NPB CIO Outlook

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Asset Allocation Views – Q2 2026 – You Can’t Print Molecules

Executive Summary

You Can't Print Molecules

- Is this the easiest or the most difficult outlook the NPB Investment Committee had to put together? A bit of both. The Strait of Hormuz crisis has triggered a near-complete reset across markets, providing plenty to write about and plenty of fog to navigate. With information overload and uncertainty still elevated, markets have reverted to **trading the headlines**.

- We therefore take a step back to analyse the bigger picture, which has shifted materially over the past 20 months - and dramatically so over the past six weeks. All without losing sight of shorter-term allocations.

- As we outlined in our previous outlook "Age of Empires", the world has entered an era of multipolarity where resources are hoarded, not sold. And as US President Trump has just discovered, unlike in crises of the past three decades, **you cannot print yourself out of trouble when the problem is physical, not financial - "You can't print molecules"!**

- **Equities:** Short- to medium term, markets are ripe for a tradable rebound, and we increase our allocation to this asset class. Longer term (6–12 months), we fear the seventeen-year-old bull market may be terminating. Structurally, we recommend to shift equity allocation from capital light to capital heavy, world-building companies (see slide 4 chartbook) and increase the quality of the equity selection.

- **Fixed Income:** We reduce our bond exposure even further, believing they are in a secular bear market since 2021. Within the space, we continue to prefer Emerging Market risk over Investment Grade or High Yield.

- **US Dollar:** The Dollar's failure to meaningfully advance during the conflict suggests structural weakness that will reassert itself once the crisis abates.

- **Alternatives:** We continue to favour liquid alternatives (hedge funds) as a fixed income replacement and largely shun private investment vehicles, where illiquidity risk is mispriced in a regime of elevated volatility.

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CIO Office Global Scenarios

Geopolitical and Macroeconomic Views

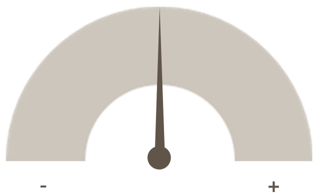
		Base Case	Best Case	Worst Case
Economy	Growth	Our view for a global growth upswing has been curtailed by the Middle East conflict. Even with a speedy reopening of the SoH* damage has been done. Recession may be avoided, but the slowdown will be noticeable	The ceasefire turns into a peace agreement and the SoH* fully reopens within the next weeks. A slowdown is largely averted and economic growth reaccelerates.	Negotiations drag on, without a proper opening of the SoH. Second order effects (fertilizers, plastics, helium, etc) are not properly priced in yet and the global economy falls into a recession.
	Inflation	While oil shocks may be deflationary, short-term inflation numbers will rise. Plus, wars ARE inflationary, first the bombing, then the rebuild. Our base case expects inflation numbers to meaningfully rise.	Inflationary and deflationary forces cancel each other out, leaving inflation numbers roughly at pre-conflict levels.	Impact from a prolonged closing of the SoH* not only impact energy prices, but also those of fertilizers (food inflation), plastics, gases, etc. Inflation is not transitory and rises back to the 2022 levels.
Geopolitics	Multipolarity	Multipolarity is our "Brave New World" order. Our base case is that everyone eventually will adapt to the new rulebook, obviously with some winners and some losers. Middle East (SoH*), Russia/Ukraine, tariff wars are all here to stay. Next crisis up: NATO	The US administration walks away from the Middle East conflict with a bloody nose and starts focusing on the mid-term elections and prioritises the domestic agenda, allowing the rest of the world to go "back to normal".	Smaller wars turn into bigger wars and disrupt global "just in time" supply chains further. Everybody scrambles to "just in case" management, setting off new smaller wars. The 'perfect' vicious circle.
Markets	Private Credit	More fallout from the private credit market swaps partially over into the public debt market, leaving some players exposed. Regulators wake up and do what they usually do: Overregulate.	The current crisis in the private credit market leads to a healthy "spring cleaning", with the fittest surviving and no contagion into other areas of the financials sector.	Massive contagion of the private credit crisis into the public debt market. Credit spreads explode and central banks have to intervene to avert a second GFC.
	AI Job Disruption	As in every technology advancement period, the bark is larger than the bite and older, obsolete jobs are simply replaced by more efficient human activities. The rise in unemployment is transitory only.	AI simply leads to a productivity boom with new employments created. The unemployment rate falls.	AI revolutionizes the "white collar" work-space, leading to important layoffs and/or non-hirings. Eventually, this crisis swaps over into the "blue collar" world, where demand for their services are diminished.
Quarterly Spotlight: - You can't print molecules		Building on our previous "Ages of Empire" theme, recent experiences have further built up the realization for Nations' needs to build up their strategic reserves of natural resources. This, to stay maintain a positive tone, will lead to a capex spending cycle, which will favour capex heavy (Energy, Materials, Industrials, Utilities) over capex light (technology) companies. We call it the H.A.L.O. effect (Heavy Assets, Little Obsolescence). The coming crisis (pl.) will not be of the sort where money printing solves the problem. You cannot print molecules.		
Probability		*High*	*Highly unlikely*	*Tail risk; low probability*

* Strait of Hormuz

NPB Global Asset Allocations Views

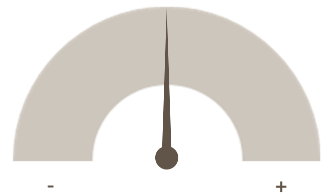
6-12m Outlook

Cash & Money Market



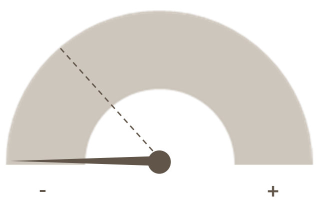
Given the current interest levels and this asset class's defensive AND opportunistic attributes, coupled with low duration sensitivity, cash/money market offers itself as attractive “parking lot”.

Precious Metals



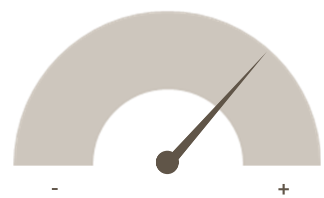
Having been a “funding” currency during the kinetic war period of the past month, focus should shift back to the longer-term advantages of Gold over fiat currencies. Hence, structurally, precious metals should continue to enjoy a tailwind.

Fixed Income



Given our inflationary expectations and hence assumption that bonds will remain in a secular bear market, we go maximum underweight in our fixed income exposure. We continue to give preference to EM Debt (hard currency and local) and opt for investment grade over high yield.

Alternatives

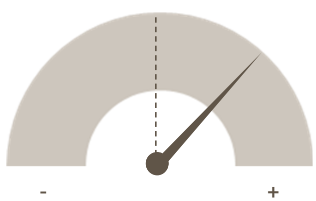


In the context of our “You can’t print molecules” theme, commodities will continue to do well.

Hedge funds are a valid fixed income replacement and we continue to overweight.

Maintain an underweight to private markets.

Equities



After our timely underweight decision shorty before the outbreak of the Middle East conflict, we have gradually moved back to overweight over the past two weeks. An end to the secular bull market in place since 2009 may be on the horizon, but for the time being the tactical rally should lift major benchmark indices to new all-time highs. Construct high-quality equity exposure.

Current view   Previous view (if different)

NPB Global Tactical Views

6-12m Outlook

Equities	View	Commentary
United States		Given the importance of the US equity market, we keep our weighting at neutral. However, our secular exoUSD theme, where international investors increasingly allocate less funds to US assets, remains firmly in place. A structural underweight may be on the not-too-distant horizon.
Europe		Despite having failed to deliver so far, we believe in the long-term opportunity that Europe has to reposition itself in this ongoing geopolitical 4D chess game. Near term however, the sensitivity to higher energy price demonstrated once again over the past month, obliges us to tactically downgrade European equity exposure to neutral.
Switzerland		The defensive, high-quality structure of the Swiss equity market makes us keep an overweight here, as a quasi hedge to the more growthy parts of our asset allocation.
UK		With a still muddy economy but a recently well-performing stock market we are somewhat at loss of a clear view on UK stocks. The relative resilience of the Footsie during the recent crisis warrants to keep a neutral weighting.
Japan		Whilst the Japanese economy is also highly energy-price sensitive, the quick rebound after the initial sell-off has proven to us that investors want to look beyond that and prefer to focus on the corporate restructuring and the near “carte blanche” on steering the countries economic fortune of PM Takaichi.
Emerging Markets		Demand for natural resources, which are typically available in emerging countries, coupled with in our view a structurally weak US Dollar, should provide the tailwind for the next up leg in EM assets. We move to full overweight.
China		We leave our recommended allocation at Neutral for Chinese equities.
India		We upgrade Indian equities to overweight as a tactical, high-beta trade on emerging market equities. Once the rebound from oversold is over, longer-term concerns over energy prices may take overhand again.
Middle East		Given the current tensions in the region and the still thick “fog of war” we keep our exposure at Neutral and remain on the outlook for opportunities.

Underweight | Neutral | Overweight | ● Previous view (if different)

NPB Global Tactical Views

6-12m Outlook

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Fixed Income	View	Commentary
Government	Underweight (● Neutral)	The recent wartime experience has shown that government bonds do not really work as portfolio hedge during kinetic warfare. In our scenario of more geopolitical tensions in a multipolar world, and adding in our expected inflationary pressures, we decide to downgrade our government bond allocation.
Investment Grade	Neutral	With IG spreads over Treasury at one of their lowest levels in the past 25 years (80 bp OAS late March), it pays little to select IG bonds over Treasuries. However, given our negative view on Treasury bonds and taking into account the debt-to-GDP ratio of many G10 countries, it maybe is safer to hold debt top-rated corporates. We keep our allocation at neutral.
High Yield	Underweight	We do not expect a meaningful spread widening for high yield bonds. BUT, in the case of a sudden increase in perceived credit risk, possibly stemming from an “accident” in private credit markets, this segment will be the most punished. The current spread over IG is simply not worth running those risks.
Emerging Markets	Overweight	We continue to overweight emerging market bonds, expecting more relative outperformance to come. EM debt in local currency offer an attractive carry yield but be aware of the risks associated. Renewed US Dollar weakness should be supportive.
Duration	Underweight	We saw more danger from policy errors than from a war for duration risk, hence, we were right for the wrong reason. But our view to underweight duration risk remains firmly in place.

Currencies	View	Commentary
Swiss Franc	Neutral	The temptation to overweight the Swiss Franc (especially versus the USD) is elevated, however, we would not expect the Swiss National Bank going down without a fight. Hence, we recommend a neutral allocation.
Euro	Overweight	Like it or not, amongst the major currencies the Euro is currently the only true alternative (with permission of the Swiss Franc) to the US Dollar. Given we expect more exodus from the USD, the EUR should do well.
US Dollar	Underweight	Having been US Dollar bears since over a year already, the recent lack of strength in the Greenback during an important military escalation boldens this negative view even further. Stay underweight.
British Pound	Neutral	With no strong view on the GBP and a lack of visible catalysts on the horizon, we leave the British Pound on Neutral for the time being.

Underweight | Neutral | Overweight | ● Previous view (if different)

NPB Global Tactical Views

6-12m Outlook

Alternatives	View	Commentary
Commodities*		"You can't print molecules" probably sums up nicely our view on commodities. Realizing that many investors have constraints to invest into commodity futures in their portfolios, we focus on commodity-related stocks, where we see plenty of more upside across the spectrum.
Hedge Funds		We continue to like liquid alternative strategies, but not only as (partial) replacement of fixed income exposure, but as the year progresses also as equity-alternative (long/short, market neutral) in what we expect to become a more volatile and eventually hostile environment for stocks.
Private Equity		We move our private equity allocation recommendation to underweight as we expect further contagion from the private credit space as both are tightly interwoven.
Private Debt		We continue to completely avoid private credit investments. Our believe of a bubble has proven correct and starts to be more widely accepted, though we think the deflating has only begun. Duration mis-matching has proven once again not to be sustainable over an entire investment cycle.
Infrastructure		Considering European, US and above all, AI-related spending plans, we believe an overweight to this asset class is justified. For those investors who can face the liquidity constraints of this asset class, it offers opportunity.

*Commodities ex precious metals

Underweight Neutral Overweight ● Previous view (if different)

Asset Class Total Returns in CHF as of 10.04.2026

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Asset Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	annu.
Global All Countries	2.3%	-6.3%	13.9%	20.0%	17.2%	-1.2%	10.5%	19.3%	-8.0%	25.2%	7.1%	22.6%	-17.0%	11.8%	27.7%	7.4%	-0.5%	8.2%
Global ex-US	0.9%	-12.8%	14.5%	12.6%	8.2%	-4.6%	7.0%	22.4%	-12.9%	20.2%	1.9%	11.6%	-14.5%	5.9%	14.9%	16.4%	3.2%	5.0%
US S&P 500	3.8%	2.6%	13.0%	28.6%	27.1%	2.0%	13.9%	16.6%	-3.5%	29.3%	8.4%	32.5%	-17.2%	14.9%	35.2%	3.0%	-2.3%	11.3%
US Nasdaq 100	8.4%	4.1%	15.3%	33.0%	33.5%	10.4%	9.2%	27.3%	1.0%	37.1%	36.4%	31.3%	-31.6%	41.2%	36.2%	5.8%	-3.3%	15.6%
US Mid Caps	14.3%	-1.2%	14.8%	29.7%	22.7%	-1.6%	22.8%	11.2%	-10.3%	24.1%	4.1%	28.4%	-12.1%	5.9%	23.2%	-6.1%	4.8%	9.5%
US Small Caps	14.5%	-3.7%	13.4%	34.9%	17.3%	-3.9%	23.4%	9.7%	-10.2%	23.4%	9.9%	18.2%	-19.5%	6.4%	20.6%	-1.4%	3.7%	8.4%
US Value	3.1%	1.4%	13.4%	28.4%	25.9%	-1.6%	19.3%	11.6%	-8.1%	25.4%	-8.4%	31.3%	-1.4%	-0.5%	23.1%	2.8%	6.6%	9.4%
US Growth	4.6%	3.8%	13.0%	29.4%	28.6%	5.9%	8.0%	22.4%	0.6%	32.8%	26.3%	31.4%	-28.1%	26.7%	41.3%	3.3%	-6.3%	12.9%
STOXX Europe 600	-5.4%	-10.2%	18.3%	23.5%	6.2%	-0.3%	1.3%	21.5%	-13.6%	23.4%	-1.7%	20.7%	-14.2%	9.7%	10.9%	19.6%	3.8%	5.9%
EURO STOXX 50	-17.3%	-15.3%	18.9%	24.6%	3.1%	-3.0%	3.5%	20.1%	-14.6%	24.7%	-2.9%	19.0%	-13.0%	15.9%	13.2%	21.1%	2.0%	4.8%
Europe Mid Caps	1.2%	-15.1%	20.3%	26.8%	7.3%	4.4%	0.0%	25.4%	-16.1%	26.1%	4.5%	17.2%	-22.8%	8.0%	11.4%	22.6%	1.6%	6.2%
Europe Small Caps	9.4%	-19.5%	26.0%	35.4%	4.5%	11.6%	-0.4%	29.9%	-19.1%	26.7%	4.3%	18.7%	-26.3%	6.0%	6.9%	15.3%	-2.0%	6.1%
Europe Value	-11.6%	-11.1%	16.4%	24.2%	4.5%	-8.4%	7.0%	19.1%	-14.3%	16.2%	-12.4%	17.9%	-5.0%	9.7%	13.6%	30.6%	2.9%	4.9%
Europe Growth	-0.2%	-8.6%	17.7%	20.5%	6.7%	5.2%	-2.9%	23.2%	-12.5%	28.4%	6.0%	23.3%	-21.3%	9.7%	7.7%	8.4%	-3.4%	5.5%
FTSE 100	-1.8%	-2.2%	12.3%	17.6%	6.0%	-6.2%	1.6%	17.4%	-13.2%	20.0%	-16.5%	20.9%	-5.5%	3.4%	16.3%	18.1%	7.8%	5.0%
SMI	1.2%	-4.6%	19.1%	23.9%	12.9%	1.1%	-3.4%	17.9%	-7.0%	30.2%	4.3%	23.7%	-14.3%	7.1%	7.5%	18.0%	0.6%	7.4%
DFM General	-15.5%	-13.5%	21.0%	110.8%	31.6%	-13.2%	19.6%	-5.1%	-20.2%	12.3%	-13.0%	36.5%	9.1%	16.4%	45.4%	8.1%	-1.9%	10.0%
Nikkei 225	0.8%	-10.2%	9.3%	26.9%	6.8%	10.0%	8.8%	20.3%	-7.5%	20.4%	13.8%	-1.0%	-17.9%	10.9%	17.3%	13.0%	11.0%	7.2%
Hang Seng	-5.2%	-19.5%	20.0%	3.5%	17.8%	-3.3%	6.1%	34.2%	-9.9%	11.7%	-8.2%	-9.7%	-11.6%	-18.6%	33.7%	15.6%	0.2%	2.1%
Nifty 50	12.3%	-35.4%	22.7%	-6.7%	46.1%	-6.6%	3.6%	32.7%	-3.1%	9.2%	4.1%	27.0%	-3.6%	10.2%	16.0%	-6.8%	-11.0%	4.8%
Emerging Markets	7.7%	-17.7%	15.6%	-5.0%	9.7%	-14.1%	13.7%	31.9%	-13.4%	16.9%	8.8%	0.6%	-18.9%	0.4%	16.9%	17.4%	5.1%	3.5%
US Treasury	5.9%	9.8%	2.0%	-2.7%	5.1%	0.8%	1.0%	2.3%	0.9%	6.9%	8.0%	-2.3%	-12.5%	4.1%	0.6%	6.3%	0.1%	2.0%
Global Treasury	5.9%	6.3%	1.8%	-4.3%	-0.8%	-3.3%	1.7%	7.3%	-0.4%	5.6%	9.5%	-6.6%	-17.5%	4.2%	-3.6%	6.8%	-1.3%	0.5%
Global Treasury ex-US	6.1%	5.2%	1.8%	-4.9%	-2.8%	-4.8%	1.9%	9.3%	-0.9%	5.0%	9.5%	-8.2%	-19.6%	4.2%	-5.6%	7.1%	-2.0%	-0.2%
US IG	9.0%	8.1%	9.8%	-1.5%	7.5%	-0.7%	6.1%	6.4%	-2.5%	14.5%	9.9%	-1.0%	-15.8%	8.5%	2.1%	7.8%	-0.1%	3.8%
Global IG	5.8%	4.3%	11.2%	0.3%	3.1%	-3.6%	4.3%	9.1%	-3.6%	11.5%	10.4%	-2.9%	-16.7%	9.6%	1.1%	10.3%	-0.8%	2.9%
US Corporate HY	15.1%	5.0%	15.8%	7.4%	2.5%	-4.5%	17.1%	7.5%	-2.1%	14.3%	7.1%	5.3%	-11.2%	13.4%	8.2%	8.6%	0.1%	6.2%
Global HY	14.8%	3.1%	19.6%	7.3%	0.0%	-2.7%	14.3%	10.4%	-4.1%	12.6%	7.0%	1.0%	-12.7%	14.0%	9.2%	12.1%	-0.6%	5.9%
EM Hard Currency	10.9%	5.8%	18.1%	-2.7%	3.1%	-0.2%	9.0%	9.6%	-3.0%	12.1%	7.1%	-2.6%	-16.6%	9.6%	5.8%	12.2%	-1.1%	4.2%
EM Local Currency Govt	12.5%	0.3%	15.1%	-4.3%	-1.9%	-10.4%	5.9%	14.3%	-3.4%	9.5%	5.3%	-1.6%	-8.4%	6.9%	1.7%	9.3%	0.0%	2.7%
Gold	16.0%	10.1%	3.3%	-30.7%	9.9%	-10.4%	9.3%	6.9%	-3.8%	13.6%	10.4%	-1.5%	-1.6%	-2.5%	30.1%	36.2%	8.4%	5.0%
Silver	63.9%	-9.7%	4.3%	-38.5%	-11.0%	-12.3%	15.6%	0.3%	-11.1%	9.6%	30.0%	-9.7%	1.7%	-13.8%	23.9%	100.1%	7.5%	5.0%
Platinum	7.6%	-21.5%	5.8%	-14.3%	-1.9%	-26.1%	2.2%	-2.4%	-15.7%	17.0%	-1.0%	-8.8%	13.0%	-17.3%	-6.9%	88.2%	-0.2%	-1.3%
Brent	0.5%	17.4%	4.8%	4.1%	-41.4%	-45.3%	27.2%	8.3%	-15.8%	30.5%	-37.5%	70.4%	40.5%	-14.4%	12.5%	-21.8%	59.9%	0.7%
Natural Gas	-46.5%	-46.9%	-32.5%	2.0%	-22.5%	-39.6%	11.9%	-39.7%	-1.2%	-39.6%	-47.0%	31.8%	18.4%	-70.0%	-24.2%	-36.2%	-9.1%	-27.7%
Private Equity	19.0%	-18.4%	27.9%	36.9%	9.6%	0.7%	10.6%	20.1%	-13.2%	40.2%	1.2%	56.2%	-30.1%	30.2%	34.4%	-11.6%	-18.3%	8.9%
Hedge Funds					15.7%	0.2%	5.8%	4.5%	-5.0%	7.3%	0.3%	13.0%	-5.8%	-1.9%	20.2%	-1.8%	0.8%	3.8%
Bitcoin		1304.6%	209.9%	5270.5%	-52.5%	37.0%	124.2%	1351.6%	-73.6%	86.6%	270.6%	62.9%	-63.5%	131.1%	140.7%	-18.2%	-18.4%	125.6%

NPB | 25 Neue Privat Bank YEARS

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