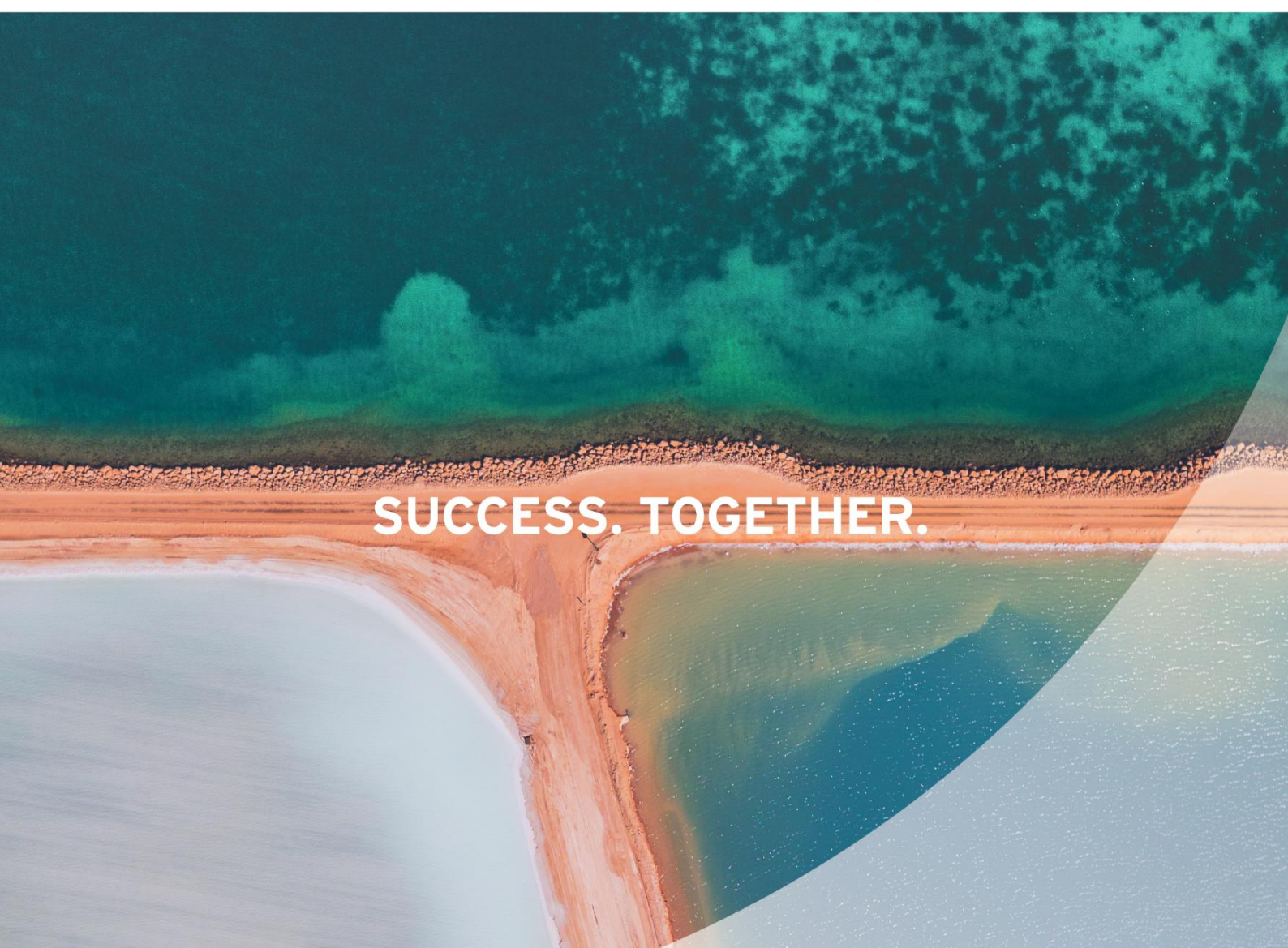


STRATEGY OUTLOOK

MARCH 2026



SUCCESS. TOGETHER.

The Bull Market Is Getting Old

With a growing split between winners and losers

The bull market is maturing. Geopolitics continues to inject volatility, particularly around Iran and the never-ending-fight over US trade tariffs. The S&P 500 has flatlined, failing either to push higher or break meaningfully lower. Beneath the surface, however, dispersion is increasing.

Within the index we are seeing a clear rotation away from AI and the “Magnificent Seven” towards more traditional “picks and shovels.” As the first chart illustrates, while the S&P (blue) has moved sideways, software stocks (white) have declined, in stark contrast to mining stocks (red), which have outperformed this year.

Globally, the bull market is broadening. Rest-of-World and Emerging Market equities continue to rally strongly, supported by robust earnings and easing financial conditions. Interest rates, currencies, and credit spreads remain relatively stable, providing a constructive backdrop for risk assets.

	February	YTD
S&P	-0.87%	0.49%
Rest of the World	4.6%	9.5%
US Treasury	1.7%	1.7%
Gold	12.2%	25%
Bitcoin	-16%	-25%
WTI Crude	7%	21%
USD Index	0.6%	-0.7%

Several developments point to a potential inflection in US equity outperformance. South Korea has announced tax incentives on US stock sales to encourage domestic capital repatriation and support its currency. In Japan, following Takaichi’s victory and the resulting supermajority, foreign investors purchased Japanese equities at the fastest pace since 2014. These examples suggest that the multi-year dominance of US assets may be entering a new phase.



There remains a substantial amount of “tourist capital” in US markets that could be repatriated, benefiting investors both through local equity gains and currency appreciation. This represents a meaningful headwind for US indices. While the data is difficult to fully quantify, foreigners own approximately \$65 trillion of US assets at a time when US equities represent around 65% of global market capitalisation.

We therefore continue to hold the majority of our equity exposure in global markets rather than the US.

Earnings, Liquidity, and Policy

Q4 earnings season is still wrapping up, but results remain strong. Around 75% of companies have beaten expectations, with an average upside surprise of 7.7%. Capital expenditure is also increasing, reinforcing the view that corporate confidence remains intact.

The broader economic backdrop continues to improve. Recession expectations are at their lowest level in four years, while **inflation expectations are at a six-year low**. The second chart highlights US CPI alongside average gasoline prices and a private-sector inflation metric, Truflation, all of which suggest easing price pressures.



The Federal Reserve remains in an easing posture, with fiscal policy also highly stimulative. Ongoing QE dynamics and persistent deficit spending continue to raise concerns around monetary debasement, which helps explain gold's strong performance—albeit not Bitcoin's this year. Over the past five years, both the money supply and national debt have quadrupled, while the Fed's balance sheet has doubled.

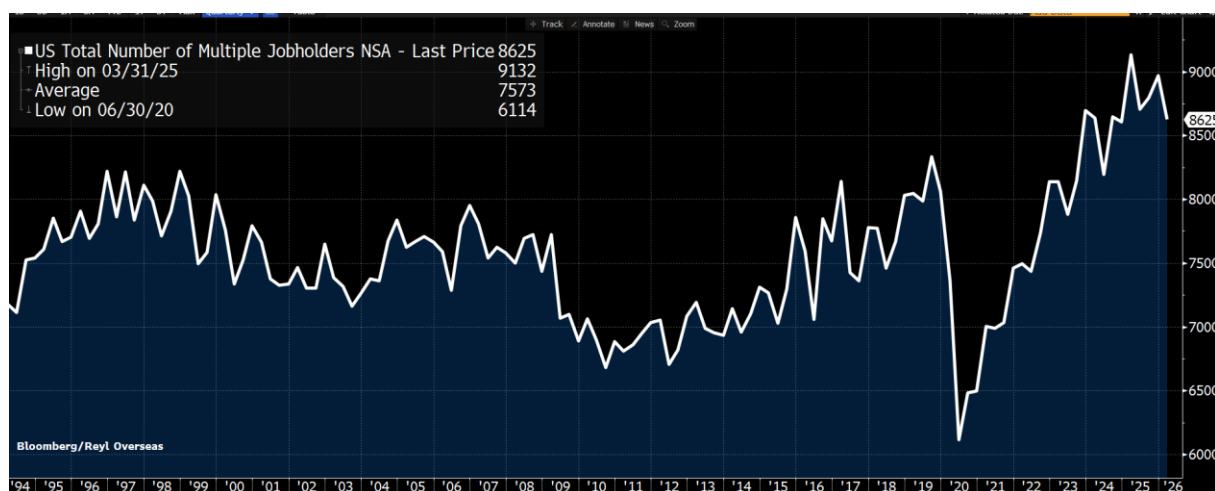
Credit conditions remain loose. Bank lending standards continue to ease, and high-yield spreads sit near cycle lows, indicating ample liquidity across the system.

Emerging Risks: AI, Credit, and Employment

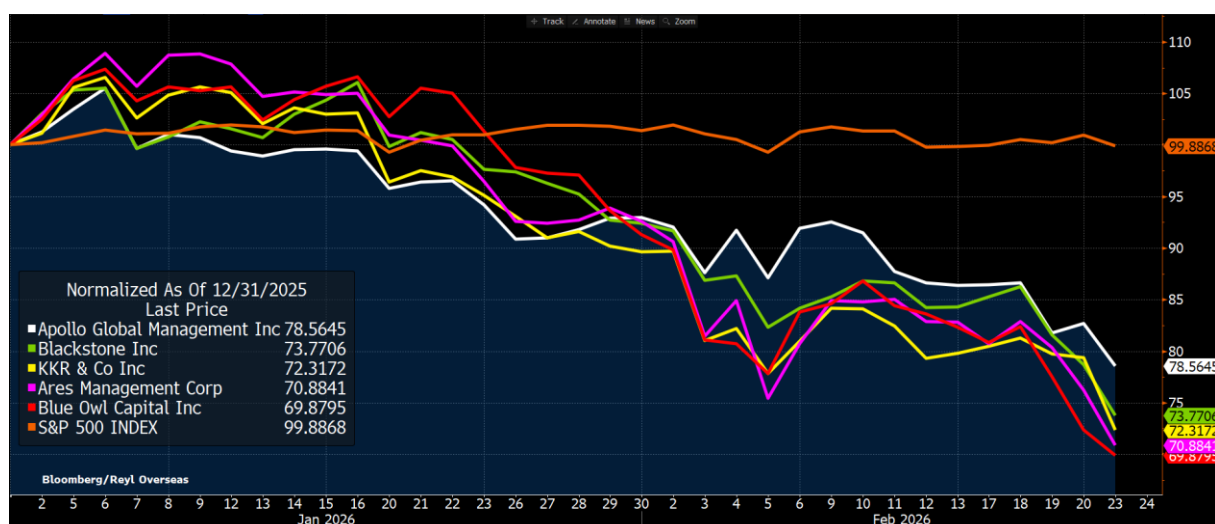
Despite this supportive backdrop, complacency is clearly rising—particularly around AI. The third chart highlights a segment of the US labour market: individuals holding multiple jobs. While headline employment data remains resilient, the outlook for job security is far less certain.

Any meaningful deterioration in employment confidence would disproportionately impact consumer discretionary spending, with second-order effects on household credit and housing. AI and robotics also pose structural challenges to a debt-based monetary system, particularly through labour displacement.

We are already seeing stress in consumer credit. US loan delinquencies are at their highest levels since 2017. Credit card loans in serious delinquency now stand at approximately 12.7%, approaching the 2010 peak of 14%. Student loan delinquencies are also rising, reflecting weak employment prospects for younger cohorts.



The private credit market is flashing warning signs. The final chart shows the share price performance of several specialist managers year-to-date. Blue Owl Capital has already restricted redemptions in what is a highly illiquid market that has experienced significant inflows. A disorderly rush for liquidity could prove problematic. Notably, a recent family office survey showed 30.8% of assets allocated to private investments, compared with just 0.9% allocated to gold.



One of our themes has been the growth of EM and de-dollarization. De-dollarization was more about a conscious move away from the Dollar and US assets to Gold and other currency groups. This theme however isn't as clear cut. The Clarity Act which is being dragged backwards through the hedge that is Washington DC politics could be a game changer to the USD and US debt markets. If it passes the Stablecoin market could boom and revolutionize markets as we know it. They would suck up supply of US treasury bills and put the Dollar (digitalized) back as King. The control, leverage and leadership for any US Government would be sizeable.

Portfolio Positioning & final thoughts

Portfolios remain globally focused, with a bias towards commodities and commodity producers. We maintain limited exposure to US equities and technology. While software stocks have been punished relative to mining producers, we do not yet see a compelling valuation opportunity to rotate back. Mining companies remain under-owned and are benefiting from rising margins.

We remain invested in areas we believe will outperform but also recognise that many legacy positions now sit on substantial gains. Entering markets afresh requires patience and disciplined valuation analysis.

As we approach the US mid-term cycle, political uncertainty is increasing, valuations remain elevated, complacency is high, and there is limited sidelined cash. While a short, sharp repricing is not our base case, it cannot be ruled out. In such an environment, even gold may be temporarily pressured as liquidity is sought.

The economy is not the stock market. Economic momentum remains solid and is clearly reflected in earnings. However, valuations are already rich, and risks are building beneath the surface—particularly in private markets and labour dynamics.

Unless land invasions become likely (we don't believe body bags are a vote winner into the Mid Terms) our base case regarding the current attacks is that the market follows past examples and is relatively relaxed.

Our message remains one of caution. The bull market is getting old, yet history shows that some of the most extreme upside moves can occur late in the cycle. We would look to sell into any such strength rather than chase it.

J. Loudoun

Chief Investment Officer, Reyl Overseas.

CONTACTS

SWITZERLAND

REYL Overseas Ltd

Talstrasse 65

8001 Zurich

T +41 58 717 94 00

F +41 58 717 93 01

www.reyl-ovs.com

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