

BANQUE
ERIC STURDZA

QUARTERLY OUTLOOK
1ST QUARTER 2026

CONTENT

1ST QUARTER 2026

1. Editorial

Many are called and... many are chosen

2. Fixed Income

Will 2026 be a better year than 2025?

3. Equities

2026, heading towards a new stock market leadership?

4. Asset allocation

Reserved for Banque Eric Sturdza's clients

5. Performance

1. EDITORIAL

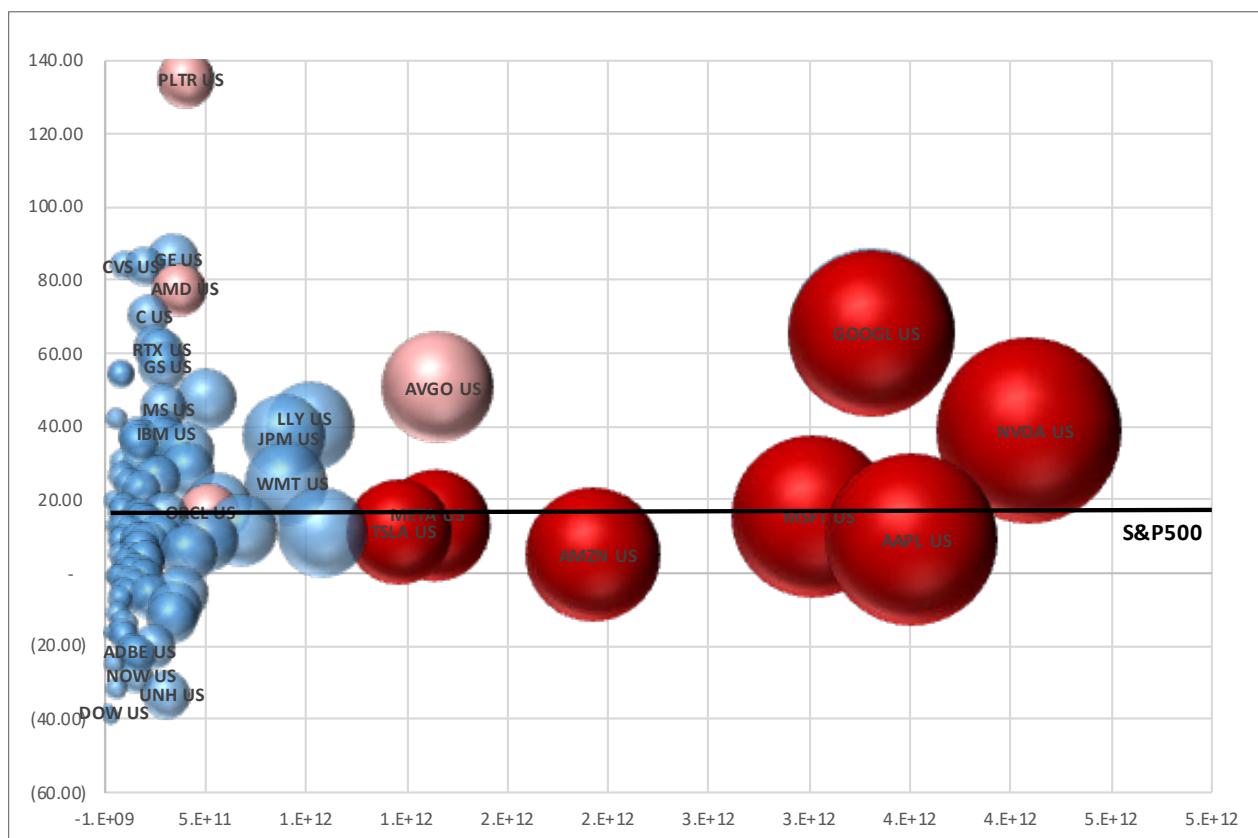
MANY ARE CALLED AND... MANY ARE CHOSEN

Lots of winners and very few losers: that is the first thought that comes to mind when reviewing the market's annual performance.

Admittedly, there were a few casualties in 2025: on the currency side, the dollar lost more than 11% against the euro and the Swiss franc, while the yen also lost circa 10% against the euro. Bitcoin has been struggling since Autumn, and on the commodities side, oil* (WTI benchmark) lost 20% over the year... But compared to this handful of losers, there were so many winners! Gold* (up 65% over the year), silver* (up 132% though with high volatility, as seen at year-end), transi-

tion metals (up 37% for copper*) and, above all, almost all the major stock markets. From South Korea** (75% over one year) to Spain** (49%), Chinese stocks listed in Hong Kong** (27%) and the Nasdaq** (21%), all these markets showed remarkable strength and, each with differing dynamics, ended the year with strong gains. European markets were buoyed by banks and the Defence sector, while the United States once again benefited from the Technology sector: different drivers, therefore, but ultimately performances that are all the more remarkable given that they were achieved against a backdrop of geopolitical uncertainties, trade wars and rising tariffs.

G1 : 2025 PERFORMANCE OF THE TOP100 (Y AXIS) US COMPANIES
BY MARKET CAPITALISATION (X AXIS)



Source: Bloomberg, Banque Eric Sturdza, bubble proportional to market capitalisation, red = 7 Magnificent, pink = AI theme

Looking closer at the year-end picture and zooming in on the last quarter, we can see that some of the most promising themes of 2025 are losing momentum. Most European Defence stocks peaked in Q3 (and what peaks they were!), while artificial intelligence has been treading water since October. The investments required to fuel AI sometimes seem excessive. Oracle is paying the price, and the massive debt issues of certain technology players are giving some investors pause for concern.

The performance of the top 100 stocks of the US index is revealing: there is very wide dispersion, with only two of the magnificent 7 stocks outperforming the index, while two are in line and three are lagging. Another interesting reading is that amongst the strongest performances (without considering the market cap factor), one can find more banks, industrial stocks than AI plays..

What could be called the return on invested capital requirement to us seems to be one of the keys to the beginning of 2026. This is especially true given that several “monster” IPOs are expected over the coming months, IPOs which will seriously test investors’ appetite. OPEN AI is talking about raising €60 billion. Worth noting that the largest IPO to date was Aramco’s, which raised €22 billion.

Experienced investors know that a market rises when there is “more money than fools”; the opposite however, where there are “more fools than money”, usually ends in severe disappointments.

Identifying the moment when a theme becomes too consensual, the moment when there are too many “fools”, is a difficult if not impossible exercise. Taking profit and rebalancing elsewhere on other, less popular and more contrarian investments may be an interesting option. There are not that many contrarian choices at the end of 2025, as it has been a good year for most assets. Nevertheless, Oil, Asian currencies (we are thinking in particular of the extremely undervalued Yen and Renminbi), some Asian markets and certain stock market sectors under pressure (such as consumer ones) are a few examples. Taking a longer view than just 2025, certain asset classes such as emerging markets and commodities can also fit the description as they materially underperformed in the previous years. We will certainly discuss this further in early 2026, which we hope can be an excellent year for you.

* Commodity performances are given in dollars.

** Stock market index performance is given in their listed currency.

2. FIXED INCOME

WILL 2026 BE A BETTER YEAR THAN 2025?

Central banks and long-term rates in 2025

In 2025, Japanese long-term rates rose by 0.9%, which is huge given that they effectively doubled, rising from 1% to 2%. US long-term rates fell by around 0.5%, while German 10-year rates moved in the opposite direction. The source of satisfaction in the eurozone is undoubtedly the fact that the France-Germany spread has remained close to 0.8%, a level of stability that does not reflect the stress felt by many investors. The two main central banks have pursued accommodative monetary policies. The Fed cut rates three times (-0.75%) to bring the Fed funds rate down to 3.5%-3.75%, and the ECB lowered its deposit rate from 3% to 2%.

Credit Markets: the year began on the 3rd of April

In the credit market, the key word was once again Carry, which enabled corporate bonds to perform well. Investment grade spreads in euros and dollars started and ended the year at around 50 basis points but tightened to levels above 80bp on Liberation Day in early April. High yield spreads, which ended the year stable in dollars and slightly lower in Europe, widened by circa 150bp in April, compared with only around 30bp in the investment grade universe. Corporate hybrid debt played its part, delivering a very respectable but unremarkable performance.

Outlook for 2026

Barring any unforeseen events, the Fed should remain accommodative as long as any inflationary risk remains under control, which is not 100% certain. President Trump's "friends" should find themselves in the majority and should proceed with one or more monetary easing measures, without neglecting the RMP (Reserve Management Programme), which consists of purchasing \$40 billion worth of Treasury bills per month. In the Eurozone, the ECB is unlikely to change its policy. However, if the German stimulus plan proves successful, a rate hike at the end of the year cannot be ruled out. Japan will pursue a very restrictive policy, with rates likely to be raised three times in 2026. Will long-term rates skyrocket, or are these measures already factored into current prices? This is the big question, as a disaster on the Japanese bond market could spread to Europe and the United States. We will remain cautious on duration, if we were to take a view, we will probably be slightly more constructive on US long-term rates than on German Bunds, which could quickly exceed a 3% yield. In the credit markets, spreads should remain stable and we should see a repeat of 2025, with performance driven by Carry rather than capital gains. Any potential accidents (such as Liberation Day in April 2025) should be used to increase credit positions, with a focus on subordinated debt.

3. EQUITIES

2026, HEADING TOWARDS A NEW STOCK MARKET LEADERSHIP?

2025 ended better than it began

With the global blue-chip index up nearly 20%, equity markets ended the year much better than they started it. The mini stock market crash that followed the famous “Liberation Day” in early April 2025 now seems a distant memory.

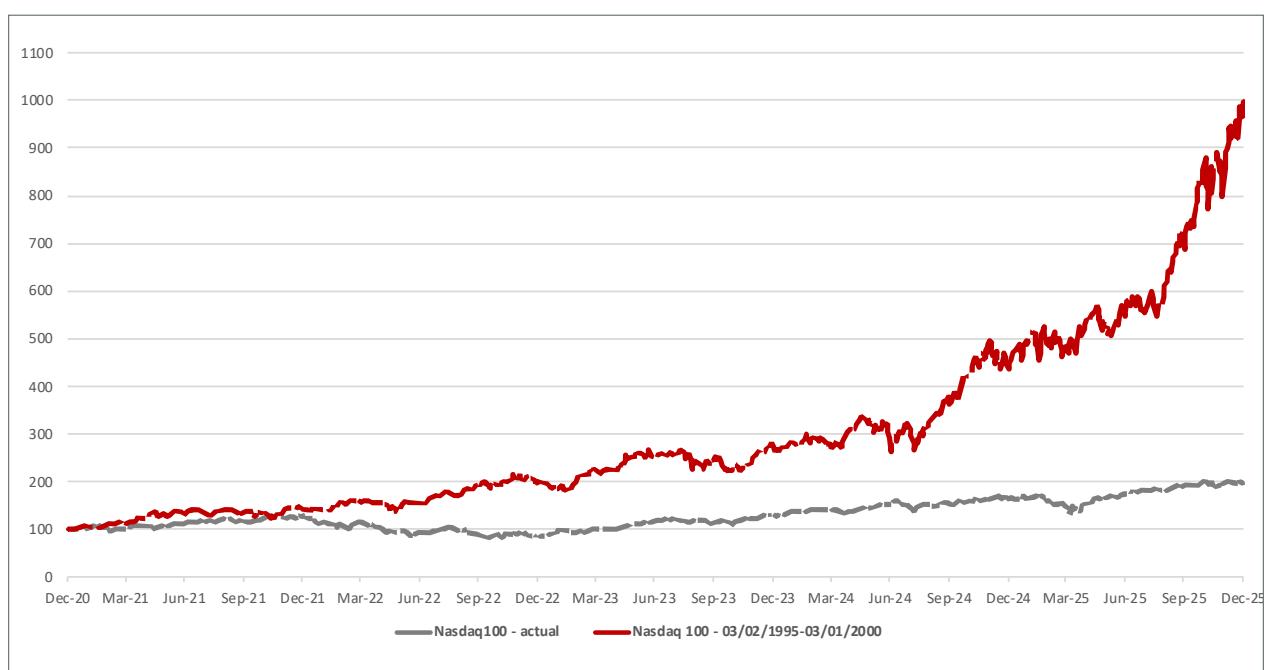
Firstly, in the United States where after strong gains in 2023-2024, doubts were real in a context of high valuations and elevated concentration risk. And yet... In a tense geopolitical environment marked by the ever-unpredictable nature of Donald Trump, it was the technological revolution in Artificial Intelligence (AI) that swept away

these uncertainties and enabled the US market to reach new highs.

While in the United States it was growth stocks and earnings growth that drove equity returns, the opposite was true in Europe, where the rise was due more to rebounding Value stocks – the banking sector being the most striking example – and to multiple expansion. On this last point, Germany’s historic shift towards fiscal stimulus has certainly played a role, with investors agreeing to “pay to see”.

Finally, it is difficult to talk about 2025 without mentioning the outperformance of Emerging and Asian markets. This phenomenon is particularly vis-

G2: PERFORMANCE – NASDAQ100 OVER THE PAST FIVE YEARS
VS. NASDAQ100 FROM MARCH 1995 TO MARCH 2000



Source: Bloomberg, Banque Eric Sturdza

ible in Asia, whether in the Korean and Taiwanese markets (which are also buoyed by the AI theme) or among Chinese competitors to US tech giants, which are finally benefiting from renewed interest from international investors after years of neglect. Finally, on a separate note, the Japanese market is not to be outdone, gaining 22% over the year, helped by a weak yen and the continued improvements in the profitability of Japanese companies.

What is the outlook for 2026?

Ultimately, artificial intelligence has been a key driver of performance in both the United States and Asia, dominating stock market narratives. The scale of the phenomenon and the investment spending of the main players in the sector fuelled fears at the end of the period that a bubble similar to that of the early 2000s could occur.

While vigilance remains essential, several factors allow us to put the current situation into perspective and differentiate it from that of the 2000s. Firstly on the stock market, although impressive, the rise in US technology stocks remains incomparable to that seen between 1995 and 2000 (see graph 2). Secondly, with a few exceptions (Oracle for example), today's fundamentals remain radically different for most of the major AI stocks: strong existing cash flow generation, relatively healthy balance sheets, self-financed investments. Moreover, the rise of the US index in 2025 has much more to do with earnings growth (particularly in Tech.) than with an expansion of multiples. Finally, the stock market euphoria that characterises the end of a bubble remains very limited today, even if the announcement of major IPOs in 2026, such as Space X and Anthropic, is cause for concern.

The AI phenomenon is also far from homogeneous and exclusive. As highlighted in our editorial, the mixed performances within the group of the Magnificent 7 already reflect varying degrees of success and call for greater selectivity among the main players in the sector and more broadly speaking within the US market.

Equally encouraging for 2026, the strong performance of value stocks in Europe and domestic Japanese stocks shows that there is life in the stock market beyond the theme of AI. From this perspective, the outperformance of emerging markets and Asia against a backdrop of a weak US dollar, more reasonable valuations and robust growth momentum is a trend that we expect to continue. The same applies to commodity-related stocks. The rebound in metal prices – gold, silver and copper – against a backdrop of growing strategic demand and limited supply is enabling commodity stocks to emerge from the bearish cycle in which they have been trapped in recent years. Whether in emerging markets or commodity stocks, cycles (recently more bullish, but previously bearish) tend to be longstanding, giving us reason to hope that these trends will continue, albeit at the cost of greater volatility.

5. PERFORMANCE

EQUITIES	31.12.25	CURRENT	1 M	3M	6M	2025	2024	2023	2022	2021	2020
WORLD	MSCI WORLD	4'430	0.7%	2.9%	10.0%	19.5%	17.0%	24.4%	-17.7%	22.4%	16.5%
	MSCI EAFE	2'893	2.9%	4.5%	9.0%	27.9%	1.1%	15.0%	-16.8%	8.8%	5.4%
US	DOW JONES	48'063	0.7%	3.6%	9.0%	13.0%	12.9%	16.2%	-6.9%	20.9%	9.7%
	S&P 500	6'846	-0.1%	2.3%	10.3%	16.4%	23.3%	26.3%	-18.1%	28.7%	18.4%
	S&P500 EW	7'764	0.2%	0.9%	5.3%	9.3%	10.9%	13.8%	-11.5%	29.6%	12.8%
	NASDAQ 100	25'250	-0.7%	2.3%	11.3%	20.2%	24.9%	55.1%	-32.4%	27.5%	48.9%
EUROPE	RUSSELL 2000	2'482	-0.7%	1.9%	14.1%	11.3%	10.0%	16.9%	-20.5%	14.8%	19.9%
	STOXX 600	592	2.7%	6.1%	9.4%	16.7%	6.0%	16.6%	-9.9%	25.8%	-1.4%
	FTSE 100	9'931	2.2%	6.2%	13.4%	21.5%	5.7%	7.7%	4.6%	18.4%	-11.4%
	CAC 40	8'150	0.3%	3.2%	6.3%	10.4%	-2.2%	20.1%	-6.7%	31.9%	-5.0%
ASIA	DAX	24'490	2.7%	2.6%	2.4%	23.0%	18.8%	20.3%	-12.3%	15.8%	3.5%
	SPI SWISS	18'219	3.2%	8.8%	10.2%	17.8%	6.2%	6.1%	-16.5%	23.4%	3.8%
	MSCI EM	1'404	2.7%	4.3%	14.9%	30.6%	5.1%	10.2%	-19.8%	-2.3%	18.8%
	MSCI ASIA EX JAPAN	913	2.6%	4.0%	14.7%	29.3%	9.8%	3.6%	-21.5%	-6.4%	22.5%
FX & COMMODITIES	TOPIX	3'409	0.9%	8.6%	19.5%	22.4%	17.7%	28.3%	-2.5%	12.8%	7.4%
	HANG SENG	25'631	-0.9%	-4.6%	6.5%	27.8%	17.7%	-10.5%	-12.6%	-11.8%	-0.2%
	CSI 300	4'630	2.3%	-0.2%	17.6%	17.7%	14.7%	-9.1%	-19.8%	-3.5%	29.9%
	EUR-USD	1.171	1.0%	-0.3%	2.0%	13.1%	-6.2%	3.1%	-5.9%	-6.9%	8.9%
CURRENCIES	EUR-CHF	0.932	-0.1%	-0.3%	-0.9%	-0.9%	1.2%	-6.1%	-4.6%	-4.0%	-0.4%
	USD-CHF	0.796	-1.0%	0.0%	-2.8%	-12.3%	7.8%	-9.0%	1.3%	3.1%	-8.4%
	USD-JPY	157.8	1.0%	6.6%	8.7%	0.3%	11.5%	10.5%	13.9%	11.5%	-4.9%
	USD INDEX	98.60	-0.9%	1.0%	-0.3%	-9.1%	7.1%	-2.1%	8.2%	7.0%	-7.3%
COMMODITIES	Gold	4338.88	2.3%	17.7%	28.8%	65.3%	27.2%	13.1%	-0.3%	-4.2%	25.0%
	Silver	67.16	18.9%	55.9%	82.8%	132.4%	21.5%	-0.7%	2.8%	-13.6%	48.7%
	WTI Crude Oil	56.66	-3.2%	-9.6%	-24.6%	-21.0%	0.1%	-10.7%	6.7%	59.1%	-21.5%
	Natural Gas	3.98	-17.9%	38.0%	-0.1%	9.7%	44.5%	-43.8%	20.0%	46.9%	16.0%
FIXED INCOME	Copper	11'886	5.8%	19.8%	21.8%	37.4%	2.2%	0.9%	-14.1%	25.7%	26.0%
	31.12.25	CURRENT	1 M	3M	6M	2025	2024	2023	2022	2021	2020
	US 10 year gvt	4.15	0.13	0.02	(0.24)	(0.42)	69 bps	0 bps	237 bps	60 bps	-100 bps
	German 10 year gvt	2.90	0.21	0.15	0.40	0.53	34 bps	-54 bps	275 bps	39 bps	-38 bps
BONDS	Global Aggregate USD hdg.	607.0	-0.4%	0.6%	2.3%	4.6%	3.4%	7.1%	-11.2%	-1.4%	5.6%
	Global Aggregate EUR hdg.	219.4	-0.6%	0.1%	1.1%	2.5%	1.7%	4.7%	-13.3%	-2.2%	4.2%
	US Treasuries	2431.1	-0.5%	0.8%	3.3%	6.1%	0.6%	4.1%	-12.5%	-2.3%	8.0%
	US TIPS	371.8	-0.6%	-0.2%	2.9%	6.8%	1.8%	3.9%	-11.9%	6.0%	11.0%
	US IG Corporates	3534.9	-0.5%	0.4%	4.4%	7.5%	2.1%	8.5%	-15.8%	-1.0%	9.9%
	US High Yield	2904.1	0.2%	0.8%	4.8%	8.2%	8.2%	13.4%	-11.2%	5.3%	7.1%
	Euro Government	243.8	-1.0%	0.1%	-0.6%	0.3%	2.0%	7.1%	-18.2%	-3.4%	4.7%
	Euro IG Corporates	265.1	-0.4%	0.2%	1.0%	2.8%	4.7%	8.2%	-13.6%	-1.0%	2.8%
	Euro High Yield	501.1	0.2%	0.5%	2.3%	4.6%	9.1%	12.8%	-11.1%	4.2%	1.8%
	EM USD Aggregate	1384.2	0.2%	2.5%	6.8%	10.9%	6.6%	9.1%	-15.3%	-1.7%	6.5%

Source: Bloomberg, 31/12/25

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