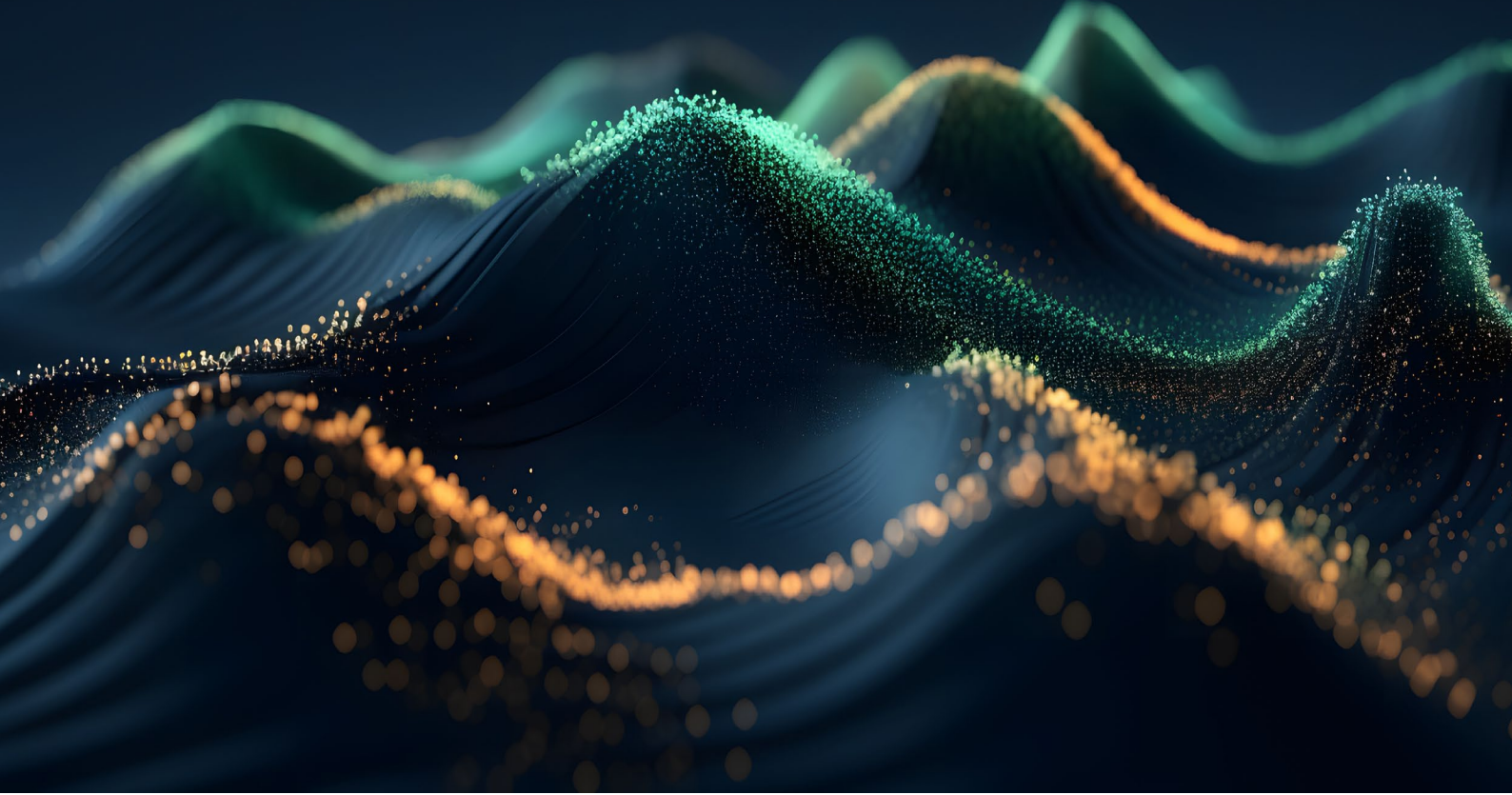


# GENVIL

WEALTH MANAGEMENT & CONSULTING



# MARKET INSIGHT

*June 2026*

## The equity rally is the result of an exceptional earnings season, particularly in the US

International equity markets, especially in the United States and Asia, continued to advance over the past few weeks. The main driver behind this move has been earnings growth, which exceeded investors' already elevated expectations.

This phenomenon has been particularly evident in US equities (+27% EPS growth versus 12% expected on a year-over-year basis) and across Asian markets. However, the fundamentals of European companies have also positively surprised investors.

Furthermore, in line with what we have witnessed over the past several months, artificial intelligence-related stocks continued to support the market. Strong earnings results and excellent growth prospects have fueled this trend, as illustrated by the performance of semiconductor companies.

Although to a much lesser extent, the stabilization of the geopolitical situation in the Persian Gulf also provided reassurance to investors.

Admittedly, the situation remains fluid and nothing has been definitively resolved. Nevertheless, it is worth noting that the ceasefire has held since early April and that progress toward a (wobbly) agreement to extend it appears to be on track.

As a result, the decline in oil prices, which moved below the USD 100 mark at the end of the month, reinforced the view that the global economy may still achieve a soft landing over the medium term.

Against this backdrop, we have increased the probability of this scenario to 50% (from 45% previously), at the expense of less favourable outcomes such as stagflation and recession.



“The current consolidation in gold prices does not overly concern us.”

FRANÇOIS SAVARY, CIO

GENVIL SA

We therefore continue to operate in a balanced economic environment (50%-50%), while keeping in mind that there is no better outcome for the global economy than a soft landing.

In this respect, while US economic data continue to surprise positively on the growth front, no one can ignore the significant deterioration in inflation dynamics, particularly producer prices.

In this environment, the Federal Reserve will not be able to avoid a shift in its reaction function, placing a stronger emphasis on price stability at the expense of economic activity. K. Warsh will have to implement this change in monetary bias at his very first meeting as Fed Chair.

In Europe, the situation is even more fragile, with clear signs of economic slowdown emerging while inflation is accelerating at an unsatisfactory pace.

seemed almost assured only a few months ago, is now increasingly being questioned.

A more inflationary medium-term environment, partly driven by the technological boom, should not be dismissed lightly.

Bringing inflationary pressures back under control will become a priority for central bankers, leading to monetary policy scenarios that are less accommodative. This factor is far from insignificant when determining an investment strategy and assessing portfolio risks.

Even if necessary, a decline in oil prices alone will not be sufficient. Producer price pressures in the US demonstrate that the rapid adoption of AI is also generating inflationary side effects, notably through rising semiconductor and electricity costs.

*“Bringing inflationary pressures back under control will become a priority for central bankers.”*

Considering recent statements from the more hawkish members of the ECB, a rate hike at the June meeting appears increasingly likely.

All of this suggests that it is still too early to lower our guard regarding the risk of stagflation in major economies.

While we remain constructive on the global economic outlook, we are also attentive to the warnings issued by international economic institutions highlighting that risks to growth remain far from negligible.

We continue to closely monitor commodity prices, particularly crude oil. We would like to see oil sustainably return to the USD 80–85 range before significantly lowering our assessment of stagflation risks.

Moreover, even if stagflation ultimately proves to be an overly pessimistic scenario, developments in bond markets reveal a reality that cannot be ignored: inflation control, which

To conclude our macroeconomic views, we believe that a degree of cautious optimism remains justified.

We feel comfortable reducing the probability of a negative economic outcome, although only moderately so, especially as the reopening of the Strait of Hormuz—which we are all hoping for—has not yet materialized at the time of writing.

On financial markets, the continuation of the equity rally has obviously been the major development of recent weeks. Driven by semiconductors, the renewed strength of software companies and technology infrastructure more broadly, US indices continue to reach new record highs.

Despite some broadening in market participation, the artificial intelligence theme

remains the undisputed driving force behind equity markets.

This trend also raises interesting questions about the possible disconnect between economic fundamentals and financial asset fundamentals. Has macroeconomics permanently lost its influence on equities? An intriguing question at a time when concerns about an AI bubble are also growing.

The underperformance of European equities is perhaps the clearest illustration of AI's central role in driving markets higher, while the strong performance of emerging market indices is inseparable from the fact that just three stocks (SK Hynix, TSMC and Samsung) now account for 27% of the MSCI Emerging Markets Index. As we have often said, AI is everywhere.

In this respect, are the United States truly the undisputed winners of the AI race? The excellent performance of emerging markets, which remain overweight in our portfolios, suggests that the answer is far from settled.

Although the second half of May showed some improvement following negotiations between the US and Iran, bonds failed to regain any meaningful momentum. As a result, aggregate bond indices have delivered virtually flat performance since the beginning of the year.

Inflation developments simply do not justify a significant buy the dip strategy in fixed income, particularly sovereign bonds.

As for precious metals, May was not a particularly favourable month for gold. The more encouraging signals observed in April failed to materialize, largely due to the ongoing difficulties in reaching an agreement between the US and Iran.

In foreign exchange markets, the failed attempt by Japanese authorities to support the yen was the most notable development, aside from the pressure that political instability continued to exert on the British pound. Against this backdrop, it is hardly surprising that the Swiss franc has maintained its strength in recent weeks.

Regarding our asset allocation, as mentioned last month, we have not made any major adjustments to our strategic positioning.

We continue to favour equities over bonds, credit over sovereign debt, and maintain a solid Swiss franc exposure within our allocation framework.

However, market developments have led us to implement two changes.

First, we have reintroduced an investment in the Equal-Weight S&P 500 ETF. This decision reflects our desire to benefit from the recent underperformance of this index relative to its capitalization-weighted counterpart, while also diversifying away from the sole artificial intelligence theme that currently dominates the equity rally.

Second, we decided to take partial profits on our oil services exposure (OIH ETF), which we initiated in January following the US intervention in Venezuela.

A gain of more than 30% within a few months, further supported by developments in the Gulf region, encouraged us to lock in part of those gains. Nevertheless, we remain committed to this investment theme over the medium term and therefore retain exposure.

The proceeds generated from the OIH ETF profit-taking have been reinvested into the Genvil Energy Certificate, which has been part of our allocations since its launch in July 2025.

Actively managed and focused on strengthening the infrastructure required for the electrification of economies, this certificate has delivered a return of 30% since inception.

This reallocation allows us to broaden our exposure within the energy segment. Moreover, electrification provides an indirect way to participate in the long-term structural growth theme of artificial intelligence.

To conclude, the continuation of the equity rally in May might lead some to believe that we should regret not having increased portfolio risk more aggressively last month. However, that is not our view.

First, because our portfolios have continued to recover over recent weeks. The shock experienced in April has therefore been largely mitigated, if not entirely erased.

Second, because although visibility regarding the economic and financial cycle has improved—particularly concerning AI's ability to fuel a genuine boom—many questions remain unanswered.

Inflation control should not be overlooked, and the latest figures demonstrate that the battle is far from won. Central bankers therefore find themselves in a much less comfortable position than they were only a few months ago.

The behaviour of sovereign bond markets is also problematic, at a time when public deficits and debt levels across major economies continue to deteriorate. The threat posed by bond vigilantes is becoming increasingly tangible.

We would like to believe that an agreement regarding the Strait of Hormuz is within reach, while recognizing that any such agreement is likely to remain wobbly and far from a definitive solution. The erratic behaviour of both parties has accustomed us to periodic setbacks.

In this environment, a neutral stance toward equities, an underweight position in sovereign

debt and diversification away from the US dollar continue to appear as appropriate ways to manage portfolio risks.

Finally, our commitment to gold has remained unchanged over recent years, even though we took profits following the excessive rally witnessed at the beginning of the year.

The current consolidation in gold prices does not overly concern us. Admittedly, gold has made a negative contribution to portfolio performance over recent months, but we believe that the conditions for a medium-term recovery remain firmly in place.

We maintain our target of USD 4,800 over a six-month horizon and continue to expect gold to surpass the USD 5,000 mark within the next twelve months.

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