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A cheat sheet for the Christmas holidays

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Political issues, geopolitical tensions, and developments in artificial intelligence are likely to shape market sentiment in 2026 again. Our outlook remains optimistic, but once again, the most successful investors are likely to be those who base their decisions on fundamental developments and are not swayed by headlines.

An exciting but also exhausting year is drawing to a close. I would like to thank all readers for their loyalty and for the constructive and valuable feedback. I wish you a joyful and peaceful holiday season, and for the new year, good health, satisfaction, and successful investments.

As every year, I will spend the Christmas holidays with relatives, friends, and neighbors. And inevitably, at some point, the conversations will shift from births, the exceptional talents of the younger generation, and FC Aarau's promotion chances to macroeconomics, politics, and financial markets. To withstand the annual barrage of questions, I have once again put some thoughts together for you. Perhaps my notes will help you successfully contribute to family and social conversations on these topics during your holiday gatherings.

The first and perhaps most exciting question for next year: Is AI a bubble?
First, it's important to note that bubbles are almost impossible to predict in advance, difficult to recognize as they form, and hard to understand after they burst. But just because we don't have a definitive answer doesn't mean it isn't worthwhile to discuss the question. Let's start with the evidence that points to a bubble. Valuations are high, and the growing race for investments is sometimes driven by circular financing models—that is, investments in a company are used to buy products sold by the investing companies themselves. In addition, many artificial intelligence (AI) applications do not meet users' expectations.

However, there are also good reasons to believe this is not a repeat of the dotcom era. AI is already generating revenues—some estimates put the global figure in the high hundred billions for 2025. Commercial use is increasing, and according to McKinsey, almost 90% of companies are already using AI regularly. It is true that the returns on many investments will fall short of expectations and that most startups are likely to fail. But it is also true that as the range of applications broadens and commercial uses increase, we expect ongoing monetization of AI to bring robust returns to companies that use the technology prudently and creatively. Our conclusion: Diversify your AI exposure, but stay invested.

Tariffs, central bank independence, higher growth, structural reforms in Europe, or lasting peace: Which topics will dominate the markets next year?
2025 was a year full of surprises. That is unlikely to change in 2026. The list of investor concerns is long and includes prominent topics such as the aforementioned AI enthusiasm, the independence of the Federal Reserve, geopolitical tensions, and rising government debt. The issue of tariffs is also unlikely to disappear. President Trump recently stated that tariffs remain his favorite word. These topics are exciting and emotional and often provide plenty of material for lengthy discussions. However, they sometimes distract from the factual and essential.

Stock markets performed well this year primarily because corporate earnings continued to rise—not least thanks to advances in AI. We believe this trend can continue in the new year. There is also room for positive surprises: Higher fiscal spending should support growth in Europe, and possible reforms could even improve structural growth. Our conclusion here: Investors should focus primarily on fundamentals. Individual themes, whether optimistic or pessimistic, can also have a place in a portfolio, but preferably as complementary satellite investments.

Will the SNB cut policy rates into negative territory next year, and what can we expect from the Swiss franc?
For the Swiss National Bank (SNB), the threshold for a return to negative policy rates is likely to remain high. Martin Schlegel, the Chairman of the Governing Board, often emphasizes that the SNB sets its monetary policy on a quarter-by-quarter basis. However, he has also repeatedly pointed out the economic challenges associated with negative interest rates. In addition, we expect low but not negative inflation figures for 2026, as well as slightly better growth. Our conclusion: It would take a major crisis for negative policy rates to return; we do not expect that at present. But the SNB is also likely a long way from raising rates.

Turning to the Swiss franc: In 2025, it did what it does best—appreciate. Among the G10 currencies—the group of ten (and since Switzerland joined in 1964, actually eleven) leading industrial nations—only the Swedish krona was stronger than the franc this year. The main driver behind this appreciation was the pronounced weakness of the US dollar; the US currency lost value against all G10 currencies in 2025. Our forecasts suggest that upward pressure on the franc could ease temporarily next year, especially if the expected economic recovery in the Eurozone materializes. Over the longer term, however, the franc is likely to continue appreciating. Regarding currency risks, it will likely remain true next year that partial hedging costs money but also helps reduce risks—risks that, in our view, can be more profitably taken via equity positions.

Appendix

Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. **An investment in an alternative investment fund is speculative and involves significant risks.**

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Private Credit:** There are risks specifically associated with investing in private credit. This could include losses stemming from defaults on loans, which in significant adverse circumstances could result in a substantial loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

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