



# MONTHLY INVESTMENT *Brief*

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## *Looking beyond the conflict*



“ Although the situation has calmed down recently, there is still no sign of a return to normality. Geopolitical risks remain. ”



Since US President Donald Trump has been seeking to de-escalate the Iran conflict through a ceasefire that has been extended several times, the financial markets have been in a phase of heightened uncertainty. Although the situation has calmed down recently, there is still no sign of a return to normality. Nevertheless, the mere prospect of an easing of tensions has already triggered a recovery rally on the stock markets. This rally was significantly stronger in the US than in Europe, where market participants remained largely cautious. Technology stocks, in particular, were in the spotlight, buoyed by solid quarterly results. However, geopolitical risks remain. In particular, the ongoing uncertainty in the Strait of Hormuz and stalled peace negotiations led to a noticeable rise in oil prices again towards the end of the month. By contrast, natural gas and electricity prices rose more moderately, meaning that the short-term burden on households and businesses remained limited.

### **Strait of Hormuz – a bottleneck for the markets too**

The ceasefire has led to fewer attacks and a degree of normalisation in air traffic. However, shipping traffic through the Strait of Hormuz has not yet fully recovered – meaning the strait remains a bottleneck for the capital markets as well. Even the most cautious

hopes of a full reopening cause share prices to rise, whilst setbacks in the negotiations immediately trigger price falls. This precarious balance is likely to persist for some time yet. In our view, an escalation of the conflict – for instance through further destruction of civilian infrastructure or the deployment of ground troops – is the least likely scenario, yet at the same time the most drastic for the markets. A comprehensively negotiated settlement and the rapid resumption of shipping traffic, on the other hand, could give the stock markets a boost again. However, given the widely divergent positions of the parties to the conflict, this scenario seems less likely than a prolongation of the status quo: a state between war and peace, characterised by the latent danger of renewed attacks on transport routes and infrastructure.

### **The US and Europe – two very different economic landscapes**

The economic divergence between the US and Europe has widened further during this crisis. In the US, growth in the first quarter was largely driven by catch-up effects following the shutdown. Strong business investment largely offset the slowdown in private consumption, and growth revisions to date have been comparatively moderate.



Overall, the US economy thus remains robust. The eurozone, by contrast, entered this phase with already weak underlying momentum. Growth in the first quarter remained disappointing, and the downward revisions were significant – particularly in Germany. The German government now expects GDP growth of just 0.5 to 0.6 per cent for 2026, which is roughly half the previous forecasts. Hopes for a rapid economic recovery driven by fiscal stimulus have thus been dashed for the time being. At the same time, inflation has risen again since the start of the year in the eurozone and even more sharply in the US. On the financial markets, a shift towards higher interest rates is therefore now regarded as the base case scenario. So far, however, there is little to suggest a broad-based inflation shock. The current weakness in growth is also likely to be overcome in the medium term – provided there is no further escalation of the conflict.

### “Crisis, what Crisis?”

While geopolitical tensions are shaping politics and the economy worldwide, the stock markets have so far proved surprisingly resilient. Nevertheless, they have not become detached from developments in the real economy. This is because the investment drive to build AI infrastructure is not a speculative pipe dream, but a response to the very real and rapidly growing demand for semiconductors used to train and operate AI models. This benefits not only Nvidia with its specialised AI graphics processors, but also manufacturers of conventional semiconductors. By 2030, data centres could account for more than half of the global end market for semiconductors. Furthermore, there are currently no clear signs of a so-called AI bubble bursting in the short term: valuations,

earnings growth and solid balance sheets continue to have a stabilising effect. At the same time, the AI boom is increasing the risk of disruption for established sectors such as software, financial services and banking. As a result, the US stock market remains highly polarised, with a significant portion of price gains concentrated in just a few stocks. This increases the risk of sharp setbacks. This makes targeted stock selection even more important for investors. Those who are convinced of the long-term value of AI investments can also use price corrections as an opportunity. In our view, semiconductor stocks remain attractive, as do utilities that supply the energy required for new data centres.

In Europe, however, the market offers only limited prospects following a strong start to the year. We continue to favour companies that benefit from investment in infrastructure, particularly to meet growing electricity demand.

At the same time, public debt ratios are continuing to rise globally, increasing the risk of structurally higher long-term interest rates – particularly in the US and France. By contrast, the credit markets continue to offer reasonable yields, with short maturities being preferable in view of the risk. The key challenge remains that of looking beyond the conflict. The financial markets are attempting to adjust to a return to normality, whilst the geopolitical and macroeconomic situation is anything but normal.

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