially) fueling the positive profit momentum, and with it the AI boom itself. Valuations have reached new heights – and markets’ potential downside has grown accordingly. Historical experiences of new key technologies indicate that temporary setbacks

are to be expected, which could, at least for a time, put stock markets under pressure and generate significantly higher volatility. Given the underlying fundamental drivers, however, a general collapse of the AI boom is not our baseline scenario.



Investment strategy by region

- **United States:** Despite high valuations, Corporate America remains a core component of any asset allocation thanks to its strength in innovation. Valuation contractions and temporary corrections are possible, however.
- **Europe:** Lasting outperformance requires structural reforms, but consistent implementation of these is lacking. Favorable valuations and stimulus from higher fiscal spending are positive factors.
- **Japan:** Following the strong performance in 2025, the market will start 2026 with a valuation overhang. Continued expansionary fiscal policy and the undervalued yen could have a positive impact.
- **China:** Attractive valuations, strong AI expertise and potential fiscal stimulus point to catch-up potential in 2026. However, government intervention in the private sector remains a structural headwind.
- **Emerging Markets:** Stable inflation and the scope for interest rate cuts are creating a positive environment, further supported by the strategic depreciation of the U.S. dollar.

Investment strategy by sector and style

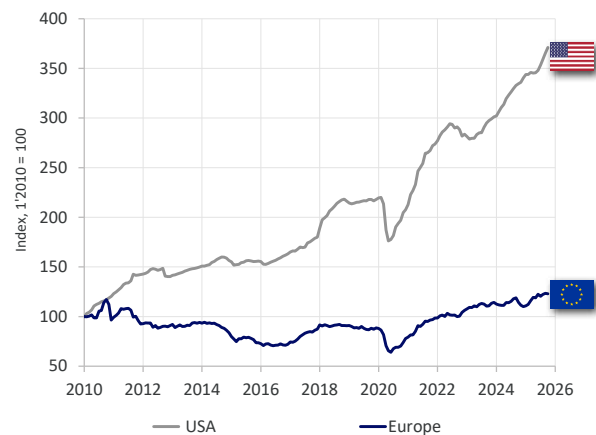
- **Defensives:** Negative effects of the Trump agenda have been priced in (consumer staples and healthcare); outperformance in 2026 appears plausible. Utilities stand to benefit from AI-driven growth in electricity demand.
- **Cyclicals:** Following significant outperformance in 2025, we regard a consolidation phase as plausible in 2026 given the late-cycle global macro environment.
- **Small Caps** as an attractive opportunity: Particularly in Europe, small caps are valued significantly more favorably than large caps when measured against profit expectations. Falling interest rates will improve financing conditions and ease pressure on balance sheets.
- **Growth vs Value:** Growth stocks continue to show relative strength, but valuations are high. Potential phases of disillusionment in the AI segment are likely to result in (temporary) corrections. In our view, the value style will continue to lag (as already seen in 2025), albeit with significantly lower volatility.

Strong earnings momentum offsets high valuations | U.S. as innovation leader and primary AI beneficiary

S&P 500: Price-Earnings-Ratio
- daily -



USA vs. Europe: Earnings Growth Comparison
- monthly, index based on forward earnings -



Source: FERl, MSCI

3. Bonds: Anchor of stability in the portfolio, only limited driver of returns

Bonds remain an anchor of stability in investment portfolios, offering a potential hedge against rising equity market risks while providing positive returns. Long-term yields followed different patterns in 2025: Yields in the United States declined as the year progressed, primarily reflecting the cooling labor market. Meanwhile, the yields on 10-year German sovereign bonds rose, with the market anticipating higher issuance volumes to meet Germany's increased borrowing requirements. The significant rise in US yields after "Liberation Day" also highlighted bond investors' sensitivity to disruptive policy that threatens long-term stability.

For 2026, we expect most central banks to cut their key interest rates. Combined with the partial slowdown expected in the global economy as a delayed impact of import tariffs, this will put downward pressure on yields. Counteracting this, however, will be the continuing sensitivity of market participants to the high and in many cases still rising levels of government debt. Yield curves will therefore continue to steepen, as already observed in 2025. Performance losses are particularly likely at the long end of the yield curve if debt sustainability is called into question. Globally, special attention is being paid to U.S. and French government bonds. Both countries are expected to further increase their government debt from an already very high level.

Targeted selection of individual segments is becoming increasingly important in the bonds asset class, too. With countries and regions differing in status, there are opportunities for regional diversification. Investment themes such as data infrastructure and real estate lending, which are enjoying a long-term tailwind, promise higher returns. Inflation-linked bonds also offer a cost-effective hedge against inflationary shocks.

Sovereign Bonds

Opportunities for positive performance contributions come primarily from short-term sovereign bonds. At the longer end of the maturity spectrum, we see opportunities in emerging market sovereign bonds. In the United States, the materialization of economic risks could push yields down and thus enable bond prices to rise. However, this must be set against the negative impact of a renewed rise in inflation rates and the further growth in US government debt, as well as the considerable exchange rate risks surrounding the US dollar. In Europe, too, high and in various countries still rising debt levels will tend to push yields upward. The situation in France deserves particular attention: While the country's political crisis and inability to curb its growing debt burden have so far been seen as a specifically French problem, any escalation could have significant repercussions on the eurozone as a whole.

Bonds

Long-standing downtrend in interest rates has ended

GER: 10-Year Government Bond Yield
- monthly -



Source: FERI, Haver Analytics

Past performance is not a reliable indicator of future performance.

Corporate Bonds

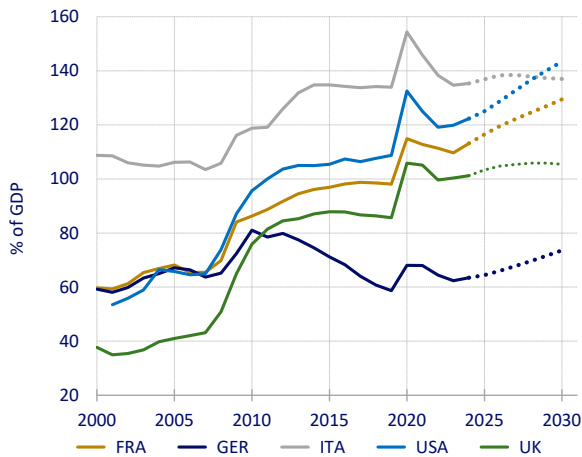
While absolute yields on corporate bonds appear attractive, the narrow spreads versus government bonds entail risks in the event of a deterioration in the economic outlook. Bonds with low credit ratings should therefore be underweighted.

Within the investment-grade segment, attractive yields provide a cushion against potential spread widening, particularly as the balance-sheet quality of many issuers appears stronger than that of some (highly indebted) governments. This segment therefore warrants an active allocation. If signs of a new economic upswing become more evident over the course of the year, improved valuation levels will offer attractive opportunities to add exposure.

Yield curve steepening to continue amid rising government debt levels

Government Debt by Countries

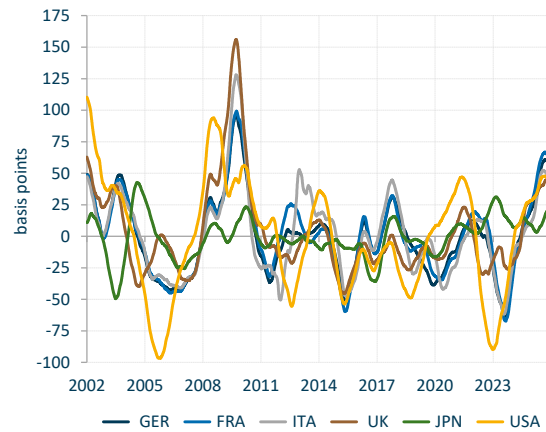
- annual, IMF forecasts -



Yield Curves of Global Government Bonds

(30-Year - 2-Year)

- daily, deviation from long-term average over 250 days -



Source: FERl, Haver Analytics, IWF

4. Commodities & Precious Metals: Environmental transformation and loss of confidence as drivers

Commodities

The crude oil price came under pressure again in 2025. Geopolitical risks were only periodically in the market spotlight, while global demand was generally sluggish given the late-cycle environment and, in particular, the persistent weakness in China. At the same time, the OPEC+ members, led by Saudi Arabia, expanded their output several times over the course of the year, intensifying the price war within the cartel. Given the slowdown we expect in global growth momentum, the balance of supply and demand is unlikely

to put much upward pressure on prices in 2026. In the long term, the expansion of renewable energy sources and, in particular, the electrification of transport will limit demand prospects. This notwithstanding, crude oil prices at the current level look attractive from a valuation perspective. Maintaining a moderate weighting of this commodity in the portfolio therefore makes sense as an attractively valued geopolitical hedge.

Industrial metals performed significantly better in 2025, despite strong volatility at times due to the tariffs imposed on certain metals by the Trump administration. This commodity category held its ground overall and defied the slowing growth momentum and real estate crisis in China. Supply for many industrial metals is significantly tighter than for crude oil. Structural demand for commodities such as copper,

Commodities &
Precious Metals

nickel, chromium, zinc and aluminum is rising continuously, driven by the green economic transformation and global trend toward e-mobility. Developing new extraction sites is a protracted process, and we therefore do not expect supply to keep pace with demand in the coming years. Against this backdrop, the fundamental price pressure in this segment will remain, making industrial metals an attractive investment case in 2026 and beyond.

Precious Metals

Gold prices soared further in 2025 and regularly hit new all-time highs. Gold is currently seeing its sharpest price increase of the last 45 years and may further decouple from traditional price factors (especially real interest rates). Other precious metals have also benefited from gold's rise and seen their own prices increase sharply over the year.

The key driver behind the gold rally is the visible attempt by many investors and central banks, especially in emerging markets, to reduce dependence on the US dollar as the global reserve currency. This process is gaining fresh momentum from the uncertainty associated with the transition to a new world order. It is further reinforced by waning confidence in the reliability of US policy since Trump's return to office. An increasing number of market participants are questioning the stability and sustainability of the established monetary system – a trend often described as the “debasement trade.”

Market participants' greater sensitivity toward high global debt levels will tend to fuel further increase in the gold price. This will particularly apply in the event of expansionary fiscal policy driving debt ratios higher, which appears the most probable scenario for the coming years in the United States, the eurozone and Japan. We do not expect to see the much-needed consolidation of government finances, however. It is more likely that governments and central banks will opt for structurally higher inflation rates in an attempt to lower the value of government debt, while using financial repression to contain interest costs. Ultimately, a direct (partial) monetization of government debt by the central banks is a realistic outcome. All this provides fertile ground for gold prices to keep growing.

Gold therefore retains its strategic appeal and deserves an active allocation in a diversified multi-asset portfolio. Given the heights that prices have now reached, however, investors should expect temporary pullbacks. Other precious metals – silver, platinum, and palladium – are valued more attractively relative to gold and are likely to see price gains in its slipstream. However, they are significantly less liquid and more sensitive to the economic cycle than gold. Periods of extreme volatility are therefore not uncommon, meaning exposure to this segment should always be accompanied by strict risk management.

Strong structural demand for industrial metals | Oil prices under pressure from severe oversupply

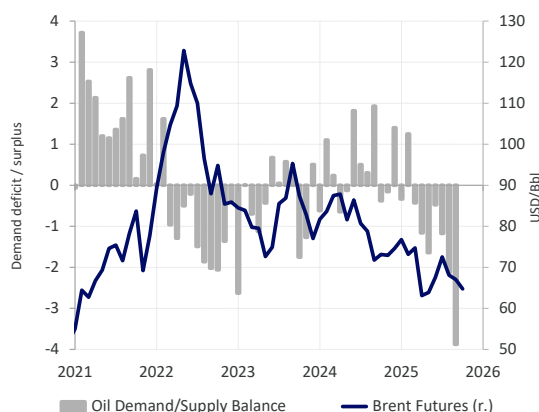
Metals Used in the Energy Sector

Material	Wind	SPV	CSP	Hydro	GT	ES	Nuclear	Coal	Gas	CCS
Aluminium	✓	✓				✓	✓	✓	✓	
Chromium	✓			✓	✓	✓	✓	✓	✓	✓
Cobalt						✓		✓	✓	✓
Copper	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Graphite						✓				
Indium		✓					✓			
Iron	✓					✓				
Lead	✓	✓		✓		✓	✓			
Lithium						✓				
Manganese	✓			✓	✓	✓		✓	✓	✓
Molybdenum	✓	✓		✓	✓		✓	✓	✓	✓
Neodymium	✓									
Nickel	✓	✓		✓	✓	✓	✓	✓	✓	✓
Silver		✓	✓				✓			
Titanium				✓	✓		✓	✓	✓	
Vanadium						✓	✓	✓		
Zinc	✓	✓		✓		✓	✓			

SPV = Solar Photovoltaic Cells; CSP = Concentrated Solar Power; GT = Geothermal; ES = Energy Storage; CCS = Carbon Capture & Storage

Source: FERI, BCA Research

Crude Oil: Demand/Supply Balance vs. Prices - monthly -



5. Private Markets: Promising subsegments in a complex investment environment

The private markets asset class, with its numerous and diverse subsegments, offers suitable investment strategies for almost any – even the most challenging – market environment. But this diversity comes with high complexity. Careful selection and professional due diligence will therefore be crucial to investment success in 2026 as well.

Infrastructure

The globally high investment needs resulting from digitalization, decarbonization, and geopolitical fragmentation continue to drive strong demand for capital and underpin a positive outlook for infrastructure investments. In Europe, extensive government support programs and the continued pressure to modernize critical infrastructure are opening up attractive opportunities. Increasing geopolitical tensions are also creating a need to modernize and adapt infrastructure across the continent. In the United States, fiscal policy measures and industrial reshoring programs are supporting the market environment.

At the sector level, energy and digital infrastructure are seeing especially dynamic growth. Simultaneously, topics of the future such as circular economy, district heating, or smart metering are gaining in importance. Strong demand is still apparent for income-generating strategies in the Core+ segment. Investors are focusing here on more stable valuations in the changing interest rate environment and on protection against inflation risks. The trade policy environment is creating greater regional and sectoral divergence in the market. Managers in the small and mid-market segment have an advantage here over their large-cap counterparts.

Overall, 2026 offers a promising but challenging environment for long-term investors with a clear strategy. Targeted manager selection will be crucial to success.

Private Debt

Acquisition financing with predominantly floating-rate loans offered attractive return prospects in 2025, driven by elevated policy rates and only a moderate decline in risk premiums. For 2026, we expect credit spreads in acquisition financing to stabilize, implying that performance expectations for the asset class will once again be driven primarily by the base rate and, consequently, by central bank policy. If there is only a moderate fall in key interest rates, expected returns will generally remain attractive.

In the segment of opportunistic special-situation or subordinated loans, the after-effects of the interest rate turnaround led to an increase in default rates and loan restructuring in 2025. This is likely to continue in 2026. However, compared with the traditional bond market, private debt managers enjoy considerably greater flexibility. That means they can negotiate the suspension or deferral of interest payments to improve companies' chances of recovery in a crisis. However, this often requires the provision of additional equity capital by the owners. Special situation funds, which are willing to provide capital on more demanding terms to stabilize distressed companies, are another possible source of financing. This creates attractive opportunities for opportunistic private debt investors in 2026.

The weakness of the market for corporate acquisitions in recent years has led to undesired longer holding periods for private equity investors. The resulting exit backlog is set to continue in 2026. This will open up attractive potential for high-yielding fund financing based on the net asset value (NAV) of the fund. NAV loans enable fund managers to unlock liquidity from existing portfolios without having to sell individual companies. They are typically employed in the later stages of a fund cycle to facilitate early distributions or

bridge temporary funding gaps. The substantial size of the private debt market has also facilitated the development of a more liquid secondary market. This offers investors additional diversification options and access to private debt deals at a discount.

Private Equity

Capital raised and transaction activity both showed signs of stabilizing at pre-pandemic levels in 2025, though this was still well short of the record figures from 2021. While interest rate cuts are having a positive effect on sentiment in the M&A market, ongoing trade policy uncertainties continue to act as a drag. After a decade of rising valuations, negotiations are revealing a growing disparity between the price expectations of buyers and sellers (bid-ask spread). “Broken auctions” (when planned sales fail due to a lack of sufficient bids) are occurring more frequently. In this market environ-

ment, restructuring and special situation funds offer the opportunity to invest in distressed companies on attractive terms.

In the buyout segment, small- and mid-market funds are likely to hold the advantage over large-cap funds thanks to lower entry valuations and a broader range of exit options. In addition, managers with a clear focus on operational value creation hold a competitive advantage, as significant valuation gains appear unlikely at current levels.

The secondaries segment - involving the acquisition of fund interests on the secondary market at significant discounts to net asset value – offers attractive investment opportunities in the current challenging environment. It continues to grow in importance as investors seek to capitalize on market dislocations and enhanced return potential.

Europe and the US remain the core of a diversified portfolio

	Europe	USA	Asia / APAC
Infrastructure	 Elevated investment requirements in an increasingly demanding regulatory framework	 Digital and energy sectors show strong demand – with renewables as an exception	 Strong return expectations and elevated deployment needs, yet few compelling opportunities available
Private Debt	 Persistent pullback of traditional bank lenders; intensifying competition is tightening spreads	 Rates remain attractive, though defaults may rise and competition continues to compress spreads	 Direct lending is still a bank-driven market; attractive deal flow concentrated in higher-return strategies
Real Estate	 Modest recovery from a low base; high investment needs in residential real estate	 Gradual market recovery; logistics growth losing momentum; multifamily vacancy rates have increased	 Broader market recovery gaining momentum, with logistics demonstrating particularly strong growth
Private Equity	 High potential for consolidation strategies; regional specialists continue to expand	 Stretched valuations limit upside; small-cap funds benefit from more attractive entry multiples	 Robust economic growth continues to drive performance, though multiple risk factors persist

Source: FERI

6. Hedge Funds: Attractive environment for trend-following, arbitrage and sector strategies

Hedge funds posted above-average performance in 2025 with positive results across all main strategies. Investor interest also grew, driving assets under management to more than 4.2 trillion US dollars. We are optimistic about the hedge fund environment in 2026 and see increasing opportunities for trend-following and arbitrage strategies as well as for sector specialists.

In equity hedge strategies, which saw the strongest returns in 2025, we expect a mixed picture in 2026, with sector specialists likely to hold the advantage. Since the start of monetary policy normalization in 2022, share prices have once again become more responsive to underlying corporate fundamentals. Companies with sustainably profitable business models and positive cash flows have solid growth potential. In contrast, businesses that do not generate sufficient free cash flow find themselves confronted with significantly higher financing costs and corresponding valuation discounts. This growing differentiation creates an attractive environment for sector-focused long/short strategies. Targeted fundamental analysis allows managers to profitably deploy both long and short positions, independent of overall market direction.

We also see promising opportunities in the event-driven segment (i.e. strategies that seek to exploit market inefficiencies around company-specific events) and particularly in merger arbitrage. This follows the solid performance in 2025. A more market-friendly approach by the US competition authorities is currently benefiting M&A transactions and creating an attractive environment for these strategies. An increasing number of high-volume takeovers is already being seen. We expect this trend to gradually extend to mid-sized and smaller companies over time.

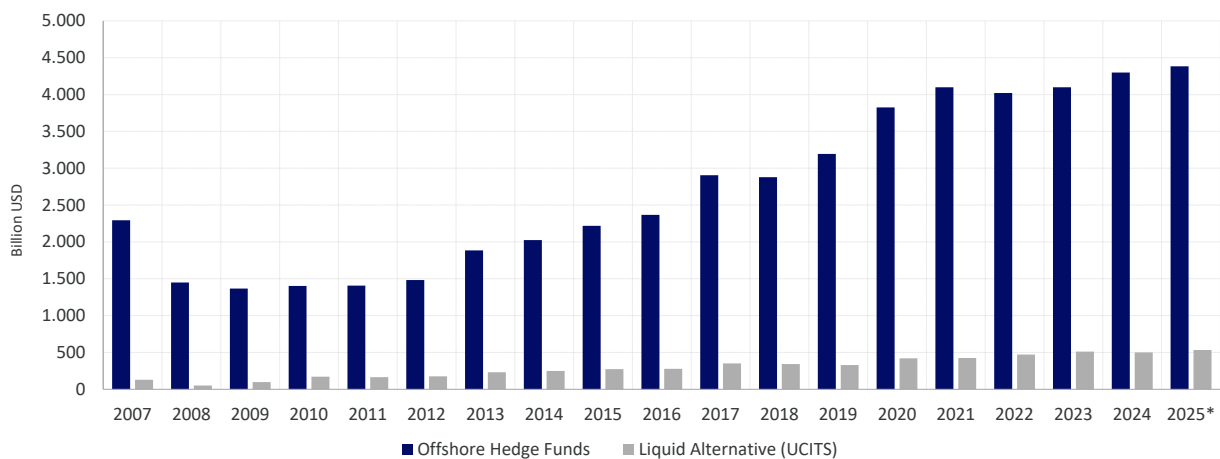
The relative value segment (i.e. strategies that exploit valuation discrepancies between closely related securities or markets) recorded a constructive performance in 2025. Prospects for 2026 are mixed. We expect positive tailwinds for convertible bond arbitrage strategies. Key drivers include rising issuance volumes – particularly in North America, where substantial capital is needed to finance AI infrastructure projects – as well as heightened volatility stemming from geopolitical and political uncertainties. This environment will create attractive conditions not only for convertible arbitrage but also for strategies that benefit from price fluctuations, such as volatility and equity arbitrage. In contrast, we expect return opportunities for interest rate and credit arbitrage strategies to decline. As inflation stabilizes closer to central bank targets, the resulting decline in rate volatility is likely to create a less dynamic market environment.

The tactical trading segment encompasses flexible trading strategies that tactically exploit market trends, macroeconomic opportunities, or mispricings to generate returns independent of overall market direction. This segment includes both discretionary global macro approaches and systematic trend-following strategies. While positive overall, their results differed significantly in 2025. We expect increasing opportunities for trend-following strategies in 2026. The emerging new macroeconomic order is likely to result in more sustained trends and greater divergence between individual asset classes: an environment that will particularly benefit trend-following strategies. We see attractive opportunities for global macro strategies, especially those focused on emerging markets. These could benefit the most, as economic and monetary policy divergences between individual countries and regions are most pronounced there.

Hedge Funds' asset under management reached all-time high

Hedge Funds: Asset under Management

- yearly -



*Estimated by FERI

Source: FERI, Statista, LuxHedge, Barclayhedge



7. Digital Assets: The unstoppable blockchain revolution – disruption in progress

In the multi-asset context, digital assets delivered a relevant return contribution in 2025. Given their attractive return and diversification potential, they should remain an integral component of investors' asset allocation in 2026.

The Bitcoin price showed relatively little volatility in 2025 compared with its historical norms – a typical sign of growing market maturity and capitalization. Increased adoption is improving market liquidity and reducing volatility. Scarcity remains Bitcoin's central source of value.

An important demand driver for Bitcoin and other cryptocurrencies in 2025 came in the form of digital asset treasuries (DATs), i.e. companies borrowing in fiat currencies at low cost to accumulate digital assets as an inflation-protected store of value. These activities were increasingly prevalent in 2025. There are now more than 100 listed DATs with Bitcoin holdings and numerous equivalents for alternative coins (alt-coins). DATs are likely to play an important, positive role for the digital asset market once again in 2026. However, a period of consolidation is increasingly likely, which will see

unprofitable providers disappear. At the same time, large corporations could quickly build digital asset exposure through targeted acquisitions of DATs. All in all, Bitcoin will remain a modern store of value and is likely to attract sustained high demand in 2026 and beyond.

Ethereum was one of the strongest-performing altcoins in 2025. Technological enhancements, a structurally limited supply and increasing institutional inflows strengthened its market position. At the same time, it is becoming apparent that substance will be more important than short-term trends in 2026. The most successful projects will be those that combine technological efficiency with real-world applications – such as tokenization, stablecoin payments, or blockchain-based revenue models in the decentralized finance space. Providers with demonstrable economic benefits and a stable user base will be able to further expand their market position, while purely speculative altcoins will lose relevance.

Stablecoins continue to record strong growth. Virtually all major banks are now involved in the tokenization of fiat money. The globally rising transaction volumes underscore their increasing use beyond speculative activity. Ever more companies and financial institutions are integrating stablecoins into their payment and settlement processes to execute cross-border transactions more quickly and cost-effectively. For 2026, it is becoming clear that EU-regulated euro stablecoins could gain particular prominence. Stablecoins as a whole are also likely to become an increasingly important part of the digital payments and settlement infrastructure.

Stablecoins are just at the beginning of a comprehensive wave of tokenization. Real applications are making the in-

trinsic value of blockchains increasingly measurable and highlighting their economic benefits. As with artificial intelligence, considerable economies of scale will arise from their use. The elimination of intermediaries is both a blessing and a curse – efficient, yet disruptive. Companies will have to adapt their structures accordingly.

Blockchain shares rose significantly following “Liberation Day.” In the second half of the year, the narrative of Bitcoin miners as undervalued data centers for high-performance computing gained increasing traction and noticeably fueled prices. These companies benefited from growing computing power, new sources of revenue from AI applications and greater recognition as digital infrastructure providers. This rerating is likely to continue in 2026: Bitcoin miners and related businesses providing high-performance computing, data centers and token ecosystems will increasingly be regarded as strategic digital infrastructure and could benefit from regulatory tailwinds and structurally high margins.

Competition among crypto ETP providers is intensifying further. The custody fee for the cheapest Bitcoin ETP is now just around 5 basis points according to industry data. Numerous new single-asset ETPs also arrived in 2025. As with ETFs in the late 1990s, a process of evolution is likely to set in: Following broadly diversified crypto ETPs, more specialized sector and thematic products are emerging, providing asset managers with additional tools for tactical allocation.

From a technological experiment to a global store of value: Bitcoin exemplifies how the blockchain economy is taking shape at an accelerating pace. The blockchain revolution is well underway and set to gain further momentum in 2026.

The shifting Bitcoin narrative



Experiment
2009-2010

Technically feasible, but with few users



Speculation
2011-2018

Initial hype cycles and crashes



Institutionalization
2018-2022

First regulated funds & physical custody solutions



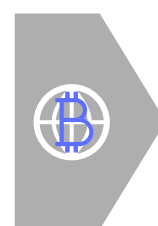
Integration
2023-2024

ETFs in the US, balance sheet integration by companies



Establishment
2025-2030

As digital gold?



Dominance
From 2030

As global store of value?

From experiment to global store of value – in just 15 years, Bitcoin has evolved from a technical concept to an institutional reality.

Source: FERI

Disclaimer: This presentation is for informational purposes only and does not constitute investment advice.

8. Volatility: Contradictory environment offers opportunities

Considering the numerous potential risks, the volatility environment was surprisingly calm in 2025, with the VIX trading near the lower end of its historical range. However, rising geopolitical tensions, structural inflation risks, fiscal uncertainty, and growing political polarization suggest that this is unlikely to persist. The very large disparity between the political uncertainty on the one hand and the actual volatility on the other indicates a significant gap between perceptions of uncertainty in the real economy and among market participants. In other words, markets are currently pricing in unusually little risk relative to the level of global uncertainty.

A closer look, however, reveals a substantially elevated spread between implied and realized volatility. Market participants therefore expect a greater level of volatility in the future than has recently been observed. This increase in the volatility risk premium signals caution beneath the surface.

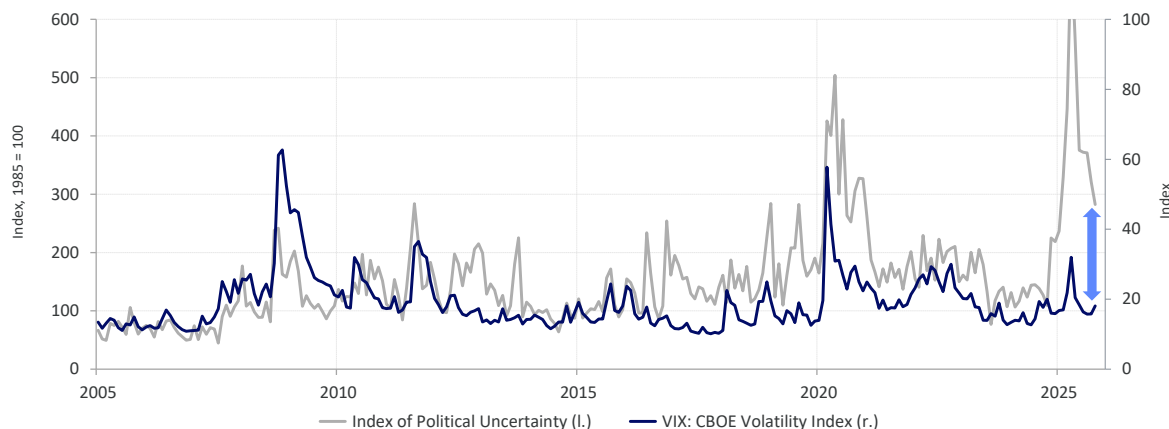
This phenomenon is also increasingly a product of technical market forces, however. The trading volume in S&P 500 options has reached record levels, driven primarily by the boom in ODTE (zero days to expiration) options. These ultra-short-term instruments have become a dominant force in intra-day risk transfer and are creating feedback effects between option and underlying. Systematic flows, particularly from buffer ETFs, are reinforcing this distortion. This may dampen volatility during quiet phases but raises the risk of abrupt movements when trends reverse. The result: volatility is absorbed and visually suppressed in the short term, while the tail risk within the system rises.

This situation opens up opportunities for option strategies whose potential returns are based on the difference between expected (implied) and actually realized volatility. The current pronounced spread makes the sale of options lucrative but requires very prudent risk management given the substantial latent risks. A sudden increase in realized volatility could result in abrupt corrections and lead to losses. In this case, option strategies that benefit from rising volatility and offer a convex payoff profile – with limited downside risk and disproportionate upside potential – become appealing.



Political uncertainty is not reflected in current volatility levels

USA: Political Uncertainty vs. Market Volatility
- monthly -



Source: FERI, CBOE, PolicyUncertainty.com

9. Real Estate: Optimistic mood as market bottoms out

After several years of adjustment to a fundamentally changed interest rate environment, the real estate market appears to have reached the turning point. The fall in global key interest rates and thus in financing costs since 2024 is showing results: net present values are stabilizing, the first price rises are in sight and investor sentiment is improving significantly. As a result, 2026 is likely to be the year when markets gradually leave the correction behind and return to growth.

In Europe, numerous indicators point to a sustainable bottoming out. All European core markets recorded positive total returns in the first quarter of 2025, sending a clear signal that the price adjustment phase is coming to an end. Alongside this, the rental market remains robust: Rental growth remains positive in virtually all sectors, supported by stable employment, tight supply and structurally driven scarcity of new construction. These factors provide a sound basis on which new investment cycles can emerge in 2026.

In the residential segment, significantly reduced construction activity is increasingly creating a bottleneck. With construction falling to its lowest level for over a decade in 2025, pressure on rents is rising further. For investors, this creates opportunities in existing properties with sound energy efficiency standards, especially in urban locations with sustainable demand. ESG criteria remain centrally important, with investors taking an increasingly sophisticated view of properties that have a clear decarbonization strategy.

In the commercial segment, selection is still key. Older office properties in weak locations and needing major renovation continue to be under pressure. Meanwhile, attractively located core properties remain resilient. Energy-efficient, user-oriented buildings, which meet the changed requirements of modern work environments, are gaining in value. Logistics properties and data centers remain in particular demand, benefiting from e-commerce, nearshoring and digitalization. Health and care real estate also offers potential in a demographically driven growth market; however, it requires careful analysis of the operators.

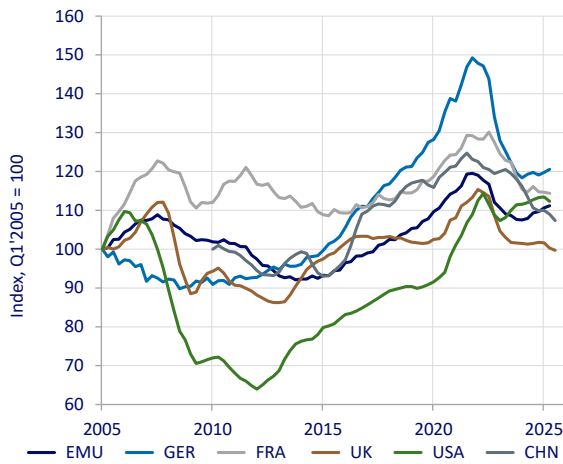
Transaction volumes are likely to rise again in 2026 after years of restraint. There are mounting signs that buyers and sellers increasingly share the same price expectations. Refinancing and balance sheet restructuring is creating additional activity, while well-capitalized investors see selective opportunities in distressed or value-add situations. Investments in such early phases have historically proven particularly attractive.

Overall, the environment remains challenging. However, moderate interest rates, stable fundamentals and a favorable valuation level provide a basis for gradual recovery. While the market environment offers entry opportunities in 2026, selectivity and a consistent consideration of ESG criteria will remain vital to investment decision making.

Property prices show renewed momentum | Building permits also recovering | China: Crisis persists

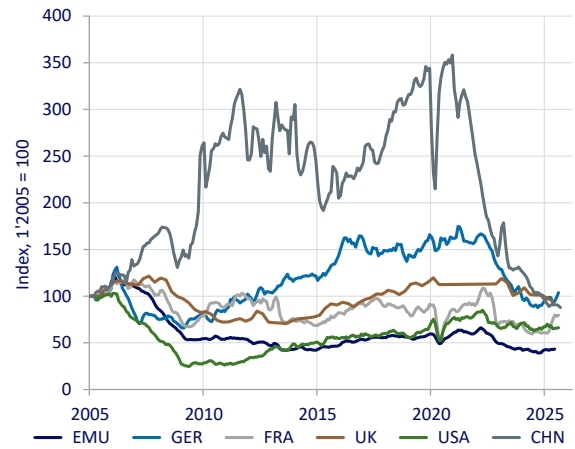
House Prices

- quarterly, inflation-adjusted -



Building Permits

- monthly/quarterly, moving average: 3 months
(UK: 6 months) -



Source: FERI, Haver Analytics

Opportunities and Risks: Factors we will pay particular attention to in 2026

■ Substantial productivity gains with positive economic and market impacts

The spread of AI as a new key technology brings the potential for major productivity gains. If these become visible on a larger scale in 2026, this may stimulate the global economy and prolong the robust US growth rates. Higher productivity would particularly help to contain inflation in the United States despite expansionary fiscal policy. The Fed would gain additional leeway to cut interest rates, in turn boosting macroeconomic demand. In the absence of further disruptive shocks from the (US) political sphere, the world economy's growth momentum in 2026 could match or even exceed the current level.

In Europe, placing greater emphasis on restoring the competitiveness of European businesses and focusing economic

policy on future key technologies could lay the foundation for renewed growth. Mobilizing substantial financial resources for investment at the European level would help ensure that this upswing is sustainable. After the long period of weakness in the European economy, even significant steps in the right direction could open up the possibility of more than 2% growth in 2027.

In China, a reorientation of economic policy on mass consumption could counter the expected loss of momentum and enable at least 5% growth in the Chinese economy. This would have significant positive impacts on the prospects for emerging markets.

The prospect of all these assumptions materializing is possible but not very likely in our view. It would result in a positive investment environment characterized by sound growth, low inflation and (relatively) low interest rates. This would benefit the performance of global equities. US stocks would benefit from a sustained technology rally, and falling interest rates would facilitate further multiple expansion. Favorable valuations could enable European stocks to achieve a high performance. Alongside shares in technology companies, consumer stocks in particular would enjoy a positive outlook. In this scenario, the dollar would continue its controlled weakening, which would need to be reflected in a globally diversified portfolio.

■ Dramatic valuation correction for technology stocks

Conversely to the above scenario, it is conceivable that the expectations placed in AI development may be at least temporarily disappointed. In particular, this could involve the emergence of new, still largely unknown competitors with technically superior solutions or significantly lower cost structures, declining margins due to intensifying competition between exist-

ing companies, the perception of fundamental limits to the usefulness of current large language models, or increasing difficulties in financing the high level of investment. The current very high valuations carry the risk that if the market's perception of AI opportunities changes, this could lead to a dramatic correction in valuations and substantial falls in stock prices.

Unlike at the turn of the millennium, the major technology companies have working and, above all, highly profitable business models. This would limit the potential losses in the event of a correction. Nevertheless, high volatility and noticeably lower prices for technology stocks would be expected in this scenario. The loss of a key driver of recent share price gains would also negatively affect the equity markets as a whole. A deterioration in sentiment with adverse implications for growth, especially in the United States, could not be ruled out. A reallocation from equities to fixed income (especially sovereign bonds) would be sensible in such an environment. The consequences for European stock markets would be complex: Europe's backwardness in this segment and moderate valuations would initially leave it less exposed. However, it would also be adversely affected by weakening US growth momentum.

■ Abrupt rise in yields due to growing government debt

Around the world, government debt has again risen sharply since the COVID-19 pandemic. With the significant rise in interest rates, government budgets are coming under growing pressure, raising increasing questions about the sustainability of the deficits and debt burdens. The expansionary fiscal policy particularly in the United States, with persistently high budget deficits and further rises in debt ratios, could trigger a significant increase in risk spreads on the markets. In Europe, the focus is on France, where the inability of the political class to get even moderate consolidation measures off the ground has already triggered a serious internal crisis in 2025.

In addition to the long-familiar problems of high government debt, we see further risk factors in 2026. These particularly include the growing political influence over the Fed, which could result in a general loss of trust in the independence of monetary policy decisions. If markets lose their confidence in stable inflation, a sudden, sharp rise in yields on long-term US sovereign bonds can be expected, with substantial adverse effects on the economy. Considerable instability could occur in the financial system. The dramatic worsening of financing conditions would in turn negatively impact growth prospects.

This scenario would rattle the capital markets. Long-term yields would rise significantly, and equities would come under pressure amid the elevated risk of recession. If the turbulence originates in the US itself, capital flight out of the United States and a significant fall in the dollar would be expected. Gold and crypto assets would be the likely winners. In such an environment, increasing cash holdings would also be advisable until the uncertainty eases. Larger spreads between different countries' bond yields would offer some investment opportunities. However, this assumes that the situation on the bond markets remains under control. Monitoring and analyzing bond spreads will therefore be an important aspect of investment research in 2026.

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