

The geo-political events witnessed in the 1st quarter of 2026 has most likely taken us all by surprise. Inevitably, therefore markets have been volatile and this continues a trend dating back to the last banking crisis, the annexation of Crimea, Covid, the Ukraine/Russian conflict and the continued conflicts in the Middle East. If I consider the portfolio strategies of our key investment partners, Rathbones and Titan Wealth, they remain constant in the belief they are structured on sound principles, research and beliefs. It is a time to be reminded about the importance of long-term planning and having sound investment principles at work.

Executive Summary

Q1 2026 proved a challenging quarter for global investors. Geopolitical tensions in the Middle East, stubborn inflation pressures, and a sharp rotation away from technology mega-caps drove volatility across equities and bonds alike. Japan emerged as a rare bright spot, while disciplined, diversified portfolios demonstrated their resilience.

Market Performance at a Glance

Asset Class	Q1 2026	Key Driver
S&P; 500 (US Equities)	-4.3%	Tech selloff; AI/SaaS model concerns
TOPIX (Japan)	+3.6%	Yen weakness; LDP fiscal stimulus
MSCI Emerging Markets	-0.1%	EM resilience vs. developed market drag
MSCI Developed Markets ex-US	-3.5%	Energy shock & geopolitical risk-off
Global Investment Grade Bonds	-1.3%	Inflation concerns; rate hike signals
US High Yield Bonds	-0.5%	Spread widening; outperformed EU HY
European Government Bonds	-0.6%	ECB rate hike signals; energy inflation
Japanese Govt Bonds (JGBs)	-1.6%	Election fiscal fears; BoJ hawkishness

Key Themes of the Quarter

1. Tech Rotation & Growth Stock Pressure

US technology stocks faced a difficult quarter as investors questioned whether new AI capabilities could erode the SaaS revenue model. US software stocks fell approximately 23% between January and late February. While hyperscalers delivered strong Q4 2025 earnings, the market increasingly scrutinised their capacity to justify the enormous AI capital expenditure cycle.

2. Geopolitical Shock: Middle East Conflict

A new conflict in the Middle East emerged mid-quarter, sending energy prices sharply higher and triggering a broad risk-off move. With over 80% of oil and gas transiting the Strait of Hormuz destined for Asia, emerging market equities — particularly Taiwan, Korea, and Southeast Asia — came under increased pressure in the back half of the quarter.

3. Fixed Income Volatility & Rate Hike Repricing

Bond markets repriced dramatically. Investors shifted from pricing in rate cuts to anticipating potential hikes — particularly after the ECB signalled upside inflation risks (forecasting 3.1% YoY headline inflation in Q2 2026) and the Bank of Japan indicated readiness for near-term rate increases. Short-dated bonds bore the brunt of the adjustment.

Regional Highlights

■ United States

The S&P; 500 declined 4.3%. Value stocks (+1.3%) significantly outperformed growth stocks (-8.4%) — a notable shift in market leadership. Mega-cap technology names were the primary drag.

■ Japan

The TOPIX rose 3.6%, the best-performing major market. A snap election victory for the LDP raised fiscal stimulus expectations, while yen weakness supported export-oriented companies.

■ Europe

Equities underperformed amid energy inflation and ECB hawkishness. European government bonds declined 0.6% as the ECB flagged potential rate hikes and revised inflation forecasts higher.

■ Emerging Markets

MSCI EM fell just -0.1%, outperforming developed markets. AI sentiment initially boosted Taiwan and Korea, though Middle East tensions and energy import exposure weighed later in the quarter.

Fixed Income Perspective

- Government bond yields have reset to more normal levels, significantly improving the income potential of bond portfolios.
- A yield cushion of ~45 basis points on global government bonds provides meaningful buffer against further capital losses.
- US High Yield (-0.5%) outperformed European High Yield (-1.7%) as credit spreads widened across both markets.
- Investment grade bonds remain a quality income source, though tight credit spreads call for careful selection.

Portfolio Positioning for Q2 2026

Key Considerations

- Maintain geographic diversification — non-US and emerging market equities offer relative value versus elevated US valuations.
- Bonds now offer genuine income and portfolio ballast; consider extending duration selectively given elevated yields.
- Monitor geopolitical developments in the Middle East and their impact on energy prices and Asian growth outlooks.
- Within equities, favour quality companies and value stocks over speculative high-growth names.
- Alternative assets and gold may provide useful diversification as elevated uncertainty persists.

Please do take the opportunity to reach out — we are only too happy to review your portfolios and provide sound financial advice. Contact us at info@synergi-investment.ch

The data and market summary is courtesy of JP Morgan Asset Management. Synergi does not accept responsibility for the accuracy of third-party data contained herein.