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Quarterly Investment Report - Q4 2025 and outlook

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First of all, we would like to wish all our readers a happy, healthy, and prosperous 2026!

Review Q4: Review and Outlook

The fourth quarter of 2025 was characterized by elevated volatility, marked sector rotations within technology, and a strong influence from political and monetary policy developments.

November: AI Correction and Political Uncertainty

November was dominated by a pronounced correction in the previously overheated artificial intelligence sector. Risk appetite faded early in the month, abruptly interrupting the AI rally, while earnings releases from leading technology companies were generally received negatively. Additional uncertainty stemmed from the longest U.S. government shutdown on record, lasting 43 days, which impaired market visibility as key macroeconomic data were not published.

By mid-month, the sell-off in technology - and particularly in the AI subsector - intensified. Growing doubts about the sustainability of elevated AI investment levels, uncertainty surrounding the future interest-rate path of the U.S. Federal Reserve, and the lack of timely macroeconomic data further weighed on sentiment. It was not until late November that market confidence began to improve, supported by more accommodative Fed rhetoric and the announcement of a new U.S. government program to promote AI and quantum research.

December: Selective Recovery and Year End Rally

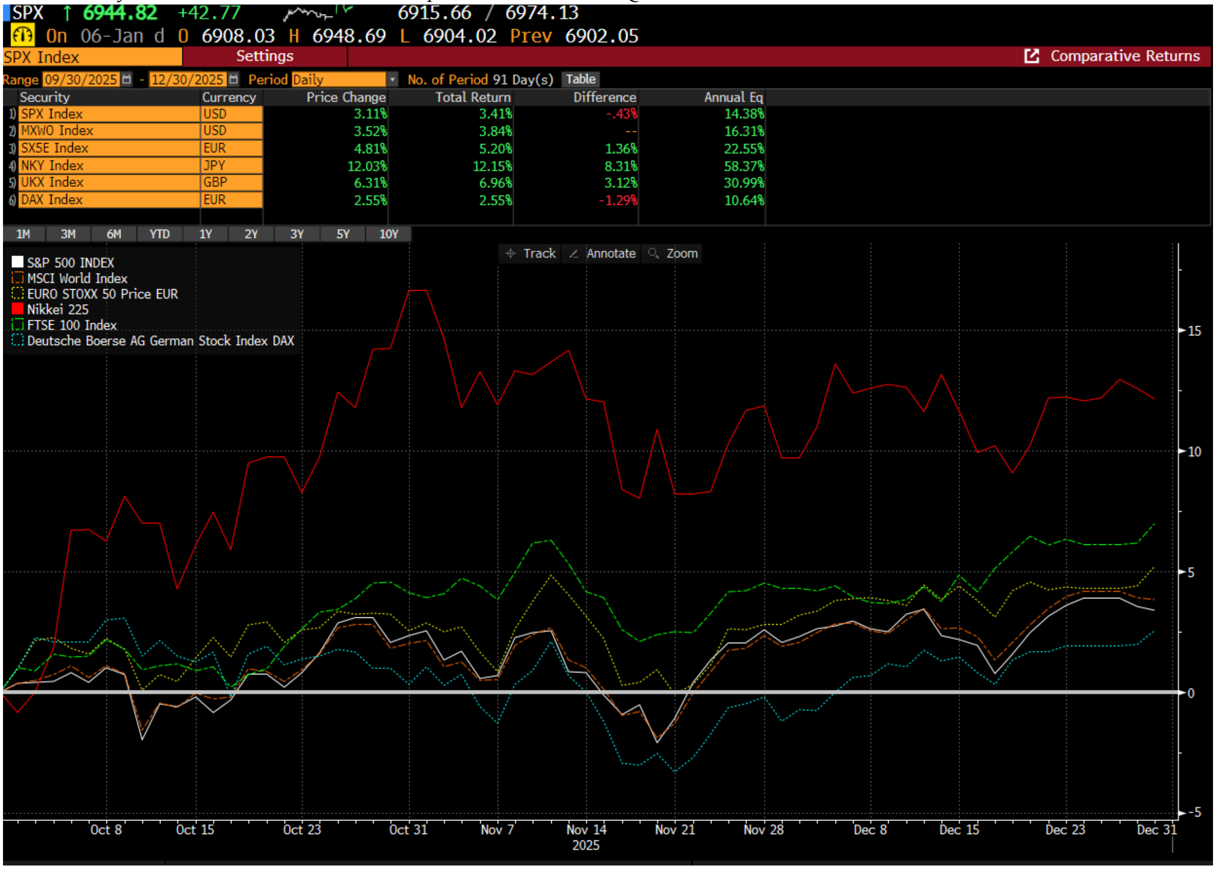
The recovery that began toward the end of November initially carried into December, although investor risk appetite became significantly more selective. Demand focused on AI-related companies and renewable energy stocks, which benefit indirectly from AI-driven investment. Broader equity markets were supported by U.S. monetary policy after weaker labor-market data prompted the Federal Reserve to deliver another 25 basis point rate cut in December. Within the AI sector, however, performance diverged: infrastructure providers benefited, while data center operators came under pressure.

In the third week of December, market sentiment deteriorated again amid renewed concerns over excessive AI capital expenditures, particularly among large technology companies. A further correction appeared imminent before a seasonally supported year-end rally lifted global equity indices to new highs. As a result, volatility declined sharply, reaching year-low levels. In the final trading days of 2025, markets experienced modest pullbacks, largely driven by profit-taking and reduced liquidity around the holiday period.

Equity Market Performance

Overall, the major equity indices that we consider most relevant recorded gains in the low single-digit range, with Japan's **Nikkei standing out** as the strongest performer, rising by 12%.

Chart: Major Stock Market Indices – performance in Q4 2025



	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	SPX Index	USD	3.11%	3.41%	-.43%	14.38%
2)	MXWO Index	USD	3.52%	3.84%	--	16.31%
3)	SX5E Index	EUR	4.81%	5.20%	1.36%	22.55%
4)	NKY Index	JPY	12.03%	12.15%	8.31%	58.37%
5)	UKX Index	GBP	6.31%	6.96%	3.12%	30.99%
6)	DAX Index	EUR	2.55%	2.55%	-1.29%	10.64%

Source: Bloomberg

Precious Metals: Beneficiaries of Monetary and Political Dynamics

In the fourth quarter of 2025, **precious metals experienced a significant price surge**, supported by an increasingly favorable macroeconomic and political backdrop. The primary driver was monetary easing in the United States: multiple rate cuts pushed real yields lower and reduced the opportunity cost of holding non-yielding assets such as gold. At the same time, the U.S. dollar weakened, providing additional support to dollar-denominated precious metals. We discussed these dynamics in detail in our Q3 2025 Investment Report ("Fiscal Dominance and Policy Implications").

Fiscal Dominance and Political Uncertainty

For those who may have missed it: fiscal dominance describes a situation in which government spending priorities effectively dictate monetary policy. In such an environment, the central bank's room for maneuver becomes constrained, as policy actions are increasingly geared toward supporting government finances rather than focusing primarily on inflation or growth objectives. In the case of the United States, the fiscal deficit has reached levels that are increasingly difficult to sustain without monetary accommodation. **The central bank is therefore effectively forced to support government finances—whether it chooses to or not. This remains our firmly held view.**

Political uncertainty added to this backdrop, particularly in connection with the aforementioned longest U.S. government shutdown in history. Limited availability of macroeconomic data and doubts about fiscal policy effectiveness increased investor risk aversion and strengthened demand for safe-haven assets. Against the backdrop of the correction in technology and AI equities, capital rotated into more defensive asset classes, from which precious metals benefited significantly.

Central Bank Demand and Structural Support for Metals

Further support came from sustained demand by central banks, especially in emerging markets, which continued to increase their gold reserves in an effort to reduce dependence on the U.S. dollar. Silver benefited not only from its role as a precious metal but also from robust industrial demand, particularly linked to investments in the energy transition, electrification, and AI infrastructure.

A Historically Exceptional Year for Precious Metals

Overall, the environment in Q4 2025 proved exceptionally favorable for precious metals, which once again demonstrated their role as stabilizing assets and effective diversification tools in a market environment characterized by heightened volatility and uncertainty.

With a price increase of 46.4% in the fourth quarter alone, silver outperformed all other precious metals.

Chart: Precious Metals in Q4 2025

Source: Bloomberg

Looking at the full year 2025, the strength of precious metal price gains becomes even more striking.

Chart: Precious Metals in 2025

Source: Bloomberg

How exceptional were these increases? Extremely so.

The sharp advances in precious metal prices in 2025—**silver up 146.7%, platinum up 125.1%, and gold up 64.7%**—rank among the strongest annual gains on record. For both gold and silver, 2025 marked the strongest annual performance since 1979! Platinum's gains also rank among the highest observed in available historical price data, underscoring the strong demand for investment and hedging assets in an environment defined by elevated uncertainty.

Monetary Policy Tensions and Operation Twist

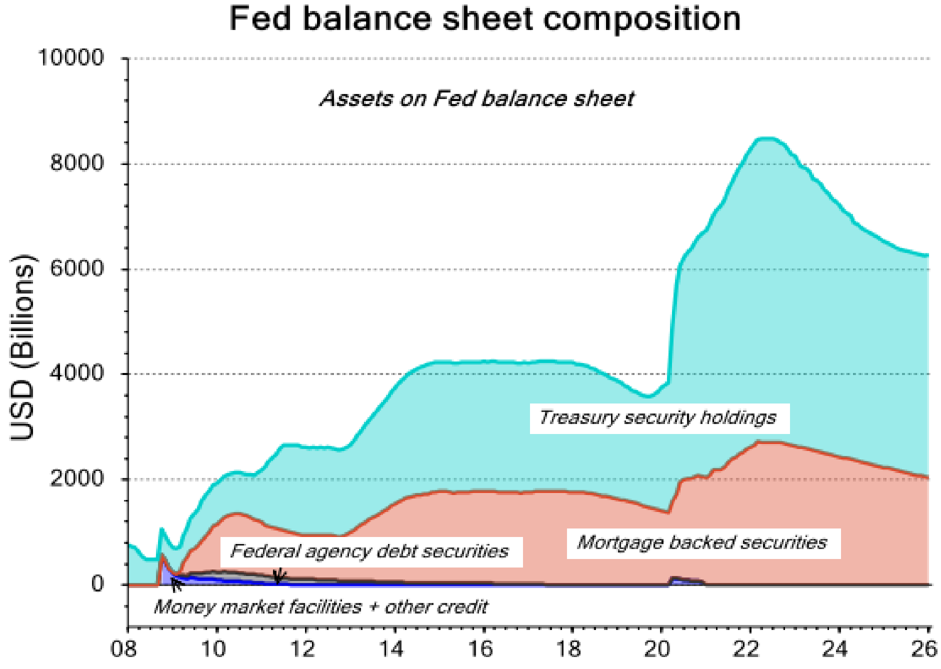
The historic rise in precious metal prices may also be interpreted as a sign of declining confidence in monetary stability and fiscal discipline. We are witnessing an unusually open power struggle over monetary policy between the Federal Reserve and the U.S. Treasury. The U.S. Treasury, under the leadership of Scott Bessent, has issued large volumes of short-term Treasury bills to finance rising government debt while attempting to protect the long end of the yield curve. In addition, long-dated government bonds are being actively purchased and financed through Treasury bill issuance. These measures, commonly referred to as "Operation Twist", are typically the domain of the Federal Reserve and have a liquidity-enhancing effect. Such an openly conducted power struggle can be dangerous, as investors are unable to clearly assess who ultimately controls financial market outcomes.

Renewed Balance Sheet Expansion

Operation Twist does not operate through an outright expansion of the money supply, but rather through a targeted flattening of the yield curve. By lowering long-term yields, financial conditions ease materially, supporting investment activity and directing capital flows toward higher-risk assets. As a result, asset prices and overall economic activity benefit without an expansion of the central bank's balance sheet.

However, an additional factor emerged in early December, when the Federal Reserve halted its balance sheet reduction (quantitative tightening) and resumed purchases of government bonds -amounting to approximately USD 40 billion in December alone. These purchases were conducted under the newly introduced Reserve Management Purchase Program, which in substance resembles a quantitative easing (QE) program, even if it is not labelled as such. Consequently, the Federal Reserve has begun expanding its balance sheet again after it had declined from roughly USD 9 trillion in 2022 to around USD 6.5 trillion.

Chart: FED Balance Sheet



Source: LSEG Datastream / ECR Research

Implications for Asset Markets

If robust U.S. economic growth coincides with newly created liquidity, inflation expectations could rise and exert upward pressure on long-term interest rates. This, in turn, would likely increase stress in equity markets, an outcome that would run counter to President Trump's economic objectives.

Should policymakers, however, succeed in further lowering short-term rates while artificially flattening the long end of the yield curve through measures such as quantitative easing or Operation Twist, this would provide substantial tailwinds for equities, precious metals, commodities more broadly, and hard assets such as Bitcoin. This is precisely the scenario we outlined in our Q3 2025 report, Fiscal Dominance and Policy Implications.

Admittedly, **U.S. equities appear relatively expensive** when assessed against traditional valuation metrics such as price-to-earnings ratios, the Shiller P/E, and price-to-book values. Nevertheless, equity markets **can remain elevated for an extended period if the aforementioned scenario materializes**. By contrast, **Europe and Japan appear relatively inexpensive compared to the U.S., but continue to face structural challenges. Selectivity and a focus on quality therefore remain essential.**

Bitcoin: From exceptional Year to Technical Correction

Against this backdrop, an obvious question arises: if precious metals such as gold are in an uptrend, why did Bitcoin lag during the fourth quarter? The year 2025 was exceptional for Bitcoin in many respects. Over the full year, Bitcoin declined by 6%. While September - historically a weak month for Bitcoin - delivered a surprisingly positive performance, the traditionally strongest fourth quarter failed to sustain this momentum. Although Bitcoin reached a cycle high of approximately USD 126,000 on October 7, it subsequently corrected sharply. What happened, and what did we underestimate?

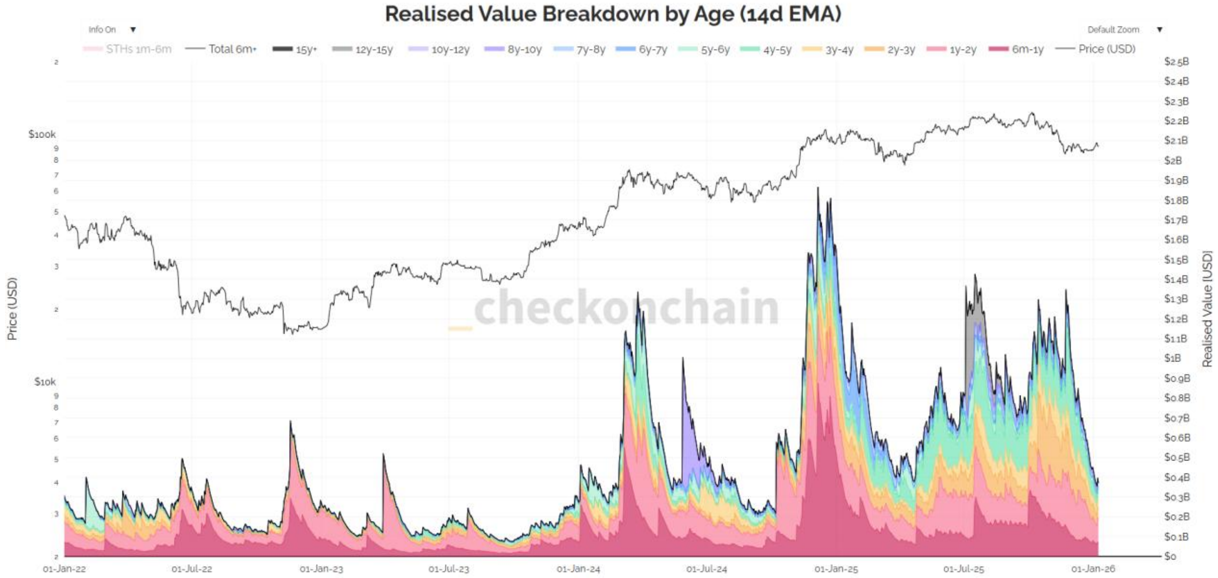
Basis Trade Unwind and Institutional De-Risking

In October and November, the Bitcoin market experienced a pronounced correction, largely driven by the unwinding of the so-called basis trade. Under this strategy, investors purchase Bitcoin—often via ETFs—while simultaneously selling futures contracts to hedge exposure and capture the spread between spot and futures prices (the "basis"). As these arbitrage spreads narrowed significantly, the trade lost its appeal and positions were unwound. This resulted in simultaneous selling in the ETF spot market and the repurchase of futures contracts, amplifying downward pressure on the Bitcoin price.

During this period, U.S. spot Bitcoin ETFs recorded substantial net outflows totalling approximately USD 3.5 to 4 billion, with November marking the weakest month since the products were launched. At the same time, derivative positions were materially reduced: open interest in Bitcoin futures declined sharply as large hedging and arbitrage structures were dismantled. In aggregate, derivative exposure amounting to tens of billions of dollars was unwound, further accelerating the technically driven correction.

What we underestimated was the magnitude of spot market selling by long-term holders (so-called "whales"), which coincided with an abrupt macroeconomically induced downturn and significant liquidations in the derivatives market. Overall, this episode represented less a broad-based capitulation and more a structured de-risking by institutional market participants.

Chart: Realized Value Breakdown By Coin Age (the darker the colour the older the coin)



Source: checkonchain

Blockchain Fundamentals Remain Strong

Despite the pronounced market volatility, core blockchain fundamentals remained resilient. Bitcoin's mining difficulty increased by 6.3% to a new all-time high of 155.9 trillion, supported by a record network hash rate of approximately 1.1 zeta hashes per second. This indicates that mining activity continued to expand despite pressure on short-term profitability, underscoring long-term confidence in the economic robustness of the network. Put differently, as Bitcoin's price and investor interest rise, additional miners enter the network. The protocol responds by increasing mining difficulty to ensure that new blocks continue to be produced roughly every ten minutes. **A high difficulty level therefore reflects network strength and confidence, even if it temporarily compresses miner margins.**

As a consequence, a significant volume of newly mined Bitcoin entered the market and had to be absorbed by both existing and new investors. Against this backdrop, it is noteworthy that Bitcoin declined by no more than 36.2% from peak to trough between October and November. This implies that substantial buying interest emerged in the spot market, particularly given that ETFs were simultaneously experiencing meaningful outflows. The natural question, therefore, is: who were these buyers? While this may only become clear in the coming months, it is evident that absorption came from investors with very deep pockets.

Outlook 2026: Structural Tailwind for Bitcoin

While this reallocation process may persist for some time and continue to be accompanied by elevated price volatility, we remain highly constructive on the outlook for 2026, supported by the following developments:

- Bitcoin **Transition from Trade to Treasury Asset**
- Trump **administration is pro Bitcoin** – Regulation stops being a risk and becomes a catalyst
- Bitcoin's price is now lower than when Trump was inaugurated
- **Supportive monetary policy** – lower interest rate environment
- **US strategic bitcoin reserve**
- **401 (k) accounts** could get access to crypto soon – executive order signed in August 2025
- Wider adoption and support within the banking industry
  - **Bank of America** officially changed its guidance of Bitcoin with wealth management clients. Starting on January 5th, 2026 the bank will allow more than 15'000 private bank advisors to proactively recommend spot Bitcoin ETFs to clients. The bank's CIO is recommending 1%-4% allocation to digital assets for suitable clients!
  - **Morgan Stanley** filed with the Securities and Exchange Commission (SEC) to launch its own Bitcoin and Solana ETF and expands crypto access to all clients without minimum asset threshold
  - JPMorgan is planning to expand its secured lending business allowing institutional clients to pledge their Bitcoin and Ethereum holdings as collateral when taking out loans
- **CLARITY Act** is coming - The CLARITY Act, the landmark crypto bill that would set a framework for how banks and crypto firms could use and sell digital assets, was passed by the House of Representatives this summer. The Senate is expected to vote on the bill sometime in the first quarter of this year.
- **Universities and pensions increase Bitcoin holdings** – Harvard expanded its Bitcoin exposure in Q3 to nearly $450mln a 250% increase
- **Luxembourg's sovereign wealth fund allocated 1% of its total portfolio to Bitcoin** - this move was publicly announced by Luxembourg's Finance Minister during a 2026 budget presentation in October. The first Eurozone government-level investment entity to take such an explicit allocation!

Technical Outlook

While Bitcoin is still treading water, a decisive move above USD 95,000, followed by a break above USD 106,000, would be required to exit the current consolidation range and resume the broader uptrend. On the way down, these levels acted as support; they have now turned into key resistance levels that must be reclaimed.

Kind regards,

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