UBP House View

JULY 2026

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UBP

Union Bancaire Privée

Same convictions, greater selectivity

Editorial

In June, we highlighted a paradox: a demanding macroeconomic environment, yet markets buoyed by exceptional corporate earnings. The mid-year point validates that reading and brings with it a turning point. The recent agreements between the United States and Iran have drawn a line under the energy shock that dominated the first half of the year, and the landscape now opening up is a different one, calling for greater selectivity.

The first half of the year left behind a lasting lesson: when equities and bonds fell in tandem, traditional diversification mechanisms showed their limits, and alternative strategies played their role to the full. They remain a cornerstone of our portfolios, with a preference for strategies offering strong alpha generation.

It is in fixed income that this change of regime opens up the most opportunities. After a disappointing start to 2026, this asset class should regain momentum in the second half of the year. Our priority is to strengthen carry, favouring those segments that offer the best balance between income and risk – an approach that holds true across all major currencies.

In equities, the bull market dynamic remains intact, under the close watch that the technology investment cycle continues to warrant. We are initiating a rotation towards broader, higher-quality exposures: emerging markets, at the heart of the global semiconductor supply chain, and Europe, where fundamentals are improving and easing energy prices are providing a tailwind.

Last, gold may warrant an adjustment in portfolio construction in the near term, while retaining its role as a long-term diversifier.

Our priorities for the second half of the year are clear: reducing concentration risk, maintaining a measured equity stance, and favouring markets with the strongest fundamentals. In a world undergoing a regime shift, our responsibility remains the same: to hold convictions that stand the test of time and to adjust, with discipline, the way we implement them.

Michaël Lok, Group CIO and Co-CEO Asset Management

The financial instruments and investment strategies mentioned in this document are for informative purposes only. They may differ from those effectively held in an investor's portfolio. Depending on the jurisdiction and investment profile, one, several or all of these instruments and strategies – including, where applicable, options – may not be permitted, available or suitable.

Contents

Key messages

1 Earnings remain the market's true driver

2026 profit estimates have almost doubled since the start of the year, largely on the back of artificial intelligence (AI)-related investment, confirming an earnings-led rather than valuation-led market.

2 Corporate high yield and hybrid AT1s: conviction raised to 4/5

Within fixed income, we have raised our conviction on corporate high yield and hybrid additional tier 1 (AT1s) from 3/5 to 4/5, enhancing income while keeping overall interest-rate sensitivity broadly neutral.

3 Equities rotate towards breadth and quality

We have exited defence and China, tilting instead towards Europe and emerging markets – economies at the heart of the global semiconductor supply chain and which are benefiting from easing energy costs.

4 Gold: strategic conviction adjusted to 4/5

We have lowered our strategic conviction on gold from 5/5 to 4/5 and trimmed portfolio exposure, as a stronger US dollar and slower rate cuts reduce near-term catalysts.

5 Alternatives lean into option-based resilience

We have added to systematic, option-based quantitative investment strategies (QIS), which favour income generation and downside protection.

Our investment stance

Even the year's most significant geopolitical shock – the conflict involving Iran – has not derailed economic growth or financial markets. Oil prices have remained resilient to the supply shock, and we now see the risks around that level increasingly skewed to the downside, as the peace deal is likely to unleash a wave of supply. What matters most for financial markets is that corporate earnings remain the key driver. We began the year expecting solid profit growth for 2026; since then, estimates have almost doubled, largely driven by investment linked to artificial intelligence (AI). This is an earnings-led market rather than one driven by higher valuations, which supports keeping overall exposure to risk assets.

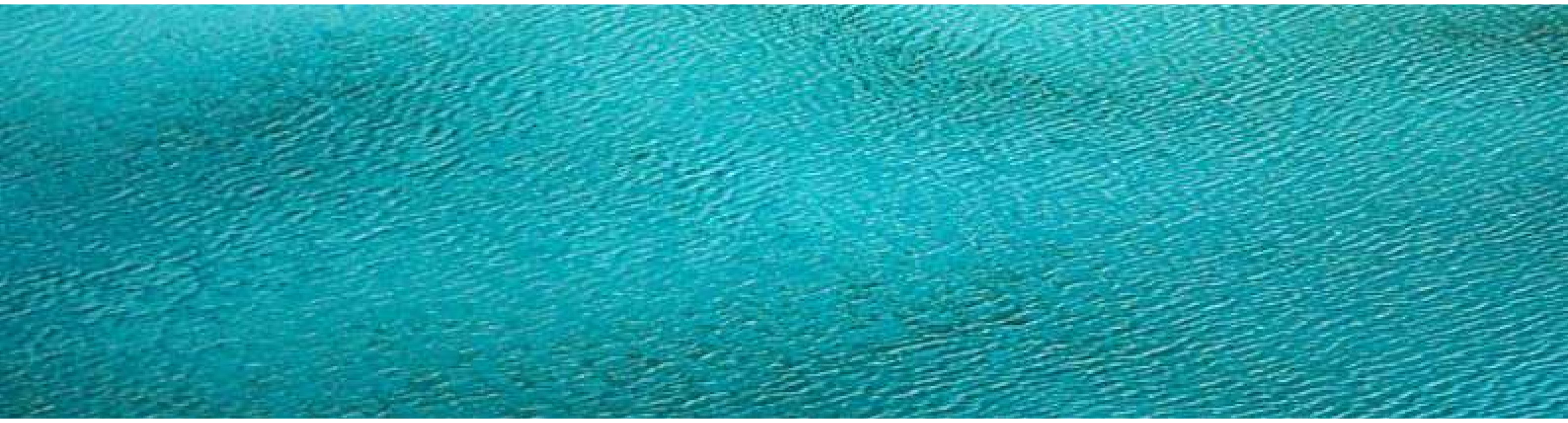
However, we expect a more volatile market in the months ahead following the strongest equity rally seen in the last quarter in six years. Financing the AI build-out – trillions of dollars between 2025 and 2030 – requires significant capital and is likely to disrupt the pace of global earnings growth. Large technology companies are redirecting cash from buybacks to investment, while new equity issuance and listings are rising. That shift does not undermine the long-term thesis, but it could increase volatility even as fundamentals remain constructive. In this respect, we have deliberately tempered overall conviction-level exposure in the near term, which we intend to redeploy as visibility improves.

In our alternative portfolio allocation, our positioning reflects a clear priority: to participate in upside while actively managing risk to stabilise returns. Rather than chase the technology rebound, we have added to systematic, option based strategies – quantitative investment strategies (QIS) – that better fit our scenario. These strategies use options to shape the return profile – seeking income, maintaining protection, and retaining upside participation – so portfolios can stay engaged without relying solely on market direction.

In equities, we exited our exposure to defence companies as budgets and innovation dynamics shift. We have tilted towards Europe, where easing energy costs and improving fundamentals quietly strengthen the case for the region. Additionally, we sold our Chinese exposure given persistent structural headwinds and a lack of near term catalysts; we reallocated towards global emerging markets (EM). With oil steady and risks lessening, we have downgraded the energy sector and see more attractive prospects in utilities, which are benefiting from infrastructure investment tied to AI.

In fixed income, returns have lagged behind cash year to date as a modest repricing in rates compressed carry. We think the bulk of that rate stress is now behind us and expect steadier bond markets with the potential for some catch up, although not a dramatic rally. We have raised carry in the portfolios by increasing exposure to higher yielding segments and have upgraded the rating on the sub-asset class from 3/5 to 4/5. With growth still resilient and default rates contained, this balance aims to enhance income without adding duration risk, thus keeping overall interest rate sensitivity broadly neutral.

Last, we have lowered our strategic level of conviction on gold from 5/5 to 4/5 and trimmed exposure in portfolios. The long-term role of gold as a diversifier remains intact, supported by central-bank demand – even if recent purchases have come from a narrower group of buyers – and by continued reserve diversification. Near-term catalysts have softened, however, as rate cuts have slowed and the US dollar has strengthened, with gold exchange-traded funds (ETF) having shed more than 2% of their holdings since the outbreak of the Middle East conflict – the largest such outflow since 2021. We see the opportunity skewed more towards the end of the year.



The conversations that matter

1 Does the recent market rotation towards Europe reflect deteriorating US/technology sector fundamentals?

The recent market rotation towards Europe since the end of May (STOXX Europe 600 total return +4.1% to 6 July vs. S&P 500 -0.4%, Nasdaq 100 -2.0%, MSCI Emerging Markets -1.3%) reflects a recalibration of market positioning, with certain areas of global equities having become extended after strong performances over the first half of the year, namely emerging markets at +24.0% and the Nasdaq 100 at +20.3%, against +11.5% for global equities. The first two have benefited heavily from elevated exposure to the artificial intelligence (AI) infrastructure build-out trade, where industry bottlenecks have driven surging earnings growth and elevated visibility, while geopolitical events have clouded the earnings outlook elsewhere, both regionally and by sector.

As geopolitical tensions and oil prices ease, relative visibility is improving outside the technology sector, whose structural growth visibility had been favoured by investors over the first half of the year, driving US and emerging market outperformances. In this respect, Europe is among the least exposed to the technology sector among regional indices, having elevated exposure to more cyclical and value-oriented areas of the market instead (financials, industrials and healthcare together represent over 50% of index weightings). Improving economic conditions, combined with relatively cheaper valuations, have led investors to use Europe as a hedge against their AI exposures.

While we do not believe that US/technology sector fundamentals have deteriorated, a consolidation phase may persist in the very near term, or at least until second-quarter earnings are published, when corporate commentary will be the next leading indicator of whether AI-related growth expectations remain valid or require revision.

Moshmi Kamdar, Head of Equity Advisory

2 Fixed income returns have lagged behind carry year-to-date. What explains this, and what should investors expect through to year-end?

Fixed income returned less than carry (the start-of-year yield) through the first half of the year, with rates being the principal culprit. The ranking across sub-classes tells the story: the more carry a sector offered, the closer it came to earning it. Emerging market debt (3.3% year-to-date) and AT1s (2.4%) came closest, helped by spread compression that offset part of the rate move. High yield (HY), investment grade (IG) and Treasuries fell progressively further short of their carry, with Treasuries and IG – offering the least spread cushion – falling furthest behind.

Rates rose on the back of the oil shock triggered by the US-Israel-Iran war and the closure of the Strait of Hormuz, which lifted inflation risk and shifted market pricing from rate cuts to rate hikes (with the European Central Bank (ECB) duly delivering one). Further hikes remain priced in, though we do not expect them to materialise. Spreads were volatile over the period but have since settled back to start-of-year levels or tighter; with fundamentals remaining favourable and the economy still resilient, we do not anticipate significant widening from current levels.

Filipe Alves da Silva, Head of Fixed Income Advisory & Strategy

3 After a disappointing year, is the smaller gold allocation a change of conviction?

Since the beginning of January, gold is down by around 3%, following a 60% rise in 2025. Our recent decision to reduce the gold allocation reflects prudent risk management in light of the high levels of volatility that we have seen across the entire precious metals complex lately, and rising bond yields across most developed markets. Gold is the largest standalone position in our portfolio and further rises in yields could potentially weigh on gold prices. We note that retail investors have reduced gold allocations since March, reflecting a re-correlation between gold prices and nominal yields, which had broken down in 2024 and 2025.

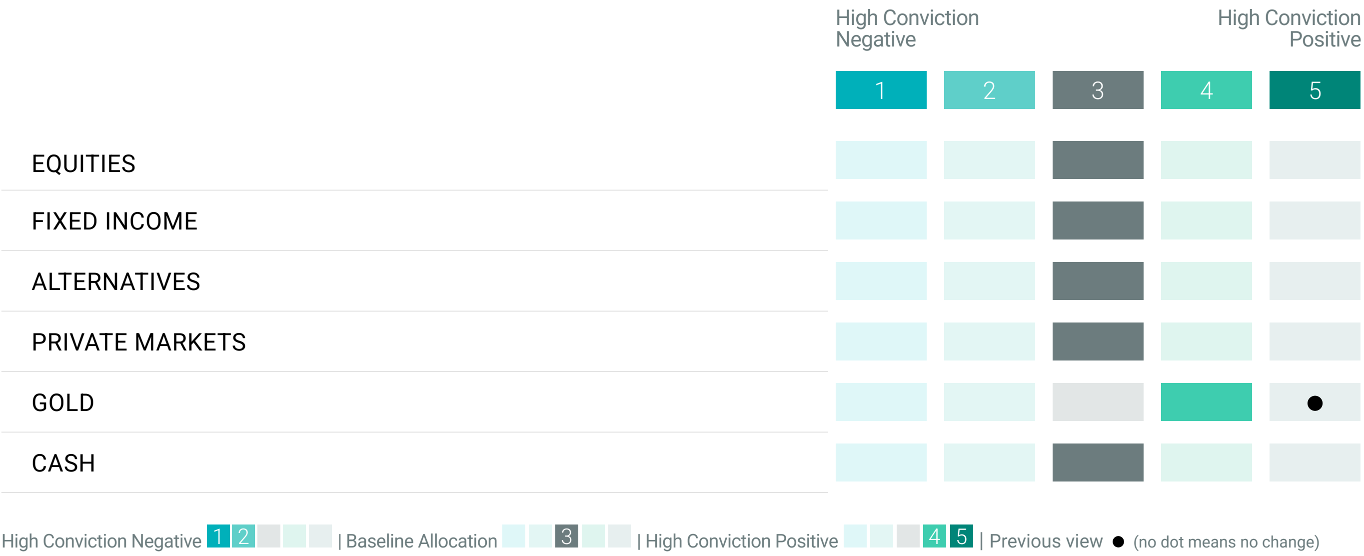
Falling oil prices should reduce upside risks to yields in the coming months, and once the outlook for core inflation becomes clear by the end of Q3 it should result in increasing gold purchases by both retail and institutional investors. This dynamic should push gold towards higher levels by year-end.

We maintain a strong conviction that gold will rise substantially over the medium term. This view reflects ongoing central bank purchases, heightened levels of geopolitical uncertainty, and a hedge on the effects of compounding inflation over time. Increasing government debt and deficits also present upside risks to gold.

Peter Kinsella, Global Head of Forex Strategy

Directional views

Asset allocation: strategic views as at July 2026



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Macroeconomics

Markets have welcomed the ratification of the US-Iran memorandum of understanding, as reflected in a sharp drop in oil prices. The tail risks of spiralling inflation and slowing growth have thus receded, with trade flows through the Strait of Hormuz gradually recovering.

US GROWTH TO REMAIN RESILIENT IN H2

The conflict in the Middle East has become protracted, but hopes for peace prevail. Talks between Iran and the United States have led to a fall in oil prices, reflecting the expectation of a swift resolution to the conflict. Global growth is therefore at a crossroads: after a strong start to the year, activity could slow sharply if the Strait of Hormuz remains closed. Meanwhile, inflation, which has already increased, could spread to other sectors.

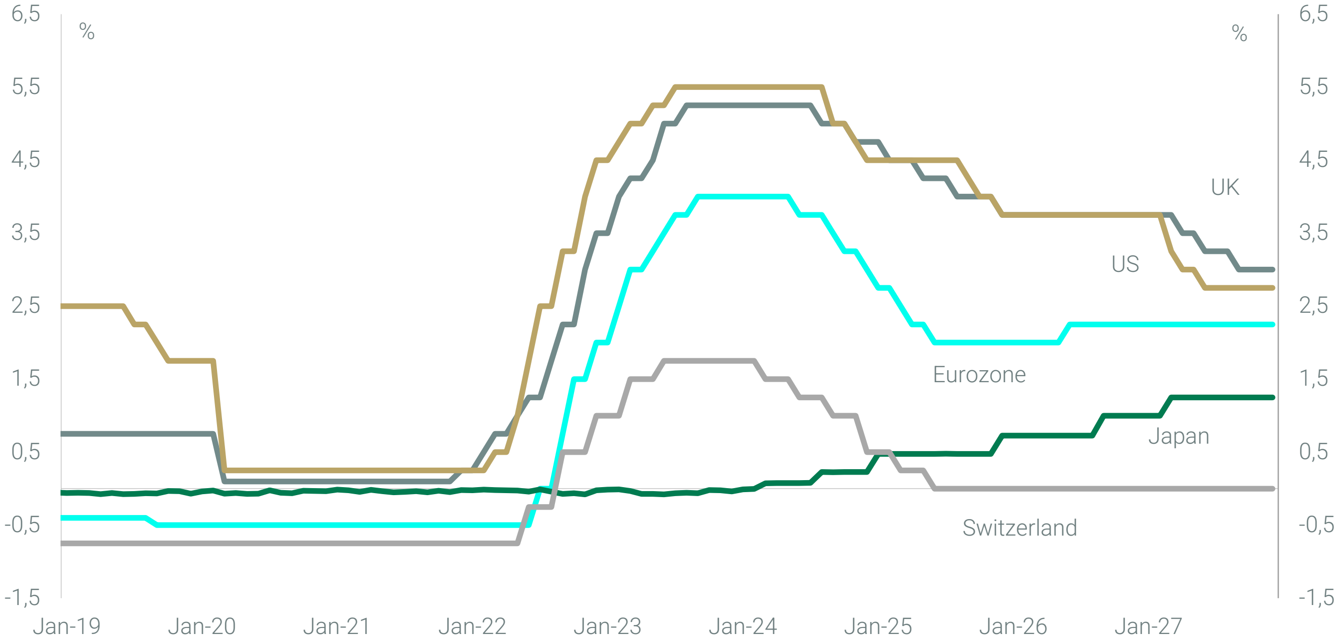
CENTRAL BANKS TO KEEP RATES ON HOLD, WHILE INFLATION HAS PROBABLY PEAKED

Inflation picked up in the first half of the year, but is likely to have peaked, as oil prices have fallen sharply. In the US, headline inflation (already above 4%) is expected to average about 3.7% in 2026, with core inflation likely to edge higher in the coming months and average around 2.8% for the year. In the eurozone, inflation rebounded above 3% in May and should remain elevated in the near term. Core inflation is likely to run at between 2.3% and 2.8% in the second half of the year, driven by sticky inflation in services. Globally, inflation should reach roughly 3.7% in Q3, likely the high-water mark for 2026 if a Middle East peace framework holds.

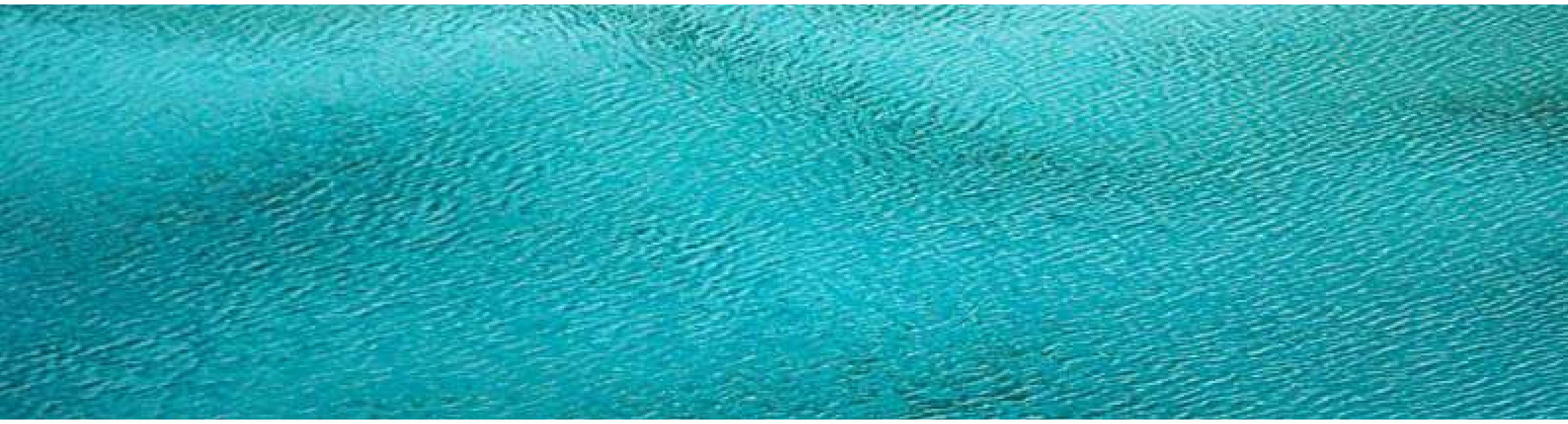
Central banks adopted a more cautious stance in June, with some, including the ECB and several Asian authorities, raising policy rates. Lower oil prices reduce the likelihood of further tightening. As such, we expect the Federal Reserve (Fed), the Bank of England (BoE) and the ECB to keep their rates on hold through 2026. A lasting peace in the Middle East and a clearer inflation downtrend in 2027 could reopen the door to rate cuts next year.

Fiscal deficits will remain wide in 2026, as European and Asian governments have subsidised sectors or cut taxes to offset the oil shock. Even as these measures expire in Q3, budget gaps are likely to stay large, including in the United States, and show little improvement on 2025. Public debt ratios will continue to climb, with debt-servicing costs rising steadily in parallel.

MONETARY POLICY: PROJECTION MAJOR KEY RATES (2026-2027)



Source(s): Bloomberg Professional L.P., central banks, UBP SA, as at July 2026



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Strategy

THE WARSH FED'S FIRST MOVE: THE END OF FORWARD GUIDANCE

Though the new Fed chairman did not move interest rates at his first meeting, he did make his first, though largely unrecognised, move to stamp his mark on the path forward for the US central bank: Chairman Warsh signalled that forward guidance will no longer sit at the centre of the Fed's policy toolkit.

Recall that, at the turn of the century, then Fed Governor Bernanke championed forward guidance as an unconventional policy tool to help Japan in its battle against deflation. As Fed Chair, Bernanke explicitly adopted forward guidance to counter the shock of the 2008–09 crisis.

Forward guidance serves to lower uncertainty about the path ahead for Fed policy and, indirectly, to guide longer-term yields lower. Together with quantitative easing, it became a central policy tool for the Fed and other central banks for almost two decades. Indeed, since the advent of forward guidance, bond volatility has fallen by 30%.

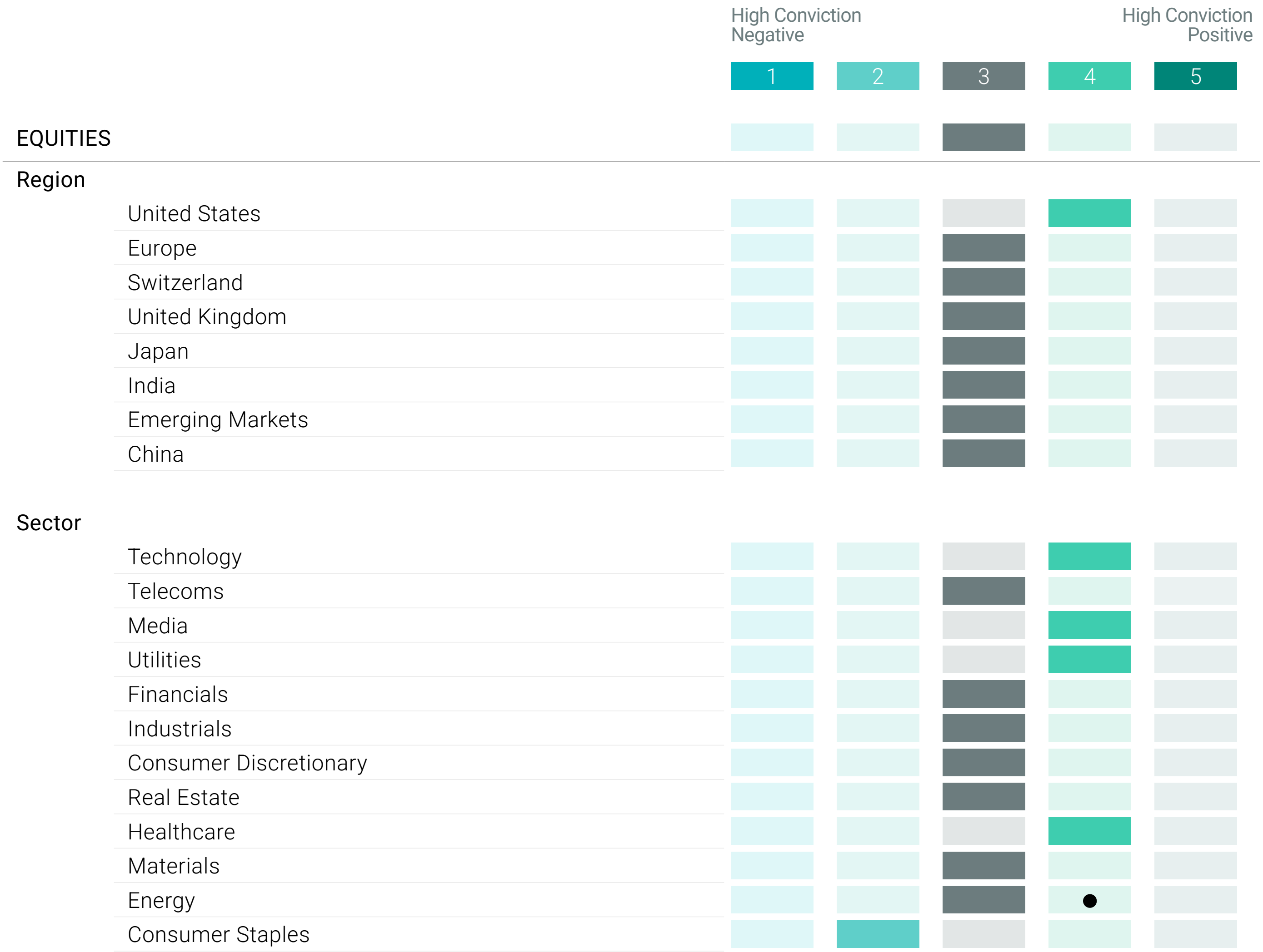
Importantly, the Fed is not the first major central bank to step back from forward guidance: in 2023, the Bank of Japan withdrew it from its arsenal and pivoted away from quantitative easing, yield-curve control and a zero-interest rate policy. The combination of these policy shifts set in motion a normalisation of Japan's longer-term yields, from close to 0.0% to the current 2.6%.

With the Fed having wound up its own purchases of long-term Treasuries (quantitative easing) in 2022 and now bringing forward guidance to an end, investors should, at a minimum, expect bond volatility to return to the ranges seen in the late 20th century.

Against this backdrop, we believe the more attractive risk/reward for bond investors currently lies in limiting undue exposure to rising interest rate volatility and instead seeking opportunities away from the US yield curve, such as emerging market local currency debt, or focusing on high-income credit strategies to help cushion potential rate swings.

Directional views

Asset allocation: tactical views as at July 2026



High Conviction Negative 1 2 | Baseline Allocation 3 | High Conviction Positive 4 5 | Previous view ● (no dot means no change)

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Directional views

Asset allocation: tactical views as at July 2026

		High Conviction Negative 1	2	3	4	High Conviction Positive 5
FIXED INCOME				■		
Governments					■	
Investment Grade			■			
	Financial			■		
	Corporates		■			
	Agency MBS				■	
High Yield				■		
	Corporate High Yield			●	■	
	Corporate Hybrids & AT1s			●	■	
	Senior Loans			■		
Emerging Markets					■	
	Emerging Markets Sovereign			■		
	Emerging Markets Corporates			■		
	Local Currency				■	
Convertibles				■		
CASH				■		

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Directional views

Asset allocation: tactical views as at July 2026

	High Conviction Negative 1	2	3	4	High Conviction Positive 5
HEDGE FUNDS			■		
Equity long/short			■		
Global Macro		■			
Credit				■	
Relative Value				■	
Systematic				■	
PRIVATE MARKETS			■		
Private Equity			■		
Private Credit		■			
Infrastructure				■	
Real Estate				■	
GOLD			■		
OIL			■	●	

High Conviction Negative 1 2 | Baseline Allocation 3 | High Conviction Positive 4 5 | Previous view ● (no dot means no change)

CURRENCIES	Downside	Rangebound	Upside
EUR/USD		■	
USD/JPY	●	■	
GBP/USD		■	
USD/CHF	●	■	
USD/CNY	■		

Downside | Rangebound | Upside | Previous view ● (no dot means no change)

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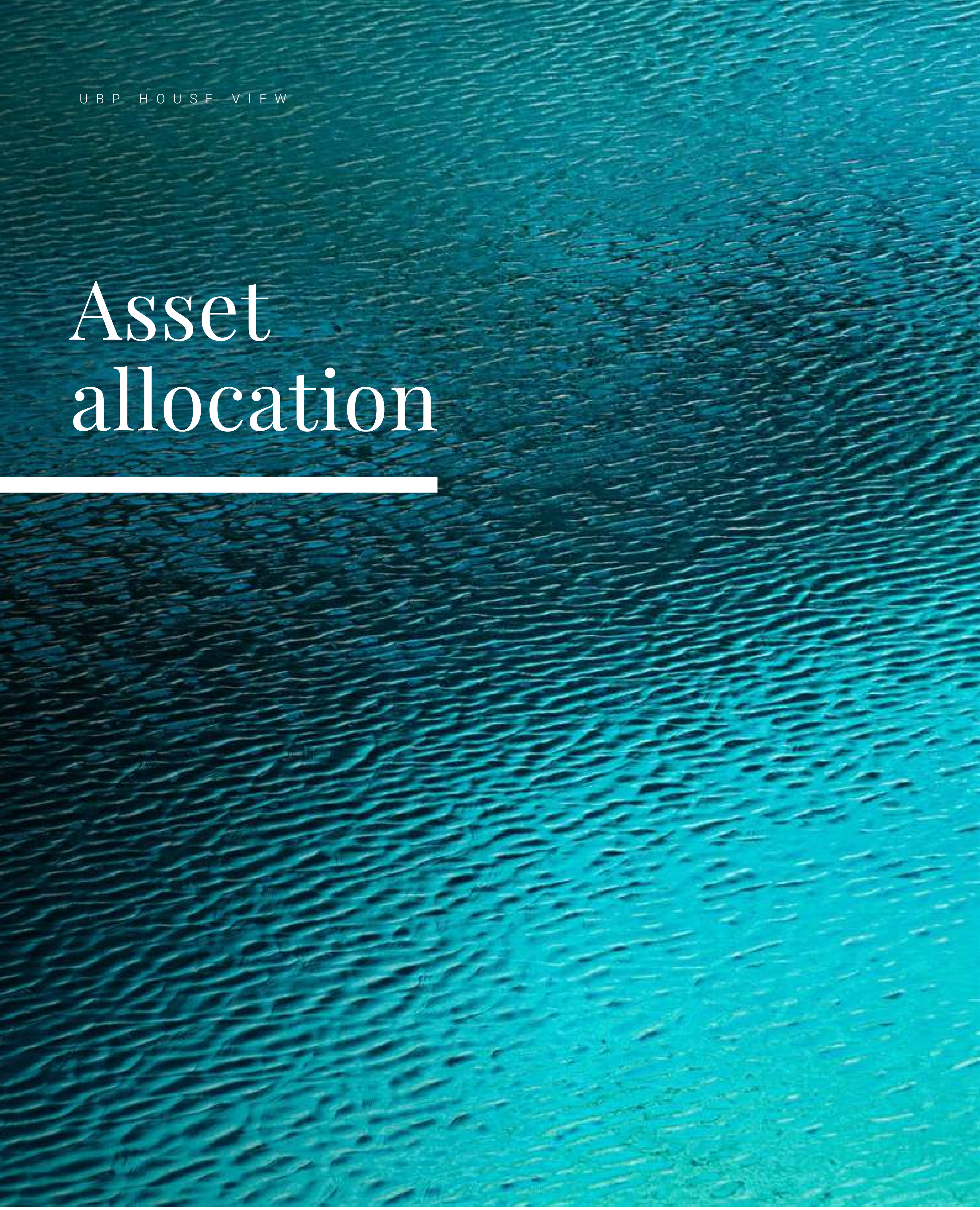

Asset allocation

Equities

Global equities were broadly flat in June (MSCI World -0.86%), but beneath the surface the rotation was sharp, marking a shift in US market leadership. Large US technology platforms investing heavily in AI infrastructure lost over USD 2.3 trillion in market value as investors focused on elevated capex, lower free cash flow, and a rise in net equity supply from new listings, capital raising, and reduced buybacks. In contrast, semiconductors benefited, with the sector leading performances during the month (SOX +11.1%).

In the near term, markets are entering a pivotal window as the Q2 earnings season gets under way. Analysts have raised estimates following a strong first quarter, with US earnings growth now expected to rise by 23.3% (up from 18.8% at the end of March). Energy (+122% y/y), technology (+63% y/y), and materials (+35% y/y) are projected to lead growth, while healthcare (-9.5% y/y), real estate (+5.3% y/y), and consumer staples (+5.3% y/y) are expected to lag behind.

During the month, we made several adjustments to views and portfolios. We downgraded energy from 4/5 to 3/5, as risks have shifted to the downside for oil prices and investor focus transitions towards 2027 earnings forecasts, which now face greater downgrade risks. We see better risk/reward in utilities (upgraded last month to 4/5), which stand to benefit from AI related infrastructure investment.

We exited positions in the defence sector, where valuations continue to de-rate (following a significant re-rating in 2024/2025), as fiscal pressures in developed markets delay certain spending and projects. Execution risks and a shift in innovation towards non-listed companies are also weighing on the sector. We tilted exposure towards European equities, where easing energy costs and improving fundamentals quietly strengthen the case for this segment. We also sold Chinese equities, given persistent structural headwinds – industrial overcapacity, deflationary forces in the real estate market, weak consumer confidence and spending, and intense competition from large Chinese technology companies pressuring profits – and a lack of near-term catalysts, reallocating to broader global emerging markets to reduce idiosyncratic risk.

Fixed Income

The US-Iran memorandum of understanding held. Shipping through the Strait of Hormuz picked up, Brent crude fell 10% to pre-conflict levels, and the inflation premium built into rates over the past three months started to dissipate. Month-end changes in yields were nonetheless modest, with much of the intra-month movement washing out. The move that stuck was at the US front end, where 2-year rates rose 17 bps to 4.17% on a strong May employment report and hawkish Fed commentary that repriced the policy path. European yields ended flat-to-lower as further ECB tightening was mostly priced out, with Bunds down 8 bps to 2.86%, i.e. at the bottom of the 2.85–3.15% range that has held since March. For the month, EM again led at 0.7%, AT1s returned 0.6%, HY 0.3%, and Treasuries and IG 0.1% each. Year-to-date, the higher-carry sectors continue to dominate, with EM up 3.3%, AT1s 2.4%, HY 2.1%, IG 0.9% and Treasuries 0.3%. Euro returns were again stronger, given the downward move in European rates.

Markets read Warsh's first meeting as Chair as hawkish: the median dot for end-2026 rose to 3.8% (up from 3.4% in March), and seventeen of the eighteen participants now see the risks to inflation skewed to the upside. Front-end yields rose 11 bps on the day, and markets are now pricing in a rate hike this year. The bigger story, however, is Warsh's overhaul of how the Fed communicates. The statement on the meeting was cut from 340 words to 130, stripping out the easing-leaning language; Warsh declined to submit his own dot, consistent with his long-standing scepticism of forward guidance, and he kept the press conference short, stressing a meeting-by-meeting approach that, in our view, effectively killed the hawkish signal embedded in the dot plot. The ECB's Sintra forum offered more of the same: Warsh provided no forward guidance, said little about his reaction function and simply offered a recommitment to the inflation target. This marks a shift from the Bernanke-Yellen-Powell Fed, which held markets' hands with guidance that at times anchored policy when it should have pivoted faster, such as when the Fed hiked rates too late in 2022. Still, less guidance should lift rate volatility and with it, term premiums and nominal yields. Warsh also set up five task forces due to report by year-end, of which the one on productivity is the most consequential: he has long argued that AI-driven supply gains can deliver growth without inflation and, in time, make the case for lower rates. Our view is that the Fed remains on hold this year, despite an economy that is still running hot.

The ECB raised its deposit rate by 25 bps to 2.25% on 11 June, its first hike since 2023, having concluded it could no longer look through the energy shock given the rising risk of inflation expectations de-anchoring. As oil retreated, the market took the tightening back out: the terminal rate is now priced at just above 2.50% by mid-2027, implying only one further 25-bp hike, and our view is that the ECB will also leave rates on hold.

Despite the volatility in rates, credit spreads were once again quiet, with most sub-asset classes ending the month largely unchanged. The exception was AT1s, where a 10-bp tightening leaves the sector within a stone's throw of the all-time lows seen in February. Fundamentals remain supportive: IG leverage held in the 2.25–2.40x range that has been in place since 2021, HY metrics improved mildly, and estimates point to double-digit earnings growth that should keep leverage healthy. EM earnings momentum is the strongest since 2021, led by tech manufacturing, petrochemicals and commodities, and upgrades continue to outnumber downgrades.

Primary markets were the month's main feature. IG issuance set a June record at USD 202 billion, more than double the past four-year average for the month, taking first-half issuance to a record USD 1.2 trillion, above the USD 1.17 trillion set in 2020. HY added USD 35 billion, lifting the year-to-date total to USD 187 billion against USD 145 billion last year, all of which has been well absorbed. The most notable deal was SpaceX's debut a week after its IPO, with a USD 25 billion issue across five tranches.

During the month, we increased our exposure to HY, given a resilient economy and buoyant markets, with the objective of improving portfolio carry. We also extended our agency MBS position to EUR, GBP and CHF portfolios. We first introduced it as an IG replacement in USD portfolios in late 2024, and since then it has consistently outperformed both IG and Treasuries. The rationale remains unchanged: agency mortgages offer a spread on government-backed collateral that is wider than IG, where spreads are sitting at near post-GFC lows, and largely uncorrelated with it, adding diversification within our credit exposure. Having entered 2026 near multi-year wides, MBS spreads remain wider than average even after the outperformance, whilst technicals stay supportive: the US administration's request has made Fannie and Freddie large, price-insensitive buyers of mortgage-backed securities (MBS), and banks have become net buyers in a market with low net supply. We also maintain our conviction on EM, notably the local and frontier segments, which was explored in more detail in the May House View.

	USD	EUR	GBP
Duration	4.0y	4.0y	4.0y

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Hedge Funds

AI themes continued to provide a tailwind for risk assets despite a more hawkish repricing across major central banks. Within the hedge fund space, this tailwind is visible in the continued outperformance of tech-focused equity long/short managers, especially those centred on Asia, relative to their all-sector peers. At the same time, global macro managers have faced challenges from the hawkish stance on interest rates, which has weighed on yield curves and currency crosses. Within fixed income markets, one of our highest-conviction strategies remains convertible bond arbitrage. This asset class is among the main beneficiaries of investor demand for the AI sector, as issuing companies can offer low-coupon paper with the opportunity to convert it into equity given the high levels of share price volatility. Elevated single-stock volatility in equity markets increases the value of the equity option embedded in convertible bonds, a component the strategy actively hedges. This dynamic, which can be termed 'volatility yield', remains at elevated levels.

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Private Markets

Retail private credit vehicles remained in the spotlight in Q2, validating our fault-line thesis in real time. Requested redemptions rose to 13.7% of net asset value (NAV) in Q2 2026 (up from 12.1%), with fulfilment coverage falling to just 36% of requests, down from 53% in the first quarter. Unfulfilled queues now stand at 9% of industry NAV, meaning most funds will be working through backlogs into year-end at the earliest. Some platforms saw offshore redemptions accelerate while onshore requests moderated, reinforcing the geographic bifurcation flagged previously. Performance dispersion across platforms is also widening. Managers combining shorter queues with stronger returns are best placed to regain net inflows over the next 12–18 months, while it will take more time and be harder for the rest to sort things out. It should be noted that this form of reset is a healthy phenomenon for both managers and investors.

On deal activity, the tape is turning constructive. Sponsor-led deployment volumes jumped by more than 150% year-on-year in June, a sharp reversal after April and May both printed below prior-year levels. Exits are building sequentially too: announced global sponsor exits in H1 2026 are up 12% on 2025, 83% on 2024 and 2.2x on 2023, according to Goldman Sachs data. Strong LTM US IPO issuance, albeit highly concentrated, is the catalyst: capital returning to growth and venture should recycle through the private equity continuum, fuelling redeployment across the wider ecosystem. This supports our house thesis that financing conditions are normalising after the 2025 dislocation, even as investor sentiment stays more cautious than the data warrants. We would treat this improvement as a genuine inflection rather than noise, but we can realistically expect the sentiment gap to close only gradually as realised transactions accumulate.

Currencies and Commodities

CURRENCIES

In June, the US Dollar Index rose above the 100 mark, reaching its highest level since early 2025. The USD benefited from robust US economic data and clear signs of stabilisation in the US labour market. The Federal Reserve's Federal Open Market Committee (FOMC) meeting signalled a moderately hawkish shift, supporting front-end US yields. The USD's carry profile now looks set to remain at the upper end of the G10 range for the remainder of the year.

The JPY continued to weaken, despite the Bank of Japan's 25-bp deposit rate hike at its June meeting, falling to its weakest level in 40 years. The EUR/USD declined towards 1.13, despite the European Central Bank's 25-bp deposit rate hike to 2.25%. Eurozone activity data showed signs of contraction, reflecting the impact of higher energy prices.

Heading into the summer months, the USD should continue its modest appreciation trend, which is likely to be most pronounced against lower-yielding currencies such as the JPY, SEK and EUR.

COMMODITIES

In June, both gold and silver traded lower to levels of just under USD 4,000 and USD 58 per oz, respectively. The declines reflected the rise in front-end US interest rates, and ongoing ETF outflows.

Gold ETFs have lost over 2% of their holdings since the outbreak of the conflict in the Middle East – the largest outflows since 2021. Institutional investor positioning was generally unchanged, and central bank purchases have continued, albeit with a more concentrated buyer profile. We anticipate that gold will require a widening of central bank purchases and clarity on second-round inflation effects (lower) for it to resume its uptrend. These factors are unlikely to become clear until late in Q3, meaning that investors should anticipate a sideways trading regime in the near term.

Market monitor

As at 6 June 2026

Equities World	Last Price	1 Month Change	Year-To-Date Change
MSCI World Index (ex EM)	4865	2.3%	9.8%

Equities USA	Last Price	1 Month Change	Year-To-Date Change
S&P 500	7 537	2.1%	10.1%
Dow Jones	5 3056	4.3%	10.4%
Nasdaq Composite	2 6121	1.6%	12.4%

Equities Europe	Last Price	1 Month Change	Year-To-Date Change
MSCI United Kingdom	3 035	2.5%	7.2%
STOXX Europe 600	651	4.5%	9.8%
Swiss Market Index	1 4302	6.8%	7.8%

Equities Asia	Last Price	1 Month Change	Year-To-Date Change
MSCI Hong Kong	13 655	-2.2%	-0.2%
MSCI India	958	3.5%	-9.5%
MSCI Japan	2 540	3.7%	21.5%
MSCI Emerging Markets	1 721	0.2%	22.5%

Credit	Last Price	1 Month Change	Year-To-Date Change
US Treasuries (1-10y)	1 574	0.6%	0.4%
USD Investment Grade (1-10y)	2 493	0.8%	1.0%
USD High Yield (BB-B)	580	0.9%	2.3%
Euro Investment Grade (1-10y)	314	0.7%	1.2%
Euro High Yield (BB-B)	407	0.8%	1.9%
USD Emerging Markets	7	1.1%	2.2%

Sovereign	Last Price	1 Month Change	Year-To-Date Change
US 10-year Treasury	4.47	-6bps	30.8bps
German 10-year Bund	2.94	-9bps	9.6bps

Alternatives	Last Price	1 Month Change	Year-To-Date Change
Bloomberg Commodity Index	322	-5.0%	16.7%
Crude oil	69	-24.1%	19.5%
HFRX Global Hedge	1 248	0.0%	4.8%
Gold	4 166	-3.8%	-3.4%
Silver	62	-8.5%	-12.9%

Currencies	Last Price	1 Month Change	Year-To-Date Change
Dollar Index	100.86	0.77%	2.62%
EUR/USD	1.14	-0.69%	-2.58%
USD/CHF	0.81	1.14%	1.59%

Volatility	Last Price	1 Month Change	Year-To-Date Change
S&P 500 VIX	19	0.0%	25.2%
NASDAQ VXN	27	-12.0%	37.1%
VSTOXX	16	-14.5%	7.8%
XDAX	16	-11.8%	9.6%

Source(s): Refinitiv

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Glossary

Agency MBS (agency mortgage-backed securities): Agency mortgage-backed securities are bonds backed by pools of residential mortgages that are issued or guaranteed by US government agencies, such as Ginnie Mae, or government-sponsored enterprises (GSEs), such as Fannie Mae and Freddie Mac. These securities provide investors with regular payments from mortgage repayments and are generally considered to be lower risk compared with non-agency MBS due to the explicit or implicit government backing.

AT1 (additional tier 1 capital): A category of regulatory capital for banks that consists of perpetual instruments designed to absorb losses during times of financial stress. AT1 securities, often referred to as contingent convertible bonds (CoCos), pay discretionary coupons and can be written down or converted into equity if specific capital thresholds are breached.

BoE (Bank of England): Central bank of the United Kingdom.

BoJ (Bank of Japan): Central bank of Japan.

CPI (consumer price index): This measures the overall change in prices of goods and services purchased by households, serving as a key gauge of inflation and cost of living. Headline CPI comprises all items, including volatile categories such as food and energy, while core CPI excludes these items to provide a more stable measure of underlying inflation, as these prices can fluctuate due to factors like weather, geopolitical events, or seasonal changes.

ECB (European Central Bank): Central bank of the eurozone.

EM (emerging markets): MSCI ACWI (All Country World Index): This is a global equity index that provides large- and mid-cap representation across 23 developed market (DM) and 24 emerging market (EM) countries, offering a comprehensive view of global equity performance.

ETF (exchange-traded fund): An ETF is an investment fund that holds a collection of underlying assets, such as stocks, bonds, or commodities, and which can be bought and sold on an exchange, just like an individual stock. Passive ETFs are designed to replicate the performance of a specific index, which can range from a broad market index like the S&P 500 to a more focused sector or trend.

Fed (Federal Reserve): The Fed manages US monetary policy, regulates banks, ensures financial stability, and supports economic goals like employment, price stability, and moderate interest rates.

FOMC (Federal Open Market Committee): This is the branch of the Federal Reserve that sets the direction of US monetary policy by making key decisions on interest rates and the growth of the money supply.

GDP (gross domestic product): The total monetary value of all goods and services produced within a country's borders over a specific period. It serves as a key indicator of a country's economic health and growth.

IG (investment grade) bonds: Investment grade bonds are debt securities issued by governments, corporations, or other entities with a low risk of default, as they are rated at least 'BBB-' by Standard & Poor's and Fitch, or 'Baa3' by Moody's. These bonds are favoured by conservative investors, such as pension funds and insurance companies, due to their financial stability, low default risk, and moderate returns.

JPY: Japanese yen

NAV (net asset value): This is the value of an entity's assets minus its liabilities, often used in the context of mutual funds or ETFs.

PMI (Purchasing Managers' Index): This is a leading economic indicator derived from monthly surveys of private sector companies. It provides insights into the economic health of the manufacturing and services sectors.

Primary market: This is the market where new securities are issued and sold for the first time.

Quantitative easing: This is a monetary policy whereby a central bank buys securities to increase the money supply.

SARON (Swiss Average Rate Overnight): This is a secured overnight interest rate for the Swiss franc (CHF) based on actual transactions in the Swiss repo market. It replaced CHF LIBOR as a reliable benchmark for loans, derivatives, and bonds.

S&P 500: This is a stock index tracking 500 of the largest publicly traded US companies.

STOXX Europe 600: This is a stock index tracking 600 companies across 17 European countries, offering a broad view of the European equity market.

USD: United States dollar

Yield: This is the income generated by an investment, typically expressed as a percentage of its original cost or current market value, and can include interest, dividends, or other returns.

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