

Market Overview

05/2026

A glance at the markets
and current issues

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- New all-time highs and great hopes for AI
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All-time high reached despite the war



Over the last month, the markets been buffeted by geopolitical tensions while also reaching record highs. April will therefore go down in the history of equity markets as a month of extreme contrasts. While the headlines were dominated by diplomatic impasses in the Gulf region and a risky standoff between the US and Iran, equity markets on both sides of the Atlantic proved to be remarkably unimpressed.

Both the S&P 500 and European benchmark indices such as the STOXX 600 reached new all-time highs in April. The discrepancy between geopolitical uncertainty and market euphoria raises the question as to how solid the most recent upturn actually is, as many valuations are currently at all-time highs.

Investors have confidence in the US economy

The narrative of “technological dominance” remains the most important driver of prices in the USA. Despite the threatening situation in the Middle East and domestic political debate concerning the War Powers Act in Congress, massive volumes of capital continue to flow into the US market. Investors are betting that the US economy will be less vulnerable to regional conflicts compared to other regions around the globe. This is thanks to their relative energy independence as well as their leadership in the field of artificial intelligence. This confidence is reflected in the price/earnings ratios (P/E ratio),

Equities and commodities

which is significantly higher than the ten-year average. This makes the market more vulnerable, since any disappointment – whether a geopolitical shock, weaker AI gains or a recession – will affect prices supported by only a minimal buffer, which may therefore react strongly.

Defence industry on top

The sectors that won out in April reflect the global geopolitical situation, with the defence and weapons sector leading the charge. In view of the stalemate between Trump and Iran on the issue of uranium enrichment, companies such as Lockheed Martin, Northrop Grumman and the European Rheinmetall chalked up massive price gains. The market is already pricing in increased long-term defence spending and new government procurement programmes. Multinational energy companies are also benefiting from this dynamic, especially US fracking companies and European operators of LNG infrastructure, as the removal of Iran's oil has increased the margins for Western producers, with security of supply being the foremost priority.

**Energy supply setback**

Europe on the other hand is experiencing a rally fuelled by ambivalence. On the one hand, export-oriented European securities are benefiting from a stable US dollar and a gradual recovery of global supply chains. On the other hand, the risk of a lengthy blockade on energy supplies from the Middle East has been a major burden in terms of industrial energy costs. Nonetheless, European indices have risen further to record levels thanks not only to defence sector equities but above all the banking sector. The postponement of anticipated interest rate cuts as a result of inflation on the back of rising oil prices has supported banks' net interest margins longer than expected, resulting in surprisingly strong quarterly results.

Equities and commodities**AI boom continues, for now**

A significant contribution to the new all-time highs was provided by figures from corporate earnings reports for Q1 of 2026. In the technology sector in particular, which has been boosted by the spread of AI applications, companies have managed to increase their margins despite inflationary pressure. This “pricing power” has signalled to the market that major industrial corporations are able to pass higher costs directly on to end consumers, thereby justifying high equity valuations in the eyes of many market operators. The luxury sector has also proved resilient, as global elites continue their consumer spending spree despite geopolitical tensions. Nevertheless, caution is warranted as market breadth is narrowing. The rally is increasingly concentrated in the top-performing sectors mentioned above, while other segments sensitive to interest rates such as real estate and brick-and-mortar retail are suffering from high financing costs. The risk of a “valuation bubble” became more tangible in April. Should forthcoming quarterly earnings fail to meet the very high expectations, the current euphoria could quickly degenerate into a painful correction, especially if the spiral of political escalation in Washington and Tehran is not brought back under control soon.

**Keeping an eye on hedging**

To sum up, it could be said that markets in April 2026 operated according to the principle of “bad news is good news”, driven by hopes that geopolitical tensions could force central banks into a more expansionary monetary policy stance. The record highs reflect the substantial liquidity in the system as well as hopes of a productivity boost driven by technological innovation. For investors, this means enjoying the price gains without losing sight of the need for fundamental hedging. With the air becoming thinner at these heights, political developments over the coming weeks will determine whether prices can hang on at these levels or will have to start sliding back down.

supporting growth or stabilising prices?



Global bond markets in April were dominated by a marked macroeconomic imbalance. Persistent inflation in the United States and a severe energy price shock in Europe put pressure on yield curves.

While the US economy continues to display surprising resilience despite restrictive monetary policy, supported by solid labour market data with around 180,000 jobs created the previous month, the eurozone is struggling with the direct consequences of geopolitical escalation in the Middle East. This has at times pushed oil prices above the USD 100 per barrel mark, acting like an additional tax on the global economy and reigniting inflationary expectations. This places central banks in a profound dilemma between supporting growth and ensuring price stability.

Fixed Income**Refinancing costs remain high**

Volatility in the credit markets has fallen back noticeably, as reflected in more nuanced trends in credit spreads. While risk premiums in the investment grade segment have remained relatively stable, supported by continuing strong demand for high-quality issuers, investors in the high-yield segment have faced a significant widening of spreads. For lower-capitalised companies in particular, refinancing costs are increasingly becoming a burden against the backdrop of persistently high interest rates. In particular energy-intensive industrial sectors in Europe have fallen under close scrutiny, as the combination of high input costs and weakening demand is putting significant pressure on margins. This has led to a selective flight into safer havens in the corporate bond market.

**Increasing risk of stagflation**

Government bond yields reflect this uncertainty, with 10-year US Treasuries remaining above 4.3% and German Bunds hovering around the 3.0% mark. This reflects the fact that market participants have been forced to significantly pare back their expectations of imminent interest rate cuts. There is currently a very strong correlation between economic data and bond prices. Every new figure for core inflation or wage growth has an immediate impact on maturity premiums. The risk of stagflation is increasingly rearing its head. This refers to a scenario in which economic growth stalls while prices continue to rise due to expensive commodities. This will therefore make it more difficult for central banks to ease monetary policy over the course of the year.

Price of oil remains the most important factor

Oil prices will be the most important driver of global bond markets over the coming weeks. If oil prices remain above USD 100 for an extended period of time, this will likely further stoke inflation. Investors are responding defensively by favouring high-quality, liquid assets. Riskier bonds with lower credit quality are being avoided, as the risk of default is increasing. The focus is on protecting against further inflationary shocks.

Fixed Income**Interest rate cuts off the table for the time being**

The market's expectations across global benchmark exchanges shifted fundamentally in April, as major central banks such as the Fed, the ECB and the SNB were forced to reassess their monetary policy roadmaps in the light of the geopolitical situation. While markets in the US were still pricing in a series of quick-fire interest rate cuts at the start of the year, the Fed made it clear in April that for the time being, the federal funds rate would remain in the target range of 3.50-3.75%. This reflects the fact that robust domestic economic activity and inflation of 3.3%, driven by energy costs, are leaving scant room for monetary easing. As a result, yields at the short end of the curve have firmed up, and expectations of anything more than a minimal rate cut by the end of the year have almost completely faded.

**Complex situation in the eurozone**

In the eurozone, the situation for the ECB has become even more complex. Although it has kept its deposit rate stable at 2.0%, inflation forecasts for 2026 have been revised sharply upwards to 2.6% due to the oil price shock, putting monetary authorities in Frankfurt on high alert. Some members of the ECB Governing Council are already warning that, should price pressures persist, interest rate hikes might have to be considered once again in order to prevent inflationary expectations from losing their anchor. This contrasts sharply with the weak GDP forecast of just 0.9%, fuelling fears of stagflation – a scenario under which conventional rate cuts to support growth are constrained by the need to combat inflation.

Fixed Income**Switzerland remains stable**

The Swiss National Bank (SNB) has remained committed to its policy of price stability, confirming its zero interest rate policy in April. Inflation in Switzerland stood at 0.3% in March, well below the figure in neighbouring countries, primarily due to the dampening effect of the strong Swiss franc. Nevertheless, the SNB has increased its readiness to intervene on the foreign exchange market through both public statements and actual interventions in order to prevent an excessive increase in the price of the CHF as a safe-haven currency, as this would place additional strain on Switzerland's export sector in an already fragile global environment. Market experts are expecting the Swiss policy rate to remain fixed at 0.0% well into 2027, unless a severe deflationary shock forces a return to negative interest rates.

Conclusion for investors

Overall, these diverging monetary policy paths mean that investors in instruments denominated in EUR and USD should expect a prolonged period of high opportunity costs. The CHF segment does offer security, but it effectively locks in negative real returns on government bonds. This is fuelling the search for selective "yield gems" in the corporate bond segment, as long as credit spreads do not yet fully reflect the increased macroeconomic risks.

Credit markets in transition: the role of CLOs between stability and rising volatility



Credit markets: resilience and challenges in the new macroeconomic environment illustrated by collateralised loan obligations (CLOs).

Credit markets have undergone a structural transformation in recent years, shifting from a bank-centric model to a more broadly diversified ecosystem. Various investment categories coexist within this environment, including syndicated loans (loans provided jointly by a group of banks to large corporate borrowers), private credit (direct, typically non-listed lending by specialised investors outside the banking system), and structured finance (securitised credit structures in which loans are pooled and transformed into tradable securities). Against this backdrop, collateralised loan obligations (CLOs) have established themselves as a key instrument bringing institutional investors together with corporate financing.

What are CLOs?

CLOs are instruments that pool diversified portfolios of leveraged loans – primarily senior secured – and refinance them through tranches with different risk-return profiles. The waterfall structure of cash flows enables investors to position themselves along the capital structure, ranging from senior tranches with strong protection and investment-

Alternative investments

grade ratings to equity tranches associated with a higher risk, but also a higher return potential. CLOs are actively managed. They also feature protection mechanisms. One of these is overcollateralisation. This means the value of the loans in the portfolio exceeds the value of the securities issued, which creates a security buffer. Another safeguard is the interest coverage test. This assesses whether the interest generated by the underlying loans is sufficient to meet investor payments. These features make CLOs particularly resilient across different economic phases. In addition, the floating-rate nature of the investments makes CLOs especially attractive in periods of high or uncertain interest rates.

Why is this important?

The European credit market has now reached a new level of maturity, with private credit having surpassed the volume of the syndicated loan market while demand for defensive sources of yield remains strong. CLOs continue to play a key role in this environment, further strengthened by product innovations. In particular, the emergence of CLO-based ETFs, which convert senior tranches into liquid, tradable instruments, has expanded the investor base and facilitated the integration of this investment category into portfolios. However, 2026 marks a turning point. Two key shocks are currently impacting credit markets: first of all, the rapid adoption of AI, which has created significant uncertainty around future business models and competitive dynamics, particularly in the software sector and secondly geopolitical tensions in the Middle East, which are driving up energy prices and increasing macroeconomic uncertainty. These developments have led to growing segmentation within the credit markets. While defensive sectors have been relatively stable, more exposed areas (e.g. software and cyclical industries) are experiencing a significant widening of spreads and, in some cases, substantial price declines. This has increased dispersion within CLO portfolios and heightened mark-to-market volatility, especially for mezzanine and equity tranches. At the same time, secondary markets are also seeing reduced liquidity and declining risk appetite.

Even in more challenging scenarios, senior tranches are proving to be remarkably stable, underscoring the role of CLOs as a defensive element within credit allocation.

What now?

These developments pose new challenges for institutional investors. Over the short term, these will include in particular increased volatility, potential sector-specific default risks and higher sensitivity for subordinated tranches. Nevertheless, key stabilising factors remain in place: structural protection mechanisms limit the losses realised, while active management enables portfolios to be tilted towards robust issuers and less-exposed sectors. At the same time, current market dislocations open up selective opportunities, with lower valuations in certain segments providing more attractive entry points, while wider spreads enhance future return potential. Even in more challenging scenarios, senior tranches are proving to be remarkably stable, underscoring the role of CLOs as a defensive element within credit allocation.

Alternative investments

Conclusion for investors

In summary, CLOs are currently in a transition phase, moving from a period of strong growth to a more complex and volatile environment. In 2025, the US CLO market achieved an issue volume of around USD 209 billion, while Europe also set a record with roughly EUR 60 billion. At the same time, the global CLO market has grown to approximately USD 1.5 trillion. Default rates have been extremely low based on a historical comparison, particularly within senior tranches, thus contributing to a perception that this investment category is robust. At the same time, some market observers have warned of potential excesses during periods of very tight spreads. For institutional investors, the current environment calls for a more selective approach, with particular focus on manager quality and portfolio construction. Against this backdrop, this investment category remains a relevant instrument. With disciplined implementation and a long-term perspective, it can continue to offer an attractive balance of yield, diversification and resilience.

Sources

- Deloitte, How Europe’s CLO market is coming of age: A new chapter for private and structured lending?, March 2026
- Deutsche Bank, Updates on CLOs, Outlook for 2026, January 2026

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Indicative interest rates* as of May 2026

Fixed-rate mortgage	3 Years	1.35%
	5 Years	1.45%
	7 Years	1.55%
	10 Years	1.70%
SARON mortgage**	SARON + 0.90% Marge	

* These interest rates represent benchmarks for first-ranking mortgages on owner-occupied residential property. They apply to first-class residential properties and borrowers with impeccable credit ratings.

** The interest rate is at least 0 %, plus the margin.

Tellco Products



Tellco Products

Tellco Classic

	ISIN	Tranche	April 31th	% April	% YTD	Web
Tellco Classic Aktien Alkimia ESG	CH05444465831	V	179,71	5,28%	12,58%	
	CH05444465823	R	169,16	5,26%	12,45%	
	CH1116144333	P	131,62	5,28%	12,56%	

Tellco Classic Strategy

	ISIN	Tranche	April 31th	% April	% YTD	Web
Tellco Classic Strategy 10	CH0450199770	V	126,16	0,92%	0,26%	Mehr Infos
	CH05444445619	R*	–	–	–	
Tellco Classic Strategy 25	CH0450201261	V	140,19	1,55%	0,93%	Mehr Infos
	CH05444465658	R	–	–	–	
Tellco Classic Strategy 45	CH0450201329	V	162,87	1,86%	1,08%	Mehr Infos
	CH05444465757	R*	–	–	–	
Tellco Classic Strategy 100	CH0450382632	V	155,46	3,47%	2,09%	Mehr Infos
	CH05444465773	R	90,44	3,47%	2,08%	

* 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).

Tranche P: This share class is intended for private and qualified investors.

Numbers

Numbers

Countries / GDP

	2026	2027	2028
USA	2,10%	2,00%	2,09%
Euro Area	0,80%	1,30%	1,40%
Japan	0,70%	0,90%	0,90%
China	4,60%	4,40%	4,40%
Switzerland	1,10%	1,40%	1,40%

Countries / CPI

	2026	2027	2028
USA	3,30%	2,40%	2,20%
Euro Area	2,80%	2,10%	2,00%
Japan	2,00%	2,00%	1,90%
China	1,00%	1,10%	1,40%
Switzerland	0,60%	0,70%	0,80%

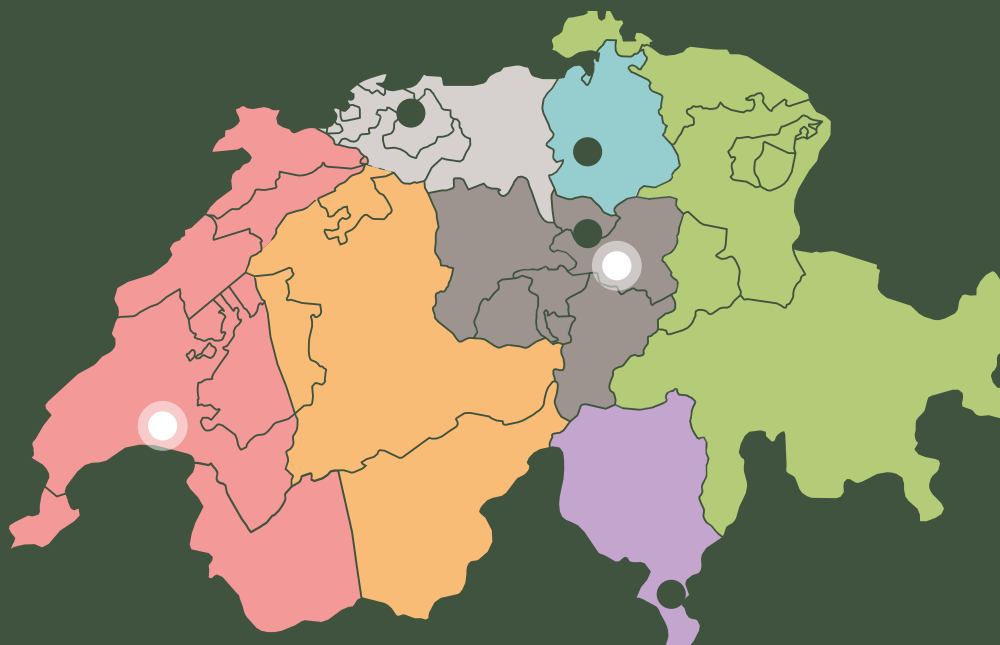
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