Zürcher Kantonalbank

Seizing opportunities despite the energy crisis

Edition for Switzerland

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Market Review

The first quarter of the year began in an overall constructive environment. The global economy proved resilient, inflation continued to ease, and the prospect of an imminent monetary policy loosening supported risk assets. In this setting, equity markets recorded a strong start to the year, while credit markets remained stable and volatility stayed at subdued levels.

This optimistic picture changed abruptly with the escalation of the conflict in Iran. The blockade of the Strait of Hormuz – through which around 20% of global oil supply is shipped – triggered a substantial energy price shock and became the dominant macroeconomic driver as the quarter progressed. As a result, concerns about persistent inflation and stagflation increased. This led to a marked rise in investor risk aversion and higher volatility across all asset classes. In addition to equity markets, traditional diversifiers such as government bonds and gold also recorded, in some cases, significant price declines.

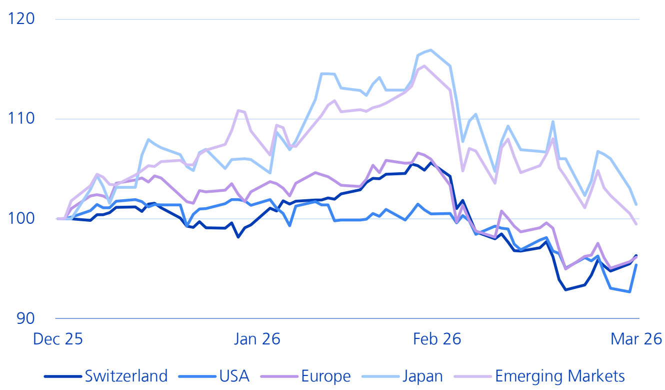
Positioning

At the beginning of the year, we maintained an underweight position in commodities. In view of changing market conditions, however, we raised our allocation in this asset class to the strategic asset allocation weight at the end of January, which enabled us to benefit from rising energy prices. Our overweight in equities was particularly rewarding in the first two months of the year. In March, however, we suffered setbacks due to mounting uncertainties.
Our overweight in emerging markets has nonetheless proved its worth since the start of the year, despite these corrections. In addition, following the sell-off in Swiss equities, we were able to benefit from the recovery towards the end of the quarter by making a targeted addition to our holdings at the end of March.
In the bond segment, our underweight position in corporate bonds proved beneficial, while the overweight in government bonds has so far not generated the additional value we had anticipated.

Outlook

Particularly in such volatile phases, it is important to act in a disciplined manner, remain faithful to the investment strategy and take advantage of opportunities arising from market dislocations. The conflict in Iran – and the energy market in particular – remain key factors. Persistently high or further rising energy prices could delay the decline in inflation and push back the anticipated monetary easing. At the same time, the risk of a global slowdown in growth is increasing. We continue to assume, however, that the conflict – and especially the blockade of the Strait of Hormuz – is only temporary in nature and that conditions will normalise over the coming weeks. Under this scenario, we expect oil prices to ease and equity markets to recover. We are therefore maintaining our overweight in equities, with a particular focus on emerging markets and Switzerland. In addition, we anticipate further rate cuts by the US Federal Reserve this year and have therefore increased duration in our fixed income portfolio. Gold remains, in our view, an attractive diversifier which is likely to benefit over the medium term from structural de-dollarisation and rising government debt levels. Within alternative investments, we continue to favour insurance-linked securities, which, in the current market phase, are proving to be robust diversifiers and are benefiting from attractive premia.
With a balanced and agile positioning, we remain focused on capturing opportunities and actively managing risks in a challenging market environment.

Equity Markets in the First Quarter



Source: Bloomberg; figures in local currency, indexed

Review of the Financial Markets

		31.03.2026	31.12.2025	Performance YtD in local currency	Performance YtD in CHF
Bond yields (%)	10-year Swiss Confederation bonds / Swiss Bond Index	0.37	0.32	0.2	0.2
	10-year German Federal Bonds / GER Govt Bond Index	3.00	2.86	-0.3	-1.1
	10-year US Treasuries / US Govt Bond Index	4.32	4.17	0.0	0.8
Equity markets	Switzerland, SMI	12'777	13'267	-3.7	-3.7
	Europe, Euro Stoxx 50	5'570	5'791	-3.8	-4.6
	USA, S&P 500	6'529	6'846	-4.6	-3.8
	Japan, Nikkei	51'064	50'339	1.4	1.0
	Emerging Markets, MSCI Emerging Markets	1'397	1'404	-0.5	0.4
Currencies	EUR/CHF	0.924	0.931	-	-0.8
	USD/CHF	0.800	0.793	-	0.9
	GBP/CHF	1.057	1.068	-	-1.0
	EUR/USD	1.155	1.175	-	-1.6
Commodities/ precious metals (USD)	Crude oil, Brent	118.35	60.85	94.5	96.2
	Gold, Ounce	4'668	4'319	8.1	9.0

Source: Bloomberg, figures rounded: Performance of the bonds is based on indices

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