LBBW

LBBW Research
2026: Choppy Waters Ahead

Editorial

Dear Reader,

Last year, I promised you that turbulent times lay ahead – not just for companies but also for investors. And indeed, 2025 has been nothing short of a roller coaster ride. Still, the capital markets ultimately moved upward. Week after week brought record highs in equities and skyrocketing gold prices.

So much for looking in the rearview mirror. But what can we expect in the year ahead? I don't say this lightly, but the waters are likely to become choppier. Towering above all uncertainties is Donald Trump, whose breathless tariff policies will continue to make it difficult for businesses to plan reliably in 2026. Could the president suddenly turn more placid and stop arbitrarily twisting the tariff screws? I wouldn't hold my breath.

Meanwhile, growing concerns about a sovereign debt crisis are spreading ever more openly across markets. Here too, Washington plays a particularly unflattering role. However, I don't share the fear that Trump could succeed in undercutting the Federal Reserve. Nevertheless, we at LBBW Research remain cautious. In particular, the stock markets appear to be priced for perfection. That's why the pace in 2026 will likely be more subdued compared to the remarkable rally of the year now drawing to a close.

But amidst all these shadows, I do have one glimmer of hope to share: Germany should finally emerge from recession in 2026, thanks in large part to massive spending programs on defense and infrastructure.

For insights into the future of economic policy, business cycles, interest rates, equities, currencies, commodities, and real estate, the LBBW Research team has compiled this annual outlook for you. One thing is certain – it will be another year keeping us on our toes.

I wish you a rewarding read and, above all, a healthy and prosperous 2026.

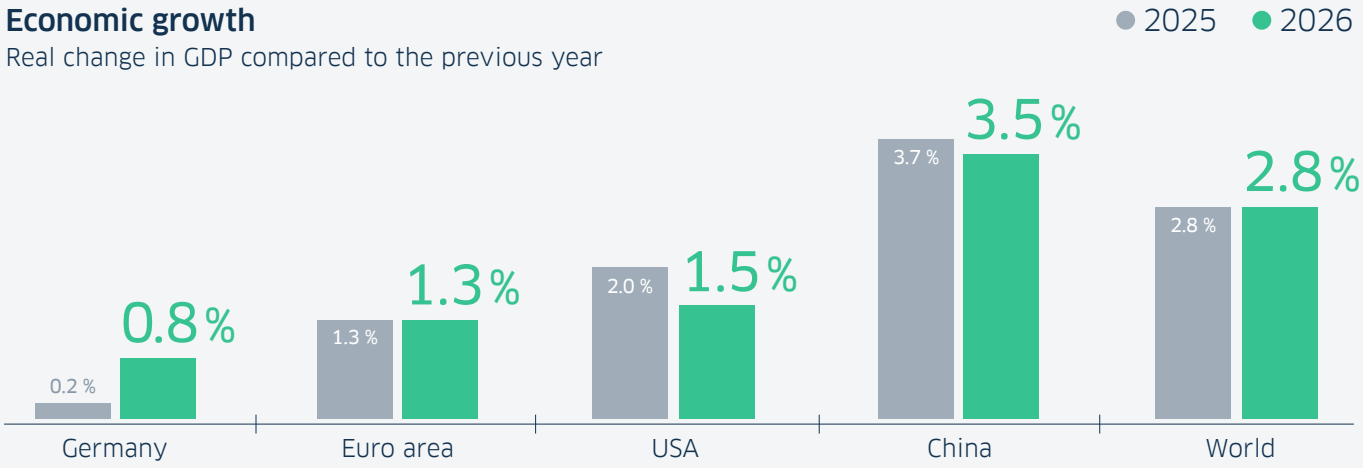
Yours sincerely,

Dr. Moritz Kraemer
Chief Economist and Head of Research

Selected Forecasts at a Glance.

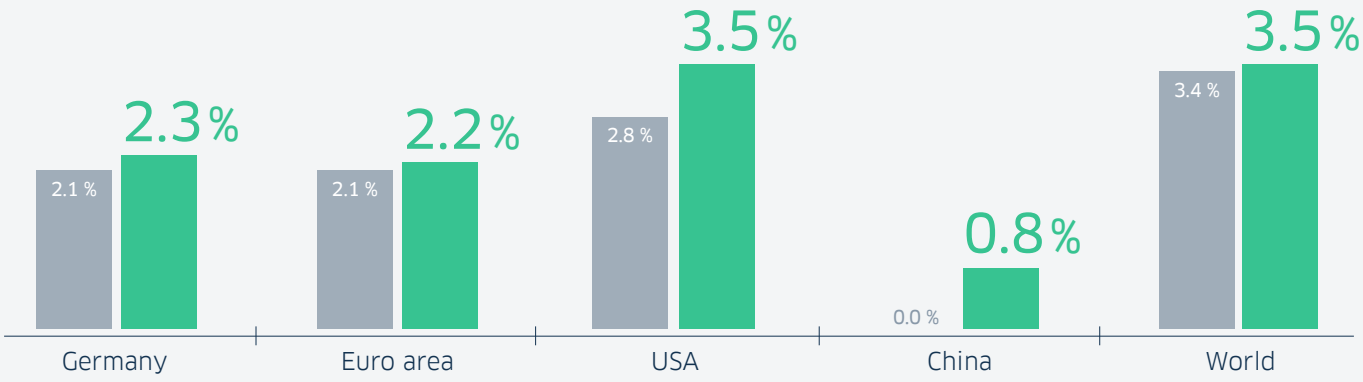
Economic growth

Real change in GDP compared to the previous year



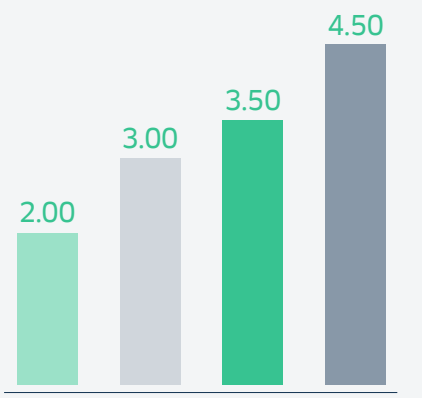
Inflation

Forecast for the full year 2026



Interest rates

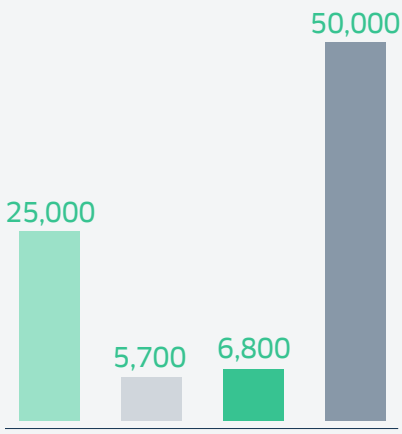
Expected levels as of 31.12.2026 (in %)



- ECB deposit rate
- German government bonds (10 years)
- Federal Funds Rate
- U.S. Treasuries (10 years)

Stock market

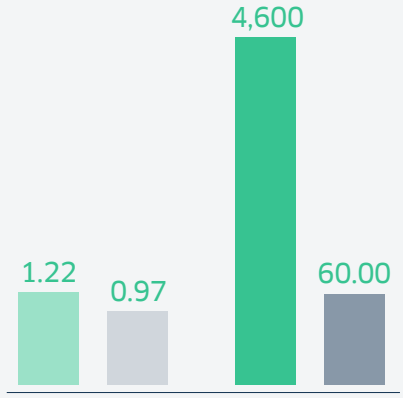
Expected levels as of 31.12.2026



- DAX (in points)
- EURO STOXX 50 (in points)
- S&P 500 (in points)
- Nikkei 225 (in points)

Commodities and currencies

Expected levels as of 31.12.2026



- U.S. dollar (per euro)
- Swiss franc (per euro)
- Gold (U.S. dollar per ounce)
- Crude Oil (Brent barrel in U.S. dollar)

Our Forecasts in Detail.

Economy

		2024e	2025e	2026e
Germany	GDP	-0.5	0.2	0.8
	Inflation	2.2	2.1	2.3
Euro area	GDP	0.7	1.3	1.3
	Inflation	2.4	2.1	2.2
USA	GDP	2.8	2.0	1.5
	Inflation	3.0	2.8	3.5
China	GDP	5.0	3.7	3.5
	Inflation	0.2	0.0	0.8
World	GDP	3.2	2.8	2.8
	Inflation	3.5	3.4	3.5

Interest rates

	23.11.2025	30.06.2026	31.12.2026
ECB deposit rate	2.00	2.00	2.00
Ger. gov. bonds (10 years)	2.66	2.90	3.00
Federal Funds Rate	4.00	3.50	3.50
U.S. Treasuries (10 years)	4.05	4.40	4.50

Commodities

	23.11.2025	30.06.2026	31.12.2026
Gold (U.S. dollar per ounce)	4,068	4,400	4,600
Oil (Brent barrel in U.S. dollar)	63	60	60

Stock market

	23.11.2025	30.06.2026	31.12.2026
DAX	23,092	25,000	25,000
EURO STOXX 50	5,515	5,700	5,700
S&P 500	6,603	6,800	6,800
Nikkei 225	48,626	50,000	50,000

Currencies

	23.11.2025	30.06.2026	31.12.2026
U.S. dollar (per euro)	1.15	1.20	1.22
Swiss franc (per euro)	0.93	0.96	0.97
British pound (per euro)	0.88	0.85	0.85

Sources: LSEG, LBBW Research; As of: 24.11.2025; all e-values are forecasts.

The 2026 Annual Outlook – Eight Topics in Focus.

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Power and Economic Structures in Transition.

01

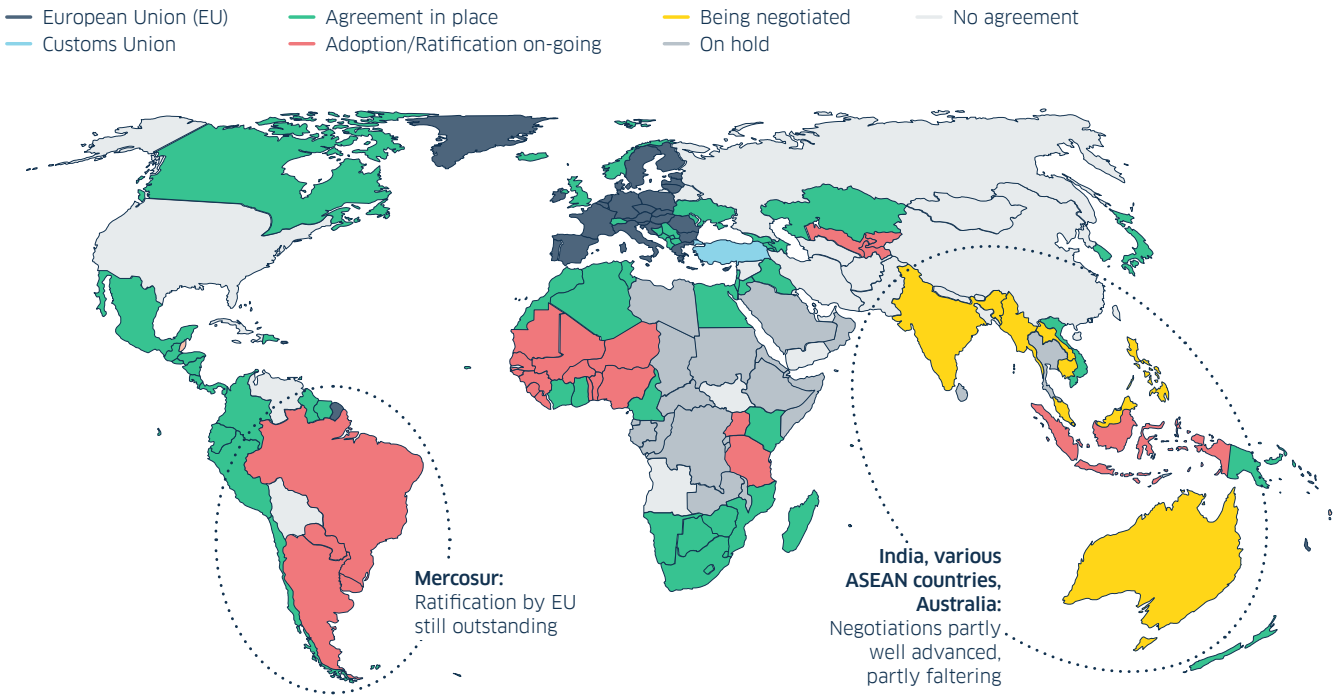
Sandro Pannagl und Matthias Krieger · Strategy / Macro Research

The world is changing, leading to shifts in frameworks shaping global affairs. The United States, once seen as a "benevolent hegemon" of a rules-based global order, now engages in a pure political power play. The current administration has raised the average effective tariff rate on U.S. imports from 2% to 18%. This shift is largely a response to China, which is pursuing similar goals through different means. By using export controls on rare earth elements, Xi Jinping demonstrated his power.

Europe, politically and militarily weak and lagging behind in technology, is struggling to adapt to this new environment. The EU's actions often make it appear a helpless pawn of foreign powers. Ironically, the U.S.'s protectionist stance is more a sign of weakness. America's share of global trade is falling (down to 13%), and despite tariffs, 70% of global trade is still conducted under WTO rules.

Many countries value rules-based trade and are eager to strike trade agreements with the EU and its single market of 450 million people: Mercosur, India, Indonesia, other ASEAN nations, and Australia – countries with large populations, vast reserves of strategic minerals, and high GDP growth. The EU must seize these opportunities, and would also do well to reduce internal trade barriers.

The EU is working on more trade agreements.



Sources: European Commission, LBBW Research; as of: November 2025

Meanwhile, the EU-U.S. trade agreement is on shaky ground. The EU has committed to $600 billion in investments in the U.S. and $750 billion in energy imports, yet it's unclear how these promises will be fulfilled. If these "deals" fall through, the entire agreement would be rendered meaningless.

At the same time, Russia's aggression continues to destabilize Europe. With the U.S. no longer seen as a reliable ally, Europe must rethink and rebuild its security architecture – a Herculean task. On top of that comes the financial burden: given empty public coffers, responsibility will likely fall to Germany to establish conventional military deterrence. Whether the public will accept these burdens remains to be seen. So far, disappointing efforts to reform Germany's social security systems and improve competitiveness paint a worrying picture for the future.

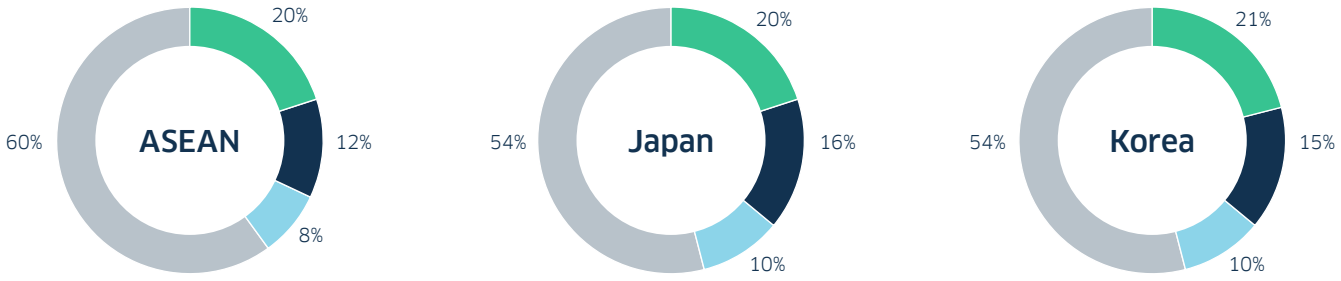
In the Middle East, a ceasefire brokered under U.S. leadership has brought temporary calm. Whether it will lead to lasting peace is doubtful. The Netanyahu government appears to view the deal as a missed opportunity to annex Gaza and the West Bank. Hamas, for its part, agreed only out of exhaustion. The conflict remains unresolved. The living conditions of Palestinians and their recent experiences fuel the potential for further violence. There is hope that Syria might now act as a stabilizing force – but even that is uncertain, as is Iran's trajectory. The region remains a powder keg.

Relations between the West and China continue to be strained. The recent trade deal between Washington and Beijing is only a temporary truce, allowing both sides to reduce vulnerabilities. The systemic rivalry persists. Europe shares many of America's concerns about Beijing but faces its own strategic limitations, given its reliance on China's supply chains and consumer market. Past warning signs (i.e., forced technology transfers) were largely ignored. Meanwhile, the new five-year plan reinforces the CCP's strategic policy approach, something often lacking in European capitals.

East Asian countries continue to seek close ties with the U.S. despite tariff conflicts, while Southeast Asia is pursuing regional integration alongside deeper cooperation with Beijing. Unless the EU initiates new bold partnerships, it risks falling further behind in these regions.

EU already well behind in Asia as trade partner.

Share of total trade volume in %



Sources: LSEG, LBBW Research; as of: October 2025

01

Key questions from clients answered by our experts.

What would it cost to rebuild Ukraine?

International organizations estimate the costs at around $550 billion. The longer the war lasts, the more expansive it will become. The most severely damaged areas are the transportation and energy infrastructure, as well as housing. Ukraine will depend on international aid for the reconstruction. Even now, the estimated costs are already 2.5 times the country's GDP.

How would an annexation of Taiwan impact the global economy?

A Chinese invasion of Taiwan would have catastrophic consequences. It would massively disrupt key shipping routes in East and Southeast Asia, and bring Taiwanese chip production to a halt. This would lead to a collapse in global supply chains. An involvement of neighboring countries cannot be ruled out. The global damage would far exceed that of the COVID crisis.

Does Europe still have enough economic power to exert influence?

Yes! Europe remains an economic heavyweight. The EU's GDP is larger than China's, and there is no need to shy away from comparison with the U.S. either. While there are technological deficits, the foundation is there: without machinery from Europe, there would be no high-performance chips. In the longer run, U.S. isolationism could provide Europe with a competitive advantage. With regard to China, a clear strategy is needed.

Are the BRICS taking over the West's leadership role?

No. To assume a global leadership role, a unifying worldview is required as the foundation of a world order. However, the BRICS countries are only united in their opposition. They feel excluded by the West and believe they are not adequately represented in international institutions. Conflicting interests between key BRIC nations are too significant to formulate an alternative world order.

The German Coalition Faces a Moment of Truth.

02

Dr. Moritz Kraemer · Chief Economist and Head of Research

Expectations for the new German government were high – probably too high. After all, this coalition owes its very existence to the fact that it was the only viable option short of breaking the so-called "firewall" against cooperating with the far-right Alternative for Germany (AfD). The programmatic differences between the Christian Democrats (CDU/CSU) on one hand and the Social Democrats (SPD) on the other remain significant. These are not exactly the ideal conditions for ambitious reform policies. As a result, the much-trumpeted "Autumn of Reforms" has turned out to be little more than a few weeks of minor adjustments. For instance, the reconfiguration of Germany's basic income scheme amounts to little more than symbolism. Similarly, the tax-advantaged "active pension" starting in 2026 might result in opportunistic windfall effects but does nothing to address the core issues of the precarious finances of the public pension system.

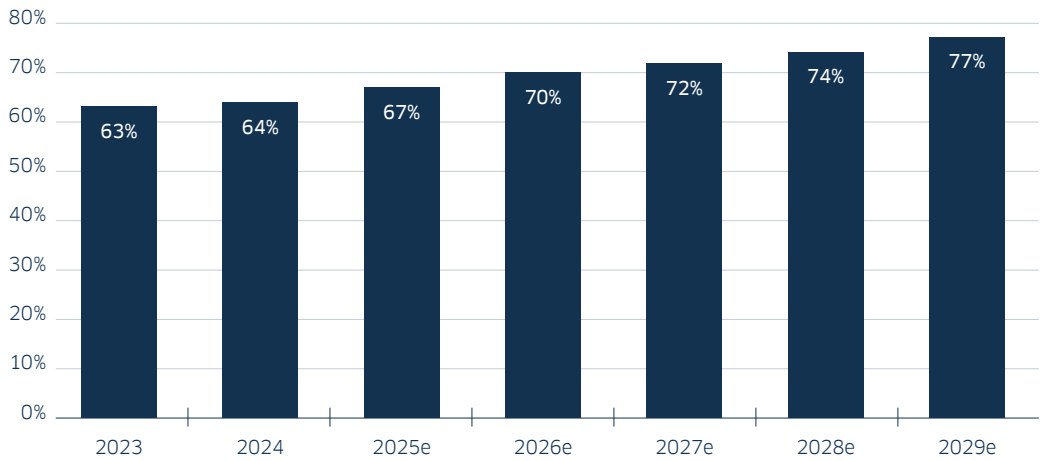
Still, the most significant measure of Chancellor Friedrich Merz's government was passed before it even took office: the weakening of the fiscal debt brake. But this was less a reform and more a complete dismantling. For someone like me, a steadfast advocate of reforming the debt brake, the constitutional amendment is nothing short of sobering. It opens up a sea of red ink. Federal budget deficits could balloon to around 4% of GDP by the end of the legislative term. At the same time, capacity constraints in the defense and construction sectors may result in less economic growth than hoped for, but in rising prices. In that case, a lot of money might be spent with little to show for it in terms of economic output.

Worryingly, there are growing signs of the feared "budgetary shell game": the government has begun shifting investments from the core federal budget to special funds, effectively creating more room in the primary budget for consumption expenditures. On top of that, costly electoral giveaways – totaling some €10 billion annually – are adding pressure, with measures like expanded mothers' pensions, higher commuter tax allowances, reduced VAT for restaurants, and subsidies for agricultural diesel.

Let's cross our fingers that all of this turns out to be nothing more than the teething troubles of a new coalition and that 2026 brings better governance. Right now, I am not betting the farm on it.

Germany's debt ratio is likely to grow significantly.

Public debt as a percentage of GDP



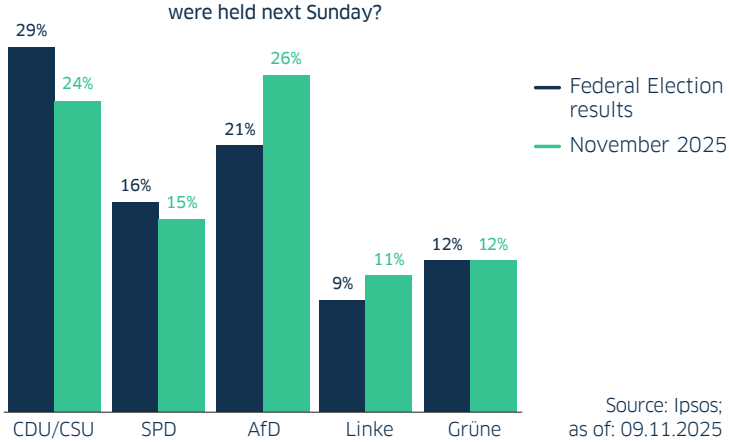
Source: LBBW Research calculations based on data from the German Ministry of Finance (BMF) and the International Monetary Fund (IMF).
Assumption: an annual deficit of 1% for states, municipalities, and social security systems;
as of: October 2025

02

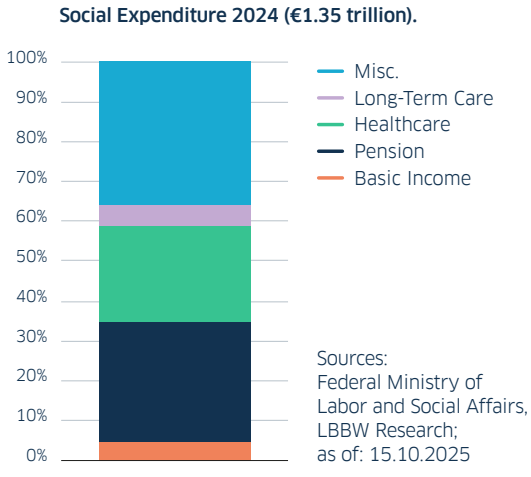
Key questions from clients answered by our experts.

The black-red coalition was not a love match. Will it survive the legislative period?

While coalition negotiations went relatively smoothly, day-to-day governing is facing some hurdles. That said, neither the Union nor the SPD are pushing for early elections, as neither of them are doing well in the polls. The parties will give their all to make this marriage of convenience work and hope that an economic upswing will soften the electorate's mood.



Will the new basic income relieve some pressure on the federal budget?



Yes, albeit to a minor extent. The Chancellor's expectations of saving €5 billion (about 10%) are optimistic. The Federal Constitutional Court issued a clear ruling to ensure the minimum subsistence level. The most recent figures show that the number of non-compliant Bürgergeld (Citizens' Benefit) recipients was well below 0.5 %. Notably, only some 4% of federal social assistance was spent on this Citizens' Benefit.

Setting Off with Uncertainties.

03

Dr. Jens-Oliver Niklasch · Strategy / Macro Research

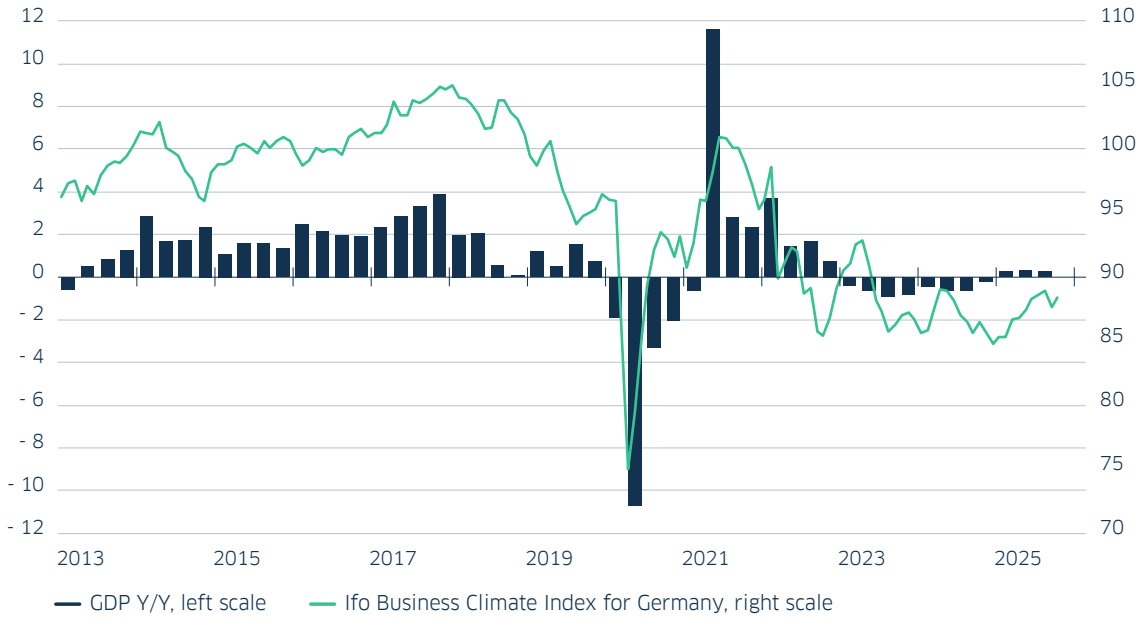
Three years of stagnation are now behind Germany. In 2025, real GDP was roughly at the same level as in 2019. However, growth may at last pick up next year. There are reasons for optimism: since 2003, the ECB has halved its key interest rates to 2%, which should have a positive effect on economic activity. For the optimists, the trump card is fiscal policy. The deficit ratio stood at 2.8% of GDP in 2024. According to Bundesbank estimates, it could temporarily decline in 2025, only to rise to 4% in the following two years. The federal government is accumulating debt, both in the core budget and through special funds, to increase defense and investment spending. We expect this stimulus to boost economic output by 0.8% next year. This effect could be even greater were it not for the fact that some of the special funds support consumption rather than investments, and that the core budget increasingly reflects a system in which regular capex expenditures are reallocated to special funds, undermining their original purpose of funding additional investments. An additional calendar effect (from the timing of holidays) is expected to push GDP up by nearly 0.3 percentage points.

The risks for 2026, on the other hand, are all too familiar: U.S. trade policy has disrupted Germany's trade engine by increasing import tariffs. Exports to the U.S., hitherto Germany's most important export destination, are now declining. Further measures are also conceivable. Since the start of his second term, U.S. President Donald Trump has displayed a strong interventionist tendency, with no signs of letting up. Also high on the risk list: There are still no signs of an end to the war in Ukraine.

Inflation, however, seems to be under control. At just over 2%, it is hovering near the ECB's target. This is likely to support real incomes and household consumption. Price levels in upstream stages are also largely stable. The labor market, however, still bears the scars of recent lean years. Unemployment is edging upwards towards the three-million mark, with no reversal in sight.

Germany has been in stagnation for three years.

Ifo Business Climate and GDP year-on-year comparison



Sources:
LSEG, LBBW Research;
as of: 15.10.2025

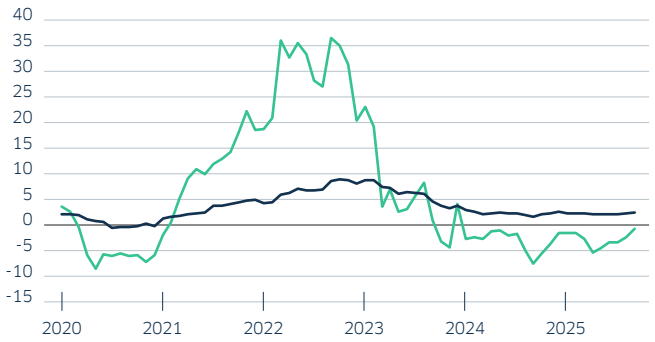
03

Key questions from clients answered by our experts.

Will CO_2-prices mean higher inflation?

Currently, the CO_2 price for fuels is set at €55 per ton. In 2026, the allowed trading range will be €55-65, before market pricing begins in 2027. As a result, fuel prices could increase by up to 10% in 2026. If the increase is fully passed on to household energy costs, inflation could temporarily rise by up to one per cent.

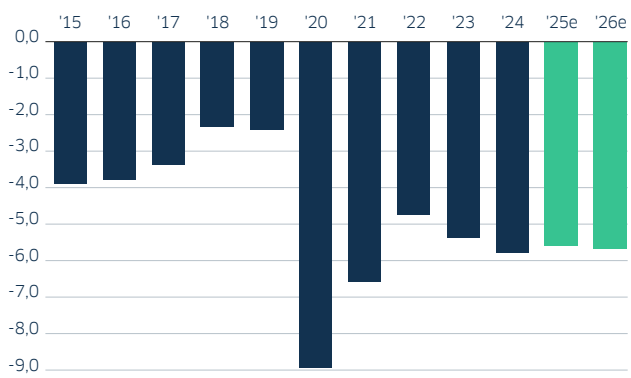
Germany: Inflation and energy prices.



Sources: LSEG, LBBW Research; as of: 15.09.2025

Is a new debt crisis looming in the Eurozone?

France: Debt and deficits in % of GDP.



Source: European Commission; as of: 24.10.2025

The budget deficit of France is too high, but not as excessive as in Greece back then (10% to 15% from 2008-2011). Moreover, with the European Stability Mechanism (ESM) and potential ECB bond purchases, the EU's institutions are better equipped to handle a debt crisis nowadays. Nevertheless, France needs to consolidate its finances to avoid losing the market's trust.

04 Debt Concerns Weigh on Bond Markets.

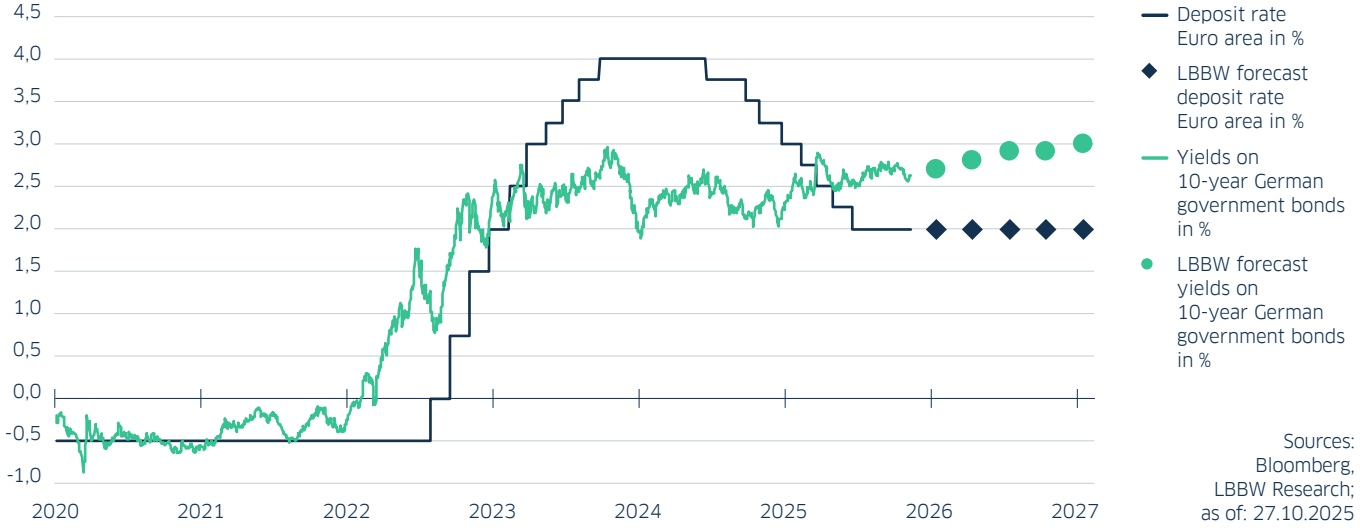
Elmar Völker · Strategy / Macro Research

A mix of trade policy worries and hopes for fiscal stimulus – particularly from Germany – currently shape the economic outlook for the euro area. Meanwhile, inflation appears to be stabilizing close to the ECB's 2% target. Monetary policy in the euro area is currently predicated on a broadly stable economic outlook with moderate risks to price stability. Against this backdrop, there is little reason for policymakers to move the deposit rate away from its current 2% anytime soon in either direction. Recently, the ECB Governing Council set a high bar for resuming the rate-cutting path it paused in July 2025. At the same time, a rate hike in 2026 would likely require a sharp and unexpected increase in inflation risks. As such, we expect the ECB to leave its key short-term rates unchanged throughout 2026 as the most likely scenario.

At the same time, the trend toward rising government debt in all major economic regions will likely lead to long-term yields inching higher. According to our forecast, Germany will need to issue a record volume of Bunds in 2026 to finance the government's spending plans. Investors are expected to demand higher risk premiums for long-dated government bonds, pushing the yield on 10-year Bunds to around 3% in the second half of 2026.

In the U.S., concerns about long-term government debt are even more pronounced. Additionally, doubts about the independence of U.S. monetary policy is growing. These factors may drive investors to demand elevated risk premiums. Therefore, U.S. long-term yields are bound to rise, even as the Fed cautiously lowers its key policy rate in response to a weakening U.S. labor market and slowing economic growth. Overall, we anticipate two further rate cuts of 25 basis points each by the Fed by the end of 2026.

We expect the ECB to hold rates in 2026, but bund yields will rise.



Sources: Bloomberg, LBBW Research; as of: 27.10.2025

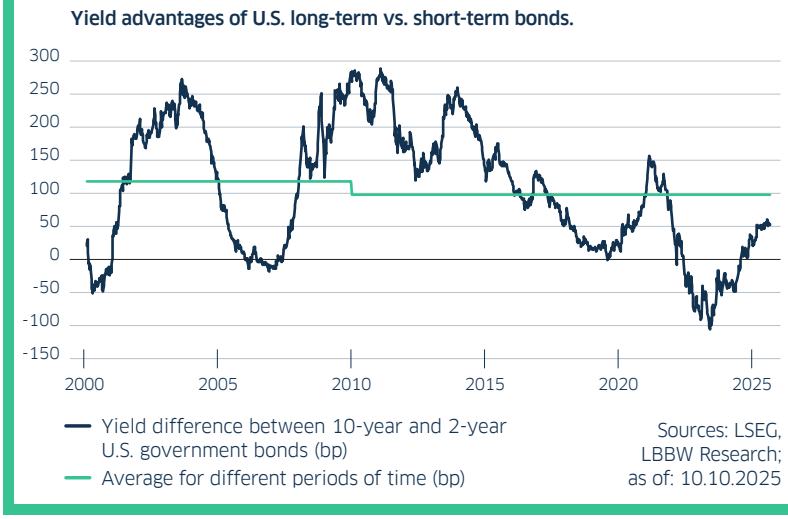
04

Key questions from clients answered by our experts.

Is the Fed losing its independence?

No, but the Fed will permanently be under greater political pressure than it was before Trump. That means walking a fine line. U.S. central bankers will have to navigate between constant interference from the White House and the wary eyes of investors who fear an erosion of independence. In the public perception of the Fed, Jerome Powell's successor will play a pivotal role.

Are long-term U.S. government bonds attractive?



We prefer government bonds with short- to medium-term maturities. While long-term U.S. bonds now offer slightly higher yields than short-term bonds, the yield advantage is significantly smaller than the long-term historical average. This does not sufficiently compensate for the risk posed by rapidly growing U.S. national debt.

Will the ECB's next interest rate move be up or down?

If our forecast is correct that the ECB will hold steady in 2026, the next move is likely to be an increase. While inflation risks in the euro area are lower in the short term due to economic weakness, in the medium term, the debt-financed policies of the German government are likely to drive inflation higher again.

Yield Differentials Strengthen the Euro.

05

Dirk Chlench · Strategy / Macro Research

Yield differentials have always been a key factor in the exchange rate relationship between the euro and the U.S. dollar. Although the so-called "Liberation Day" in early April – when the U.S. announced sweeping tariff increases on nearly all its trading partners – temporarily disrupted this dynamic (see left chart), yield differentials have returned as a driver of exchange rate movements in recent months (see right chart) and are central to our forecast.

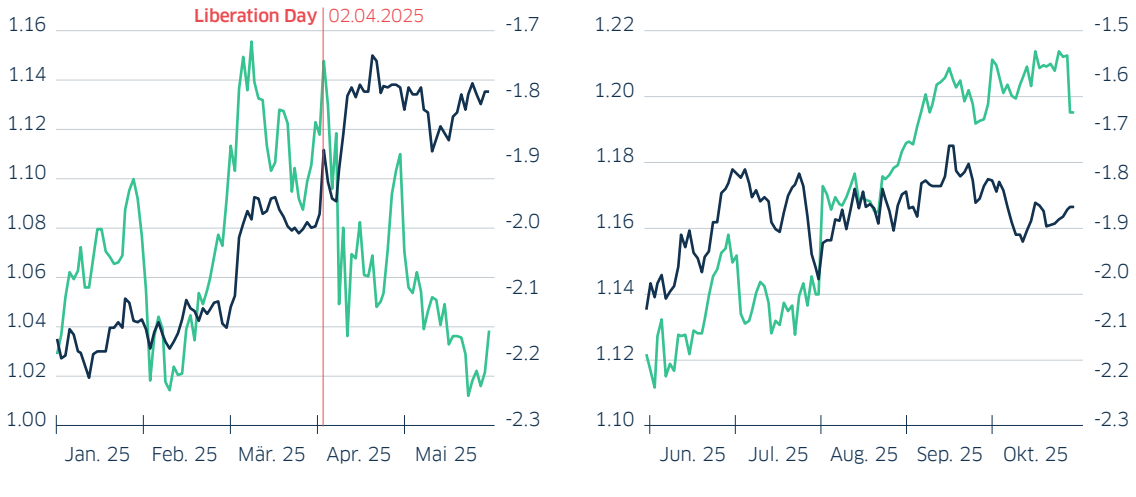
While the ECB's spree of interest rate cuts has come to a halt, we expect the Federal Reserve to lower its benchmark interest rate by the end of 2026 two more times by 25 basis points, due to persistent labor market weakness. These divergent monetary policies are expected to reduce the yield advantage of short-term U.S. Treasuries compared to equivalent German Bunds.

Historically, there have been extended periods when the euro-dollar exchange rate diverged from its typical correlation with yield spreads. For instance, the joint initiative by Angela Merkel and Emmanuel Macron to establish a "Recovery Fund" in 2020 – aimed at mitigating the economic fallout of the COVID-19 pandemic – boosted the euro for many months. However, no comparable factor is currently on the horizon. While political uncertainty ahead of the French presidential elections in 2027 may put some pressure on the euro, confidence in the U.S. dollar is also being undermined by Trump's increasingly autocratic governance. As a result, our euro-dollar forecast will continue to closely track interest rate differentials. By the end of 2026, we expect an exchange rate of $1.22 per euro.

As for the Swiss franc, the interest rate disadvantage compared to the eurozone is likely to cause a slight depreciation against the euro. Nevertheless, the potential for a significant depreciation of the franc remains limited; we do not expect the franc to reach parity with the euro in the near term.

The relationship between interest rate differentials and the U.S. dollar exchange rate broke down temporarily.

Euro to U.S. dollar and yield differential



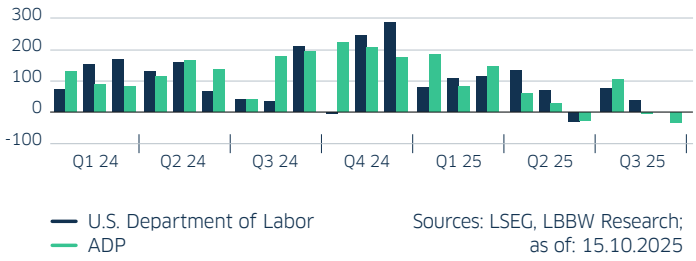
Sources:
LSEG, LBBW Research;
as of: 22.10.2025

Key questions from clients answered by our experts.

Can U.S. economic data still be trusted?

At the end of July, the U.S. President dismissed the head of the Bureau of Labor Statistics after the agency reported a disappointing increase in hiring. Trump accused the head of manipulating the data. However, a comparison of official statistics with the jobs increase reported by payroll service provider ADP shows no significant discrepancies compared to the past. Available data since then is not yet conclusive, but skepticism may be warranted.

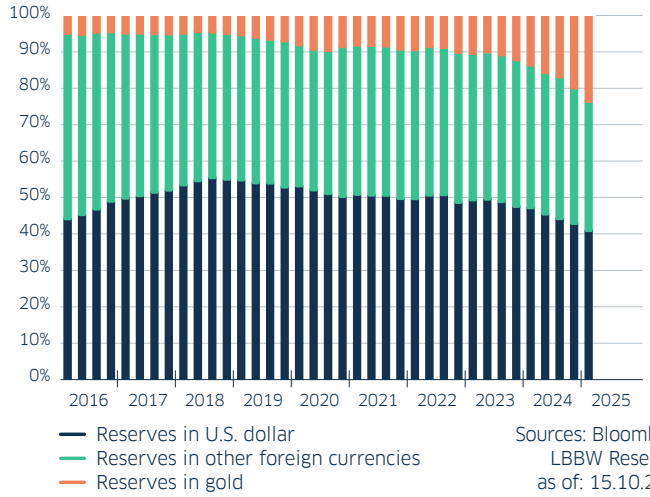
U.S. employment in the private sector.
Seasonally adjusted figures, month-over-month comparison, in thousands



Sources: LSEG, LBBW Research; as of: 15.10.2025

Is the dollar's role as reserve currency in danger?

Percentages of global central bank reserves (currencies and gold).
Annual figures



Sources: Bloomberg, LBBW Research; as of: 15.10.2025

The current U.S. administration sees the U.S. dollar's role as the global reserve currency more as a curse than a blessing. By attacking the Fed's independence, it is undermining trust in the dollar itself. However, there are no clear alternatives available. So far, neither the euro nor the yuan has benefited much from this loss of trust. Gold is the winner.

Markets Face a Looming Correction.

06

Dr. Berndt Fernow · Strategy / Macro Research

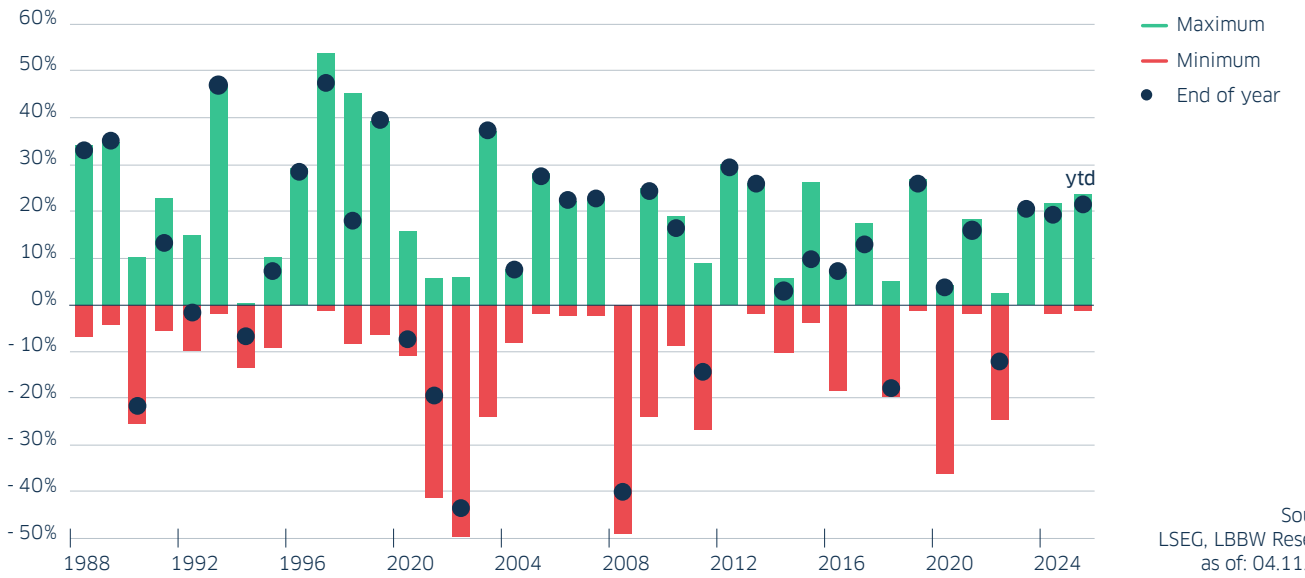
After a three-year rally, global stock markets are now quite expensive. The risk premium for equities over bonds has narrowed to a minimum. The key driver of this rally has been the hype around artificial intelligence (AI). So far, the AI enthusiasm has overshadowed disruptions from the Oval Office. Investors appear to have grown complacent – after all, things have gone well so far.

But this is precisely where the danger lies for markets: ignoring risks doesn't make them disappear. U.S. trade policy is subtly fueling inflation, keeping interest rates elevated, and slowing growth, both in the U.S. and in export-driven economies like Germany. This triple burden affects equities by cutting into corporate profits, raising financing costs, and pressuring valuations. Global supply chain disruptions also loom if China continues to use its control over strategic metals as political leverage. From an investor's perspective, another source of concern is the unprecedented concentration of market capitalization in just a few AI-driven companies. While these firms are highly profitable, they are now committing massive investments in data centers, which will lead to significant depreciations in the coming years.

Slowing earnings momentum could put pressure on valuations of U.S. stock market leaders. For euro-based investors, currency risks should not be overlooked. The U.S. administration has stated clearly that it intends to use monetary and currency policy to its own advantage, adding another layer of uncertainty for global markets. Looking ahead, we expect a prolonged phase of risk aversion in 2026, with major indices likely to fall well below their levels at the start of the year. However, opportunities exist outside the U.S.-dominated mainstream. Asian and European stocks are significantly cheaper than their American counterparts. Meanwhile, stocks reliably paying high dividends are worth considering, as are mid-cap and second-tier equities.

Unlike in previous years, the DAX is likely to slip temporarily into negative territory in 2026.

Performance range of the DAX in each calendar year



Sources:
LSEG, LBBW Research;
as of: 04.11.2025

06

Key questions from clients answered by our experts.

Is it worth investing in U.S. value stocks?

At the U.S. stock market, the spotlight is entirely on key players of artificial intelligence. In contrast, shares of established, profitable companies with stable business models and attractive dividend policies are being overlooked. However, many global corporations fall into this category, and for us, they remain fundamental investments.

P/E ratio of U.S. stocks.

Sources: LSEG, LBBW Research; as of: 15.10.2025

Are emerging markets about to enjoy a renaissance?

Tectonic shifts in the global economy and trade outside the U.S. certainly offer opportunities for a comeback. However, we would focus on stock markets that genuinely allow participation in the growth and structural transformation of economies, particularly those with a high share of technology and services. By contrast, economies dominated by state-controlled enterprises and commodity firms are likely to disappoint.

Does AI offer opportunities for new providers in Europe as well?

Ultimately, the winners are not necessarily companies that drive new technology with significant investments. Instead, it's those that develop new business models from it. Additionally, companies that only need adapt their products, such as providers of traditional technology, also stand to benefit. Europe has many such companies, while new ideas usually achieve a breakthrough in the U.S.

Heading in the Right Direction.

07

Benedikt Horwedel · Strategy / Macro Research

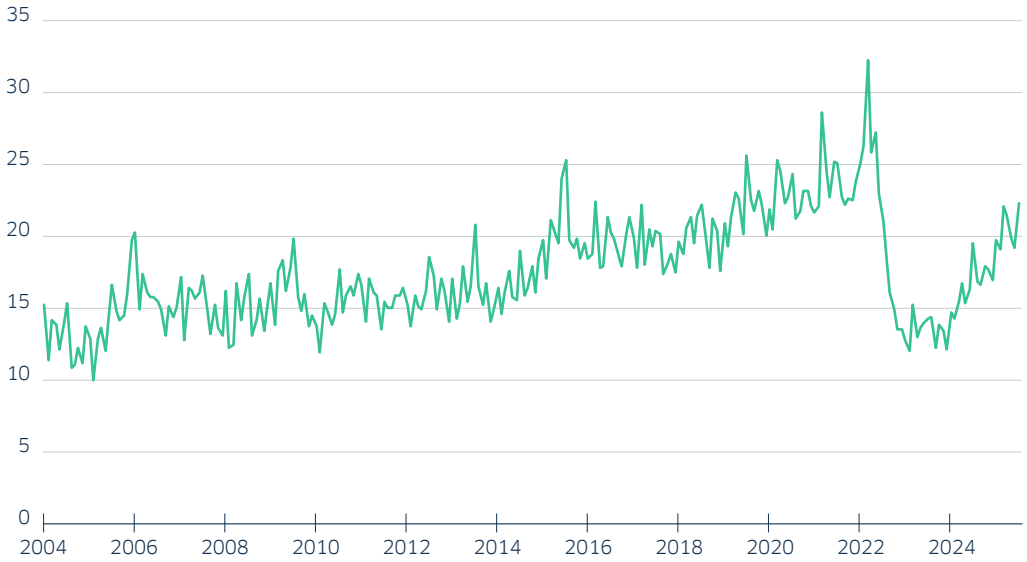
The prices for residential real estate in Germany are picking up again. Nevertheless, it will take some time before the pre-Covid level is reached. Reasons for this include stagnant population growth and only slowly increasing rents. For 2026, we expect an average price increase of 3% to 4%. One driving factor is the reawakened interest of private households: in the first half of 2025, new mortgage loans were around one-third higher compared to the previous year. The third quarter also showed robust loan demand. For 2026, we expect this encouraging development to continue, albeit at a slightly reduced pace. A swift return to the boom times of the low-interest phase seems unlikely.

An additional boost is currently being experienced in private residential construction projects – not least due to the broadening realization that interest rates are unlikely to decline further in the foreseeable future. We also expect that mortgage interest rates will tend to rise, as they are influenced, among other factors, by the yield levels of German government bonds, which we expect to inch upwards. However, residential real estate is unlikely to regain its former glory anytime soon, as the market continues to be weighed down by weak economic conditions and higher unemployment. How strong the impact of the government's "building turbo" initiative will be remains to be seen. Much depends on how quickly municipalities use the new flexibility and accelerate their approval processes. Overall, the outlook is cautiously positive.

Residential real estate also remains in demand in the commercial real estate market. In the first half of the year, it was the asset class with the highest transaction volume. Investment volumes are picking up again but remain significantly below the long-term average. Office properties, however, remain challenging, particularly in less desirable locations. Transaction volumes remain some 80% below the level that had prevailed when the ECB started hiking rates in 2022. The trend toward higher vacancy rates is likely to continue, as more people retire and hybrid work models remain popular. While new lease rents in the office segment are rising, this is primarily due to individual high-end transactions. Overall, we do not expect significant jumps in transaction volumes in 2026.

Recovery in the private residential real estate market.

New private residential mortgage originations in € billion, monthly



Sources:
Deutsche Bundesbank,
LBBW Research;
as of: 01.07.2025

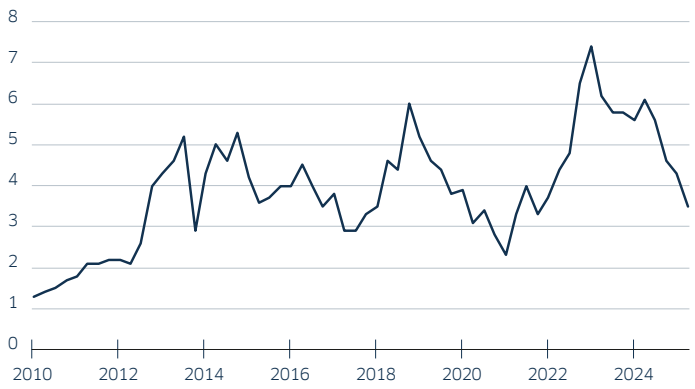
07

Key questions from clients answered by our experts.

Do investments in real estate currently make sense?

Germany is still facing a shortage of housing. Hence, rents and prices for residential properties are on the rise again. No one should expect to get rich overnight with real estate. However, a house or apartment can serve as a safeguard against surging rents. In short, those who can manage to finance a residential property and invest are unlikely to regret it in the long run.

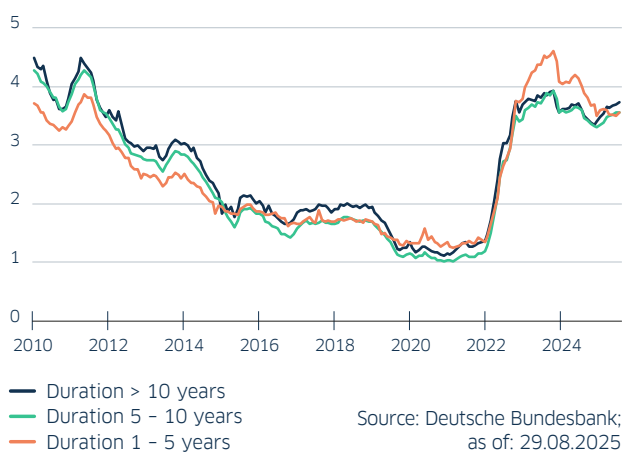
Growth in rental prices has weakened but remains positive
Increase in rents as y-o-y % change



Source: vdpResearch; as of: 15.05.2025

Would it be better to obtain long-term or short-term financing for a real estate loan?

Effective interest rates for housing loans in Germany (% per year)



Source: Deutsche Bundesbank; as of: 29.08.2025

Currently, short-term interest rates are once again lower than those of long-term loans. However, the ECB demonstrated in 2022 how quickly it can raise money market rates. Geopolitical tensions also argue in favor of long-term fixed interest rates. In light of the experiences of recent decades, we would prioritize long-term planning security over potential short-term benefits.

Gold and Silver Continue Their Record Run – Oil Remains Affordable.

08

Dr. Frank Schallenberger · Strategy / Macro Research

The year 2025 has been quite turbulent for several commodities. Gold, silver, and copper all reached new all-time highs, while oil prices temporarily dropped to their lowest levels in four years. The Bloomberg sector index for precious metals rose by more than 50% in the first ten months of the year, while base metals gained an average of around 15%. In contrast, energy commodities saw only a modest 2% increase.

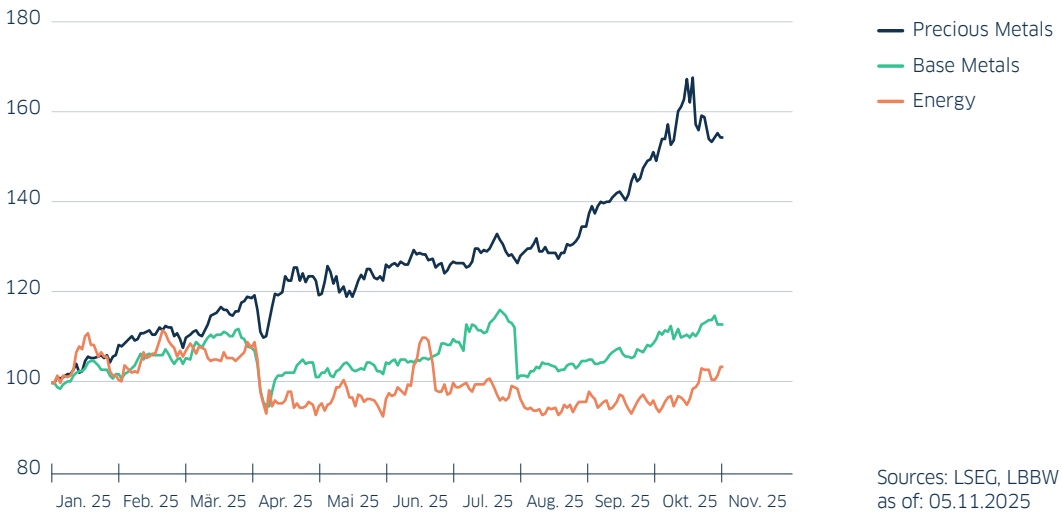
Although precious metals saw slight corrections from mid-October onward, their rally is likely not over. Many key arguments in favor of gold and its peers remain valid: U.S. interest rates are expected to continue falling, questions persist about the future independence of the Federal Reserve and the stability of the U.S. dollar, and U.S. trade policy is likely to deliver more surprises to the markets in 2026.

The upward trend in base metals is also expected to continue next year. Growing industrial demand for products related to the green transition and AI investments should support this momentum – especially since various issues in mining production, particularly for copper, have strained supply in recent months.

Weak global economic growth is expected to keep oil demand in 2026 as subdued as it was this year. In addition, since April 2025, OPEC+ has significantly ramped up production in several stages. The cartel clearly prioritizes market share over price levels. As a result, a major supply surplus is looming in the oil market for the coming year. That means oil prices are unlikely to rise. That is good news for consumers, but bad news for OPEC+.

Commodity sectors show significantly different performance in 2025.

Bloomberg Commodity Spot Subindices; indexed: 31.12.2024 = 100



Sources: LSEG, LBBW Research; as of: 05.11.2025

08

Key questions from clients answered by our experts.

Will silver be “the new gold” in 2026?

Since spring 2025, silver has outpaced gold significantly. The gold-to-silver ratio recently reached 80, its lowest level in the past twelve months. However, a continued outperformance of silver is rather unlikely. This is due to the weak global economy, which is expected to remain sluggish in 2026, and the fact that silver is highly dependent on industrial demand.

Whatever happened to “Drill baby, drill”?

Not much! U.S. frackers need a WTI price of around $65 for new drilling projects, but the current price of oil is significantly lower. In fact, U.S. oil production has stagnated since the beginning of the year, and the number of active drilling rigs has dropped by more than 13%. This means that “Drill, baby, drill” is likely to remain a non-starter in 2026 as well.

What is driving the current copper rally?

Robust demand for copper since January has recently been met with massive supply bottlenecks. The Grasberg mine in Indonesia, the world's third-largest copper mine, temporarily closed due to an accident. There are also disruptions in other countries. As a result, a significant market deficit is expected this year. Copper prices are likely to surpass $11,000 in 2026 at the latest.

Well informed, even in 2026!

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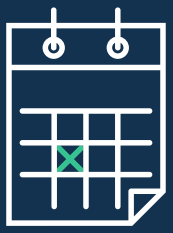

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