

The Major Rotation

The past month of October was marked by a major rotation within the equity market: bets on AI were scaled back and replaced with defensive, high-quality stocks. The Swiss stock market benefited from this in particular. The Swiss Market Index (SMI) rose to 14'810 points in October—a new all-time high. The monthly return for October (+7.1%) is even higher than (from a historical perspective) the SMI's average annual return.

Pharmaceutical heavyweights Roche (+16% in October) and Novartis (+12%), as well as food giant Nestlé (+11%), laid the groundwork for a cheerful autumnal mood on the Swiss stock market. Even companies currently navigating a difficult market phase, such as Partners Group (+6%) and Amrize (+8%), posted significant gains. And the insurance sector, which had been under fire as recently as September, made a comeback with impressive performances from companies like Zurich Insurance (+10%) and Swiss Re (+11%).

Conversely, the latest valuations of AI-related business models had run into a fierce storm and suffered severe setbacks. The quarterly earnings season brought numerous disappointments. While revenue growth had largely delivered impressive rates just a short time ago, the latest forecasts represented more of a step backward. Significant misses in earnings per share occurred on multiple occasions. A sharp rise in capital expenditures led to negative cash flows on several occasions. Against the backdrop of the off-balance-sheet debt dynamics of many neo-cloud providers and major hyperscalers, credit risk premiums soared to new record highs.

The record-breaking declines in the market capitalization of Alphabet, Amazon, Meta, and Nvidia stem from the fact that they all continue to pour hundreds of billions of dollars into AI, but at some point, the numbers have to add up. The ratio of expenses to profits has become unbalanced, and accounting tricks are being used to gloss over reality. Economically speaking, only orders from non-tech corporate clients and consumers count as "true profits." Hedge fund managers are notoriously impatient and are increasingly criticizing these circular mechanisms. And once a shift occurs in managers' assessments, everyone rushes after it in an algorithmically driven herd mentality, just like in the famous play "Rhinocéros" . It remains uncertain whether we are currently in Act 2 or already in Act 3 (the final act).

Shares of semiconductor companies such as SK Hynix (-52% from their recent high), Samsung Electronics (-38%), Intel (-53%), and Micron (-27%) have recently traded significantly lower. They had been the big winners of the memory price surge in recent quarters before their decline began. The emerging markets index also suffered as a result, as the three stocks—SK Hynix, Samsung Electronics, and TSMC—accounted for more than 30% of its value.

Most Asian markets from Japan's Nikkei (-5.2%) to Taiwan's Taiex (-5.7%) and South Korea's Kospi (-16.2%) posted sharp losses in October. Many Chinese stock markets fell by double-digit percentages. Amid a rotation into more defensive sectors, however, the Indian Sensex (+2.7%) was the only Asian market to post gains.

Market data

Stock markets		since 31/12/2025
SMI	14'810.7	+11.6%
SPI	20'847.0	+14.4%
DAX €	25'818.2	+5.4%
Euro Stoxx 50 €	6'131.3	+5.9%
S&P 500 $	7'580.1	+10.7%
Dow Jones $	51'770.3	+7.7%
Nasdaq $	25'437.0	+9.4%
MSCI EM $	1'566.6	+11.6%
MSCI World $	4'862.4	+9.8%

Bond markets		since 31/12/2025
SBI Dom Gov TR	221.1	–0.9%
SBI Corporate TR	121.6	+0.1%

Real estate markets		since 31/12/2025
SXI RE Funds	589.1	–2.0%
SXI RE Shares	4'707.3	+4.1%

Commodities		since 31/12/2025
Oil (WTI; $/Bbl.)	104.1	+81.3%
Gold (CHF/kg)	102'769.5	–6.6%
Bitcoin (USD)	76'782.2	–12.4%

Currencies		since 31/12/2025
EUR/CHF	0.9204	–1.1%
USD/CHF	0.8250	+4.1%
EUR/USD	1.1160	–5.0%

Short-term interest rates

	3-m	3-m. fcst.	12-m. fcst.
CHF	-0.06%	-0.1%–0.0%	0.2%–0.4%
EUR	2.68%	2.9%–3.1%	2.5%–2.7%
USD	4.06%	4.0%–4.2%	3.6%–3.8%

Long-term interest rates

	10-years	3-m. fcst.	12-m. fcst.
CHF	0.48%	0.2%–0.5%	0.4%–0.7%
EUR	3.30%	3.2%–3.5%	2.8%–3.2%
USD	4.93%	4.4%–4.8%	4.2%–4.6%

Inflation

	2025	2026P	2027P
Schweiz	0.1%	0.6%	0.7%
Euroraum	2.2%	2.7%	2.2%
USA	3.0%	3.5%	2.6%

Economy (real GDP)

	2025	2026P	2027P
Switzerland	1.2%	1.6%	1.6%
Eurozone	1.4%	1.5%	1.7%
USA	2.3%	2.3%	2.2%
Global	3.0%	3.1%	3.2%

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Topic of the week: The Expanding Bear Market



Apple (+3% in October) replaced Nvidia (-10%) as the world's most valuable company last Friday. This is just one episode in a bear market for AI-related business models. More than 60% of the stocks listed on the S&P 500 are now trading 20% or more below their all-time highs. They are thus in what is known as a bear market. Five of the "Magnificent 7" stocks are also well below the highs they reached just a few weeks ago: Alphabet -31%, Meta -21%, Tesla -18%, Amazon and Nvidia each -15%. Since their peaks, they have lost a combined total of more than $4'000'000'000'000 in market capitalization. On Halloween, the eerie and spooky markets provided some moments of shock.

Whereas just recently all we saw were dizzyingly high stock prices, the outlook has shifted, and suddenly we are confronted daily with fundamental risks: from significantly higher borrowing costs, more cost-effective competitive models, falling token prices, energy shortages for data centers, political opposition to power lines, rising depreciation rates for advanced chips, and opaque circular financing—notably in a world marked by increasing rivalry between the U.S. and China, where deglobalization and fragmentation are among the new cornerstones.

Frankly, we are increasingly exposed to the risk that the technology itself could fall into the hands of malicious actors. Would we tolerate these risks in other products? The "COVID accident" at a virology lab in Wuhan, China, may have been a harbinger.

Now imagine if a pharmaceutical company were to release an active ingredient that posed a serious threat to the population of the civilized world? Or if a Chinese AI were caught infiltrating corporate processes, payment systems, and government databases, as we've seen with ChatGPT and Claude? Just last week, the world's largest cryptocurrency exchange apparently fell victim to a massive cyberattack. Cryptocurrencies worth more than $6 billion were apparently siphoned off from Binance wallets within about 20 minutes. A North Korean elite hacker group is suspected of being behind the billion-dollar theft.

The most important data points in the new week

November 2, 2026	UK / US: S&P Global Manufacturing Purchasing Managers' Indexes for October
November 4, 2026	U.S.: Midterm election results
November 5, 2026	Eurozone / U.S.: Producer Prices for September; Unit Labor Costs for Q3
November 6, 2026	U.S.: October employment data, University of Michigan Consumer Sentiment for November

Podcast / Events

"Zugerberg Finanz Perspektive" – Financial Insights on the Go

The podcast provides concise insights into markets, the economy, and investments. Chief Economist **Prof. Dr. Maurice Pedergnana** and CIO **Cyrill von Burg** explain complex topics in an accessible way.

Listen to the podcast here
(Podcast in Swiss German)

Information Session for Private Individuals – Presented in Swiss German – Investing Is Also a Matter of Trust

On **Thursday, November 12, 2026 at 6:00 p.m.**, our next information session for private individuals will take place here at the Lüssihof. This event is primarily aimed at those interested in getting to know us better and who would like to gain a non-binding impression of our company.

Register here
(Event in Swiss German)

Zugerberg Finance Economic and Stock Market Outlook – January 2027

The next Zugerberg Finance Economic and Stock Market Outlook will take place on **Wednesday, January 13, 2027,** at **the Theater Casino in Zug,** and on **Tuesday, January 19, 2027, at the KKL in Lucerne**.
Founder and CEO **Timo Dainese** will lead the program. Chief Economist **Prof. Dr. Maurice Pedergnana** will discuss the outlook for the economy and the capital markets.

Register here
(Event in Swiss German)

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