



BANQUE
ERIC STURDZA

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1. EDITORIAL

SHORT-TERM VS. LONG-TERM, THAT IS THE QUESTION?

Although the US President has been pre-occupied by the Middle East situation and annoyed by the Supreme Court's recent decision to invalidate most of his tariff policies, to us it seems that Donald Trump has been less prominent over the past month or so, at least for the first part of the month.

Instead, the spotlight has been largely focused on, if not saturated by, artificial intelligence (AI), with investors focusing on the implications and consequences this could have for the stock market. Febru-

ary was a month dominated by stock picking rather than US domestic politics.

On the burgeoning topic of AI, it was initially the “very” long-term loan taken out by a tech giant that caught the eye: on February 11th Alphabet borrowed \$20 billion, including a bond with a maturity of... 100 years. Loans with such long maturities are rare, and as a famous American fund manager ironically pointed out, the last time an American company borrowed at 100 years was Motorola in 1997.

G1 : GEOPOLITICAL EVENTS & US MARKET PERFORMANCE

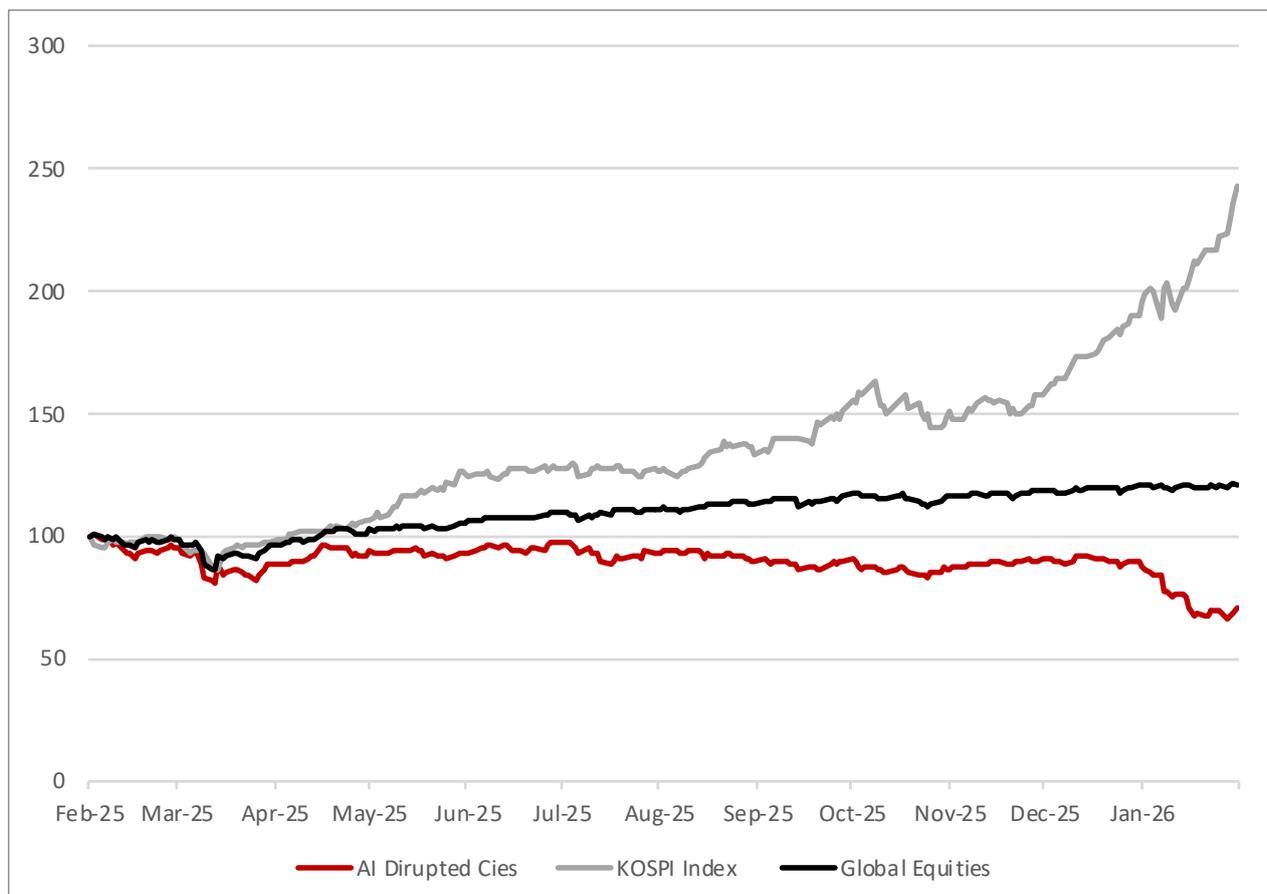
DATES	EVENTS	1D	1M	3M	6M	12M
07/12/1941	Pearl Harbor	-3,80%	-3,40%	-12,7%	-9,1%	0,4%
25/06/1950	North Korea invades South Korea	-5,40%	-4,86%	7,2%	10,8%	17,6%
29/10/1956	Suez Canal crisis	0,30%	-2,80%	-3,8%	-0,1%	-11,5%
16/10/1962	Cuban missile crisis	-0,30%	8,70%	17,7%	25,1%	32,0%
22/11/1963	Kennedy assassination	-2,80%	6,03%	11,5%	16,0%	24,0%
05/06/1967	6-day war	-1,50%	3,31%	6,5%	7,7%	13,0%
17/10/1973	Arab Oil embargo	0,04%	-7,00%	-13,2%	-14,4%	-36,2%
03/11/1979	Iranian hostage crisis	-0,67%	4,20%	11,6%	3,8%	24,3%
25/12/1979	USSR in Afghanistan	0,17%	5,60%	-7,9%	6,9%	25,7%
03/08/1990	Iraq invades Kuwait	-1,10%	-8,20%	-13,5%	-2,1%	10,1%
17/01/1991	Gulf War I	1,30%	15,20%	23,5%	20,6%	33,1%
17/08/1991	Gorbachev coup	0,79%	0,00%	3,0%	7,0%	8,9%
26/02/1993	World Trade Center bombing	-0,31%	1,20%	2,5%	4,0%	6,4%
11/09/2001	9/11	-4,90%	-0,20%	2,5%	6,7%	-18,4%
20/03/2003	Gulf war II	2,30%	2,20%	15,6%	17,4%	28,4%
20/02/2014	Russia invading Crimea	-0,19%	1,75%	1,8%	8,0%	14,7%
07/04/2017	Bombing of Syria	-0,10%	1,86%	3,3%	8,3%	10,6%
28/07/2017	North Korea missile crisis	-0,10%	-1,13%	4,4%	15,4%	14,0%
14/09/2019	Saudi Aramco drone attack	-0,30%	-1,37%	5,4%	-9,9%	11,1%
24/02/2022	Russia invading Ukraine	1,72%	6,97%	-6,7%	-2,0%	-6,1%
07/10/2023	Hamas attacks	0,25%	1,62%	10,6%	20,8%	32,2%
13/06/2025	US & Israeli strikes on Iran	-0,71%	4,88%	10,2%	14,2%	
	Average	-0,70%	1,57%	3,61%	7,05%	11,15%
	% Positive	36,4%	59,1%	72,7%	72,7%	81,0%

Source: Banque Eric Sturdza, 1941-2025

The renewed crisis in the Middle East triggered late February by US & Israeli airstrikes on Iran undoubtedly had short term ripple effects on commodities and financial markets. On this topic, the difference between short and longer term remained important. However a quick study of the impact of major past geopolitical events on the S&P 500 tends to highlight that these events are generally “one-offs” and have little impact on the long-term trajectory of financial markets. This is for us a good reason not over-react to short term moves. But it’s also important not to overlook the current situation and stay focused as the few exceptions tend to coincide with inflationary shocks that followed a prolonged and sustained rise in commodity prices.

The second notable event of the month, in our view, was the sudden and radical way in which the market “classified” the winners and losers of the AI revolution. Software publishers, cybersecurity companies and, more recently, US banks: each trading session in the second half of February seemed to single out a new sector fallen victim to AI, inflicting sharp declines on each one. CrowdStrike (a star cybersecurity company) lost 17% in three days, and all it took was for Anthropic to announce that it could improve the COBOL language widely used by IBM for its share price to lose 13% in a single session. The selection process was ruthless, and the “AI losers” index (in red on the chart) took a sharp dive.

G2: STOCKS AT RISK OF BEING DISRUPTED BY AI, GLOBAL STOCK INDEX AND KOSPI



Source: Bloomberg, Banque Eric Sturdza, Feb. 25 to Feb 26

The Nasdaq is struggling a little, but the broader indices are holding up, proving that while some stocks are falling sharply, others are rising by similar amounts. The Anglo-Saxons – never to be outdone when it comes to acronyms – have grouped some of them under HALO (Hard Asset Low Obsolescence). The stock market is rediscovering the charms of Union Pacific, mining companies and Vinci! It also likes industrial companies that are not particularly threatened by AI, a theme that is also relevant in Europe through the Sovereignty angle.

Innovations are often accompanied by large sector rotation and recent movements are no exception. The rapid adoption of AI adds to the intense nature of the swings now observed. What is more difficult to explain, however, is why investors are simultaneously providing 100-year loans to supposed AI winners while punishing their probable victims in just hours. These very different time frames seem difficult to reconcile.

Isn't there a touch of hubris in looking 100 years ahead when it is already difficult to identify the winners of the next decade? The automotive industry profoundly affected the 20th century, but Ford is the only listed car brand to have survived that! The 21st century will undoubtedly be transformed by AI, but for both the winners and losers in this revolution, the road ahead will be long and more winding than recent developments suggest. For stock pickers, the excess of confidence or pessimism linked to AI and geopolitics will certainly provide interesting entry (or exit!) points.

2. FIXED INCOME

GOODBYE INFLATION, HELLO RATE CUTS?

Growth and inflation

The slowdown in inflation (2.4% and core at 2.5%) has pleased the bond markets, but it should be remembered that the Fed only trusts PCE figures, including the famous core PCE. However, the latest PCE inflation statistics for December 2025, which, unlike the CPI, do not take into account the improvement in January, show a Core PCE of 3% at the end of December. The latest CPI is therefore moving in the right direction, but we are not drawing any conclusions and are waiting until May to make our assessment. This is because the April inflation statistics, published in May, will mark the end of the six-month period of disruption linked to the October-November 2025 shutdown. For now, we can imagine many outcomes including a return of the CPI above 3% for May, caused by a massive technical adjustment due to the shutdown or rising inflationary pressures linked to energy prices.

The publication of US GDP growth in the fourth quarter clearly favours the doves and Donald Trump's friends. It's slowing down! The markets were expecting this and had anticipated a slight slowdown, but they were surprised by a 1.4% figure that is starting to sting. It should be noted, however, that a 43 out of 90 days shutdown has a significant impact on government spending (an important component of GDP), which is not likely to be repeated every quarter.

Is the Fed at the helm?

Today, we are therefore unable to express a strong conviction on duration. Our positioning varies between neutral and slightly overweight. We are cautious but confident that the worst-case scenario will not materialise. A sell-off in long-term rates is not acceptable for the Republicans in the current context, neither economically nor politically on the eve of the mid-terms. If the US 10-year yield were to rise above 4.5% again, it would undoubtedly be a great investment opportunity, as the Fed would probably act to put out the fire, no doubt in concert with the Treasury Department.

As far as interest rate policy is concerned, it would be preferable for the central bank to wait a little longer, but likely it will need to intervene quite soon, perhaps before June, to satisfy President Trump's incessant and pressing demands. This will undoubtedly create some volatility at the short end of the curve, around 2 years, but the Fed's timing does not seem likely to make long-term rates move significantly.

In terms of strategy, it is important to remain diversified with government debt, credit (both senior and subordinated debt) and emerging market debt. Carry is lower than in the recent past, but still attractive. There is still value in emerging market credit. The time to return more decisively into long-term government bonds will occur when the markets allow them to rise again, even just slightly, creating investment opportunity.

3. EQUITIES

A TALE OF TWO WORLDS

Despite greater volatility, global equity markets continued their upward trend in February (+0.7% over the month), but with a sharp dichotomy between the United States and the rest of the world, a situation that contrasts with the pattern seen over recent years.

United States: between AI disruption and trade uncertainty

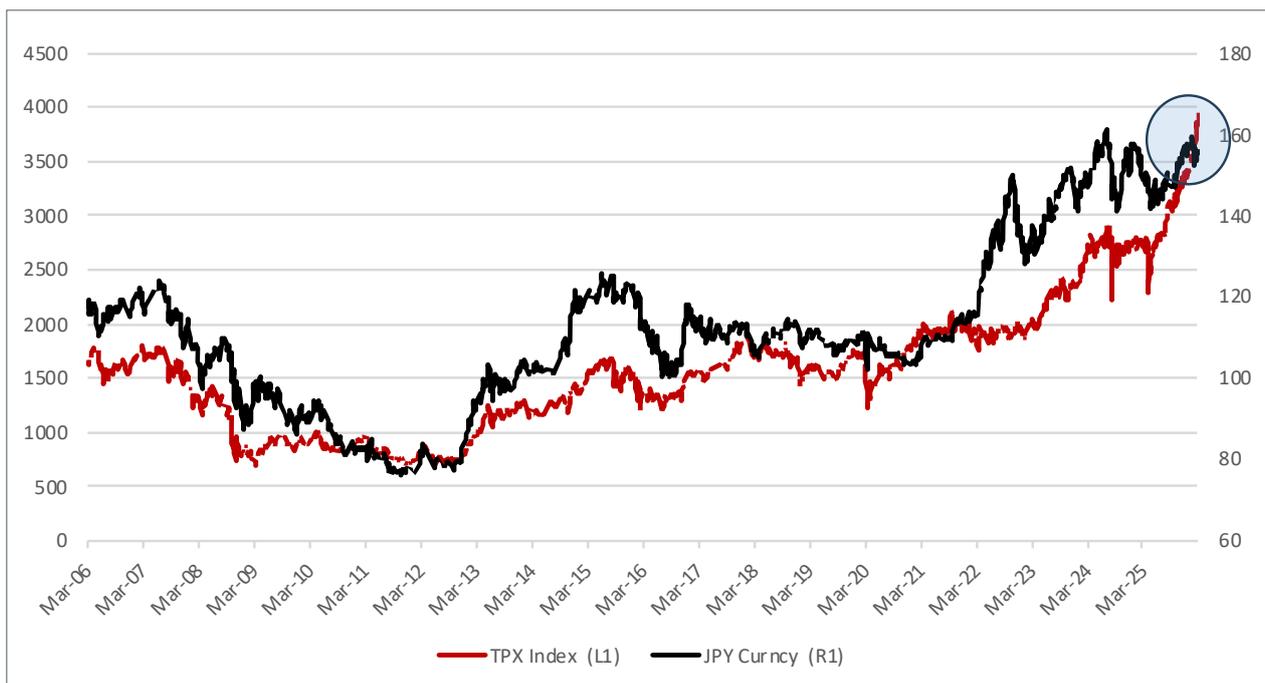
In the United States, the S&P 500 has stalled just below the 7,000-point mark and has continued to tread water (+0.5%) since the start of the year, despite strong corporate results. While those results are good, even excellent, for the heavyweights of the tech and internet sectors, stock market reactions have been more mixed, reflecting investors' very (perhaps too?) high expectations. The market is also quick to burn what it once loved. As we point out in our editorial, it is now the risk of disruption

created by AI that is focusing investors' attention, and from that point of view, few industries are spared: from banks to brokers, cybersecurity players and software publishers. These fears and the weight of tech in the US indices is doing the rest. The Supreme Court's decision at the end of the month to invalidate the reciprocal tariffs imposed by Donald Trump has re-ignited trade tensions. President Trump still has a few tools at his disposal, as illustrated by his decision to impose 15% tariffs under Section 122, but these are more complex to implement (as in the case of tariffs imposed under Sections 232 and 301) or remain both time (150 days max.) and scope (15% max.) limited.

Asia takes off, mining and oil companies pick up speed

Ultimately, it is the Asian countries – China, India and Southeast Asia – that could turn out to be the

G3: TOPIX VS. JPYUSD



Source: Bloomberg, Banque Eric Sturdza, March 06- March 26

big winners from the US Supreme Court's decision, resulting in a sharp drop in average effective tariffs on Chinese products (from 30% to 20%) and on Vietnamese and Indian products (from 20% to 11%). With the summit meeting between Xi Jinping and Donald Trump looming, the decision deprives the Americans of an important lever in their future negotiations. It is also not surprising that countries such as India are not rushing to ratify less favourable trade agreements. The gap between Asia and the United States is also widening on the subject of AI. While in the United States, entire sections of the coast are threatened by the introduction of AI, Asian champions are thriving thanks to their key role in AI infrastructure. This is the case for Taiwan's TSMC, the undisputed world leader in semi-conductors, and Korean memory manufacturers SK Hynix and Samsung.

February's news was also marked by strong growth in the Japanese market. Prime Minister Sanae Takachi and her LDP party scored a major victory by winning an absolute majority in the last general election. With this electoral success, she now has a free hand to implement her ambitious recovery programme. Investors are not mistaken and are welcoming the lifting of political uncertainty with a bullish rally of rare strength. This movement is accompanied by a paradigm shift, with a rise in their stock market no longer necessarily synonymous with a fall in the JPY.

The sharp decline in precious metal prices at the end of January already seems like a distant memory. Against a backdrop of continued geopolitical uncertainty in the Middle East, the price of gold again rose in February, pulling silver and other semi-precious metals, as well as mining stocks, up with it. The results posted by companies in the sector confirm that, with the sharp rise in commodity prices, the profitability and outlook for companies in this sector remain exceptional.

February therefore confirmed the trends outlined at the beginning of the year and the positioning of our portfolios, namely greater selectivity in US equities, a marked bias towards Asia and the commodities theme - played out mainly at this stage through mining companies. We stay invested in the current tense geopolitical environment but remain vigilant about a possible deterioration in the situation so that we can adjust our positioning if necessary.

5. PERFORMANCE

EQUITIES	27.02.26	CURRENT	1M	3M	6M	YTD	2025	2024	2023	2022	2021
US	DOW JONES	48'978	0.2%	2.6%	7.5%	1.9%	13.0%	12.9%	16.2%	-6.9%	20.9%
	S&P 500	6'879	-0.9%	0.4%	6.5%	0.5%	16.4%	23.3%	26.3%	-18.1%	28.7%
	S&P500 EW	8'291	3.4%	7.0%	8.7%	6.8%	9.3%	10.9%	13.8%	-11.5%	29.6%
	RUSSELL 2000	2'632	0.7%	5.3%	11.2%	6.1%	11.3%	10.0%	16.9%	-20.5%	14.8%
EUROPE	STOXX 600	634	3.7%	10.0%	15.2%	7.0%	16.7%	6.0%	16.6%	-9.9%	25.8%
	FTSE 100	10'911	6.7%	12.2%	18.8%	9.9%	21.5%	5.7%	7.7%	4.6%	18.4%
	CAC 40	8'581	5.6%	5.6%	11.4%	5.3%	10.4%	-2.2%	20.1%	-6.7%	31.9%
	DAX	25'284	3.0%	6.1%	5.8%	3.2%	23.0%	18.8%	20.3%	-12.3%	15.8%
ASIA	SPI SWISS	19'256	5.7%	9.1%	13.9%	5.7%	17.8%	6.2%	6.1%	-16.5%	23.4%
	MSCI EM	1'611	5.4%	17.8%	28.0%	14.7%	30.6%	5.1%	10.2%	-19.8%	-2.3%
	MSCI Asia ex Japan	1'045	5.8%	17.4%	26.9%	14.4%	29.3%	9.8%	3.6%	-21.5%	-6.4%
	TOPIX	3'939	10.4%	16.6%	28.1%	15.5%	22.4%	17.7%	28.3%	-2.5%	12.8%
	HANG SENG	26'631	-2.8%	3.0%	6.2%	3.9%	27.8%	17.7%	-10.5%	-12.6%	-11.8%
	CSI 300	4'711	0.1%	4.1%	4.8%	1.7%	17.7%	14.7%	-9.1%	-19.8%	-3.5%
FX & COMMODITIES	27.02.26	CURRENT	1M	3M	6M	YTD	2025	2024	2023	2022	2021
CURRENCIES	EUR-USD	1.181	-0.3%	1.8%	1.1%	0.6%	13.1%	-6.2%	3.1%	-5.9%	-6.9%
	EUR-CHF	0.909	-0.9%	-2.5%	-2.9%	-2.4%	-0.9%	1.2%	-6.1%	-4.6%	-4.0%
	USD-CHF	0.769	-0.5%	-4.3%	-3.9%	-2.9%	-12.3%	7.8%	-9.0%	1.3%	3.1%
	USD-JPY	156.1	0.8%	-0.1%	6.1%	-0.4%	0.3%	11.5%	10.5%	13.9%	11.5%
	USD INDEX	97.61	0.6%	-1.9%	-0.2%	-0.7%	-9.1%	7.1%	-2.1%	8.2%	7.0%
COMMODITIES	Gold	5278.93	7.9%	24.5%	53.1%	22.2%	65.3%	27.2%	13.1%	-0.3%	-4.2%
	Silver	93.79	10.1%	66.0%	136.1%	30.9%	132.4%	21.5%	-0.7%	2.8%	-13.6%
	WTI Crude Oil	67.02	2.8%	14.5%	4.7%	16.7%	-21.0%	0.1%	-10.7%	6.7%	59.1%
	Natural Gas	2.86	-34.3%	-41.1%	-4.6%	-22.4%	9.7%	44.5%	-43.8%	20.0%	46.9%
	Copper	13'294	1.7%	18.3%	35.4%	6.8%	37.4%	2.2%	0.9%	-14.1%	25.7%
FIXED INCOME	27.02.26	CURRENT	1M	3M	6M	YTD	2025	2024	2023	2022	2021
RATES	US 10 year gvt	3.94	(0.30)	(0.08)	(0.29)	(0.23)	-42 bps	69 bps	0 bps	237 bps	60 bps
	German 10 year gvt	2.64	(0.20)	(0.05)	(0.08)	(0.21)	53 bps	34 bps	-54bps	275 bps	39 bps
BONDS	Global Aggregate USD hdg.	618.5	1.4%	1.4%	3.2%	1.7%	4.6%	3.4%	7.1%	-11.2%	-1.4%
	Global Aggregate EUR hdg.	222.8	1.3%	1.0%	2.2%	1.4%	2.5%	1.7%	4.7%	-13.3%	-2.2%
	Global Aggregate CHF hdg.	162.1	1.1%	0.4%	1.1%	1.0%	0.3%	-1.0%	2.5%	-13.7%	-2.5%
	US Treasuries	2476.8	1.8%	1.4%	3.5%	1.7%	6.1%	0.6%	4.1%	-12.5%	-2.3%
	US TIPS	378.6	1.3%	1.2%	2.2%	1.6%	6.8%	1.8%	3.9%	-11.9%	6.0%
	US IG Corporates	3597.3	1.3%	1.3%	3.9%	1.5%	7.5%	2.1%	8.5%	-15.8%	-1.0%
	US High Yield	2934.7	0.2%	1.3%	2.8%	0.7%	8.2%	8.2%	13.4%	-11.2%	5.3%
	Euro Government	249.9	1.4%	1.5%	2.8%	2.1%	0.3%	2.0%	7.1%	-18.2%	-3.4%
	Euro IG Corporates	269.3	0.5%	1.1%	2.0%	1.3%	2.8%	4.7%	8.2%	-13.6%	-1.0%
	Euro High Yield	506.9	0.1%	1.4%	2.0%	0.9%	4.6%	9.1%	12.8%	-11.1%	4.2%
EM USD Aggregate	1408.8	1.2%	2.0%	5.2%	1.6%	10.9%	6.6%	9.1%	-15.3%	-1.7%	

Source: Bloomberg, 27.02.2026

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