



The House View

Investment Strategy

February 2026

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Market Overview



Market Overview

Geopolitics adds volatility but not systemic stress. Europe and EM outperform the US; AI faces monetization doubts. Bonds and credit hold up; gold and CHF hedge risk. We remain constructive but selective: we prefer EM and European stocks, quality credit; we keep gold.

After years in which it was enough to buy the index and forget about it, the market has returned to discrimination. Not everything goes up, not everything goes down. Those who carefully chose specific regions, asset classes, and instruments achieved interesting results. Others realized that 2026 is not the year for autopilot. As Warren Buffett said, "It's only when the tide goes out that you learn who's been swimming naked." And this year, the tide is moving a lot.

The worst-case political risk we were worried about has now happened. We thought the conflict in Iran would break out, but we hoped it wouldn't be this intense. Things are changing fast, there's a lot of information flying around (and probably a lot we still don't know), so it's very hard to say exactly how markets will react over the next few weeks or months. If the fighting continues and Iran follows through on its promised retaliation, especially if the US responds forcefully, financial markets will likely turn defensive. When investors get nervous, they usually pull money out of riskier assets like stocks and move into "safer" places such as gold, oil, government bonds, the USD, the CHF, and the JPY. The good news is that market shocks caused by conflicts often don't last very long, as long as things don't spiral out of control and diplomacy steps in quickly. If tensions drag on, markets will stay jumpy for longer. That could eventually create good buying opportunities, but we'd be patient and avoid rushing in too quickly just because prices fall. On quieter waters, the decision by the US

Supreme Court on tariffs imposed through the IEEPA, which were deemed illegitimate in the absence of an "unusual and extraordinary threat" has had some market impact. Donald Trump's reaction increased uncertainty. Over a thousand companies (including giants such as FedEx, Costco, Revlon, and Bausch + Lomb) have requested refunds for potential litigation of up to \$175 billion. Section 122 (the new escamotage to bypass the Court's decision) is likely to be challenged if not by a lower court today by Congress itself by July. Yet the markets have held up: uncertainty today is more background noise than systemic shock.

On the stock market, the rally that began in January continued with strong differentiation and lots of powerful hiccups. US equities continue to underperform European's. The narrative on artificial intelligence has changed: in 2025, the higher the investments the higher the stock prices; today, the higher investments the louder the question: will they ever be monetized? When the narrative changes, multiples change. Software has also corrected more than 25-30% from its highs. Europe, with less exposure to technology, is benefiting from more sober expectations, supported by solid macro data in Germany, Spain, and Italy. Emerging markets continued to perform well thanks to resilient growth.

Bonds also did well, including government bonds, thanks to some

de-risking and slowing inflation in the major developed economies. The exceptions are Japan and, to some extent, the United States, where the central bank remains cautious. Corporate bonds performed well despite many new issues, supported by solid balance sheets. In the absence of recession, BB high yields have shown average default rates of less than 2-3% per annum over the last 20 years.

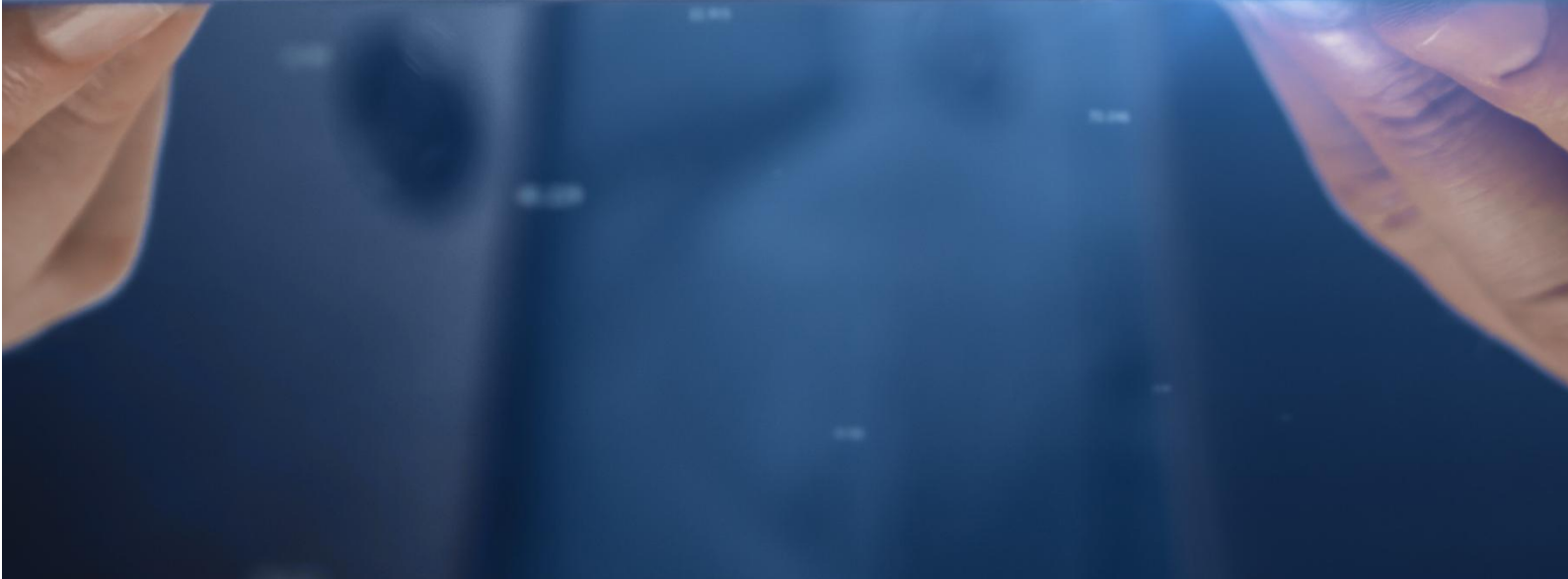
Geopolitical risks have favored (and will do so, especially now) safe-haven assets. Gold and the Swiss franc have appreciated, with the yellow metal reducing portfolio volatility: in periods of acute stress, its correlation with global equities has been close to zero, and sometimes negative.

Our outlook remains constructive but selective. For the moment, we recommend either hedging riskier positions or increasing safe-haven investments. Once the air clears in the Middle East, and assuming no major disruption in the Strait of Hormuz, we will continue to be buyers of emerging market equities and maintain exposure to the US and Europe, with a relative overweight in the latter that also worked in February. We remain cautious on Japan: much of the good news seems already priced in. In fixed income, we favor corporate bonds with short maturities (3-4 years) and ratings of at least BB. Gold continues to do its job: when insurance works in times of stress, you don't cancel it just because the premium has gone up.

Tactical Asset Allocation

Asset	Change	--	-	=	+	++
Cash				●		
Bonds				●		
World					●	
Government EU				●		
Corporate				●		
Emerging Markets					●	
TIPS			●			
Convertibles				●		
High Yield				●		
Equities				●		
US				●		
Europe	↑				●	
Switzerland			●			
Emerging Markets					●	
Japan			●			
Value					●	
Momentum			●			
Commodities				●		
Gold				●		
Forex Outlook						
Euro / Dollar				●		
Euro / Swiss Franc				●		

Equity Market Overview



Equity Market Overview

February was volatile, with several reversals. US tech lagged while Europe and parts of Asia outperformed. AI spending fears hit hyperscalers and SaaS hard. We stay cautious until the situation in the Middle East clears but are ready to invest again, favoring Europe and EM, and remaining selective overall.

February was a boxing match that ended with a knockout (Iran, whose effect will only be seen in the next few days). Depending on the index, we saw four to five sharp reversals in a single month. That kind of whiplash is rare. Volatility jumped back to levels last seen during the November 2025 correction. Markets haven't collapsed in February but they have been jumpy, second-guessing every headline. Which is exactly what we expected. Back in December, we said 2026 would be the year of selectivity. That's now playing out.

US equities, especially tech-heavy indexes, lost ground while most European markets posted solid single-digit gains. Several Asian markets delivered double digits. Dispersion is back. This doesn't feel like recession panic, when markets sell off hard and broadly. What we're seeing instead is stress in specific pockets while other regions quietly improve.

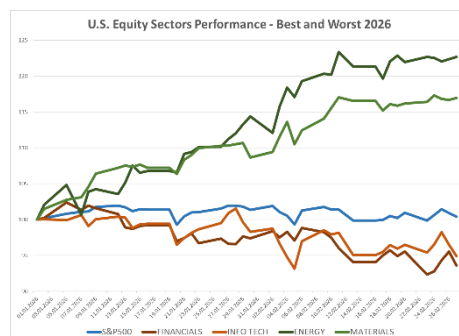
AI was the trigger. But the reaction was strange. What counted as good news a few months ago suddenly became bad news. Take Amazon. In November, news of a \$38bn cloud deal with OpenAI boosted the stock. Big AI exposure? Investors loved it. Fast forward to February: Amazon announces \$200bn in capital expenditures for 2026, up from \$128bn in 2025 and roughly \$50bn above expectations. Q4 sales rose 14%. Solid numbers. The stock fell 11% in a single session, erasing \$178bn in market value. Across this

earnings season, the four hyperscalers together lost about \$1 trillion in market cap, roughly the size of Switzerland's annual GDP. Same companies. Strong results. Totally different market mood. Why? The narrative shifted. We moved from "show me the investment plan" to "show me the money." Investors now worry that massive AI spending won't translate into profits fast enough. And AI fear spilled into software. The release of Claude by Anthropic sparked concerns that many SaaS business models could be disrupted: customer support platforms, office tools, coding assistants, legal search, contract drafting, CRM systems, healthcare admin software. If AI can do it natively, why pay for the wrapper? That question hurt valuations fast. AI giveth, AI taketh away.

Add geopolitics, fresh uncertainty around the next Fed Chair, and broader policy noise, and it's not surprising US equities lagged Europe. Yes, the US economy remains resilient, though inflation risks linger. Europe grows more slowly, that's true. But the data there is improving: unemployment around 6.2% (all-time low), business surveys back in expansion territory, industrial orders stronger than expected, Germany pushing infrastructure and defense spending. And European equities trade at a clear discount to the US, with far less tech concentration which, for now, is a feature, not a bug. That's why we continue to prefer European equities over US equities.

Emerging markets also keep on surprising on the upside. China remains mixed (strong exports and policy support, weak domestic demand and property concerns) but EM is not just China. Parts of Asia, Latin America and Eastern Europe are delivering solid growth and improving earnings trends. We have liked EM since last year and maintain that stance.

Things are moving fast and the picture could look different by the time you finish reading this. If tensions in the Middle East ramp up from here (which we think is more likely than not), the riskier corners of the market (stocks, corporate credit, emerging market debt, convertibles) could take a real knock. On the flip side, the usual hiding spots should do their job: oil, gold, government bonds, the US dollar, the Swiss franc, and maybe even the Japanese yen. That said, our base case isn't a full-blown global economic derailment. This conflict probably won't be short-lived, but we don't see it breaking the system either. So, while we're staying picky, market pullbacks could open up solid opportunities to step back in. Just not right now.





Bond Market Overview

Bond Market Overview

Volatile month, but bonds held up: govies rallied on Middle East risk despite hawkish Fed talk. IG solid, HY selective (prefer short BB) but expect volatility now. USD and CHF gained on safe-haven flows. Gold edged up, but ETF demand — not central banks — is driving prices.

It was a volatile month, but bonds held up surprisingly well. Like equities, though, it wasn't a "buy everything" environment. Government bonds were the clear winners. Investment Grade corporates delivered decent returns, while High Yields were treated more cautiously.

The debate around U.S. Federal Reserve policy heated up again. After the latest meeting, the tone in the minutes shifted noticeably. Previously, the Fed sounded more relaxed about inflation, calling tariff effects temporary and focusing on labor market risks. Now the emphasis has changed. Jobs numbers came in stronger than expected, while inflation proved sticky, edging back toward 3% versus the 2% target. Some Federal Open Market Committee members even floated the idea that the next move could be a rate hike. We doubt it.

You might expect U.S. Treasuries to have sold off hard on that news. Instead, the opposite happened. The 10-year yield fell below 4% by month-end, down from 4.3% just weeks earlier. The likely explanation: classic flight to quality and growing fears of escalation in the Middle East that ultimately materialized. Europe saw the same pattern, with the German 10-year yield sliding from 2.9% to 2.65%. Before tensions flared up, we would have reduced duration. Now, in

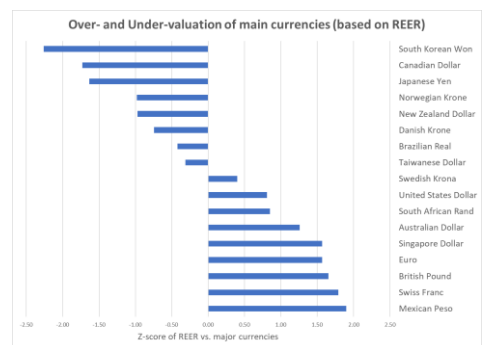
a clear risk-off setup, we prefer to let these positions run.

Corporate bonds continue to offer solid returns. Earnings season showed companies are holding up well: strong balance sheets, decent growth, and still healthy cash flow. Supply remains heavy, yet demand is absorbing it comfortably. In the IT sector in particular, companies are increasingly funding large investments with debt rather than operational cash flow. High Yield, however, had a tougher ride. Equity market volatility didn't help. Nor did news of another private credit "incident," this time in the UK. Ongoing hostilities in the Middle East could also weigh on the segment. Still, fundamentals are not broken. We favor higher-quality High Yield (BB), with short maturities around maximum three to four years.

On currencies, the U.S. dollar finally bounced, gaining a bit more than 1% on average, especially against the JPY and also versus the EUR. The move reflects renewed safe-haven demand and concerns that persistent inflation could mean fewer than two 25bp cuts from the Fed by year-end. In the current geopolitical climate, the USD should remain supported and may strengthen further. Longer term, however, we still hold a more cautious view. The CHF also benefits from safe-haven flows, though its valuation

is undeniably stretched.

Gold joined the flight to safety and moved modestly higher. In this environment, we recommend holding positions. That said, new data from the World Gold Council confirms something we have argued for months: central banks are not driving the price surge. In fact, their purchases fell about 21% in 2025 compared to 2024. The real force has been investors using ETFs to hedge risk. With structural declining demand from dentistry, industry and jewelry at current price levels, ETF buying would need to climb toward roughly 1,100 tons (from about 800) to justify today's prices, a level never seen before. So yes, keep gold for its safe-haven role. But be clear about what's really holding it up.



Key Market Indicators



88.69	1.69 %	- 30.45	▼ 48.68	▼ 30.45						
16.78	58.34 %	+ 53.86	▼ 94.92	▲ 53.86						
63.85	13.39 %	+ 49.39	▲ 43.86	▲ 49.39						
13.51	58.49 %	- 11.77	▲ 71.24	▼ 11.77						
% + 15.22	▲ 4.59	27.08	▼ 11.77	2.26	9.57	13.05	13.51	58.49 %	- 11.77	▲

Key Market Indicators

		Currency		%1M	%YTD	%1YR	28.02.2026
Bond Markets							
Money Market							
FTSE 3-Month US Dollar Eurodeposit LCL	U.S. Money Market	USD	●	0.33 ●	0.62 ●	4.27	201.97
FTSE 3-Month Euro Eurodeposit LCL	European Money Market	EUR	●	0.17 ●	0.31 ●	2.13	162.06
FTSE 3-Month Switzerland Franc Eurodeposit LCL	Swiss Money Market	CHF	●	-0.01 ●	-0.02 ●	-0.03	115.30
Bond Markets							
Bloomberg Intermediate US Govt/Credit TR Index Value Unhedged	U.S. Bond Market	USD	●	1.23 ●	1.21 ●	6.44	2'525.86
Bloomberg Euro-Aggregate 1-10 Year TR Index Value Unhedged EUR	European Bond Market	EUR	●	0.93 ●	1.44 ●	3.27	242.07
Swiss Bond Index SBI AAA-BBB 1-10 Total Return	Swiss Bond Market	CHF	●	0.71 ●	1.05 ●	2.06	134.78
High Yield Markets							
Bloomberg Global High Yield Total Return Index Value Unhedged	Global High Yield Market	USD	●	0.00 ●	1.19 ●	11.00	1'884.54
Bloomberg Intermediate US High Yield Total Return Unhedged USD	U.S. High Yield Market	USD	●	-0.03 ●	0.67 ●	7.12	2'555.44
Bloomberg Pan-European High Yield (Euro) TR Index Value Unhedged EUR	European High Yield Market	EUR	●	0.19 ●	0.96 ●	4.54	414.22
Equity Markets							
MSCI ACWI Index	World Equities	USD	●	0.54 ●	4.15 ●	23.27	1'056.76
S&P 500 INDEX	U.S. Equities	USD	●	-1.43 ●	0.49 ●	17.36	6'878.88
NASDAQ Composite Index	U.S. Technology Equities	USD	●	-4.82 ●	-2.47 ●	22.24	22'668.21
EURO STOXX 50 Price EUR	European Equities	EUR	●	2.40 ●	5.99 ●	12.17	6'138.41
FTSE MIB Index	Italian Equities	EUR	●	3.89 ●	5.04 ●	22.23	47'209.89
Swiss Market Index	Swiss Equities	CHF	●	6.04 ●	5.63 ●	8.15	14'014.30
Nikkei 225	Japanese Equities	JPY	●	10.34 ●	16.91 ●	53.83	58'850.27
MSCI Emerging Markets Index	Emerging Market Equities	USD	●	5.35 ●	14.69 ●	43.30	1'610.70
Other Assets							
Bloomberg Commodity Index	Global Commodities	USD	●	-0.32 ●	5.00 ●	16.57	171.55
Gold Spot \$/Oz	Gold	USD	●	1.91 ●	22.22 ●	83.45	5'278.93
Crude Oil, WTI Generic	Oil	USD	●	7.42 ●	16.72 ●	-4.73	67.02
US Dollar Index Spot Rate	Dollar Index	USD	●	1.45 ●	-0.73 ●	-8.99	97.61
Bloomberg Euro Index	Euro Index	EUR	●	-0.96 ●	0.07 ●	8.76	936.08
Chicago Board Options Exchange Volatility Index	Volatility	USD	●	21.47 ●	32.84 ●	-6.01	19.86

Chart and Table Data source: Bloomberg, PKB Private Bank, elaborated with MS Excel

Data at 2026-02-28

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Source of data in graphs: Bloomberg

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