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JULY 2026

NEWSLETTER

Financial Market Outlook (Short Term)

Appealing		Less Favoured
<ul style="list-style-type: none"> Preferred regional markets (US, Asia ex-Japan, Japan, Singapore, Australia, EM, China, Switzerland, Germany) Preferred sectors (industrials, health care, European consumer discretionary, China tech) Automation and robotics, European leaders and luxury Multifactor strategies 	Equities	<ul style="list-style-type: none"> Excess single-name megacap exposure Excess US tech exposure Cash Money market funds Expiring fixed-term deposits
<ul style="list-style-type: none"> High grade, investment grade, and emerging markets bonds Diversified fixed income strategies (with preference for quality bonds and EM bonds) 	Bonds	<ul style="list-style-type: none"> Excess cash Money market funds Expiring fixed-term deposits
<ul style="list-style-type: none"> AUD CNY 	Currencies	<ul style="list-style-type: none"> Excess cash Money market funds
<ul style="list-style-type: none"> Broad commodities Copper Active commodity strategiss 	Precious Metals & Commodities	<ul style="list-style-type: none"> Excess cash Money market funds

Asset Allocation

Equities: US, Asia ex-Japan, Japan, Singapore, Australia, China, EM, Switzerland, and Germany = Attractive.

Bonds: High grade, investment grade, and emerging market bonds = Attractive; high yield bonds = Neutral.

Commodities: Broad commodities and copper = Attractive. FX: AUD, CNY, NZD, SEK, and GBP = Attractive; EUR/USD = Neutral.

Equities

Equities have reached new all-time highs as markets look past the US-Iran conflict and focus again on strong underlying fundamentals.

The overall macro backdrop remains constructive, supported by resilient consumption, robust access to capital, supportive fiscal policies, and a recovery in manufacturing. Structural trends should also remain favorable, though we recommend a more selective approach within the AI sector.

The combination of macro and structural tailwinds bodes well for earnings, and we anticipate 20% EPS growth for the MSCI AC World Index this year. While technology sectors are likely to remain leaders, we expect earnings growth and performance to broaden through the rest of 2026.

Bonds

We maintain our Attractive views on high grade, investment grade, and emerging market bonds. High yield credit remains at Neutral.

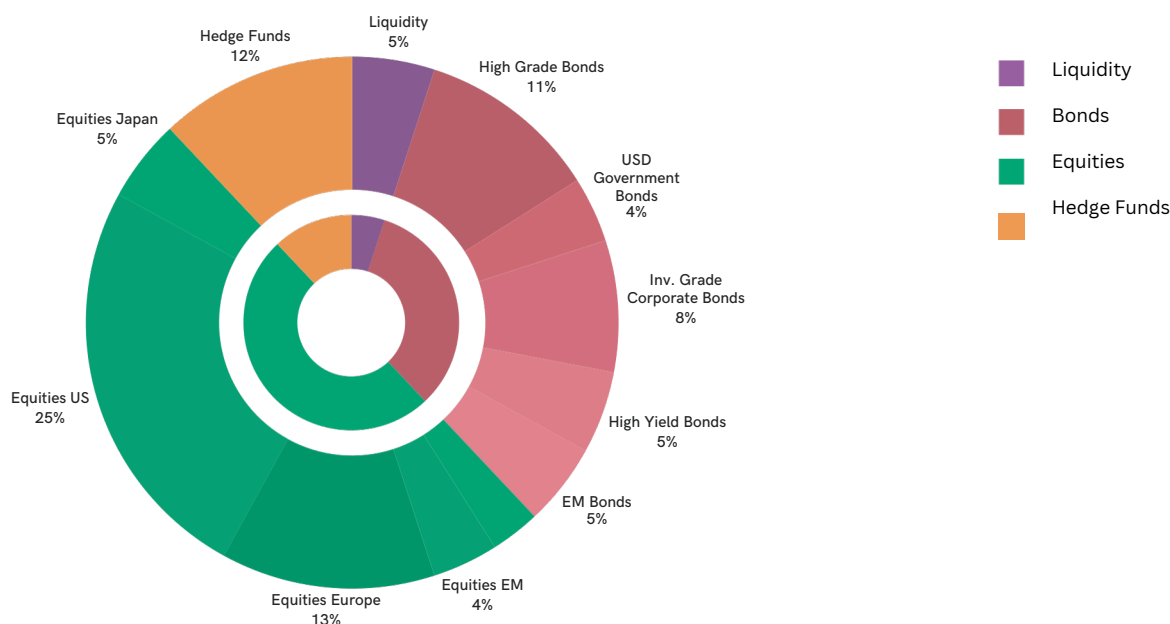
Global bond markets quickly priced the inflationary consequences of higher energy prices and hawkish central bank reaction functions. Returns were negative in March and May as yields rose across the curve, led by the front end. Performance in June has recovered as confidence grows that the US Iran conflict is coming to an end and the Strait of Hormuz will reopen shortly. Energy prices have dropped sharply, removing upside inflation risks.

Currencies

FX markets have rotated as prospects for a US-Iran peace deal improve and oil prices retreat from recent highs. Lower inflation and reduced rate hike expectations have pushed global yields down, pressuring oil exporters' currencies (USD, NOK) while supporting oil importers and pro cyclical (SEK, EUR)

We favor selective exposure to pro growth and carry currencies. The SEK and GBP are now among our top picks for 3Q, supported by attractive real yields and sensitivity to global growth. We continue to rate the SEK, NZD, AUD, and CNY as Attractive. This month, we upgrade the GBP to Attractive as well.

Balanced USD Model Portfolio



Source: UBS Houseview monthly, July 2026

Topic of the Month

Are we in an AI bubble? We think the answer depends on whether AI can turn today's scarcity into tomorrow's abundance. Markets are increasingly pricing that outcome, expecting AI to lift productivity and growth enough to sustain today's extraordinary earnings. Whether those earnings can endure – not where valuations sit relative to history – is key. Still-elevated margins suggest they can. We remain overweight U.S. equities, favoring the scarce inputs every AI system requires.

U.S. equities are enjoying an extraordinary earnings run. S&P 500 earnings are expected to grow 23% year on year in Q2, marking a seventh-consecutive quarter of double-digit growth. The Shiller price-to-earnings (P/E) ratio has climbed to 40, back to levels last seen during the dot-com bubble. Yet the 12-month forward P/E ratio offers a more balanced perspective. At around 21, valuations look less stretched because earnings expectations have risen sharply with share prices. See the chart. Median external forecasts also point to U.S. growth of about 3.5% – roughly 1.7 times its historical trend – reinforcing market expectations that AI could drive a growth breakout. Whether today's valuations prove justified comes down to whether the earnings momentum can be sustained.

One essential nuance? Concluding AI has become a bubble is itself a significant call: it assumes the technology will not generate a lasting breakout in productivity and growth. Previous technological revolutions did not deliver a lasting breakout in productivity and growth, but AI could prove different by creating new, durable sources of revenue. The evidence so far has been supportive. Incremental margins remain above operating margins across most AI value-chain baskets, suggesting AI-related revenues are still translating into unusually strong profits. That reinforces our view that the investment cycle has further to run and supports our overweight to U.S. equities. While identifying the ultimate AI winners is difficult, we believe many will be found in the U.S. given its leadership in chips, frontier AI models and deep capital markets.

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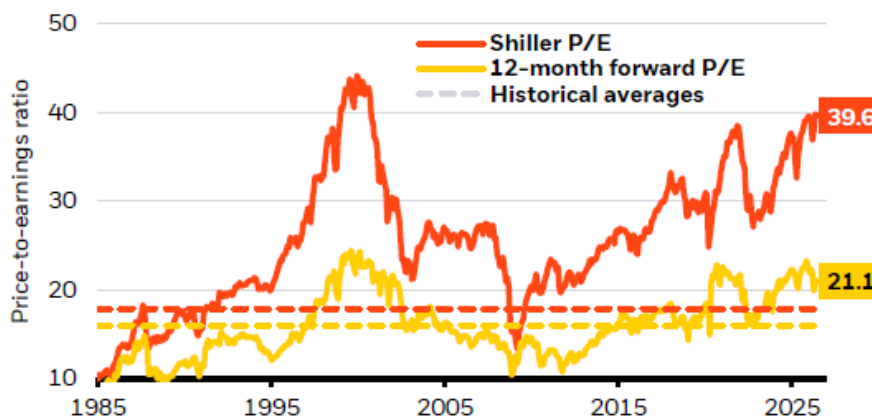
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Within that, we prefer expressing the AI theme through scarcity. We do not need to know which AI model or application ultimately wins to know that every AI system depends on chips, memory, power and data center infrastructure. Companies supplying these scarce inputs benefit from sustained capital investment and, in many cases, long order books that provide greater visibility into future earnings. That makes scarcity one way to navigate uncertainty around earnings durability, and our highest-conviction AI investment idea.

The AI opportunity, however, extends well beyond today's bottlenecks. As the buildout shifts toward physical AI, opportunities are emerging in robotics, sensors and industrial automation, making active security selection increasingly important. China has advantages across parts of that value chain, including manufacturing and batteries. Yet manufacturing strength alone does not guarantee attractive equity returns, reinforcing our preference for active investing rather than broad regional calls. We also see opportunities beyond today's mega caps. Select small-cap companies, emerging market infrastructure providers and industrial firms could offer attractive exposure to the scarce inputs powering the next phase of AI.

Parting ways?

Shiller CAPE ratio and S&P 500 forward earnings ratio, 1985-2026



The figure shown relates to past performance. Past performance is not a reliable indicator of current or future results.

Source: BlackRock Investment Institutewith data from LSEG Datastream, July 2026. Note: Shiller P/E is based on the ten-year average of inflation-adjusted earnings. The 12-month forward P/E is based on future 12-month earnings estimates. Historical averages: 1900-2026 for Shiller CAPE and 1985-2026 for the S&P 12-month forward P/E.

Source: Blackrock weekly commentary July 6, 2026

Key Figures 2026

Equity Indices (Local Currencies)

AMERICA	31.12.2025	03.07.2026	% Chg YTD
DOW JONES IND.	48'063.29	52'775.34	9.80%
S&P 500	5'881.63	7'483.24	9.32%
RUSSELL 2000	2'481.911	2'996.11	20.72%
NASDAQ COMP	23'241.99	23'957.07	3.08%
CANADA - TSX	31'712.00	35'250.96	11.16%
MEXICO - IPC	64'308.29	67'060.49	4.28%
BRAZIL IBOVESPA	161'125.00	174'070.27	8.03%
COLOMBIA COLCAP	1'474.76	2'295.72	-7.23%

ASIA

	31.12.2025	03.07.2026	% Chg YTD
JAPAN- NIKKEI	50'339.00	69'744.07	38.55%
H.K. HANG SENG	25'630.00	23'350.03	-8.90%
CHINA CSI 300	4'629.00	4'842.17	4.61%

EUROPE

	31.12.2025	03.07.2026	% Chg YTD
EURO STOXX 50	5'791.00	6'412.68	10.74%
UK - FTSE 100	9'931.00	10'679.03	7.53%
GERMANY - DAX	19,909.14	25'779.31	5.26%
SWITZERLAND - SMI	13'267.48	14'424.24	8.72%
SPAIN - IBEX 35	17'703.80	19'852.40	12.14%
PORTUGAL - PSI 20	8'263.65	9'911.84	11.33%

Volatility

	31/12/2025	01.05.2026	% Chg YTD
SPX (VIX)	14.95	15.81	5.75%

Currencies

	31.12.2025	03.07.2026	% Chg YTD
EUR/USD	1.1747	1.443	-2.59%
USD/JPY	148.59	161.38	8.61%
USD/CHF	0.9726	0.8032	1.34%
GBP/USD	1.3474	1.3356	-0.88%
USD/CAD	1.3725	1.4200	3.46%
EUR/CHF	0.9310	0.9191	-1.28%

Commodities (USD)

PRECIOUS METALS

	31/12/2025	03.07.2026	% Chg YTD
GOLD USD/OZ	4'31500	4'174.91	-3.25%
SILVER USD/OZ	71.31	62.36	-12.55
PLATINUM USD/OZ	2'054.00	1'644.00	-19.96%

ENERGY

	31/12/2025	03.07.2026	% Chg YTD
WTI Crude Oil	57.42	68.69	19.63%
Brent Crude Oil	60.85	72.12	18.52%
Natural Gas	3.69	3.20	-13.39%

Interest Rates Government Bonds

	3 Months	2 Years	10 Years
USA	3.767	4.131	4.479
GERMANY	2.282	2.536	2.933
SWITZERLAND	-0.040	0.393	0.326
UK	3.867	4.135	4.788
JAPAN	0.947	1.379	2.772

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