tellco

Market Overview 03/2026

A glance at the markets and current issues

Tellco Bank Ltd

Tech stocks suddenly weaken

Under a new global economic order, global growth shored up at the start of the year. The USA continued along its growth trajectory supported by tax refunds from the previous year, while industrial activity started to pick up in Europe. This resulted in particular from the German fiscal stimulus in the defence and infrastructure sectors. Another factor was Eurozone growth of 1.4% in Q4 of 2025. Moreover, the stance toward risk investments remains constructive, despite geopolitical disruptions and increased volatility. These positive trends are likely to continue in the first half of 2026.

Shift on the US stock markets

Leadership on US stock markets is undergoing a fundamental shift. Since the beginning of the year, the "Magnificent Seven" (the seven largest tech stocks) have lagged behind the S&P 500, which in turn has been clearly outpaced by the small-cap index Russell 2000. While index volatility remains subdued, sectoral rotation has accelerated in the spring, with the trend shifting towards energy, commodities and defensive sectors, such as consumer staples and telecommunications. US equities have shown comparatively muted performance, as a tightly packed political agenda and its implications for growth and trade are being priced in. In February, the technology sector moved to the centre of market volatility. Quarterly figures were solid and US earnings growth in Q4 of 2025 is estimated at 13.5%, significantly higher than the expected 8% figure. However, concerns about the scale of investment in AI and possible disruptions in the software sector have triggered a sharp sell-off. The correction has been particularly harsh for software manufacturers such as Oracle, Adobe or Microsoft, with the sector losing nearly 20% in just a few weeks! This has been driven by the fears that clients might start to develop their own software themselves in the future with the help of AI.

European markets remain stable

European equities continued to rise in February. The Swiss leading index is also part of the mix and broke through the 14,000 mark for the first time – a new all-time high. This upward trend has been supported by industry, pharmaceuticals and consumer staples such as Siemens or Nestlé. It is noteworthy that European equities have largely remained unscathed by events in the USA, where some technology stocks, precious metals and cryptocurrencies have recently been subject to major corrections.

Capital flows into Europe

We are currently seeing record capital flows into Europe. The Stoxx Europe 600 has posted a series of new record highs, as have the headline indices in London, Paris and Madrid. This is mainly because European equities have significantly lower values than their US counterparts. The price-to-earnings ratio (P/E) for the European Stoxx 600 is a low 18.3, as against 27.7 for the American S&P 500, which is almost 50% higher. Europe offers fundamentally different exposure, namely less technology and more of the “old economy” such as industry, pharmaceuticals and finance, which currently seems attractive to many.

Gold suddenly drops in the meantime

The nomination of Kevin Warsh as the next Fed Chair briefly dragged down the gold and metal markets, but has overall been quite positive for bonds, stocks and ultimately also for gold. The price of gold rose at the end of January to a record value of over USD 5,595 per ounce, although later fell back following a wave of speculative buying that abruptly ended its multi-year rally. A sudden two-day slump at the turn of the month caused the price to dip to almost USD 4,400, but since then gold has recovered around half of its losses in a rather febrile market. The latest price shifts reflect ordinary consolidation and moderate profit-taking following the increase to more than USD 5,000. Demand for precious metals in China has been frenetic in recent months, prompting authorities in the retail hub of Shenzhen to issue a clear warning against "illegal gold trading activities". These activities range from apps offering leverage to private investors to online live streams promoting the sale of gold bars. The longer-term sentiment remains positive, despite the ongoing uncertainty in Iran and the risk of US isolation as a result of its tariff policy.

Further uncertainty due to US tariffs

Photo by Wouter van Dijke on Unsplash

In February, the clearly doveish trend within the US data was the strongest macroeconomic driver. Weaker than expected retail sales for January reinforced the view that US consumer momentum is starting to fade. Falling inflation data and the decision by the US Supreme Court that resulted in the cancellation of import tariffs have also played a significant role. This has caused the yield on 10-year US government bonds to fall to its lowest level in around a month.

Interest rate cuts priced in

Money markets have now almost fully priced in two Fed rate cuts by September and have raised the likelihood of a third cut by 25 basis points before the end of the year. Against this backdrop, long-dated bonds outperformed. Tensions between the United States and Iran should also be mentioned, having further fuelled the decline in yields on 10-year government bonds in the USA, the Eurozone and Switzerland. Over the medium term, market participants will focus in particular on key economic data, especially in the light of recent adjustments to interest rate expectations. The most recent US labour market data came in above expectations. Central bankers' assessments of the balance between employment and inflation will be particularly important for forthcoming decisions.

US tariffs ruled invalid

The second half of the month brought renewed uncertainty on the global trade and tariff front. This was triggered by a US Supreme Court ruling, which struck down as unconstitutional a significant portion of President Trump's new tariffs. Although the decision did not come as a complete surprise, it has once again created uncertainty as regards the future direction of US trade policy, the status of various trade agreements and the broader economic implications. The ruling leaves many questions unanswered, particularly with respect to the future structure of tariffs and their potential impact on global trade. It also raises questions about possible tariff refunds and their effects on the US budget deficit as well as on corporate earnings. In response to the ruling, the US president immediately announced a new global tariff rate of 10%, which was raised to 15% just 24 hours later. What does this mean for the markets? Uncertainty surrounding future tariff policy is likely to lead to increased market volatility in the short term. Investor confidence in US assets and the US dollar has weakened, which is set to result in a higher risk premium for US investments. Market participants also view the ruling as particularly beneficial for countries such as China and India, which were among those most affected by the previous tariffs. Despite the potential benefits of lower tariffs and possible refunds, uncertainty is expected to prevail, at least in the short term.

Cheap corporate bonds

Global risk premiums on corporate bonds are at their lowest level in two decades. This has prompted some of the world's largest bond asset managers such as Aberdeen Investments and Pimco to be more selective and to focus on higher-quality issuers. Thanks to a robust market and a solid economic outlook, yield spreads on corporate bonds have narrowed disproportionately, reaching their lowest level since June 2007. Bond investors are accepting lower credit spreads despite increasingly complex risks: unpredictable US policy, geopolitical tensions and rising debt levels. At present, many asset managers are still participating in the rally, partly due to expectations of rate cuts by the Fed and several other central banks. This monetary easing could help the global economy cushion the impact of Trump's tariffs, and the World Bank is forecasting real global GDP growth of 2.6%.

Positive sentiment and risks in the credit market

Positive sentiment in the credit market is currently boosting even riskier bonds. Risk premiums have fallen to their lowest level in almost two decades, and companies are issuing investment-grade bonds at the highest volume on record. This oversupply has not resulted so far in any meaningful absorption constraints. 2026 has therefore started on a promising note. However, should other risks liable to dampen the overall positive sentiment emerge at a later stage, the large supply of debt instruments could become a problem for investors. The corporate bond market is considered to be overheated and may now be becoming even riskier, as highly rated companies are taking on record debt to finance the AI boom as well as acquisitions. Risk premiums for bonds issued by companies with high credit quality over government bonds are hovering near to their lowest levels in around three decades, a signal of increasing risk in credit markets. We are currently in a phase of credit expansion. Even small changes in the market narrative could trigger a correction – resulting in a significant widening of credit spreads.

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US data show weaknesses under the surface

The current historically low credit spreads continue to require solid economic data. One indicator of this is the US Purchasing Managers' Index (ISM Services PMI), the sub-indicators of which currently point to weak demand and stubborn inflationary pressure. The US services sector continued to expand in January. The ISM Services PMI remained unchanged at 53.8, marking the 19th consecutive month in expansionary territory. This level is around 2 points higher than the 12-month average of 51.8. According to ISM's rule of thumb, this corresponds to real GDP growth of around 1.8% per year.

However, the situation looks different beneath the surface, as activity has increased, but demand and hiring activity are less convincing. The index for business activity jumped to 57.4. New orders fell to 53.1 and employment grew only minimally at 50.3. Order backlogs continued to contract for the eleventh month in a row at 44.0. This means that while companies are busy, they are not being flooded by new orders. Export business was particularly weak. New export orders fell to 45.0, down 9.2 points to the lowest level since March 2023.

At the same time, supply lead times lengthened, with the Supplier Deliveries Index rising to 54.2. Inventories dropped significantly. The Inventory Index fell to 45.1, signalling clear contraction. Inflationary pressure remains a key factor. The Prices Index rose to 66.6 and thus remained above 60 for the 14th month in a row. Responses provided by companies referred more frequently to tariff uncertainty and supply chain adjustments. At the same time, it was noted that some energy-related inputs had become cheaper. Overall, the services sector is experiencing solid growth. However, growth is being driven by current activity more than by a new wave of demand, and price pressure remains high.

Cautious confidence in Europe

The European Central Bank (ECB) has decided to leave its key interest rates unchanged, citing a broadly stable economic situation as justification. It also expressed its confidence that inflation will only temporarily fall below its 2% target. A new ECB survey supports this view, projecting that inflation will return to 2% by 2026 after temporary dipping below the target level. Economic growth is also expected to pick up, with the Eurozone's growth momentum remaining close to its potential. The financial markets also seem to share this view and estimate the likelihood of a rate cut in 2026 at only 20%, though most analysts expect interest rates to remain at 2% throughout the year. Some decision-makers remain cautious despite the positive sentiment, fearing that inflation will not rise as expected. Bank of Finland Governor Olli Rehn warned of these risks in a blog post, mentioning three factors: First, slower wage growth; Secondly, larger volumes of cheap imports from China; Thirdly, the strong euro. All three factors could drive prices down. François Villeroy de Galhau, Governor of the Banque de France, considers any further decline in inflation to represent a significant risk. He has emphasised that the strong euro lowers the price of imported goods. Energy in particular, which is paid for in dollars, is becoming cheaper. This means that inflation will continue to fall. Villeroy therefore warned of a scenario in which prices in Europe rise less strongly than expected.

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A good year with stable results

Photo by LOGAN WEAVER on Unsplash

2026 marks the transition to a favourable phase for the hedge fund industry. After a decade of zero interest rates, high liquidity and tight correlations between asset classes, the market environment has fundamentally changed. Stubborn inflation, growing volatility between different segments (dispersion) and macroeconomic volatility are now creating attractive conditions for hedge funds, offering opportunities for excess returns (alpha). This shows how important hedge funds are as a tool for risk diversification.

Market and macro volatility have increased structurally. Boom and bust cycles are occurring more frequently, and differences across sectors, regions and individual securities have widened. Strategies that can generate market-independent alpha stand to benefit, such as multi-strategy approaches and equity long/short strategies with dynamic net positioning and active drawdown management.

Benefiting from mergers, acquisitions and events

Global merger activity is picking up significantly again, having been previously hampered by high interest rates and legal uncertainty. Major deals and mergers, especially in the technology, energy and AI sectors, are dominating the landscape and are expected to increase further in 2026. This is creating opportunities, especially for event-driven strategies. These strategies invest in companies involved in mergers, spin-offs or restructuring operations and aim to profit from the price movements surrounding these events. A subcategory of this general strategy is so-called merger arbitrage: when a takeover is announced, the target company's stock usually trades slightly below the offer price, as the market prices in the possibility that the deal could collapse. Fund managers buy the stock and collect the difference from the offer price as soon as the acquisition is finalised. In addition, they can short-sell shares of the purchasing company to further hedge against the risk. The more takeovers occur, the more such opportunities arise, allowing managers to selectively target the most attractive deals.

Reducing market dependency

In an uncertain geopolitical environment, many transactions also incorporate risk premiums to account for regulatory or political hurdles. These premiums provide an additional source of return for experienced managers, with the key advantage that they are largely independent of overall stock market performance. Event-driven strategies unlock a source of return that is tied to specific events, such as deal completions, restructurings or spin-offs, and is largely insulated from overall market sentiment. During periods of heightened volatility and geopolitical tension, this can reduce dependence on equity beta and enhance the overall resilience of a given portfolio.

Conclusion

At the start of 2026, it is expected that this year will mark the consolidation of a new market regime, in which alpha, dispersion and active management take centre stage. Event-driven strategies within a dynamic M&A landscape can play a key role in building robust and adaptive institutional portfolios.

Sources

- Amundi, 2026 Hedge fund investor barometer, 18/02/2026
- PwC, Swiss M&A Industry Trends, 28/01/2026
- Morgan Stanley, 5 Forces Driving M&A in 2026, 22/01/2026
- Wellington, 2026 Hedge Fund Outlook, 12/2025

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Tellco Products

Tellco Classic

	ISIN	Tranche	February 27th	% Feb.	% YTD	Web
Tellco Classic II Global Equities	CH0443816621	V	266,74	0,63 %	0,33 %	More Infos
Tellco Classic Swiss Equities ESG	CH0421075018	V	226,40	5,32 %	5,90 %	More Infos
	CH0421074961	R	128,27	5,29 %	5,82 %	
Tellco Classic Best Idea ESG	CH0442770316	V	122,09	–0,68 %	–0,55 %	More Infos
	CH0442615701	R	131,76	–0,67 %	–0,55 %	
Tellco Classic Sustainable Heritage ESG	CH0583763542	V	88,35	6,29 %	11,44 %	More Infos
	CH0583763534	R	77,85	6,27 %	11,41 %	
Tellco Classic Bonds CHF ESG	CH0421043669	V	106,90	0,58 %	1,37 %	More Infos
	CH0421043594	R*	–	–	–	
Tellco Classic Bonds in foreign currency ESG	CH0421043768	V	83,26	0,43 %	–0,64 %	More Infos
	CH0421043743	R*	–	–	–	
Tellco Classic Bonds in foreign currency hedged ESG	CH0469074956	V	89,88	1,36 %	1,40 %	More Infos
	CH0469074865	R	79,32	1,37 %	1,41 %	
Tellco Classic Inflation Protection ESG	CH1101347354	V	92,69	0,75 %	1,59 %	More Infos
	CH1101347347	R*	–	–	–	
Tellco Classic Aktien Alkimia ESG	CH0544465831	V	178,55	4,73 %	11,85 %	More Infos
	CH0544465823	R	168,17	4,70 %	11,79 %	
	CH1116144333	P	130,78	4,72 %	11,84 %	

* Not yet launched

Tellco Classic Strategy

	ISIN	Tranche	February 27th	% Feb.	% YTD	Web
Tellco Classic Strategy 10	CH0450199770	V	128,16	1,15 %	1,85 %	More Infos
	CH0544445619	R*	–	–	–	
Tellco Classic Strategy 25	CH0450201261	V	142,46	2,04 %	2,56 %	More Infos
	CH0544465658	R	–	–	–	
Tellco Classic Strategy 45	CH0450201329	V	166,62	2,62 %	3,41 %	More Infos
	CH0544465757	R*	–	–	–	
Tellco Classic Strategy 100	CH0450382632	V	159,73	3,77 %	4,89 %	More Infos
	CH0544465773	R	92,93	3,77 %	4,89 %	

* Not yet launched

Note

Tranche R: This share class is intended for private and qualified investors.
Tranche V: This share class is reserved exclusively for tax-recognised Swiss pension institutions (e.g. pension funds, vested benefits and pillar 3a foundations).

Numbers

Countries / GDP

	2026	2027	2028
USA	2,50 %	2,00 %	2,00 %
Euro Area	1,20 %	1,45 %	1,35 %
Japan	0,80 %	0,90 %	1,00 %
China	4,60 %	4,40 %	4,40 %
Switzerland	1,20 %	1,50 %	1,50 %

Countries / CPI

	2026	2027	2028
USA	2,70 %	2,40 %	2,40 %
Euro Area	1,89 %	1,92 %	2,17 %
Japan	1,90 %	2,00 %	1,85 %
China	0,70 %	1,00 %	1,45 %
Switzerland	0,40 %	0,70 %	0,90 %

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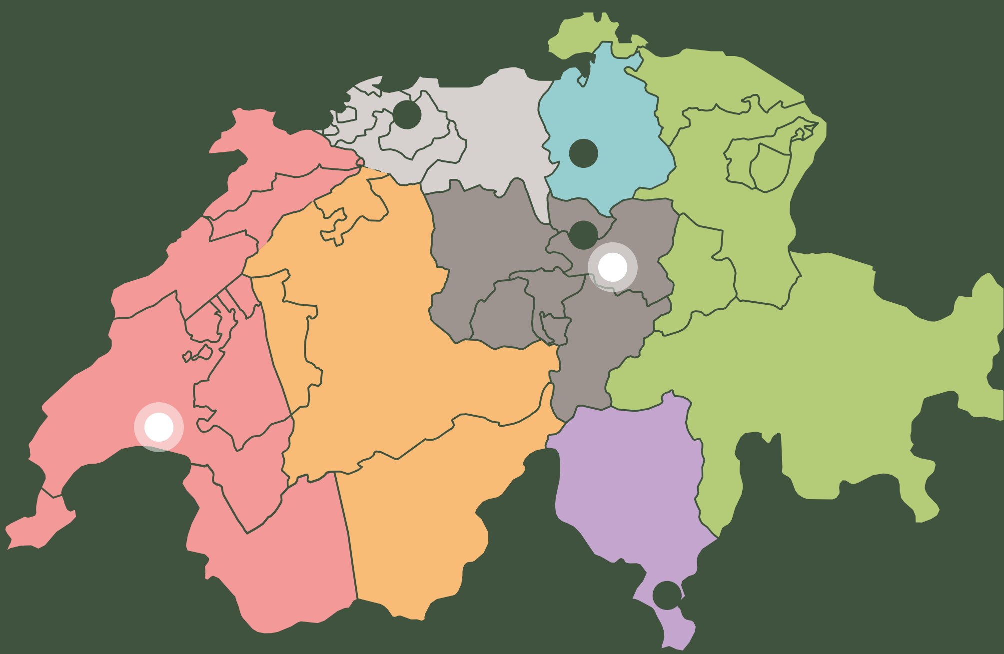

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