The House View

Investment Strategy

March 2026

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Market Overview

Market Overview

Markets today are more uncertain than ever, constantly reacting to war-driven headlines. The Middle East conflict centers on energy supply and chokepoints, driving volatility. With unclear outcomes, diversification, caution, and patience, not big bets, are the safest strategy.

Let's start with a simple image: Schrödinger's cat, a thought experiment proposed by physicist Erwin Schrödinger in 1935 to illustrate quantum uncertainty. In it, a cat in a sealed box is considered simultaneously alive and dead until observed, a paradox that captures the idea of uncertainty and multiple possibilities at once. That's exactly where we are today. Everyone has an opinion on the Middle East: who's winning, how long this lasts, whether the U.S. sends troops, or if the Strait of Hormuz reopens. The reality? The cat is both dead and alive, and markets flip between those states even several times a day.

At its core, this conflict is about energy, how much oil and gas is produced and, crucially, how much can actually move to markets. The comforting idea that the U.S. can simply end the war is misleading. Iran has the ability to disrupt energy flows for years. Around 17% of Qatar's LNG exports are offline, with repairs likely taking 3–5 years. About 12% of Iran's gas production was hit after the South Pars attack, and more than 40 energy sites across nine countries have been damaged. Total repair costs are already above $25 billion. Bahrain's Sitra refinery, for example, had just completed a $7 billion upgrade and was struck during ramp-up. Years of work were undone in hours. Distribution is another critical factor. Two chokepoints dominate the risk: the Strait of Hormuz, carrying roughly 20% of global oil and LNG, and the Bab el-Mandeb Strait, handling 6–7% of oil and 8–10% of LNG. If Bab el-Mandeb is disrupted, tankers must reroute around the Cape of Good Hope, adding 10–15 days to shipping, higher costs, and tighter supply.

Markets are responding more to headlines than fundamentals. The U.S. finds itself in a classic catch-22: political pressure to de-escalate, but Iran retains meaningful leverage over energy flows. That combination makes taking strong bets on the conflict more like gambling than investing. The safer approach is to reduce extremes, limit volatility, and stay diversified.

Europe is the most exposed, heavily dependent on imported energy and unable to rely on Russia or fully on U.S. supply. It is turning toward North Africa: Algeria for gas, Egypt for LNG, Libya for oil, and Morocco for hydrogen. Early March data already shows cracks (German ZEW expectations at -0.5 vs. +39 expected). Soft data tends to lead and hard data follows. The U.S. is holding up better, though gasoline prices jumped from $2.90 to nearly $4.00 in weeks. Consumer expectations are only slightly weaker, and inflation expectations ticked up, but political uncertainty, July tariff vote and November midterms, can slow hiring and investments. China looks stable: strong exports, manufacturing holding up, real estate weak but stabilizing, retail sales slightly above expectations. Growth is slowing, but gradually. Inflation and monetary policy expectations have shifted dramatically. Markets now assume higher near-term inflation, rate hikes in Europe/UK, flat in the U.S., unchanged in Japan, while growth forecasts remain steady. This rapid change in expectations has created short-term volatility across bonds and equities.

In this environment, we've taken steps to reduce risk. We trimmed emerging market equities, not because its solid story has changed but to take profits (+4% in 2026) and reduce volatility. Bonds continue to stabilize the portfolio, while inflation-linked bonds (TIPS), previously heavily penalized, now offer opportunity as markets have over-discounted inflation fears relative to growth slowdown.

This conflict is broader, longer, and more complex than markets anticipated, but historical experience suggests that short-term shocks do not automatically translate into long-term damage. During the Iraqi invasion of Kuwait, equities fell ~10% in the first three months, then rose ~14% over the following year. Could this time be different? Maybe. But the likely pattern remains: initial shock, elevated volatility, and eventual recovery. For now, the most sensible approach remains: stay diversified, avoid large directional bets, and be patient. Opportunities will come, but probably not when everything feels comfortable or certain.

Like Schrödinger's cat, we may never know if the box is "safe" or "dangerous" until we watch inside, but careful positioning helps weather the uncertainty in the meantime.

Tactical Asset Allocation

Asset	Change	--	-	=	+	++
Cash				○		
Bonds				○		
World	↓			●		
Government				●		
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

Equity markets in 2026 have been highly volatile, with sharp reversals. March saw broad losses, hitting trade- and energy-dependent countries hardest. Energy outperformed; others lagged. Risk management and partial profit-taking in Emerging Markets are advised.

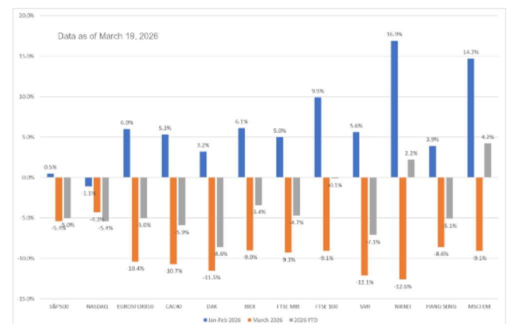
Back in December 2025, we expected 2026 to be more “two-way” than the smoother stretch we saw from 2023 to 2025. Still, the speed of recent reversals has been striking. Since the start of the conflict, equity markets have flipped direction 11 times in just 19 trading sessions, a lot of back-and-forth in a short time.

March has been broadly negative for equities, but not evenly. The pattern is quite clear: countries more exposed to global trade or dependent on imported energy have generally been hit harder. Japan is a good example. Its main index fell more than 9% in March. The country imports over 90% of its energy, with most oil coming from the Middle East and passing through the Strait of Hormuz. Since scaling back nuclear power after Fukushima in 2011, this dependency has increased, making Japan particularly sensitive to global disruptions. Switzerland is exposed in a different way. Exports account for roughly 65–75% of GDP, across sectors like pharmaceuticals, machinery, and luxury goods. This makes it highly sensitive to global demand, especially from the EU, the U.S., and China. The strong Swiss franc adds pressure. The Swiss National Bank recently signaled a greater willingness to intervene in FX markets, but the Swiss Market Index still dropped close to 10%. The U.S., by contrast, has been more resilient, with markets down around 5%. A key factor is energy independence. Since 2019, the U.S. has been a net energy exporter, driven by the shale boom. It produces about 13–13.5 million barrels of oil per day, and close to 20 million including other liquids. While it still imports oil due to refinery constraints, its exposure to external shocks is much lower.

At the sector level, the dispersion has been just as noticeable. Energy has been the clear outperformer, gaining roughly 10% globally as oil prices moved sharply higher, from around $65 to above $110 per barrel in a matter of days. On the other hand, sectors that depend heavily on energy inputs, such as materials, as well as those sensitive to interest rates, like real estate, industrials, and capital goods, have faced more difficult conditions.

Looking at past conflicts can help frame the current situation, even if no comparison is perfect. Over the past 60 years, events such as the 1973 oil embargo or the Gulf War in 1990 led to oil price increases ranging from 60% to 135%, with equity market drawdowns of up to 17%. These episodes typically played out over fewer than 30 trading days. In the current case, oil prices have risen by over 55%, equity declines have remained below 10%, and the duration so far is around 20 trading days. On that basis, it is reasonable to think that we may already be in the latter part of the adjustment phase. That said, there are important differences this time. The geopolitical backdrop remains highly fluid, with frequent shifts in messaging and positioning. Statements and counterstatements from key players, notably the United States, Israel, and Iran, are creating a constant flow of news, and markets are reacting quickly, sometimes excessively, to each development.

In this environment, the focus should be on managing risk rather than chasing short-term moves: reducing volatility, staying diversified, and locking in gains. For this reason, we have taken partial profits on Emerging Market equities. The medium-term story remains intact: strong earnings growth (above 25% expected in 2026), supportive policies, and attractive valuations, around 12.2x earnings versus roughly 20x for the S&P 500. At the same time, some EM regions (particularly Eastern Europe and parts of Asia) are more exposed to energy disruptions. Reducing positions therefore makes sense. Keeping a partial investment allows for participation while preserving flexibility to add back once conditions stabilize. This is a tactical adjustment, not a structural change.



Bond Market Overview

Bond Market Overview

March saw both stocks and bonds fall sharply. Rising energy prices and inflation pushed yields up, especially short-term. Corporate bonds held up better. Portfolios are shifting to TIPS, selective commodities, and balanced gold, while holding USD amid ongoing uncertainty.

Back in 2022, when hostilities began in Russia, both equity and bond markets suffered heavily. Today, the situation is different, but if you look at March alone, the feeling is surprisingly similar: stocks down, bonds down, and very little escaped the sell-off. The 10-year U.S. Treasury yield rose from 3.94% to 4.47% over just four weeks, losing 4% in price. Germany's 10-year Bund yield jumped from 2.64% to 3.1% (-3.9%), and even the yields of Swiss government bonds, the so-called Eidgenossen, climbed from 0.16% to 0.38% (-2.1% in price). That's a sharp move for securities usually considered rock solid.

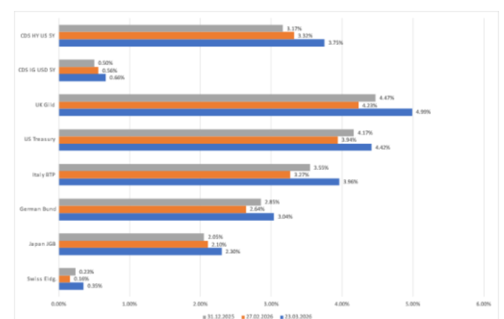
In theory, government bonds should hold value in these situations as default risk is minimal. But reality is different. The current energy market disruptions have pushed prices higher. These conditions are likely to persist for months, which has led to a rise in both short- and long-term inflation expectations. As a result, markets now expect central banks to halt any rate cuts and even increase them. Before the war, the Fed was expected to cut rates twice (-0.50%) vs. no cuts now. The European Central Bank moved from no planned cuts to three increases (+0.75%), and the Bank of England from two cuts (-0.50%) to three hikes (+0.75%).

This dynamic pushed short-term bond yields up even faster than long-term yields, flattening the yield curve (yields on both short- and long-term bonds increased, lowering bond prices, but short-term yields moved up more sharply). We think government bonds are now pricing in extreme scenarios. Corporate bonds were impacted too, but somewhat less. For example, the cost of insuring U.S. Investment Grade bonds is currently 0.66%, below the peaks seen after Trump's tariffs in April 2025 (0.8%) or after the Russian invasion of Ukraine in 2022 (over 1.1%). Corporate credit lost proportionally less than government bonds and equities, which suggests staying cautious, particularly with high-yield bonds.

Following the same logic of taking profits on assets that have already gained and aligning our portfolios with benchmarks, we decided to reduce exposure to some world government bonds, especially lower-grade ones. At the same time, we are increasing allocation to Treasury Inflation-Protected Securities (TIPS). These bonds are designed to protect against inflation: they tend to gain when inflation rises and nominal rates increase less, meaning real yields decrease. TIPS had fallen sharply since the start of the war, so now increasing these high-quality government bonds makes sense as a defensive move to protect overall portfolio value.

Oil and natural gas prices are likely to continue rising if the situation in the Strait of Hormuz remains tense. Industrial metals have lost ground since the war began, which actually creates attractive entry points. Even though industrial activity may slow, these metals remain strategically important, particularly for long-term technological trends like Artificial Intelligence. Gold fell during March because higher interest rates increase the opportunity cost of holding a non-yielding asset. In addition, it is negatively correlated to the U.S. dollar, which appreciated strongly during this period. At current levels, rebalancing gold allocation back to roughly 5% of a balanced portfolio makes sense.

The U.S. dollar strengthened as rate expectations increased and also because, historically, it is the currency investors flock to during conflicts. Holding USD is reasonable while hostilities continue, though our longer-term view on the dollar remains negative. Meanwhile, the Swiss National Bank intervened in March to counter excessive CHF strength, which is particularly damaging during these periods, and we expect further action if the franc remains strong. The euro is likely to keep depreciating versus the USD and CHF until the war ends.



Key Market Indicators

Key Market Indicators

		Curncy	%1M	%YTD	%1YR	29.03.2026
BOND MARKETS						
Money Market						
FTSE 3-Month US Dollar Eurodeposit LCL	U.S. Money Market	USD	0.27	0.90	4.20	202.53
FTSE 3-Month Euro Eurodeposit LCL	European Money Market	EUR	0.14	0.45	2.06	162.29
FTSE 3-Month Switzerland Franc Eurodeposit LCL	Swiss Money Market	CHF	-0.01	-0.02	-0.05	115.29
Bond Markets						
Bloomberg Intermediate US Govt/Credit TR Index Value Unhedged	U.S. Bond Market	USD	-1.71	-0.52	4.03	2'482.73
Bloomberg Euro-Aggregate 1-10 Year TR Index Value Unhedged EUR	European Bond Market	EUR	-2.55	-1.14	1.20	235.91
Swiss Bond Index SBI AAA-BBB 1-10 Total Return	Swiss Bond Market	CHF	-1.23	-0.19	1.13	133.12
High Yield Markets						
Bloomberg Global High Yield Total Return Index Value Unhedge	Global High Yield Market	USD	-2.92	-1.76	7.92	1'829.52
Bloomberg Intermediate US High Yield Total Return Unhedged USD	U.S. High Yield Market	USD	-1.91	-1.26	6.05	2'506.59
Bloomberg Pan-European High Yield (Euro) TR Index Value Unhedged EUR	European High Yield Market	EUR	-2.40	-1.46	2.80	404.29
EQUITY MARKETS						
MSCI ACWI Index	World Equities	USD	-8.56	-4.76	16.44	966.35
S&P 500 INDEX	U.S. Equities	USD	-7.41	-6.96	14.12	6'368.85
NASDAQ Composite Index	U.S. Technology Equities	USD	-7.59	-9.87	20.93	20'948.36
EURO STOXX 50 Price EUR	European Equities	EUR	-10.31	-4.93	3.27	5'505.80
FTSE MIB Index	Italian Equities	EUR	-8.11	-3.48	11.98	43'379.10
Swiss Market Index	Swiss Equities	CHF	-10.30	-5.26	-2.10	12'570.26
Nikkei 225	Japanese Equities	JPY	-9.31	6.03	43.78	53'373.07
MSCI Emerging Markets Index	Emerging Market Equities	USD	-10.77	2.34	28.24	1'437.25
OTHERS						
Bloomberg Commodity Index	Global Commodities	USD	-3.91	0.89	7.79	164.84
Gold Spot $/Oz	Gold	USD	-14.87	4.05	45.67	4'494.09
Crude Oil, WTI Generic	Oil	USD	48.67	73.53	43.66	99.64
US Dollar Index Spot Rate	Dollar Index	USD	2.61	1.86	-3.74	100.15
Bloomberg Euro Index	Euro Index	EUR	-1.25	-1.18	4.68	924.35
Chicago Board Options Exchange Volatility Index	Volatility	USD	56.34	107.69	43.42	31.05
Chart and Table Data source: Bloomberg, PKB, elaborated with MS Excel		*2026-03-29*				

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Source of data in graphs: Bloomberg

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