# *- H2 2026 Investment Outlook –*
## *Market Review & Strategic Positioning*

*June 25th, 2026*

Dear All,

We are delighted to share our H2 2026 investment strategy update, which draws on the independent macro analysis of Prof. Michel Girardin of the University of Geneva. The full report can be accessed via the following Link.

**Market Resilience: A Defining Characteristic of the Modern Era**

Financial markets have demonstrated a remarkable capacity to absorb severe shocks without sustaining lasting structural damage — a defining feature of the post-2020 investment landscape. Over the past six years, successive crises have tested this resilience, and each time markets have rebounded with speed and force that has surprised even seasoned observers.

The **COVID-19 pandemic** triggered the first of these stress tests. Markets fell sharply by more than 35% in the weeks following the initial outbreak in February 2020, only to recover by over 70% before year-end, closing 2020 up 15%. The speed of the rebound was largely attributable to the unprecedented monetary and fiscal support deployed by central banks and governments worldwide. Two years later, the eruption of **the war in Ukraine** and a sharp acceleration in **inflation** prompted an aggressive tightening cycle by major central banks, weighing on virtually every asset class. The traditional 60/40 portfolio declined by approximately 19% over the course of 2022 — one of its worst annual performances in decades — while global equities fell close to 30%. Yet markets recovered strongly over the following nine months, a period that coincided with the **launch of ChatGPT in December 2022** and the emergence of the **Magnificent Seven** as a defining investment theme. NVIDIA alone surged over 235% in 2023.

More recently, the announcement of **sweeping US tariffs on Liberation Day** in April 2025 triggered a sharp correction of approximately 21% over two months, which was swiftly followed by a rebound of 46% over the subsequent months. Most recently, the surprise **US-Israeli strikes on Iran —** leading to the closure of the Strait of Hormuz and a dramatic surge in oil prices of around 60% — caused only a modest setback of approximately 10% in the S&P 500, which subsequently appreciated more than 20% to reach a new all-time high in June 2026.

Taken in aggregate, from the start of 2020 to today, the S&P 500 has appreciated by approximately 130%, despite cumulative drawdowns totalling around 100%. This pattern speaks to the extraordinary **resilience** of equity markets — and underscores the significant challenge and cost of attempting to time them.

**Market Concentration: Risk Signal or Structural Reality?**

Beneath the headline performance, it is important to recognise that a disproportionate share of recent market gains has been generated by a small number of very large companies — predominantly in the technology sector. Just six companies — Alphabet, Microsoft, Apple, NVIDIA, Amazon and Meta — account for approximately 19% of all US corporate profits, according to the Bureau of Economic Analysis, equivalent to nearly 3% of total US GDP. The broader picture is striking: corporate profits as a share of US GDP have reached a historical high of almost 14%.

In terms of market capitalisation, the **concentration** is even more pronounced. The top ten S&P 500 constituents now account for 41% of the index's total market cap (and 32% of its earnings), compared to 23% in 2000. This has inevitably raised questions about whether the market is exhibiting **bubble-like** characteristics.

We believe the comparison with the TMT bubble of the late 1990s is instructive but ultimately misleading. The current concentration reflects genuine earnings dominance rather than valuation exuberance. S&P 500 corporate earnings have more than doubled since 2021, while the forward price-to-earnings multiple has actually declined by close to 10%. By contrast, between 1995 and 1999, price-to-earnings multiples expanded approximately threefold while earnings grew only 25%. Even within the Magnificent Seven, forward P/E ratios have fallen to around 24x from above 30x in early 2025. This is consistent with Alpine Macro's research suggesting that earnings-driven concentration is not, in itself, an accurate historical predictor of market risk.

That said, the **sustainability** of superior earnings growth cannot be taken for granted. The hyperscalers have committed to extraordinary levels of **capital expenditure**: combined capex for the four largest is estimated by Goldman Sachs at $5.3 trillion between 2025 and 2030, with 2027 alone implying year-on-year growth of approximately 45%, exceeding $1 trillion. As internal cash flows prove insufficient to finance these ambitions, many large technology companies have turned to bond markets, introducing meaningful interest rate sensitivity — both through the discounting of future cash flows and through the direct impact of higher financing costs on profitability.

**Macro Outlook: Inflation, Monetary Policy and the Oil Price**

Beyond the earnings trajectory, the direction of **monetary policy** will be a critical determinant of market performance in the months ahead. Following the latest round of US-Iran negotiations, the oil price has retreated meaningfully to below $80 per barrel. Should a durable peace agreement emerge from the forthcoming discussions, further softening or stabilisation of the **oil price** appears a reasonable base case. This, in turn, would provide a natural **disinflationary** impulse and reduce upward pressure on US interest rates.

However, the new Fed Chair Warsh has been unambiguous in communicating his priorities. In his first FOMC meeting, he reiterated his commitment to price stability and the 2% inflation target. Any renewed upside surprise in inflation data could prompt the Federal Reserve to **raise rates —** an outcome currently not fully priced by markets but not inconceivable given the residual uncertainty in the global energy complex. History is unambiguous on this point: monetary tightening cycles have preceded virtually every US recession of the past half-century.

Political pressure will add another layer of complexity. With **US midterm elections** scheduled for November, President Trump will likely intensify his calls for monetary easing. Chair Warsh, however, has been equally emphatic about preserving the Federal Reserve's institutional credibility and independence. The tension between these two forces will warrant close monitoring in the months ahead.

## Portfolio Positioning: H2 2026

*Equities — Neutral*
Against a backdrop of an expected durable peace settlement in the Middle East, a moderating oil price, easing inflation, a stable to accommodative monetary policy, and continued earnings strength supporting current valuation multiples, we maintain a **neutral equity** stance for the second half of 2026. This reflects our awareness of **short-term overbought technical conditions** following the spectacular rally since the March lows — the S&P 500 is up approximately 20%, with the SOX semiconductor index up 107% and the NASDAQ 100 up 35%. These are moves that typically invite consolidation.

We favour a barbell approach within equities: pairing exposure to high-quality growth stocks — particularly Chinese technology, which we view as materially undervalued relative to its US peers — with more defensive positions in sectors less sensitive to the economic cycle. Utilities stand out as a structural beneficiary of the extraordinary energy requirements of artificial intelligence infrastructure. Healthcare and real estate also offer relative resilience in a potentially more volatile rate environment. US midterm elections could introduce additional near-term volatility; an outcome in which Republicans retain the Senate but lose the House would likely impose a degree of policy gridlock, which history suggests could be a net positive for markets by reducing the scope for disruptive legislative action.

*Fixed Income — Neutral*
We maintain a **neutral** stance in **fixed income**, premised on a stable to slightly looser monetary policy environment and a possible rate cut even before year-end. We cannot, however, entirely exclude the possibility of a central bank policy error. We will monitor long-term yields closely and would add to our fixed income allocation if the long end of the curve moves materially higher.

*Currencies and Commodities*
With lower rates expected within a six to twelve month horizon and reduced geopolitical risk premium, the US dollar may face renewed headwinds. We favour long Japanese yen exposure as a hedge against risk-off scenarios and maintain our long gold positions, which continue to offer a compelling combination of portfolio protection and real asset characteristics in an uncertain macro environment.

**Key Risks to Monitor**

The global environment remains fluid and demands investment agility. The principal risks to our central scenario include: a renewed deterioration in the Middle East that sends energy prices sharply higher; a re-acceleration of inflation that forces the Federal Reserve into an unwanted tightening cycle; and a meaningful disappointment in AI-related earnings that calls current technology valuations into question.

As always, it remains essential to ensure that portfolio positioning is aligned with each investor's individual risk appetite, investment horizon, and personal circumstances.

For a deeper analysis and insights from Prof. Girardin, please refer to the full report via the following Link.

We thank you for your continued trust and wish you a relaxing summer season in the northern hemisphere and a sporty winter season in the southern hemisphere.

With our best wishes as always,

Your Research Team

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