



Economic Situation and Strategy

15. October 2026

Robust Economy: Good for Equities, Bad for Bonds

The International Monetary Fund (IMF) has presented its new World Economic Outlook (WEO) this week. The key findings are:

- **Global economy defies geopolitical crises:** The IMF slightly raises its global growth forecast for 2026 from 3.0 to 3.1 percent and expects an acceleration to 3.4 percent in 2027.
- **AI boom and fiscal stimulus offset oil price shock:** While higher energy prices resulting from the Middle East conflict weigh on growth, billions in investment in artificial intelligence (AI) as well as rising defense and infrastructure spending are supporting the economy.
- **Germany leaves the red lantern behind:** With an upward revision of 0.6 percentage points to 1.3 percent GDP growth for 2026, Germany records the largest forecast increase among G7 countries and moves ahead of France, Italy, Japan and Canada.
- **Clear message for capital markets:** The combination of resilient real growth, stubbornly high inflation (4.7 percent globally) and large government deficits is a classic negative scenario for government bonds. However, strong nominal earnings growth continues to provide tailwinds for equity markets.

"Resilience under Strain": The Global Economy Between Pressure and Stability

Anyone who in recent months focused exclusively on geopolitical headlines had reason to worry about the global

economy. The escalation in the Middle East, disruptions to shipping through the Strait of Hormuz and an oil price that, according to the IMF's assumption, rises by more than 40 percent to just under US\$96 per barrel on annual average in 2026 contain all the ingredients of a classic stagflationary supply shock. All the more remarkable is the IMF's assessment: the global economy slows from 3.5 percent in the previous year to 3.1 percent in 2026, but this is 0.1 percentage points better than expected in July. For 2027, the IMF even forecasts somewhat stronger momentum at 3.4 percent. The IMF has halved the risk of a global recession (defined as global growth below 2 percent) from 20 percent in spring to only around 10 percent.

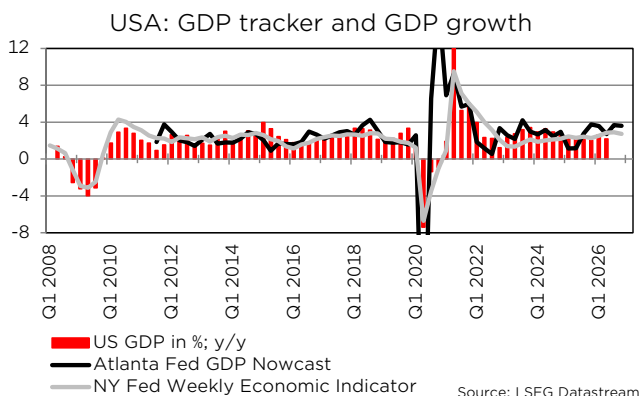
How can this remarkable resilience be explained? The answer lies in a historic split in global growth dynamics. The negative supply shock from expensive energy is countered by an exceptionally strong positive demand shock: the global investment boom around AI and government spending programs for defense, energy security and infrastructure. Economies that are deeply integrated into the technology value chain or have the fiscal room to support their economies offset the drag on countries that are pure energy importers without their own tech sector and suffer from high commodity prices.

This robustness comes at a price: inflation. The IMF has significantly raised its global inflation forecast for 2026 to 4.7 percent (after 4.1 percent in 2025), before expecting a decline to 4.1 percent in 2027. That both the US Federal Reserve and the European Central Bank have recently had to raise their key interest rates is the direct consequence of an unusual economic development that did not collapse despite the energy price shock.

Advanced Economies: US Exceptional Status Continues, Germany Surprises Positively

Particularly striking in the IMF's new figures is that the upward revision for the global economy is carried entirely by advanced economies. For this group, the IMF raised its 2026 forecast significantly by 0.4 percentage points to 2.1 percent (2027: 1.8 percent).

The United States maintains its exceptional position among the major industrialized nations and, according to the IMF, will grow at 2.3 percent in both 2026 and 2027. Two structural advantages play into the US's hands: first, thanks to its high domestic oil and gas production, the US economy is largely immune to global price increases in energy markets. What burdens US consumers at the gas pump flows back elsewhere as an investment and profit impulse for the domestic energy sector. Second, the US is the epicenter of the global AI investment cycle. This investment boost not only supports the technology sector but also pulls large parts of the domestic economy along through construction, energy and services. Even stronger growth is held back by a massive increase in imports, with the negative net exports dampening economic momentum.



For the eurozone, the overall picture looks more subdued at first glance, with expected GDP growth of 1.1 percent in 2026 (+0.2 percentage points versus July) and 1.2 percent in 2027. As a net energy importer, Europe feels rising oil and gas prices more directly, which is reflected in restrained consumer spending by private households and an inflation rate that has recently risen again above the 3 percent mark. Beneath the surface, however, a remarkable role change is taking place within the currency area: Germany is responsible for the largest positive surprise in the entire IMF report. After the Fund had credited the

German economy with only 0.7 percent growth in July, it now nearly doubles its 2026 forecast to 1.3 percent. Alongside export growth, the federal government's debt-financed spending on defense and infrastructure is also making a positive impact. For 2027, growth of 1.1 percent is expected. The role of Europe's growth laggard passes from Germany to France. For the second-largest economy in the eurozone, the IMF cut its forecast to a meager 0.4 percent (2026) and 0.7 percent (2027), as political instability and the unavoidable need for fiscal consolidation weigh on the economy. Italy grows moderately at 0.8 percent (2026) and 0.6 percent (2027), while Spain, at 2.5 percent (2026) and 1.8 percent (2027), remains the undisputed growth leader among the large euro countries.

Emerging Markets: China's Export Machine Versus India's Domestic Boom

In emerging and developing economies, the IMF expects growth of only 3.7 percent in 2026 (-0.1 percentage points) as a direct result of the Middle East conflict, followed by a strong acceleration to 4.4 percent in 2027. The extent of divergence within this group becomes clear when comparing the two Asian heavyweights, China and India.

For China, the IMF expects a gradual slowdown in growth from 5.0 percent in the previous year to 4.5 percent in 2026 and 4.0 percent in 2027. The Chinese economy continues to run on two different tracks. Domestically, the still unresolved correction in the property market weighs on household wealth and purchasing sentiment, and consumer prices are stagnating near zero. This domestic weakness is cushioned, however, by an enormous export drive and targeted state industrial policy. Chinese manufacturers use their cost advantages and overcapacity to gain global market share. At the same time, China acts skillfully in commodity markets: by drawing on strategic oil reserves and rapidly expanding electric mobility, it has been able to cut its crude oil imports by more than 20 percent this year and thus absorb the cost shock.

India is once again proving to be the fastest-growing major economy in the world. The IMF raised its 2026 forecast by 0.6 percentage points to 7.0 percent and expects the same growth rate for 2027. This momentum is driven by massive public infrastructure investment, progressing digitalization, favorable demographics and a growing

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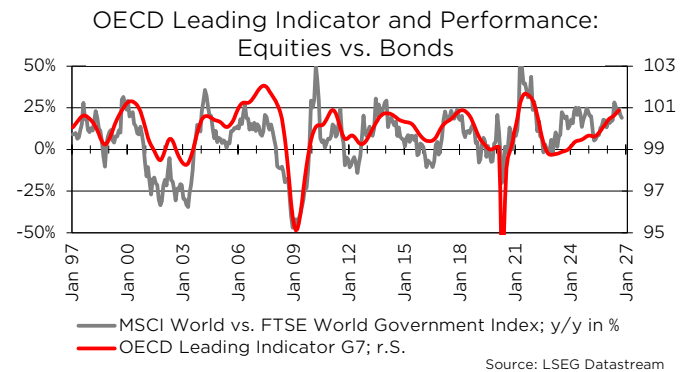
number of international companies locating there. Nevertheless, the IMF report shows that India is not completely immune to external shocks: since the country imports over 80 percent of its oil demand and food prices have recently risen sharply due to weather conditions, the Reserve Bank of India was forced in early October to raise its key rate to 5.5 percent. This slight monetary tightening does not, however, detract from the structural growth trend.

Conclusion for Capital Markets

What does the IMF's macroeconomic assessment mean for the further development of capital markets? An environment of robust economic growth combined with stubborn inflation and high government deficits is favorable for equities, but it represents a noticeable headwind for the bond market. A global economy growing at around 3 percent, with growth accelerating to 3.4 percent in 2027, does not need general monetary policy support. The IMF's projected rise in global inflation to 4.7 percent has, on the contrary, ended hopes for an early rate-cut cycle. The recent rate hikes by the Fed and the ECB in September make clear that central banks, when in doubt, put price stability ahead of lower financing costs. The IMF strongly warns in its report about shrinking fiscal buffers. Whether in the US, in France or now also through the multi-billion-euro special funds in Germany, the global issuance volume of government bonds remains at record levels, while central banks no longer act as price-insensitive buyers. Investors demand higher risk premiums for this combination of high debt and inflation risks. On the fixed income side, we therefore prefer shorter to medium maturities as well as corporate bonds with solid balance sheet quality over long-dated government bonds.

What hurts bondholders plays into the hands of shareholders: equities are real assets. When real global growth of over 3 percent combines with global inflation of over 4 percent, nominal GDP growth of over 7 percent results. For listed companies with intact pricing power, this means strongly rising revenues and a robust development

of corporate earnings. Although higher bond yields limit the room for valuation multiples to expand, history shows that as long as rising interest rates reflect a robust economy and corporate profits grow double digits, equity markets can withstand the headwind of higher rates.



The growth drivers identified in the IMF report align directly with the structural profit sectors of the stock market. First, the US technology sector, including the Asian semiconductor value chain in Taiwan and South Korea, continues to benefit from the unbroken AI investment wave. Second, the European and especially the German fiscal impulse provides ongoing tailwinds for stocks in European defense, security, infrastructure and industrial automation.

The conclusion for our investment strategy is therefore clear: the new IMF outlook confirms our constructive stance on equity markets. We regard price setbacks triggered by geopolitical disruptions or fears about interest rates as buying opportunities in an intact uptrend supported by corporate earnings. In the bond market, caution regarding duration management remains the order of the day for now. A genuine trend reversal for the better in bonds is likely only once it is clearly visible that the inflation peak has been passed and price increases are again heading toward the 2 percent mark. Only then can bond duration be extended again.

Carsten Klude

Market data

	As of 15.10.2026 16:34	Change versus 08.10.2026 -1 week	14.09.2026 -1 month	14.07.2026 -3 months	14.10.2025 -1 year	31.12.2025 YTD
Stock markets (in local currency)						
S&P 500	7749	-0,2%	1,7%	2,7%	16,6%	13,2%
Nasdaq	26481	-2,6%	1,1%	1,4%	17,6%	13,9%
DAX	25287	1,9%	-0,6%	0,6%	4,3%	3,3%
MDAX	29987	1,6%	-3,4%	-6,6%	-0,3%	-2,1%
TecDAX	3950	-0,4%	-0,3%	2,7%	8,3%	9,1%
EuroStoxx 50	6136	0,2%	-2,0%	-2,3%	10,5%	6,0%
Stoxx 50	5351	1,7%	0,6%	-0,5%	13,8%	8,8%
SMI (Swiss Market Index)	14298	4,8%	3,0%	0,4%	15,0%	7,8%
Nikkei 225	64426	-6,7%	1,5%	-4,9%	37,5%	28,0%
Brasilien BOVESPA	205271	-0,5%	10,7%	16,2%	44,9%	27,4%
Indien BSE 30	74316	3,8%	-0,6%	-3,6%	-9,4%	-12,8%
China CSI 300	4166	-3,3%	-7,0%	-13,1%	-8,2%	-10,0%
MSCI Welt	4916	-0,3%	0,1%	1,2%	14,9%	11,0%
MSCI Emerging Markets	1659	-2,3%	-2,3%	0,4%	23,9%	18,1%
Bond markets						
Bund-Future	120,96	29	68	-428	-872	-661
Bobl-Future	113,08	53	106	-119	-537	-308
Schatz-Future	104,99	7	52	-61	-217	-181
3 Monats Euribor	2,63	-1	-4	18	61	60
3M Euribor Future, Dec 2026	2,90	0	-17	16	98	80
3 Monats \$ Libor	4,28	5	17	44	26	61
10 year US Treasuries	5,25	2	27	67	124	111
10 year Bunds	3,38	-9	-13	31	81	55
10 year JGB	2,91	-15	-5	23	127	87
10 year Swiss Government	0,50	-6	-11	9	33	19
US Treas 10Y Performance	612,66	0,4%	-1,2%	-3,4%	-4,3%	-4,2%
Bund 10Y Performance	546,65	0,3%	0,8%	-2,1%	-3,5%	-2,0%
REX Performance Index	454,94	0,3%	0,8%	-0,5%	-1,4%	-0,9%
IBOXX AA, €	4,18	-3	-4	47	112	85
IBOXX BBB, €	4,52	-4	1	61	116	96
Commodities						
MG Base Metal Index	577,31	0,5%	0,2%	3,1%	26,9%	11,9%
Crude oil Brent	105,21	0,8%	-0,3%	24,1%	68,4%	72,9%
Gold	4159,39	1,1%	-2,8%	1,7%	0,4%	-3,8%
Silver	55,66	-6,3%	-12,0%	-5,1%	8,1%	-21,9%
Aluminium	2987,85	-1,6%	-9,2%	-6,0%	8,7%	0,7%
Copper	14597,17	1,3%	4,9%	7,4%	37,3%	17,2%
Iron ore	90,74	-0,3%	-7,0%	-8,3%	-13,8%	-15,3%
Freight rates SPCI	3664	0,0%	0,1%	15,0%	215,8%	121,2%
Currencies						
EUR/ USD	1,1218	0,3%	-2,9%	-1,6%	-2,9%	-4,5%
EUR/ GBP	0,8455	-0,2%	-1,2%	-1,0%	-3,0%	-3,2%
EUR/ JPY	177,12	0,0%	-0,8%	-4,3%	0,8%	-3,8%
EUR/ CHF	0,9291	-0,4%	-1,5%	0,4%	-0,1%	-0,2%
USD/ CNY	6,6909	-0,3%	-0,3%	-1,2%	-6,3%	-4,3%
USD/ JPY	158,33	0,3%	2,6%	-2,4%	4,3%	1,1%
USD/ GBP	0,75	-0,3%	1,6%	1,1%	0,2%	1,4%

Source: LSEG Datastream



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