GENERALI INVESTMENTS

Market Compass

JUNE 2026

MARKET OUTLOOK

Edited by

MACRO & MARKET RESEARCH TEAM

- Two forces are pulling markets in opposite directions – the Iran supply shock on one side, a powerful AI investment boom on the other. The economic outlook will improve materially if the Strait of Hormuz flows restart soon, driving energy prices lower and easing stagflationary pressures.
- We prefer a moderate pro-risk bias, centered on an overweight in Credit where compelling all-in yields and a low recession probability support carry. On Equities we are tactically neutral, but more constructive on 3-6 months, especially if a credible deal ensures gradual energy normalization.
- On duration we run a slight short, concentrated in the US, but less aggressively than before. But lingering inflation risks, rising public debt and term premium upside are likely to cap any bond rally.

A team of 13 analysts based in Paris, Cologne, Milan and Prague runs qualitative and quantitative analysis on macroeconomic and financial issues.

The team translates macro and quant views into investment ideas that feed into the investment process.

US

- (Negative) Q1 GDP revised down to 1.6% on slower consumption. AI keeps investment growing
- (Negative) Oil has pushed headline inflation to 3.8% in April, with more pressure in the pipeline
- (Positive) Labour market stabilising, with some signs of timid re-acceleration
- (Negative) The Fed is done cutting rates this year

EUROZONE

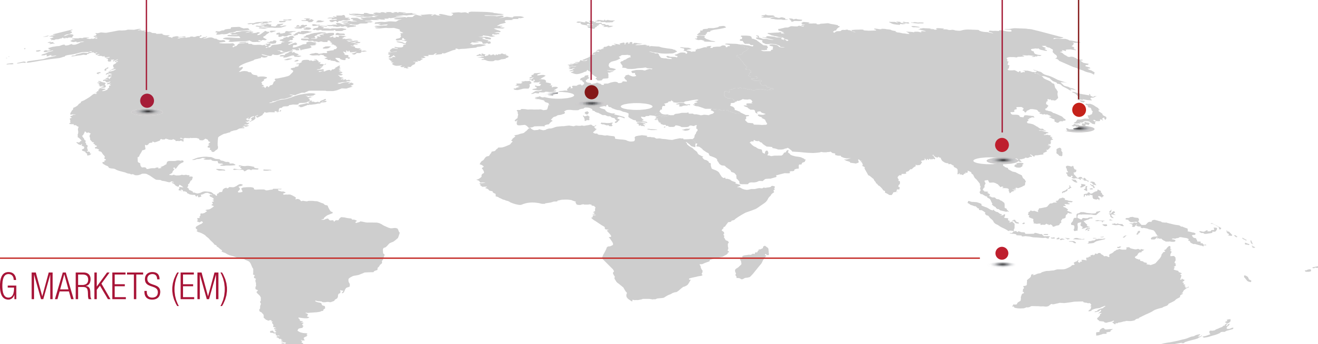
- (Negative) Indicators imply stalling/ receding Q2 growth …
- (Positive) … but signs of stabilization (consumer confidence, loans)
- (Negative) May inflation up to 3.2% yoy and to stay high
- (Negative) Hawkish ECB to hike by 25 bps in June

CHINA

- (Negative) Disappointing data show a slowdown in growth dynamic
- (Positive) Solid exports driven by AI, EV and batteries sector
- (Positive) Slightly better US/China relations

JAPAN

- (Negative) After a strong Q1, growth is expected to moderate to 0.3%
- (Negative) Inflation set to increase to 3% on fuel costs
- (Topic to watch) BoJ to raise rates in June to tame inflation, despite slow growth



EMERGING MARKETS (EM)

- (Positive) Resilience of EM assets despite the geopolitical concerns
- (Negative) Slight tightening of EM central bank stance
- (Positive) Overperformance of LatAm over Asia

(+) Positive
(–) Negative
(!) Topic to watch

DIRECTION OF TRAVEL

- Express moderate pro risk tilt keeping overweight (OW) in Credit, both IG and HY thanks to carry and good fundamentals.
- Move Equity to neutral after the long rally, given persistent uncertainty.
- Keep underweight (UW) in Core Government bonds. Neutral duration.
- Slight UW in Cash.

Equity

- Supportive macro backdrop, with a still ongoing - albeit bumpy - de-escalation phase.
- We remain cautious after the rally but still expect positive returns. Strong US earnings; Europe softer but supported by weaker Euro, lower labour costs.

Bonds

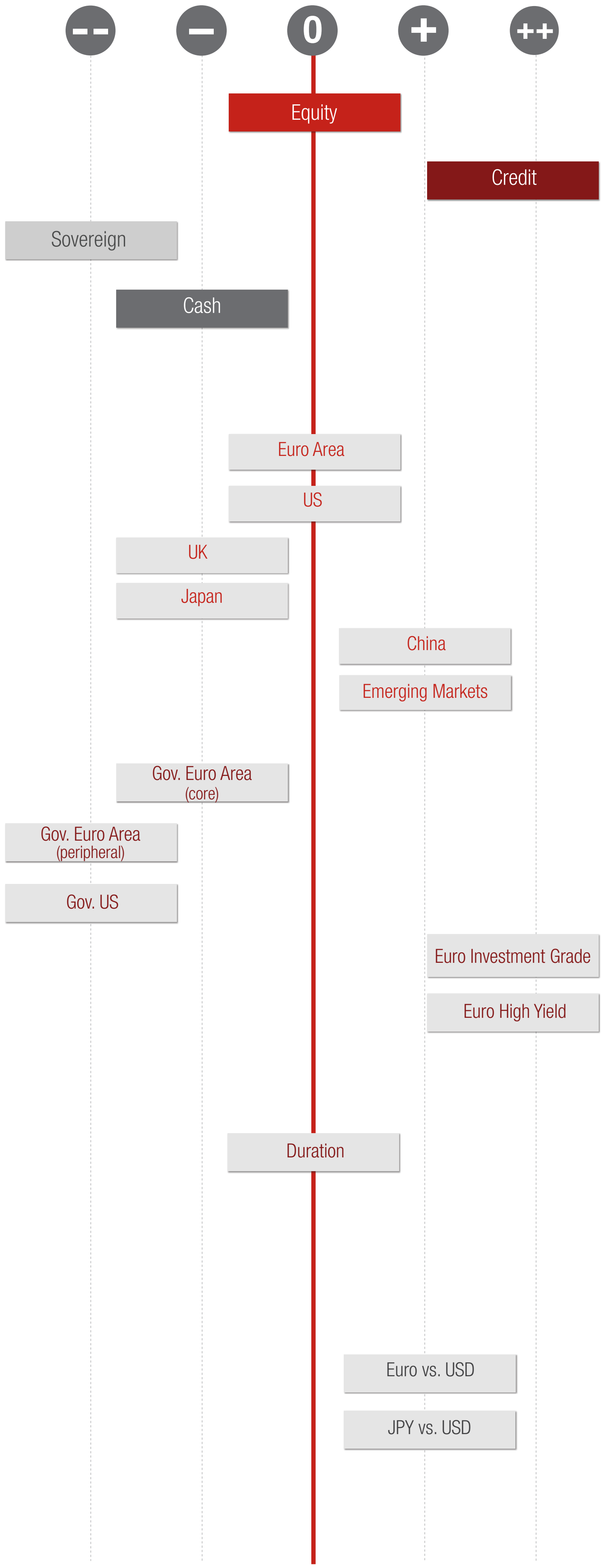
- Core yields likely to decline mildly near term on softer Euro Area data, easing geopolitics and too-hawkish ECB rate pricing.
- Medium term, yields trend higher as inflation risks, heavy supply and rising term premia persist, limiting any sustained rally.

Duration

- Neutral duration.

Currencies

- A potential US-Iran deal may weigh on the dollar, but higher energy prices, the AI growth impulse and the risk of dovish ECB repricing should keep EUR/USD largely range-bound through the summer.
- Medium term, reserve diversification and US policy uncertainty still point to a moderately weaker USD.



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TOPICS TO WATCH

- Iran war escalates further into prolonged regional war; but also chances of swifter deal/US withdrawal.
- AI downturn amid high valuations, earnings expectations and heavy market weights of large tech stocks.
- Synchronized sell-off in US Treasuries and USD on rising US policy risk, including Fed appointments.
- Cracks in Private Credit markets (leverage and concentration), especially in the US, trigger systemic fears.

Probability: High ⟷ Low

Impact: High ⟷ Low

GLOSSARY

ALL-IN YIELDS

The overall bond yield combining base interest rates and credit spreads, reflecting the total income an investor receives.

Find out more:
www.generali-investments.com

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