MONTHLY REVIEW

MACRO

The Iranian conflict, thought to be over by end of June, flared up again. In early July the situation deteriorated once more: several tankers were attacked near the Strait of Hormuz, prompting Washington to reinstate sanctions on Iranian oil on July 7. On July 8, four vessels carrying hydrocarbons turned back off the strait for security reasons. Qatar also accused Iran of attacking one of its LNG carriers.

On July 23, Donald Trump announced new tariffs that took effect on July 24, applying to roughly sixty trading partners representing 99% of US imports, replacing the temporary surtaxes from February. Two rates: 10% for the EU, UK, Mexico, Canada, and Taiwan; 12.5% for China, Japan, Switzerland, and South Korea. For Switzerland, this 12.5% rate replaces the 10% surtax in place since February; a legally binding trade deal with Washington is still under negotiation.

The Fed held rates in the 3.50% à 3.75% range for a fifth straight meeting. The vote was 9 in favor, 3 against Hammack, Kashkari, and Logan pushed for a 25bp hike. This was the second meeting chaired by Kevin Warsh, who has scaled back forward guidance and gave no clear signal on the future rate path. Bond markets reacted with rising long-term yields: the 30-year climbed to 5.19%, its highest since 2007. The detailed FOMC minutes, due August 19, are now seen as potentially more market-moving than the meeting itself.

Growth forecasts have been cut most sharply in Europe since the Middle East conflict began, which lowers the bar for positive surprises. Corporate earnings have proven more resilient than the macro narrative suggested.

OUTLOOK

We remain invested in equities, supported by an AI investment cycle whose scale continues to exceed initial expectations. This cycle is ongoing, and the recent correction in technology stocks does not surprise us: we had anticipated this volatility, a logical consequence of unprecedented market concentration in stocks that had risen excessively in a short period. The short-term path remains bumpy, with the market still heavily concentrated in the most prominent technology names.

Sector preferences: quality growth stocks linked to AI, plus banking and industrials.
Geographic preferences: overweight US and emerging market equities. Europe has been a positive surprise in recent weeks and serves as a tactical short-term hedge amid heavy tech volatility.

We maintain our long-standing strategic preference for High Yield over Investment Grade, as we have for several semesters now, mainly in Europe.

EQUITY MARKETS

Equity markets stayed broadly resilient on the surface, while a sharp sector rotation took place underneath. Stocks tied to the AI supply chain Sandisk, Micron, Caterpillar, and GE Vernova saw sharp declines from their highs.

By sector, the conflict weighed on travel. As noted, tech corrected, down 8% for the month of July. Automakers keep struggling, with layoffs at major German manufacturers. Consumer spending remains under pressure, as does luxury, though with diverging paths: jewelry is holding up well while leather goods are suffering. Conversely, banks and energy rallied strongly in July.

Geographically, Europe outperformed the US, with Germany posting the best performance. Emerging markets stalled, dragged down by a sharp decline in the South Korean market, while the previously oversold Chinese and Indian indices gained ground.

The event of the month remains Microsoft and Amazon's earnings. Microsoft jumped over 15% on July 30, driven by 43% cloud growth — the strongest since early 2022. Result: about $450 billion in market cap created in a single session, the biggest one-day move ever recorded for a stock. Microsoft created the equivalent of the entire market value of Nestlé or Roche, in one session. Amazon followed the next day: its stock also jumped 15%, driven by AWS (+37%). A different world.

July performance: CAC40 1.26% (YTD 4.42%), SMI 1.07% (YTD 8.13%), Stoxx600 1.16% (YTD 9.63%), Nasdaq -3.20% (YTD 9.17%), S&P500 -0.13% (YTD 9.41%), Hang Seng 13.13% (YTD 0.99%), Topix 0.21% (YTD 17.43%).

Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

EUR/USD traded around 1.14 for the month, fully pricing in the shift in central bank trajectories. The dollar, however, saw sharp volatility late in the month and fell sharply ahead of the BoJ meeting, as the narrowing US-Japan rate differential triggered a significant unwind of yen-funded carry trades.

EUR USD 2Y

The Swiss franc was jittery against the euro, as several eurozone data releases gave strength to the single currency. As we've said for several semesters, this is the only real driver of the euro: a genuine economic recovery. That said, it needs structural confirmation rather than a few weeks or months of upside surprises.

EUR CHF 1Y

INTEREST RATES AND BOND MARKET

July 2026 was marked by three central bank decisions heading in different directions.

The Fed held rates at 3.50%-3.75% on July 29, but with a 9-3 vote: three regional presidents (Hammack, Kashkari, Logan) wanted a hike the first three-way hawkish dissent since 2016. Warsh delivered a deliberately short statement, with no guidance.

The ECB confirmed its hold on July 23 (deposit rate at 2.25%), after being the only major Western central bank to actually hike (+0.25% in June). It remains watchful on the energy shock from the Middle East conflict. The 10-year Bund eased back to around 3.1%, after peaking at 3.2% (a 15-year high), as US-Iran de-escalation pulled oil back down late in the month.

The BoJ kept its policy rate at 1%, a 31-year high following June's hike. It expects core inflation to run "clearly above" 2% from H2 2026, citing wage increases passed through to prices, oil, and a weak yen.

The common thread: inflation that refuses to cool, growing internal dissent within each institution, and a bond market that has already ruled out the idea that rates have peaked.

US 10Y 1Y

DE 10Y 1Y

COMMODITIES

GOLD

Gold stabilized in July, up 1.80% for the month to around $4,080/oz, after a continuous 27% decline from its all-time high of $5’602 hit on January 29, 2026. This pullback is not a minor blip: it's a genuine trend reversal for the year, and the current pause could either mark the bottom or just be a breather before another leg down.

The dominant factor remains the level of real rates and dollar strength. A high-rate environment structurally weighs on an asset that yields nothing. Longer term, analyst consensus remains well above current prices between $4’800 and $5’800.

Gold 2Y

OIL

Oil was the month's true geopolitical barometer. In early July, Brent had fallen below $72/barrel, its lowest level since hostilities began, as Iran-US tensions appeared to be winding down. The conflict's resurgence changed that. Prices rallied to nearly $102/barrel by mid-July before settling around $88 by month-end.

This swing highlights the thin line between a controlled market and a serious inflation risk: every escalation directly raises energy costs, and with it, overall inflation.

Goldman Sachs formalized this risk. The bank had expected, after the first round of hostilities ended, that the conflict would continue in short episodic bursts, with each side seeking to preserve the media narrative in its favor. But the longer this pattern drags on, the greater the risk: if it persists through year-end, the Strait of Hormuz would be durably disrupted. In a recent note, the bank maintains a central Q4 2026 forecast of $80/barrel but flags a risk scenario above $120 under that assumption.

Bottom line: the $120 scenario remains a risk, not a central forecast. But at this stage, it's the year's main inflation wildcard the one that could force central banks to resume hiking.

Brent 1Y

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