ECONOMIC UPDATE

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ASSET MANAGEMENT SERVICES

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Q2 RESULTS SUPPORT MARKETS

EQUITY MARKETS SUPPORTED BY SECOND QUARTER RESULTS

Equity markets were supported by strong second-quarter results and continued investment in the AI sector. The momentum is now spreading to sectors other than technology. The adoption of AI by companies is creating opportunities in the sectors best placed to benefit from productivity gains – the banking sector – the industrial sector – healthcare.

Investment banking activities and the credit quality of households and businesses boosted the results of the major US banks.
JP MORGAN published a record profit +41% with a 10% dividend increase, **GOLDMAN SACHS** posted a 44.8% increase in profit thanks to its consulting activities. **MORGAN STANLEY** – the leader of SPACEX's IPO – also posted a result up +18.3% and finally **BANK OF AMERICA** published a result up +7.3%

SCHNEIDER ELECTRIC, the specialist in energy management and automation, reported revenue of Eur 21.23 billion (up 14% on an organic basis) and record EBITDA of Eur 4.09 billion (vs. Eur 3.2 billion anticipated by analysts). Demand for data centers in the United States and China is still very strong.

However, high valuations make the markets very sensitive to any disappointment or concern from investors about the future profitability of the investments made (ALPHABET's Capex estimates for 2026 and 2027 weighed on the stock despite excellent published results).

MICROSOFT reported revenue of USD 81.3 billion, up 17% year-on-year, driven by growth in MICROSOFT AZURE (+43%); in addition, COPILOT reported very good results on user satisfaction surveys.

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LA CONCENTRATION PERFORMANCE CONTINUES

The weight of technology companies and hyperscalers in the S&P 500 index continues; At the same time, technology companies in emerging markets are becoming increasingly important – South Korea (SAMSUNG ELECTRONICS – SK HYNIX – KRAFTON LG CNS) and Taiwan (TSMC – FOXCONN – DELTA ELECTRONICS – MEDIATEK) account for a significant share of the MSCI Emerging Markets.

INDUSTRIAL SECTOR RECOVERS IN THE LIGHT OF PMI SURVEYS

The results of the PMI surveys, carried out among corporate purchasing managers, are better than expected.

In the United States, July's figure of 53.6 is up sharply from June.

In the Eurozone, the improvement is even more marked: from a contraction in May (48.5) to 52 in July.

PMI Com.	May	June	July
USA	51,5	51,9	53,6
Zone Eur	48,5	50,0	52,0

The Manufacturing PMI came out at 52 versus 51.5 expected, driven up by German industry – transport and defense -.

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UNITED STATES - INFLATION SLOWS

In July 2026, the **Conference Board** 's U.S. **consumer confidence index** stood at **90.8 points** compared to **92.2 points in June**.
The consensus of economists was 92.3 points, the published figure is therefore lower than expected, but it is above all the third consecutive month of decline in this index, which is **a negative signal for consumption** in the United States.
On the other hand, **the University of Michigan's household morale** rose to **54.4** from 49.5 in June.

As far as inflation is concerned , the June figure fell significantly thanks to the fall in energy prices, core inflation (excluding energy and food) is stable at 2.6%. The figures for July will be published on 12 August.

United States.	May	June	July
IPC	4,2%	3,5%	N. D.
CPI (core)	2,9%	2,6%	N. D.

OIL - REFINING MARGINS INCREASE

During the month of July, Brent crude prices rose sharply due to the resumption of hostilities between the United States and Iran (USD 90 as of 31 July).

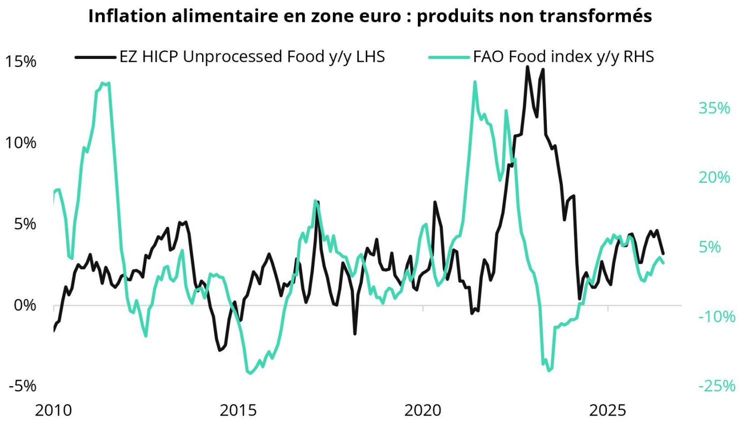
Refining margins on diesel oil have also risen sharply; the closure of the Strait of Hormuz deprives the world of refined products from the Persian Gulf and in addition, the production of refined products has slowed sharply in China (-18% over one year) and Russia.

The risk to the global economy is therefore a prolonged closure of the Strait of Hormuz, which would result in a combined increase in crude oil prices and refining margins. The consequences would be felt first and foremost on transport, freight and then consumption. In this regard, negotiations between the United States and Iran are continuing.

EUROZONE - REBOUND IN JULY RELATED TO THE PRICE OF ENERGY

In the Eurozone, the rise in headline inflation is mainly linked to energy prices.

Zone Eur	May	June	July
Inflation	3,2%	2,8%	2,9%
Infla Core	2,5%	2,4%	2,5%



If core inflation remains around 2.4% in July, despite headline inflation rising due to higher energy prices, this should prompt the ECB to keep rates unchanged rather than raise its key rates.

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FIXED INCOME MARKETS

UNITED STATES: THE FED ONCE AGAIN LETS ITS RATES UNCHANGED

At its meeting at the end of July, the US Federal Reserve kept its key rates unchanged at 3.50% - 3.75%.
It should be noted, however, that 3 FOMC members were in favour of raising key rates due to persistent inflation in the United States.

Kevin Warsh, in his speech, insisted on **his determination to bring inflation back to 2%.** He considers that the Fed's implicit objective was a level higher than 2% in recent years; he intends to make price stability an objective.

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%

HOWEVER, THE US BOND MARKET IS WORRIED ABOUT THE INDEBTEDNESS OF TECH STOCKS

The market for CDS on American tech companies is tightening. ORACLE's 5-year CDS rose to around 200bp compared to 144bp at 31 December. META's 5-year CDS is around 93bps compared to 55bps at December 31st and NVIDIA's at 78bps compared to 41bps at December 31st.

The market is clearly asking the question: will the gigantic investments in AI generate enough cash flow to ensure the repayment of the debt issued? The debt market in the United States is sending a clear signal of caution on tech stocks.

EUROPE: HOW TO DEAL WITH IMPORTED INFLATION

In Europe, the situation is very different; the economy is almost in recession and the ECB has already raised its key rate on 17 June, the Deposit Facility rate has been raised from 2% to 2.25%, notably due to the energy shock.

On 23 July, at its meeting, the ECB did not change its rates.

The bond market is not in a "credit crisis" type configuration, but we can consider that the bond market is becoming less comfortable for highly indebted companies.

HIGH YIELD AT RISK?

In Europe, the central scenario remains that of an asset class supported by strong corporate balance sheets and investor demand.

However, valuations on this asset class are stretched as the public finance situation and the geopolitical situation deteriorate. A prolonged energy shock and/or a rise in long-term rates will bring some volatility to this asset class.

WHAT STRATEGY SHOULD YOU ADOPT ON THE BOND MARKETS?

The strength of corporate balance sheets and their ability to refinance themselves on the bond markets has led to low default rates: in Europe, the default rate is 1.7%, in line with the historical average, and in the United States, it is 1.9% lower than the historical average of 2.4%.

For investors who wish to benefit from the returns linked to this asset class, we suggest investing in short maturities with a solid risk profile (exclude CCC-rated issues), in order to avoid the volatility that a rise in long-term rates could bring.

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HIGH VOLATILITY FOR TECH STOCKS IN JULY

The tech stock market had a very volatile July for hyperscalers ALPHABET, semiconductor manufacturers AMD, semiconductor foundries TSMC, data center equipment manufacturers VERTIV HOLDINGS, SCHNEIDER ELECTRIC and LEGRAND.

Investors' concerns are mainly the profitability of the colossal investments made in the sector and the competition from much cheaper Chinese models.

Despite excellent results: **ALPHABET** published very good results well above analysts' expectations, but the group's management announced capital expenditures for 2026 and 2027 that worried investors.

ASML, the manufacturer of lithography machines for the semiconductor industry, has published excellent results for the 2nd quarter of 2026 – a turnover of Eur 9.33 billion compared to Eur 7.69 billion a year earlier and a gross margin of 54% – well above analysts' forecasts but rumours of Chinese competition allowing semiconductors to be manufactured at a lower cost have pushed the stock down.

However, ASML remains very advanced in this technology for manufacturing transistors on a silicon disk and therefore remains a key player in the artificial intelligence value chain, regardless of the chip manufacturer. The new generation High-NA EUV machines will make it possible to engrave circuits to even smaller dimensions, further increasing the extremely high barriers to entry.

Remember that these companies have high valuations and depend on investor sentiment towards the semiconductor and artificial intelligence sector. Doubt about hyperscaler investments or the pace of AI infrastructure deployment could cause a significant valuation correction.

INVESTMENTS
HYPERSCALERS IN AI

Hyperscalers' investments in AI are in the hundreds of billions of dollars, but investors are wondering; Will these investments be profitable? Which companies will win? Who will be the losers?

If we summarize the questions of investors:

1/ **Will AI revenue grow fast enough to absorb CAPEX?**
For now, capital expenditure is growing much faster than AI-related revenues.
AI-related revenues can be significant (AWS's growth at AMAZON in Q2 is an illustration) but will it be enough given the expenses made?

2/ **What will be the rate of use of the datacenters?**

The demand for inference may increase, but it is not excluded that there will be overcapacity and therefore downward pressure on prices

3/ **The same level of AI service could require much fewer GPUs in the future. So it will take less CAPEX to produce a token in the future**
This is good for the customer but less so for the owner of a data center who has GPUs bought at a very high price.

4/ **What is the economic lifespan of a GPU?** If a new generation appears, the old one quickly becomes obsolete
Analysts will closely monitor the depreciation achieved by hyperscalers

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Equity market performance since the beginning of 2026	
US action	**Ytd**
S&P 500	+ 9,41%
Dow Jones	+ 9,20%
Nasdaq Comp.	+ 9,17%
Indices Europe	**Ytd**
EuroStoxx 50	+ 9,78%
EuroStoxx 600	+ 9,63 %
European actions by country	**Ytd**
DAX	+ 4,65%
CAC 40	+ 4,42%
FTSE 100	+ 9,43%
IBEX 35	+ 14,30%
MIB	+ 16,08%
SMI	+ 8,13%
Asia Equities	**Ytd**
NIKKEI 225	+ 27,86%
Shanghai Composite (SSE)	- 3,44%
Hang Seng HK composite	+ 0,99%
Brent Oil (USD 90.09)	+ 47,91%
Once d'Or (USD 4.042,68)	- 6,31%

Government bond yield

Currency	Country	2 years	5 years	7 years	10 years
Dollars US	United States	4,30%	4,51%	4,63%	4,70%
Euro	Germany	2,77%	2,91%	3,01%	3,21%
	Portugal	2,74%	3,02%	3,39%	3,51%
	Spain	2,72%	3,10%	3,22%	3,54%
	France	3,97%	3,24%	3,53%	3,89%
	Italy	2,94%	3,42%	3,69%	3,95%
Pound Sterling	United Kingdom	4,39%	4,49%	4,89%	5,19%

Indices PMI

		June			July
United States	*Manuf.*	52,9	United States	*Manuf.*	49,8
	Services	51,2		*Services*	55,0
	Composite	51,9		*Composite*	53,6
Eurozone	*Manuf.*	49,8	Eurozone	*Manuf.*	49,8
	Services	49,7		*Services*	51,0
	Composite	50,0		*Composite*	51,9

	Inflation « Headline »	&	Inflation « Core »
	JUNE on a rolling year basis		*JULY On a rolling year basis*
USA (Global)	3,5 %		ND
USA(core)	2,6 %		ND
Eurozone (global)	2,8 %		2,9 %
Zone Euro (core)	2,3 %		2,5 %

Prices as of July 31, 2026

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IN CONCLUSION

The reaction of the equity market during the month of July seems healthy by punishing investment spending that seems too high in its eyes. This will ultimately reduce the risk of over-investment, which could be punished more severely in the long term.

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For investors, the main question is which company will actually capture the margin in the value chain:

- **Lithography Machine Machines** (ASML)
- **Chip Manufacturing** (TSMC – SAMSUNG)
- **Power generation - Power supply - Cooling** (VERTIV-SCHNEIDER-LEGRAND)
- **GPUs** / Accelerators (NVIDIA – AMD)
- Hyperscalers (AMAZON – ALPHABET – MICROSOFT – META)
- **Applications IA / Cybersecurité**, etc (PALOALTO - CROWDSTRIKE -FORTINET)

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For companies like SCHNEIDER ELECTRIC – LEGRAND – VERTIV HOLDINGS – EATON, the question is: **how long can the data center boom last?**

For hyperscalers, ALPHABET for example, the question is: **will CAPEX generate enough revenue** via GOOGLE CLOUD – GEMINI for a satisfactory return on equity?

Finally, it should be noted that **the GOOGLE - AMAZON - MICROSOFT - META** hyperscalers **are working on developing their own chips in order to capture a larger margin**, which represents a threat to traditional suppliers such as NVIDIA or AMD (*the traditional GPU suppliers).*

SUMMARY OF THE INVESTMENT STRATEGY FOR 2026

Equity portfolios

We continue to be 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

We 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.

On the other hand, we have reduced duration and increased our exposure to **short-dated corporate debt**, but not necessarily investment grade. The quality of companies' balance sheets and low default rates encourage us to expose portfolios to this type of issuer. Credit spreads are not very high, but we believe the risk is contained and we are avoiding the risk of a rise in rates.

Written July 31, 2026

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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.*