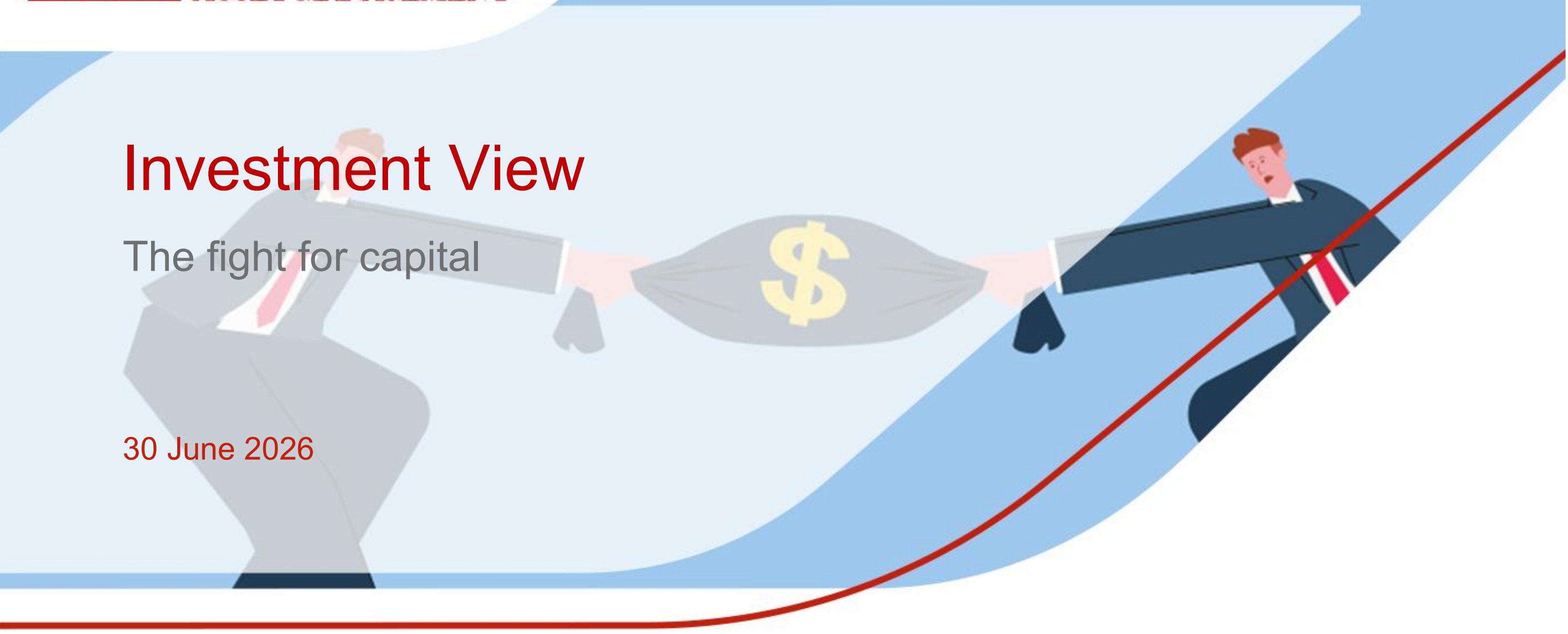


Investment View

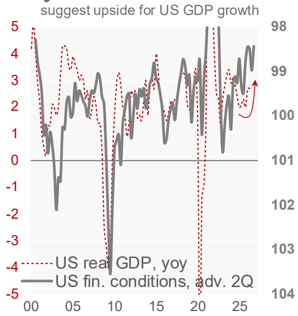
The fight for capital

30 June 2026

'Investment View' provides our quarterly macro & market outlook and investment recommendations

- **The AI revolution is intensifying demand for both debt and equity capital just as governments face mounting financing needs linked to demographic ageing, defence spending, climate investment and social pressure. This competition for capital is reshaping the savings–investment balance and supports a regime of higher interest rates.**
- **While thorny issues around the Strait of Hormuz and Iran's nuclear programme remain unresolved, the MoU deal and sharp decline in energy prices have significantly reduced downside risks to global growth. We now see risks skewed to the upside, particularly in the US, where financial conditions remain highly accommodative.**
- **US inflation is multi-pronged: investors should look beyond energy to food, chips and inflation expectations in an economy that continues to run hot. While our Fed and ECB forecasts are respectively in line and less hawkish than market pricing, we see little value in chasing the recent rally in long-duration bonds, especially in the US. Softer Fed forward guidance and the return of a positive stock–bond correlation both argue for higher term premia.**
- **We continue to prefer Credit over Govies, even at this tight level of spreads. Public finances keep us awake at night, not so much corporate balance sheet. We maintain a modest overweight in equities, with a geographically diversified and cyclical bias. To monitor the risk of the AI tide peaking, we track Capex and Tech margins – so far so good.**

Easy US financial conditions
suggest upside for US GDP growth



Source: Fed, Bloomberg, GenAM

Memory chip prices surging
2015=100

Source: CB of Korea, Bloomberg, GenAM

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THE FIGHT FOR CAPITAL

Vincent Chaigneau

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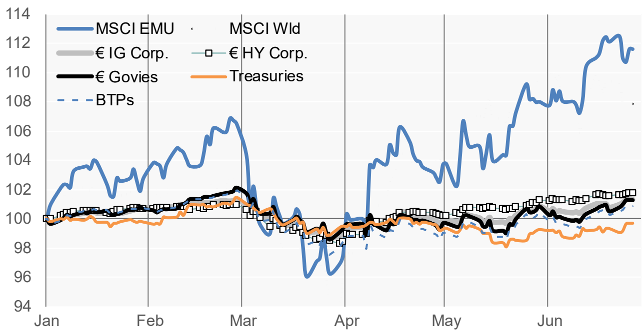
Two supply shocks colliding, one positive (AI), one negative but fading for now (supply chain stress)

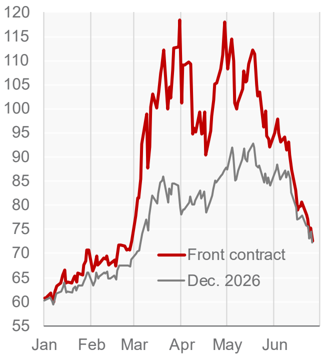
Two supply shocks, one of which is fading (for now). Three months ago ("Low on fuel, high of intelligence") we described the economic outlook as resulting of two supply shocks: a negative one (geopolitical troubles impairing global supply chains, e.g. in 1H26 the Iran war) and a positive one (the AI capex super-cycle). We see the collision of these two shocks as structural. The first month of the war (March) proved toxic for global markets (left chart below), but the next three much brighter. Oil prices have retreated sharply, while the AI theme has seen the semiconductor stock index virtually doubling (charts 2 and 3). On 17 June, the US and Iran signed a memorandum of understanding providing for the end of hostilities and the reopening of the Strait of Hormuz (SoH). The thorny nuclear and SoH toll issues will continue to be discussed over the next six months. For now, the headwinds from the war are fading, and this means the downside risks for the global economy have become much thinner.

2026 YTD total return
(hedged in €)



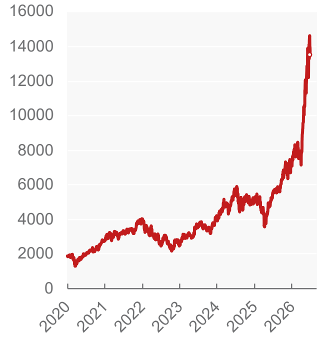
Source: Bloomberg, GenAM calculations

Brent futures, $/bbl



Source: Bloomberg, GenAM

SOX Index
Philadelphia Stock Exchange Semiconductor



Source: Nasdaq, Bloomberg,GenAM

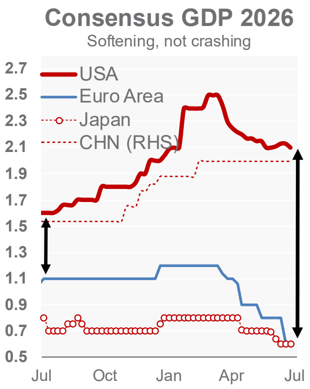
Upside risks to growth

Resilient, even before the deal. The global economy, yet again, has kept afloat, despite the loss of consumer purchasing power, which broadly weighed on services.

Of course, consensus growth forecasts have declined, especially in Europe – because of its energy dependence – where growth in 2026 may fall short of 1% (left chart below). But the global economy has been able to rely on the expansion of manufacturing activity, driven by the AI capex wave. As long as capital expenditures continue to rise, they remain a powerful engine of growth.

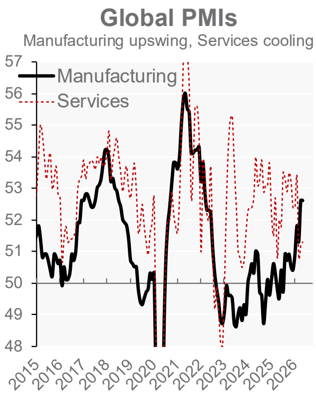
Near-term growth risks lie to the upside

If anything, the near-term risks attached to our forecasts lie to the upside, especially in the US where financial conditions suggest the economy may soon run hot, at an above 3% saar pace. The sharp pullback in gasoline prices, associated with renewed vigour in the labour market, imply that the consumer may bring a stronger contribution. Likewise, global services will benefit from the pullback in energy prices and improving consumer sentiment. Economic surprises in the Euro Area seem to have bottomed out already. China, after a solid start to 2026, has become an area of weakness as consumer demand remains soft and fiscal support has waned. Local government bond issuance has picked up in Q2, however, and we expect renewed fiscal support after the late-July Politburo meeting.

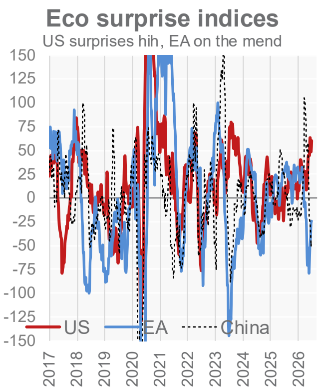


Source: Bloomberg consensus, GenAM

Source: Fed, Bloomberg, GenAM



Source: Datastream, GenAM



Source: Citi, Bloomberg, GenAM

AI – Are equity markets rationally optimistic or irrationally exuberant?

AI Capex remains a powerful engine of growth

More than an AI wave, a rising tide. Presumably no reader will need to be convinced about the power of the AI super-cycle. A few examples: Korean semiconductor exports are up 200% yoy; the earnings consensus for the KOSPI equity index has tripled since the autumn (left chart below). Taiwan's real GDP is up 14.5% year-on-year. Hyperscalers' capex (Amazon, Google, Meta, Microsoft, Oracle) is expected to exceed $1 trillion in 2027, or nearly 3% of US GDP.

A productivity shock. Historically, a sharp acceleration in technology investment has been followed by higher labour productivity. This trend, already visible in the United States, supports the outlook for corporate profitability. Productivity may also prove disinflationary, as it enables companies to reduce selling prices when they face insufficient demand or seek to gain market share; since Covid and the episode of "greedflation", however, companies have focused on protecting or expanding margins. For now, we reject the idea of a valuation bubble in technology stocks, as gains are supported by strong profitability. The real question is rather the durability of these profits. Historically, the most profitable sectors attract new competitors that eventually erode margins. We will closely monitor two variables to detect the eventual peak of the tide:

We will monitor two variables to detect the eventual peak of the AI tide: capex and Tech margins

- Capital expenditures: as long as they rise (focus on the delta), they support global growth. The news there remains rather encouraging, e.g. as we go to press South

Korea is orchestrating investments of at least $880bn from companies including Samsung and SK Hynix into chips and data centres; the race goes on.

At these levels of valuation and index concentration, US equities offer, over the medium term, a risk-return trade-off that is much less favourable than over the past 15 years

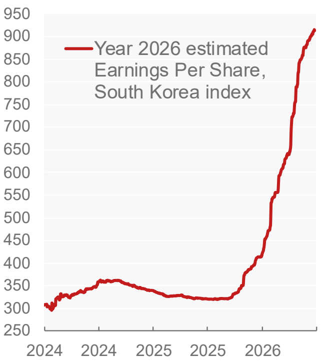
- **Corporate profit margins**, particularly in the Tech sector. For now, our overall corporate margin signals remain positive – e.g. see second chart below. The key question, specifically, is whether, at the end of the AI chain, the companies delivering LLMs will be able to monetise them sustainably, despite the competition from open-source models and the effort from companies and consumers to limit the token spend. The jury is out but at these levels of valuation and index concentration, US equities offer, over the medium term, a risk-return trade-off that is much less favourable than over the past 15 years. The third chart below shows that US equities have sharply outperformed what valuation implied, in terms of expected return, 15 years ago. That is because profits have taken a much greater share of GDP, and equity multiples (valuation) have expanded. Repeating that performance over the next 10-years, starting from even more ambitious valuation levels, looks nearly impossible. Two implications:

More Alpha (dispersion is rising), more diversification towards Europe and EM

- **First, investors will need to increase focus on Alpha**, at a time when equity return dispersion is rising fast (right-hand chart); a better chance for active money to prove their skills and beat passive, as thorough research and careful stock selection can generate alpha.

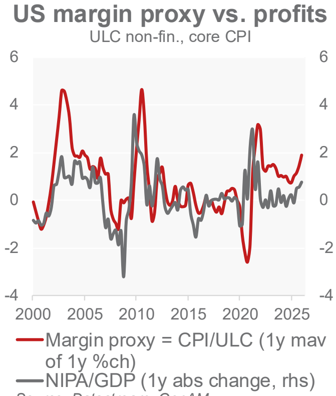
- **Second, it seems prudent to diversify exposures, notably towards Europe and emerging markets, particularly Asia** (unhedged, as the Chinese and Korean currencies, for example, are significantly undervalued).

KOSPI FY2026 est. EPS



Source: Bloomberg, GenAM

US margin proxy vs. profits

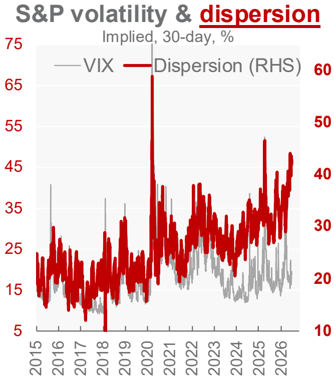


Source: Datastream, GenAM

Valuation leads S&P return

Source: S&P, Bloomberg, GenAM

S&P volatility & dispersion

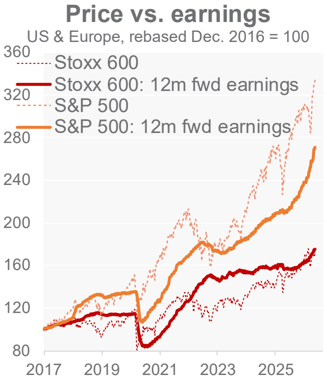


Source: CBOE, Bloomberg, GenAM

Greater M&A activity in Europe?

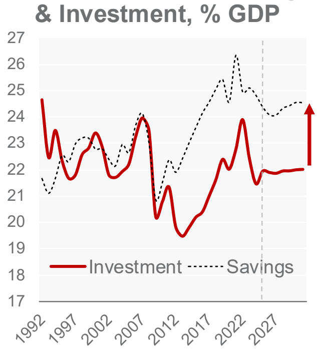
EU competitiveness agenda acceleration? European equities have not managed, in 1H26, to reverse their long-standing underperformance vs. the US, which owes to both slower profit growth and far more limited valuation expansion (left chart). We see value in diversifying towards Europe, as the economic headwind from the war in Iran is fading, and structural reforms seem to be finally accelerating. There is a plan, the Draghi one (September 2024). Implementation was slow in year 1 but seems to be accelerating. The EU needs to better leverage on its elevated savings (middle chart) and invest more, especially in defence, energy independence and digitalisation. One key area of changes, we reckon, lies in the competition policy, which for too long was too focused on the level playing field, or fair internal competition. Policy changes imply a greater focus, from now on, on the three aforementioned areas, as well as resilience and market power (see European Commission). We expect this to support greater M&A activity, going forward, which tends to be associated with solid equity markets (hand-right chart).

Price vs. earnings



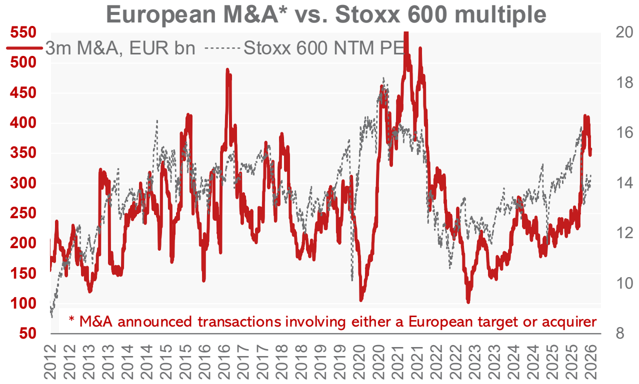
Source: Datastream, GenAM

EA Gross National Savings & Investment, % GDP



Source: IMF, Bloomberg, GenAM

European M&A* vs. Stoxx 600 multiple



Source: Bloomberg, GenAM

Inflation may yet again prove stickier than expected

> Energy inflation is subsiding, but mind food, chips, US overheating and anchored expectations (at a higher level)

US inflation is multi-pronged. The Iranian agreement reduces the risk of an inflationary spiral, but US inflation remains under pressure. Food prices are rising (left-hand chart below), and the shortages and sharp increase in fertilisers in the first weeks of the war will negatively impact crops this summer; a severe El Niño effect in 2H26 may aggravate the situation. While the AI wave is a positive supply shock — the unlimited supply of intelligence — it is also a demand shock, most visibly reflected in the surge in semiconductor prices ("chipflation"). This feeds through into the price of electronic goods and other manufacturing sectors, increasingly technology-intensive. In addition, the Congressional Budget Office (CBO) estimates that the US output gap is positive — the economy is running at full capacity — which often coincides with stronger inflationary pressures (chart 3 below). The labour market is recovering and may even be tightening. Finally, repeated price overshoots in recent years are influencing economic agents' expectations. Over the past six years, US consumer prices have risen by 30%, or 4.5% per year: twice the Fed's target.

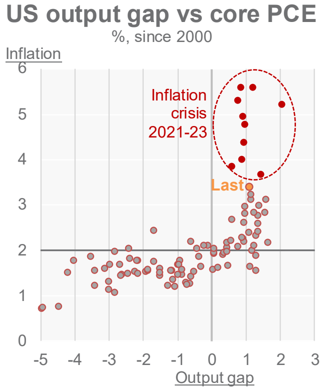
IMF World Commo Food Price Index

Source: IMF, Bloomberg, GenAM

Memory chip prices surging

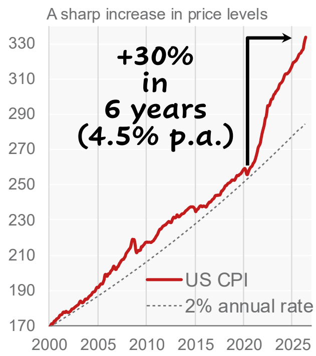
Source: CB of Korea, Bloomberg, GenAM

US output gap vs core PCE



Source: CBO, BEA, Bloomberg,GenAM

US CPI



Source: BLS, Bloomberg, GenAM

One Fed hike. Markets are currently pricing in 32bp of Fed hikes this year. We assume only one 25bp hike in the context of the strategic preferences of Chairman Warsh: for choice, lower short-term rates but a smaller balance-sheet. Structural policy changes will take time, but we see risks that the Fed stays too close from what may currently be the neutral rate level, while the economy is flirting with overheating.

Long-term US inflation break-evens appear too low; the fight for capital implies higher real yields for longer

Overall, we remain slightly defensive on long-dated US bonds. Ten-year inflation break-evens, around 2.20%, look too low, while the rise in real rates (10-year TIPS at 2.15%) seems justified by the strength of the economy, higher productivity, lower bond demand from investors relatively insensitive to the level of rates (notably central banks), and unsustainable public deficits. The AI revolution increases financing needs — through both debt and equity — just as governments must fund the demographic, climate, military and social transitions. This growing competition for capital is changing the balance between savings and investment and argues for structurally higher long-term rates. Two other factors may keep pressure on US term premia. First, Chairman Warsh intends to reduce the volume of Fed communication and is not very inclined to guide the market. As a result, the risk of surprises will be greater, which could lead to higher volatility in the rates asset class. Second, in regimes of relatively elevated real rates, the stock-bond correlation tends to increase (second chart below). This is also true when supply shocks become more frequent, which is likely in this changing world order. Positive price correlation implies that that government bonds do no longer act as good portfolio diversifiers, which tend to increase term premia.

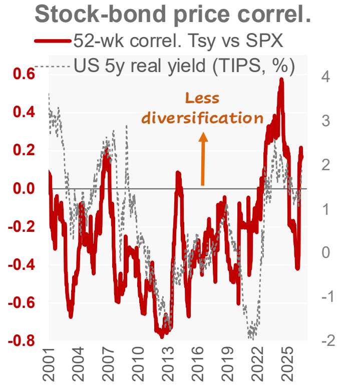
Higher rates volatility under Warsh's Fed; positive stock-bond correlation supports higher term premia

Stay overweight EM currencies and local debt. The repricing towards a more hawkish implied Fed path has benefitted the US dollar, which has continued to gain despite the oil price pullback (US energy independence has supported the dollar in the first weeks of the Iran war). The right-hand chart below shows how the EM markets (equities, hard currency spreads and currencies) have resisted to dollar strength, vindicating our bullish EM bias. We see the US dollar as toppish, and EM currencies well positioned to benefit from a resilient appetite for risk, positive carry and persisting global imbalances – mind the widening trade surpluses in East Asia in particular.

US real yld vs inf. breakeven

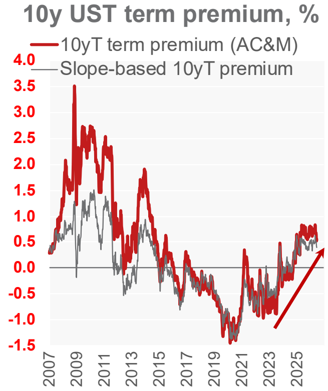
Source: Bloomberg, GenAM

Stock-bond price correl.



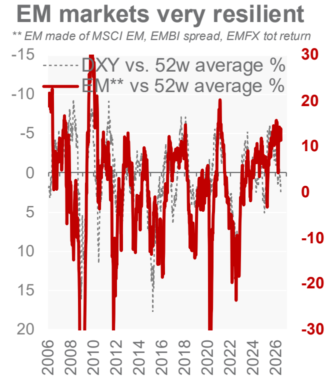
Source: Bloomberg, GenAM calculation

10y UST term premium, %



Source: Adrian Crump & Moench, BBG, GenAM

EM markets very resilient



Source: Bloomberg, GenAM calculations

Even at those tight levels, we prefer Credit to Govies

Neutral EUR duration, but still a small short in US duration

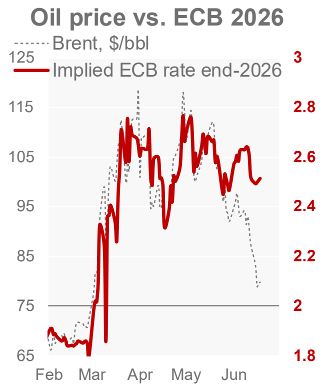
Neutral EUR duration. After recommending a short earlier this year, we neutralised EUR duration in mid-Spring. First the market was pricing too many ECB hikes; the market is still pricing another 25bp of hikes this year while we expect that the ECB can now wait and see, as Brent prices have pulled back even faster than expected to below \$75/bbl. Also the market is pricing the ECB depo rate at about 2.60% and 2.80% in 2 and 5 years respectively, which is above our estimate of neutrality. That said, with the Euro Area economy set to improve progressively in 2H26, we see limited downside for long-term yields. Our **EUR curve view remains skewed towards steepening** as 1/ the front end might be priced too hawkishly and 2/ we believe the yield curve is transitioning and normalising towards a steeper structure, as the distortion from the QE eras (2015/APP, 2020/PEPP) are fading while rising public debt (e.g. German fiscal bazooka) push term premia higher.

French 2027 elections a significant risk

Cautious with "soft core". France and Belgium are standing out for their negative sovereign rating trajectory, much in contrasts to the likes of Portugal, Spain or Ireland. While the risk of early Italian elections in 2027 has increased, we stay constructive on BTPs. The French elections – presidential in May, likely followed by general elections before summer – look more dauting. The key risk lies in the parliament staying deeply fragmented, in a way that prevent constructive alliances. The stalemate that came out the 2024 early election has entirely frozen reforms, keeping France with a very high level of public spending, taxes, and public deficits. We recommend a barbell of long core and non-core bonds, short the "soft core", though such old classification is increasingly less relevant.

Corporate balance sheets overall remain solid. It is public finances that keep us awake at night

Still long credit, even at that tight level of spreads. The final chart shows that credit spreads (pick-up) make an increasingly small component of the all-in yield in IG Credit. The AI capex super-cycle will transform corporate bond indices – the share of Tech, historically small in Credit, is rising – but corporate balance sheets overall remain solid. It is rather public finances that keep us awake at night. We see limited contagion risks from the Private Credit stress, which is likely not systemic. As expected, liquid Credit seems to have become less sensitive to cyclical variations – as the war in Iran showed again (great resilience). Of course, spreads would still widen in case of a recession, but that tail has diminished for now.



Source: Bloomberg, GenAM

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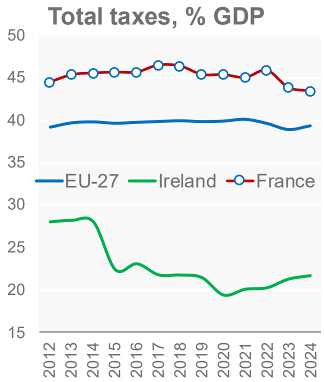
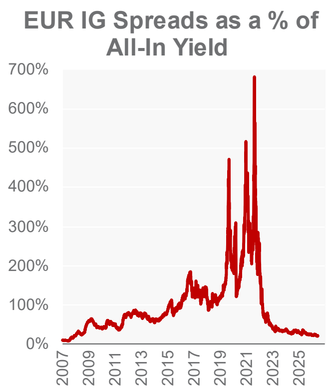


Source: European Commission, GenAM



Source: Bloomberg, BofAML

In all, our allocation recommendations remain long Credit (both IG and HY), EM debt – with now a preference for local debt, and to a lesser extent equities. We stay short cash and government bonds, with a neutral duration exposure in EUR, but a residual short in USD duration. We expect EUR/USD to stay in a range over the next 3 months, with a small bullish bias longer term. The key risks lie in the volatility around the AI trade, upside inflation risks forcing more Fed hikes or derailing long rates (stay long inflation-linked assets, e.g. infrastructure) or, to a lesser extent, deeper cracks in the private credit markets.

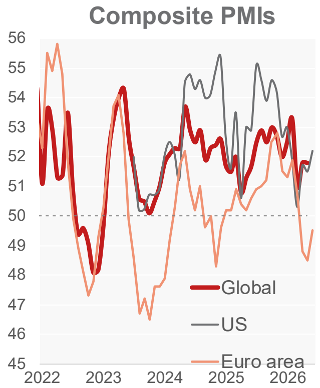
MACROECONOMIC OUTLOOK

Thomas Hempell, Guillaume Tresca, Martin Wolburg, Paolo Zanghieri

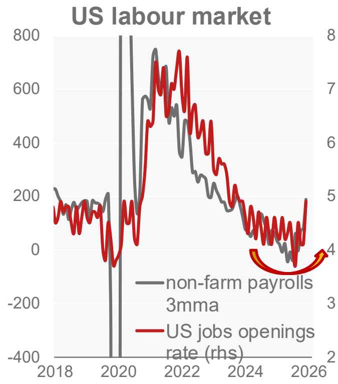
- **The reopening of the Strait of Hormuz shifts the global story from energy shock to recovery. Lower oil prices ease terms-of-trade pressure, particularly in Europe and Asia, and improve the backdrop for consumption and investment.**
- **The euro area should regain momentum in the second half of the year, while the US remains the relative growth leader. Europe benefits most from receding energy prices, but US activity still draws support from AI-related investment.**
- **Headline inflation should fall as energy prices reverse, but sticky core pressures will keep central banks cautious. This is especially true in the US, where firm demand keeps price pressures more persistent.**
- **Our baseline is that the ECB stops after the June hike, while the Fed delivers one additional hike by year-end. A renewed Strait disruption is the key risk scenario and would quickly revive rate-hike concerns.**

Hormuz reopening eases energy pressures, aiding Europe's recovery while US growth remains AI-supported

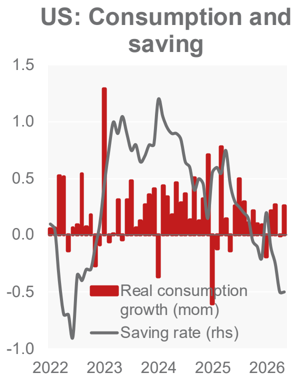
The US-Iran ceasefire and the reopening of the Strait of Hormuz provide meaningful relief for the global outlook. The reversal in oil prices reduces the energy-import burden that had weighed most heavily on Europe and Asia, supporting real incomes, headline disinflation and corporate investment visibility. After stagnating in spring, the euro area should recover gradually into the autumn. The US should continue to outperform, supported by the AI investment boom, resilient business spending and a stabilising labour market, even as consumer demand softens. China remains bifurcated: exports are strong, but domestic demand stays weak as the property downturn weighs on confidence and investment.



Source: Datastream, GenAM



Source: Datastream, GenAM



Source: BEA, GenAM

Source: BEA, GenAM

Global growth has proved resilient through both last year's tariff shock and the US-Iran conflict, helped by the global AI boom that has revived manufacturing and trade. Still, domestic demand, especially services, has been more exposed to higher energy prices and weaker confidence. Even with the end of Middle East hostilities, we estimate that the conflict has shaved around half a percentage point from combined global growth in 2026 and 2027, and roughly one percentage point from euro area growth.

The fall in energy prices should soon lower headline inflation, but the disinflation story is not as clean as the headline numbers imply. Energy pass-through will keep

Falling energy prices will ease headline inflation, but sticky core pressures keep central banks cautious

core inflation elevated for longer, especially in the US, where AI-related investment demand and loose fiscal policy support activity. In our baseline of a gradual full reopening of the Strait, central banks largely look through the temporary energy spike. Unlike in 2022, policy is less accommodative, labour markets are cooler and the risk of an unfolding wage-price spiral is lower. In a tight call, we therefore expect the ECB to stop after its rate increase provided in June, while the Fed delivers one hike by year-end as a bottoming labour market sharpens its focus on inflation. A prolonged or renewed Strait disruption remains the key risk scenario and would push central banks, especially the ECB, toward a more hawkish stance.

US: a resilient economy meets a more hawkish Fed

Upside risks to our 2% US growth forecast for 2026

Domestic demand remains resilient, and risks to our 2% GDP growth forecast for 2026 are tilted to the upside. Lower oil prices should support real incomes, while AI-related capex adds another growth impulse. The expansion is not without vulnerabilities: consumption is still growing at close to 2% year-on-year but increasingly relies on equity wealth and lower savings, with the saving rate at a historically low of 3% in May. Corporate investment outside technology also remains subdued. US growth is therefore solid, but increasingly dependent on a narrower set of drivers.

The labour market is stabilising rather than overheating, which should help services inflation moderate. Job creation improved, with payrolls rising by an average of 188k in the three months to May, but lower quit rates and weak unemployment-to-employment transitions point to a cooler labour market than payrolls alone suggest. Wage growth remains moderate, and stronger productivity has reduced unit labour cost growth to 1.8% year-on-year. Together with fading tariff effects and smaller second-round effects from oil, this should mitigate core PCE inflation from 3.4%yoy in May to 3.1% by year-end.

One Fed rate hike expected to keep expectations in check

Inflation remains the Fed's main concern, but market pricing of 1½ hikes over the next 12 months looks too aggressive. The June meeting marked a hawkish shift, with nine out of 19 FOMC members now expecting a hike this year, while Chair Kevin Warsh has moved communication toward a much shorter statements without any material forward guidance. We expect one hike this year to keep inflation expectations anchored.

Euro area: Stagnation now, recovery ahead

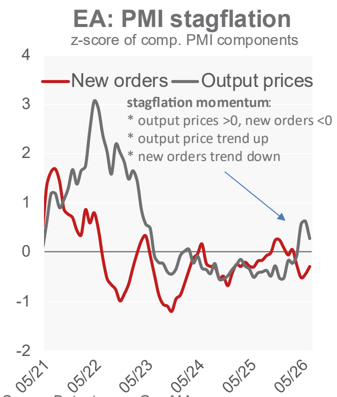
Weak EA economic momentum in the first half of 2026 to be followed by H2 recovery

The euro area has lost momentum as the war in Iran and high energy prices dented disposable income and weighed on sentiment. After a downward revision to first-quarter GDP, driven mainly by a sharp swing in Irish output, the bloc entered the second quarter on a weak footing. Surveys suggest that activity is stagnating or contracting slightly, while firms still report price pressures. The near-term picture remains subdued: growth is soft while inflation remains elevated amid the passthrough fom high energy prices.

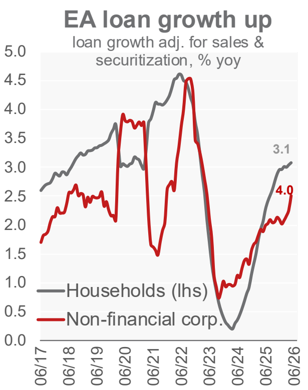
The outlook, however, is somewhat more reassuring. Stronger corporate loan growth suggests that domestic demand has not collapsed, while consumer spending is supported by solid labour markets, healthy private-sector balance sheets and public spending. Easing tensions around Iran also lower energy-price risks and reduce the probability of a persistant stagflation shock. Recent sentiment indicators already show tentative improvement. This supports our baseline that current weakness gives way to a modest recovery in H2/2026 and 2027, even if the immediate backdrop remains fragile.

ECB stays hawkish after June hike; further tightening not imminent but possible

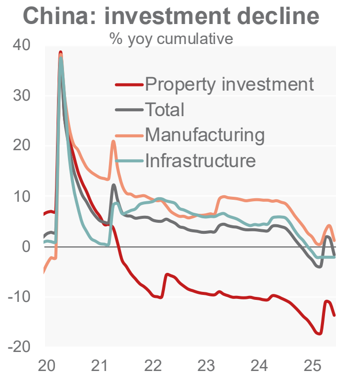
Inflation is likely to remain above the ECB's comfort zone for some time. In May, headline inflation rose to 3.2%, services inflation accelerated to 3.5% and core inflation reached 2.6%. Upstream price pressures remain visible, although wage data do not yet provide any signals of a material second-round spiral. The ECB's June rate hike to 2.25% was a firm response to broader price pressures, not the start of an aggressive tightening cycle. The ECB has left the door open to further rate increases, but with credit standards tightening and the Iran deal reducing upside inflation risks, they do not look imminent to us. We see unchanged rates as slightly more likely than another hike, but risks are tilted toward additional tightening if core inflation fails to ease.



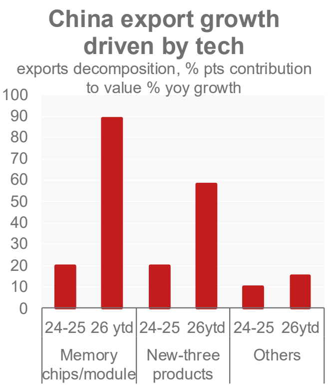
Source:Datastream, GenAM



Source: Datastream, GenAM



Source: Bloomberg, PBoC, GenAM



Source: China Customs, JP Morgan, GenAM

China: a bifurcated economy

China's activity data have disappointed after a strong start to the year, leaving the economy split between resilient external demand and weak domestic momentum.

Retail sales and household credit still point to cautious consumers amid protracted woes in the property sector, while investment has softened after strong fiscal front-loading in Q1. Industrial activity has also slowed, although PMIs remain relatively resilient. We maintain our 2026 GDP growth forecast at 4.4%, which is at the lower end of the official target range.

Latest activity in China has disappointed, but exports continue to surprise on the upside

The second half of the year should become somewhat more supportive. The impact of the Iran conflict should fade, and policymakers are likely to remain pragmatic on supportive policy measures even if they avoid a major pivot. Fiscal spending could accelerate in late Q3 if conditions deteriorate, while the PBoC could cut reserve requirements to inject liquidity. The baseline is therefore controlled stabilisation rather than forceful reflation.

Exports remain the main bright spot. China is benefiting from the global AI cycle, while the "new three" products — electric vehicles, solar panels and batteries — account for a large share of export gains. The conclusion of the Section 302 tariff investigation in mid-July could revive the US tariff debate, although we do not expect last year's escalation to repeat.

GOVERNMENT BONDS

Florian Späte

- **Government bond yields moved mostly sideways in Q2, with late declines as geopolitical tensions and energy prices eased. We still see limited scope for a lasting rally, as structural supply pressures and sticky inflation risks should keep yields biased higher.**
- **Lower energy prices ease near-term inflation pressure but do not remove the case for higher long-term yields. Persistent fiscal deficits, rising government bond supply and weaker foreign demand should keep term premia rising, especially in the US, and support curve steepening.**
- **Euro area non-core government bond spreads have stayed resilient despite geopolitical volatility, supported by carry, firm demand and limited higher-yielding alternatives. Spreads should remain broadly stable, but country differentiation will matter more as fiscal credibility, politics and rating risks return to focus.**

Yields mostly moved sideways. Global government bond yields moved largely sideways in the second quarter and declined only late in the period, especially in the euro area, as geopolitical tensions eased and energy prices fell. In the US, however, a hawkish Fed meeting under new Chair Warsh flattened the Treasury curve as investors reassessed the policy-rate path. Japanese government bonds diverged: BoJ rate hikes, reduced bond purchases and expectations of looser fiscal policy pushed 10-year JGB yields around 30 bps higher.

Lower energy is no bond market game changer

Lower energy is not enough. At first glance, lower energy prices could support a further bond rally. We are sceptical. Cheaper energy should ease headline inflation, but it is unlikely to pull longer-dated yields materially lower. We still expect yields to rise moderately, with the strongest upward pressure in the US.

Inflation risks remain underpriced. Energy prices matter, but they are not the whole inflation story. Lower energy costs support real incomes and consumption, cushioning growth as much as reducing price pressure. Second-round effects from the previous energy shock should also persist, slowing inflation's return to target. Markets therefore look too relaxed after the recent decline in inflation compensation. 10-year b/e and longer-term forward inflation measures again price a benign environment that sits uneasily with the past five years.

Structural supply pressure keeps term premia rising

Structural supply-demand pressures dominate. More importantly, structural forces now matter more for long-term yields than cyclical fluctuations. The US is the clearest example. The term premium has risen decisively and should continue to increase as investors demand more compensation for holding duration amid persistent fiscal deficits, elevated bond-market volatility and expanding Treasury supply. Treasury supply has become a central market driver. The free float of US Treasuries has risen by around 15 pps of GDP since 2022 to nearly 75% of GDP, reflecting persistent deficits, demographic pressures and geopolitical fragmentation. As these forces are unlikely to reverse, the supply-demand balance should weaken further. Demand has also become less supportive. For years, strong foreign demand suppressed Treasury yields and compressed the convenience yield attached to liquidity and safety. As foreign investors reduce their marginal role, domestic investors will need to absorb more issuance, most likely only at higher yields. This reinforces the case for structurally higher term premia.

Term premia should keep rising. Our estimates suggest this adjustment is far from complete. We expect the US 10-year term premium to rise by around 15 bps per year as the global capital-flow regime shifts towards larger fiscal imbalances, weaker international capital recycling and greater financial fragmentation.

US yields face strongest upward pressure

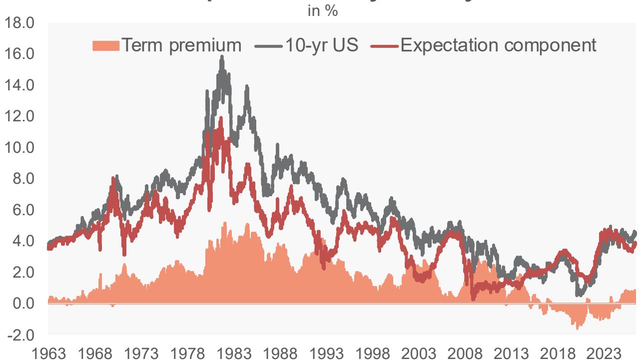
US curve steepening remains likely. These forces should widen transatlantic yield differentials. The US economy remains resilient, and inflation is stickier than in many other developed markets. Although we now expect one Fed rate hike, our policy-rate path remains below current market pricing. As investors scale back aggressive front-end rate expectations, shorter-dated Treasury yields may decline. Longer maturities, however, should stay under upward pressure from rising term premia and persistent supply, leaving the US curve biased towards steepening.

Bunds face milder pressure. The euro area will not be immune. Higher debt ratios, rising sovereign bond supply and a higher term premium should also put upward pressure on Bund yields. Still, weaker trend growth and a less persistent inflation backdrop argue for a milder adjustment than in the US.

Yields should grind higher. Overall, we maintain our view that long-term yields will grind higher despite lower energy prices. We expect the 10-year US yield to reach 4.45% in 3 months and 4.55% in 12 months, while the 10-year Bund yield should rise to 2.95% and 3.00%, respectively. Lower energy prices should therefore not be mistaken for the start of a sustained bond rally. They are more likely to mask structural forces pushing equilibrium yields higher on both sides of the Atlantic.

Decomposition of 10-year US yield

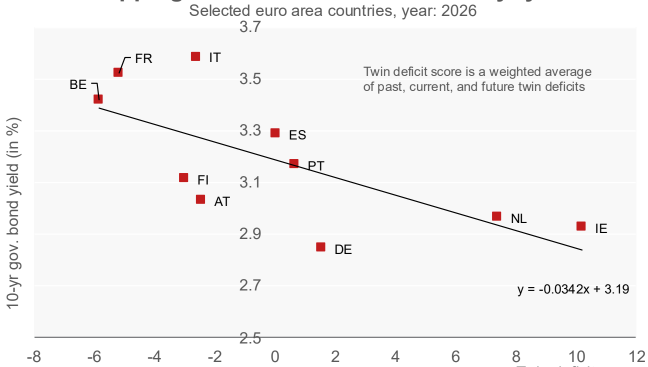
in %



Source: Bloomberg, GenAM

Mapping of twin deficit score vs. 10-yr yield

Selected euro area countries, year: 2026



Source: Datastream, GenAM

Fiscal credibility to drive euro area spread performance

Carry supports euro area non-core spreads, but investors should favour countries with stronger growth and credible fiscal plans

Euro area non-core spreads remain well supported. Euro area non-core government bond spreads have remained resilient despite geopolitical volatility, supported by firm investor demand, attractive carry and limited higher-yielding alternatives. We expect this support to persist, leaving spreads broadly stable with some scope for moderate tightening if growth improves, energy risks ease and the ECB stays on hold. Supply remains sizeable, but recent absorption without major stress suggests it should not dominate spread dynamics.

Country risk is moving back into focus. Risks, however, are becoming more country-specific. French spreads could widen after the summer break if fiscal slippage, political uncertainty or rating concerns regain market attention. A renewed geopolitical shock, especially around the Strait of Hormuz, would add a broader risk by lifting oil prices and reviving inflation concerns. Fiscal credibility should therefore drive performance: we prefer sovereigns with stronger growth and credible consolidation plans, while staying cautious on weaker fiscal stories such as Belgium and France.

CREDIT

Elisa Belgacem

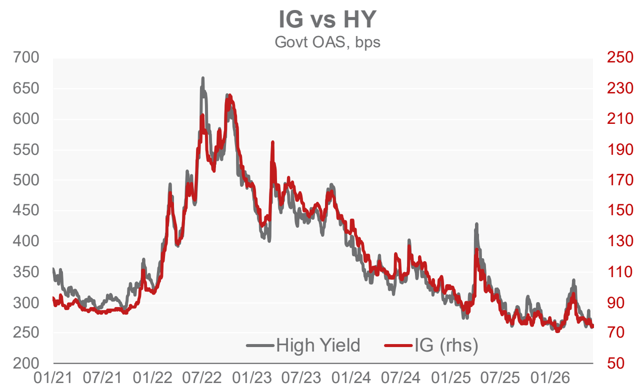
- **European credit has comfortably digested the latest geopolitical and oil-driven volatility, with IG tightening into the high-70bp area and HY anchored around 300bp — a clear sign that macro spillovers stay contained and risk appetite remains firm.**
- **Our stance stays constructive on both IG and HY: elevated all-in yields continue to make carry the key return engine versus govies, especially in today's low-beta backdrop.**
- **With senior IG increasingly behaving as a rates proxy, we keep our existing sector allocation unchanged — retaining the Financials overweight rolled out last month, a defensive bias, and subordinated indices as our preferred downside hedge.**
- **The rising stock-bond correlation is bad news for diversification. We retain a positive risk stance, but scale down our equity overweight, both in size and structure (long Value vs. Growth, but less keen on Cyclicals vs Defensives). Credit remains a good carry trade, even at that level of spreads. Stay short Govies and duration. Reduce USD bearish trades.**

Despite the volume, spread pressure has been contained. Tech debt saturation in global bond portfolios remains low, and the high-quality ratings mix of 2026 supply has helped mitigate spread widening.

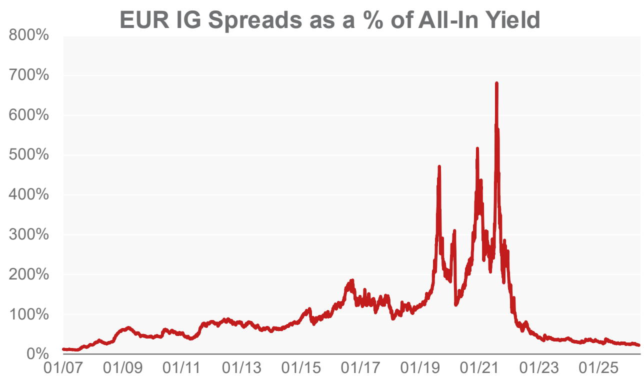
> Non-financial supply is heavier relative to financial supply due to hyperscalers issuances

That said, hundreds of billions in tech debt issuance since early 2025 have led to wider credit-default swaps for hyperscalers, and some analysts flag that spreads remain tight by historical standards with limited margin for error in lower-quality credit.

Year-to-date European corporate supply has reached €264 billion, with TMT contributing €68 billion of that total.



Source:Bloomberg, BofAML Indices, GenAM



Source: Bloomberg, BofAML indices,GenAM

Bottom line: Tech issuance has structurally reshaped the IG primary market in 2026, driven almost entirely by AI capex needs. Volume is at or near record levels, demand has broadly absorbed supply, and issuers have diversified across currencies and maturities to manage the scale.

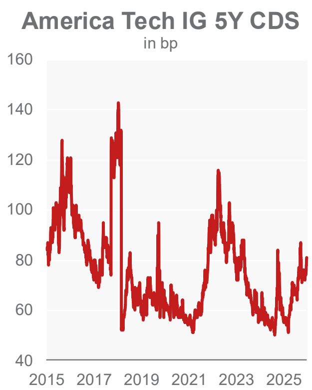
Hyperscaler CDS have widened materially YTD — 10–25 bps for the core names, and dramatically more for Oracle — but the gap versus the broad CDX IG index has compressed as the market has absorbed the supply. The structural addition of Meta, Alphabet, and Microsoft to the CDX IG index marks a new era for tech credit as a hedgeable, index-relevant asset class.

Selective Carry in a Gradual Tightening Environment

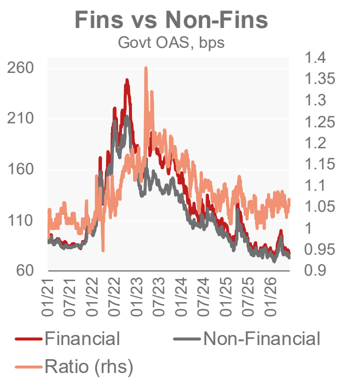
Subordinated instruments offer better risk-adjusted value than similarly rated senior credit at current spread levels.

Unlike last April, credit markets have shown no material outflow pressure and little appetite for de-risking. Higher all-in yields continue to anchor demand and reinforce confidence in balance-sheet resilience. At current levels, spreads suggest that growth headwinds remain manageable and that carry will continue to act as an effective buffer against volatility. Our base case remains a yield-buyer-led regime, with scope for modest further spread tightening and no need for a broad defensive stance.

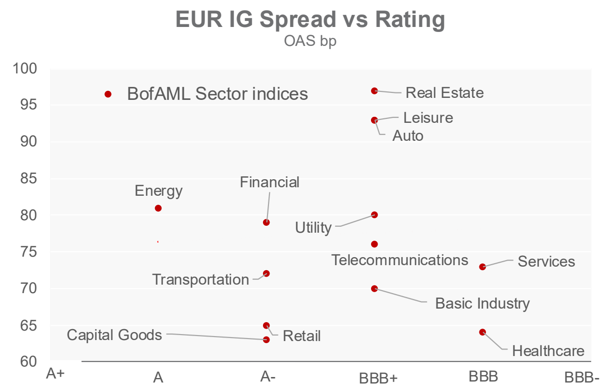
We expect credit spreads to grind tighter over the coming months, though the pace of compression is likely to stay gradual. Sector positioning therefore remains selective rather than defensive, tilted towards segments offering stronger resilience and more stable carry profiles. We have since moved overweight Financials, building on last month's upgrade. The rationale is threefold: (i) sustained underperformance versus Non-Financials has restored an attractive spread pick-up, with subordinated tiers in particular offering compelling carry; (ii) bank fundamentals remain robust, supported by solid capital ratios, healthy asset quality and still-supportive net interest margins, while insurers benefit from higher reinvestment yields; and (iii) technicals are turning decisively more constructive. On the supply side, banks are well advanced on their 2026 funding plans, which should translate into lighter senior issuance in H2 and a



Source: Bbg, GenAM



Source:Bloomberg, BofAML Indices, GenAM



Source:Bloomberg, BofAML indices, GenAM own calculations

more disciplined primary tone in subordinated formats, where net issuance is expected to remain negative as call activity outpaces new prints. On the demand side, yield-buyer flows into Financials remain strong, with insurance and pension fund allocations supported by attractive all-in yields, while AT1 and Tier 2 instruments continue to benefit from dedicated subordinated debt mandates and renewed interest from total-return investors. Dealer positioning is light and secondary liquidity has improved, leaving the sector well placed to absorb any pockets of volatility. We make no further changes to our sector allocation, holding Banks and Insurance at overweight, and continue to favour defensive Telecommunications and Utilities, which help stabilise portfolio risk through more predictable cash flows and lower cyclicality.

We reiterate iTraxx Subordinated Financials as our preferred hedge and relative-value expression, offering efficient protection against downside risks while capturing dislocations within Financials' capital structures in the current environment.

EM SOVEREIGN BONDS

Guillaume Tresca

- **EM fixed income has passed the latest resilience test, with the Iran conflict having only a moderate impact on EM economies and assets.**
- **The positive EM story remains in place, supported by resilient growth, improving fundamentals and limited rate-hike risks, despite rich valuations.**
- **Local debt remains our preferred segment, with EM FX leading for now and rates offering selective opportunities as policy asymmetry improves.**
- **External debt is still a carry trade, with HY preferred over IG as tight spreads leave limited room for further upside.**

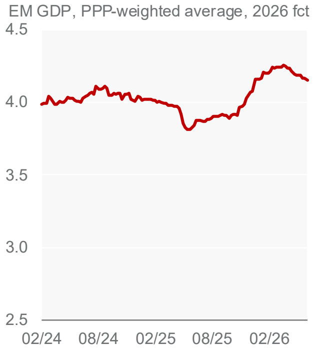
EMs pass the resilience test. The Iran conflict has confirmed our long held positive view on EM fixed income as eventually its impact has been manageable and well handled by policymakers. Improving macroeconomic fundamentals have cushioned oil shock, especially supporting consumer resilience. Business sentiment has held up well too. To this extent, growth forecast revisions have been minimal, and the EM-DM growth gap is still large. It is true that headline inflation has accelerated, but the core rate has been sticky and policy rate hike expectations are contained.

> Limited impact from the Iran conflict. The positive EM outlook is intact

Post conflict, we do not rule out temporary hiccups that could afffect risk appetite but the positve EM narrative is fully intact. On top of that, AI is a new emerging positive factor that mostly benefits to North Asia exports – South Korea, Taiwan, China but not only. AI capex spending spree is set to boost non-oil commodity exports and several EMs supply many critical minerals. Large trade surpluses are being recycled, providing a tailwind to local fixed income.

Small GDP revision

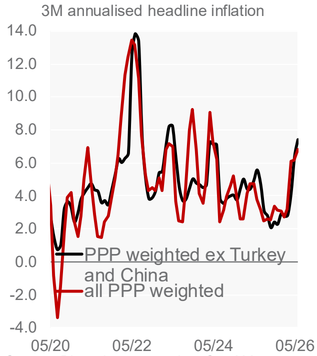
EM GDP, PPP-weighted average, 2026 fct



Source: Bloomberg, GenAM

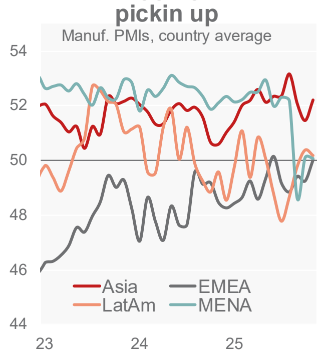
Inflation reacceleration

3M annualised headline inflation



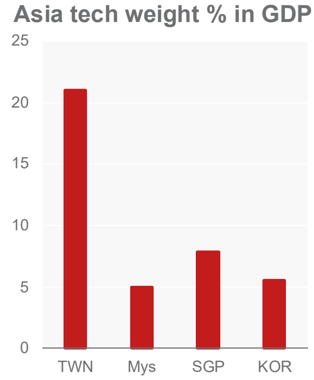
Source: Bloomberg, countries, GenAM

MENA lagging, LatAm pickin up



Source: Bloomberg, S&P, GenAM

Asia tech weight % in GDP



Source: narional agencies, GenAM

One downisde to this positive outlook is the already streched valuations. We prefer EM local debt over external debt on valuations and remain selective in our approach, favouring HY over IG. Positive technical factors will cushion the overvaluation concerns. EM sovereing bonds are an underowned asset class that still offer a pickup over US and European credit fuelling crossover inflows.

EM local debt: favour FX but rates look compelling

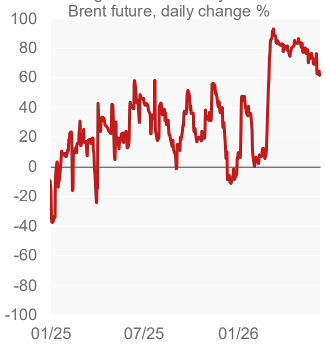
Maintain our local debt preference. Valuations look more attractive and the asset class offers a more pro-cyclical exposure to the still resilient EM macro backdrop. Renewed inflows into the asset class and the recycling of large trade surpluses into domestic fixed income should continue to support the segment. This does not mean that local markets are immune to volatility, but the relative case has improved.

> Preference for EM FXs but EM rates valuations have improved

We keep a preference for EM FX over rates in the near term. Rates remain vulnerable to tighter monetary policy expectations, oil-price volatility and a potential repricing of US yields. However, the backdrop has improved and valuations start being attractive. By contrast, EM FX has historically performed well when rate hikes start being delivered. High carry also continues to provide a buffer against a still volatile external environment.

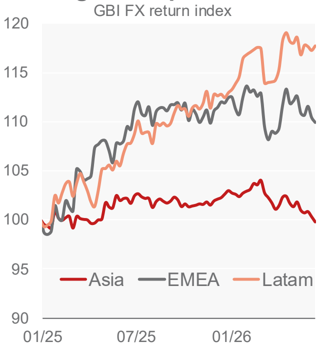
We like high yielders such as BRL, TRY and EGP, where carry remains attractive and should compensate for bouts of volatility. We also like HUF as a euro-convergence trade, supported by improving EU-related visibility and a more supportive policy mix. In the short term, we remain mindful of uncertainty around Fed governance and the risk of temporary USD strength. In the medium term, we still see further USD/CNH downside, supportive for the broader EM Asia complex. On rates, we like CE3 rates, especially HUF rates, and the long-end of the Brazilian curve.

EM rates: all about oil
21d rolling correlation GBI yield and 1st Brent future, daily change %



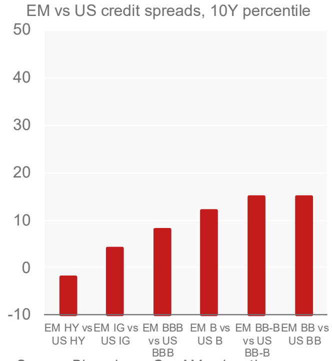
Source: Bloomberg, GenAM

Divergent FX performance
GBI FX return index



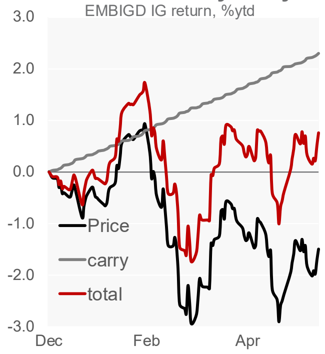
Source: Bloomberg, GenAM

Some relative value in HY
EM vs US credit spreads, 10Y percentile



Source: Bloomberg, GenAM calcuations

Return driven by carry
EMBIGD IG return, %ytd



Source:Bloomberg, JP, GenAM

EM external debt: favour HY for the carry

Positive stance but carry-driven. Yet returns should remain essentially driven by carry. Spreads are historically rich, leaving limited room for further tightening. However, the asset class still offers some value versus US credit, which should continue to support crossover inflows.

This provides a cushion in case of temporary stress, even if valuations are no longer a strong tailwind. We maintain a preference for HY over IG, as IG offers limited value given tight spreads and the risk of higher Treasury rates. By contrast, HY names still provide a more comfortable spread buffer and a stronger carry contribution.

Within HY, we favour BB credits where fundamentals are improving and rating momentum remains supportive. We like Ivory Coast, Morocco, Serbia and Uzbekistan, which combine improving fundamentals with still decent carry. In the IG space, we remain cautious on Peru and Saudi Arabia, where valuations look less compelling. Idiosyncratic stories should also remain important, notably the Hungary convergence trade and the expected regime change in Colombia.

CURRENCIES

Thomas Hempell

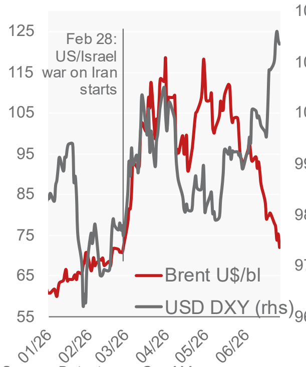
- **The dollar's driver has shifted from oil to rates and growth. Falling oil prices no longer weigh on the USD, as markets now focus on US resilience, tighter Fed pricing and a renewed US yield advantage.**
- **New Fed Chair Warsh has reinforced the hawkish repricing, supporting higher USD forecasts near term. Yet valuation and diversification headwinds still argue against extrapolating recent dollar strength.**
- **EUR/USD faces a lower forecast path but still has recovery scope from oversold levels. Falling energy prices, a prospective euro area recovery and stretched USD positioning should allow some rebound by year-end.**
- **The yen remains undervalued, but persistent USD strength delays the relief. Higher BoJ rates still point to medium-term yen recovery, yet the upgraded dollar outlook warrants higher USD/JPY targets over the next 3–12 months.**
- **Sterling and the franc offer selective short opportunities: GBP on political risks and fiscal constraints, CHF mainly through carry as the SNB resists franc strength.**

USD strength has decoupled from oil, driven instead by US growth resilience, AI investment, inflation pressure and rising Fed hike expectations

The Iran war kept a tight grip on FX markets for most of spring, with the USD tracking the oil price very closely. Lately, however, this link has been severed and even inverted (left chart): the USD DXY is set to end Q2 about 1½% stronger despite a drop in oil prices of almost 40% as the US and Iran moved closer to a deal.

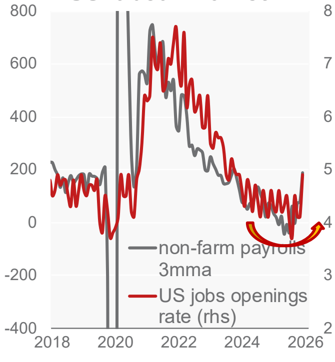
This does not make lower oil prices dollar-positive. Rather, the dominant FX driver has shifted from energy-crisis fears to rates and growth differentials. The US is still better placed to weather Iran crosscurrents as a net energy exporter, while the AI boom has sustained investment and helped the labour market bottom out (2nd chart). With demand resilient and inflation still high, the Fed has less room to prioritise labour-market risks and is shifting towards a clearer anti-inflation stance. We now look for a Fed rate hike by year-end. The resulting support to the US yield advantage keeps the USD underpinned for now (3rd chart).

USD DXY and oil price



Source: Datastream, GenAM

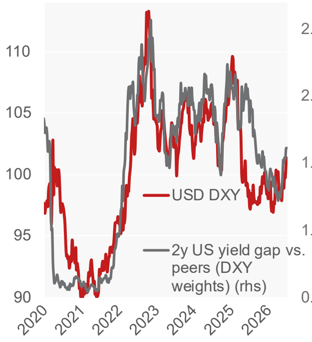
US labour market



Source: Datastream, GenAM

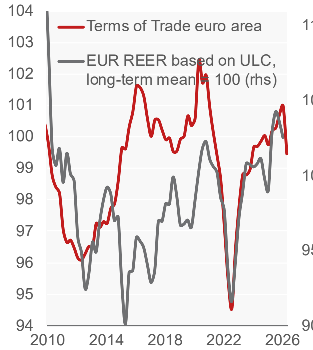
DXY and yield gap

2y US vs. weighted avg. of main peers



Source: Datastream, GenAM

EUR and terms of trade



Source: Datastream, GenAM
terms of trade as std. fromlong-term mean

Warsh's hawkish price-stability focus strengthened Fed expectations and the dollar

The new Fed Chair Kevin Warsh reinforced this hawkish shift at his first press conference after the June FOMC. By stressing price stability, he gave credibility to tighter policy pricing, helping the dollar gain almost 2% since the meeting. Amid resilient data and these messages, we raise our USD forecasts and see the dollar largely holding recent gains near term. Further out into 2027, however, the USD remains fundamentally dear and investors are still likely to diversify currency holdings amid eroded trust in US policies. We therefore still expect moderate weakening beyond the near-term cyclical support.

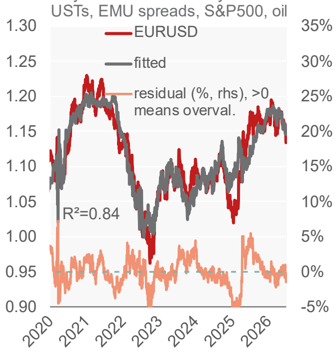
Lower EUR/USD path, but recovery scope from oversold levels

This near-term USD upgrade lowers our 3m/12m EUR/USD forecasts to 1.15/1.18 from 1.18/1.20. But a lower path is not a one-way dollar call. We still see some EUR/USD recovery by year-end as lower energy prices ease the Iran-related terms-of-trade shock (right chart prev. page) and the euro area recovery becomes more visible. Our fair-value model and stretched speculative USD longs also suggest that the latest EUR/USD move may have gone too far (left charts below). On the structural side, Germany's pension package seems headed in the right direction, reassuring investors about reform progress in the euro area's largest economy.

The stronger USD view also affects our yen profile. Repeated strong FX intervention in April/May by the BoJ has not prevented the yen from sliding close to 40-year lows. The latest leg up in USD/JPY has mostly reflected genuine USD strength, defying the easing fiscal worries visible in the flatter JGB curve (3rd chart). The yen is heavily

EUR/USD model

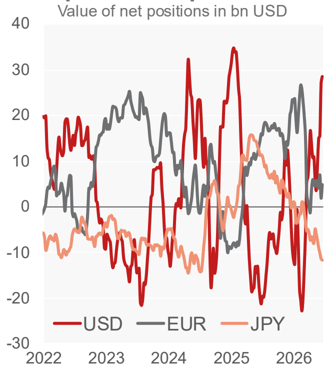
daily EURUSD on 2&10y Bunds & USTs, EMU spreads, S&P500, oil



Source: Datastream, GenAM calculations

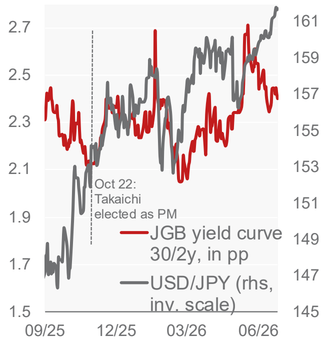
Speculative positions

Value of net positions in bn USD



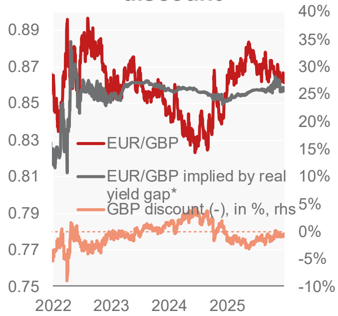
Source: CFTC, Datastream, GenAM

JGB yield curve and USD/JPY



Source: Datastream, GenAM

EUR/GBP and UK fiscal discount



Source: Datastream, GenAM; *EUR/GBP implied by 3y yield gap (3y regrression window)

undervalued, pointing to medium-term recovery alongside higher BoJ rates. Given the upgraded USD outlook, however, we raise our 3-/12-month USD/JPY targets to 160/156.

> Mild EUR/GBP upside as new PM will face persisting fiscal constraints to reviving growth

The remaining short opportunities are more selective. For sterling, the case is mainly political and fiscal. We see EUR/GBP tilted slightly higher. The toppling of PM Starmer, who has already announced to step as PM and leader of the Labour Party, weighed on sterling only temporarily, with markets quickly focusing on hopes of a swift leadership change towards Burnham after his endorsement by centrist rival and potential Chancellor Wes Streeting. Still, with no visible fiscal discount priced into sterling (right chart) and the incoming PM fiscally constrained, we expect sterling to trade slightly weaker. Given GBP's high carry (1-year hedging costs at 1.6%), we favour only very prudent GBP shorts, however.

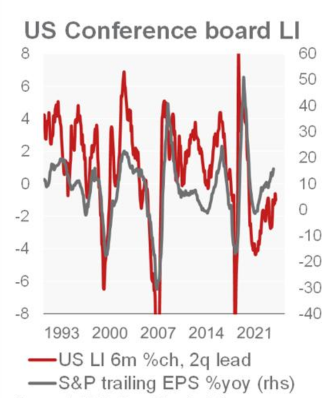
For CHF, by contrast, the case is mostly about carry. We expect EUR/CHF to stay broadly flat over the coming 12 months, with the SNB reluctant to follow the ECB's rate hike amid subdued Swiss inflation and still leaning against franc appreciation. We thus see the benefits from shorting CHF mostly in the positive carry for euro area investors.

EQUITIES

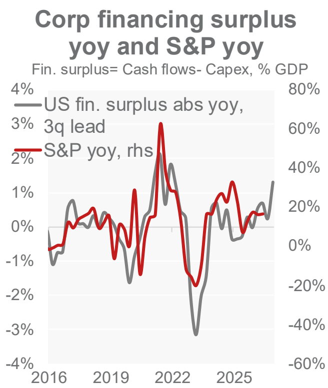
Michele Morganti and Vladimir Oleinikov

- **We maintain a slight OW on equities, supported by not yet extreme positioning, favourable financial conditions, positive ML models, and a solid M&A pipeline. The AI tide is lifting all manufacturing boats, the US economy is holding up well, and EM economies have proven more resilient than in past crises. Europe has been a weak spot, but the pullback in energy prices should improve the outlook again.**
- **US and EU corporate fundamentals are solid, with strong cash generation, low leverage, high profitability, and accelerating productivity gains. Global earnings (EPS) revisions have rebounded sharply following the strong Q1 EPS season, as contained unit labour costs and ongoing pricing power support margins. Even in Europe, positive EPS revisions have recently been quite broad-based.**
- **Overall, valuations are above historical norms — though less so in Europe and EM — but US Tech still appears reasonably valued in the near term, with AI remaining a powerful tailwind. The Magnificent 7 continue to screen attractively on both PE and PEG bases. Neutral EMU vs. US, OW EMs, including Chinese IT, and OW US IT vs. SPX. EU sectors: stick to a cyclical tilt. OW: cap. goods, financials, semis, software, materials, pharma, and telecoms.**
- **We expect a 1-year TR of +7% for the S&P 500 and +8% for EMU, with upside potential to ~17% and ~15%, respectively, should consensus earnings expectations be met.**

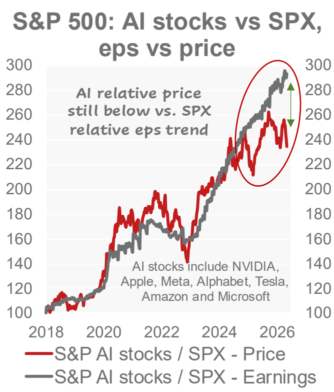
Following the announced US-Iran deal, the backdrop for equity markets remains broadly constructive: the AI tide is lifting all manufacturing boats, the US economy is holding up well, and EM economies have proven more resilient than in past crises. Europe has been a weak spot, but the pullback in energy prices should improve the outlook again. Indeed, EA sentiment indicators are rebounding slightly, and we expect activity momentum to accelerate in H2. In the surveys, EA firms expect higher pricing and lower wage growth than three months ago. They are also confident in managing supply chains to minimise geopolitical headwinds.



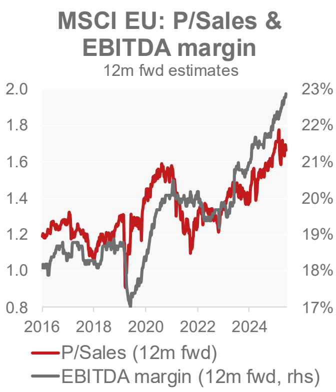
Source: LSEG, GenAM calculations



Source: FRED eco data, GenAM calculations



Source: Datastream, GenAM



Source: Datastream, GenAM

Equities still offer upside, but higher rates and weaker AI returns remain the key risks to monitor

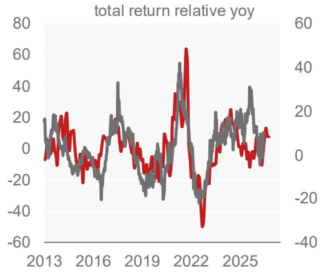
US and EU corporate fundamentals are solid, with strong cash generation, low leverage, high profitability, and accelerating productivity gains. It is true that the market's net offering (buybacks minus IPOs) is getting less negative in the US (less positive for equities vs history), but this is much less so in Europe and Japan. Global EPS revisions have rebounded sharply following the strong Q1 EPS season, as contained unit labour costs and ongoing pricing power support margins. Even in Europe, positive EPS revisions were recently broad-based, including semis and energy, together with materials, software, banks, capital goods, pharma, food, utilities, and telecoms. Losers were consumer services, RE, durables, and autos.

US EPS are strong, with Q1 EPS yoy growth of 27% and high beat rates; Europe has also improved but faces weaker macro conditions. In both countries, margins are at a cyclical high: US margins should remain resilient, while EU margins may moderate. For 2026, we expect EPS growth of 18.5% in the US and 11% in EMU, both below consensus. A weaker euro and easing labour cost pressures may provide some support for EA earnings despite macro weakness.

Overall, valuations are above historical norms — though less so in Europe and EM — but US Technology still looks reasonably valued near term, with AI remaining a powerful tailwind. The Magnificent 7 remain attractive on both PE and PEG bases. Their PEs are 6% below their norm since 1995, and price trends still lag their earnings trend. While hyperscalers free cash flow is declining, free cash for the 23 largest US Tech stocks is only stabilising this year and should recover thereafter. The M7's less upbeat market performance is probably pricing in a peak in the earnings cycle, potentially higher competition ahead (including from China), uncertainty on future returns on capex and, last but not least, a more hawkish stance by the new Fed governor, Warsh, which is hurting long-duration stocks such as Tech ones. Still, we do not expect much higher 10-year rates from here and continue to see good corporate and macro-financial conditions: slightly OW Tech, cheaper "productivity" baskets and Chinese Tech. All in all, we maintain a modest equity overweight, supported by favourable financial conditions, a solid M&A pipeline, non-extreme investors' positioning, persistent US fiscal tailwinds and ML models favouring equities over bonds. OW US Tech, Germany (DAX and MDAX), US mid-caps and selected EM markets (valuation, good fundamentals, weak USD), such as Korea, Poland, and China. Over the next 12 months, we forecast total returns of 7% for the S&P 500 and 8% for EMU equities, with upside potential to ~17% and ~15%, respectively, should consensus earnings expectations be met. Key risks lie in higher interest rates and a weaker-than-expected return on AI investment. We stay neutral EMU vs US as US structural relative overvaluation is offset in the short term by better EPS and macro momentum.

MSCI Europe: cyclicals vs defensives

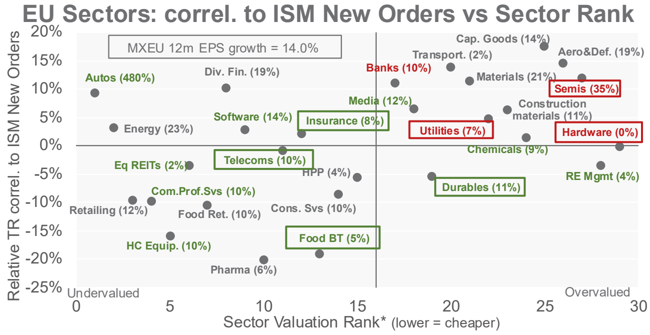
total return relative yoy



Source: Datastream, GenAM

European sectors	12m fwd EPS ch. from 25/2/2026 (%)	TR from 25/2/2026 (%)	Q1 EPS surprise (%)
Energy	57.2	16.0	13.4
Semiconductors	22.7	25.4	5.2
Metals & Mining	16.6	-1.4	35.6
Mat: Constr.Mat.	13.5	-6.6	-51.0
Software	9.1	2.8	5.4
MSCI Europe	**9.0**	**-0.4**	**5.2**
Banks	8.2	-0.2	3.6
KG: Aero/Defense	7.4	-11.2	2.4
Capital Goods	5.9	4.5	-5.7
Utilities	5.8	-2.3	3.4
Food	5.4	-3.1	8.0
Telecom	4.4	-5.3	17.4
Pharma	2.7	-5.3	8.2
Auto	-0.2	-10.0	-9.0
Cons. Durables	-0.4	-5.9	6.7
RE Mgmt & Dev.	-3.2	-17.3	6.4
Cons. Services	-5.6	13.6	-3.0

EU Sectors: correl. to ISM New Orders vs Sector Rank



*includes Fed Model gap, exp. TR, PEG adj. (for ROE and COE), Shiller PE, 3 -stage EPS growth model, mkt multiples, PE vs hist. avg. excl. bubble years. 12m EPS growth = 12m fwd EPS vs 12m trailing EPS

Green/Red name = positive/negative machine learning (ML) models

in (X%): 12m EPS growth

▭ = Best performing models

Source: Refinitiv, GenAM calculations as of 08/06/2026

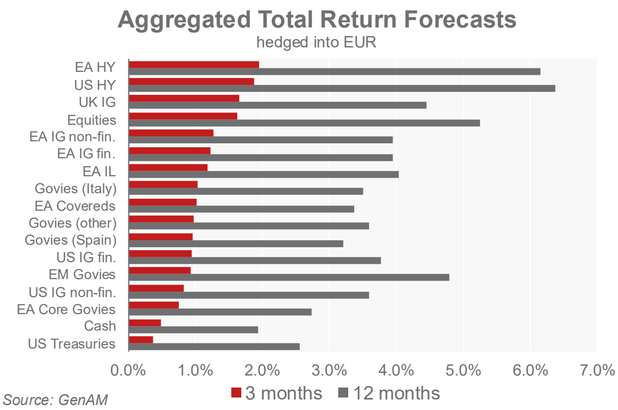
As far as EU sectors are concerned, we stick to our cyclical tilt. The recommended sector asset allocation is based on the global leading indicator and EU inflation, which in combination signals a "Heating up" phase, favouring cyclicals. Stagflation remains a risk for EMU, but is not as high now, as the US-Iran deal continues (our base case). We OW financials, capital goods, semis, software, materials, pharma, and telecoms. We UW staples, RE, durables, energy, and hardware.

ASSET ALLOCATION

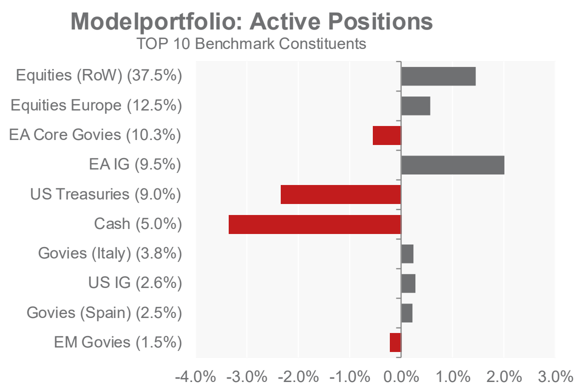
Thorsten Runde

- **The global backdrop remains resilient, yet still divergent. The stagflation shock from the Iran has widened the transatlantic growth gap: the euro area should remain close to stagnation in the near term before recovering in H2, while the US continues to benefit from energy self-sufficiency, AI investment and a stabilising labour market.**
- **Looking ahead, risks remain two-sided. The partial reopening of the Strait of Hormuz has brightened the growth outlook though risk of renewed disruption keeps lingering. Depleted oil inventories, residual security risks, tariff pass-through and AI demand will prevent a fast inflation normalisation, in particular in the US. Higher public debt and term premia bid argue for duration discipline, while earnings resilience, liquidity and favourable financial conditions support a selective pro-risk stance.**
- **Against this backdrop, we shift towards cautious duration stance (neutral EUR, slightly short US) and a mild pro-risk allocation. We overweight Credit (both IG and HY) and raise Equities to a small overweight, funded by underweights in Cash and Government bonds.**

The current environment should remain mildly pro-risk, underpinned by resilient earnings. A more hawkish Fed stance reinforces disciplined duration exposure, especially in USD fixed income, while the ECB remains measured and data-dependent. Higher term premia should limit yield rallies and favour curve steepening. Credit spreads are tight but supported by carry demand, healthy balance sheets and contained macro spillovers. Equities benefit from solid earnings, AI capex and supportive conditions, while valuations and concentration call for diversification.



Source: GenAM



Source: GenAM; Benchmark weights in parentheses

We maintain an overweight in Credit and a small overweight in Equities, funded by underweights in Cash and Government bonds. Within fixed income, carry and selectivity should remain key: IG and HY credit stay attractive, Financials are overweight, and we favour medium maturities plus subordinated financial credit. In rates, we avoid chasing duration, especially in USD; EA duration is neutral and US duration moderately short, with a steepening bias and an overweight in inflation-linked bonds. Within equities, we favour balanced regional exposure, European cyclicals and mid-caps, and EM equities supported by stronger EPS growth, attractive valuations and a weaker dollar. Key themes include AI productivity, technology, communication services, gold miners and uranium. EM local debt and FX are preferred over external debt; EUR/USD should stay range-bound over summer, while the dollar remains vulnerable further out.

FORECASTS

Macro Data

Growth	2025	2026 forecast	2026 Δ vs. cons.	2027 forecast	2027 Δ vs. cons.	2028 forecast
US	2.1	2.0	- 0.1	2.0	0.0	2.0
Euro area	1.5	0.7	0.1	1.1	- 0.1	1.2
Germany	0.3	0.5	- 0.2	1.1	- 0.1	1.1
France	0.9	0.6	- 0.1	0.7	- 0.2	1.5
Italy	0.7	0.4	- 0.2	0.5	- 0.2	0.5
Non-EMU	1.6	1.0	- 0.1	1.3	- 0.0	1.7
UK	1.4	0.6	- 0.0	1.1	- 0.0	1.6
Switzerland	1.6	0.8	- 0.2	1.3	- 0.1	1.8
Japan	1.2	0.3	- 0.4	0.6	- 0.3	0.6
Asia ex Japan	5.5	4.6	- 0.4	4.7	- 0.1	4.7
China	5.0	4.4	- 0.3	4.3	- 0.2	4.3
CEE	2.1	1.8	- 0.2	2.2	- 0.2	2.2
Latin America	2.4	1.6	- 0.3	2.1	- 0.1	2.6
World	**3.4**	**2.7**	**- 0.2**	**3.0**	**- 0.1**	**3.0**

Inflation	2025	2026 forecast	2026 Δ vs. cons.	2027 forecast	2027 Δ vs. cons.	2028 forecast
US	2.6	3.5	0.3	2.7	0.3	2.2
Euro area	2.1	3.0	0.1	2.3	0.0	2.1
Germany	2.3	3.0	0.3	2.4	0.2	2.0
France	0.9	2.1	0.1	1.8	0.1	1.9
Italy	1.7	3.0	0.1	1.8	- 0.2	1.9
Non-EMU	2.7	2.5	0.1	2.2	0.0	1.9
UK	3.4	3.2	0.1	2.5	0.0	2.0
Switzerland	0.2	0.7	0.1	0.7	0.0	0.6
Japan	3.2	2.9	0.8	2.3	- 0.1	2.0
Asia ex Japan	0.9	2.4	0.1	2.2	0.1	2.2
China	0.0	1.2	0.2	1.2	0.1	1.5
CEE	13.9	11.3	1.1	8.6	0.9	6.8
Latin America	4.6	4.8	0.0	3.9	0.0	3.0
World	**2.9**	**3.7**	**0.2**	**3.0**	**0.1**	**2.7**

Regional and world aggregates revised to 2015 IMF PPP weights; Latin America Inflation excluding Argentina and Venezuela

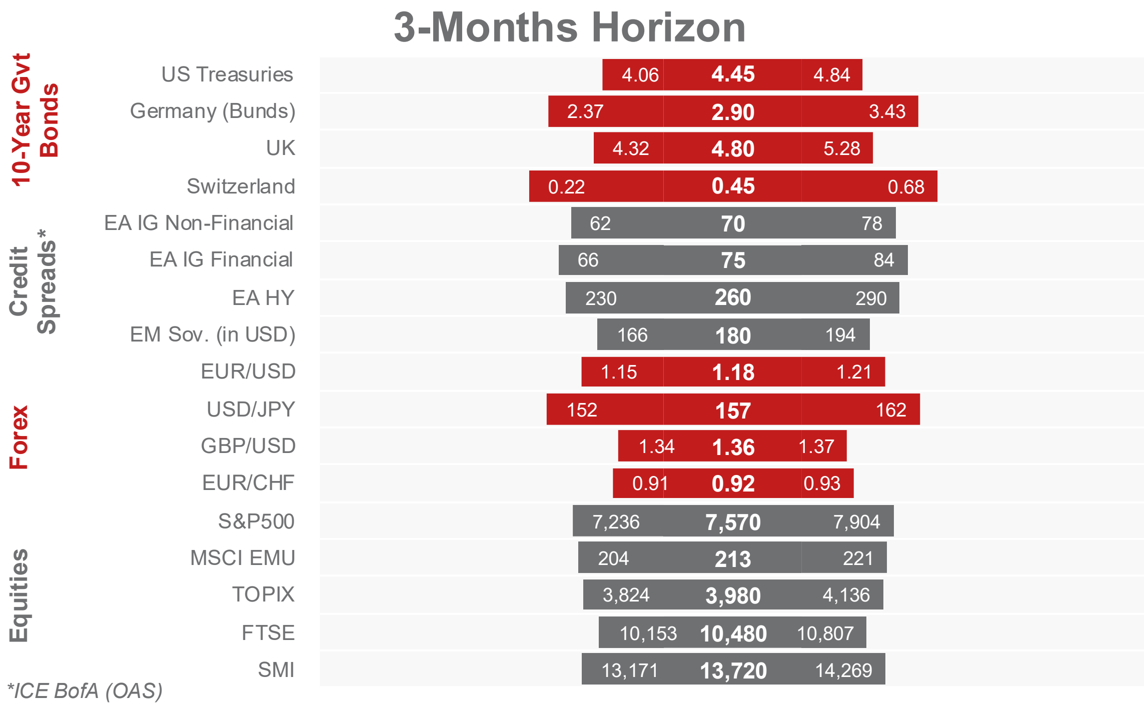
Financial Markets

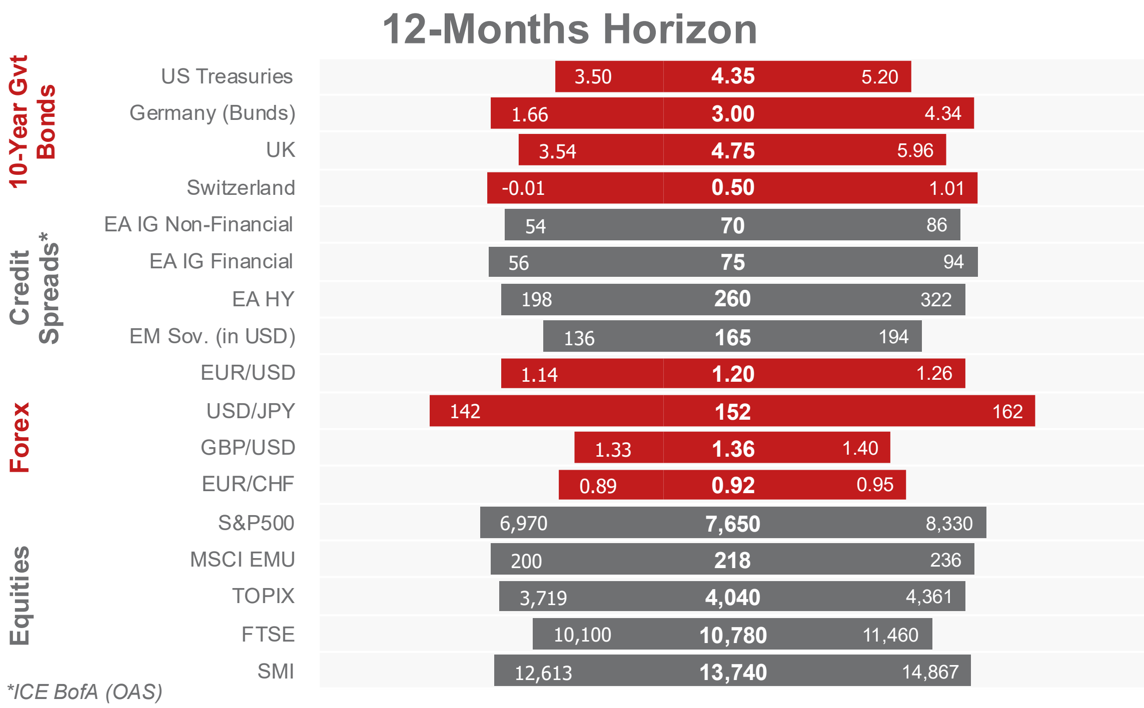
Key Rates	Current*	3M Forecast	3M Forward	6M Forecast	6M Forward	12M Forecast	12M Forward
US (upper bound)	3.75	3.75	3.83	4.00	3.97	4.00	3.93
Euro area	2.25	2.25	2.36	2.25	2.45	2.25	2.45
Japan	1.00	1.00	1.04	1.25	1.22	1.25	1.50
UK	3.75	4.00	3.83	4.00	3.97	4.00	3.99
Switzerland	0.00	0.00	-0.02	0.00	0.01	0.00	0.10
10-Year Gvt Bonds							
US Treasuries	4.39	4.45	4.44	4.50	4.48	4.55	4.55
Germany (Bunds)	2.92	2.95	2.93	2.95	2.97	3.00	3.03
Italy	3.60	3.65	3.70	3.65	3.77	3.70	3.88
Spread vs Bunds	*69*	*70*	*77*	*70*	*80*	*70*	*85*
France	3.63	3.70	3.65	3.75	3.71	3.85	3.80
Spread vs Bunds	*72*	*75*	*72*	*80*	*74*	*85*	*77*
Japan	2.64	2.65	2.72	2.70	2.80	2.75	2.94
UK	4.71	4.75	4.83	4.70	4.87	4.70	4.96
Switzerland	0.26	0.30	0.30	0.30	0.33	0.35	0.36

*3-day avg. as of 26/06/26
**ICE BofA (OAS)

Credit Spreads**	Current*	3M Forecast	3M Forward	6M Forecast	6M Forward	12M Forecast	12M Forward
EA IG Non-Financial	76	70		70		70	
EA IG Financial	78	70		70		70	
EA HY	265	250		250		250	
EM Sov. (in USD)	163	158		155		150	
Forex							
EUR/USD	1.14	1.15	1.14	1.16	1.15	1.18	1.16
USD/JPY	162	160	161	158	159	156	157
EUR/JPY	184	184	183	183	183	184	181
GBP/USD	1.32	1.32	1.32	1.33	1.32	1.34	1.32
EUR/GBP	0.86	0.87	0.87	0.87	0.87	0.88	0.88
EUR/CHF	0.92	0.92	0.92	0.92	0.91	0.92	0.90
Equities							
S&P500	7,357	7,450		7,525		7,685	
MSCI EMU	215.1	217.0		220.5		223.5	
TOPIX	3,981	4,025		4,070		4,150	
FTSE	10,500	10,510		10,630		10,810	
SMI	14,174	14,365		14,605		14,600	

Forecast Intervals





*The forecast range for the assets is predetermined by their historical volatility. The volatility calculation is based on a 5-year history of percentage changes, equally weighted in the case of the 12-month forecast and exponentially weighted in the case of the three-month forecast. The length of the bars within each asset group is proportional to the relative deviations from their mean forecasts.

IMPRINT

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