

Vontobel

Investors' Outlook

A shorter leash



October 2026



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A shorter leash



Dan Scott
Head Multi Asset,
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Dear readers,

The global economy is still moving along, although the ride appears to be getting a bit bumpier. Oil prices have thrown a wrench in the works. The war with Iran temporarily pushed them back above USD 100 per barrel, feeding into inflation and contributing to upward pressure on bond yields. Oil prices have retreated from those highs, but the recent period of elevated prices has left inflation concerns sitting on central banks' desks.

Several have raised rates this year, quite the U-turn from 2025, when rate cuts were the order of the day outside Japan. The US Federal Reserve (Fed) joined them in September, unanimously raising rates by 25 basis points (bps). A quarter percentage point is almost neither here nor there. Monetary policy can't bring down oil prices, but a 25bps hike also doesn't really restrict money in such a way that it would slam the brakes on an economy that's still growing. However, the mood music at the Fed suggests that it wasn't one and done, with at least another hike signaled before year-end. Markets have made a big leap, going from expecting three rate cuts through next summer to pricing in almost four hikes by July, though that looks rather aggressive to us.

Another number has been hanging over markets. The 10-year US Treasury yield crossed 5 percent last month, its highest level since 2007. If history is any guide, a first hike alone hasn't been a cue to head for the exits in equities, but yields climbing without stronger growth to show for would be a bigger concern.

And at this point, a bubble in capital expenditure (capex)¹ in the artificial intelligence (AI) space is also worth a few words. Things can move fast, and that's one way we could move down this late-cycle path. Markets have become more nervous that everything hinges on the US consumer and AI capex. If there are any wobbles in potential AI spending, we believe the risk of a bubble would become palpable. The market has been vigilant so far, not overdoing it with valuations, and investors have been taking it quarter by quarter. Companies like Nvidia still beat expectations, and hyperscalers have been able to show that cloud demand can go higher. But if those capex plans are suddenly revised down, that could trigger a selloff in equities, especially considering how much money investors have already made from the AI theme. For now, we see no signs of such a pullback, so we remain positive on the outlook for equities, though it's something we're keeping an eye on.

In this Investors' Outlook, we consider what the upcoming US midterm elections could mean for markets, explain yields' interplay with equities, and take a closer look at the US dollar and other major currencies.

Markets may have a little less room to run, but we still see plenty of opportunities to make capital earn its keep.

→ Webcast

To view our webcast on recent market developments, click [here](#).

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



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



—
Michaela Huber
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A dose of accommodation removed

The Fed delivered its first interest-rate hike in three years, and several other central banks around the world have already done the same. With rate increases having resumed across major economies, the global easing cycle has effectively come to an end. But much of the inflationary pressure central banks are responding to stems from supply-side factors, such as higher oil prices and the lingering effect of tariffs, which monetary policy can't do much about. As such, we believe the scope for additional tightening is limited.

While economic growth has accelerated this year, we believe the cycle is maturing. Financial conditions have deteriorated amid higher oil prices and interest rates, and fiscal support is poised to fade as we move into 2027. Economic momentum may hence be nearing a peak. Early signs are visible in interest-rate-sensitive sectors such as housing, where the already slow recovery has stalled again. Still, we believe the global economy is strong enough to withstand higher interest rates and avert a recession.

The main uncertainty is the energy shock. Iran may try to keep up the pressure on Washington ahead of the November midterm elections, but its ability to disrupt energy flows is getting harder as alternative export routes are being developed and production elsewhere expands. US President Donald Trump also has an incentive to de-escalate and bring oil prices down, especially as the war polls poorly and strategic oil reserves have hit 40-year lows.²

Elsewhere, weak domestic demand in China is one area of concern, though fiscal stimulus could support growth and markets. An escalation of the Ukraine war is another risk, with Russian refineries hit by drone attacks and the possibility of a Russian response.

Vontobel's Multi Asset Investment Committee has refrained from making any changes to its asset allocation. Find the details on page 5.

	UNDERWEIGHT ³		NEUTRAL ⁴	OVERWEIGHT ⁵		
	significantly	slightly		slightly	significantly	
1 Liquidity			→			We remain neutral on cash but are ready to act when opportunities present themselves.
2 Bonds	→					Our underweight allocation to fixed income is unchanged. The macroeconomic environment now points to a higher-rate environment, while inflation uncertainty and heavy bond issuance weigh on longer-duration bonds. We stick to our underweight in investment-grade ⁶ corporate bonds. Economic conditions are supportive for now, but valuations look rich to us and rising AI-related issuance is weighing on spreads. We reiterate our overweight in high-yield ⁷ bonds, where we find all-in yields interesting, duration is lower, and the segment tends to perform reasonably well outside recessions, which we don't expect soon. We hold a neutral stance on emerging-market (EM) hard-currency bonds.
3 Equities				→		Our overweight in equities remains in place despite several challenges over the past month, including higher oil prices due to the Iran war and a sharp repricing of Fed expectations. While the start of a Fed tightening cycle can weigh on stocks, history suggests returns tend to recover relatively quickly (see page 13). We believe a resilient macroeconomic environment is also poised to support equities thanks to robust labor markets, strong earnings momentum, and ongoing AI-related investment. We continue to favor EM stocks. Tighter financial conditions and a stronger US dollar may have weighed on sentiment recently, but North Asian technology exporters continue to benefit from robust AI-related hardware spending, and monetary easing in parts of Latin America provides support. We reiterate our neutral stance on Swiss, Eurozone, US, and Japanese equities.
4 Gold				→		We maintain our overweight in gold. Gold prices pulled back in the first half of September after strong momentum in August. Stronger US macroeconomic data and surging energy costs fanned inflation fears and expectations of a more hawkish Fed. Rising Treasury and real (inflation-adjusted) yields and a stronger US dollar created short-term headwinds. We believe gold can stabilize and resume its upward trend once markets have digested the Fed's latest policy decision and the rate outlook becomes clearer. While real yields have risen recently, we don't expect this trend to last through 2027. More importantly, we believe the long-term investment case for gold remains intact amid expanding fiscal deficits, elevated government spending, and ongoing geopolitical tensions.
5 Commodities			→			In 2026, commodities have once again demonstrated their role as an inflation hedge, particularly when supply shocks are a primary driver of rising prices. They can also act as protection against uncertainty linked to geopolitical tensions, reinforcing their diversification benefits. However, commodities tend to perform well early in hiking cycles but often struggle later once tighter policy starts to weigh on demand. A neutral stance on commodities appears justified to us.
6 Alternative strategies			→			Our neutral view on alternative funds and real estate remains unchanged.

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

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

Capitol gains? Markets and the US midterms

The 2026 US midterm elections, set to take place on November 3, represent a major political test for President Donald Trump and his administration. While presidential elections naturally attract the most public attention, history shows that midterms often play an equally important role in determining the direction of policy, financial markets, and investor sentiment. For markets, the key question is not merely who wins, but whether Trump retains enough support in Congress to continue implementing his economic agenda.





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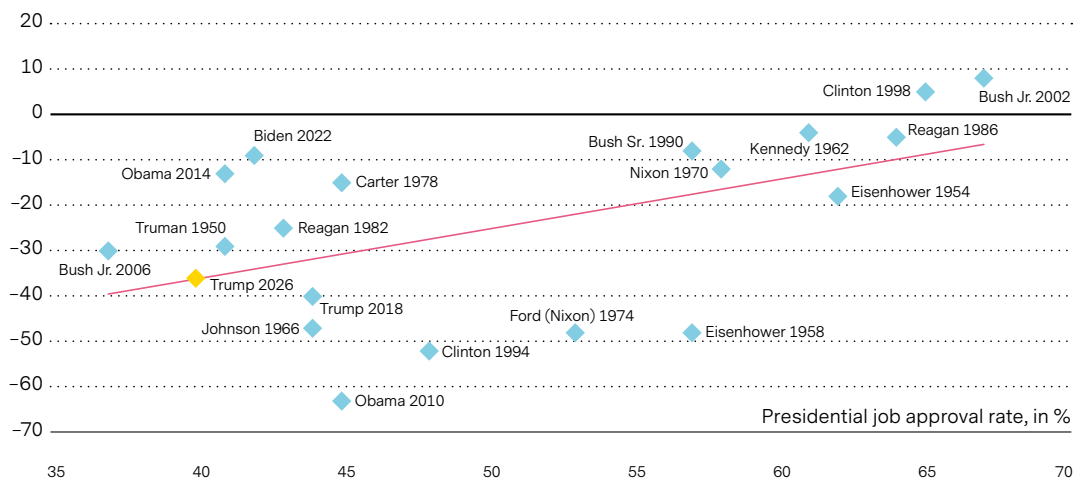
Midterm elections take place halfway through a president's four-year term. Americans do not elect a president during the midterms. Instead, all 435 seats in the House of Representatives and roughly one-third of the 100 seats in the Senate are contested. The two chambers form Congress, which holds the power to pass legislation, approve spending measures, alter tax policy, and oversee the executive branch.

The House of Representatives is generally considered the more politically sensitive chamber because its members face re-election every two years. As a result, shifts in public sentiment tend to show up there first. Historically, the president's party has frequently lost House seats in midterm elections, particularly when approval ratings are weak (see chart 1). The Senate is designed to provide greater continuity, as senators serve six-year terms and only a portion of seats are contested in each election cycle. Losing either chamber would make it more difficult for Trump to pursue his agenda, but the House is currently viewed as the more immediate risk. As of late September, Polymarket put the probability of Republicans losing control of the House at 93 percent, compared with 65 percent for the Senate.⁸

The Iran conflict has been one factor weighing on Trump's approval ratings. Regardless of how one views the strategic objectives, military engagement abroad often creates political challenges at home. Higher energy prices, concerns about further escalation, and growing war fatigue among voters have all contributed to a more difficult political environment. The issue is particularly sensitive because Trump campaigned heavily on restoring domestic strength while avoiding prolonged foreign entanglements. After two decades of costly engagements

Chart 1: Low presidential approval ratings have historically led to big losses in the House of Representatives

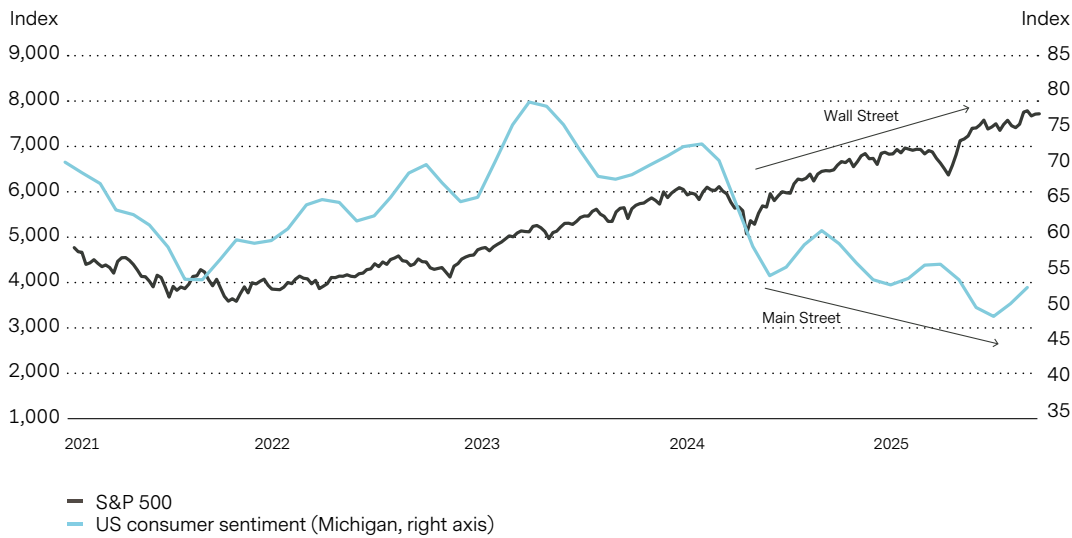
House seats lost / gained



Source: BCA calculations (June 2026), Gallup, Vontobel; as of September 14, 2026.

8 Market highlights

Chart 2: The booming stock market has yet to reach the average American, which keeps weighing on sentiment



Source: LSEG, University of Michigan, Vontobel; as of September 14, 2026.

in Iraq and Afghanistan, many Americans remain deeply skeptical of interventions that could evolve into another “forever war.”⁹ Recent polling suggests that the Iran conflict ranks among the most unpopular US military interventions in modern history, with some surveys showing even weaker public support than during the later stages of the Vietnam War.¹⁰ Even though the current conflict with Iran is far more limited in scope, it has revived concerns that the US could once again be drawn into a prolonged and costly conflict in the Middle East.

Equally important is the growing disconnect between financial markets and the lived experience of many households. On paper, the US economy appears in good shape. Equity markets have continued to perform strongly, corporate earnings have generally exceeded expectations, and technological innovation, particularly in artificial intelligence, has generated substantial wealth. Yet many Americans haven’t benefited from this prosperity.

This divide has contributed to what many observers describe as a K-shaped economy (see chart 2). Higher-income households, which own most financial assets, have benefited enormously from rising stock prices,

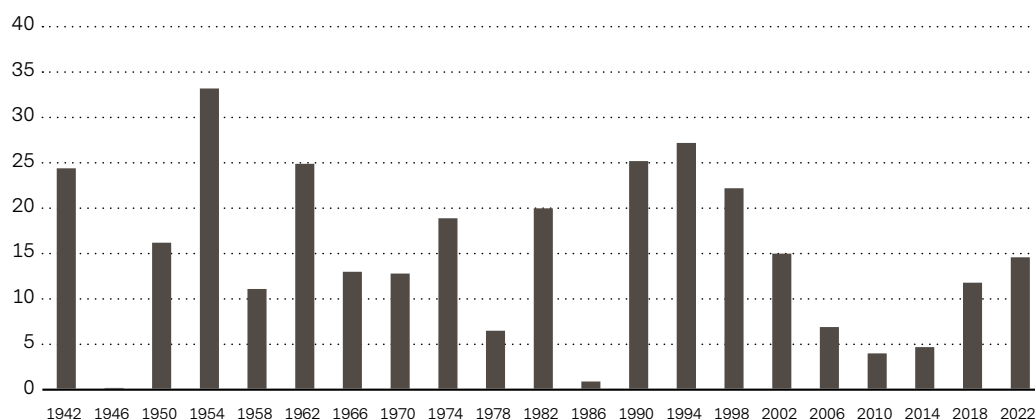
appreciating business values, and exposure to AI-related investment themes. Meanwhile, many middle- and lower-income households continue to grapple with high living costs, housing affordability, and concerns about job security. The result is one segment of the economy that feels increasingly prosperous, while another perceives little improvement despite optimistic economic headlines.

For politicians, perceived reality often matters more than aggregate statistics. Voters do not cast ballots based on the performance of the S&P 500. They vote based on how financially secure they feel. This helps explain why strong economic growth and buoyant equity markets do not automatically translate into political support. A booming stock market may be celebrated on Wall Street, but it offers limited comfort to households that do not own significant financial assets or benefit through higher wages.

From an investment perspective, the months leading up to midterm elections can be challenging for equities. Markets generally dislike uncertainty, and questions surrounding congressional control, fiscal policy, taxation, and regulation can contribute to bouts of volatility ahead of the vote. Historically, however, US equities have often

Chart 3: Historical S&P 500 price returns in the 12-month period following a US midterm election since 1942

Returns, in %



Source: LSEG, Vontobel; as of August 28, 2026. Past performance is not a reliable indicator of current or future performance. For informational purposes only. This content does not constitute investment advice or a recommendation to buy, sell, or hold any financial instruments.

performed well after midterm elections (see chart 3). Once the outcome is known, investors gain greater clarity regarding the policy environment for the next two years, removing an important source of uncertainty. Markets have also tended to welcome a divided government, as it reduces the likelihood of major policy changes and increases policy predictability. Administrations of both parties also often seek to support economic growth as the next presidential election approaches.

Nevertheless, we believe investors should be cautious about assuming that historical patterns will automatically repeat. Several downside risks remain. The first concerns fiscal policy. Much of the recent economic resilience has been supported by substantial government spending and fiscal stimulus. If Democrats gain control of one or both chambers of Congress, further fiscal expansion could become more difficult. A divided government would likely bring greater scrutiny of budget deficits and government spending programs, particularly given mounting concerns about the long-term trajectory of US public debt. Democrats may also push for greater fiscal restraint, knowing that any resulting slowdown in economic activity would likely be blamed on the ruling Republican adminis-

tration rather than Congress. While such an outcome could improve the long-term debt outlook, it would likely come at the cost of weaker growth in the near term.

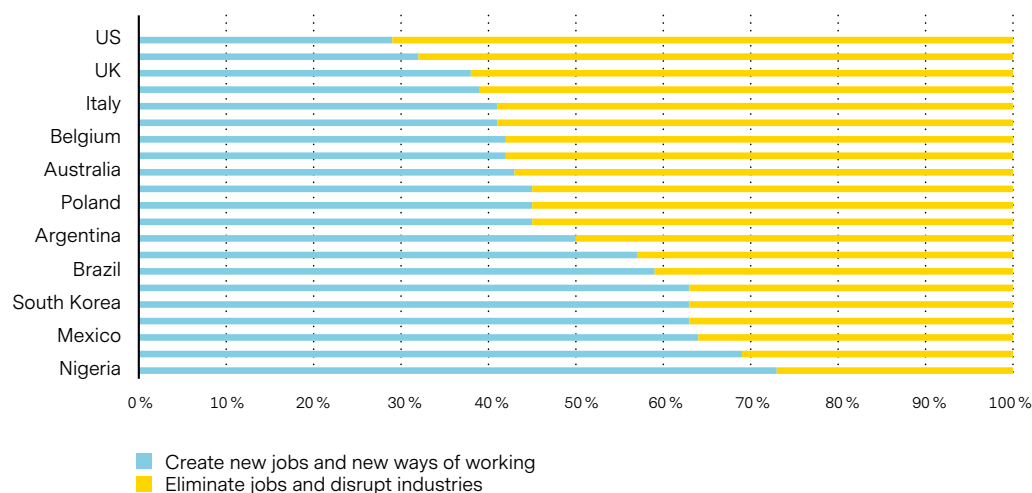
Tax policy represents a second risk. Although sweeping tax increases would likely face considerable political resistance, a stronger Democratic position in Congress could revive discussions about higher taxes on very high-income individuals, capital gains, or large corporations. Such proposals would not necessarily become law, but they could still influence investor expectations and corporate behavior.

Perhaps the most underestimated risk is that the AI honeymoon begins to fade. Over the past several years, AI has been viewed primarily through the lens of productivity gains, technological leadership, and corporate profitability, prompting investors to reward perceived AI winners with extraordinary valuations. Yet as the technology becomes more deeply embedded in the economy, its social consequences are attracting greater attention. Fears of AI-driven job displacement are particularly pronounced in the US, where the potential loss of middle-class and white-collar jobs has become an increasingly prominent

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Chart 4: Concerns about AI-related job displacement are particularly pronounced in the US

Global expectations for AI creating jobs (2026 AI Index Report)



Source: 2026 AI Index Report, Stanford University, Vontobel; as of September 14, 2026.

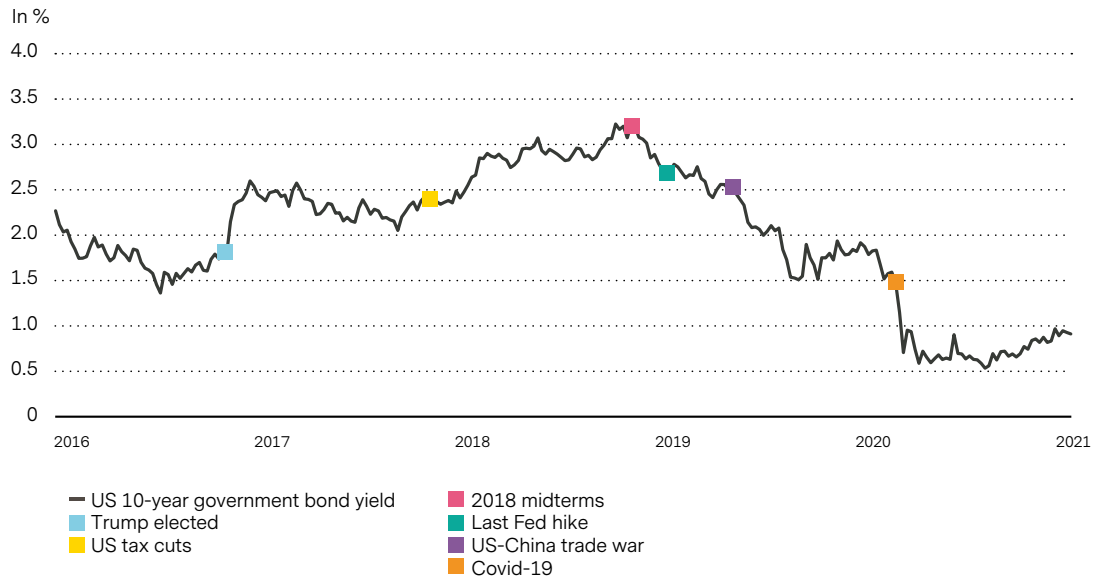
political issue (see chart 4). The debate is gradually moving from the opportunities created by AI toward questions surrounding automation, pressure on entry-level employment, and the future of knowledge work. Public support for the rapid build-out of AI infrastructure has also weakened. In parts of the US, local opposition to data centers has grown as communities push back against their substantial electricity consumption, water use, and land requirements. If voters increasingly associate AI with job losses, rising power demand, and limited benefits for the average worker, rather than broad-based prosperity, policymakers could face mounting pressure to regulate aspects of the technology more aggressively. This could challenge some of the optimistic assumptions currently reflected in AI-related equity valuations.

A further risk for equities is that the midterm elections may not reduce policy uncertainty as much as investors typically expect. If Republicans lose control of one or both chambers of Congress, legislative gridlock will become more likely, making it harder for the administration to advance its domestic agenda through conventional channels. Political uncertainty could simply take a different form. With Congress acting as a constraint, the White

House might rely more heavily on executive orders, regulatory actions, and foreign policy initiatives, where presidential authority remains comparatively strong. Investors could then face a different kind of uncertainty: less debate over fiscal legislation and more on trade policy, tariffs, sanctions, immigration measures, and geopolitical developments. In other words, a Democratic victory in Congress would not necessarily bring an end to political risk for markets; it could just change where that risk comes from.

The bond market bears close watching as well. Interestingly, the 2018 midterm elections during Trump's first presidency broadly coincided with a peak in Treasury yields (see chart 5). The 10-year Treasury yield reached a cycle high of around 3.25 percent shortly before the elections, then embarked on a sustained decline as growth expectations softened and the Fed eventually pivoted toward easing. History rarely repeats itself exactly, but there are some parallels worth noting. After several years of robust growth, substantial fiscal stimulus, and inflation concerns, bond yields are once again elevated heading into a midterm election.

Chart 5: Under Trump's first term, bond yields peaked once fiscal stimulus faded and hawkish foreign policy started



Source: LSEG, Vontobel; as of 2021. Past performance is not a reliable indicator of current or future performance. For informational purposes only.

If the elections result in political gridlock and a reduced likelihood of further fiscal expansion, investors could begin to price in slower nominal growth and a more benign inflation outlook. At the same time, the powerful growth tailwinds from fiscal stimulus and the AI boom may gradually fade, removing two key supports for growth expectations. Such a combination would be supportive of Treasuries and could mark an important turning point for yields.

On the other hand, concerns about continued deficit spending, geopolitical risks, or inflationary trade policies could keep yields elevated for longer. The midterms may therefore not determine the direction of bond markets outright, but they could represent an important inflection point, much as they did during Trump's first term. Indeed, if growth expectations begin to moderate, investors may ultimately look back on the 2026 midterms as the point when Treasury yields reached their peak in this cycle.

The Fed moves closer to market pricing



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

The September Fed meeting made clear that the US rate environment has changed. The unanimous 25bps increase took the policy rate to 3.75 – 4.00 percent, while the new projections combined stronger growth, lower unemployment, and higher near-term inflation with a higher path for policy rates. The median fed funds rate forecast rose to 4.1 percent for both end-2026 and end-2027, bringing the Fed much closer to levels markets had already priced in.

That convergence is important for what comes next. Ahead of the meeting, investors had already built a sizeable tightening cycle into forward rates. The September projections brought the Fed closer to market pricing, although the market-implied policy rate for end-2027 is still somewhat above the Fed's median forecast (see chart 1). A further material rise in front-end yields would therefore increasingly require another shift in the inflation or growth outlook, rather than simply the Fed delivering what markets already expect.

The tone of the meeting also suggests the Fed has become more comfortable keeping policy tighter while the economy is resilient. Strong activity and a stable labor

market make it easier to lean against inflation, while the unanimous vote suggests that concern about persistent price pressures are shared across the Committee.

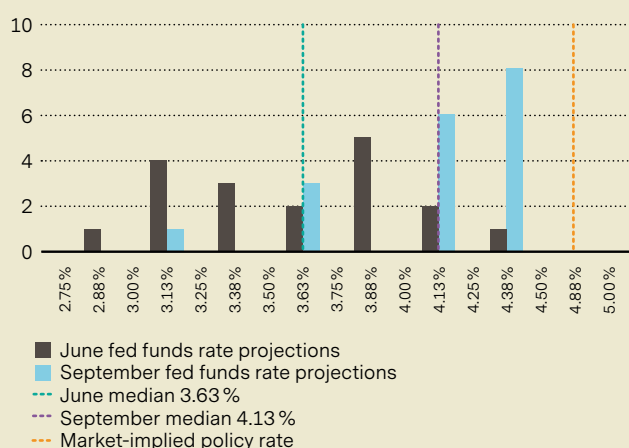
Over a nine- to 12-month horizon, we still believe yields are poised to decline as inflation moderates and policy expectations stabilize. But the scope for a large rally at the long end looks limited to us. Fiscal deficits are large, Treasury supply is heavy, and the term premium¹¹ has rebuilt from the unusually low levels seen in the period after the global financial crisis.

In the credit space, we saw little change. Investment-grade fundamentals appear sound, but spreads are tight and heavy supply remains a technical headwind. AI-related financing accounts for a growing share of issuance, while the recent underperformance of hyperscalers (see chart 2) shows that markets are becoming less willing to overlook valuation, leverage, and rising capital commitments.

High yield looks more attractive to us on a relative basis. All-in yields are still compelling, in our view, duration is low and credit quality has improved structurally, with BB-rated issuers now accounting for more than half of the index. This combination can limit sensitivity to volatility in long-end yields and allows carry to remain an important source of returns even without further spread compression,¹² in our view.

Chart 1: The Fed has moved closer to the market, but investors still price in higher rates by end-2027

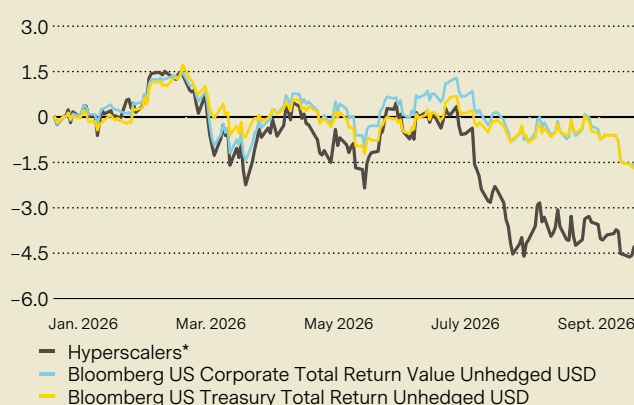
Number of FOMC participants



Source: LSEG, Vontobel; as of September 28, 2026.

Chart 2: AI financing is starting to leave a mark on credit markets

Year-to-date cumulative total return, in %



*Amazon, Google, Meta, Microsoft, Oracle

Source: LSEG, Vontobel; as of September 17, 2026.

Rates strike, earnings shield



—
Clémence Rusek
Senior Investment Strategist,
Multi Asset Boutique, Vontobel

After a strong August, global equity markets came under pressure in September as tensions in the Middle East escalated again, leading investors to reassess the inflation outlook and price in a more restrictive Fed. Rising government bond yields weighed on risk assets, resulting in a broad-based pullback in equities.

Wall Street folklore warns that 5 percent 10-year Treasury yields are kryptonite for stocks. When investors can earn 5 percent risk-free, equities face stiffer competition for capital, especially high-flying growth companies whose profits lie further in the future. But higher yields aren't guaranteed villains. History shows that equities can withstand the pressure when rising rates reflect a stronger economy, as robust growth ultimately finds its way into higher corporate earnings.

While much of the recent rise in yields has been attributed to higher energy prices, fiscal deficits, and increased bond issuance, a significant share of the increase earlier this year also reflected robust US economic growth.

The pace at which yields move is also important. Rapid spikes tend to force markets to adjust instantly, causing a shock to valuations, tightening credit conditions overnight, and triggering forced selling by over-leveraged investors. This point is particularly relevant today, given how quickly rates have surged recently.

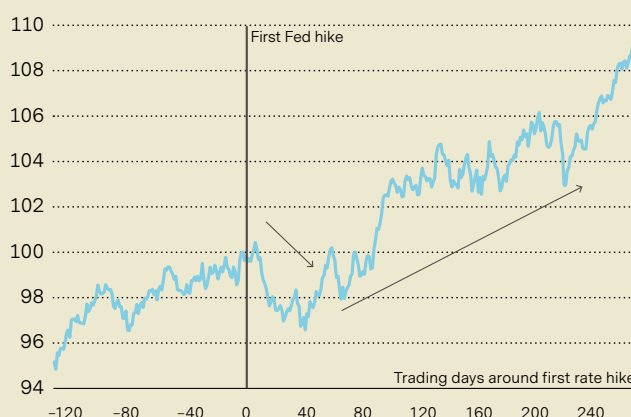
Even as markets fixate on the Fed's next move, history suggests that the start of a rate-hike cycle is not necessarily a bearish tactical signal for equities. Previous tightening cycles were often accompanied by a period of heightened volatility after the initial hike, but equity markets generally recovered within five months and delivered positive returns over the following 12 months (see chart 1).

Corporate fundamentals are also still remarkably strong. Earnings growth has continued to hold up well (see chart 2), with positive surprises across regions and sectors. Balance sheets are healthy, corporate leverage is contained, and interest coverage ratios are near historical highs.

Looking ahead, the battle between earnings and interest rates is likely to determine where markets go next. The encouraging news is that investors have already absorbed a significant valuation reset as yields climbed and expectations for Fed tightening increased. The risk, however, is that rates continue to move higher while earnings growth decelerates meaningfully, putting pressure on valuations.

Chart 1: Equities have historically recovered after the first Fed hike

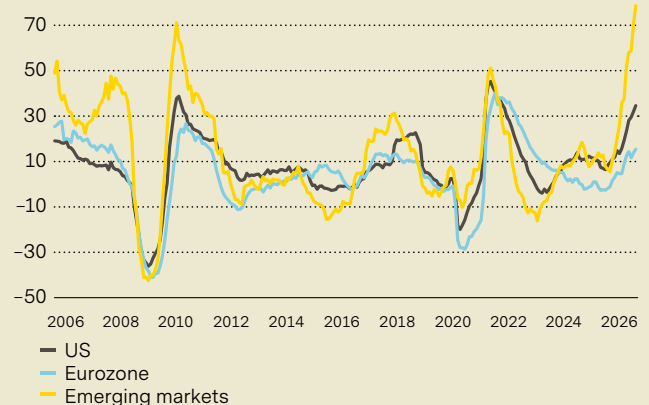
S&P 500 average return around rate hiking cycles*



Source: LSEG, Vontobel; as of September 18, 2026. Past performance is not a reliable indicator of current or future performance. For informational purposes only. This content does not constitute investment advice or a recommendation to buy, sell, or hold any financial instruments.

Chart 2: Solid earnings momentum across major regions

Forward 12-month earnings-per-share growth, in %



MSCI Indices

Source: LSEG, Vontobel; as of September 17, 2026.

Two sides of the barrel



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

Headline crude oil prices often capture the spotlight, but a growing disconnect at the pump has left consumers puzzled. Drivers may read about softening crude prices yet continue to face stubbornly high prices for refined products such as gasoline and diesel.

Refined product markets have been hit from several directions this year. First, disruptions in the Strait of Hormuz have curtailed product flows out of the Gulf region. Making matters worse, refined products are generally harder to reroute than crude oil, making supply disruptions more difficult to offset. Second, those same bottlenecks have constrained crude oil shipments, tightening feedstock availability for refiners worldwide. Third, Ukrainian attacks on Russian refineries and fuel infrastructure have periodically taken refining capacity offline, further reducing product supply.

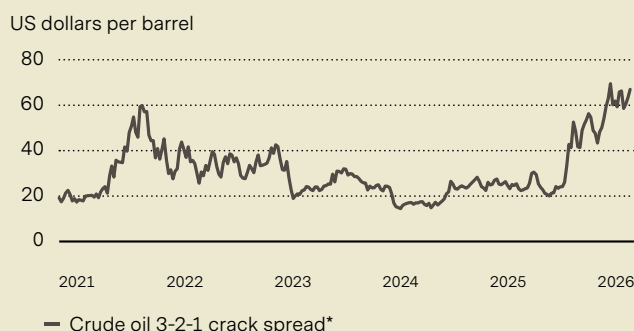
This contrast is visible in crack spreads,¹³ a measure of refining profitability (see chart 1). As gasoline, diesel, and jet fuel supplies have become increasingly scarce, crack spreads have surged. Refiners in the US and else-

where have rushed to capitalize on these windfall margins, postponing seasonal maintenance and running plants at exceptionally high utilization rates. In the US, refinery utilization reached 97 percent in September, generally considered close to full operating capacity.

Whether this pace can be sustained is another question. History suggests that prolonged periods of operating near maximum capacity increase the risk of equipment failures, emergency maintenance, and unexpected outages. Ironically, such disruptions could widen the gap between crude and product markets even further. Unplanned refinery shutdowns reduce crude processing, which could weigh on crude prices. At the same time, supplies of gasoline, diesel, and jet fuel could tighten further, pushing product prices higher.

Looking ahead, geopolitics remains a key wildcard. In the third quarter, Ukrainian attacks on Russian energy infrastructure briefly slowed after renewed diplomatic efforts (see chart 2). However, the attacks have since resumed, keeping the risk of fresh disruptions to Russian refining capacity firmly on the market's radar. Markets must also contend with policy uncertainty in the US. President Trump has floated the idea of restricting diesel exports to shield domestic consumers from high fuel prices. Higher domestic inventories could ease diesel prices in the US, but reduced exports would likely tighten supplies elsewhere, particularly in Europe and Latin America, adding another source of volatility to refined product markets.

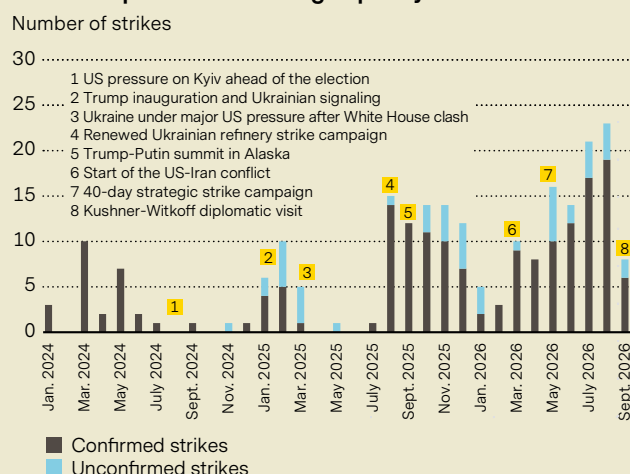
Chart 1: What a time to be a crude oil refiner



*A 3-2-1 crack spread is a widely used benchmark for refinery margins that assumes a refinery converts 3 barrels of crude oil into 2 barrels of gasoline and 1 barrel of distillate fuel (typically diesel/heating oil).

Source: LSEG, Vontobel; as of September 18, 2026.

Chart 2: Ukraine's strikes have disabled 30–40 % of Russia's operational refining capacity



Source: Energy Aspects, Vontobel; as of September 2026.

The dollar gets a Fed-lift



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

The September rate hike and higher Fed rate projections have boosted the US dollar's near-term outlook. US growth is holding up, its rate advantage over other currencies has increased, and carry¹⁴ looks more attractive than a few months ago. For currencies, though, we believe the Fed's path relative to other central banks should be the main driver, not just the level of US rates.

The median projection in the Fed's Summary of Economic Projections now points to another rate hike this year and expects rates to stay higher for longer than was projected in June. In our view, this may lend the dollar more support in the near term. But the September move was largely priced in, and further tightening is already embedded in expectations. We believe a more sustained rise in the dollar may require US rate expectations moving higher relative to those elsewhere.

The Fed is not tightening alone. Markets expect higher policy rates over the next two years across most major economies (see chart 1). The US still has a substantial rate premium over the euro area, but the key question for

currencies is whether that differential widens further. As the US tightening cycle nears a plateau, we believe the boost from relative policy may fade.

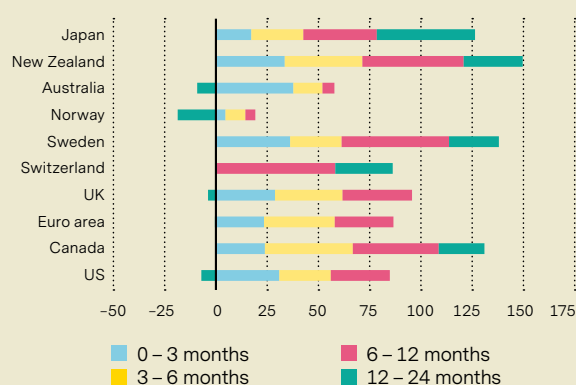
Over the next nine to 12 months, we expect the dollar's rate advantage to recede as the energy-driven inflation impulse fades and policy paths stabilize. This may give the euro room to recover gradually. In our view, the franc should remain resilient, although its sizeable yield disadvantage could curb a sustained appreciation. Broader US inflation poses the main risk to this outlook, as it could keep the Fed tightening for longer.

Once policy expectations settle, we believe structural fundamentals¹⁵ may come more to the fore. Current-account positions, fiscal balances, and debt dynamics offer a way to distinguish currencies with stronger underlying support from those more dependent on cyclical yield advantages (see chart 2).

The dollar still benefits from high yields, safe-haven demand, and deep capital markets, but we believe that large fiscal deficits and a persistent external imbalance may weigh on the currency in the medium term. The euro has a more balanced profile, with a positive external position and healthier aggregate debt dynamics despite fiscal risks in parts of the region. The franc also looks well supported, although its yield disadvantage may leave limited room for further appreciation.

Chart 1: Higher policy rates are now priced in across the major economies

Market-implied policy-rate change, in bps



Note: Segments show the additional policy-rate change priced in within each window, not the cumulative level.

Source: LSEG, Vontobel; as of September 28, 2026.

Chart 2: Our assessment of G10 currencies*

		RANK	CURRENT ACCOUNT	BUDGET BALANCE	DEBT
Structural Out-performers	Norway	1	1	1	2
	Switzerland	2	2	2	1
	Sweden	3	3	4	3
Structural Neutral	Australia	4	9	3	4
	Canada	5	6	5	8
	Euro area	6	5	9	6
	New Zealand	7	10	6	5
Structural Under-performers	Japan	8	4	7	10
	UK	9	7	8	7
	US	10	8	10	9

*Note: Composite ranking based on average 2027 – 2029 consensus forecasts for current account, budget balance, and government debt. Higher current-account and budget balances and lower debt receive better ranks. All three indicators are equally weighted.

Source: LSEG, Vontobel; as of September 17, 2026. For informational purposes only. This content does not constitute investment advice or a recommendation to buy, sell, or hold any financial instruments.

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.

			2026	2027	
GDP (IN %)	2025¹	CURRENT²	CONSENSUS	CONSENSUS	
Global (G20)	2.6	2.5	2.4	2.7	
Eurozone	1.4	1.2	0.9	1.3	
USA	2.1	2.1	2.1	2.1	
Japan	1.1	0.9	0.8	0.8	
UK	1.4	1.2	1.2	1.2	
Switzerland	1.4	2.6	1.3	1.4	
Australia	2.0	2.1	1.9	1.7	
China	5.0	4.3	4.6	4.4	

			2026	2027	VONTOBEL VIEW
INFLATION	2025³	CURRENT⁴	CONSENSUS	CONSENSUS	IN 2026⁵
Eurozone	2.1	3.2	2.9	2.5	→
USA	2.7	3.4	3.3	2.4	→
Switzerland	0.2	0.8	0.6	0.7	→

			CONSENSUS	CONSENSUS	VONTOBEL VIEW
KEY INTEREST RATES (IN %)	2025	CURRENT	IN 3 MONTHS	IN 12 MONTHS	IN 12 MONTHS⁵
EUR (deposit rate)	2.00	2.50	2.68	2.59	→
USD (Fed funds rate, upper bound)	3.75	4.00	4.02	3.73	→
CHF	–	–	–	0.11	→

			CONSENSUS	CONSENSUS	VONTOBEL VIEW
GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2025	CURRENT	IN 3 MONTHS	IN 12 MONTHS	IN 12 MONTHS⁵
EUR (Germany)	2.86	3.50	3.35	3.16	→
USD	4.17	4.96	4.65	4.42	→
CHF	0.32	0.56	0.46	0.53	→

			CONSENSUS	CONSENSUS	VONTOBEL VIEW
FOREIGN EXCHANGE RATES	2025	CURRENT	IN 3 MONTHS	IN 12 MONTHS	IN 12 MONTHS⁵
CHF per EUR	0.93	0.95	0.93	0.94	→
CHF per USD	0.79	0.83	0.80	0.80	↓
USD per EUR	1.17	1.15	1.17	1.18	↑

			CONSENSUS	CONSENSUS	VONTOBEL VIEW
COMMODITIES	2025	CURRENT	IN 3 MONTHS	IN 12 MONTHS	IN 12 MONTHS⁵
Brent crude oil, USD per barrel	61	103	81	76	→
Gold, USD per troy ounce	4,319	4,378	4,494	4,825	↑
Copper, USD per metric ton	12,423	14,492	13,779	13,600	↓

Note: Views are as of September 18, 2026. Forecasts and consensus estimates shown are based on current market conditions and assumptions as of the stated date and are subject to change without notice. Forecasts are not indicative of actual results and are not guaranteed. Actual outcomes may differ materially. This information is provided for illustrative purposes only and does not constitute investment advice or a recommendation. Please refer to the full disclaimer on page 17.

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

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Glossary and sources

- ¹ Refers to money spent on acquiring, upgrading, or maintaining long-term physical or intangible assets.
 - ² Source: NPR article, published August 16, 2026. www.npr.org/2026/08/16/nx-s1-5930403/u-s-oil-reserves-hit-the-lowest-level-seen-in-over-40-years
 - 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.
 - ⁴ “Neutral” means the Vontobel Multi Asset Investment Committee has neither a higher nor lower preference for an asset or sub-asset class. This reflects a balanced view, where the asset class is expected to perform in line with its historical or market-average performance. It is not a recommendation to take action but suggests maintaining the current allocation.
 - ⁵ “Overweight” means the Vontobel Multi Asset Investment Committee has a higher preference for an asset class or sub-asset class. This reflects the belief that the asset class is more attractive relative to others in the current market environment. It is not a recommendation to invest heavily but suggests increasing the allocation.
- “Underweight”, “neutral” and “overweight” classifications are internal views of the investment committee and should not be construed as recommendations for individual investors or a call to action. It merely reflects Vontobel’s outlook on the expected value development of a particular asset class. These evaluations are distributed solely for informational purposes to a wider audience and are not tailored to a specific customer group.
- ⁶ Refer to investment-grade bonds issued by companies with strong financial health and a low risk of default.
 - ⁷ Refer to bonds issued by companies with weaker credit profiles and a higher risk of default. They offer higher interest rates to compensate investors for the increased risk.
 - ⁸ Source: Polymarket. <https://polymarket.us/event/usho-midterms-2026-11-03> and <https://polymarket.us/event/usse-midterms-2026-11-03>; as of September 14, 2026.
 - ⁹ Source: Foreign Affairs article, published August 4, 2026. www.foreignaffairs.com/united-states/new-forever-wars
 - ¹⁰ Source: CNN article, published July 20, 2026. <https://edition.cnn.com/2026/07/20/politics/iran-war-unpopularity-iraq-vietnam>
 - ¹¹ The term premium is the additional yield investors demand for holding a long-term bond rather than repeatedly investing in short-term bonds, compensating them for interest rate, inflation, and uncertainty risks over time.
 - ¹² Refers to a narrowing of the yield difference between a bond and a comparable benchmark, which typically increases the bond’s price.
 - ¹³ Refers to the difference between the price of crude oil and the prices of refined products made from it, commonly used as a measure of refinery profitability.
 - ¹⁴ Refers to the cost or benefit of holding a currency over time, mainly caused by differences in interest rates between two currencies.
 - ¹⁵ Refers to longer-term economic factors that influence a currency’s value, such as current-account balances, fiscal positions, and debt levels.

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