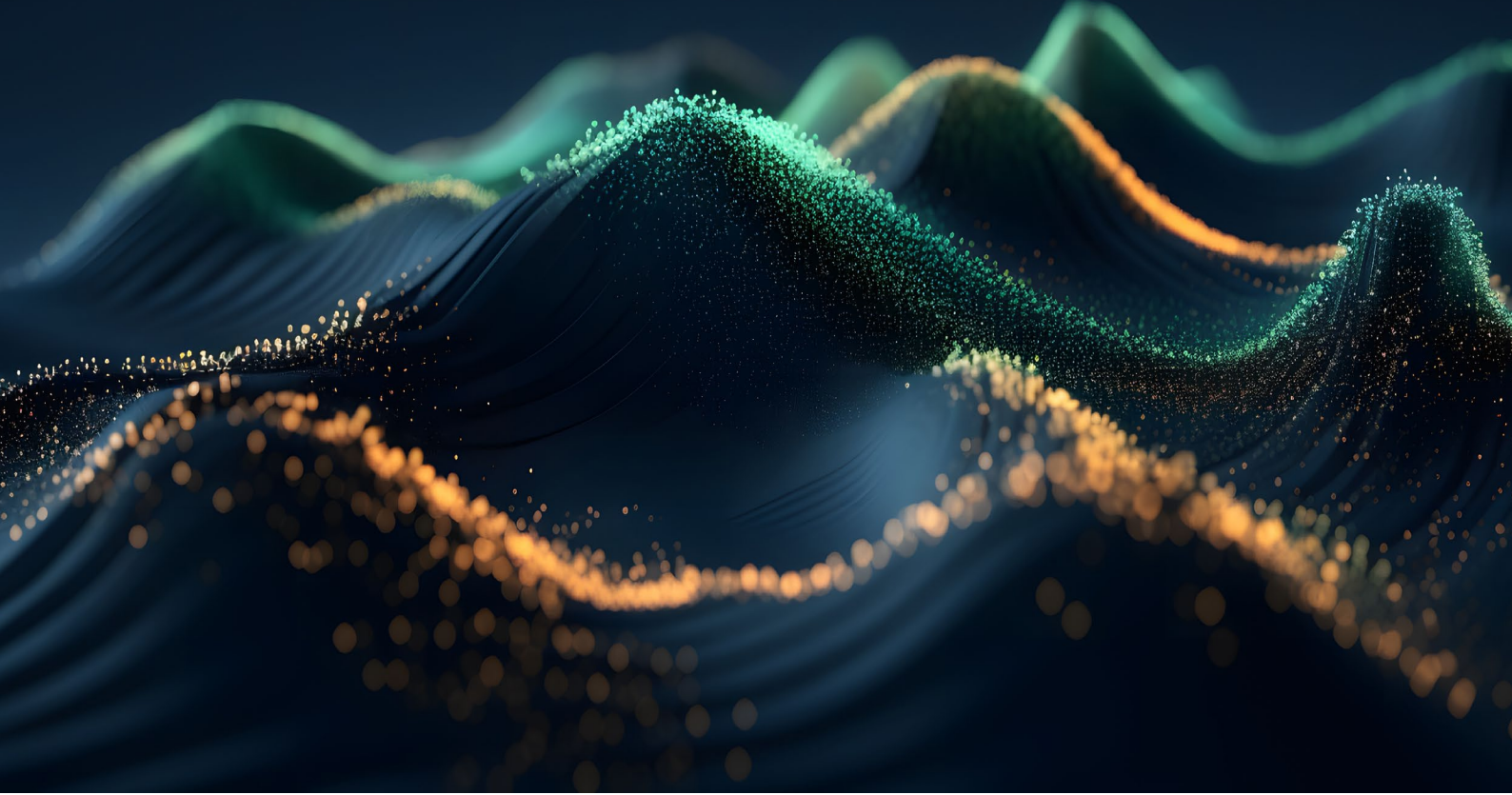


GENVIL

WEALTH MANAGEMENT & CONSULTING



MARKET INSIGHT

April 2026

The conflict in the Gulf reshapes the economic and financial landscape—but to what extent?

Over the past few weeks, developments in the Persian Gulf have disrupted economic and financial outlooks. Could it have been otherwise, given the potential upheavals that war can bring?

First and foremost, we would like to recall that last month we introduced an exposure to an investment vehicle designed to protect us against an extreme shock, at a time when the situation in Iran remained fluid and uncertain. The behavior of this investment has met our expectations in the volatile environment we are currently experiencing.

Furthermore, we would like to immediately point out that we acted within portfolios as soon as the first news of attacks on Iran emerged at the end of February.

We therefore reduced our allocation to emerging market equities by selling our position in Indian stocks, which are particularly vulnerable to disruptions in oil prices.

We also sold, after securing solid profits, the remaining portion of our allocation to Japanese equities or, in some cases, reduced European holdings.

Finally, we reduced our exposure to commodity-related equities once Brent prices crossed the USD 100 threshold.

As a result, our equity bias shifted to underweight by the end of the first week of March.

Cash in portfolios was the beneficiary of these adjustments. Indeed, it quickly became clear to us that any stagflationary evolution of the economic environment—suggested by rising oil prices—would in no way support bonds.



“We adopted an underweight bias on equities at the end of the first week of March.”

FRANÇOIS SAVARY, CIO

GENVIL SA

In light of market developments since then, one could regret not having been more decisive in reducing equities.

The amplification of declines in certain assets, such as European and emerging equities or gold, has indeed continued to weigh on the performance of our allocations. However, given the satisfactory gains recorded during the first two months of 2026, the recent pullback has had a contained impact on portfolio valuations to date.

Conversely, it is important to bear in mind that unexpected events, such as those we have been experiencing in recent weeks, can trigger “panic,” which is generally not the best way to make effective medium-term investment decisions.

In doing so, we take into account the fact that geopolitical developments in the Gulf remain fluid. At the time of writing, rumors of potential progress toward negotiations have emerged. Further evidence of how difficult it is to navigate such a shifting geopolitical environment.

We are fully aware of the prevailing uncertainties but reject the idea that only the worst outcome is likely.

Thus, both practical constraints and, above all, political considerations (US midterm elections) lead us to believe that the conflict is unlikely to persist over an extended period, i.e., beyond a few additional weeks.

Therefore, the hypothesis of a rapid global recession does not appear to us to be

“The probability of a stagflationary evolution of the global economy has risen to 40%.”

The war in the Gulf necessarily requires a reassessment of economic scenarios for the next 12 to 18 months. Indeed, the consequences of the surge in oil prices cannot be ignored.

Any reacceleration of the global cycle, which we still considered in February, is now out of the question. Conversely, the risks of a drift toward stagflation—or even recession—have increased.

In other words, we have logically shifted our macroeconomic assessment in a negative direction since February 28. However, we refuse to fall into absolute pessimism!

The ratio between positive scenarios and their unfavorable counterparts has moved from 75%–35% one month ago to 50%–50% today. This is a way of saying that it is too early to rule out any satisfactory development in the global economy in 2026. We do not yet have the information required to make such a clear-cut judgment.

A soft landing remains the most likely scenario (45%) for the coming quarters, but the probability of a stagflationary evolution of the global economy has risen significantly.

overstated (15%) in our assessment of the economic and financial situation.

Our investment policy decisions are a direct consequence of these views.

Admittedly, growth will be affected by rising oil prices, but less so than the general level of prices.

Some estimates, based on a barrel at USD 100 for another two months before falling back to USD 80 for the remainder of 2026, point to a reduction in activity of 0.3% and, more importantly, an increase in inflation of 0.6–0.7%.

The halt in the disinflation process, which had been underway, is the most serious economic threat, due to 1) its consequences for purchasing power and 2) its impact on the conduct of monetary policy by central banks.

The bond market has not been mistaken, with the questioning of the steepening process of major yield curves on the one hand, and upward revisions to expectations regarding policy rates on the other.

Seeing US 10-year sovereign yields flirting with 4.50% and the market removing any probability of rate cuts by the Federal Reserve are clear indications that investors have incorporated stagflation risk into their economic outlook.

More generally, we entered 2026 with a more cautious view than the consensus regarding inflation behavior. This stance led us to reduce the risk of our bond portfolios as early as the last quarter of 2025.

Despite the correction in fixed income securities over recent weeks, we do not believe it is appropriate to rush into buying bonds.

We maintain our caution toward sovereign debt, particularly in the United States. Indeed, war-related risks (increased military spending and reduced tax revenues) could further deteriorate US public finances.

On the credit front, we are not revising our recommendation for greater caution, both in terms of borrower quality and investment duration.

The credit segment remains a potential primary victim in the event of further geopolitical deterioration, which cannot be ruled out at this stage. Conversely, meaningful progress toward resolving the situation in the Gulf could pave the way for a strong recovery in this segment of the bond market. However, one must judge based on facts and not anticipate under current conditions.

Gold prices have declined sharply in the wake of geopolitical developments. This evolution surprised us and caught us off guard given our overweight position in gold.

The pullback in the “barbarous relic” can be explained by three factors: firstly, the rebound

of the US dollar; secondly, profit-taking by investors on positions that had generated substantial gains; and finally, an acceleration of the correction of the exuberance in prices that had begun at the end of January.

Our positive medium-term view on gold is based on two themes repeatedly highlighted: de-dollarization and the debasement of major fiat currencies, driven by deteriorating public finances.

The current “oil shock” is far from challenging these themes—on the contrary. Moreover, the strengthening of inflation in the short term should weigh on the real returns of bonds, i.e., on the opportunity cost of holding gold.

After a decline of more than 20% in a few weeks, gold appears to us to have returned to attractive levels. We maintain our recommendation to overweight it in a diversified allocation.

Last month we wrote: “our trading range for gold is set at USD 5,200–5,500 per ounce for the coming quarters. We do not believe that gold’s safe-haven qualities are under threat.” We reaffirm both our target and our underlying message.

The confirmation of our caution regarding the US dollar is, as you will have understood, consistent with our gold scenario. The fundamental factors weighing on the USD have not disappeared with the war in the Gulf; we even believe they could intensify over the medium term.

In a scenario where hostilities in Iran come to a relatively swift end, the US dollar should lose its safe-haven status. Furthermore, albeit with some delay, a 25bp rate cut by the Fed remains our base case for 2026. Conditions that should

allow the EUR/USD parity to retest 1.20 in the coming months.

As for the Swiss franc, one cannot ignore the Swiss National Bank's repeated statements regarding potential interventions in the foreign exchange market.

It is true that the appreciation of the CHF has been a source of pressure for the Swiss economy for several months. In this respect, the monetary authority is walking a fine line, as overly decisive action could trigger retaliation from Washington (manipulation accusations).

The SNB's room for maneuver appears limited and should keep exchange rates within the following ranges: 0.90–0.94 for EUR/CHF and 0.75–0.80 for USD/CHF.

Our recommendation to overweight the Swiss franc in a diversified portfolio remains unchanged.

As mentioned at the beginning of this document, we have adjusted our overall equity bias in a more defensive direction.

It is clear that the uncertain environment does not support immediate buying on weakness.

While the potential stagflationary environment—now firmly embedded in investors' minds—is reflected in equity prices, the lack of geopolitical visibility justifies maintaining a defensive bias.

After revising our earnings growth expectations downward for 2026, our target for the S&P 500 has been lowered to 7,300 from 7,500 previously.

Similarly, the reduction in regional bias against US equities, which we effectively implemented in March, appears appropriate in the short term.

However, in the event of a reduction in geopolitical uncertainties, we intend to resume investments in European and emerging markets. In other words, we are not calling into question our diversification strategy away from US equities implemented over recent quarters.

In conclusion, the revision of our overall macroeconomic assessment, following developments in the Gulf and particularly in oil

prices, led to a reduction in total portfolio risk in March. We are comfortable with this decision.

We will remain vigilant in the face of prevailing uncertainties and will not hesitate to adjust portfolio positioning if necessary. While we keep an open mind, it is not reasonable to focus solely on identifying opportunities. More than ever, risk management must remain our priority.

The economic and financial landscape has been reshuffled. However, claiming that we can clearly identify the magnitude of the shift would be excessive. We must wait for greater clarity. This is our approach.

Geneva, March 25, 2026

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