FOUNDERS BANK

Market Overview 10/2026

Strategic outlook, risk radar and portfolio positioning



Investment Office
Nur zu Informationszwecken

Market outlook

Earnings support equities, rates weigh on bonds

Despite higher interest rates in the US, US equity indices are trading close to their highs, driven by strong earnings from technology companies and by AI investment. Energy prices, inflation and fiscal concerns, on the other hand, are pushing up long-term yields. Bottom line: hold equities with a focus on quality, underweight bonds, shorten duration.

Economy

Despite energy-driven inflationary pressure, consumer spending remains robust. Although US inflation in August (PCE 3.4%) came in slightly lower than expected, it remains well above the Fed's 2% target. In the eurozone, inflation rose to 3.8% in September. Our base case continues to assume positive global economic growth.

Rates & bonds

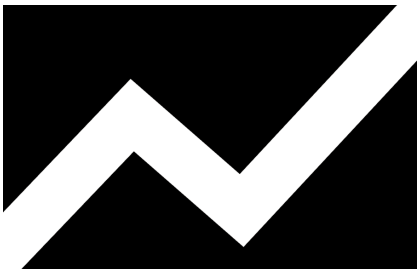
Inflationary tendencies are pushing up long-term interest rates and thus steepening the yield curve; 10-year US Treasuries are yielding around 5.3%. The market is currently pricing in rate hikes by the Fed and the ECB by the end of the year and in 2027. Credit spreads remain historically tight.

Equities

For the third quarter, S&P 500 earnings are expected to grow by around 27% year on year. According to analysts, more than 50% of this is attributable to beneficiaries of AI investment; for the median stock, the consensus expects EPS growth of 9%. AI investment should also support revenue growth, margins and profitability in 2027.







PORTFOLIO ACTIONS

01	Maintain equity allocation, seize opportunities: quality and AI winners, also beyond the "Magnificent 7".
02	Underweight bonds, shorten duration; consider a gradual extension only once yields are higher.
03	Use the 3–5-year maturity bucket: corporate bonds rated A or better.
04	Underweight government bonds of European peripheral countries: rising interest rates make refinancing more difficult for them.

KEY DATES

Mid-October	Start of the third-quarter reporting season
End of October	Fed and ECB rate decisions – around one 25-basis-point hike each is priced in by year-end
3 November	US midterm elections

Equities

Strong earnings growth driven by AI

Despite high interest rates, US equity markets are proving robust: the Nasdaq reached another all-time high, and the S&P 500 is trading close to its record. With the reporting season starting in mid-October, the focus shifts to earnings – they are growing strongly, but are heavily concentrated among AI beneficiaries.

27%

Earnings growth expected for the S&P 500 in the third quarter year on year, driven by tech and energy.

> 50%

Share of AI winners of expected earnings growth. Median stock: consensus expects +9%.

86%

Above estimates of companies beat analysts' earnings expectations in the previous quarter.

WHAT MATTERS NOW

Reporting season focus	Key question	Relevance for investors
Breadth of growth	Are earnings also rising outside the "Magnificent 7"?	Supports the broader market
AI investment	Will major cloud providers confirm their 2027 plans?	Underpins earnings expectations
Margins	Can higher production costs be passed on?	Crucial for earnings quality
Outlook 2027	Will companies confirm earnings growth of around 15%?	Allows the P/E ratio to decline
Expectations	How strongly does the market react to disappointments?	Higher risk of setbacks

WHAT IS MOVING THE MARKETS

Valuation and fundamentals

For 2027, forecasts for S&P 500 companies point to earnings growth of around 15% with gross margins remaining high. The P/E ratio is expected to fall to around 21 by the end of 2026 and below 19 in 2027. Return on equity should continue to rise thanks to AI.

High expectations in the AI sector

According to reports, Anthropic could be worth up to USD 2 trillion at its IPO; OpenAI is postponing its IPO and aims to raise at least USD 30 billion at a valuation of around USD 1.4 trillion.

Sector rotation in September

High valuations, rising bond yields and caution ahead of the midterm elections triggered a shift into defensive sectors such as healthcare and consumer staples.

Brazil

Lula won the presidential runoff with 51.8% of the vote, against market expectations. Brazilian assets then sold off sharply: equities and the real fell significantly. Investors are again worried about fiscal discipline, public debt and the future course of economic policy. Lula's focus on social spending and public investment could support domestic demand. The key risks remain how this spending will be financed and whether public debt is sustainable in the long term.

OUR POSITIONING

01 Maintain the equity allocation: favour quality stocks with solid balance sheets and pricing power.

02 Add AI beneficiaries selectively, including outside the "Magnificent 7" – limit concentration risks.

03 Keep an eye on valuations: rising interest rates weigh above all on highly valued technology stocks.

Bonds and currencies

Long-term rates under upward pressure

The oil price remains the key driver: production cuts and the Iran conflict are making energy more expensive and slowing the decline in inflation. After the sell-off and subsequent rebound, yield curves are steepening – long-term rates are rising faster than short-term rates.

Central banks

The Fed and the ECB each raised their policy rates by 25 basis points in September (Fed: 3.75–4.00%, ECB deposit rate: 2.50%). Hardly any change is priced in for the meetings at the end of October, but around one further rate step each by year-end. The weaker US labour market is easing the pressure on the Fed.

Government bonds

10-year US Treasuries are yielding around 5.3%, and 30-year yields are also elevated at around 5.7%. High refinancing needs, numerous new issues for AI infrastructure and weak demand are weighing on the market. Debates about a "citizens' dividend" and interventions by Treasury Secretary Bessent are causing uncertainty.

Corporate bonds

Earnings, margins and return on equity are stable, and spreads are likely to move sideways. If Treasury yields rise towards 5.5%, a repricing looms – in the high-yield segment, it has been under way since mid-summer. Risk: weaker borrowers in the mid-market.

WHAT IS MOVING THE MARKETS

France and Italy

France's 2027 budget is still open, and there is little political will to raise taxes. Credit spreads stand at around 140 bp (France) and 120 bp (Italy), increasing pressure at the long end.

Inflation

Inflation is well above the 2% target. In the US, core inflation and wage growth were moderate in August, while in Europe inflation exceeded expectations. Supply-side inflation via energy and oil remains particularly persistent.

Japan

The Bank of Japan is gradually adjusting its yield curve control, and yen interest rates are rising. Japanese investors are repatriating capital, adding to the upward pressure on yields in the West.

Currencies

The US dollar and the dollar index are trading at very high levels. Uncertainty in France and Italy is weighing on the euro, with France increasingly seen as one of Europe's weaker links.

OUR POSITIONING

01	Underweight bonds and shorten duration.
02	Take advantage of steeper curves: 1–3 and 3–5 years, preferably corporate bonds rated A or better.
03	Underweight government bonds of European peripheral countries.
04	Quality before yield: low risk premiums offer little cushion in the event of a repricing.
05	If rates remain high or continue to rise, extend duration gradually at a later stage.
06	Keep currencies neutral: the US dollar is trading high, while France and Italy are weighing on the euro.

Portfolio risks

Risk radar

Risks cannot be captured by a single forecast. Our risk radar shows which factors are most likely to jeopardise the base case and which measures we can use to make the portfolio more resilient.



OUR RISK ASSESSMENT

Inflation and interest rates

Persistent inflationary pressure is driving up yields and making refinancing more expensive. If the 10-year US yield rises towards 5.5%, valuations and credit spreads will come under pressure.

high

AI expectations

More than half of the expected earnings growth in the S&P 500 is attributable to AI beneficiaries. If the prospects of the AI boom disappoint, significant price reactions could follow.

medium

Public finances and politics

Elections in France and Italy could increase the 2027 budget deficits. In the US, high refinancing needs and political interference are weighing on the bond market.

medium

Geopolitics

The ongoing conflicts in the Middle East are driving up energy prices and increasing geopolitical risks.

high

Central banks

Higher prices for oil, diesel and petrol are slowing the decline in inflation. The Fed and the ECB could be forced to tighten rates further.

high

Credit quality

Robust economic data and earnings keep risk premiums low, leaving little cushion. If rates rise too sharply, premiums for highly indebted companies and countries are likely to widen.

medium

high: could significantly jeopardise the base case medium: keep an eye on low: limited impact on the base case

INSTRUMENTS FOR GREATER RESILIENCE

01	Quality stocks with solid balance sheets and pricing power, broadly diversified, including outside the “Magnificent 7”
02	Shorter duration for bonds
03	Corporate bonds rated A or better in the 3–5-year maturity bucket
04	Underweight in government bonds of highly indebted European peripheral countries (Italy, France)
05	Disciplined rebalancing and diversification with low-correlation investments such as private debt

Topic of the month

Private debt – segments for every market phase

Banks are realigning their lending – private debt is filling the gap. For private clients and family offices, the asset class is thus becoming an interesting building block of alternative investments: floating rates secure ongoing income, even when interest rates rise. The overview classifies the segments and shows how they behave over the economic cycle.

Growth phase

Direct lending and senior secured loans: returns adjust to the level of interest rates.

Downturn

Trade finance and litigation finance: stable income, largely independent of GDP.

Late cycle and crisis

Distressed debt and regulatory capital: opportunities when banks clean up their balance sheets.

THE SEGMENTS AT A GLANCE

Segment	Characteristic	Role in the portfolio
Direct Lending, Senior Secured Loans	Senior secured, floating rate	Ongoing income without duration risk
Real Estate Lending	Senior and subordinated real estate loans	Income secured by real estate
Structured Credit (CLO, ABS)	Securitised loan pools in tranches	Stable cash flows from the loan pools
Specialty Finance	Asset-based loans, e.g. leasing	Benefits from banks' withdrawal
Trade Finance	Short-term trade financing	Short duration, low correlation
Litigation Finance	Financing of litigation costs	Largely independent of the cycle
Distressed Debt	Buying distressed loans at a discount	Countercyclical opportunities in crises
Regulatory Capital	Participation in banks' credit risks	Regulation-driven opportunities

WHAT INVESTORS SHOULD CONSIDER

Plan for illiquidity: closed-end fund structures tie up capital, and there is largely no secondary market.

Differentiate segments by collateralisation, seniority and risk-return profile.

Valuations are model-based (mark-to-model) – this smooths the reported volatility.

Use private debt in a targeted way as part of alternative investments alongside private equity and hedge funds.

INVESTMENT IMPLICATIONS

A multi-strategy credit approach bundles low-correlation segments in a single vehicle. Risks are demonstrably spread across segments, regions and borrowers – the illiquidity premium remains stable over the market cycle.

Performance and key figures

Market performance at a glance

The first table shows the performance of major asset classes and currencies, the second the performance of our Founders funds and the Tellco Investment Foundation – all as at 30 September 2026.

Asset class	Index / currency pair	1M	3M	6M	12M
Global equities	MSCI ACWI	–1.11%	1.60%	16.77%	**16.75%**
US equities	S&P 500	–0.45%	2.03%	17.20%	**16.30%**
European equities	EURO STOXX 50	–2.35%	–0.93%	12.56%	**11.60%**
Emerging market equities	MSCI Emerging Markets	–0.84%	–1.05%	22.02%	**26.52%**
Global bonds	Bloomberg Global Aggregate	–2.38%	–2.46%	–1.61%	**–2.12%**
Swiss bonds	Swiss Bond Index (SBI)	–0.75%	–1.69%	–1.20%	**–1.38%**
High-yield bonds	Bloomberg High Yield	–2.96%	–2.24%	1.18%	**1.90%**
Currencies	EUR/USD	–2.48%	–0.81%	–1.93%	**–2.98%**
Currencies	USD/CHF	3.39%	3.39%	4.54%	**3.00%**
Currencies	EUR/CHF	0.83%	2.56%	2.51%	**–0.01%**

Founders funds	ISIN	Price 30 Sep	September	Year to date
Strategy 10	CH0450199770	125.17	–1.21%	**–0.52%**
Strategy 25	CH0450201261	140.16	–1.59%	**0.91%**
Strategy 45	CH0450201329	166.22	–1.39%	**3.16%**
Strategy 100	CH0450382632	165.55	–1.31%	**8.71%**
Strategy 100	CH0544465773	94.92	–2.74%	**7.13%**
Aktien Alkimia	CH0544465831	173.38	–5.61%	**8.61%**
Aktien Alkimia	CH0544465823	162.13	–6.12%	**7.78%**
Aktien Alkimia	CH1116144333	126.62	–5.87%	**8.29%**

Tellco Investment Foundation	ISIN	Price 30 Sep	September	Year to date
Tellco AST Immobilien Schweiz	CH0024559798	221.52	0.52%	**3.06%**
Tellco AST Kommerzielle Immobilien Schweiz	CH0598652672	137.44	0.45%	**3.57%**

Methodology: indices in local currency (e.g. S&P 500 in USD, EURO STOXX 50 in EUR, SBI in CHF), Bloomberg High Yield in hard currency; currencies: change in the spot rate. Funds: price and performance of the respective share class. Past performance is not a reliable indicator of future results. All figures as at 30 September 2026.

Founders Bank AG – your financing partner

As specialists in pensions and wealth, we place our holistic offering at the centre of everything we do. We provide you with tailor-made solutions that truly meet your needs and wishes. Founders Bank AG is a FINMA-supervised Swiss bank headquartered in Schwyz. Our financing specialists will be happy to help and can be reached at:

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Indicative interest rates* as at 10 September 2026

Fixed-rate mortgages	3 years	1.40%
	5 years	1.55%
	7 years	1.65%
	10 years	1.80%
SARON mortgages**	SARON + margin	0.90%

* These interest rates are indicative values for first-ranking mortgages on owner-occupied residential property. They apply to first-class residential properties and borrowers with impeccable creditworthiness.
** The interest rate is at least 0%, plus the margin.

Allocation view

Preferences by asset class

The preference scale reflects our tactical assessment for the next 6 to 12 months. It is not a personal investment recommendation and is to be implemented within the respective portfolio guidelines.

Asset class	Previous month	current	Assessment
Equities **Unchanged**	NEUTRAL	NEUTRAL	Robust earnings growth, supported by AI investment in 2027 as well. Earnings prospects are increasingly improving outside the “Magnificent 7” too. Favour quality. Further rises in interest rates could call into question the high valuations, particularly of technology stocks.
Bonds **Unchanged**	UNATTRACTIVE	UNATTRACTIVE	Underweight and shorten duration; underweight government bonds of European peripheral countries. Selectively attractive: maturities of 3–5 years, corporate bonds rated A or better.
Currencies **Unchanged**	NEUTRAL	NEUTRAL	The US dollar gained in September (EUR/USD –2.5%, USD/CHF +3.4%) and is trading at a high level; uncertainty in France and Italy is weighing on the euro.

DEFINITION OF PREFERENCES

ATTRACTIVE	Consider opportunities to increase positions.
NEUTRAL	Maintain long-term positioning; no above-average return expected.
UNATTRACTIVE	Consider more attractive alternatives.

Important information

This publication is for information purposes only and constitutes neither an offer nor a solicitation nor a personal investment recommendation. Forecasts and assessments may change without notice. Past performance is not a reliable indicator of future results. Companies mentioned are for illustrative purposes only and do not constitute an investment recommendation. For the Founders funds, only the legal fund documents are authoritative.