# ECONOMIC UPDATE

# JULY 2026

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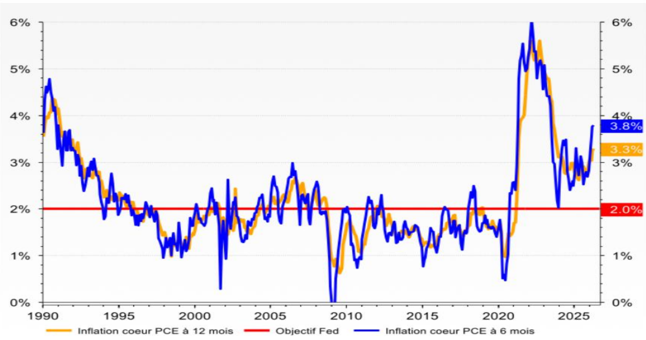
# MACROECONOMIC SITUATION

## IN THE UNITED STATES, RISING ENERGY PRICES ARE LEADING TO HIGHER INFLATION

In the United States, energy represents 7% of the consumer's basket. **The rise in energy prices has caused a rebound in inflation** through the price of petrol, heating, transport and, more indirectly, agricultural products, petrochemicals. The increase in production costs is quickly passed on by companies to sales prices.
Faced with cost-driven inflation, central bankers want to ensure that the rise in energy prices does not turn into a more generalised rise through the loop - inflation expectations – wage increases – price increases.

The chart below illustrates the rebound in core inflation in the United States.




**Rising energy prices have led to higher inflation in the United States and an economic slowdown in Europe**

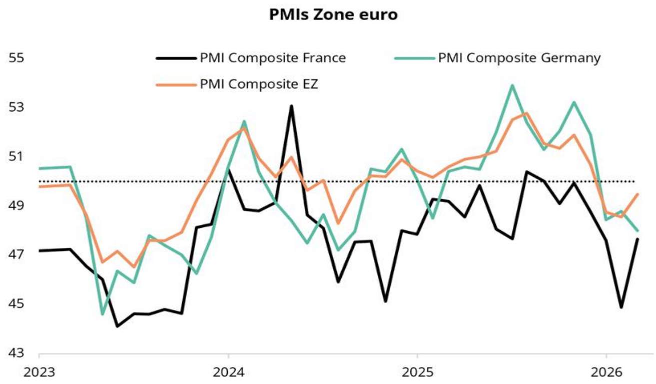
It should be noted, however, that in Western economies, the weight of energy has decreased significantly and wages are less indexed to inflation than they were in the past.

## UNITED STATES - JUNE PMI INDICES BACKED BY INVESTMENT

MANUFACTURING PMI 55.7 (vs. 55.3 for May)
SERVICES PMI 51.8 (vs. 50.8 for May)
COMPOSITE PMI 51.2 (vs. 51.5 for May)

## IN EUROPE, RISING ENERGY PRICES TRANSLATE INTO SLOWER GROWTH

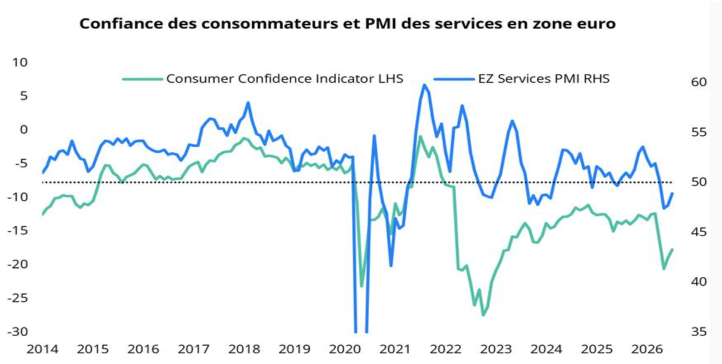
The PMIs (June) for Germany (48 vs 49.9 expected) and France (47.6 vs 46 expected) are at low levels.




The German recovery plan is slow to produce its effects on industrial companies.

## ECONOMIC SENTIMENT DETERIORATING IN THE EUROZONE

The consumer confidence index also remains at very low levels, as shown in the chart below.




## EUROZONE - JUNE PMI REMAIN LOW

MANUFACTURING PMI 51.3 (vs. 51.6 for May)
SERVICES PMI 48.9 (vs. 46.4 for May)
COMPOSITE PMI 49.5 (vs. 47.7 for May)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## THE CONSUMER CONFIDENCE INDEX IS DOWN

The US consumer confidence index is at a relatively low level.


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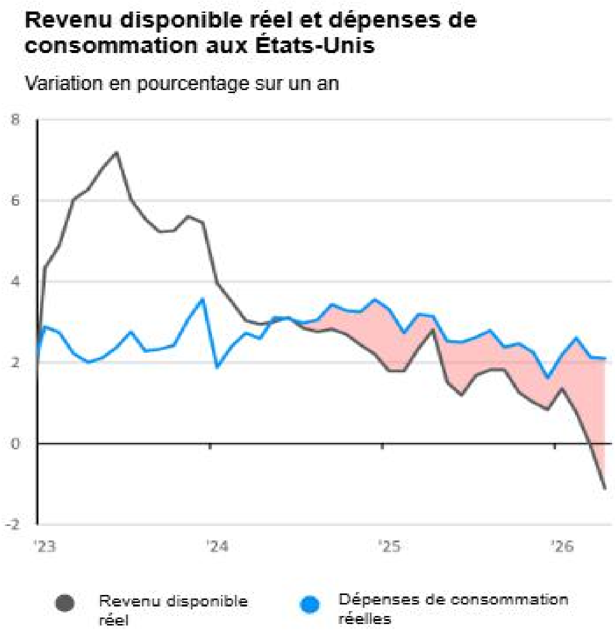
The ratio of net wealth of American households to disposable income is rising sharply.

This is the consequence of an increase in the average stock market portfolio of American households. They have invested heavily in technology stocks in the United States. For example, the IPO of part of the capital of SpaceX was subscribed by a large majority of individual investors.


## HOWEVER, THE "WEALTH" EFFECT SUPPORTS U.S. HOUSEHOLD CONSUMPTION

Consumer **spending is relatively stable despite falling real incomes**; Americans have drawn on their savings to maintain their level of consumption. The chart below shows stable consumer spending and sharp declines in real incomes.

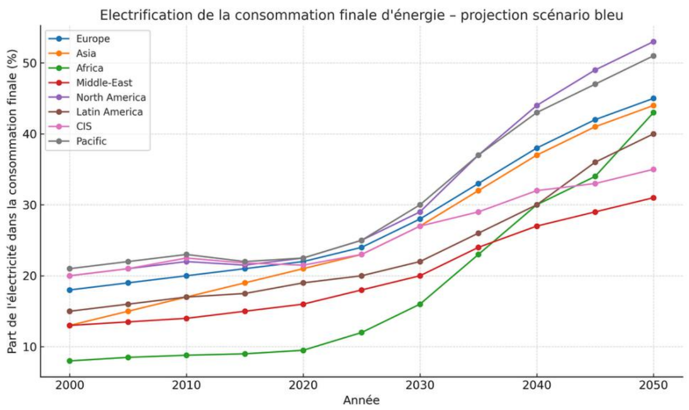



This situation presents risks insofar as this compensation for the decline in real income by savings only lasts for a short time.

Moreover, as we have already pointed out, the consumer confidence index is a K-curve. This means that the confidence of consumers in the top 10% is rising sharply while the confidence of consumers in the bottom 10% is falling sharply.

## POWER PRODUCERS BENEFIT DIRECTLY FROM THE RISE OF DATA CENTERS

The cycle of investments in the electricity sector is very powerful. Electricity consumption forecasts are rising sharply, and not only because of the high demand from data centers. The graph below illustrates this clearly.




The investments that will have to be made to upgrade electricity infrastructure are considerable and the increase in financing rates will further complicate the equation. **The barriers to entry are therefore very high.** Companies in the sector that are highly indebted have recently been penalised by investors due to the impact of rising interest rates on their cost of financing.
The recent acquisition of DOMINION ENERGY by the American group NEXTERA illustrates in this respect the beginning of a concentration in this energy sector.

Companies operating in **nuclear energy** – **CONSTELLATION ENERGY – VISTRA Corp** – are able to provide data centers with a stable, carbon-free source of energy and are posting significant revenue growth with high margins.

Renewable energy **companies** such as **NEXTERA** and **DOMINION ENERGY** are also very well positioned to take advantage of data center demand.
In this sector, we favour American companies that are less subject to complex regulations; The financial results of American companies in the energy sector are much better.

## MARVELL TECHNOLOGY A BIG BENEFICIARY OF THE RISE OF AI

MARVELL TECHNOLOGY has been propelled to the forefront by the strategic partnership with NVIDIA.

The company operates according to a "fabless" model, i.e. it designs the chips but delegates the manufacturing. Today, the "datacenter" segment represents 76% of its revenue. MARVELL TECHNOLOGY is present in technologies that make it possible to transport, store and process data from data centers

**MARVELL develops ASICS chips** (chips custom-designed for specific tasks, for large customers) that consume less energy.
**MARVELL is also present in the optical components sector** to connect servers and users.

Thus, in a few years, MARVELL has become a major player in AI infrastructure.

From now on, MARVELL's share price already includes very high growth prospects. In addition, the group is very dependent on TSMC for the production of its chips.

## VALUATION DIFFERENCES VALUE vs CROISSANCE S'ACCENTUE

While technology stocks are generating significant margins, other sectors are struggling in markets that are not very dynamic or are too competitive, such as the automotive sector in Europe.

Faced with the considerable performance gaps since the beginning of the year between companies in the **tech sector**: ASML +70%, PALOALTO NETWORKS +85%, DATADOG +86%, MARVELL TECH +211% and companies in the **old economy sector**: ESSILOR -39%, STELLANTIS -49%, BMW -40%, some managers consider that it is appropriate to reposition themselves on so-called "value" companies, considering that the performance gap is too large. We would be very cautious about this approach and continue to favour growth companies by selecting those with valuations that are not excessive.

# FIXED INCOME MARKETS

## THE FED LEAVES RATES UNCHANGED

**The new Fed chairman, Kevin Warsh, has often shared his views on monetary policy;** more orthodoxy on the balance sheet (less QE) and less forward guidance.
**Kevin Warsh has often expressed his hostility to permanent quantitative easing,** which he believes results in an artificial compression of risk premiums and artificial support for the markets.
Kevin Warsh is in favour of a cut in short-term rates.

On 17 June, at its first meeting under his chairmanship, **the Fed kept its key rates** unchanged in the current range of 3.50% - 3.75%.

US inflation, measured by the personal consumption expenditure (PCE) price index, is expected to stand at 3.6% at the end of the year against a forecast of 2.7% published at the end of March.

* * *

Fed forecasts:

| | 2026 | 2027 | 2028 |
|---|---|---|---|
| Real GDP | 2.2% | 2.3% | 2.2% |
| Unemployment Rate | 4.3% | 4.3% | 4.2% |
| Inflation (PCE) | 3,6% | 2,3% | 2,0% |
| Inflation (Core PCE) | 3,3% | 2,5% | 2,1% |

In his speech, **Kevin Warsh stressed the Fed's independence from political power** and repeatedly repeated that he intended to bring prices back to stability and did not change the 2.0% target.

In addition, in terms of communication, the new president of the Fed will no longer present the expectations of the committee members on the future evolution of interest rates ("dot plot").

## EUROPE
## HOW TO DEAL WITH IMPORTED INFLATION

Inflation imported by rising energy prices creates a particularly difficult situation for governments and central bankers, as potential **second-round inflation** (wages-prices-wages) and **an economic slowdown** caused by the energy crisis must be tackled. The long end of the yield curve could remain under pressure with long-term rates rising slightly due to public deficits to be refinanced and short-term rates should stabilise.

In this context, inflation-linked bonds can offer security for investors who do not want to take interest rate risk.

## CREDIT RISK: CHOOSING YOUR SECTOR

For an investor who wants to focus on corporate bonds – which we recommend – it is advisable to select the strongest companies in sectors that are too dependent on energy such as basic manufacturing (the production of primary metals), chemicals or paper.

It should be noted that **European companies as a whole are in solid financial health.** Companies have indeed extended the duration of their debt during the period of very low interest rates that we have just experienced.

Monetary policies, which are expected to be more restrictive, contribute to the flattening of the yield curve; the chart below shows the spread between 2-year and 10-year rates in the US and Europe.

| Equity market performance since the beginning of 2026 | |
|---|---|
| US action | Ytd |
| S & P 500 | + 9,44% |
| Dow Jones | + 8,90% |
| Nasdaq Comp. | + 12,55% |
| Indices Europe | Ytd |
| EuroStoxx 50 | + 9,27% |
| EuroStoxx 600 | + 8,37 % |
| European actions by country | Ytd |
| DAX | + 2,06% |
| CAC 40 | + 3,12% |
| FTSE 100 | + 5,70% |
| IBEX 35 | + 12,50% |
| MIB | + 14,99% |
| SMI | + 6,98% |
| Asia Equities | Ytd |
| NIKKEI 225 | + 39,18% |
| Shanghai Composite (SSE) | + 3,16% |
| Hang Seng HK composite | - 10,73% |
| | |
| | |
| Brent Oil (USD 73.02) | + 21,15% |
| | |
| Once d'Or (USD 4.024,24) | +6,45% |

| Government bond yield | | | | | |
|---|---|---|---|---|---|
| Currency | Country | 2 years | 5 years | 7 years | 10 years |
| Dollars US | United States | 4,16% | 4,20% | 4,30% | 4,43% |
| Euro | Germany | 2,51% | 2,58% | 2,68% | 2,88% |
| | Portugal | 2,52% | 2,76% | 3,02% | 3,24% |
| | Spain | 2,57% | 2,82% | 2,94% | 3,26% |
| | France | 3,60% | 2,97% | 3,24% | 3,60% |
| | Italy | 2,69% | 3,08% | 3,34% | 3,59% |
| Pound Sterling | United Kingdom | 4,15% | 4,23% | 4,54% | 4,85% |

| Indices PMI | | | | | |
|---|---|---|---|---|---|
| | | May | | | June |
| United States | *Manuf.* | 55,3 | United States | *Manuf.* | 55,7 |
| | *Services* | 50,8 | | *Services* | 51,8 |
| | *Composite* | 51,9 | | *Composite* | 52,0 |
| Eurozone | *Manuf.* | 51,6 | Eurozone | *Manuf.* | 51,3 |
| | *Services* | 46,4 | | *Services* | 48,9 |
| | *Composite* | 47,7 | | *Composite* | 49,5 |

| | Inflation « Headline » | & | Inflation « Core » |
|---|---|---|---|
| | *APRIL on a rolling year basis* | | *MAY On a rolling year basis* |
| USA (Global) | 3,8 % | | 4,2 % |
| USA(core) | 2,8 % | | 2,9 % |
| Eurozone (global) | 3,0 % | | 3,2 % |
| Zone Euro (core) | 2,2 % | | 2,5 % |

*Prices as of June 30, 2026*

## IN CONCLUSION

The gap in terms of growth between the American economy and Europe is widening.
The US economy continues to grow at a pace due to a stabilisation in consumer spending and hyperscaler investment spending, with inflation picking up.
The European economy is experiencing sluggish growth with no real increase in "second-round" inflation.

In China, the slowdown in consumer spending is deepening; The redeployment of a Chinese economy focused on exports towards a more "domestic market" oriented economy, so desired by the Chinese authorities, has not worked.

Technology companies in China are one to watch, due to the significantly lower price of using the models than the American models. The question is whether American and European companies will agree to transfer their data to Chinese companies on a massive scale; Nothing is less certain.

* * *

Public deficits are of course still a matter of concern for governments and for the investors who lend them money; France's public deficit, for example, will fall from 5.1% in 2025 to 6% - 7% in 2026. The situation is all the more worrying as the public debt/GDP ratio was 115.6% in 2025 and will reach 117% to 118% in 2026.
**In France, the debt burden is expected to increase from EUR 65 billion to EUR 70 billion from 2025 to 2026.**
In a global context of sluggish growth with constantly increasing social spending, the equation seems complicated to solve because France will not be able to allow the amount of interest it pays each year on its public debt to increase at this rate.

*Written June 30, 2026*

## SUMMARY OF THE INVESTMENT STRATEGY FOR 2026

### Equity portfolios

We are overweight growth companies in the technology sector; our "stock picking" consists of evaluating the winners and losers of the development of AI in companies. Data center suppliers (VERTIV – SCHNEIDER ELECTRIC – LEGRAND – ASML) - American utilities that produce clean energy for data centers (CONSTELLATION ENERGY – VISTRA – NEXTERA ENERGY) – hyperscalers (ALPHABET – AMAZON – MICROSOFT), semiconductor manufacturers, fabless chip designers (MARVELL), model manufacturers (ANTHROPIC and OPEN AI) whose shares are expected to be listed before the end of the year or companies industrial sectors that will benefit from the introduction of the arrival of humanoid robots (AMD - QUALCOMM - NVIDIA - INTEL).

### Bond portfolios

For **bonds issued in USD**, we adjust our portfolios in line with a likely flattening of the yield curve.

**For bonds issued in euros**, the lack of growth in the euro zone should encourage the ECB not to continue its policy of raising key rates.
We therefore continue to favour corporate bonds over government bonds. We would be particularly vigilant on French debt, which is expected to continue to widen with German 10-year rates.

ASSET MANAGEMENT SERVICES

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## *Glossary*

*The consumer price index **"CPI"** measures the average change in the prices of products consumed by households,*

*The Basic Consumer Price Index **(PCE)** measures the change in the prices of goods and services purchased by individuals excluding food and energy products.*

***The "PMI"** stands for "Purchasing Manager's Index"; it is a survey carried out among purchasing managers in large companies that allows a better appreciation of the economic situation of a sector of activity.*

*Investment grade **bonds** refer to bond securities issued by companies whose risk of default is considered very low (AAA) to moderate (BBB-) according to the rating of Standard & Poor's, for example,*

*High yield **bonds** are bonds issued by companies with a higher risk of default than investment grade bonds; in return, they generally offer a higher coupon to investors.*

*Duration is the average life of a bond discounted across all flows (interest payments and principal repayments)*

*The **"spread"** refers to the difference between the actuarial rate of return of a bond and that of a risk-free loan of the same maturity; the spread for French debt is, for example, the difference in profitability between the French OAT and the German Bund at the same maturity; for a company, the "spread" measures the difference in interest rates with that of the sovereign debt of its country of origin.*