Perspectives

Market and allocation

Our experts monthly overview

Document completed on 03/09/2026

SEPT 26

Ofi invest
Asset Management

Christophe Herpet
CIO

OFI INVEST AM

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.

EDITORIAL

No room for error as the back-to-school season kicks off!

Screens show that the back-to-school season is in full swing: the US 10Y Treasury yield is at 4.8%, the Bund yield at 3.36% and the price of Brent above 92 dollars. Meanwhile the cost of capital is trending upwards, as is the cost of risk.

Three fronts have opened up in September: interest rates, France and Artificial Intelligence.

The first is to be found in the bond markets. Investors are no longer focusing their attention solely on central bank policies but also on absolute yields. Higher real interest rates do not necessarily mean higher term premiums: they may signal a neutral interest rate (r*)[1] driven upwards by growth and productivity expectations or by the premium required by investors to absorb the supply of debt. Today's bond yields reflect a combination of both these factors. They are therefore now being governed less by headline interest rates than they used to be. And duration no longer provides a form of free insurance.

The second front is in France. The country's 2027 budget will be put to the vote on 30 September and is expected to target a budget deficit in the region of 4.9% of GDP. Without a majority, a censure motion would send the market a signal. This is because renewing the 2026 budget could add at least 0.5 point of GDP to the deficit. The OAT-Bund spread, at around 90 basis points, shows that the markets are indeed wary of this happening. The risk is not so much of a crisis as of a gradual erosion of France's creditworthiness.

The third front lies in Silicon Valley. Anthropic's IPO[2] could value the firm at 2,000 billion dollars, compared with 965 billion back in May. The technological disruption at play is undisputed, but it remains to be seen whether it can actually turn in a profit. There is a clear line between those financing the promise of AI and those transforming innovation into cashflow (liquidity/revenue flows).

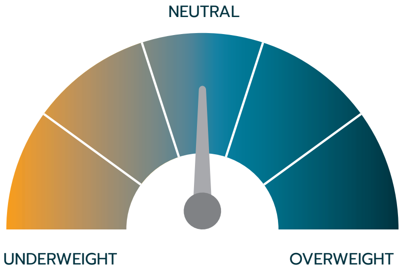
So, what is to be done? Retreating is not the best option, nor is keeping one's head in the sand. We take an active approach to managing duration and remain cautious about French and US sovereign yields. Europe's credit markets still offer attractive carry, despite narrow spreads. Over in the USA, the wave of bond issues by hyperscalers[3] to finance the construction of data centres and AI infrastructures throws a supply risk into the mix: notwithstanding solid balance sheets, the market will struggle to absorb ever larger amounts of debt. In the equity markets, meanwhile, we have a preference for monetisation over narrative. Gold and commodities continue to offer a welcome degree of protection.

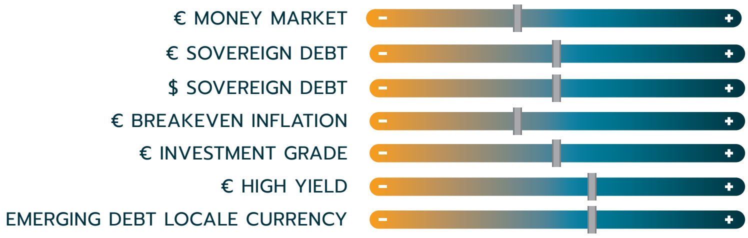
As this back-to-school period kicks off, portfolios need to be robust, liquid and adaptable. Selectivity becomes a question of discipline when the cost of capital, risk and sovereignty rises.

[1] r, or natural (neutral) interest rate, refers to the theoretical real key interest rate that keeps an economy neither expansionary nor contractionary in the long term. It is unobservable and must be estimated.*
[2] These companies are cited for information purposes only and not as an offer to sell or a solicitation to buy securities.
[3] Hyperscalers provide IT infrastructure services on a very large scale and operate data centres capable of managing vast volumes of data, compute and traffic.

Our views as of ***03/09/2026***

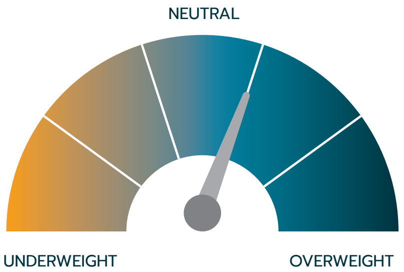
BONDS

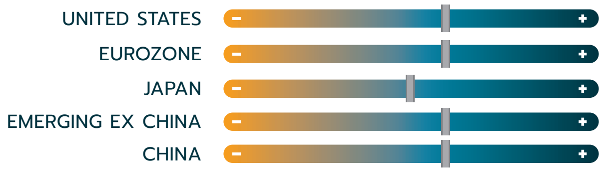




Bond market performances are being held back by rising interest rates. We are refraining from adding duration at current levels as short-term risks still appear to be on the upside. We maintain a neutral position on euro and US sovereign yields based on their carry and defensive profile in the event of a severe crisis. The main risk to the credit markets so far has not been a spread risk but indeed an interest-rate risk. We nevertheless reiterate our constructive approach to credit. Spreads still seem to be relatively stretched compared with past levels, so once again it is the carry factor that justifies exposure to credit. Carry provides a useful buffer against market volatility and is the main driver of expected performance. While maintaining a disciplined approach, our preference goes to euro-denominated High Yield credit as it is far less sensitive to interest-rate movements than Investment Grade credit.

EQUITIES





The equity markets had a relatively quiet summer, but the coming months could prove more volatile. Earnings growth momentum remains on firm ground, but geopolitical uncertainty could temporarily gain the upper hand. This could be for a whole variety of reasons, be it the mid-term elections in the USA, a surge in commodity prices, or pressure on interest rates. The expanding risk premium is one example of this, especially in the USA. A bull market remains our core scenario, but it will come up against a number of factors that are hard to predict.

CURRENCIES

The EUR/USD exchange rate stands at around 1.16, roughly the same as at the start of the summer. In the very short term, there are two factors that will be decisive for exchange rates: carry and investor positions. The former currently leans more in favour of the dollar. At the extreme - as is the case today for the long dollar trade - the latter ought to be considered a contrarian indicator. These two factors are sending opposing signals for the near future. From a valuation perspective, there is no evidence of any major deviation from fundamentals. We are therefore sticking to a neutral position on the EUR/USD exchange rate for the short term.

Our views on the different asset classes provide a broad and forward-looking framework that is used to guide discussions between Ofi Invest Asset Management's investment teams. These views are based on a short-term investment horizon and may change at any time. The framework therefore does not provide guidance for those looking to build a long-term asset allocation strategy. Past performances are not a reliable indicator of future performances.

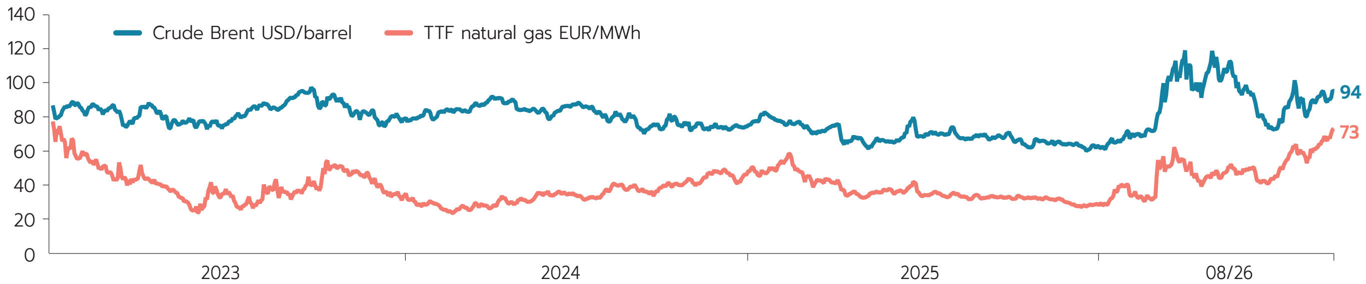
A good family fight[1] in store for the Fed?

Ombretta Signori
Head of Macroeconomic Research and Strategy
OFI INVEST AM

September marks the seventh month of turmoil in the Middle East. The memorandum of understanding (MoU) between the USA and Iran has been thrown on the scrap heap, the Strait of Hormuz remains shut, and the alternative transit routes set up for oil products cannot fully offset the volume of traffic that usually passes through the strait.
Energy prices therefore remain high. Europe is, once again, being hit particularly hard, with its gas prices having surged during the summer and returned to their 2023 highs of over €70/MWh. Stocks are usually built up at this time of year in preparation for the winter, but they remain particularly low this year. Moreover, it will take several years to repair the bomb damage caused to Qatar's infrastructure, and this is going to keep the market tight. It is also worth noting that the prices of refined oil products, such as diesel, are under particular strain because of Ukrainian strikes on Russian refineries as well.
All these tensions could gradually spread to food and industrial goods prices at some point over the next few months or quarters. Prices might also feel the effects of the exceptionally high temperatures experienced this summer. That said, price rises should remain limited and inflation is still expected to ease off next year, provided the situation in the Middle East gradually returns to normal (a prerequisite).

STRAIT OF HORMUZ PUTTING CENTRAL BANKS IN A BIND
Domestic demand remains resilient in the USA and better than expected in the euro zone (although not in France, alas), so inflation is likely to be the main variable governing central bank decisions over the coming months. The markets have already largely priced in an interest-rate hike by the ECB in September, raising the deposit rate from 2.25% to 2.50%. However, we feel it is too soon to predict a third increase as this would push monetary policy into restrictive territory. It would require empirical data showing that higher energy prices have spread more deeply into the rest of the economy or more tangible signs of an impact on wages over the coming months, of which there is no evidence for the time being.
Inflation appears to have already peaked in the USA and the country's job market is currently not a source of any major inflationary pressure. But there are three inflationary factors that do merit close attention: the spread of higher energy prices to the rest of the economy, as already mentioned; inflation generated by tariffs, the effects of which appear to have peaked since most of the measures were introduced last year; and AI-driven inflation (with the prices of data storage software and computer accessories trending upwards).
This last factor partly explains why the core consumption deflator - among the Fed's preferred indicators - remains above the core CPI (3.3% versus 2.5% in July)[2]. The methodologies used to measure inflation in AI-related goods and services and in financial and legal services are scheduled to be reviewed in September. This could trigger a moderate downward revision to these inflation rates and bring them more into line with the two core inflation indicators, albeit without challenging the general view that inflation is still too high for the Fed to claim victory. Kevin Warsh is no fan of forward guidance[3] but he did clarify his view of the US economy during the Jackson Hole symposium, saying that economic growth remains solid and that underlying trends have not improved at all significantly even though inflation numbers were better than expected this summer. The Fed chairman expects core inflation to converge with the central bank's target quite discernibly and at a fast enough pace; failing that, the Fed will still have some work on its hands. This reasoning seems compatible with an upward revision to key interest rates in our opinion.
The next set of inflation figures is due to come out ahead of the upcoming Fed meeting; only a pleasant surprise would prompt the monetary policy committee to leave interest rates unchanged.
So is a "good family fight" in store for the Fed?

OIL AND GAS PRICES



Sources: Macrobond, Ofi Invest Asset Management as of 02/09/2026.

[1] The words used by Kevin Warsh to describe diverging views within the Fed on the topic of interest rates • [2] The weighting assigned to software and computer accessories - the prices of which jumped by more than 21% year-on-year in July - is over 30 times greater in the core deflator than in the core CPI • [3] Forward guidance is a communication tool used by the Fed to give the markets an indication of how it is probably going to manage monetary policy going forward.

INTEREST RATES

The moment of truth for interest rates

Geoffroy Lenoir
Head of Collective Investment Management
OFI INVEST AM

Interest rates have surged since the start of the summer in Europe, the USA and Japan alike. While the upward movement has been widespread, French government bonds (Obligations Assimilables du Trésor, or OAT) have actually risen a little more sharply. France's 10Y yield pushed past the 4.20% mark on 1 September and has thus gained 55 basis points in the space of two months, even though macroeconomic fundamentals have not changed at all radically. So why have yields increased so much?
We have seen a combination of factors in recent months. First of all, **the Middle East quagmire has kept energy prices under upward pressure**. Higher prices for oil, gas and certain refined products have raised concerns about the inflation trajectory and fuelled expectations of further interest rate hikes. **The ECB, for instance, is expected to increase its interest rates as early as September, to 2.50%. The Fed and BoJ could follow suit.**

THE THORNY ISSUES OF PUBLIC DEFICITS AND FINANCING COSTS

But the big issue probably lies elsewhere. The bonds markets are currently having to absorb both a massive wave of sovereign bond issues and an explosion in the private sector's financing needs. Public deficits are considerable on both sides of the Atlantic, and higher financing costs are gradually making it more and more expensive to service debt. Investors are increasingly forthright when questioning whether governments can maintain these debt trajectories for much longer without significantly adjusting their budgets. The markets are particularly concerned about France, where the 2027 budget is about to be put to the vote and where presidential and general elections are looming, the outcomes of which are uncertain. Some of these risks have already been priced into spreads against the Bund, but each election candidate's manifesto will warrant close scrutiny. Over in the USA, Investment Grade corporate issues are hitting record highs in 2026, with maturities of over ten years growing particularly rapidly. Funding to invest in artificial intelligence and digital infrastructure is a major factor driving this momentum. Heightened competition between sovereign and corporate issues is, of course, pushing bond yields upwards. There is even talk about the possibility of introducing measures to improve liquidity in the US bond market, which shows just how concerned the authorities are about rising bond yields. **As long as deficits and financing needs remain so high, it is hard to see how term premiums might ease off for any length of time.**

CREDIT MARKETS PENALISED BY HIGHER INTEREST RATES

The consequences of all this for the credit markets have been particularly clear since the start of the year. Spreads have proved remarkably resilient, both in the Investment Grade segment and the High Yield segment, but some might say that the asset class's performance has disappointed. Higher interest rates have, to a large extent, offset the effects of tighter spreads, with a particularly unfavourable impact on the Investment Grade segment as it is more sensitive to high interest rates. Returns on euro-denominated Investment Grade credit have been close to breakeven, while those on High Yield credit remain below the segment's annualised carry. This is precisely what is so paradoxical about the market, which boasts a number of support factors: corporate fundamentals remain solid on the whole; it is a market that appeals to investors; and its carry is at historically attractive levels (3.80% in the euro-denominated Investment Grade segment and 6% in the euro-denominated High Yield segment). The last of these arguments in its favour is the one that has prompted us to maintain a constructive approach to the asset class. Carry offers protection, but we acknowledge that this is a relatively expensive asset class given credit margin levels. We have a preference for euro-denominated High Yield credit, which is less dependent on interest rate volatility and offers what we consider to be an attractive carry. That said, we feel there is no justification for any disproportionate risk-taking, and our approach is therefore somewhat cautious.
Over the months ahead, we will keep a particularly close eye on geopolitical risk, the market's perception of France's risk profile (French issuers have a weighting of about 20% on euro credit indices) and the surge in financing needs for AI investment purposes.

FIGURE OF THE MONTH

$40,000bn

The USA's public debt threshold, which it crossed in August.

PERFORMANCES
Bond indices with coupons reinvested

	August 2026	YTD
JPM Emu	-0.62%	-1.07%
Bloomberg Barclays Euro Aggregate Corp	-0.22%	0.13%
Bloomberg Barclays Pan European High Yield in euro	0.51%	2.15%

Sources: Ofi Invest Asset Management, Refinitiv, Bloomberg as of 31/08/2026.
Past performances are not a reliable indicator of future performances.

Past performances are not a reliable indicator of future performances.

EQUITIES

A *gently sloping* summer

Geoffroy Lenoir
Head of Collective Investment Management
OFI INVEST AM

From a distance, one might think the markets began the summer period feeling relaxed and spent the season in something of a summer haze, oppressed by the stifling heat. Neither the Iran war quagmire, nor its repercussions for the price of oil, nor even the surge in interest rates towards the end of the summer were enough to trigger the uptick in volatility we sometimes see during the summer months. But if we take our masks and snorkels below the surface for a deeper dive into the different indices, we can see something quite different at play. The summer of 2026 saw the first 'real' bout of profit taking on the artificial intelligence theme.

MIND-BLOWING EARNINGS

The traditional second-quarter reporting season proved spectacular in the USA. Earnings on the S&P 500 jumped by +31% during the quarter, fuelled by a 16% increase in sales. Each dollar of revenue generated 38 cents of pre-tax profit, a record high. And two-thirds of the index's components expanded their margins over the quarter, which is unprecedented for a recession-free period! The consensus at the start of the year was for 13% earnings growth in the USA. Two quarters in, the consensus now expects earnings growth to reach 31%, an upward revision that again is on an unprecedented scale. It is worth pointing out here that tech companies exceeded all expectations with their earnings reports. Restated for some of the big AI names, economic performances were more modest but still showed that positive contributions are now coming in from a broader spectrum of business sectors.

BUT PROFIT-TAKING ON AI STOCKS

The situation on the stock markets was a very different one. All the ingredients were there for tech stocks to continue outperforming, but in fact the very opposite happened. Profit-taking on some of the AI ecosystem's firms was brutal worldwide, although it was not always possible to pin-point the exact reasons. Cybersecurity issues at Open AI* and Anthropic*? Threats from Chinese models, which are generally competitive? Nvidia's circular financing arrangement*? The off-balance sheet commitments of hyperscalers[1]? Investors took their profits on firms delivering excellent operating performances and instead turned their attention to more 'traditional' quality stocks. Evidence of this can be seen in the 25% drop in South Korea's stock market over the summer, dragged down in particular by a 45% free-fall in memories giant SK Hynix*.

THE WEEKS AHEAD LOOK LESS CLEAR FOR THE FINANCIAL MARKETS

Earnings growth remains solid and continues to provide support for share prices, but there are various risk factors which are all feeding off each other. Investors will have to navigate their way through the US mid-term elections in November, a big jump in energy and commodity prices, and bond yields returning to their recent highs as budget deficits get bigger and bigger. In such circumstances, a continued market rally remains a credible scenario but hinges on one major assumption: that inflation remains under control and that interest rates do not rise so high as to be incompatible with current valuations. But markets are close to their all-time highs and earnings growth expectations are demanding, so any margin for error is getting narrower. Volatility therefore seems likely to make a comeback in the months ahead, albeit without comprising the underlying momentum. The markets currently seem to be more exposed to interest rate, energy and geopolitical shocks than to any real deterioration in economic fundamentals. But such shocks are trickier to predict.

FIGURE OF THE MONTH

$678bn

The commercial remaining performance obligation (RPO) reported by Microsoft* for the second quarter, up 85% year-on-year and a reflection of growth in AI demand.

PERFORMANCES
Equity indices with net dividends reinvested, in local currencies

	August 2026	YTD
CAC 40	-2.06%	4.27%
EuroStoxx	0.89%	12.49%
S&P 500 in dollars	2.69%	12.88%
MSCI AC World in dollars	2.67%	14.31%

Sources: Ofi Invest Asset Management, Refinitiv, Bloomberg as of 31/08/2026.
Past performances are not a reliable indicator of future performances.

Past performances are not a reliable indicator of future performances.

** These companies are cited for information purposes only and not as an offer to sell or a solicitation to buy securities.*
[1] Hyperscalers provide IT infrastructure services on a very large scale and operate data centres capable of managing vast volumes of data, compute and traffic.

An analysis of ***China's K-shaped economy***[1]

Jean-Marie Mercadal
CEO
SYNCICAP AM

We can see a spectacular degree of divergence within China's economy at the moment, with robust exports and healthy cutting-edge industries on the one hand but very weak domestic demand on the other. The property market remains stubbornly lethargic, and consumer habits are changing considerably as a result. Chinese consumers are now behaving more rationally and less impulsively, with a preference for 'being' rather than 'having', and they are on the lookout for durability and good value for money. Economic patriotism is also on the increase: national brands create value locally and are now considered more innovative and of better quality than their Western rivals. There are signs of such patriotism in the automotive industry and luxury industry, and many others in-between. Such a dual-speed economy is referred to as being **K-shaped**.

So, halfway through 2026, China's economy is struggling to hit the growth targets set by the state authorities. Gross domestic product in July was up by just 4.1% year-on-year, missing the official target range of 4.5% to 5%. Episodes of extreme weather took a toll on economic activity, of course, but sluggish domestic demand remains the real drawback. Investment spending experienced a double-digit decline for the third month in a row owing to the property crisis and the fact that manufacturing activity is running out of steam; consumer spending, meanwhile, has stalled. **The Chinese authorities have so far opted to take a measured approach to tackling the situation.** At its meeting in late July, the Politburo refrained from announcing a massive stimulus package and instead opted to speed up its already planned bond issue programme and plough more money into infrastructure. However, if growth shows signs of sliding unrelentingly towards the 4% mark between now and the autumn, Beijing could free up extra budget financing from late September to early October. The People's Bank of China is equally cautious. Bank loans recorded a historical decline in July, but the central bank reckons that financing conditions are accommodative. This reflects a transformation in the country's economic model since high-tech industries, which are drivers of value creation, depend less on traditional credit than the property sector does.

CHINA'S ECONOMIC GROWTH: EXPORTS TO THE RESCUE

Foreign trade remains the main factor driving economic activity. China's exports are being fuelled by demand for the components used in artificial intelligence and by healthy trading with South-East Asian countries; they have thus grown by around 24%, making up for feeble domestic demand.

China's government is also seeking to stabilise the stock market in an effort to shore up confidence. China's 'national team' of state-backed financial organisations made strategic share buybacks over the summer. The stock market is becoming a major means of financing the companies that were designated top priorities in the last five-year plan (mostly in the technology and semiconductor sectors) through large-scale IPOs, and of restoring consumer confidence and boosting consumer spending.

Last of all, recent corporate earnings reports show a very stark divergence between different sectors. The overall earnings of companies on China's main indices, such as the MSCI China index, are expected to grow by 12% to 13%. This growth will be driven primarily by recovering operating margins and softer competition rather than by any surge in valuations. The technology and e-commerce sectors are among the biggest winners as they are keeping their costs under control and integrating artificial intelligence into their business models. Premium car makers are also seeing an uptick in volumes, although the price war continues to erode their margins. Property is still the weakest link, generating heavy losses. The economy remains dependent on exports and public spending, but government initiatives to curb aggressive competition are gradually beginning to pay off and stabilise margins in key industries.

Generally speaking, there is still rather little visibility on the country's economic outlook, but we consider Chinese stocks to be attractive at current levels for a number of reasons: the stock market has become an important lever for the economy, stocks strike us as being reasonably valued (trading on a 12-month PER of 12) and many emblematic sectors remain dynamic. Although we can identify no catalysts for the short term, there seems to be very little risk in the medium term.

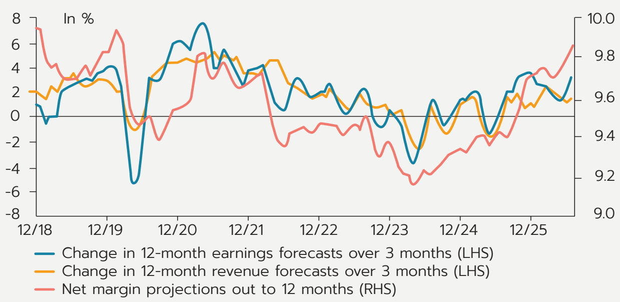
FIGURE OF THE MONTH

200 million

The number of Chinese retail shareholders investing in Chinese stocks. The government is trying to take action so that they do not lose faith in a market where confidence has already been hammered by falling property prices.

CHINESE CORPORATE EARNINGS

Following an uneventful first half, 12-month earnings forecasts for Chinese firms are now being revised sharply upwards as profit margins improve.



Sources: Bloomberg, BNP Paribas Equity Research - August 2026. Aggregation of data for 2,163 firms operating on the Chinese market for which Bloomberg consensus forecasts are available.

Past performances are not a reliable indicator of future performances.

[1] A K-shaped economy refers to a situation where an economy's different components move in oppose directions at the same time, with some growing rapidly while others stagnate or deteriorate.
Syncicap AM is a portfolio management company owned by Ofi Invest, 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: in a forex context, carry refers to the return generated as a result of interest rate differences between two currencies.

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.

Sensitivity: a bond's sensitivity is an indicator of interest-rate risk measuring the relative change in its price for a given change in the market's interest rates.

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.

IMPORTANT NOTICE

Printed on paper from sustainably managed forests

Ofi Invest Asset Management • 127-129 quai du Président Roosevelt 92130 Issy-les-Moulineaux FRANCE • Portfolio management company • RCS Nanterre 384 940 342 • Certified under N° GP 92012 • S.A. with a board of directors and share capital of €71,957,490 • APE 6630 Z • FR 51384940342

Ofi invest | Invest *in your future*