

MONTHLY REVIEW

MACRO

US: All leading indicators are rising this year, confirming the strength of the US economy. Production, inventories, and employment are all moving up. The only indicator declining is consumption, hit by rising inflation linked to the conflict. Overall, this points to strong GDP growth this quarter, around 3%. Also notable: a major push in capital goods — infrastructure investment, especially in AI. On inflation, it's expected to stay above 2.5% through 2027.

Direct consequence: rate expectations now suggest the Fed will hold, or even hike once more this year, especially with unemployment staying low at around 4%.

In Europe, growth forecasts remain close to zero overall. National estimates for Q2 stand at +0.1% quarter-on-quarter for Germany and France. Inflation has worsened further. The energy shock is expected to weigh heavily and directly through energy prices, with meaningful indirect effects on food and core inflation, plus some impact on wage growth.

Every conflict confirms it: Europe's heavy energy dependence drags on its economic growth.

In Switzerland, the State Secretariat for Economic Affairs (SECO) slightly cut its growth forecasts: 0.9% in 2026 and 1.6% in 2027, down from 1.0% and 1.7% in the March forecast. SECO notes, however, that Switzerland remains relatively less exposed to energy shocks than many European countries, thanks to the large share of services in its economy, the low energy intensity of its industry, and the safe-haven role of the Swiss franc.

The Iran/US conflict now looks headed toward a deal and de-escalation — oil has fallen from around \$110 to \$72 a barrel since mid-May, a drop of about 35%.

SpaceX completed a historic IPO, raising \$75 billion at an initial valuation of \$1.77 trillion — three times the previous record held by Saudi Aramco. This offering made Musk the first trillionaire in history.

Finally, the new Fed chair reaffirmed price stability as the top priority, and the committee even floated possible monetary tightening later this year — an unwelcome signal for Trump.

OUTLOOK

EQUITIES

We stay constructive, driven by an AI investment cycle whose scale now exceeds initial expectations. The underlying trend remains bullish, but the path should be bumpier than in Q2: the market stays heavily concentrated in the most prominent tech names.

Sector preferences: quality growth stocks tied to AI, plus banking and industrials.

Geographic preferences: overweight US and emerging market equities. Europe could act as a fallback if US markets and tech show signs of fatigue.

Watch point: the unprecedented concentration of indices in a small number of tech names makes them more vulnerable to any sector-specific shock — particularly semiconductor performance, a near-term tactical risk: a correction in these stocks could weigh disproportionately on broad indices. The US midterm elections in November are also being watched closely.

BONDS

We maintain our strategic preference for High Yield over Investment Grade, as we have for several half-years now.

Risks to watch: a US labor market tightening faster than expected could push the Fed to hike rates this year rather than in 2027. The main risk remains a disorderly shock in bond yields, which would sharply push up the correlation between rates and credit and cause spreads to widen simultaneously.

CURRENCIES

Bullish bias on the US dollar, driven by resilient growth, a continued form of US economic exceptionalism, and upwardly revised rate expectations. Europe's lack of growth weighs on the euro. The Swiss franc should stay stable against the euro.

GOLD

Year-end average target of \$4,200/oz, with no further upside expected at this stage. A move back toward \$5,000 depends on the Fed softening its tone. That said, the bullish bias remains structural over the medium and long term.

EQUITY MARKETS

The equity market remains dominated by the AI theme and semiconductor investment. Micron's results confirm this: quarterly revenue of \$41.5 billion and a 68% net margin. Whether this reflects a simple cycle or a structural trend — only time will tell. This cost surge pushed Apple to announce price hikes on Macs and iPads, of up to 25%. Tim Cook said soaring chip costs made the increase "inevitable." This is the first major sign of what we might call "AI-flation."

June also marked a sector rotation: in the US, industrials, healthcare, and financials rose 5%, while consumer discretionary and tech fell 2%. In Europe, the best-performing sectors were travel, banks, and utilities, all up more than 4% for the month, while autos kept falling. Energy and basic resources declined on both sides of the Atlantic as oil prices eased. There was also a geographic rotation, with Europe up 2.50% while the US fell 1%. Within Europe, the best markets were Switzerland and Spain. Emerging markets were flat in June, while China rose 3%.

June performance: CAC40 2.70% (YTD 3.12%), SMI 4.81% (YTD 6.98%), Stoxx600 2.51% (YTD 8.37%), Nasdaq - 2.81% (YTD 12.79%), S&P500 -1.06% (YTD 9.55%), Hang Seng -9.03% (YTD -10.73%), Topix 1.23% (YTD 17.67%).+



FOREIGN EXCHANGE MARKET

The dollar kept climbing, up 2% in June on the dollar index (DXY). Fed commentary, combined with the energy shock passing through to inflation, changed the picture: the dollar now carries a short-term bullish bias under this new central bank policy regime. As four years ago, a rate-hike scenario supports the greenback. The dynamic has completely shifted since the start of the year. Analysts are revising forecasts and now project EUR/USD at 1.14-1.15, down from a prior target of 1.25.



The Swiss franc weakened over the month, modestly against the euro and more sharply against the dollar. This is consistent with two factors: geopolitical de-escalation, which reduces demand for safe havens like the CHF, and the rate differential, with the Fed staying restrictive while the SNB holds its rate at 0%.



INTEREST RATES AND BOND MARKET

Treasury yields remain within the 4-5% range that has held for several years, but have risen 10 to 70 basis points since January, with the short end of the curve at its highest level since early 2025. This isn't a US-only move: sovereign yields are rising across developed markets as central banks respond to the Middle East conflict's energy shock. Whether this rise reflects an inflation catch-up, a repricing of real rates, or mainly expectations of a more restrictive Fed remains to be seen.

Fed: Kevin Warsh held his first meeting as chair on June 17 — appointed by Trump to cut rates, but the context flipped the script. Rate held at 3.50-3.75% for the 4th straight meeting, but a notably more hawkish dot plot: nine of eighteen members now expect a hike by end-2026, signaling a neutral tone, versus a cut projected back in March 2026.

ECB: Lagarde delivered the first hike since 2023 on June 11 (+25bp, deposit rate to 2.25%), a unanimous decision in the face of inflationary pressures deemed "robust." Eurozone inflation hit 3.2% in May (highest since 2023), driven by energy (+10.9%); core inflation at 2.5%. 2026 projection revised up to 3.0%.

BoJ: hiked 25bp to 1% on June 16, the highest level since 1995, to counter wholesale inflation of 6.3% and a weak yen, despite an \$11.7 billion intervention in May.

Bottom line: the dovish stance has been abandoned everywhere following the oil shock, but to varying degrees — BoJ actively hiking, Fed and BCE already restrictive, BoE still watching. This remains reversible, though: the easing in energy prices seen at the end of June could, if it holds, reverse this tightening shift within a few months.



COMMODITIES

GOLD

Gold has lost nearly 11% since the start of the month, its sharpest monthly decline since December 2016, while silver fell 17.6%, its biggest drop since June 2022. The pullback looks even steeper measured from record highs: gold, which had peaked at \$5,417/oz, has since lost 24%; silver, which peaked at \$117/oz on January 28, has fallen about 47%.

June's decline in gold and silver stems from a combination of a more restrictive Fed, geopolitical de-escalation reducing safe-haven demand, and a stronger dollar — a mix amplified by technical profit-taking after the January rally, which several analysts still describe as a correction rather than a trend reversal.



OIL

Oil had a sharply lower June: Brent fell around 19% over the month, dropping back to around \$72-74 a barrel, its lowest level since February 27 — essentially back to pre-conflict levels from before the Iran-US conflict broke out in late February.

The main driver is the gradual lifting of the Strait of Hormuz blockage. Following the US-Iran memorandum of understanding, shipping traffic through the strait resumed significantly, bringing Persian Gulf exports back to about 60% of pre-war levels. Saudi Arabia resumed tanker loading at its Ras Tanura terminal, and several Gulf producers (UAE, Kuwait, Qatar) are raising output, with Iraq even requesting a higher OPEC quota to make up for volumes lost during the war.

The month wasn't linear, though. Occasional flare-ups temporarily pushed prices back up: Trump's threats of new strikes on Iran, intermittent strait closures announced by Tehran, and warnings from Iran's Revolutionary Guard against any unauthorized passage. This drop in oil prices had a notable knock-on effect on the rest of the market: it eased short-term inflationary pressure.



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