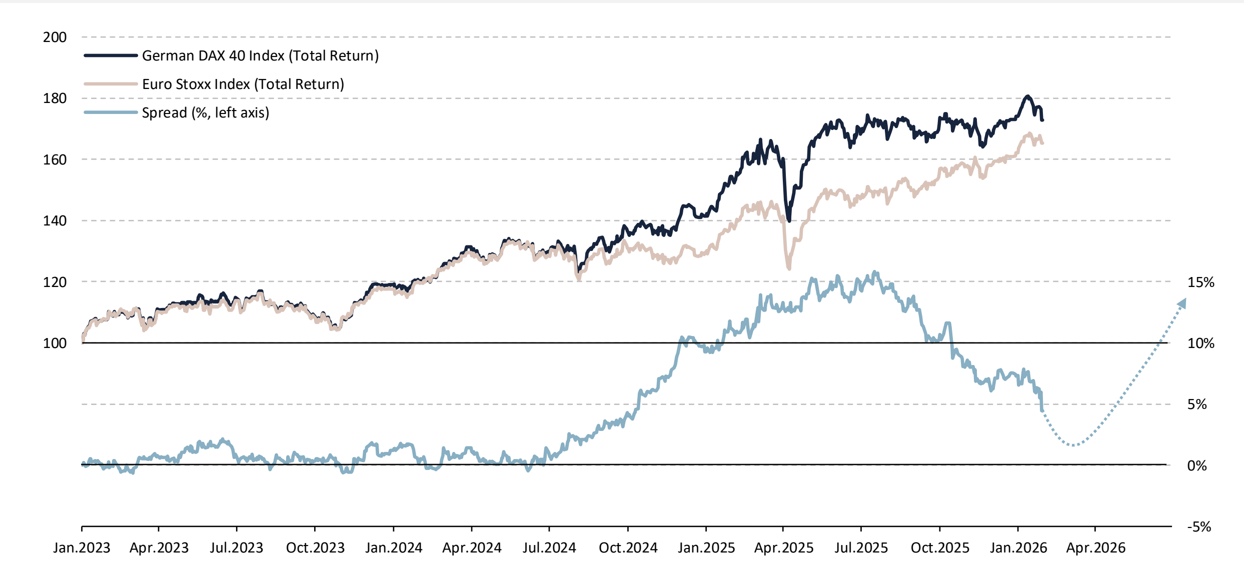
The flexiweekly that reaches new heights - published on 2 February 2026

"THE AWAKENING OF BARBAROSSA"

- Germany has experienced difficult years and overcome many challenges
- Companies have undergone profound changes, both in industry and in services
- Government stimulus plans have strengthened their ability to generate profits
- Investors should turn their attention to the DAX

CHART OF THE WEEK: "Second call before the German index outperforms"



Source: Bloomberg, Altitude IS

FINANCIAL MARKETS ANALYSIS

What if Barbarossa, Emperor Frederick I of Hohenstaufen, **had not died** in June 1190, but had simply fallen asleep in the heart of the Kyffhäuser mountain? Legend has it that his red beard continued to grow through a stone table, waiting for the hour of his awakening to restore prosperity to Germany. Looking at the trajectory of the DAX 40 in recent years, it does not seem entirely impossible that fiction has finally caught up with reality and that the German giant has indeed awakened from its slumber. After several years marked by sluggish growth (see Fig. 2), draconian fiscal austerity, the constraint of no longer sourcing energy from Russia, and low business and household confidence (see Fig. 3), **Germany is undergoing a profound and promising transformation.** As is often the case, investors are visionary and have not waited for confirmation by the facts to expose themselves to the awakening of the German giant. In Frankfurt, between July 2024 and June 2025, equities grew at a faster pace than the average for European stock markets (see Chart of the Week). Since then, they have slowed down, reducing this advantage from 15% to 5%. To understand why the DAX 40 is set to continue outperforming, we need to analyse the very foundations of the German economy, whose companies benefit not only from its productive and exporting power, but also from the long-awaited support of its domestic market.

Fig. 2 – Economic growth

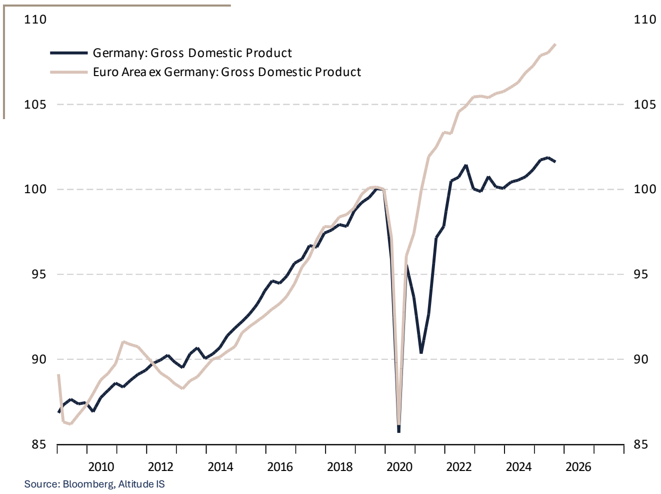
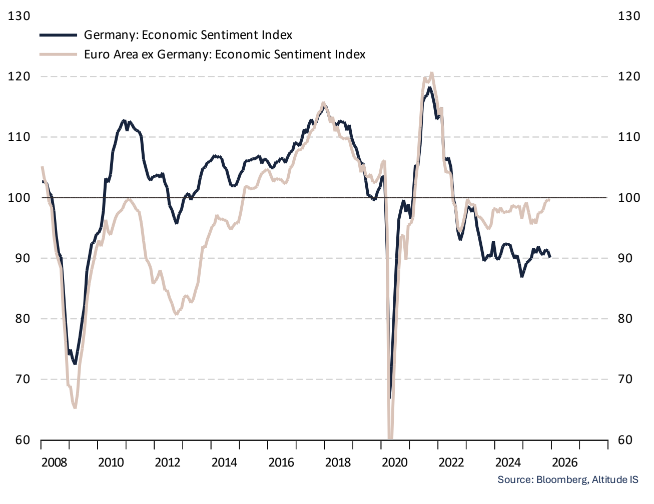


Fig. 3 – Business and household confidence



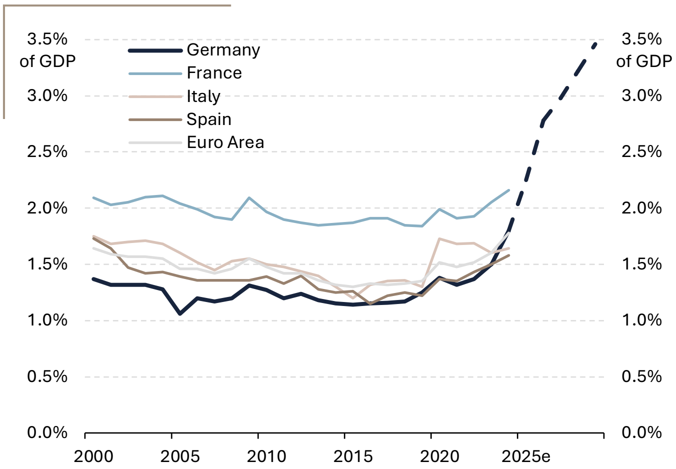
Among developed countries, Germany stands out as a positive anomaly. **Its industry accounts for 27% of its gross domestic product,** compared with 18% for the United States and the average for Eurozone countries. This makes it highly sensitive to international economic cycles. This singularity is embodied in the **automotive, chemical, mechanical engineering and electrical engineering sectors,** which form the backbone of the country. This quartet has had to face the challenge of decarbonisation and the end of Russian oil and gas supplies, but it is currently **undergoing a phase of massive electrification and technological reinvention that is generating high productivity gains.** The German economic landscape is made up of industrial giants and of a multitude of family-owned companies, the *Mittelstand*. These small, often discreet, champions are among the world leaders in niche, often highly technical, markets. Representing 60% of jobs, they ensure the resilience of the labour market and feed the entire value chain, not only in Germany but throughout Europe.

The international openness of the German economy is an important growth factor. With exports accounting for nearly 40% of its national wealth, the country benefits from direct exposure to the most dynamic growth areas in the world. The economic recovery in China and infrastructure development in Eastern European countries offer powerful growth opportunities for German companies.

Services are not to be outdone. They contribute two-thirds of the national wealth, relying on **Frankfurt's financial sector, logistics platforms and computer software.** This shift towards a service-based economy has accelerated under the impetus of the digital transformation of businesses. The healthcare and biotechnology sector completes the picture, with players benefiting from an ageing population and a massive increase in healthcare spending. **The combination of a strong industrial base and high value-added services enable Germany to combine cyclical growth with predictable revenues.**

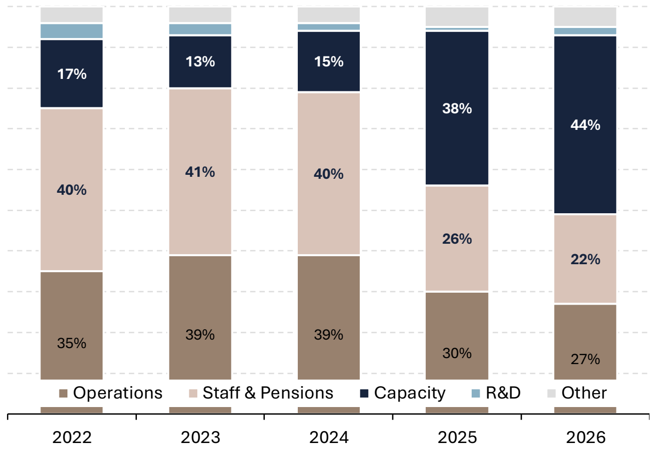
Considering the latest global economic and geopolitical upheavals, **the government has sought to propel Germany into the future.** In 2025, it passed massive stimulus plans based on several strategic pillars. The first concerns the modernisation of infrastructure and production facilities. By injecting hundreds of billions of euros into rail, energy and digital technologies, Germany is seeking to make up some of the ground lost during a decade of fiscal austerity. The second pillar relates to the defence sector, with Berlin having made a historic paradigm shift by committing to increasing and maintaining its military spending above NATO standards on a long-term basis (see Figs. 4 & 5).

Fig. 4 – Defence spending in Europe



Source: SIPRI, BMWE, DGT, Altitude IS

Fig. 5 – Defence spending in Germany



Source: SIPRI, BMWE, DGT, Altitude IS

The multi-year budget framework guarantees complete visibility for manufacturers in the sector for the next decade. This additional defence spending should trickle down to other sectors of the economy and stimulate GDP growth of 0.3% to 0.5% per year. The impact of these extraordinary measures is already beginning to be seen in companies' order books. **This public strategy supports short-term profit growth, but it will also have a long-term effect,** serving as a vehicle for technological innovation. Companies will seek to adopt innovative processes that are more efficient and less energy intensive.

Taxation plays a key role in Germany's economic revival. Thanks to the introduction of accelerated depreciation measures, productive investment is booming. Companies can now deduct their capital expenditure from their taxable income more quickly. This reduction in the tax burden frees up cash flow and often makes it possible to finance the modernisation of factories. As for the automotive sector, which has been criticised for its hesitation to embrace electric vehicles, it is now benefiting from subsidies to accelerate the transformation of its production sites and maintain its global position in the face of competition from the United States and Asia. The recent postponement of the European deadline for banning combustion engines has given the sector an unexpected and welcome boost. Car manufacturers should thus be able to preserve their margins and save some of the sector's jobs.

Growth forecasts for Germany in 2026 remain low due to the lack of momentum in the global economy, but they **are underestimated and therefore regularly revised upwards.** GDP is expected to grow between 0.5% and 1% in 2026, while inflation is expected to fall below the 2% threshold once again. Resilient household consumption should enable domestic demand to contribute as much as the trade balance to growth.

The issue of energy will remain central to Germany's economic equation. The country has managed to reinvent itself following the break with its former suppliers. The accelerated deployment of renewable energies and the construction of liquefied gas terminals have secured supplies from Norway, the United States and Qatar. Despite this, the cost of electricity will remain a significant constraint on the country's competitiveness. The commitment to developing green hydrogen, particularly via energy corridors with North Africa, must remain firm. This will enable Germany to decarbonise its industry and transform the handicap of the past into a technological advantage for the future.

Fig. 6 – Share valuation

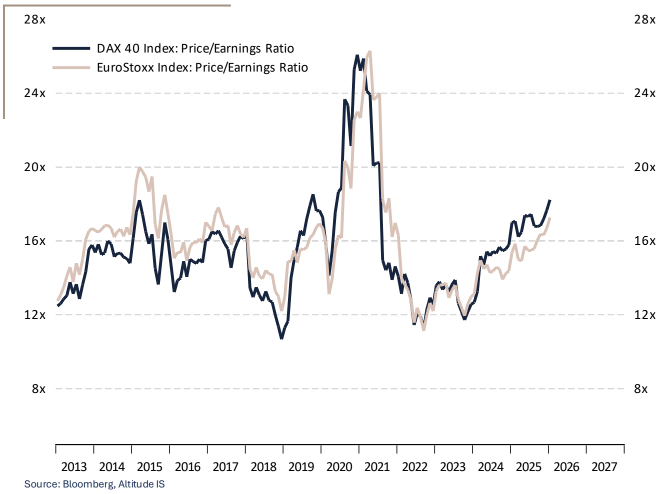
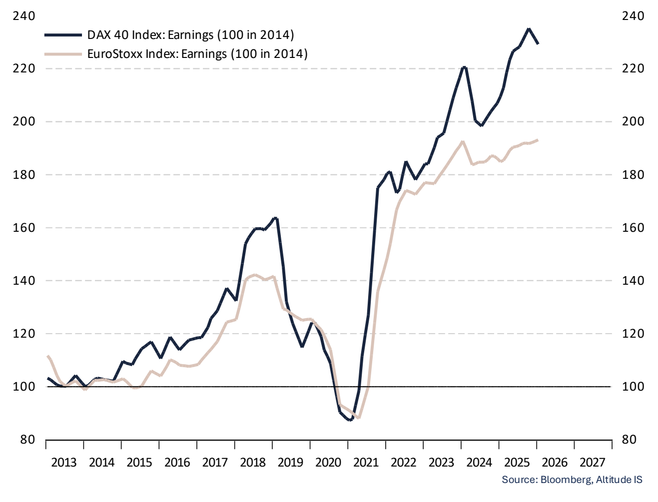


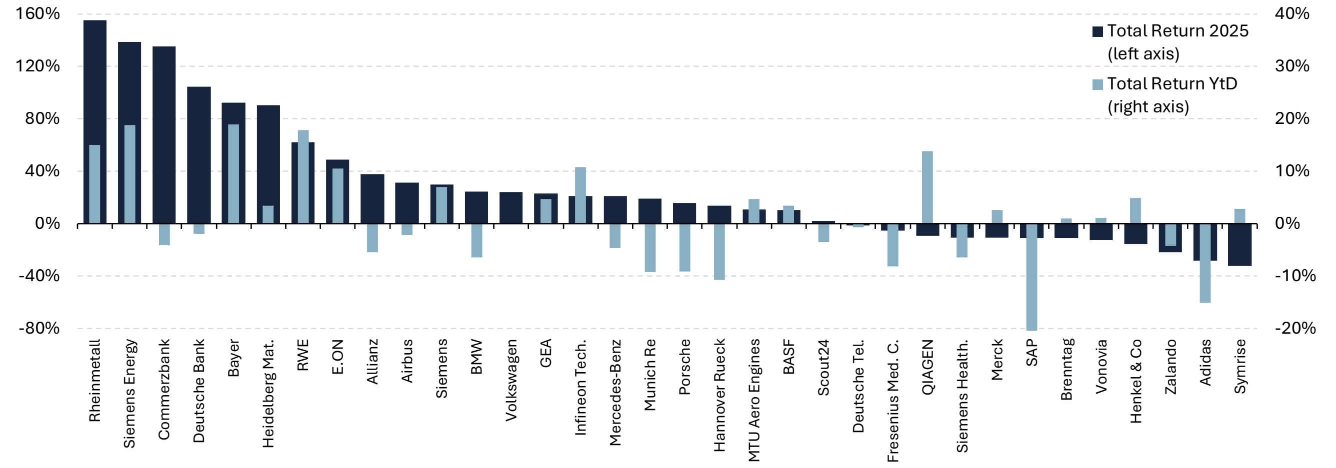
Fig. 7 – Earnings growth



The German stock market reflects this renewed confidence, and the transition of the DAX to 40 stocks in 2021 has helped to better balance the index by including defensive companies alongside cyclical ones. **Over the past two years, the DAX 40 has performed very well, rising 15% more than the European index** (see Chart of the Week). However, since July, the German index has stopped rising, giving up two-thirds of its outperformance. This slowdown is mainly due to concerns about the strength of global demand, the appreciation of the euro, which is hampering competitiveness, the impact of US tariffs on selling prices and the rise in interest rates, which is making corporate financing more expensive. For all these reasons, the DAX's valuation, at 17.8x, has remained relatively low (see Fig. 6) given that earnings are growing significantly faster than those of the Euro Stoxx, for example (see Fig. 7). **It is time for investors to rediscover the value and potential of German companies.** Their resilience will continue to be underpinned by diversified geographical exposure, reinvigorated domestic demand and strong balance sheets.

Leaders in this new industrial era, such as Rheinmetall in defence and Siemens Energy in energy transition, buoyed by massive public investment, are seeing their order books reach historic highs. These groups, along with the inevitable Deutsche Bank, Allianz, Airbus, Infineon, but also Bayer, Heidelberg Materials and RWE, are establishing themselves as the new drivers of growth for the DAX 40 (see Fig. 8). They are managing to transform geopolitical challenges into industrial opportunities. At the same time, historical pillars such as SAP, Siemens and Deutsche Telekom are posting profitability levels close to their highs despite recent disappointments. **The fact that they are maintaining a generous dividend policy will be an asset when the stock markets are shaken.**

Fig. 8 – Performance of DAX 40 stocks



Source: Bloomberg, Altitude IS

Conclusion:

As predicted, the crows of immobility have been chased away by an eagle, and Barbarossa has awakened. Germany has entered a new era, in which public authorities and private initiative will work together to restore its economic supremacy. Once again, Europe's leading country is proving that its decline is regularly predicted, but that its workforce and industrial genius always end up paying off.

RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2026 Year-to-Date (%)	2025 (%)	2024 (%)
Equities							
World (MSCI)	1 044.3	60.15	0.7%	3.0%	3.0%	22.9%	18.0%
USA (S&P 500)	6 939	53.36	0.3%	1.4%	1.4%	17.9%	25.0%
USA (Dow Jones)	48 892	50.41	-0.4%	1.8%	1.8%	14.9%	15.0%
USA (Nasdaq)	23 462	49.43	-0.2%	1.0%	1.0%	21.2%	29.6%
Euro Area (DJ EuroStoxx)	629.3	57.34	0.2%	2.9%	2.9%	21.2%	10.2%
UK (FTSE 100)	10 224	65.68	0.8%	3.0%	3.0%	25.7%	9.6%
Switzerland (SMI)	13 188	50.85	0.3%	-0.6%	-0.6%	18.0%	7.5%
Japan (Nikkei)	52 764	57.44	-1.0%	5.9%	5.9%	28.6%	21.3%
Emerging (MSCI)	1 528	69.52	1.8%	8.9%	8.9%	34.3%	8.0%
Brasil (IBOVESPA)	181 364	74.79	1.4%	12.6%	12.6%	34.0%	-10.4%
Mexico (IPC)	67 599	71.20	-0.9%	5.2%	5.2%	35.1%	-11.0%
India (SENSEX)	80 576	29.33	-1.0%	-5.2%	-5.2%	10.5%	9.6%
China (CSI)	4 628	50.98	0.1%	1.8%	1.8%	21.0%	18.2%
Com. Services (MSCI World)	171.4	68.26	3.3%	4.5%	4.5%	33.0%	31.9%
Cons. Discretionary (MSCI World)	460.9	46.26	-1.3%	0.7%	0.7%	9.8%	20.7%
Cons. Staples (MSCI World)	304.1	71.57	1.1%	5.0%	5.0%	9.3%	4.7%
Energy (MSCI World)	295.4	81.54	4.2%	11.7%	11.7%	14.8%	2.9%
Financials (MSCI World)	228.5	56.55	1.5%	1.1%	1.1%	29.5%	25.1%
Health Care (MSCI World)	399.3	49.21	-1.0%	1.2%	1.2%	15.3%	1.5%
Industrials (MSCI World)	501.4	67.98	1.0%	7.4%	7.4%	26.1%	12.8%
Info. Tech. (MSCI World)	975.1	49.23	0.0%	0.9%	0.9%	26.6%	31.9%
Materials (MSCI World)	433.9	60.15	-1.2%	9.8%	9.8%	32.5%	-7.6%
Real Estate (MSCI World)	1 022	63.39	1.2%	3.7%	3.7%	3.6%	-0.4%
Utilities (MSCI World)	201.2	68.68	2.3%	4.1%	4.1%	24.7%	13.0%
Bonds (Bloomberg)							
World (Aggregate)	3.53%	67.72	0.8%	0.9%	0.9%	8.2%	-1.7%
USA (Sovereign)	3.97%	49.48	0.0%	-0.1%	-0.1%	6.3%	0.6%
Euro Area (Sovereign)	2.87%	60.27	0.3%	0.7%	0.7%	0.6%	1.9%
Germany (Sovereign)	2.56%	55.41	0.3%	0.4%	0.4%	-1.6%	0.6%
UK (Sovereign)	4.51%	47.20	-0.1%	0.1%	0.0%	6.1%	-3.0%
Switzerland (Sovereign)	0.43%	66.07	0.7%	0.8%	0.8%	0.3%	5.4%
Japan (Sovereign)	1.95%	42.49	0.2%	-0.7%	-0.7%	-4.6%	-2.1%
Emerging (Sovereign)	5.92%	58.61	-0.2%	0.3%	0.2%	13.1%	7.0%
USA (IG Corp.)	4.84%	52.35	-0.2%	0.4%	0.2%	7.8%	2.1%
Euro Area (IG Corp.)	3.14%	72.32	0.2%	0.9%	0.8%	3.0%	4.7%
Emerging (IG Corp.)	5.96%	79.16	0.1%	0.8%	0.8%	8.1%	7.0%
USA (HY Corp.)	6.58%	60.65	-0.2%	0.5%	0.5%	8.6%	8.2%
Euro Area (HY Corp.)	5.37%	72.85	0.0%	0.7%	0.7%	5.2%	8.2%
Emerging (HY Corp.)	7.21%	74.96	0.1%	1.1%	1.1%	13.9%	14.9%
World (Convertibles)	568.4	59.94	0.2%	5.5%	5.5%	22.4%	9.4%
USA (Convertibles)	732.9	53.55	-0.6%	4.7%	4.7%	16.9%	10.1%
Euro Area (Convertibles)	297.8	75.41	0.5%	2.5%	2.5%	24.8%	14.7%
Switzerland (Convertibles)	293.5	79.90	2.3%	3.7%	3.7%	17.5%	-10.5%
Japan (Convertibles)	271.3	65.95	-0.8%	5.2%	5.2%	13.8%	6.4%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 807	90.54	n.a.	1.0%	n.a.	12.2%	11.1%
Macro	1 468	81.64	n.a.	1.2%	n.a.	9.4%	7.4%
Equity Long Only	2 460	81.27	n.a.	0.6%	n.a.	11.3%	12.0%
Equity Long/Short	1 969	90.70	n.a.	1.4%	n.a.	17.5%	14.0%
Event Driven	1 913	89.01	n.a.	0.9%	n.a.	10.9%	8.7%
Fundamental Equity Mkt Neutral	1 879	97.22	n.a.	1.9%	n.a.	13.8%	12.4%
Quantitative Equity Mkt Neutral	1 805	85.85	n.a.	0.3%	n.a.	8.5%	9.8%
Credit	1 721	98.83	n.a.	0.8%	n.a.	7.8%	8.5%
Credit Long/Short	1 735	100.00	n.a.	0.6%	n.a.	6.5%	10.0%
Commodity	1 964	83.06	n.a.	-0.8%	n.a.	9.7%	14.7%
Commodity Trading Advisors	1 429	68.97	n.a.	2.4%	n.a.	6.5%	7.9%
Volatility							
VIX	17.44	55.37	8.4%	16.7%	16.7%	-13.8%	39.4%
VSTOXX	19.99	60.70	14.4%	35.8%	35.8%	-13.5%	25.3%
Commodities							
Commodities (CRB)	546.9	n.a.	-0.2%	1.1%	1.3%	0.6%	5.1%
Gold (Troy Ounce)	4 560	n.a.	-9.0%	5.3%	5.6%	64.6%	27.2%
Silver (Troy Ounce)	76.87	n.a.	-25.9%	5.6%	7.3%	148.0%	21.5%
Oil (WTI, Barrel)	65.21	n.a.	6.5%	12.5%	13.6%	-19.9%	0.1%
Oil (Brent, Barrel)	72.72	n.a.	6.8%	16.5%	16.5%	-15.7%	-4.6%
Currencies (vs USD)							
USD (Dollar Index)	97.23	40.80	0.2%	-1.2%	-1.1%	-9.4%	7.1%
EUR	1.1850	56.22	-0.3%	1.1%	0.9%	13.4%	-6.2%
JPY	154.90	55.51	-0.5%	1.3%	1.2%	0.3%	-10.3%
GBP	1.3672	59.49	-0.1%	1.6%	1.5%	7.7%	-1.7%
AUD	0.6925	63.53	0.1%	3.5%	3.8%	7.8%	-9.2%
CAD	1.3661	57.15	0.3%	0.5%	0.5%	4.8%	-7.9%
CHF	0.7731	60.81	0.5%	2.5%	2.5%	14.5%	-7.3%
CNY	6.9535	70.70	0.0%	0.5%	0.5%	4.5%	-2.7%
MXN	17.537	54.85	-1.0%	2.1%	2.7%	15.7%	-18.5%
EM (Emerging Index)	1 863.4	64.80	0.5%	0.6%	0.6%	7.2%	-0.7%
XBT	75 490	n.a.	-15.4%	-16.1%	-13.9%	-6.5%	120.5%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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