BearBull
Global Investments Group

MACRO RESEARCH INSIGHT

CROSS-ASSET ANALYSIS — *SWISS ASSETS*

September 2026

THE SWISS ECONOMY SURPRISES WITH ITS STRENGTH – Part 3

- ✓ The franc is expected to continue weakening
- ✓ No attractive opportunities in bonds
- ✓ Real estate fund premiums stabilize at high levels
- ✓ Swiss stocks benefit from the weaker franc

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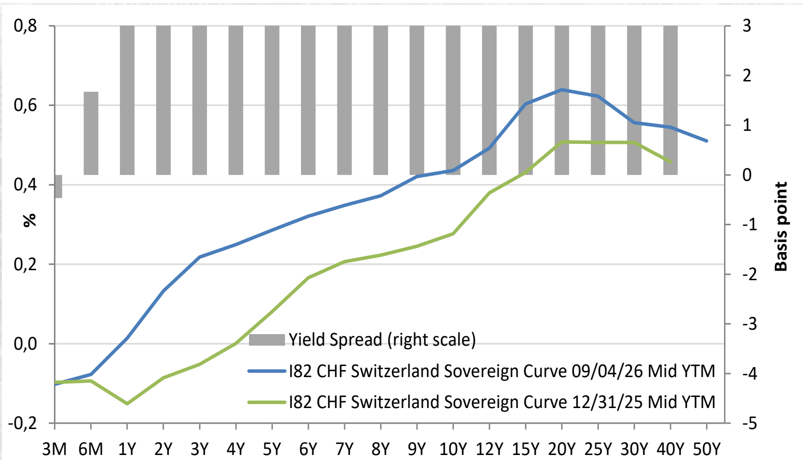
Yield Spreads Drive Gradual Franc Depreciation

Persistent yield differentials between Switzerland and other major currency areas will continue to play a central role in current exchange rate dynamics. As the Swiss National Bank holds key interest rates at 0%, wider yield gaps favor higher-yielding foreign currencies over domestic assets. This negative yield gap progressively reduces the relative appeal of the franc as an investment vehicle. Furthermore, the fading of earlier safe-haven capital inflows reduces structural buying pressure on the currency.

Diminishing Geopolitical Anxiety Eases Safe-Haven Demand

While the ongoing crisis in the Middle East remains unresolved, its ability to drive acute investor anxiety has steadily diminished since the spring. As geopolitical fear recedes, global capital is exiting traditional safe havens and reallocating toward higher-yielding international assets. This reduced demand for safe-haven protection causes investors to abandon the franc in favor of riskier currencies. Consequently, the currency is expected to maintain its recent trajectory of moderate, orderly depreciation. However, Switzerland's strong economic and structural fundamentals will continue to prevent an outright currency collapse.

Confederation Yield Curve



Sources : Bloomberg, BBGI Group

Rising GDP Momentum Steepens the Domestic Yield Curve

August inflation accelerated to +0.8% year-over-year, but stable core inflation figures mean consumer price trends will have little immediate impact on local bond yields. Instead, robust Q2 GDP growth serves as the primary catalyst lifting expected returns across domestic fixed-income instruments. Ten-year Swiss government bond yields are projected to rise steadily toward the 0.6%–0.8% target range. In contrast, 2-year yields remain pegged near 0.15% due to the central bank's zero-rate monetary stance. This divergence should push the overall yield curve 30 to 50 basis points above its current level in the coming months.

Stretched Real Estate Premiums Trigger Increased Valuation Risks

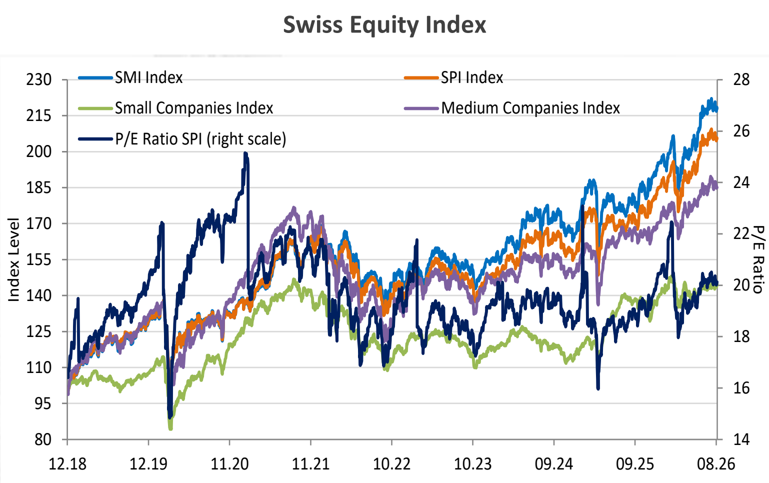
Securitized real estate investment funds are struggling to build upward price momentum in 2026 as historically high valuations cap further gains. The SWIIT index has experienced heightened volatility and remains down -1.5% year-to-date against a backdrop of normalizing yield structures. Average fund premiums remain historically elevated at over 30% against a modest average yield of +2.3%. This persistent valuation overhang leaves real estate assets increasingly vulnerable as broader bond yields rise. Consequently, current pricing conditions present an attractive window for institutional investors to lock in profit-taking.

Exporters and High-Dividend Stocks Gain from Currency Tailwinds

The outlook for Swiss equities has brightened considerably following strong Q2 GDP performance, higher full-year growth revisions (+1.3%), and a weakening franc. A softer currency directly expands the converted Swiss franc earnings of major export conglomerates while improving their international price competitiveness. With SNB interest rates anchored at 0%, high-dividend stocks offer compelling appeal relative to low-yielding local bonds. Lower energy volatility following stabilized oil prices has further eased input costs across the industrial sector. Nevertheless, investors should maintain a selective approach as elevated market valuations and financing risks linger.

Equities Benefit from Franc Weakness

An upgraded full-year GDP forecast of +1.3% combined with a softer Swiss franc significantly enhances the corporate earnings outlook for foreign sales. Industrial exporters and large-cap stocks directly gain from improved price competitiveness in key international target markets. High-dividend equities remain highly attractive compared to domestic government bonds yielding virtually zero. Cautious rate policies from the Fed and ECB preserve Switzerland's monetary advantage without risking overheating. However, persistent valuation headwinds demand a disciplined, highly selective approach to equity allocation.



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Contact US : BearBull Global Investments Group | Dubai International Financial Centre (DIFC) | Al Fattan Currency House | Tower 1 | Unit 702 Dubai | United Arab Emirates | Tel +97142722719 | www.bearbull.ae