Vontobel

Investors' Outlook

Roaring times

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Roaring times

—
Dan Scott
Head Multi Asset,
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Dear readers,

It has been a roaring start to the new year as geopolitical headlines turned the volume up, and volatility came in waves while investors digested the news flow.

Political rhetoric from the US administration has become more forceful, including attacks on the US Federal Reserve (Fed) and its leadership, which brings the longer-term risk of erosion of trust in institutional guardrails and their credibility. That concern is already reflected in a weaker US dollar and surging gold prices. The general unease was then exacerbated by comments about the US taking control of Greenland, which had investors rethinking established norms and alliances, and which escalated into additional tariff threats against European nations opposing such a move, rattling markets. Those threats were later walked back amid a "framework" for a potential future deal, and markets rebounded.

While geopolitical volatility can be unsettling, it rarely has long-term negative effects on asset-price returns. The events in Venezuela, for example, have had little market impact. They are perhaps better understood as part of a broader geopolitical realignment, like blocs and spheres of regional, political, and economic influence[1], rather than a trigger that derails markets. The strength of gold and commodities crystallizes these dynamics. We believe major emerging-market central banks will continue to increase their gold holdings along with a gradual reduction in US dollars, especially with the geopolitics currently underway.

We remain optimistic as macroeconomic conditions appear broadly supportive, even as geopolitical noise has become louder. We're seeing a wave of stimulus that's positive for risk assets in general, whether it's monetary easing, widespread fiscal support ranging from the US' "One Big Beautiful Bill"[2] to stimulus measures across the Eurozone, Japan, and China, or capital expenditure in artificial intelligence (AI). We find it difficult to construct a bearish view in this context.

The US economy is humming along, with robust consumer spending. We anticipate a benign environment for growth, with manageable inflation. The US labor market is something we're keeping an eye on, though further weakening would give the Fed a reason to lower rates. We believe it will cut rates by another 50 basis points (bps) this year, with the first 25bps likely in the summer.

Vontobel's Multi Asset Investment Committee has moved to an overweight in commodities, as we believe industrial metal prices are poised to increase amid AI-driven power demand, and that oil prices could trend higher from current lows if economic activity picks up.

In this Investors' Outlook, you'll find the details of our asset allocation changes, an in-depth discussion about the feared bubble AI, and a closer look at gold.

As we move further into 2026, we aim to help our clients drown out the noise, even in a louder world.

[1] See "Glossary and sources" on p. 19.

→ Webcast
To view our webcast on recent market developments, click **here.**

—
Stefan Eppenberger
Chief Investment Strategist,
Multi Asset Boutique, Vontobel

Through the noise

January opened at full volume. A midnight raid in Caracas, unrest in Iran, and an icy stalemate in the Arctic dominated the headlines. Still, markets absorbed the geopolitical noise.

In the US, the S&P 500 Index topped the 7,000-point level, buoyed by the ongoing AI boom and a strong start to the fourth-quarter earnings season. European stocks climbed to an all-time high mid-month as investors gained confidence that the region's economy is on stable footing, retracing some of the gains after the threat of tariffs over Greenland. Commodities reacted more viscerally to the news flow. Tensions in Iran reignited oil prices, with Brent crude hitting USD 70 per barrel after last year's 15 percent decline on oversupply concerns. Metals joined the chorus, with copper, gold, and silver all rising. Bond markets showed some strain. Yields on 10-year and 30-year US Treasuries moved higher as a sell-off in Japanese government bonds, driven by fiscal concerns, spilled over into global rates markets. The US dollar's weakness reflected a mix of moderating US rate expectations, geopolitical risk, and a reassessment of Trump's policies. We continue to believe we'll find more growth-oriented policies ahead, even if current headlines may suggest otherwise. History suggests US presidents tend to favor pro-growth policies in midterm election years. Liquidity conditions are also poised to improve, as the Fed has announced a return to balance-sheet expansion, which is supportive for both markets and the broader economy. Plus, we don't see significant inflation risks and expect more accommodative monetary policy, steady economic growth, and stable global supply chains. Elsewhere, inflation pressures look subdued, like in China and Switzerland. The latter is even grappling with deflation fears. Find the details of our asset allocation on page 5.

	UNDERWEIGHT[3] significantly	UNDERWEIGHT[3] slightly	NEUTRAL[4]	OVERWEIGHT[5] slightly	OVERWEIGHT[5] significantly	
1 Liquidity			→			Our neutral stance on cash remains unchanged, though we're ready to act as opportunities arise.
2 Bonds		→				Within the fixed-income segment, we still favor government and emerging-market (EM) bonds with a neutral view. We also maintain our underweight position in high-yield bonds but have downgraded investment-grade (IG) bonds to significantly underweight due to what we consider unattractive spread levels and increased bond issuance. After spread tightening since Liberation Day on improved trade news, IG spreads over government bonds no longer provide what we consider sufficient compensation compared to historical levels, especially given ongoing risks and market volatility. Another factor warranting caution is the surge in new bond issuance, in our view. US corporate borrowing started 2026 on a particularly strong note, with over USD 95 billion raised through 55 IG deals in the first week of January alone, the busiest start to a year on record and the highest weekly volume since mid-2020.
3 Equities				→		We reiterate our overweight in equities. Our preference for Eurozone and EM equities is unchanged, as we believe the two regions are set to benefit from improving growth, supportive policy, and attractive valuations. Multiples in the US might seem elevated, particularly around the technology complex, but remain below bubble territory, in our view. We maintain a neutral stance on Swiss, US, and Japanese equities.
4 Gold			→			Following a historic rally in 2025, traditional valuation metrics have taken a backseat, complicating efforts to determine a "fair value" for gold. We believe that gold's long-term appeal remains strong amid central bank buying and concerns over currency debasement and rising debt levels. Central bank demand is likely preventing prices from falling below USD 4,000 per ounce. While gold's trajectory could have some more room to run, the path is likely to be far from linear. Exchange-traded fund (ETF) investors have pulled back slightly, and demand destruction in the jewelry sector may lead to heightened price volatility going forward. We have a neutral view on gold.
5 Commodities				↗		We have upgraded commodities to slightly overweight from neutral, reflecting our baseline scenario for positive growth, supportive stimulus, and a structurally weaker US dollar, all of which should benefit a cyclical asset class traded in US dollars. Parts of the commodity complex have the potential for catch-up as last year's gains were concentrated in precious and select industrial metals, while energy lagged. Brent crude's annual average price was USD 69 per barrel, the lowest since the Covid-19 pandemic (even after adjusting for inflation) amid fears of a looming supply glut, exacerbated by developments in Venezuela. We believe much of this negativity is now priced in. And while we don't hope for geopolitical escalation, we believe that higher commodity exposure can also serve as a good hedge. In the event of a crisis, such as an escalation in Iran, both oil and gold prices would likely spike simultaneously.
6 Alternative strategies			→			We remain neutral on alternative funds and real estate.

Note: Views are as of January 2026. Subject to change without further notice.

Changes month-on-month: same → higher ↗ lower ↘

Could the AI euphoria run out of memory?

Investing in artificial intelligence (AI)-related stocks has been a successful strategy in recent years. Ever since OpenAI's ChatGPT took the world by storm on November 30, 2022, hyperscalers—companies that provide massive, highly scalable cloud computing services and enable businesses to dynamically adjust resources for things like social media, AI, or online marketplaces—have been on an extraordinary upward trajectory. From late November 2022 to the end of 2025, US hyperscalers Alphabet, Amazon, Meta, Microsoft, and Oracle delivered triple-digit returns, ranging from over 100 percent to more than 500 percent. This performance was only surpassed by Nvidia, which, while not a hyperscaler, also rode the wave of the AI frenzy and achieved an eye-catching gain of more than 1,000 percent over the same period.

—
Michaela Huber
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel

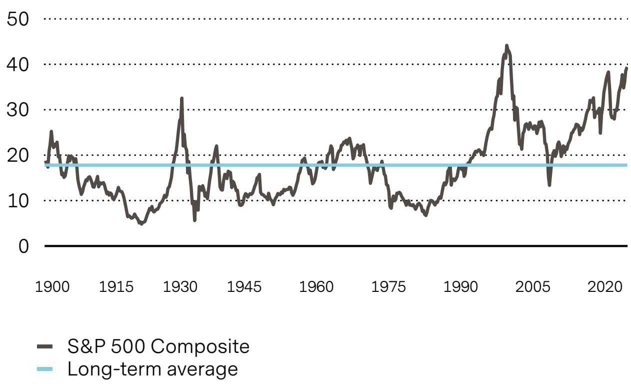
—
Stefan Eppenberger
Chief Investment Strategist,
Multi Asset Boutique, Vontobel

As we enter 2026, one could argue that the stakes for investors, and for the US economy, have rarely been higher. What do we mean by that? First, the rally has pushed US equity valuations to levels not seen since the dotcom bubble burst in the late 1990s. The S&P 500 Index's Shiller Price-to-Earnings (P/E) ratio[6], widely regarded as the gold standard of equity valuation metrics, currently stands at approximately 39, just shy of its all-time high of 44 recorded in December 1999 (see chart 1). To put things into perspective: the ratio's long-term average is around 18.

Second, the rally has led to significant concentration in the US equity market. Just a small number of stocks now account for the bulk of overall performance, with the top 10 stocks in the S&P 500 (all but one of which are AI-related) accounting for more than 40 percent of the index's total market capitalization. This means that passive index investing, long regarded as a safe approach for a diversified portfolio, now gives investors a false sense of diversification, as it in reality exposes investors to high tech exposure.

Chart 1: The AI boom is key for stock markets

Cyclically adjusted Price-to-Earnings (P/E) ratio (Shiller)



Source: LSEG, Vontobel; as of January 9, 2026.

Chart 2: Has the AI boom peaked? A checklist

		WARNING SIGNALS	STATUS	COMMENT
MODELS	1	AI model progress is waning		Exponential model improvement on-going
	2	AI adoption rates stop increasing		Adoption uptrend intact
CAPEX	3	Hyperscalers' capex guidance stops increasing		Regular upgrades to capex guidance
	4	Tech capex reaches unsustainable high levels		Not as extreme as in other capex cycles
PROFITABILITY	5	Hyperscalers' free cash flows turns negative		Still positive (except for Oracle), but falling
	6	Hyperscalers' profitability deteriorates		On elevated levels, relatively stable so far
LEVERAGE	7	Hyperscalers load up too much debt		Negative net debt (except for Oracle)
	8	Markets challenge hyperscalers' leverage	×	Rising CDS, especially for Oracle
SENTIMENT	9	Financial conditions deteriorate		Improving, not deteriorating conditions
	10	Tech bros cash out		OpenAI IPO would raise questions

Note: Not all signals have to be fulfilled to see a top in the AI boom, in an extreme case, two or three would already suffice.
Source: Vontobel; as of January 29, 2026.

Third, the AI spending spree has become increasingly important to US economic growth. In the first half of 2025, AI-related capital expenditures (capex) contributed 1.1 percent to the country's gross domestic product (GDP) growth—more than consumer spending. This is an astounding feat for an economy historically driven by consumption.

We believe investors may therefore want to closely monitor the AI rally and remain vigilant for signs of a market bubble. To that end, we have developed a checklist to assess whether the rally may have run its course (see chart 2). Note that not all signals need to be present to indicate a peak in the AI boom. In extreme cases, just two or three signals may be sufficient.

The first two warning signals relate directly to AI models: slowing progress and declining adoption rates. Progress in AI models is crucial for investors because it directly impacts the value, growth potential, and competitive edge of companies leveraging AI. This requires constant refinement, scalability, and adaptability. Sustained or rising adoption rates are equally important, as they reflect the relevance and value of a technology.

The 2025 Stanford AI Index Report suggests that the scale of AI models is advancing at a rapid pace. Training compute doubles every five months, datasets every eight months, and power usage every year. That said, performance gaps appear to be narrowing: the score difference between the top-ranked and 10th-ranked models fell from 11.9 percent to 5.4 percent within a year, and the top two are now separated by just 0.7 percent. In other words: the field appears to be turning both more competitive and more crowded[7].

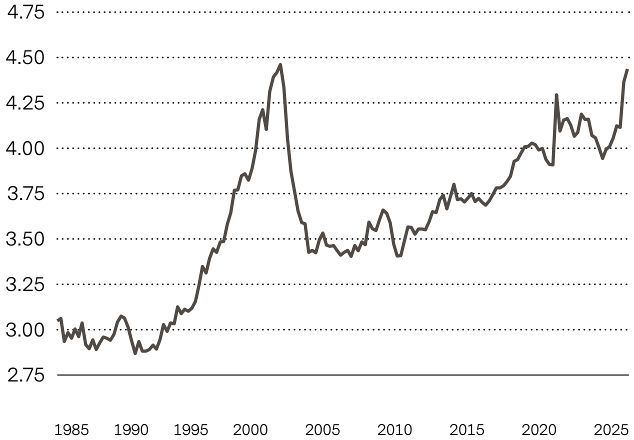
Slower adoption

Adoption rates are still trending upward, though they vary by sector and company size. Data from the US Census Bureau's Business Trends and Outlook Survey points to signs of a temporary slowdown or stabilization in 2025, particularly among large, established firms[8].

Another red flag to watch for is a potential pause in the growth of companies' capex guidance. So far, each major hyperscaler has raised its capex guidance for 2026. The consensus estimate among Wall Street analysts for hyperscaler spending in 2026 now stands at USD 527 billion, up from USD 465 billion at the start of the third-quarter earnings season. Most expect expenditures to continue growing until they eventually peak in 2028.

Chart 3: Tech investment set to top 2000 highs, but from higher base and at slower pace

In % of US GDP

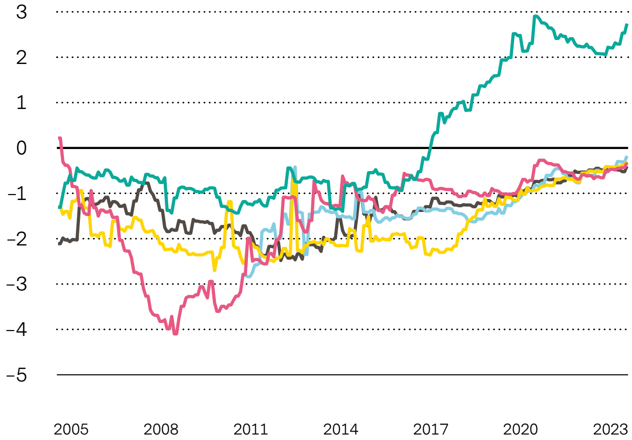


US investment in information processing equipment & software

Source: LSEG, Vontobel; as of January 9, 2026.

Chart 4: Hyperscalers (except for Oracle) still have negative net debt on their balance sheets*

12-month forward net debt, in % of EBITDA**



Microsoft Meta Alphabet Amazon Oracle

*More and more debt is financed off-balance sheet, where visibility is lower

**Earnings before interest, taxes, depreciation, and amortization

Source: IBES, LSEG, Vontobel; as of January 9, 2026.

That said, capex that's too high can itself become a red flag. But determining the point at which high capex transitions from being reasonable to unsustainable is tricky. Bears might argue that current levels of tech investment are on the verge of surpassing the heights of the dotcom bubble, while bulls contend that today's investments not only begin from a higher base but are also advancing at a less aggressive pace than in the late 1990s (see chart 3).

On the profitability front, investors may want to pay close attention to free cash flow (FCF) developments. FCF measures the cash a company generates after accounting for capex needed to maintain or expand its asset base. In essence, it reflects the cash available for distribution to investors or reinvestment in the business. Positive FCF indicates that a company is generating more cash than it requires to cover operating expenses and capital investments, which is a sign of financial strength. Negative FCF could point to financial challenges or significant investments in growth. Due to the recent capex spree, the cash flows of many hyperscalers are indeed declining but have not yet turned negative. One notable exception is Oracle, whose free cash flow is already negative.

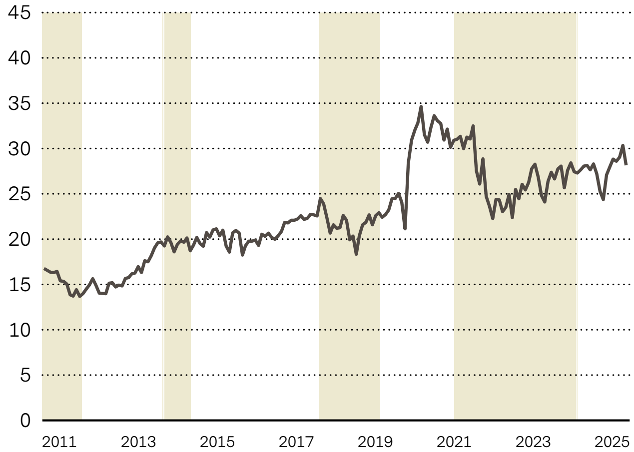
In our view, investors may also want to stay alert to signs of deteriorating profitability, as they can indicate potential challenges ahead. Analysts use a wide range of profitability metrics to evaluate stocks. We believe it's particularly important to focus on measures like return on assets (ROA) and return on equity (ROE)[9], which provide insights into how efficiently a company utilizes its resources and generates returns for shareholders. For now, hyperscalers' 12-month forward ROA remains near an all-time high (at over 16 percent), while their 12-month forward ROE has declined slightly but remains elevated (at above 27 percent)[10].

An eye on hyperscalers

Another potential warning sign would be if hyperscalers were to take on excessive debt, which can be problematic for several reasons. It often results in higher interest payments, which can strain cash flow and limit funds available for other investments. Additionally, it may negatively impact credit ratings, making future borrowing more expensive or challenging. In a worst-case scenario, if debt obligations exceed a company's ability to generate sufficient income or cash flow, it can lead to insolvency. As of now, most hyperscalers continue to maintain negative net debt on their balance sheets (see chart 4). That said, evaluating companies' debt levels may become more challenging going forward, as an increasing amount of debt is being financed off-balance sheet, reducing visibility.

Chart 5: Major market peaks typically require a tightening in financial conditions, which is not the case today

12-month forward P/E



Nasdaq Composite: 12-month forward P/E
Deteriorating financial conditions

Source: IBES, LSEG, Vontobel; as of January 9, 2026.

Chart 6: The market is starting to dislike companies with high debt financing

Credit default swaps (in USD)

US technology sector's CDS index (5-year)

Note: A credit default swap (CDS) is a contract between two parties in which one party purchases protection from another party against losses from the default of a borrower for a defined period of time.

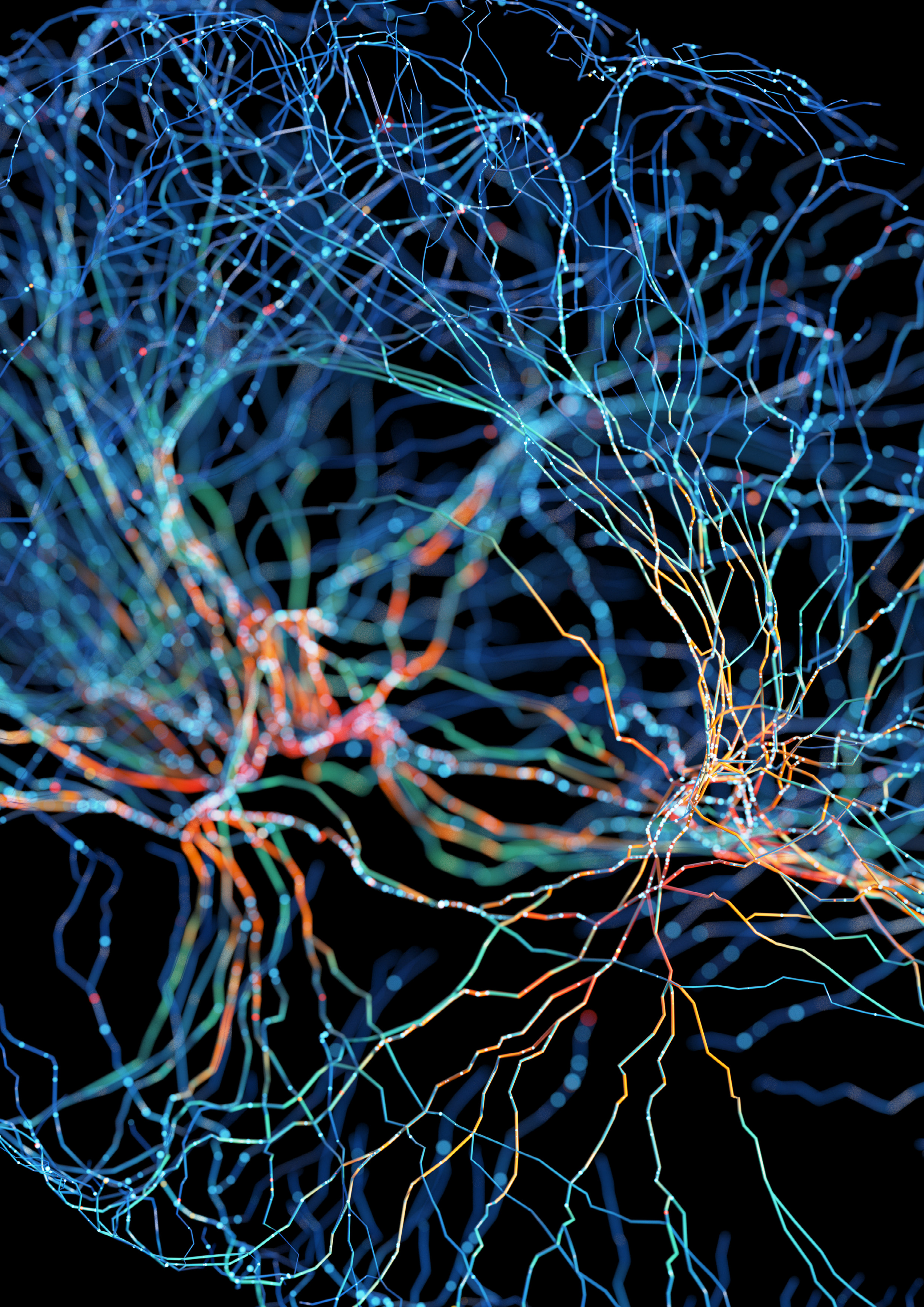
Source: LSEG, Vontobel; as of January 9, 2026.

On the sentiment side, it is crucial that financial conditions do not tighten significantly (see chart 5). What does this mean? For a bubble to burst, there is typically a "needle" that pricks the bubble, acting as a trigger. In the three most recent major episodes—the dot-com bubble of the late 1990s to early 2000s, the subprime crisis of 2007, and the regional banking stress of 2023—that needle was a tightening of financial conditions driven by interest-rate hikes by the Fed. We currently see little justification for the Fed to raise interest rates. While inflation remains above target, the weakening labor market argues in favor of lower interest rates. We also believe that the next Fed chair, following the end of Jerome Powell's term in May, will likely adopt a more dovish policy stance.

Insider share sales

We could also be cautious if insiders (e.g., tech executives, founders) begin selling large volumes of shares. While insider sales can occur for personal reasons, a significant, consistent pattern of insider selling could imply concerns about a company's future growth prospects. A similar pattern was observed between September 1999 and July 2000, when insiders at dot-com companies sold shares totaling USD 43 billion, twice the rate recorded in 1997 and 1998[11]. At present, there are no clear signs of excessive insider selling. One potential example (of many) is the possibility of an initial public offering by OpenAI, which could raise some questions.

To conclude, most of our indicators do not yet suggest that the AI rally has run "out of memory." The only signal that has already materialized is the fact that markets have indeed grown cautious about hyperscalers' leverage. Credit default swap (CDS)[12]. spreads for US tech firms are widening, mostly due to Oracle. This reflects growing investor concerns about the increasing debt these companies are taking on to fund massive projects, such as AI infrastructure (see chart 6).



Patience after the cut

—
Christopher Koslowski
Senior Fixed Income &
FX Strategist,
Multi Asset Boutique, Vontobel

The Fed left rates unchanged at its January meeting, the first hold since July 2025, and Chair Jerome Powell signaled there's no urgency to continue cutting, brushing off Trump's push for much lower borrowing costs.

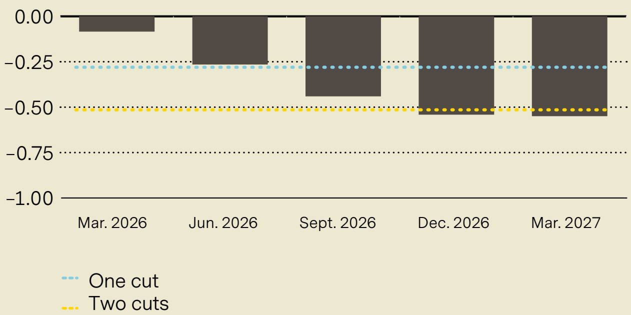
The pause matters because it comes right after the Fed had been easing steadily. At its December meeting, the Fed lowered the fed funds target range by 25bps, its third consecutive cut. The overall message still leaned dovish, but with a clear "don't get carried away" undertone. The dovish element was the macro backdrop: a stronger growth outlook and lower inflation projections, suggesting increased confidence in a soft-landing path. The hawkish element was the reaction function. The statement, and Powell's comments, pointed to a preference to sit tight for a while and let the data guide decisions, rather than keep cutting mechanically. For 2026, the dots imply just one 25bps cut, while markets are pricing in closer to two (see chart 1). Two 25bps cuts by year-end still look most plausible. Inflation is proving sticky, but the Fed has an incentive to move in small steps to avoid an unnecessary tightening in financial conditions.

Under that outcome, front-end yields are poised to grind lower, while the long end stays range-bound but with a slight downward bias. In a bullish rates scenario, fundamentals deteriorate enough to pull the Fed into faster easing, driving a bigger front-end rally and dragging longer-dated yields lower too. In the bearish scenario, stubborn inflation keeps the Fed on hold for longer. In that case, the front end remains anchored by policy, while the long end is more likely to back up as inflation expectations and term premium rebuild.

One big question is how much new debt the tech sector will issue, especially from hyperscalers and AI-linked borrowers. Late last year already signaled the direction, when several hyperscalers printed huge benchmark deals, and the core group (Amazon, Alphabet, Meta, Microsoft, Oracle) raised a record amount once both plain-vanilla IG bonds and structures like joint ventures and special purpose vehicles are included. The issue is funding choice, not funding need. These companies can self-fund a large portion of capex, but recent behavior suggests bonds will remain part of the mix as AI infrastructure spending ramps up. More supply should mean more concession around busy issuance windows. Demand for high-quality, liquid tech credit offsets this, but on balance the heavier AI pipeline points to wider spreads. This matters because we're in a rate-led market: spreads make up only about 16 percent of yield today, versus roughly 38 percent over the past 15 years (see chart 2), so the credit cushion is thin and makes returns more sensitive to any widening.

Chart 1: Fed is expected to lower rates by further 50 basis points by September 2026

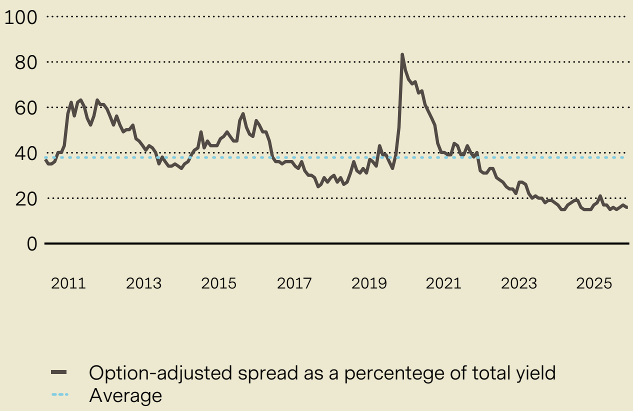
Cumulative implied Fed policy-date change, in %



Source: LSEG, Vontobel; as of January 15, 2026.

Chart 2: Spread makes up just 16 % of total yield versus a 15-year average of 38 %

In %



Source: LSEG, Vontobel; as of January 15, 2026.

How 2025 set the tone for more market breadth in 2026

—
Mario Montagnani
Senior Investment Strategist,
Multi Asset Boutique, Vontobel

From AI leadership to broader markets: we take a look at 2025 sector lessons and why we believe 2026 is poised to favor diversification, Europe, and emerging-market (EM) equities.

Despite a volatile start, global equity markets ended 2025 in positive territory, showing off a strong ability to absorb macroeconomic, geopolitical, and monetary policy shocks. Global sector attribution for the year (see chart 1) highlights the main investment themes. First and foremost was the AI-driven capex complex. While semiconductors remained the natural starting point, performance drivers extended across the value chain. Rising energy requirements linked to AI supported electrical equipment and select industrial niches. Defense also stood out as a meaningful contributor, particularly in Europe, amid a more complex geopolitical backdrop and improved visibility on public spending. Financials followed as a solid second-tier contributor, with banks benefiting from still-elevated margins and asset quality that proved more resilient than expected. Pharmaceuticals rounded out the top five, gaining traction toward the end of the year.

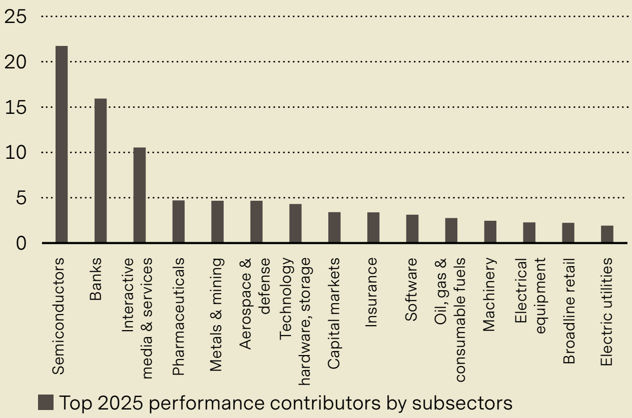
That's when investors revisited questions around the "circular economy" of AI, including rising leverage, limited visibility on monetization, and the acceleration in capex spending in the final months of the year. Alphabet's Gemini 3[13] breakthrough and the emergence of alternatives to Nvidia's graphics processing units contributed to a shift in leadership within the AI complex and Magnificent 7, while markets entered a derisking phase, rotating toward more defensive sectors and supporting a broadening of market participation (see chart 2).

We believe 2026 is shaping up to be a structurally supportive year for equities as we see a combination of macroeconomic, political, and industrial forces that are likely to translate into a more constructive environment for growth and corporate earnings. While we reiterate our view that concerns about a potential technology bubble are overstated, speculation around it is unlikely to fade. At the same time, the dynamics we encountered in the final months of 2025 should continue to support further broadening in market performance.

Against this backdrop, we believe a more selective and diversified approach to AI and technology investments is warranted as we move into the new year. From a regional perspective, this environment could be particularly supportive for European and EM equities, especially as further US dollar weakness provides an additional tailwind through improved financial conditions and more attractive relative valuations.

Chart 1: A wider range of subsectors contributed to stock performance in 2025*

In %

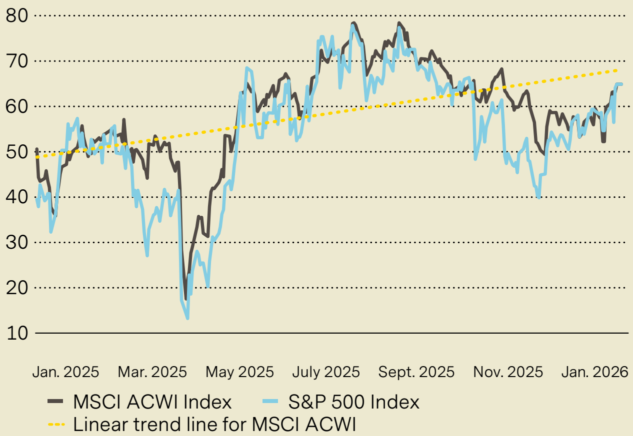


*Total return attribution in MSCI ACWI

Source: LSEG, Vontobel; as of January 16, 2026.

Chart 2: Market breadth has been improving in the final quarter of 2025, setting the scene for 2026

Index members trading above their 100-day moving average, in %



Source: LSEG, Vontobel; as of January 16, 2026.

Basking in the golden glow

—
Michaela Huber
Senior Cross-Asset Strategist,
Multi Asset Boutique, Vontobel

If commodity markets held their own version of the Grammy Awards, gold would have walked away with a handful of accolades in 2025. The yellow metal gained 65 percent last year and turned up the music even more in early 2026.

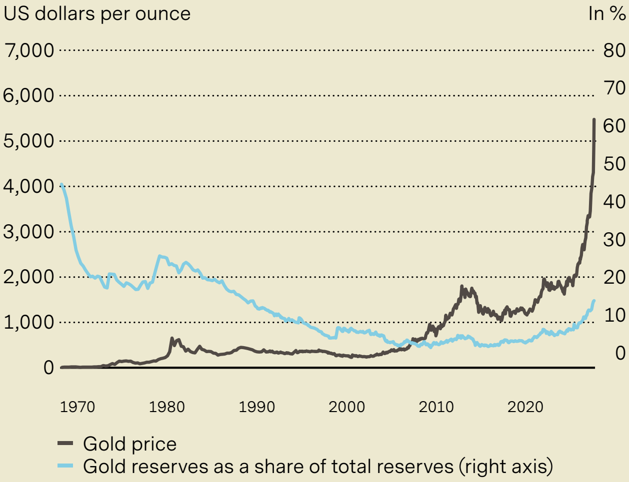
Sustained central bank buying, along with growing concerns about currency debasement and rising debt levels, made gold a compelling asset to own in 2025. In January 2026, concerns over Fed independence resurfaced following Donald Trump's attempt to indict Chair Jerome Powell. Combined with geopolitical noise out of Venezuela, Iran, and even the Arctic, these developments drove the safe haven above USD 5,500 per ounce. Traditional valuation metrics now appear to be less helpful, making it more difficult to determine a "fair value" for gold.

We believe gold's most likely path is higher, but any future gains are unlikely to be linear (read: volatile). What do we mean by that? On the one hand, central banks continue to have an incentive to diversify their reserves away from the US dollar. While their recent buying spree has raised official gold holdings to a bit less than 20 percent of total reserves, this remains well below historic levels (see chart 1). Emerging markets in particular, such as China, may still have catch-up potential. China's official gold reserves account for about 8 percent of total reserves[14]. To put this into perspective, countries like Germany hold over 70 percent. Overall, this relatively inelastic central bank demand is likely to put a floor under prices. While central banks may temporarily balk at elevated prices, their long-term objectives should help prevent gold from falling below USD 4,000 per ounce.

Cooling ETF demand
On the other hand, demand is less inelastic elsewhere. ETF flows, which were a key driver in 2025, cooled toward year-end. This was likely due to a combination of profit-taking and fears about a more hawkish Fed. While the Fed cut rates three times in the second half of 2025, some officials signaled that the easing cycle may soon pause or come to an end. This would be negative for a non-yielding asset like gold, which benefits from lower rates.

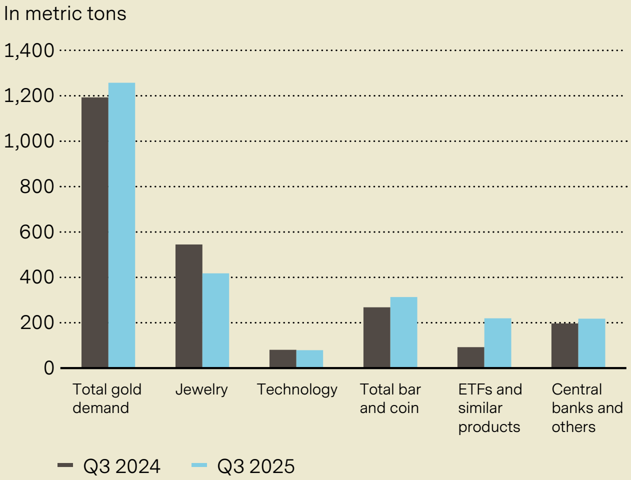
In addition, demand destruction has taken hold in the jewelry sector, with consumption down 23 percent year-on-year in Q3 2025 (see chart 2). Some shoppers are now opting for platinum over gold, while others are gravitating toward 14-karat gold as an alternative to the traditional 18-karat, or, in the case of key buyer China, 22-to 24-karat gold[15].

Chart 1: Gold—overvalued but underinvested?



Source: LSEG, Vontobel; as of January 29, 2026.

Chart 2: Total gold demand has risen despite declines in jewelry sector



Source: Metals Focus, World Gold Council; as of September 30, 2025.

A long hold in Switzerland and fading US dollar support

—
Christopher Koslowski
Senior Fixed Income &
FX Strategist,
Multi Asset Boutique, Vontobel

US dollar bears can lean on a simple story: rate expectations across G-10 economies[16] are diverging, and the pattern isn't supportive for the dollar. Markets still see the Fed as having the most room to cut. For years, the dollar has benefited from the view that US rates would sit above the pack. If the US is the one easing while others mostly wait, that advantage starts to erode. Zooming out, G-10 is expected to stay on hold in the near term, but with a mild hiking bias further out. That mix, a steady "no change" stance across much of G-10 in the near term, plus some tightening risk further out, is another way the rate backdrop can tilt away from the dollar at the margin (see chart 1).

In Switzerland, inflation looks like it has found a floor (see chart 2). December marked a small uptick in both headline and core inflation. The firmer tone came mainly from services, with price increases most visible in areas like restaurants and hotels. At the same time, imported inflation stayed very weak, helped by the franc's earlier strength pulling foreign prices lower.

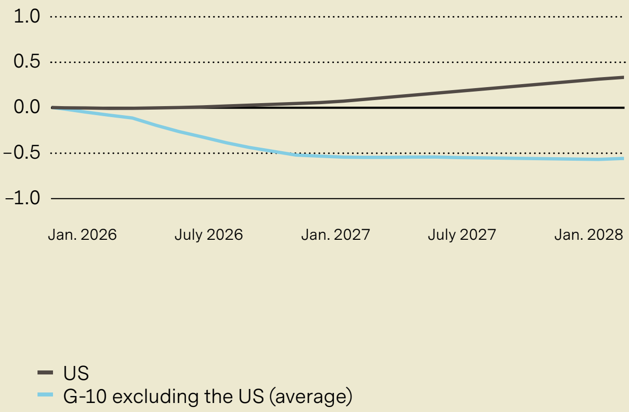
If the franc stops appreciating as aggressively, the disinflation impulse from cheaper imports will likely fade. Combined with more stable energy effects, this points to inflation staying very low in the near term, then slowly moving higher as the year progresses. The direction is upward, but the balance of risks is still skewed to the downside.

Minutes from the Swiss National Bank (SNB) fit that picture. December was a clear "on hold" decision, but the discussion was more two-sided than in September, and that's the nuance. The SNB is not in a rush to act and keeps a high bar for moving below zero, given the potential costs to the financial system. The SNB also sounds a bit less worried about a global risk-off shock that would turbocharge safe-haven demand for the franc, and it notes the franc has eased slightly since summer as rate differentials have moved against it.

So, the base case is a long hold phase. The SNB can live with low, subdued inflation as long as it remains within the target band and is expected to drift higher over time. The next shift is more likely to be about rebuilding policy space once the outlook is clearly stable, so the next move looks like a later story rather than something imminent. The Swiss franc is likely to stay firm. With the SNB on hold for now and hikes only further out on the horizon, support comes mainly from defensive demand, which means consolidation in calm markets and quick strength in risk-off episodes.

Chart 1: Central bank yield expectations point to headwinds for the US dollar

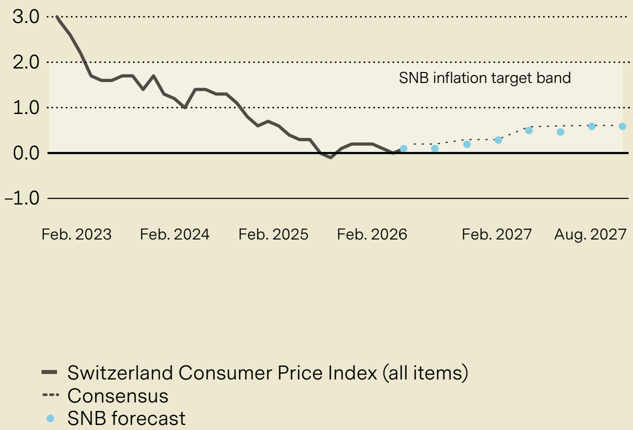
Cumulative implied change in policy rate, in %



Source: LSEG, Vontobel; as of January 15, 2026.

Chart 2: Swiss inflation picks up, rebound looks slow

Year-on-year change, in %



Source: LSEG, Vontobel; as of January 15, 2026.

Economy and financial markets 2025 – 2027

The following list shows the actual values, exchange rates, and prices from 2025, as well as consensus forecasts for 2026 and 2027 for gross domestic product (GDP), inflation / inflationary expectations, key central bank interest rates, 10-year government bonds, exchange rates, and commodities.

GDP (IN %)	2025[1]	CURRENT[2]	2026 CONSENSUS	2027 CONSENSUS
Global (G20)	2.4	3.3	2.7	2.7
Eurozone	1.4	1.4	1.2	1.4
USA	2.0	2.3	2.1	2.0
Japan	1.2	0.6	0.8	0.9
UK	1.4	1.3	1.1	1.4
Switzerland	1.2	0.5	1.25	1.5
Australia	1.9	2.1	2.2	2.3
China	4.9	4.5	4.5	4.3

INFLATION	2025[3]	CURRENT[4]	2026 CONSENSUS	2027 CONSENSUS	VONTOBEL VIEW IN 2026[5]
Eurozone	2.1	2.0	1.8	2.0	→
USA	2.7	2.7	2.8	2.4	↓
Switzerland	0.2	0.1	0.4	0.7	→

KEY INTEREST RATES (IN %)	2025	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
EUR (deposit rate)	2.00	2.00	1.97	1.97	→
USD (Fed funds rate, upper bound)	3.75	3.75	3.44	3.22	→
CHF	0.00	0.00	–0.01	0.06	→

GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2025	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
EUR (Germany)	2.86	2.84	2.82	2.91	→
USD	4.17	4.22	4.1	4.07	→
CHF	0.32	0.25	0.35	0.61	→

FOREIGN EXCHANGE RATES	2025	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
CHF per EUR	0.93	0.93	0.94	0.95	↑
CHF per USD	0.79	0.80	0.80	0.80	↓
USD per EUR	1.17	1.16	1.19	1.20	↑

COMMODITIES	2025	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS[5]
Brent crude oil, USD per barrel	61	64	60	60	↑
Gold, USD per troy ounce	4,319	4,676	4,400	4,290	↑
Copper, USD per metric ton	12,423	12,803	11,622	11,565	→

Note: Views are as of January 19, 2026. Forecasts are based on current market conditions and assumptions and are subject to change without further notice. They do not guarantee future results.

1 Subject to revisions (e.g., potential revisions to 4Q data)
2 Latest available quarter
3 Subject to revisions
4 Latest available month, G20 data only quarterly
5 ↑ above consensus, → in line with consensus, ↓ below consensus

Source: Vontobel, respective statistical offices and central banks; as of January 19, 2026.

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Glossary and sources

[1] Source: Time article, published January 9, 2026. time.com/7344540/trump-venezuela-maduro-sphere-of-influence/

[2] The "One Big Beautiful Bill" combines many major policy changes, such as taxes, spending, border security, and regulations.

[3] "Underweight" means the Vontobel Multi Asset Investment Committee has a lower preference for an asset class or sub-asset class. This reflects the belief that the asset class is less attractive relative to others in the current market environment. It is not a recommendation to avoid the asset entirely but suggests a reduced allocation.

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[6] The Shiller Price-to-Earnings (PE) ratio is a stock market valuation tool that divides the current market price by the average of the last 10 years' inflation-adjusted earnings, smoothing out business cycle fluctuations to show long-term value and predict future returns, indicating if a market is overvalued or undervalued.

[7] Source: Standford Human-Centered Artifical Intelligence (HAI) Institute's 2025 AI Index Report. hai.stanford.edu/ai-index/2025-ai-index-report

[8] Source: Fortune article, published September 10, 2025. fortune.com/2025/09/10/ai-adoption-declines-big-companies-human-skills-premium-education-gen-z/

[9] ROA shows how efficiently a company uses its assets to generate profit. ROE shows how effectively a company uses shareholders' money to generate profit.

[10] US hyperscalers without Oracle.

[11] Source: Ted article, published December 4, 2018. ideas.ted.com/an-eye-opening-look-at-the-dot-com-bubble-of-2000-and-how-it-shapes-our-lives-today/

[12] A credit default swap (CDS) is a contract between two parties in which one party purchases protection from another party against losses from the default of a borrower for a defined period of time.

[13] Refers to the release of a more advanced generation of its Gemini AI model, with improved reasoning capabilities, multimodal performance, and efficiency.

[14] China is rumored to have substantial unofficial gold holdings, making it difficult to determine its total gold reserves. Unofficial estimates put China's gold reserves at up to 5500 metric tons, more than double the officially reported holdings.

[15] Chinese culture highly values gold purity, with a strong preference for 24-karat (pure) gold, symbolizing wealth and fortune, though 22-karat (91.6 percent gold) is also popular, especially for wedding jewelry and durable everyday wear, striking a balance between high purity and better resilience against scratches.

[16] Group of 10 major developed economies whose currencies and interest rates are widely traded in global financial markets.

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