REVIEW & OUTLOOK

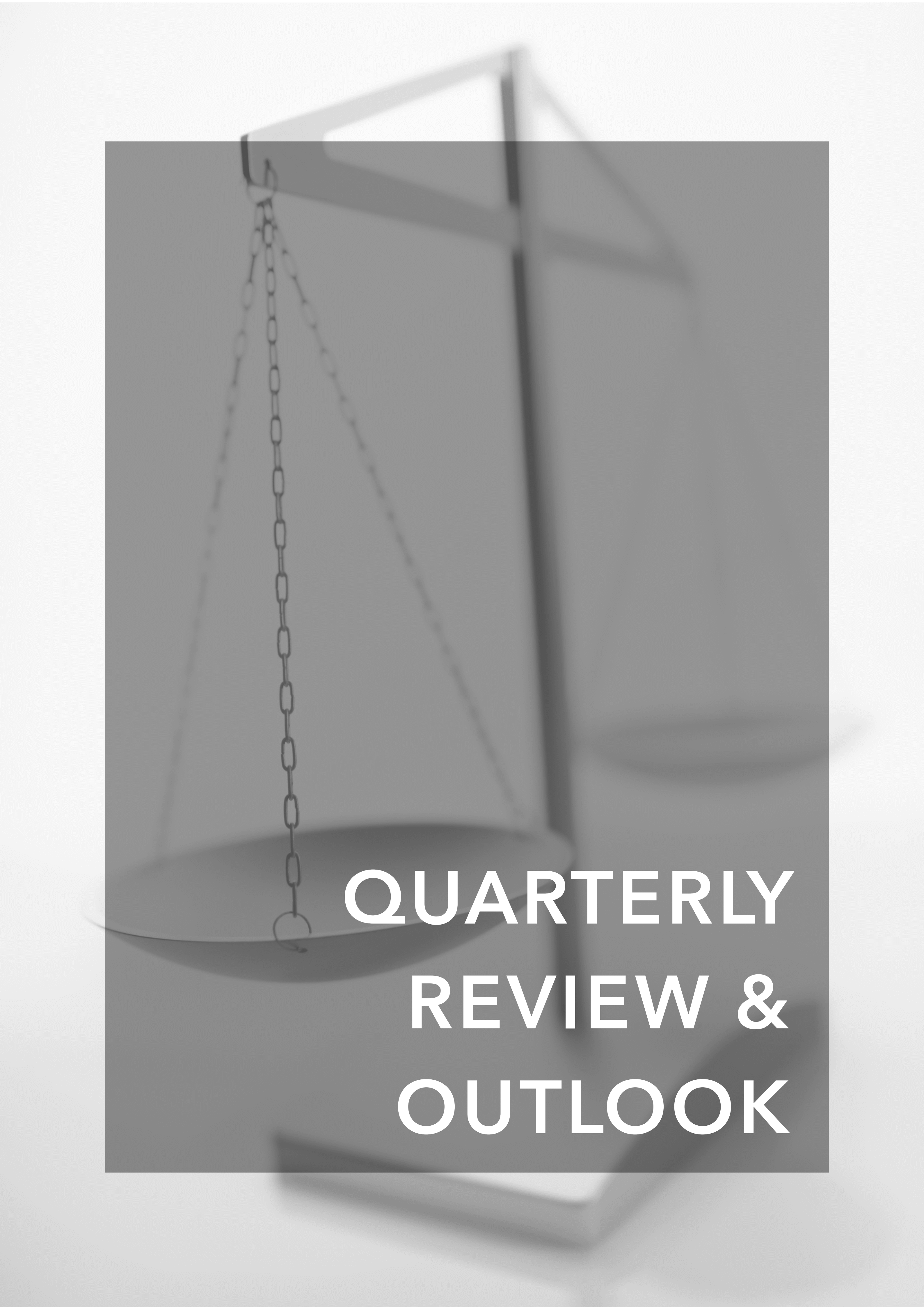
Q2 2026

HYPOSWISS
ADVISORS

TABLE OF CONTENTS

MISSION STATEMENT

Hyposwiss Advisors' mission is to offer personalized wealth management services and financial advice to high-net-worth individuals and families, with the overriding objective of capital preservation and asset growth, performance oriented.



QUARTERLY REVIEW & OUTLOOK

A TEST OF MARKET RESILIENCE

In Q2 2026, investors' sentiment swung with the fluctuations in energy prices, which themselves varied with market expectations as to energy infrastructure damage and the duration of the closure of the Strait of Hormuz.

During this period, we were struck by the remarkable resilience of both economic activity and financial markets in the face of a significant external shock. Energy markets ultimately found a new equilibrium, with oil prices failing to remain sustainably above USD 120 per barrel, while economic activity across developed economies proved far more resilient than many analysts had anticipated. Unfortunately, the burden of this adjustment fell disproportionately on the more vulnerable emerging market economies.

AI has proven to be the most important force driving markets, and AI infrastructure stocks have helped propel equity indices higher despite rising bond yields, geopolitical risks, and firmer inflation. With hindsight, investors should not have focused too heavily on geopolitical headlines in the first half. And, while US stocks have achieved solid returns, many global indices (such as in Japan or Korea) have outperformed.

Following the interim diplomatic agreement between Washington and Tehran, the reopening of the Strait of Hormuz has altered global energy market expectations. Brent crude futures adjusted downward to a three-month low as investors priced in the normalization of maritime transit through the Gulf. In its June 2026 report, the International Energy Agency (IEA) noted that the diplomatic breakthrough allows for a steady recovery in export volumes, even as global demand faces headwinds from past economic friction. This restoration of supply is expected to support consumer purchasing power, providing a constructive backdrop for global economic growth.

Going forward, the outlook for the remainder of the year will be shaped by the evolution of inflationary pressures, the response of central banks, and the continuation or potential broadening of corporate earnings growth.

Unfortunately, the normalization in energy markets will likely not be sufficient to normalize inflation. Major central banks have recently begun implementing tighter monetary policies to manage persistent price pressures. Policymakers emphasized that, in their view, these inflationary pressures extend well beyond energy markets. Supply bottlenecks in critical technology sectors—such as memory components essential for AI infrastructure—remain acute, while services inflation continues to be persistent and labor markets remain resilient. This has led the European Central Bank to tighten policy in June. The Federal Reserve has also adopted a more hawkish communication and the possibility of rate hikes later this year is now firmly on the table.

- **Persistent inflation:** inflationary pressures are expected to linger despite a resolution of the Iran war.
- **Central Banks monitoring:** the hike cycle that has begun is probably a shallow mid cycle adjustment, but any deviation from this view would have far reaching consequences.
- **Portfolio diversification**: the concentration of returns during the second quarter in AI infrastructure stocks is a concern and will drive investors to seek alternative sources of returns. Protection from inflation will also be seen as increasingly valuable.

OUTLOOK FOR MAJOR ASSET CLASSES

FIXED INCOME

In mid-June 2026, major central banks adjusted their monetary policy stances in response to general inflation trends.

European Central Bank (June 11, 2026)

The ECB Governing Council opened the policy cycle by unanimously raising its benchmark interest rate by 25 basis points to 2.25%. The council noted that the decision was resilient across a range of economic scenarios. The increase was primarily driven by persistent energy supply shocks, which President Lagarde indicated are beginning to have a broader impact on underlying inflation. Consequently, Euro system staff raised headline inflation projections to 3.00% for 2026 and 2.30% for 2027.

Federal Open Market Committee (June 17, 2026)

The Federal Reserve unanimously maintained its target range at 3.50%–3.75% and removed the previous reference to future rate cuts from its statement. In its abbreviated post-meeting statement, the Committee noted that inflation remains elevated due to sector-specific supply shocks, reaffirming that the FOMC "will deliver price stability." The accompanying Summary of Economic Projections revealed a shift in expectations, with nine of the eighteen participating officials projecting a rate hike in 2026—creating a tie in the dot plot as Chairman Kevin Warsh chose not to submit a personal forecast.

Additionally, the median projection for 2027 core PCE inflation was revised upward to 2.50%. Fixed-income markets adjusted to this hawkish adjustment, with terminal rate pricing for the end of 2026 rising by 20 basis points, aligning with Warsh's press conference remark that "financial market prices are probably the most important source of information to guide central bankers." To evaluate its operational frameworks, the Fed also announced five new task forces covering communications, the balance sheet, data sources, productivity, and inflation targets.

Swiss National Bank (June 18, 2026)

The Swiss National Bank concluded the policy sequence by keeping its benchmark rate unchanged at 0% for the fifth consecutive meeting. Swiss headline inflation rose to 0.6% in May due to higher import costs; Chairman Martin Schlegel noted that "medium-term inflationary pressures, however, are virtually unchanged compared with the last monetary policy assessment." Reflecting these stable conditions, the central bank maintained its annual inflation forecast at 0.6% for both 2026 and 2027.

These mid-June policy decisions demonstrate a clear willingness among major central banks to prioritize their inflation targets over other macroeconomic objectives. This policy focus is expected to persist as long as the global economy remains reasonably strong. Rather than signaling the eve of a major new tightening cycle, these actions are better viewed as an admission by the Federal Reserve and the ECB that they over-eased at the tail-end of the previous easing cycle. The Swiss National Bank remains a distinct exception to this over-easing narrative, given its significantly lower domestic price baseline.

CURRENCY MARKETS

We expect currency markets to be increasingly driven by the hawkish shift from the Federal Reserve. Some foreign exchange models indicate that the USD remains cheap relative to interest rate differentials.

For our home currency, the Swiss National Bank maintained a dovish divergence versus the USD and the EUR by holding its policy rate steady for a fifth consecutive meeting amid low domestic inflation. Chairman Schlegel explicitly acknowledged that widening interest rate differentials are actively depressing the currency and implicitly welcomed this development. It is, therefore, reasonable to expect continued near-term CHF underperformance.

EQUITY

The baseline outlook for global equities remains constructive over the coming year, driven primarily by strong corporate earnings growth and resilient macroeconomic indicators. This upward momentum is underpinned by accelerating capital expenditure. Beyond the immediate technology sector, a healthy broadening of the market rally into the wider economy is a reasonable expectation.

This expansion should be supported by a solid labor market and reviving manufacturing activity. Crucially, this more constructive market outlook is driven entirely by expanding corporate earnings rather than multiple expansion, implying that it could accommodate a modest valuation derating. As an upside scenario rather than a baseline expectation, these significant technological advances could ultimately lead to broad-based productivity gains.

On the risk side, markets face potential headwinds from elevated bond yields and rising financing costs should persistent inflation compel central banks to maintain a restrictive policy stance. Furthermore, equity valuations remain vulnerable to a deterioration in investor confidence if substantial capital investments encounter near-term monetization challenges. Finally, the large demands made on equity capital markets by secondary issuance and IPO activity may lead to temporary indigestions and bouts of volatility.

GOLD

The long-term investment case for gold is unchanged but near-term tactical headwinds are mounting as the shift in US monetary policy forces investors to re-evaluate non-yielding assets. With the possibility of Fed rate hikes on the table, rate-sensitive demand via gold ETFs is declining. At the same time, the Federal Reserve newfound hawkishness has reinforced confidence in its institutional independence. Long-term institutional diversification by global central banks provides a structural floor, and holding gold in portfolios

Gold spot prices in USD, from 31.12.2025 to 30.06.2026
Source: MarketMap FIS

remains fully justified for its unique hedging and diversification benefits.

ALTERNATIVE INVESTMENTS

We continue to favor diversified hedge fund strategies in the alternatives bucket. We are also putting renewed emphasis on listed infrastructure investments because of their attractive long-term inflation protection characteristics.

Disclaimer: This document is based on information available as of the close of July 7, 2026.

CONTACT

HYPOSWISS ADVISORS SA

Office Address: Rue Bovy-Lysberg 10
Mailing Address: Bd du Théâtre 10
1204 Geneva – Switzerland
Tel. +41 22 310 76 40

info@advisors.hyposwiss.ch
www.hyposwissadvisors.ch

WealthBriefing SWISS EAM AWARDS 2025
WINNER
Client Service Team
Hyposwiss Advisors SA

DISCLAIMER - PLEASE READ CAREFULLY