

April 2026

## Interest rates & bonds

*Iran war leads to higher spreads and interest rates*

	10-year government bond yield			Investment-grade credit spread		
	Current	Mar. 2026*	Year-to-date*	Current	Mar. 2026*	Year-to-date*
US	4.4%	47 bps	25 bps	86 bps	2 bps	8 bps
Eurozone	3.1%	43 bps	22 bps	92 bps	9 bps	14 bps
UK	5.0%	74 bps	50 bps	97 bps	4 bps	14 bps
CH	0.4%	19 bps	10 bps	75 bps	7 bps	-4 bps

10-year government bond yield eurozone = DE, bps = basis points.  
\* Change as at 26 March. Source: Bloomberg

### USA

- US government bond yields rose in March as higher energy prices revived inflation concerns. USD investment grade (IG) and high yield (HY) credit spreads widened in March on fears that elevated energy costs and interest rates could slow economic activity.
- The Fed kept policy rates unchanged in March, and we expect it to look through the temporary inflation spike and deliver one rate cut in 2026.

### Eurozone

- Europe's greater exposure to rising energy prices led to a stronger increase in German government bond yields and credit spreads than in the US in March.
- The ECB held its policy rates steady in March but acknowledged rising inflation risks. Therefore, we now expect one rate hike by the ECB this year.

### UK

- UK IG spreads widened in March. Amid Middle East tensions, the Bank of England struck a very hawkish tone. 2-year government bond yields therefore increased more strongly than the 10-year yields.
- We now forecast one 25 basis points (bps) policy rate hike by the Bank of England in 2026.

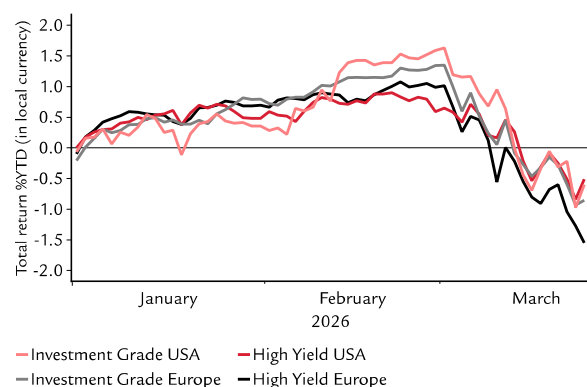
### Switzerland

- Swiss government bond yields rose across the curve in March, and Swiss IG credit spreads widened slightly.
- The SNB kept its policy rate at 0% in March. It expects inflation to rise in the near term but to remain within the comfort zone over the medium term. We do not anticipate any SNB rate moves in 2026.

### Energy shock pushes rates and credit spreads higher

The Iran war disrupted shipping through the Strait of Hormuz, triggering fears of a sustained Middle East energy shortage and driving oil and gas prices sharply higher. Europe, heavily reliant on imported oil and LNG, is more exposed to these price increases than the US, which benefits from substantial domestic production. As a result, inflation expectations and interest rates have risen more in the Eurozone than in the US. Higher energy prices and rates are weighing on economic growth prospects, pushing credit spreads wider as corporate costs increase, consumer spending softens, margins compress, and default and recession risks rise. Sectors such as transportation, manufacturing, chemicals, airlines, logistics, and industrials face the largest cost shocks, while the energy sector has outperformed year-to-date within the credit space. The combined rise in spreads and rates led to negative total returns for both IG and HY in March, turning year-to-date performance negative, most notably in EUR HY. With uncertainty still elevated, markets may continue to drift toward our adverse scenario in the short term before stabilizing if our favourable base case scenario of de-escalation of the war unfolds. Consequently, we expect IG and HY credit spreads to widen over the next month, while we keep a neutral stance on Swiss IG credit. Our one-month duration view is for higher yields in the US and Europe, and neutral in Switzerland across both 10-year and 2-year maturities.

Corporate bonds: total returns



Sources: Bloomberg, Macrobond, Swiss Life Asset Managers Research. Last data point: 24.03.2026

## Equities

### Iran war leads to correction

Regional equity markets	Mar. 2026*	Year-to-date*
USA	-5.7%	-5.4%
Eurozone	-8.6%	-2.7%
UK	-8.0%	1.8%
Switzerland	-8.9%	-3.9%
Emerging markets	-9.9%	3.5%

MSCI net total return indices in local currency.

\* Performance as at 26 March. Source: Bloomberg

#### USA

- After a weak February, the US market outperformed significantly in March. The key reason is that the US is a net energy exporter and US energy companies profited from rising oil and gas prices.
- Despite strong earnings growth, the market valuation is still high.

#### Eurozone

- Despite the underperformance in March, European equity markets are still ahead of the US year-to-date.
- Consumer goods stocks and industrials were hit particularly hard with losses of more than 10% in March.
- Valuations are at the upper end of the neutral range.

#### UK

- The UK market is, next to emerging markets and Canada, the only remaining major market with positive performance year-to-date.

#### Switzerland

- The Swiss equity market corrected more than the other markets in March, even though the Swiss equity market is normally a defensive market.
- Especially cyclical stocks like Geberit, Sika and Roche corrected by about 15%.

#### Emerging markets

- Emerging markets, in particular in Asia, corrected sharply in March. However, emerging markets still have the best performance of the major markets in 2026.
- Korea lost 15%, India 12% and South Africa 22% in USD terms in March. The UAE stock market is down 16% while Saudi Arabia is up by around 2% in March.

#### Wars, oil price spikes and equity markets

The war in Iran and the surge in oil and gas prices have unsurprisingly weighed on global equity performance. The US market held up the best as the country is a net exporter of oil and gas while Europe and emerging markets, mostly net importer countries, suffered larger losses.

Historically, wars, oil price spikes and geopolitical crises tend to follow a similar pattern: sharp short-term equity corrections followed by rebounds once tensions ease.

#### Major oil price spikes and equity performance

Trough	Around 50% move	Oil price increase (%)	Duration of oil price increase (in weeks)	S&P500 reaction when brent hits 50% up	MSCI Europe reaction when brent hits 50% up	S&P500 12M forward move after brent hits 50%	MSCI Europe 12M forward move after brent hits 50%
Jan.74	Feb.74	237	1	-4	-2	-16	-18
Feb.79	Jun.79	49	14	5	3	12	-1
Jul.86	Aug.86	58	3	3	7	36	19
Nov.88	Jan.89	48	8	7	5	24	27
Jun.90	Aug.90	56	8	-6	-3	12	0
Feb.99	Mar.99	53	6	5	2	14	27
Jul.00	Sept.00	43	6	3	3	-26	-28
Dec.08	Mar.09	47	12	-5	-9	43	43
Jan.16	Mar.16	49	7	7	6	19	14
Apr.20	May.20	88	2	5	3	45	31
Dec.21	Mar.22	52	13	-5	-6	-8	5
<b>Average</b>		<b>71</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>14</b>	<b>11</b>
<b>Median</b>		<b>52</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>14</b>	<b>14</b>
Feb.26	Mar.26	50	4	-3	-6		

Source: JP Morgan.

Since 1970, there are eleven historical precedents of oil price moves by 50% and more. They show an average oil price increase of 71% over roughly seven weeks. The initial equity reaction was on average muted for both US and Europe. The current episode saw a larger-than-average decline through 23 March 2026. In the past, equity performance eventually turned positive, with a median 12-month gain of around 14%.

It is currently a very volatile environment. Given our base case of a de-escalation, we think that equity markets are set to rebound over the next one to three months consistent with historical behaviour. Several other risks remain, such as concerns about AI overinvestment and the crisis in private credit. On the other hand, valuations have come down and we see upside potential especially for European or emerging market equities in our base case scenario.

## Currencies

USD: comeback as a safe haven currency

	Mar. 2026*	Year-to-date*	1-month view
EUR/USD	-2.4%	-1.9%	↘
EUR/CHF	0.9%	-1.5%	→
GBP/USD	-1.1%	-1.1%	↘
USD/JPY	2.4%	2.0%	↗

\* Performance as at 26 March. Source: Bloomberg

### USA

- The USD outperformed all major currencies in March as it regained its status as a safe haven during the Iran war (see main text in the right column).
- We have a positive view on the USD as geopolitical risks in the Middle East are likely to remain high and as real yield differentials remain supportive.

### Eurozone

- As the Eurozone economy is more vulnerable to an energy price shock than the US economy, EUR/USD lost more than 3% until mid-March. However, the hawkish tone of the ECB in its March meeting supported gains towards the end of the month.
- We expect USD to remain well supported and therefore reiterate our negative view for EUR/USD.

### UK

- In March, GBP only lost around 1% against USD and gained versus EUR. The fact that the UK has a significant fossil fuel sector certainly helped, as did the hawkish message of the Bank of England's March meeting.
- In line with our view of a stronger USD, we reiterate our negative view on GBP/USD and neutral view on GBP/EUR.

### Switzerland

- After initial gains in March, CHF lost significantly against EUR. The SNB did not signal any need to adjust its policy in its March meeting and reiterated its readiness to intervene in the FX market, which contrasts to relatively hawkish messaging from the ECB.
- We reiterate our neutral view on EUR/CHF and positive view on USD/CHF.

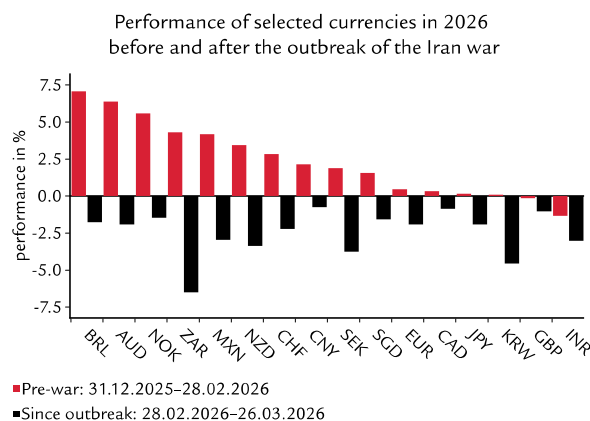
### Japan

- The JPY depreciated in the first half of March versus USD and then stabilised close to the 160 mark, as hopes of de-escalation improved investor sentiment.
- We maintain our positive view on USD/JPY.

### Energy import dependency as FX driver

The Iran war has reversed the fortune of the USD. The greenback, which had suffered from erratic US policy-making since Donald Trump took office, already regained some confidence before the war due to the Supreme Court's tariff ruling and Kevin Warsh's nomination as Fed Chair. The start of the Iran war turbocharged USD gains as it is perceived by investors as the ultimate "place to hide" during a global energy price shock. In March, the USD outperformed all major developed and emerging market currencies (see chart). As a net energy exporter, the US economy is much better shielded from higher energy prices on the growth side. Regarding inflation, gasoline prices have the most imminent impact, while the abundance of local natural gas reduces the risk of cost spikes in heating and electricity production. The relative currency performance since the start of the war was indeed mostly a function of energy import dependencies. Emerging countries such as South Africa, South Korea or India are particularly vulnerable, and their currencies took a hit in March. Interestingly, the Chinese Yuan held its ground. China is the largest global oil importer but has enormous storages to weather a temporary shortage of physical oil supply. Plus, the USD/CNY exchange rate is managed by authorities. Among developed markets, the currencies of Canada and Norway, both major net oil exporters, outperformed.

Even in a favourable base case of normalising tanker traffic through the Strait of Hormuz in the course of 2026, supply chain dislocations and risk premia are likely to keep energy prices significantly above pre-war levels. The USD is thus well positioned to benefit from the geopolitical risks in the Middle East that are unlikely to evaporate soon. We thus keep a constructive view on the greenback over a three-month horizon.



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 26.03.2026

# Asset allocation

## Geopolitics dominate asset class returns

### March in review

- Global equities came under broad pressure as war in the Middle East and rising oil-driven inflation fears weighed on sentiment. Emerging markets and Japanese equities suffered most in local currency terms.
- Government bond yields increased in March as inflationary fears led markets to price in renewed rate hikes.
- Corporate credit spreads widened in March but remain at low levels compared to historical averages.
- The USD strengthened on a trade-weighted basis in March.

### Current asset allocation views

Asset class	Active weight
Global government bonds	neutral
Global investment-grade credit	underweight
Global equities	overweight

Source: Swiss Life Asset Managers

- Our base scenario regarding the Iran war assumes a short- to medium-term opening of the Strait of Hormuz and declining oil prices. Only in an adverse scenario would we see current prices for oil and gas to persist for longer, raising inflation risks significantly. Even in this scenario, we would assume inflation risks to dominate growth concerns.
- We maintain an overweight position in global equities. Even if a quick resolution does not fully restore initial conditions, equities are supported by continued strong earnings dynamics and tend to look through temporary shocks.
- We hold an overweight position on Swiss equities, as the recent sell-off appears disproportionate and does not reflect the market's defensive sector composition or the consistently strong fundamentals of leading Swiss companies.
- In corporate credit, we stay underweight. Despite the recent widening, spreads remain tight relative to historical averages, limiting return potential and offering insufficient compensation for risk relative to equities.
- We maintain a neutral position on government bonds.
- On real assets, such as Swiss NAV-based real estate, where market dynamics and demand remain supportive, we maintain an overweight allocation.

### Navigating turbulence in multi-asset portfolios

March highlighted how quickly markets can shift when uncertainty rises. Persistent inflation pressure, higher real yields and the Iran war kept volatility high and left investors without clear signals on timing and direction.

Nearly all major asset classes delivered negative returns, leaving no place to hide. Global equities, government bonds and credit all declined. Even gold, usually a safe haven, fell sharply as rising real yields reduced its attractiveness and investors unwound hedges. At the same time, the positive correlation between equities and government bonds re-emerged, limiting diversification benefits and putting both sides of the classic 60/40 allocation (60% equities, 40% bonds) under pressure.

#### Total return asset classes (March month-to-date)

MSCI World unhedged USD	-6.0%
MSCI EMU Net Total Return EUR	-8.9%
Swiss Market Index CHF	-10.5%
Bloomberg Global Agg Treasuries TR unhedged USD	-3.1%
Bloomberg Global Agg Corporate TR unhedged USD	-2.7%
Gold	-16.0%

Sources: Bloomberg. Last data point: 23.03.2026

In this environment, attention shifts to sources of resilience. Real assets, such as infrastructure, selected commodities and segments of real estate, provide a buffer against inflation shocks and geopolitical volatility, supported by contracted revenues and physical supply-demand dynamics. Against this uncertain backdrop, equities remain a comparatively robust option given the binary nature of potential outcomes. If geopolitical tensions ease, equity markets can quickly reprice on improved sentiment. If instead, higher inflation or even mild stagflation persists, equities still compare favorably with bonds, as corporate earnings and pricing power offer partial protection while fixed income remains more exposed to rising interest rates. Overall, a mix of real assets for resilience and equities for upside potential offers a balanced framework for navigating today's challenging market landscape.

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