

TRAMONDO
INVESTMENT PARTNERS

MARKET COMPASS

A MONTHLY BRIEFING ON THE STATE OF THE FINANCIAL MARKETS AND OUR TACTICAL POSITIONING.

MARCH 2026

TACTICAL POSITIONING

Cash:	○	●	○	○	○
Bonds:	○	○	●	○	○
Equities:	○	○	●	○	○
Alt. Investments:	○	○	●	○	○

We are happy to explain our detailed tactical positioning to you in a conversation. Please contact us.

SPOTTED

Paradigm shift in Japan – At the beginning of 2026, the correlation between the Japanese yen and the TOPIX stock index underwent a significant regime change and turned positive for the first time since 2005. Such a parallel uptrend between currency and stock market is historically rare and has so far primarily occurred in major structural upward cycles – for instance, in Japan (1882-1990), Germany (1985-1995), and China (2000-2008), which indicates a fundamental reassessment of the region by investors.

MARKET REVIEW:
AI SKEPTICISM AND TARIFF REFORM

AI reality check – The so-called "AI trade" experienced a significant narrative shift in February. Investors shifted from pure growth optimism to pricing in the disruptive impact of artificial intelligence (AI) on software and services. While the S&P 500 remained relatively stable and ended the month close to its all-time highs, this superficial calm masked extreme volatility at the individual stock level. A series of speculative reports about AI-driven displacement of white-collar jobs and the potential disruption of traditional software-as-a-service (SaaS) models triggered a sharp rotation out of the software sector. This skepticism was underscored by Nvidia's quarterly report at the end of the month: despite exceeding high expectations, the market focus shifted to the astronomical capital expenditure (CapEx) plans of its "hyperscaler" customers. Although Nvidia's hardware continues to form the backbone of the industry, the sheer scale of investment required for next-generation data centers sparked a heated debate about the sustainability of returns on investment across the technology ecosystem.

Transatlantic divergence intensifies – While the S&P 500 struggled to find a clear direction, European benchmarks embarked on a powerful upward trend. February thus saw a clear divergence in regional equity performance, with European markets significantly outperforming the US. After years of US dominance, the "old economy" orientation of European indices has transformed from a structural burden into a significant tactical advantage. In this "halo" trade, which favors heavy assets and low obsolescence, investors shifted capital into energy, commodities, transportation, and industrial infrastructure. This difference enabled Europe to capitalize on upside potential from cyclical and value-oriented cash flows, while investors simultaneously reevaluated their positions in US equities.

Tariffs back in focus – A landmark 6-3 Supreme Court ruling invalidated the US government's use of the International Emergency Economic Powers Act (IEEPA), overturning the high "reciprocal" tariffs that had dominated 2025. Within hours, however, the White House pivoted to Section 122 of the Trade Act of 1974, a rarely used balance of payments authority, to impose a new 10% global surcharge on most imports. For investors, this shift created a chaotic rebalancing of trade advantages: high tariff targets such as China and India actually saw a decline in effective tax burdens compared to the previous regime, while traditional allies in the EU and the UK faced new costs that

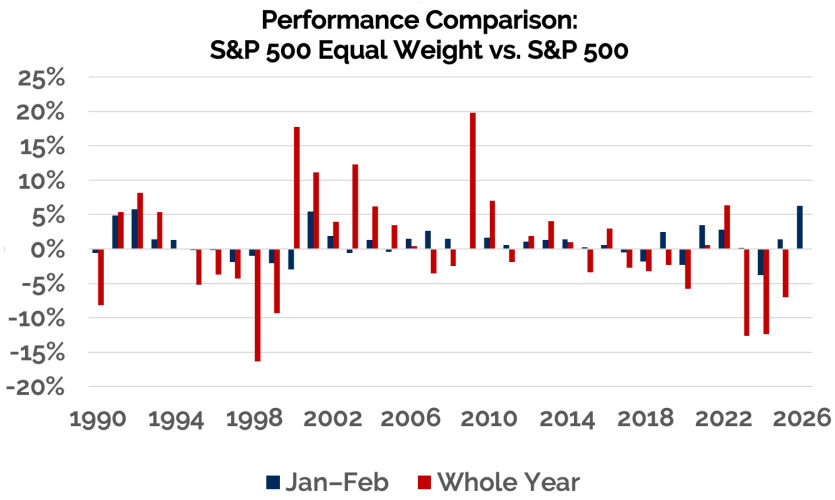
SOON IN FOCUS

National People's Congress – Starting on March 5, China will hold its annual National People's Congress, during which Premier Li Qiang will present the government's accountability report. This year's session is particularly significant as it marks the official launch of the 15th Five-Year Plan (2026-2030), which sets the direction for the country's growth targets and reform priorities. According to reports, the political elite will, among other things, set a specific target for the first time to increase domestic consumption and reduce dependence on exports.

threaten to exceed existing trade caps. With Section 122 powers limited by law to 150 days, the market is now bracing for a period of intense legislative maneuvering and a potential wave of refund claims totaling up to $175 billion for the now-invalidated tariffs from 2025.

DID YOU KNOW THAT...

...THE EQUAL-WEIGHTED VERSION OF THE S&P 500 HAS OUTPERFORMED ITS MARKET-CAP-WEIGHTED COUNTERPART SINCE THE BEGINNING OF THE YEAR?



SOURCE: BLOOMBERG, TRAMONDO

In recent years, the narrative on the US stock markets has been characterized by extreme concentration, with a handful of megacap giants significantly determining the direction of key indices such as the S&P 500 and the Nasdaq Composite. At the beginning of 2026, however, a profound and historic change took place beneath the surface. The equally weighted version of the S&P 500, in which all components have the same weight regardless of their size, has outperformed the classic market capitalization-weighted index by more than six percentage points since the beginning of the year. Specifically, the equal-weighted index has risen 6.8%, far outpacing the traditional index's modest gain of 0.5%. This represents the most extreme performance divergence at this point in the year since 1992.

Historically, such divergence is a rare signal of a "regime change," which has only occurred in a few cases to date and has been observed in the past in the wake of major market shifts, such as the collapse of the dot-com bubble from 1999 to 2002, in the aftermath of the global financial crisis of 2009, and the post-coronavirus pandemic rotation of 2020/21.

In this case, the origin of this shift lies primarily in the reassessment of the winners and losers of the AI narrative. While the so-called "Magnificent Seven" once drove the market inexorably upward, they have recently come under massive pressure – triggered by concerns about the tech giants' massive AI spending. Software stocks, the former stock market stars of the 2010s, also slumped significantly in February, as there are fears that their core business areas and competitive advantages appear to be seriously threatened by developments in the field of artificial intelligence. This sell-off also spread to other sectors of the economy, with investors offloading shares in companies where there was a perceived risk of displacement by AI technology.

THE EQUALLY WEIGHTED VERSION OF THE S&P 500 HAS OUTPERFORMED THE CLASSIC MARKET CAPITALIZATION-WEIGHTED INDEX BY MORE THAN SIX PERCENTAGE POINTS SINCE THE BEGINNING OF THE YEAR.

The fact that the equally weighted index has already gained 6.8% since the beginning of the year despite turbulence in high-growth sectors is primarily attributable to the significant rise in the energy, industrial, and consumer staples sectors, all of which have already posted double-digit gains this year. Given the continued resilience of the domestic economy, this rotation away from concentrated tech stocks toward the "old economy" points to a more balanced and healthier market environment.

Overall, enormous dispersion and volatility have been observed below the index surface since the beginning of the year, where more than 60% of individual stocks in the S&P 500 outperformed the index itself. This is a dramatic reversal from the period 2023–2025, when this share was at a maximum of 30%. For active managers and stock pickers, this environment offers fertile ground for finding stocks beyond the crowded megacap names. Nevertheless, caution is warranted: historically, extreme dispersion of this magnitude has often preceded major market shocks, such as the financial crisis of 2008. While we remain constructive on equity markets overall, partly due to increasing market breadth, we believe that healthy diversification across companies, sectors, regions, and asset classes is now more important than ever due to the increased dispersion.

MARKET OUTLOOK

Donald Trump and his decisive foreign policy continue to dominate market activity at the beginning of the month. Following the launch of "Operation Epic Fury" by the US and Israel against Iran's military and nuclear infrastructure on the first weekend of March – which also dealt a heavy blow to the Iranian leadership – Tehran responded with retaliatory strikes against Israel, US bases, and targets in the Persian Gulf. While President Trump described the operation as a necessary step for long-term security and predicted that it would last around four weeks, uncertainty in the markets remains high.

The primary stress factor is Iran's announcement that it will close the Strait of Hormuz, through which around one-fifth of global oil production is transported. The closure of the strait has already led to a sharp rise in oil and gas prices. If this price shock persists, inflationary pressure could prompt central banks to tighten monetary policy again. The resulting rise in bond yields is already anticipating this and caused significant turmoil on global stock markets at the beginning of the month.

For the time being, the oil price is the decisive factor for equity markets. A sustained rise in oil prices over several weeks would tighten financing conditions, put pressure on profit margins, and rekindle fears of stagflation. Although the focus is currently on logistics, the structural risk lies in potential damage to regional energy infrastructure. However, a look back at history offers some reassurance: in the past, geopolitical shocks in the Middle East have usually triggered sharp but short-lived sell-offs in global equity markets, followed by stabilization within a few weeks.

DESPITE THE VOLATILITY TRIGGERED BY THE GEOPOLITICAL ESCALATION IN THE MIDDLE EAST AND RISING ENERGY COSTS, WE ARE MAINTAINING A NEUTRAL WEIGHTING OF EQUITIES AND BONDS DUE TO ROBUST CORPORATE EARNINGS AND STABLE ECONOMIC INDICATORS.

Due to its greater dependence on oil and gas imports from the Middle East, Europe is fundamentally more vulnerable than the US. If oil and gas prices remain high, the recent rotation away from US technology stocks toward European equities and from growth to value and small-cap stocks could come to an end. This could once again lead to US quality stocks (and large cap tech) outperforming: thanks to their high pricing power, they are much better able to cushion cost pressures than low-margin, cyclical sectors.

Despite the geopolitical risks, we are maintaining our neutral positioning on equities for the time being. This is because the now concluded earnings season for the fourth quarter of 2025 points to continued robust fundamentals. EPS growth for the leading US and European stock indices was once again well above expectations in the fourth quarter. The increasingly positive momentum in the purchasing managers' indices also supports the fundamental outlook. Last but not least, the resumption of share buyback programs should also have a supportive effect on the market.

Absent equity markets, we remain neutral on bonds. The income function of bonds remains intact, although no further stimulus from monetary policymakers is likely for the time being – especially as the rise in oil prices resulting from the conflict in the Middle East is fueling additional inflation fears. In view of slightly higher credit spreads, we remain clearly focused on quality (investment grade) and maintain only selective exposure to high-yield issuers.

Gold remains strategically interesting – especially in times of geopolitical conflict, which is likely to continue to provide tailwinds for the asset class in the short term. For investors who are structurally underexposed, we therefore see good reasons to use any setbacks to gradually build up their positions.

WHO WE ARE

Tramondo Investment Partners AG is a bank-independent Swiss asset manager based in Zug and licensed by the Swiss Financial Market Supervisory Authority (FINMA) to act as an asset manager of collective investment schemes. Tramondo is the investment arm of a multi-family office group that has been in existence for over 45 years.

CITYWIRE TOP 50 IAMs 2025

For the fifth time, the company was named one of the 50 most influential independent asset managers in Switzerland and Liechtenstein by the renowned media company Citywire.

WealthBriefing SWISS AWARDS 2026

Additionally, Tramondo has been recognised as the winner in the Fund Manager category at the prestigious WealthBriefing Swiss Awards 2026 for the first time.

ASV/ASWM
Allianz Schweizer Vermögensverwalter
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Tramondo is a member of the Alliance of Swiss Wealth Managers (ASV/ASWM), founded in 2016. The members of the Alliance currently represent more than 100 billion Swiss francs in client assets.

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