



Perspectives

Market and allocation



Our experts
monthly overview

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Ofi invest
Asset Management

Markets: yes to the rebound, no to negligence!



② **Christophe Herpet**

CIO

OFI INVEST AM

The markets are regaining momentum. Corporate earnings have been solid, credit is proving resilient, the artificial intelligence boom continues to draw in capital, and volatility remains under control. But it would be unwise to confuse rising share prices with a normalising market regime. The rebound itself is real. But a laissez-faire attitude isn't.

Here in the euro zone, the message has become a less comfortable one. Economic activity is slowing, consumer spending remains restricted, investment spending is becoming more conservative, and energy again looks like a risk factor. Over in the USA, economic growth is doing better but such resilience gives the US Federal Reserve (Fed) less room for manoeuvre.

Inflation has fallen back since peaking in 2022 but is still there. Rather, it has become more unstable and more vulnerable to the 2026 energy shock and to wages, geopolitical strains and second-round effects.

The regime change is here. Central banks are no longer simply transitioning towards monetary easing. They are doing so under constraint. The monetary status quo should not be interpreted as a sign that they feel at ease with the situation but rather as a reflection of a tricky compromise between weaker growth, hotter inflation and institutional credibility.

Real interest rates are what really matter, especially in the USA. One should not underestimate volatility levels at the long end of the yield curve either in the USA or in developed economies more generally.

And this is probably one of the most important messages to bear in mind over the coming months. Headline interest rates ebb and flow, but persistently positive real interest rates will keep the cost of capital higher. Although the long end of the yield curve remains under pressure, an inactive Fed will not necessarily be enough for financial conditions to ease.

We therefore find ourselves in a bimodal world. On the one hand, large firms boast solid balance sheets, credit once again offers carry opportunities, the markets are still getting a boost from tangible earnings growth, and AI is well and truly propelling investment spending. On the other hand, the risks are more concentrated: public debt levels are high, real interest rates positive, valuations demanding, liquidity markets shallower, indices dominated by just a handful of stocks, and geopolitical tensions relentless.

Our reading of the situation for the month of June therefore remains constructive but far more selective. The priority where interest rates are concerned is to remain wary about long maturities. We prefer duration to be under control, more flexible and adjustable to conditions under which the yield curve may remain under pressure even without any further monetary tightening.

The credit markets offer attractive carry opportunities but leave no room whatsoever for approximation. The yield is there. Credit might remain a performance driver but should not be thought of as a risk-free asset.

Equity exposure is still advised, but investors should avoid concentration. The market continues to be buoyed up by AI, technology and high-quality large caps, but a lot of optimism has already been priced in.

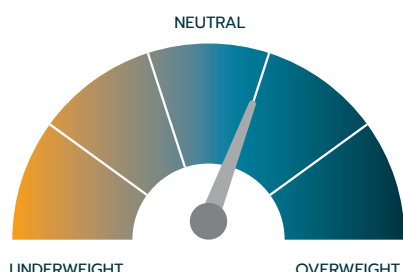
The best position, therefore, is neither defensive on principle nor euphoric by instinct. Investors ought to remain exposed to today's megatrends. The rebound might last, but it will be more demanding, more unstable and less tolerant of any pricing errors. The market recovery is real. Real interest rates are too. The differentiating factors in such a market will be not an ability to follow megatrends but rather discipline, robustness and the price paid to remain exposed.

The analyses presented in this document are based on the assumptions and expectations of Ofi Invest Asset Management. These analyses were made as of the time of this writing. It is possible that some or all of them may not be validated by actual market performances. No guarantee is offered that they will prove to be profitable. They are subject to change.

A glossary listing the definitions of all the main financial terms can be found on the last page of this document.

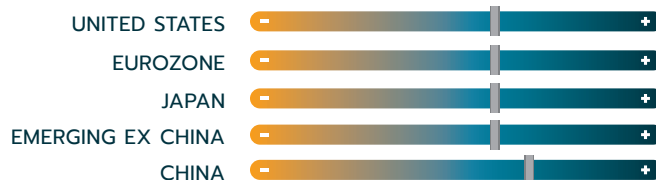
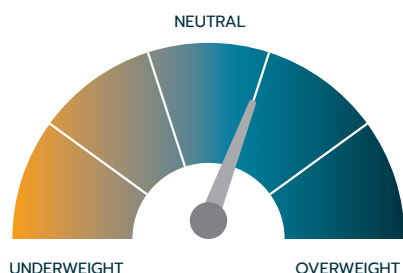
Our views as of 04/06/2026

BONDS



Euro-denominated bond markets performed well in May. Geopolitical sentiment improved to some extent, thanks to which interest rates ended up trending downwards in Europe and credit margins tightened on the back of still very decent corporate fundamentals, solid technical demand and attractive absolute returns. Yet the safety margin is narrowing. Spread levels are once again looking historically tight. The credit markets are being driven by the carry, although it no longer offers as much of a generous reward for taking macroeconomic risk. Such circumstances suggest that it would be advisable for investment portfolios to remain slightly overweight duration. Yields in the credit markets remain attractive, but selectivity needs to be a top priority.

EQUITIES



The global context remains uncertain, and AI stood out in May as the main driving force for the world's stock markets, so much so that it upstaged the recent macroeconomic and geopolitical strains. More generally, the stock markets are being held up by the tech industry but also by robust corporate fundamentals. That said, the risks to inflation and growth should not be underestimated, especially in Europe. The S&P 500 index has bounced back by around 20% since bottoming out, even though traffic through the Strait of Hormuz remains at a virtual standstill. We have kept our vectors unchanged in such circumstances and remain slightly overweight pending fresh signals or a US-Iran agreement.

CURRENCIES

Short positions on the euro-dollar exchange rate did not increase in May and remained more moderate than in March when the dollar temporarily lived up to its status as a safe haven. A successful outcome to the conflict would likely benefit the euro, but it would still be penalised by the economic performance gap between Europe and the USA and also by a downward revision to expectations of interest rate hikes by the ECB which we currently feel are overdone. We therefore maintain a neutral position on the euro-dollar exchange rate.



The conflict will cause *inevitable harm*



Ombretta Signori
Head of Macroeconomic
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Last month we wrote that: “Each day that goes by moves us further away from our baseline scenario and closer to the more unfavourable scenario”. Three months have passed since the Middle East conflict kicked off, and the Strait of Hormuz remains closed. The repercussions for the euro zone’s economy seem clear.

Economic surveys over the past three months have pointed to a slowdown in the second quarter of the year, with the outlook being downgraded across the board - for economic activity, jobs and investment alike - along with a drop in household expenditure on large items and tougher credit terms being imposed by lenders. Our in-house nowcast model⁽¹⁾ currently indicates that economic activity in the euro zone is going to stall in the second quarter when the conflict will naturally have more of an impact than in the first quarter. As long as purchasing power remains under pressure, so will consumer spending, and such long-lasting uncertainty tends to curb investment. Germany’s stimulus plan is the main support factor for economic growth in 2026 but has not yet fed into the economic data in any meaningful way. Does this mean that Germany’s macroeconomic situation would have been even more dire without this stimulus? Whatever the case, our in-house nowcast model, like many others (BundesBank, Ifo), currently points to a contraction in Germany’s economy in the second quarter. Economic growth in the euro zone is thus set to come out at around 0.6% this year, well below the 1% we projected when the conflict first kicked off.

INFLATIONARY PRESSURES AND SLUGGISH GROWTH IN THE EURO ZONE

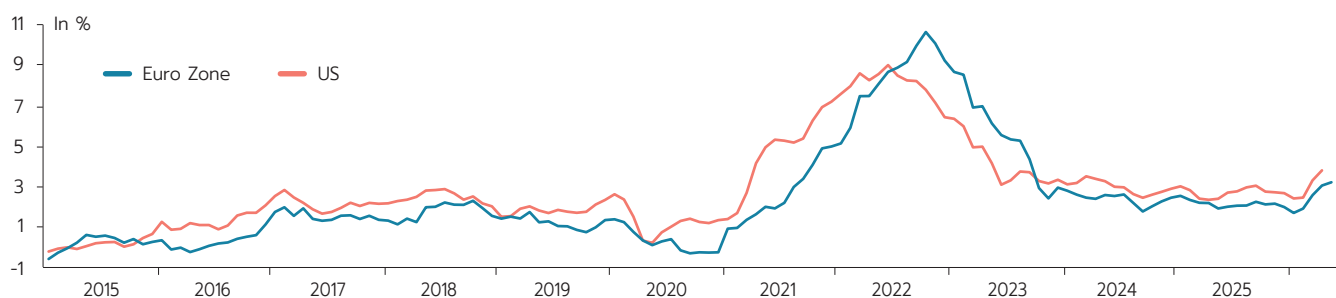
Overall inflation reached 3.2% in May (after 3.0% in April). It was driven upwards by energy prices, while higher transport and leisure prices completely wiped out the decline in services inflation recorded in recent months

which jumped from 3.0% to 3.5%. Energy prices pushed far higher than expected in our core scenario for March, suggesting that inflation will average around 3% this year. The European Central Bank (ECB) has paved the way for a 25-basis point hike in interest rates in June, possibly followed by another in the following months. The most recent inflation figures appear to underpin this scenario. Such a decision would not actually be all that “costly” as key interest rates at 2.25% or 2.50% would lie within the range of neutral interest rate estimates. Moreover, the ECB had already factored two interest rate hikes into its March forecasts, and this was deemed enough to pull inflation back towards 2% in 2027 in two out of three scenarios. The third, worst-case scenario is that of a lasting quagmire in the Strait of Hormuz, resulting in commodity shortages that would require rationing and therefore have a more severe impact on growth and inflation.

US CONSUMERS STILL RESILIENT

The situation is much happier in the USA. Consumer spending there is holding up - despite weaker purchasing power - thanks to higher tax refunds (up by around 20% year-on-year) and a wealth effect⁽²⁾. Once the tax season ends, however, and if oil prices remain high beyond the second quarter, household consumption could come under pressure, especially as the savings rate (at 2.6%) is well below its historical average (of around 5%). Across the economy as a whole, the factors holding consumer spending back could be partly offset by persistently robust investment spending, especially in artificial intelligence; such investment is so far showing no signs of running out of steam and could enable the USA to approach its economic potential growth rate (2%). With economic growth proving resilient and inflation probably exceeding 4% in May, the most likely scenario is that headline interest rates will remain unchanged in the USA over the coming months. This is especially the case as several regional Fed chairs indicated during the latest FOMC⁽³⁾ that they no longer wanted the Fed’s communications to hint that the next move in interest rates will be downwards.

HEADLINE INFLATION IN US AND EURO ZONE



Sources: Macrobond, Ofi Invest Asset Management as of 02/06/2026.

⁽¹⁾ An econometric tool developed to estimate a current economic variable in real time before the official data are published.

⁽²⁾ Wealth effect: rising financial markets and/or property prices make households feel more confident and encourage them to consume more, even if their income is unchanged.

⁽³⁾ The FOMC is the Federal Open Market Committee of the US Federal Reserve (the USA’s central bank) responsible for setting monetary policy.

High interest rates, heightened caution



Geoffroy Lenoir
 Head of Collective
 Investment Management
 OFI INVEST AM

The bond markets were again largely influenced by geopolitical risks and the energy price shock in May. The US 10Y yield ended the month at around 4.45% while the 30Y yield remained close to 5% after having peaked at 5.18%, suggesting that the long end of the yield curve remains sensitive to inflation, deficits and the term premium. Germany's 10Y yield, meanwhile, fell slightly during the period and dipped below the 3% mark after having hovered close to 3.20%.

The month's highlights included a gradual reassessment of the macroeconomic scenario and therefore of the interest rate scenario. Bond yields remained under upward pressure due to high energy prices, uncertainty surrounding the Strait of Hormuz and the US economy's resilience. Hopes of a possible agreement in the Middle East emerged towards the end of the month, pulling oil prices back down and preventing another disorderly spike in bond yields.

CENTRAL BANKS STILL UNDER CONSTRAINT

The US Federal Reserve (Fed) still officially has interest rates on pause, but the bond market has priced in the fact that monetary easing is no longer the core scenario for the short term. The Fed needs to safeguard its credibility where inflation is concerned, and the market now believes that headline interest rates might possibly rise this year. Our view, however, is that interest rates are more likely to remain stable at 3.75% if the Strait of Hormuz reopens, even if only gradually.

Here in the euro zone, the European Central Bank (ECB) has clearly indicated that the risks to inflation are also threatening economic growth. Meanwhile, Christine Lagarde has emphasised that there is a great deal of uncertainty about how long the shock will last, the indirect effects it will have and the risk that it will feed through into expectations. An interest rate hike in June now seems certain, but any further movements will depend above all

on oil prices and inflation.

Such a configuration makes the fixed income markets more complicated to gauge. We maintain a positive bias on duration, but if the Bund returns to the region of 2.80%/2.90% we would interpret it as a sign that we need to retreat somewhat. Bonds do offer carry, but inflationary risk could intensify further if the parties involved fail to come to a firm agreement on reopening the Strait of Hormuz. Interest rates would probably react on the upside in this case... but only up to a certain point! This is because if the scenario shifts towards a recession, in Europe for instance, bond yields will fall back and resume their status as a safe haven.

CREDIT MARKETS ARE HOLDING UP BUT VALUATIONS ARE STRETCHED

May, like April, was another good month for the credit markets which managed to recoup the losses generated in March when the Middle East war first kicked off. The economic situation as a whole is a fragile one (with inflation rising, future growth becoming a cause for concern, consumer sentiment sluggish, etc.), but so-called risky assets seem likely to emerge from this crisis on a high judging by current valuation levels. Credit is no exception since spread levels are back at their historical lows in both the Investment Grade segment and High Yield segment (thus suggesting that there is very little risk regarding issuer credit quality). Such a paradox can be explained above all by positive technical factors (such as abundant inflows into the asset class) and by a market vision that is ultimately highly secure and not very volatile compared with sovereign bonds. Private firms are doing well and have been managing crises efficiently for a number of years now. The icing on the cake is that bond carry provides protection and a return.

That said, this is a market that tends to see the glass as being half full rather than half empty, so disappointment must be avoided at all costs. Any disappointing corporate earnings reports are severely punished, especially in the high yield credit market. We therefore continue to take an approach to portfolio construction that emphasises controlled and moderate risk, as excessive risk-taking is no longer sufficiently rewarded in our opinion.

FIGURE OF THE MONTH

5.18%

The US 30Y bond yield reached on 19 May, its highest level since 2007.

PERFORMANCES

Bond indices with coupons reinvested

	May 2026	YTD
JPM Emu	1.09%	0.81%
Bloomberg Barclays Euro Aggregate Corp	0.94%	0.89%
Bloomberg Barclays Pan European High Yield in euro	0.93%	1.32%

Sources: Ofi Invest Asset Management, Refinitiv, Bloomberg as of 29/05/2026.
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No *traffic?* No *problem?*



Geoffroy Lenoir
Head of Collective
Investment Management
OFI INVEST AM

The USA and Iran have yet to reach an agreement, and concerns about global economic growth are becoming entrenched. And yet the stock markets continued to rally in May after an already buoyant month of April.

The US markets and even the European markets set new records at the end of May! The momentum was driven by a generally solid reporting season and the fact that the artificial intelligence theme has returned to the fore. Investors nevertheless still had to operate under strained geopolitical circumstances, for instance with technological rivalry between the USA and China, trade uncertainty and continued conflicts in Ukraine and the Middle East.

AI = AMERICAN ILLUSION?

Over in the USA, Wall Street was again dominated by the tech giants with the Nasdaq reaching new highs thanks to Nvidia*, Microsoft*, Meta* and Broadcom*. The quarterly reporting season confirmed that AI remains the market's main earnings growth driver. Nvidia* once again impressed investors as demand for its Blackwell infrastructures continues to exceed supply, and Jensen Huang issued various aggressive statements about the global industrialisation of AI. Microsoft* and Alphabet* also emphasised that revenues from their cloud solutions and generative AI applications are speeding up, supporting the view that this investment cycle in data centres and compute capacity is a lasting one.

Meanwhile, the US Federal Reserve (Fed) indicated that the bar for lowering interest rates was higher with a greater risk to inflation. Although economic growth is proving particularly resilient, the markets believe this situation might argue in favour of a more restrictive monetary policy over the coming months, whether Kevin Warsh - freshly appointed as Chair of the Fed - likes it or not. We believe these expectations are a little overdone

at this stage. Interest rates are generally high but still under control. Certain cyclical stocks were thus able to take part in the rally, even though **stock market performances in the USA are still heavily concentrated around leading tech and AI ecosystem firms.**

Europe's indices made more modest gains. The Stoxx Europe 600 benefited as bond yields fell back and companies released solid earnings reports. However, the reporting season showed that Europe is a two-tier market. Banks continued to enjoy high interest margins, whereas trends in the luxury and consumer goods sectors were more mixed as demand from Asia appears to have abated. LVMH*, Kering* and Burberry*, for example, sounded more conservative as regards Chinese consumption, in sharp contrast to the optimism expressed by tech and industrial groups exposed to AI. ASML*, ABB* and Schneider Electric*, for instance, confirmed the magnitude of the digital and energy infrastructure investments needed to deploy artificial intelligence.

In Japan, meanwhile, the Nikkei continued to gain ground thanks to a stubbornly weak yen and the market's increasing exposure to the AI revolution. **Japanese groups specialising in semiconductor equipment and automation benefited especially from the global enthusiasm for technology infrastructure.** Tokyo Electron*, Advantest* and SoftBank* tapped into the momentum created by Nvidia's* spectacular earnings report and by soaring investments in data centres. So, although interest rates continue to trend upwards, the Bank of Japan maintained a cautious tone. Financial conditions therefore remain accommodative, which is good news for Japanese assets, on top of which the country's governance reforms and rising dividends continue to draw in international investors.

Having bounced back by around 20%, the S&P 500 has priced in a lot of good news. We nevertheless remain slightly overweight stock markets, with no particular distinction between the USA, Europe and Japan. We will continue to pay close attention to any new signals that might arise as regards AI, such as the IPOs of Space X*, Anthropic* and OpenAI*, or the impact of a possible agreement to reopen the Strait of Hormuz.

FIGURE OF THE MONTH

110%

The tech industry accounted for 110% of the S&P 500's performance in May. Without tech, the index would have turned in a negative performance over the month.

PERFORMANCES

Equity indices with net dividends reinvested, in local currencies

	May 2026	YTD
CAC 40	1.98%	2.11%
EuroStoxx	3.90%	7.78%
S&P 500 in dollars	5.23%	11.11%
MSCI AC World in dollars	5.16%	12.15%

Sources: Ofi Invest Asset Management, Refinitiv, Bloomberg as of 29/05/2026.
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Asia at the epicentre *of the AI wave*



📍 **Jean-Marie Mercadal**
CEO
SYNCICAP AM

Some Asian markets have performed spectacularly well since the start of the year. They have been driven by the momentum generated by the revolution in artificial intelligence and robotics, which in turn is backed by massive investment spending. Asia lies at the very heart of these megatrends, whereas Europe is lagging rather behind...

Asia ex-China stocks have gained more than 40% year-to-date, riding the global wave of AI investment. Chinese and Indian stocks, on the other hand, are down as they are less exposed to this theme. In the technology race currently underway, the region enjoys a quasi-monopoly in the physical and material aspects of AI as it controls the three essential pillars that are graphics processing units (GPUs), high bandwidth memory chips and semiconductor storage disks, not to mention its unique capacity to manufacture new-generation chips.

ASIA'S "MAGNIFICENT 3"

Asia's strategic lead is enabling it to directly capture the massive investment budgets of America's tech giants. So while the USA has its "Magnificent Seven"⁽¹⁾, Asia has developed three of its own champions. TSMC* dominates the cutting-edge foundry segment and boasts an overwhelming market share as it serves the world's biggest firms thanks to its expertise in complex etching. Samsung Electronics*, meanwhile, combines advanced memory, design and foundry: it has tripled its production capacity and its market capitalisation has reached a record high. Lastly, SK Hynix* reigns in the high bandwidth memory segment: its backlog is full out to 2027, to the extent that its customers are offering to help finance new fabs. The "theoretical pathway" that an Asian chip might follow illustrates the region's interdependence, with the silicon prepared by Tokyo Electron*, etched by TSMC*, combined

with memory chips from SK Hynix* polished by Disco*, and then assembled in Malaysia and tested by Advantest* in Japan.

Accordingly, Asian corporate earnings ought to reach historical highs. However, such opulence masks a more deeply nuanced reality as it depends almost exclusively on the technology super-cycle, with the tech industry accounting for three-quarters of these gains. At the other end of the spectrum, we have sectors that are more geared towards domestic consumption - such as healthcare and consumer staples - and whose prospects are deteriorating considerably.

On the macroeconomic front, the region's economic growth is expected to reach 5.1% in the first half of the year, but again this masks widely contrasting national trajectories. China is a perfect example of this dichotomy: its economy is being driven by cutting-edge industries and green technologies, but its domestic consumption is feeble and Beijing is therefore keen to keep the country's monetary policy accommodative. China's fifteenth five-year plan is now underway and the country is striving to shift its economic model towards greater technological autonomy while also tackling its value-destroying industrial overcapacity, the aim being to stabilise GDP growth at around 4.5% by 2027.

India's stock market, meanwhile, has stalled after hitting a series of new record highs in recent years. Global investors are more wary at the moment given the country's energy dependence on the currently unstable Middle East, although corporate earnings growth is expected to reach 13% and domestic consumption remains solid. Our view is that the market is beginning to look attractive from a long-term perspective.

In short, the wave of AI investment spending is benefiting Asian markets such as South Korea and Taiwan directly. Other markets like India and China and currently lagging behind but could become growth drivers once the AI boom eases off. Short-term, however, there is nothing to suggest that the momentum is running out of steam: Asia remains firmly embedded at the very heart of today's technology super-cycle.

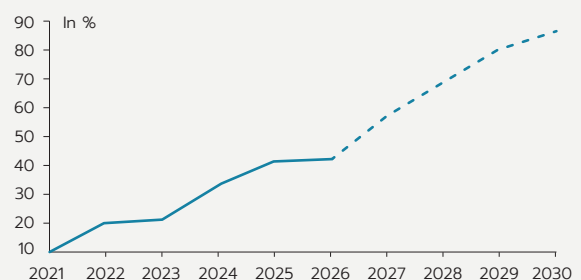
FIGURE OF THE MONTH

USD1.2bn

The European Union's current daily trade deficit with China!

CHINA IS RACING TOWARDS SELF-SUFFICIENCY IN ELECTRONIC CHIPS

Its independence has jumped from 10% to 41% in the space of less than five years and is set to exceed 85% by 2030, according to Morgan Stanley.



Source: Morgan Stanley - May 2026
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⁽¹⁾ The "Magnificent Seven" consists of GAFAM - Alphabet (Google), Amazon, Meta (Facebook), Apple and Microsoft - along with Nvidia and Tesla. Syncicap AM is a portfolio management company owned by Ofi Invest (66%) and Degroof Petercam Asset Management (34%), licensed on 4 October 2021 by the Hong Kong Securities and Futures Commission. Syncicap AM specialises in emerging markets and provides a foothold in Asia, from Hong Kong.

GLOSSARY

Carry: a strategy that consists in holding bonds in a portfolio, possibly even till maturity, in order to tap into their yields.

Convexity: one of the main objectives of convexity strategies is to maximise a portfolio's resilience to shifts in interest rates and market conditions.

Credit spread: difference between the yield differential of a private corporate bond with that of a sovereign bond of the same duration, considered to be the least risky (the benchmark government bond).

Duration: weighted average life of a bond or bond portfolio expressed in years.

Inflation: loss of purchasing power of money which results in a general and lasting increase in prices.

Inflation breakeven rate: the difference between the yield on a traditional bond (nominal yield) and the yield on its inflation-indexed equivalent (real yield).

Investment Grade/High Yield credit: Investment Grade bonds refer to bonds issued by borrowers that have been rated highest by the rating agencies. Their ratings vary from AAA to BBB- under the rating systems applied by Standard & Poor's and Fitch. Speculative High Yield bonds have lower credit ratings (from BB+ to D, according to Standard & Poor's and Fitch) than Investment Grade bonds as their issuers are in poorer financial health based on research from the rating agencies. They are therefore regarded as riskier by the rating agencies and, accordingly, offer higher yields.

Spread: difference between rates.

Term premium: the portion of a long bond's yield that remunerates duration-related risks, particularly the uncertainty on future inflation and on interest rate shifts.

Volatility: corresponds to the calculation of the amplitudes of variations in the price of a financial asset. The higher the volatility, the riskier the investment will be considered.

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