

Global Investment Strategy

Third Quarter 2026

Overview

World economy and capital markets

- ❑ Investment in data centres, which are benefitting primarily the US and Asia, a general improvement in industrial activity, including in Europe, and lower oil prices are supporting the global economy, despite a slight rise in central bank interest rates and an oil-driven dent in consumer spending.
- ❑ Oil prices have fallen to prewar levels, and the tail risks of a significant rise in oil prices have been markedly reduced.
- ❑ Monetary policy: With lower oil prices, the need for interest rate hikes in Europe is diminishing. Under its new leadership, the Fed is placing greater emphasis on fighting inflation than anticipated, which is supportive of the US dollar.
- ❑ As we do not expect structurally higher interest rates in the medium term, especially in Europe, current bond yields appear attractive for purchases.
- ❑ Equity markets are benefitting from above-average earnings growth this year and next. This is especially true for the technology sector, which is heavily weighted in the US and the MSCI Emerging Asia indices, although Europe is also showing positive earnings trends. As global risks recede, the rally will broaden further and will no longer be driven almost exclusively by AI technology.

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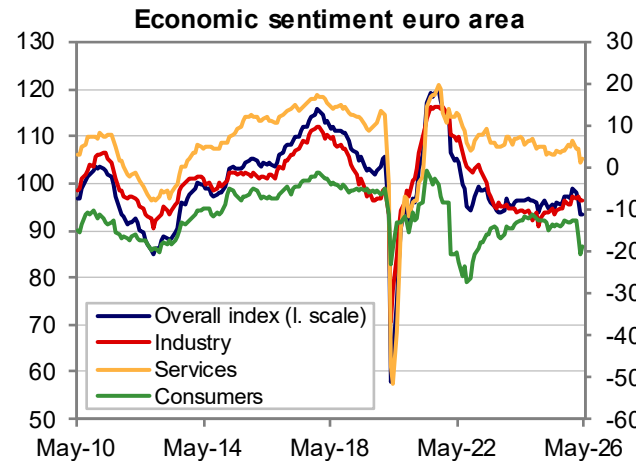
Western Europe: Oil prices and consumer sentiment

In the euro area, consumer and business sentiment improved in the months before the war in Iran.

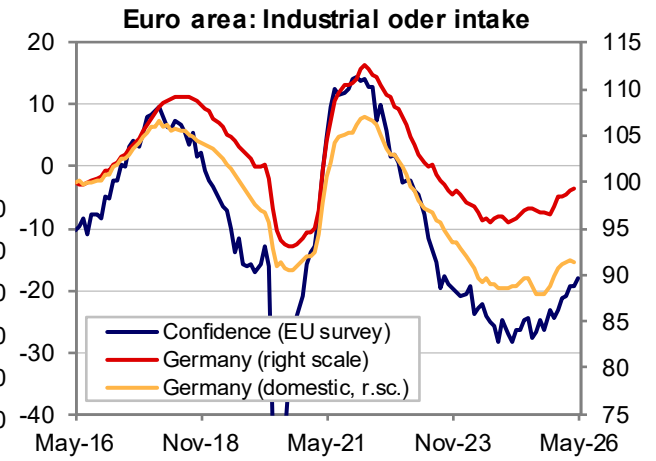
In the wake of the energy price shock, inflation has risen, weighing on consumer confidence, given the still-present episode of high inflation in 2022 and 2023.

At the same time, the underlying trend in industry has remained positive (see the EU survey and order intake in Germany).

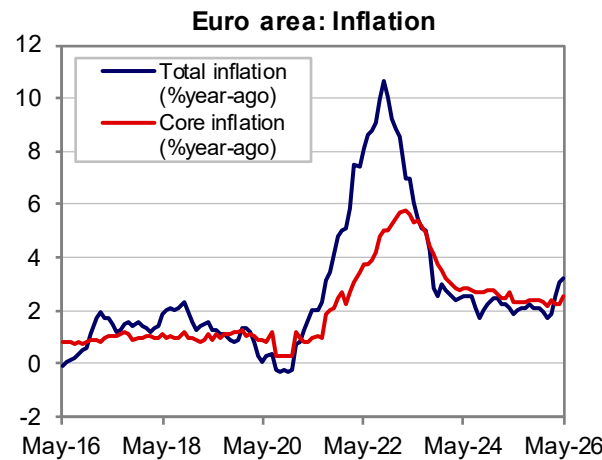
With oil prices now significantly lower than they were through mid-May, the economic outlook is improving, with inflation risks falling.



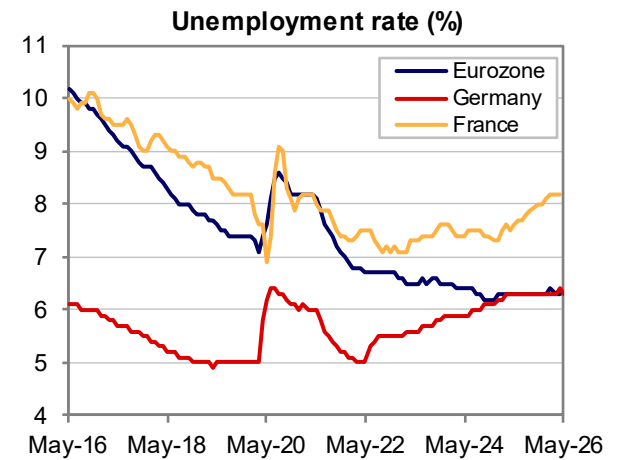
Source: European Commission



Source: European Commission, Deutsche Bundesbank



Source: Eurostat

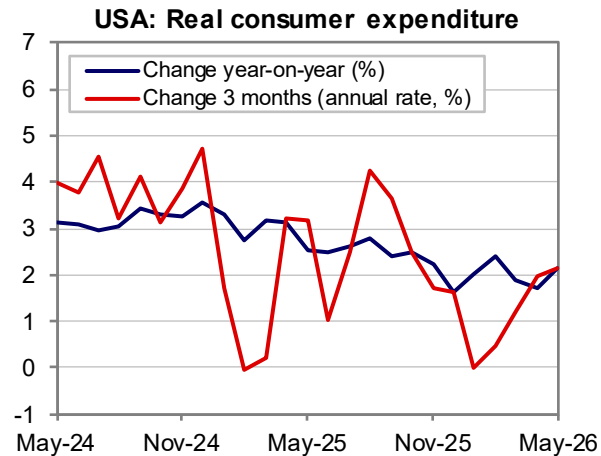


Source: Eurostat, Deutsche Bundesbank

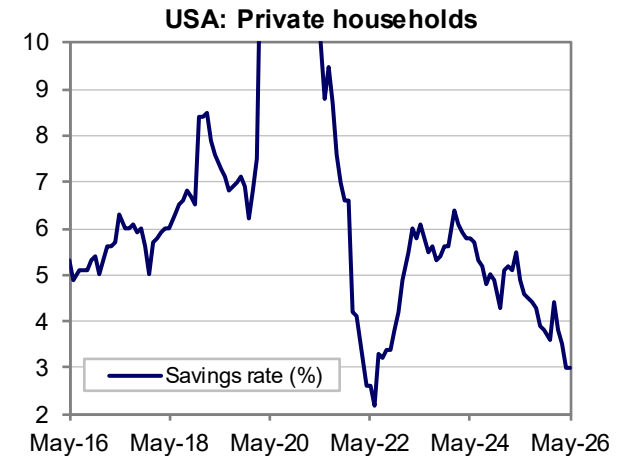
US economy: Steady growth

The US economy is benefitting from enormous investments in data centres and thus from the boom in artificial intelligence (AI). At the same time, real disposable incomes are falling due to rising energy prices. To sustain spending, consumers have been drawing on their savings (see the falling savings rate in the chart).

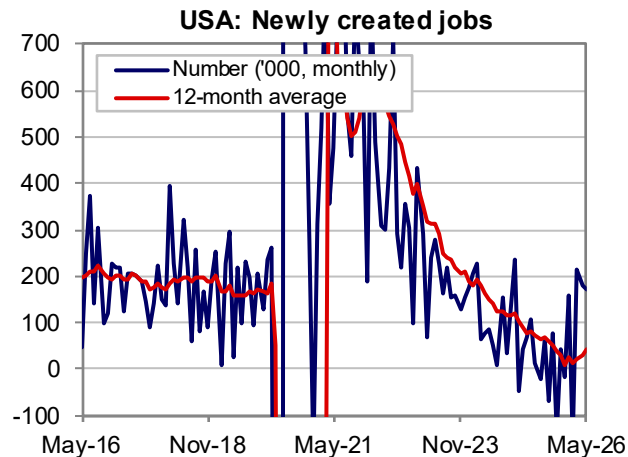
Despite high energy prices, significantly more jobs have been created in recent months than in 2025. Economic growth thus translates again into job growth, suggesting that AI is not resulting in net job losses for the economy so far.



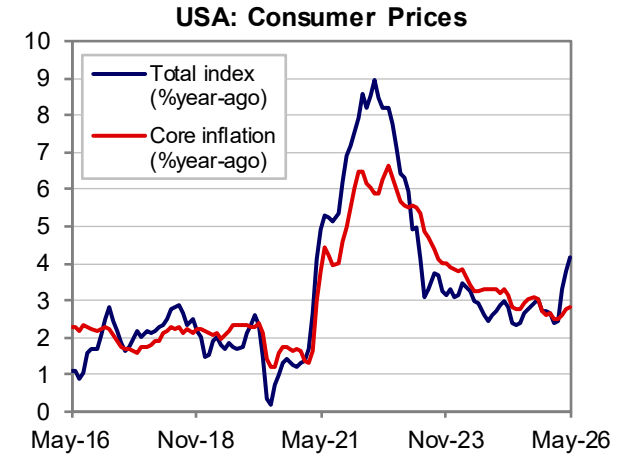
Source: Bureau of Economic Analysis



Source: Bureau of Economic Analysis



Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

China: Weak consumer spending

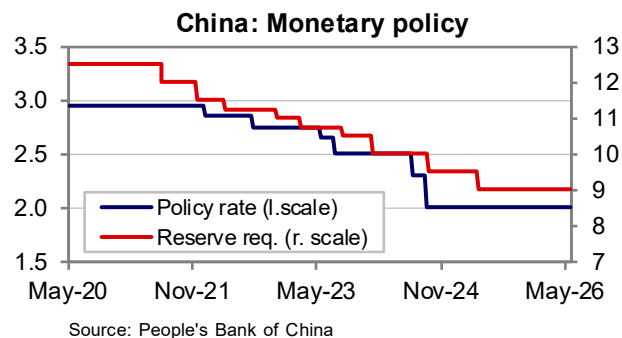
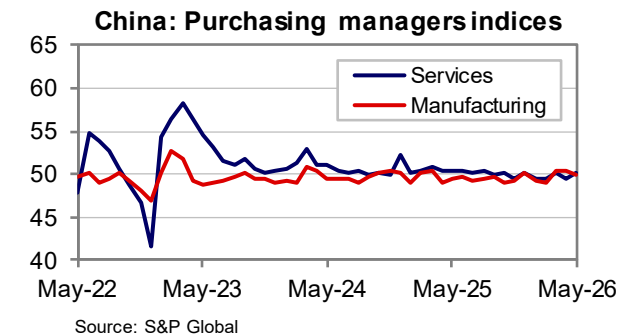
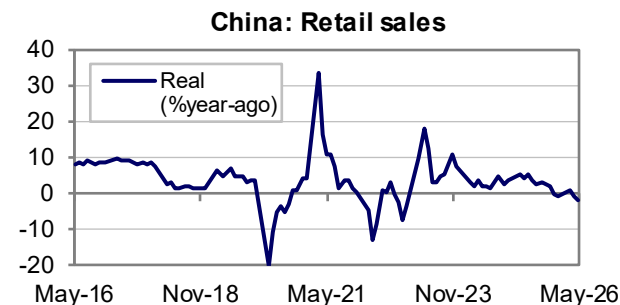
The government's growth target for this year is 4.5% to 5.0%, which roughly reflects the economy's potential in a period of continued weakness in the property market.

Government stimulus measures, particularly a package to stabilise the property sector in the final quarter of 2025, will keep growth broadly in line with the government's target in 2026.

Growth in the first quarter reflects positive momentum at the start of the year, while a somewhat more subdued pace is expected from this quarter onwards, also due in part to energy supply bottlenecks. Accordingly, the period of positive surprises in the economic data has come to an end.

China	2Q- 2025	3Q- 2025	4Q- 2025	1Q- 2026	Aver- age
Real GDP, q.	1.1	1.1	1.2	1.3	1.2
Real GDP	5.2	4.8	4.5	5.0	4.9
Services	5.5	5.4	5.4	5.2	5.4
Industry	5.3	4.9	4.5	4.9	4.9

Note: Change from year ago level (%), except "q." which is from previous quarter. Source: National Bureau of Statistics of China



Earnings: Positive global trends

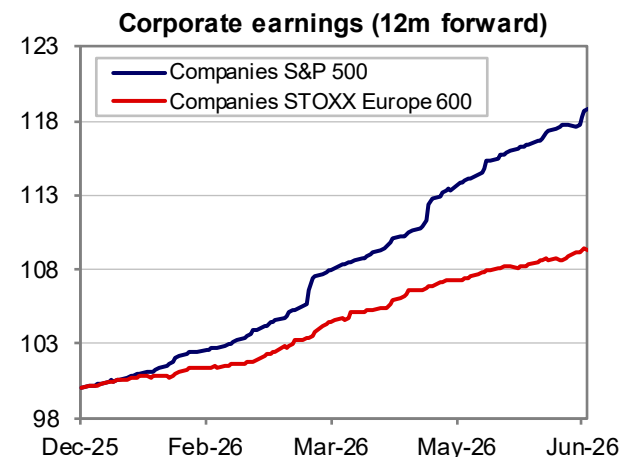
The earnings season for the first quarter showed positive trends. When the economy is largely intact, there are generally few surprises in earnings performance. The current positive earnings trend is also reflected in analysts' earnings estimates for the next 12 months ("12m forward" in the chart), which have been rising steadily since last fall.

From a regional perspective, the emerging markets of Asia are showing the highest earnings growth, followed by the US. Europe (Stoxx 600) is growing at an average rate of over 10% this year and next. Since the start of the year, the 2026 earnings growth forecast for the S&P 500 has been raised from 14% to 22%, for the Magnificent Seven from 19% to 31%, for the Stoxx 600 from 10% to 13%, and for the MSCI Emerging Asia from 20% to a staggering 60%. For Japan, estimates have changed little, while they have fallen slightly for the DAX and the SMI since the beginning of the year.

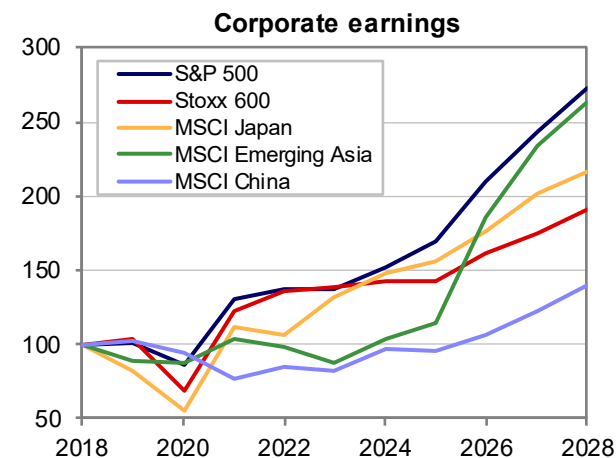
Equity indices: Earnings growth and valuation

	S&P 500	Mag. Seven	Stoxx 600	DAX	SMI	MSCI Japan	Em. Asia	China
Earnings growth								
2026	24%	32%	13%	10%	8%	13%	63%	11%
2027	16%	16%	9%	14%	8%	15%	26%	16%
Valuation (price/earnings ratio, earnings 2026)								
2026	21.4	26.0	15.6	16.0	19.0	19.0	13.7	10.9

Note: Data as per 26-Jun-26. Based on company analyst estimates (bottom-up). Earnings adjusted for extraordinary items. Source: Bloomberg, own calculations



Source: Consensus estimates (Bloomberg)



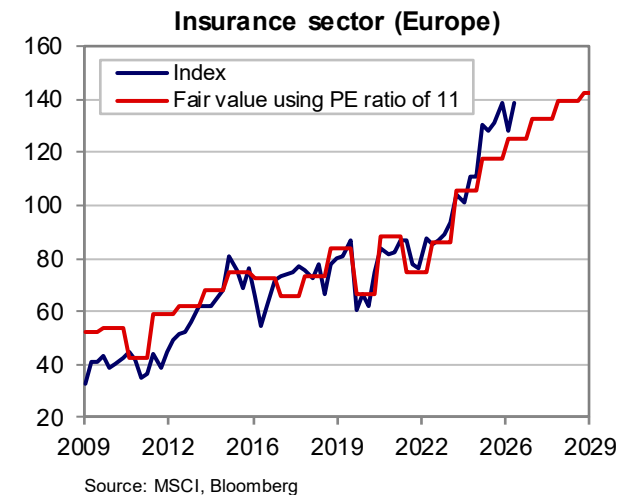
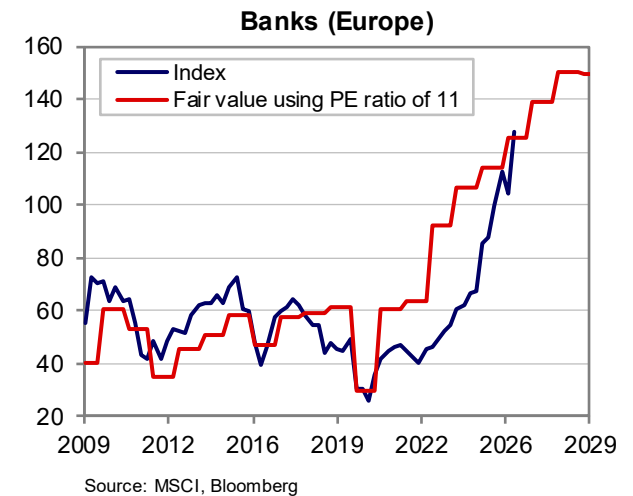
Source: Bloomberg

Europe: Banks and insurance companies

With the end of the period of negative interest rates in the wake of post-pandemic inflation, interest rates in the eurozone have now firmly returned to positive territory. As a result, banks' interest-income business is now much more profitable than it was during the era of zero and negative interest rates. It is unlikely that the banking sector will be capable of more than low- to mid-single digit profit growth in the long term, although above-average profit growth is expected in 2026 and 2027.

The profit trend in the European insurance sector has been significantly more positive than that of banks since the financial crisis. Since the beginning of this year, earnings forecasts have risen, with the sector now close to fair value.

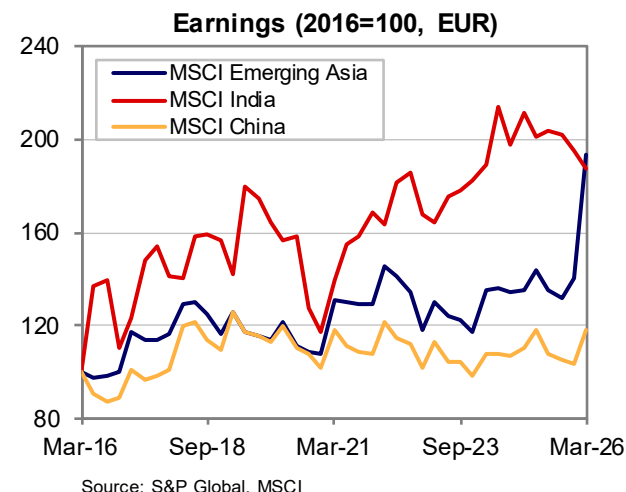
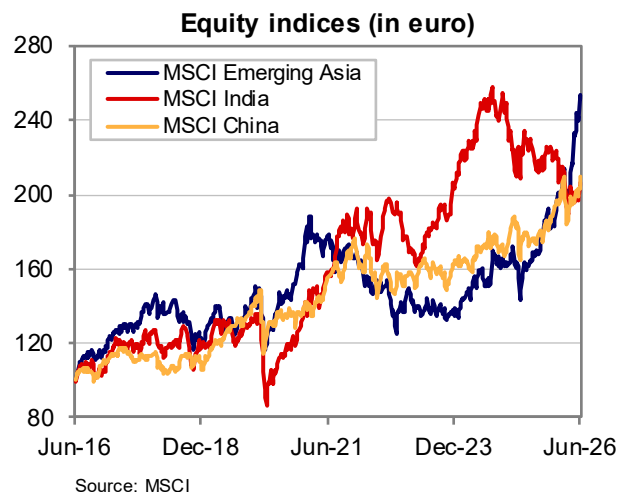
The charts show a fair value based on the average historical valuation (price-to-earnings ratio/PE ratio). Implicit in the average PE ratio that growth does not change significantly over time. A change in growth momentum may temporarily justify a higher or lower PE ratio. Forecasts are based on consensus estimates (the average of analysts' forecasts).



Equities Emerging Asia

The MSCI Emerging Asia Index is strongly driven by the technology sector (now over 40% of the index), particularly the Taiwan Semiconductor Manufacturing Company (TSMC). In the second quarter, memory chip shares in South Korea rose sharply.

India has always been well positioned, given its broadly diversified market, though its economy has been facing significant pressure from rising energy prices.



MSCI Emerging Asia: Key countries

	Index- Weight	Performance*		
		3 month	1 year	5 years
China	31.0%	-7.9%	-7.4%	-36.5%
Taiwan	30.2%	35.5%	91.4%	154.3%
South Korea	19.2%	4.9%	214.3%	133.1%
India	15.4%	70.7%	-11.9%	25.2%
MSCI Em. Asia		26.3%	48.9%	34.2%

*Data as per 26-Jun-26. In USD. Source: iShares

MSCI Emerging Asia: Sectors

	Index- Weight	Performance*		
		3 month	1 year	5 years
Information technology	41.9%	66.6%	167.9%	202.6%
Financials	16.3%	5.7%	1.8%	24.2%
Consumer, cyclical	10.2%	-14.0%	-16.4%	-46.7%
Industrials	8.8%	15.8%	38.7%	31.9%
Telecomm. services	7.0%	-10.6%	-17.5%	-32.0%
Materials	4.5%	-1.6%	17.1%	-20.1%
Healthcare	3.3%	-1.0%	-3.0%	-43.5%
Energy	2.7%	-1.0%	-3.0%	-43.5%
Consumer, staples	2.6%	-3.7%	-14.1%	-39.5%
Utilities	1.7%	-5.7%	-6.8%	-4.9%
Real estate	1.0%	2.9%	-16.3%	-67.8%

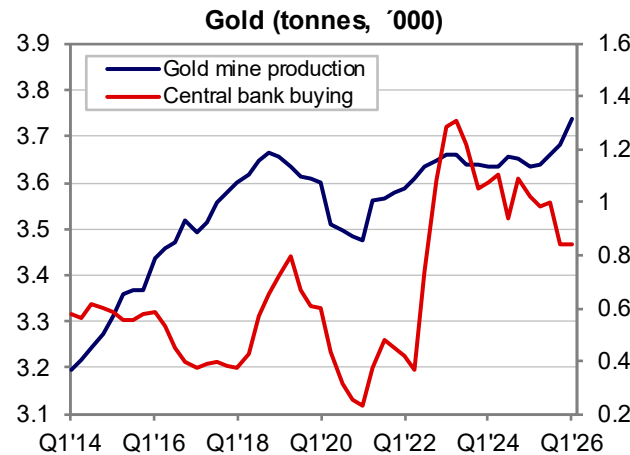
*Data as per 26-Jun-26. In USD. Source: iShares

Gold

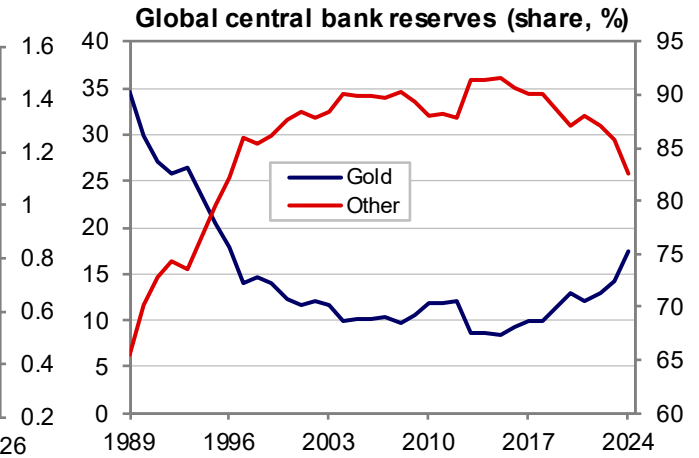
A dominant demand factor in recent years has been central bank gold purchases, which roughly doubled immediately after Russia's foreign exchange reserves were frozen in spring 2022.

The price of gold has risen to well above established valuation ranges relative to cash costs and full costs. The valuation has only been slightly higher in the recent past during the eurozone debt crisis of 2010 and 2011.

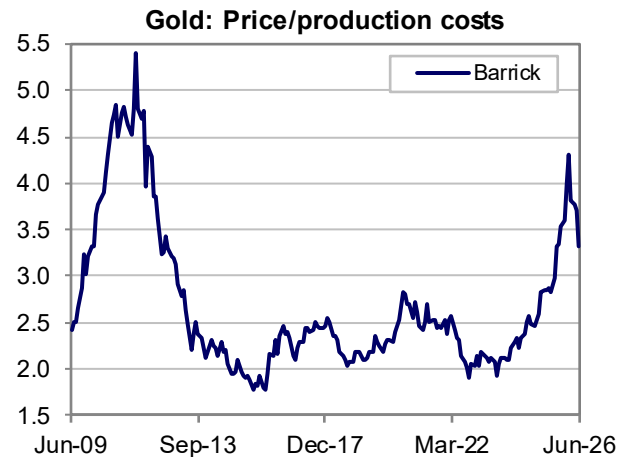
The outlook for the price of gold is broadly neutral to slightly negative. Demand from central banks has fallen quite significantly, valuations are high, and production has risen slightly.



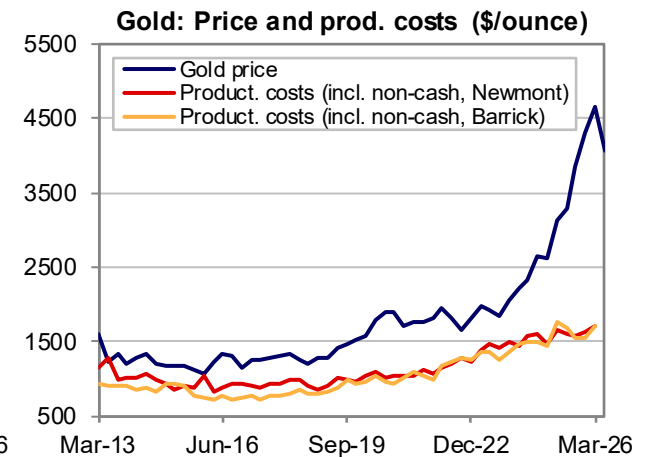
Source: World Gold Council



Source: World Bank



Source: Companies, Bloomberg BGN, own calculations



Source: Companies, index provider

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