
When Geopolitics Becomes the Market Variable

Investment report – 31st March 2026



**Independent.
Tailor-made.
Intergenerational.**



When Geopolitics Becomes the Market Variable

The first quarter of 2026 was marked by a pronounced shift in market sentiment. Following a strong start to the year, with several equity markets reaching new highs, a broad-based correction set in as the quarter progressed. The trigger was the military escalation in the Middle East, which pushed global capital markets into an energy-driven supply shock: rising energy prices, weakening growth expectations, and a diminishing reliability of traditional hedging mechanisms. At the same time, trade policy tensions and growing doubts over the independence of US monetary policy, following actions targeting Federal Reserve Chair Jerome Powell that were widely interpreted as political interference, added a further layer of uncertainty. In this demanding environment, diversification and discipline are becoming increasingly important.

Economic policy developments remained firmly centred on the Trump administration. The year began with a series of market-relevant announcements, with the Greenland issue briefly gaining geopolitical traction. The US government linked trade policy measures with strategic demands, threatening tariffs on European allies should they fail to support American ambitions. This led to tangible tensions within the transatlantic alliance. In parallel, the arrest of Venezuelan President Nicolás Maduro by US authorities contributed to heightened uncertainty and underscored Washington's increasing willingness to assert geopolitical interests more aggressively. In February, further instability arose following a US Supreme Court ruling that deemed key elements of the administration's tariff policy unlawful, while the government signalled its intention to introduce alternative measures based on a different legal basis.

In Europe, the economic slowdown moved further into focus. The European Central Bank nevertheless kept its policy rate unchanged at 2.0%, while signalling increased vigilance in light of rising energy prices. In Germany, signs of a fragile economic environment intensified: weaker business surveys, declining exports, and rising input costs weighed on the outlook. France, meanwhile, regained a degree of political stability with the delayed approval of its budget, yet remained vulnerable due to elevated deficits and limited fiscal headroom.

By late February, tensions in the Middle East escalated into an open military conflict. Israel and the Unit-

ed States conducted airstrikes on Iranian military and nuclear facilities, prompting retaliatory strikes by Iran on US bases in the Gulf region. In addition, the Strait of Hormuz was effectively blocked, and attacks on energy infrastructure intensified. As a result, oil prices surged sharply during the quarter, with both WTI and Brent rising above USD 100 per barrel. What unsettled markets most, however, was not merely the conflict itself, but the profound uncertainty surrounding its trajectory. Market reactions became highly sensitive to political signals: indications of de-escalation led to rising equity prices and falling oil prices, while opposing developments quickly reversed these moves. This pattern repeated several times throughout March.

The impact of these dynamics on individual asset classes is reflected in the following market overview.

Market developments in the first quarter of 2026

Equities¹

Global equity markets ended the first quarter predominantly in negative territory, although performance diverged markedly across regions. The MSCI World declined by 3.6% in USD, a headline figure that only partially captures the underlying dispersion between a weaker West and more resilient Asian markets.

In the United States, major technology stocks came under particular pressure. The Nasdaq 100 fell by 5.8%, while the S&P 500 declined by 4.4%. Rising real yields

¹ All market data, unless stated otherwise, are shown in the respective local or index currency.

weighed especially on capital-intensive growth models. At the same time, a rotation within the market became increasingly evident: US small caps delivered a modest gain of 0.9% (Russell 2000). This points to a shift in performance drivers away from dominant mega-cap technology stocks towards broader market segments that benefited from renewed capital inflows.

In Europe, overall performance remained subdued, albeit with notable regional differences. The Stoxx Europe 600 declined by just 1.0%, whereas the Euro Stoxx 50 fell more sharply by 3.6%. Germany stood out on the downside, with the DAX losing 7.4%, reflecting its high exposure to cyclical sectors such as industrials, automobiles and chemicals, which were weighed down by weak export momentum, structural adjustment pressures and rising energy costs. By contrast, the UK market performed strongly: the FTSE 100 gained 3.4%, supported by its significant exposure to energy and commodity companies, which benefited from higher oil prices. The Swiss market (SPI) declined by 2.1%.

Selected Asian markets provided a counterbalance to weaker developments in the West. In Japan, the TOPIX rose by 3.6%. Particularly strong gains were recorded in Korea (+20.5%, KOSPI) and Taiwan (+9.8%, TAIEX), driven by continued robust demand for semiconductors and AI infrastructure. Overall, emerging markets remained broadly unchanged (MSCI EM -0.2%), with Chinese equities (Hang Seng -3.0%; CSI 300 -3.7%) trending weaker.

Bonds¹

Bond markets were shaped by rising yields during the first quarter, driven by higher inflation expectations, and consequently recorded negative returns. Their diversification benefits relative to equities proved less reliable in this environment. Inflation-linked bonds were a notable exception, delivering a global gain of 0.8%. Corporate bonds came under moderate pressure: investment grade bonds declined by 1.1%, while high yield and emerging market bonds in USD each fell by 1.3%. Swiss government bonds (SBI AAA-BBB) remained broadly stable at +0.2%. While the low yield environment of Swiss confederation bonds continued to limit return potential, it provided structural downside protection.

Alternative investments²

Commodities clearly dominated the quarter, directly reflecting the energy price shock. The Bloomberg Commodity Index rose by 23.3%, driven primarily by oil prices: WTI (+77.9%) and Brent (+72.6%) reacted immediately to developments in the Middle East.

Precious metals delivered an overall positive performance of 7.6%, though their behaviour was atypical. Gold rose by 8.1% over the quarter but experienced a temporary decline of nearly 20% after reaching a peak of USD 5'594.34 on 29 January. This correction can be attributed to an overbought market following the strong rally in 2025, as well as short-term liquidity needs. As a result, gold only partially fulfilled its traditional role as a stabilising portfolio component.

In contrast, listed private equity companies recorded significant losses of 18.6%, while cryptocurrencies corrected by 26.5% (Bitcoin -22.2%).

Conclusion and outlook

The first quarter of 2026 posed a meaningful stress test for investors. An exogenous supply shock collided with an otherwise resilient global economy, resulting in heightened volatility, rising inflation expectations and a temporary weakening of traditional diversification effects. At the same time, solid corporate balance sheets, stable earnings dynamics and fiscal support provided a degree of offset.

Looking ahead, developments in the Middle East remain the central source of uncertainty. A de-escalation would likely ease pressure on energy prices and inflation, while a further escalation would risk amplifying existing tensions. In this environment, elevated volatility is expected to persist. In the near term, market pricing is likely to be driven primarily by the trajectory of real yields and the evolution of geopolitical dynamics. Maintaining disciplined positioning therefore remains the most effective tool for navigating the current environment.

¹ All market data, unless stated otherwise, are shown in the respective local or index currency.

² All figures in USD; Private Equity Index in EUR.

Performance of the equity markets since the beginning of the year:

The quarter shows a clear regional divergence: Asia, particularly Japan, as well as hedge funds, delivered positive performance, while Western markets came under pressure. US equities lagged, whereas Europe and Switzerland recorded more moderate declines.

		December 2025	March 2026	Change
Asia ex Japan	MSCI AC Asia ex Japan	765.0	768.6	0.5%
Europe	DJ STOXX 600	1'481.7	1'463.3	-1.2%
Japan	MSCI Japan	4'675.8	4'876.0	4.3%
Switzerland	SPI	18'219.5	17'769.5	-2.5%
USA	MSCI USA	19'713.7	18'266.4	-7.3%
World	MSCI World Index	14'205.8	13'392.9	-5.7%
Hedge Funds	CS Hedge Fund Index	943.1	980.8	4.0%

Development of index in local currency. Exceptions Asia ex Japan and World in USD. MSCI-Indices are net total return.

Since the beginning of the year, yields on 10-year government bonds have performed as follows:

The increase was most pronounced in the United Kingdom, followed by Japan and Germany. The primary driver was a repricing of inflation expectations in response to the energy price shock.

	December 2025	March 2026	Change
Switzerland	0.32%	0.40%	0.08%
Germany	2.86%	3.04%	0.19%
United Kingdom	4.48%	4.93%	0.45%
USA	4.17%	4.33%	0.17%
Japan	2.07%	2.36%	0.30%

Since the beginning of the year, the selected foreign exchange rates have performed as follows:

The Swiss franc appreciated against the euro, the pound and the yen, while the US dollar strengthened overall, including against the Swiss franc.

	December 2025	March 2026	Change
Euro / CHF	0.9307	0.9170	-1.5%
USD / CHF	0.7926	0.7998	0.9%
GBP / CHF	1.0679	1.0554	-1.2%
CHF / Yen	197.6600	199.7580	1.1%
USD / EUR	0.8514	0.8721	2.4%
USD / Yen	156.7100	159.7600	1.9%

Average growth and inflation forecasts from the "Bloomberg Composite Contributor Forecast" poll of economists:

The forecasts point to moderate global growth. China remains a key growth driver with low inflation, while the United States exhibits the highest inflation among developed economies. Switzerland stands out with the lowest inflation rate.

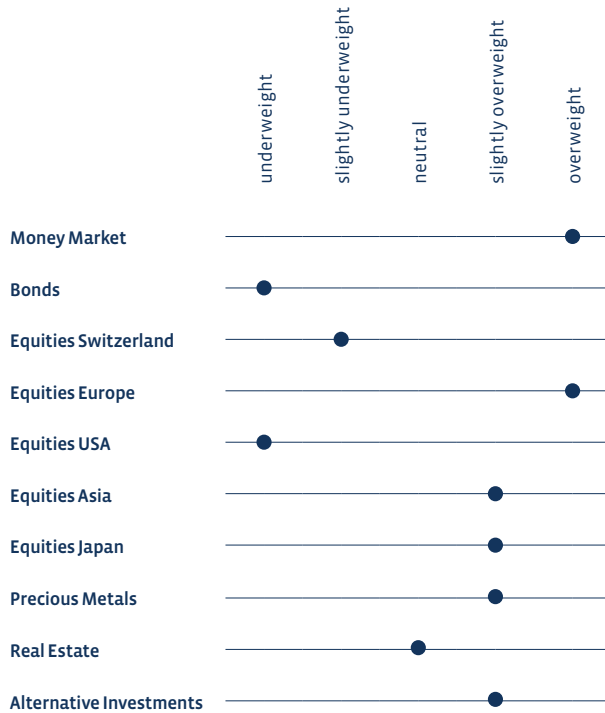
	Real GDP Growth		Core-Inflation	
	2026	2027	2026	2027
China	4.6%	4.4%	0.9%	1.0%
Germany	1.0%	1.4%	2.2%	2.1%
EU	1.5%	1.6%	2.1%	2.0%
United Kingdom	1.0%	1.3%	2.6%	2.3%
Japan	0.8%	0.9%	2.0%	2.0%
Switzerland	1.1%	1.5%	0.5%	0.7%
USA	2.3%	2.0%	3.0%	2.5%

Our asset allocation:

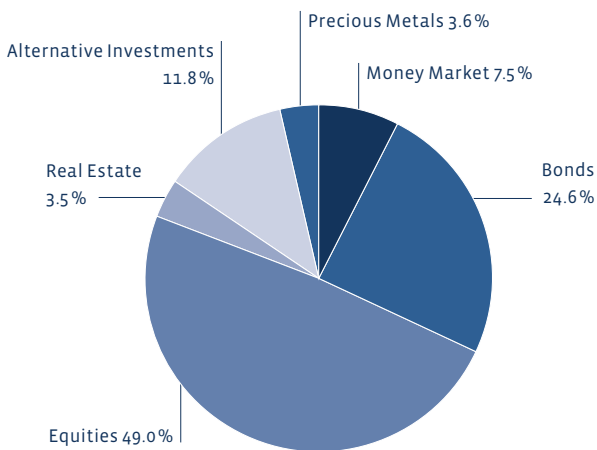
At our latest investment committee meeting on 9 March, we agreed on the following asset allocation for a balanced CHF portfolio with medium risk and no client restrictions. Mandates in other reference currencies may have different allocations, which can be obtained from your relationship manager upon request.

Against the backdrop of the challenging market environment, portfolio risks were selectively reduced. Allocations to equities and alternative investments were slightly trimmed, while money market exposure was increased to preserve flexibility for tactical adjustments. Fixed income remains underweight, while precious metals are held with a slight overweight.

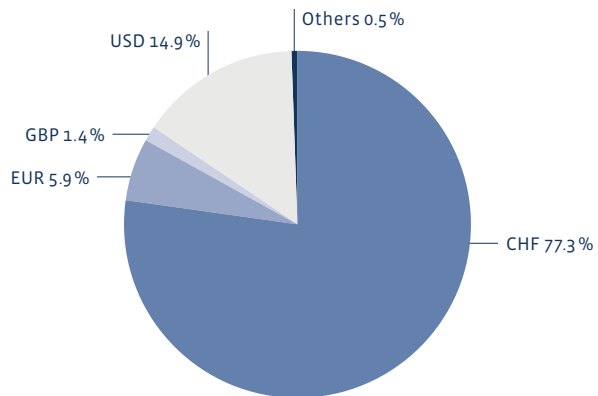
Current positioning of our CHF portfolio:



Tactical asset allocation by asset class:



Current allocation by currency:



Based on reference currency Swiss Franc.

Closing words

Lasting investment success is not driven by short-term market movements, but by a clear strategy and consistent discipline.

We thank you for your continued trust and remain at your disposal for any questions regarding this report or your individual investment strategy.

Editorial team



Sebastian Schredt

Partner, Relationship Manager and Head of Business Development

sebastian.schredt@salmann.com



Adrian Müller

Partner, Chief Investment Officer and Head of Portfolio Management

adrian.mueller@salmann.com



Loris Schüpbach

Junior Relationship Manager

loris.schuepbach@salmann.com

Further contacts



Philipp Marxer

Partner, CEO and Relationship Manager

philipp.marxer@salmann.com



Markus Gartmann

Director and Relationship Manager

markus.gartmann@salmann.com



Ivan Melay

Vice-Director and Relationship Manager

ivan.melay@salmann.com

Contact us

Salmann
Investment Management AG

Beckagässli 8
FL-9490 Vaduz

T +423 239 90 00
F +423 239 90 01
mailvaduz@salmann.com

www.salmann.com

Legal Disclaimer

Limitation of offer: The information published in the Salmann Investment Management AG Investment Report (referred to hereafter as SIM) is not to be viewed as an invitation, an offer, a recommendation to buy or sell any investment instruments or enter into any other transactions. Its contents are not targeted at individuals subject to a jurisdiction prohibiting the publication and/or the access to such information (be it on grounds of nationality of the respective person or their residence or any other reasons). The information presented is collated by SIM with the utmost care and diligence. The information is not intended to be used to base a decision. For investment advice, please consult a qualified person. Risk warning: The value of investments can rise as well as fall. Investors should not extrapolate future returns from past performance. In addition, investments in foreign currencies are subject to exchange rate variations. Investments with high volatility may be subject to extreme price fluctuation. Disclaimer: Under no circumstances (including negligence) may SIM be responsible for losses or damages (be they direct or indirect) of any kind that may arise from or in connection with the access to this report and any links contained therein. Source of graphics and tables: Bloomberg/image sources: Shutterstock, Unsplash.

