

REVIEW & OUTLOOK

Q3 2026



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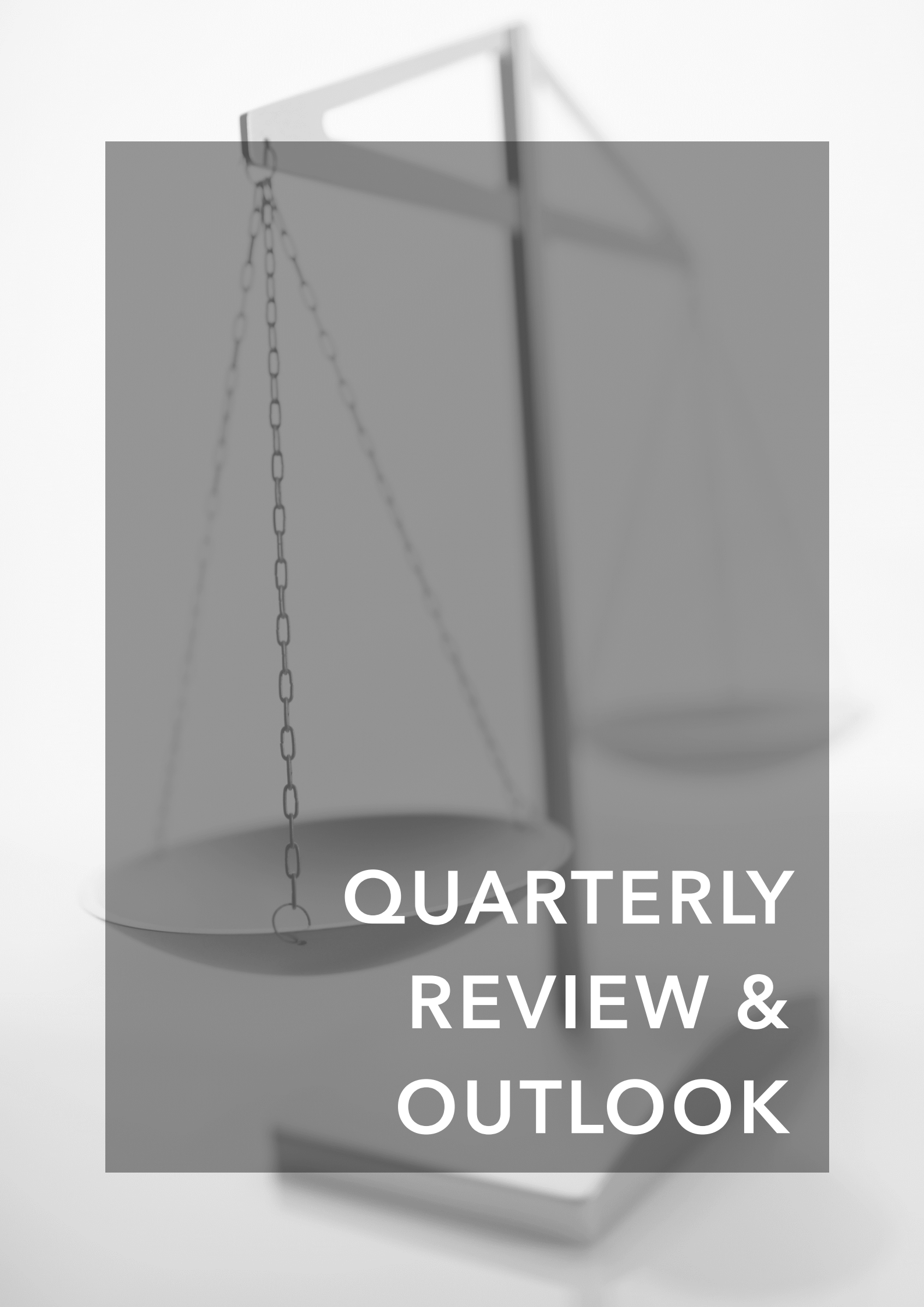
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MISSION STATEMENT

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

WHEN THE ENERGY SHOCK BECOMES A RATES SHOCK

In Q3 2026, the energy shock turned into a rates shock. Headlines on the US-Iran conflict and the Strait of Hormuz kept moving oil, oil moved bond yields and equities, and by September the major central banks had moved from holding to hiking.

During this period, we were again struck by the resilience of economic activity. September's flash PMIs put the developed-market composite at its highest level in four years, with the US composite at 58.4, its strongest since July 2021, and the euro area at 53.1, its highest since April 2023. H2 2026 growth is tracking around a 3% annualized pace in the US and about 1.5% in Western Europe, comfortably above the pace implied by the ECB's 0.9% projection for 2026 as a whole. So far, higher rates have been absorbed because they come with strong growth.

AI remains the most important force driving markets. AI earnings momentum has kept the S&P 500 within touching distance of its record even as the US 10-year yield reached its highest level since 2007. Beneath the surface, however, the strain is visible: small caps, utilities and European equities all declined, and the median stock trades 16% below its 52-week high.

Energy remained the macro driver. Hopes of a US-Iran deal briefly pulled crude lower late in September, before the rejection of Iran's latest proposal sent oil and yields higher again, with Brent closing at about \$105 a barrel on 28 September. The common thread of the quarter is that the energy shock now reaches markets mainly through interest rates. The risk is that yields keep rising after growth momentum fades.

Going forward, the outlook for the remainder of the year will be shaped by the path of inflation, the extent of central bank tightening, and whether growth momentum holds as real yields rise.

Unfortunately, strong growth is now re-igniting inflation. Input costs in the US flash PMI are rising at the fastest pace since October 2022, and core CPI rose 0.3%. The tightening that began in June has become synchronized. The Federal Reserve raised rates for the first time since 2023, the ECB, BoJ and Norges Bank also tightened, and the BoE is leaning towards a November hike. The SNB is the clear outlier on hold. Markets now see another Fed hike in October as more likely than not.

- **Persistent inflation:** growth is re-igniting price pressures, and the energy shock continues to feed into input costs.
- **Central Banks monitoring:** we still see a limited tightening cycle, as the increasingly K-shaped expansion constrains how far central banks can go before growth weakens more broadly. Yields that keep rising after growth fades would have far-reaching consequences.
- **Portfolio diversification:** narrow market breadth remains a concern, while bonds, now offering the most attractive real returns since before the global financial crisis, are regaining their role as a diversifier. Protection from inflation matters more than at any point in this cycle.

OUTLOOK FOR MAJOR ASSET CLASSES

FIXED INCOME

In September 2026, major central banks moved further towards tighter policy in response to strong growth and building inflation pressure.

European Central Bank (September 10, 2026)

The ECB raised its deposit rate by 25 basis points to 2.50%, its second hike this year. Staff projections see inflation at 3.0% in 2026, easing to 2.1% by 2028. Bundesbank President Nagel said policy may need to move into mildly restrictive territory if the rise in energy prices persists. The 10-year Bund yield reached 3.64%, its highest since June 2009, and markets now price about 100 basis points of ECB hikes by late 2027. Debt-sustainability concerns in France ahead of next year's elections have added further pressure.

Federal Open Market Committee (September 16, 2026)

The Federal Reserve unanimously raised its target range by 25 basis points to 3.75%–4.00%, its first hike since 2023, and the median dot signals one more hike this year. Chairman Kevin Warsh's remark that the hike had "removed a dose of accommodation" implied that more remains to be done. The hawkish chorus has since broadened: NY Fed President Williams said it was reasonable for markets to expect another hike by year-end, and Governor Barr said further adjustments are likely needed to bring inflation back to target. Markets now attach a probability of about 70% to an October hike.

Bond markets repriced sharply. The 10-year Treasury yield closed at 5.24% on 28 September, its highest since mid-2007, and the 30-year reached 5.56%, its highest since 2004. Real yields drove the move. The 10-year TIPS yield rose to about 2.88%, while the

10-year breakeven stood at only about 2.34%, so markets are pricing tighter policy rather than unanchored inflation expectations. Credit remains remarkably calm, with the high-yield option-adjusted spread at about 2.80%, still tight by historical standards.

Swiss National Bank

The Swiss National Bank remained the clear exception, keeping its policy rate at 0%. With Swiss inflation at just 0.8%, it faces none of the pressure that has pushed its peers to tighten.

These decisions confirm that central banks will prioritize their inflation targets while growth remains strong. We nonetheless think the room for further hikes is limited. The expansion is increasingly K-shaped. Higher-income households, asset owners and the large companies at the centre of the AI investment cycle are doing well, while lower-income households, smaller firms and rate-sensitive sectors absorb both the energy shock and higher borrowing costs. Each additional hike bites first on that lower branch, which caps how far central banks can tighten and, in turn, the upside for bond yields. With nominal and real Treasury yields at their highest in nearly two decades, fixed income offers the most attractive real returns since before the global financial crisis. That leaves ample room for bond prices to rise should growth slow, restoring the traditional role of bonds as a portfolio diversifier.

CURRENCY MARKETS

As we expected, currency markets were increasingly driven by the Federal Reserve's hawkish shift. The dollar index rose to about 101.2, a near two-month high, and EUR/USD fell to about 1.138. The euro held up better than most currencies because the ECB is also hiking and eurozone growth remains resilient, although French political uncertainty remains a downside risk. The yen weakened after a BoJ hike was judged not hawkish enough, until Tokyo and Washington both signaled they wanted a stronger yen.

For our home currency, the underperformance we anticipated has materialized. The Swiss franc was among the weakest G10 currencies in September as the SNB kept rates at 0%, and with Swiss inflation at just 0.8%, investors are increasingly using the franc as a low-yielding funding currency for carry trades. It is, therefore, reasonable to expect continued near-term CHF weakness.

EQUITY

The baseline outlook for global equities remains constructive, and we remain fully invested. Resilient growth is still our base case, and September's flash PMIs strengthened it. Fiscal consolidation is still absent globally, which supports activity in the near term and pushes recession risk further out. Q2 earnings season closed on a strong note on both sides of the Atlantic, and attention now turns to Q3 results from mid-October.

Valuations have become easier to justify. Despite a 12% year-to-date gain, the S&P 500 forward P/E has fallen from 22x to 19x, in line with its 10-year average, so the modest derating we allowed for last quarter has already taken place. Breadth remains narrow, but light positioning points to scope for both broad market upside and a catch-up by laggards if macro uncertainty eases. We continue to build inflation protection into the equity allocation through metals and mining and through oil and gas.

On the risk side, rising real yields are now the main headwind for equity valuations. The US 2-year real yield is positive for the first time since 2021, and the

equity risk premium has hovered around 3% for most of the past two years, so the cushion is thinning. Investors are also concerned that the AI investment boom is causing companies to "over-earn" relative to cash flows and sustainable profit levels. Finally, growth is likely to slow naturally in Q4, as the US inventory build reverses and the energy shock and higher rates squeeze household purchasing power.

GOLD

The long-term investment case for gold is unchanged, but the near-term headwinds we flagged last quarter have materialized. Gold proved a poor hedge in September, falling from about \$4,471 at end-August to around \$4,150 as real yields rose. A non-yielding asset struggles when the real cost of money climbs. Long-term diversification by global central banks still provides a structural floor, and holding gold in portfolios remains justified for its hedging and diversification benefits.

ALTERNATIVE INVESTMENTS

Hedge funds returned -0.14% in September as of September 24th, bringing year-to-date returns to +4.14%, with wide dispersion across strategies: Macro gained +0.85%, while Equity Hedge declined -1.41%. This dispersion supports our preference for diversified hedge fund strategies in the alternatives bucket. We also maintain our emphasis on listed infrastructure investments for their attractive long-term inflation protection characteristics.

Disclaimer: This document is based on information available as of the close of September 28, 2026.

“Luck shouldn’t
be part of your
portfolio.”

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