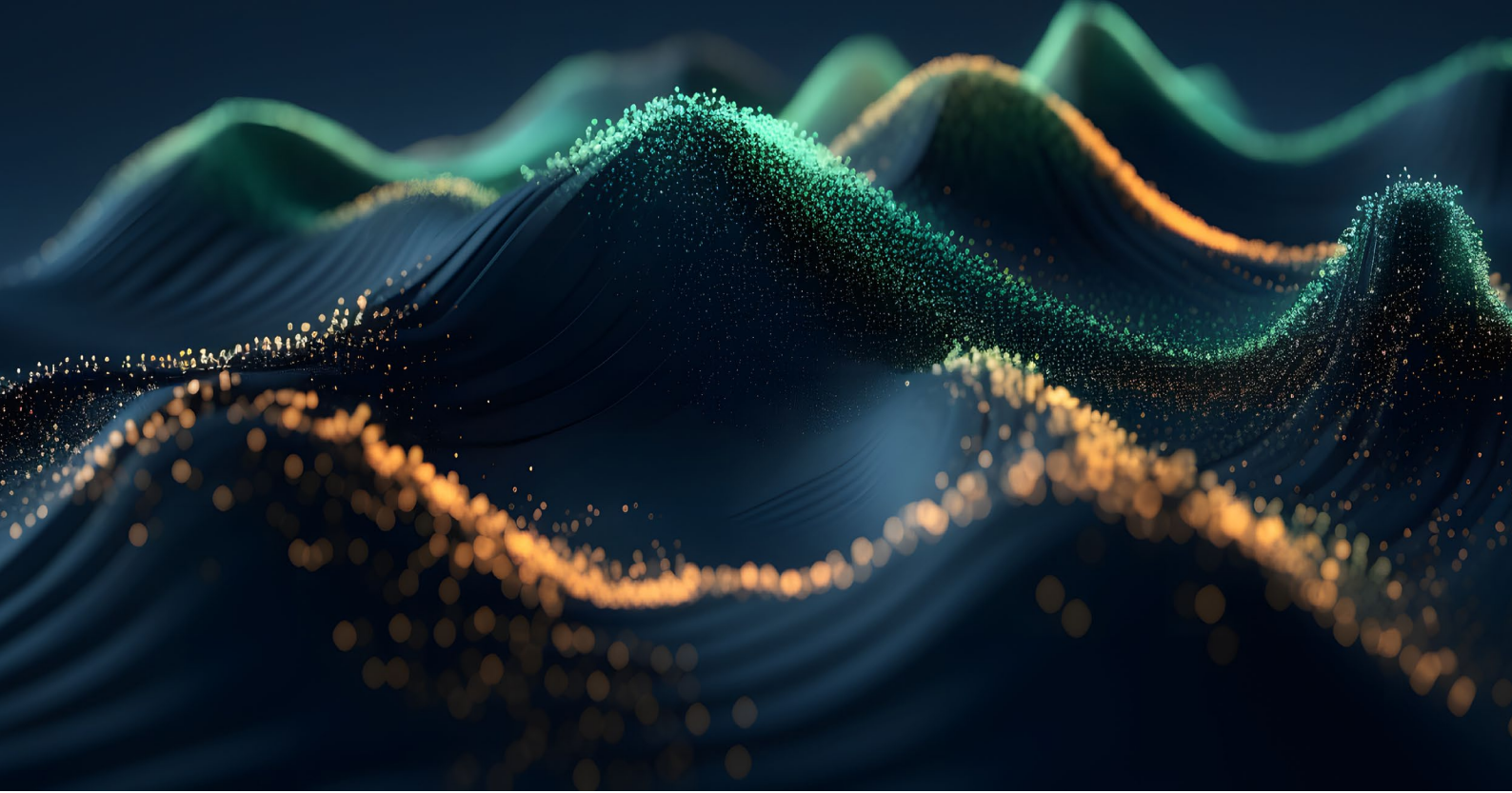


# GENVIL

WEALTH MANAGEMENT & CONSULTING



# MARKET INSIGHT

*July 2026*

## Kevin Warsh instils doubt in investors' minds and volatility returns to the markets

Last month, we wrote: "Bringing price pressures back under control will become the priority for central bankers, shifting monetary policy scenarios in a less expansionary direction."

In this context, the ECB and, above all, K. Warsh have displayed an increased resolve to place inflation at the heart of their actions. In the case of the US Federal Reserve, investors were clearly surprised by the "strength" of the anti-inflationary message delivered by the new head of the monetary authority.

It is therefore hardly surprising that volatility has made a strong comeback on financial markets in recent weeks, despite the sharp decline in oil prices following the "agreement" between Tehran and Washington.

Admittedly, the "quality" of the latter is far from ideal and its final impact remains open to question; however, it is indeed the adjustment in interest-rate expectations that investors have penalised over recent weeks.

The rebound in the US dollar, the fall in gold prices, and the clearly more erratic behaviour of stocks linked to the artificial intelligence theme are the best evidence of this. Likewise, renewed outperformance by European equities, the resilience of small- and mid-cap stocks, and the return to favour of sectors neglected in recent months are all expressions of doubts about the "Goldilocks" scenario that had supported markets during the first months of the second quarter.

Fortunately, the end of the Q1 earnings season confirmed the excellence of growth, particularly in emerging markets and in the US!



« Investors were surprised by the strength of K. Warsh's anti-inflationary message. »

FRANÇOIS SAVARY, CIO  
GENVIL SA

This was enough to limit the damage on markets, equities in particular.

However, the decline in stock prices should not be exaggerated, as it looks more like a consolidation. Moreover, this is not something we dislike, given our defensive positioning on bonds and our desire not to overexpose ourselves to equities (see the June Market Insight).

In addition, we have continued our diversification beyond the sole AI theme in the US (reinforcing equal-weighted index positions at the expense of the standard S&P 500) and maintained a bias in favour of emerging and European equities over recent months. These choices proved judicious in the more unsettled context of June

US and, to a lesser extent, in Europe is reassuring in this respect.

Finally, we remain convinced that the ECB's rate hike does not mark the beginning of a lasting upward movement in interest rates, given the positive effect that the fall in oil prices should have on inflation in the medium term.

In the same way, K. Warsh's resolutely "alarmist" message should not push the Fed to raise its policy rates, unless there is a significant acceleration in economic activity. Moreover, the approach of the midterm elections should curb any inclination toward monetary tightening, at the risk of once again placing the Fed at odds with D.Trump.

In order to align our actions with our words, and in view of recent fundamental developments –

*“It is important not to overlook certain positive developments for equities, despite the revision in monetary expectations.”*

The emergence of greater uncertainty regarding the evolution of monetary policy is not good news, but it should not lead us to consider that the ability of equity markets to continue their progress is now exhausted.

Admittedly, more erratic movements are legitimate given the increase in the cost of capital and the advanced stage of the economic and financial cycle. This should not obscure the positive developments of recent weeks.

First, a marked decline has pushed crude prices below USD 80. This is excellent news, which we had been watching for, both for economic growth and for developments in medium-term inflation. Of course, one should not consider that the risks of renewed tension on oil prices have completely disappeared; however, the recent decline is a real breath of fresh air for the economic cycle.

Second, because XXX recent economic data show that global activity has resisted the oil shock better than some had anticipated a few months ago. The recovery in PMI indices in the

especially on oil prices – we have raised the probability of a soft landing for the global economy to 60% (+10%), at the expense of a stagflationary scenario (35% / -10%).

In doing so, we are simply putting into practice what we announced to you last month in relation to the behaviour of oil prices.

In a nutshell, economic and financial fundamentals remain supportive for equity markets and offset the risks associated with renewed doubts about the monetary cycle.

Consequently, further gains in stock markets remain possible during the second half of the year, even though equity volatility should increase over the coming months.

We are maintaining the course of diversifying beyond the sole theme of artificial intelligence in our allocations. More cyclical stocks, such as financials and industrials, as well as those linked to the electrification theme, have their place in an investment strategy.

It should be noted that Swiss stocks, which had long lagged their international counterparts this year, had a more convincing month of June,

especially due to a return to favour of the defensive virtues of the Swiss index. We therefore maintain our exposure to the major names of the Swiss market, such as Nestlé and Roche.

The confirmation of the ceasefire in the Gulf, for at least 60 days, and the resulting developments in oil prices led us to slightly increase the bond allocation in our investment policy.

However, we have not revised our choices to 1) underweight fixed-income assets in general and 2) favour credit over sovereign debt in portfolios. Cash XXX was reduced accordingly.

In general, we remain cautious on government debt, and the speed of the decline in long-term rates during the second half of June does not encourage us to seek further opportunities. It seems too late to act.

On the currency front, the shift in the Fed's rhetoric supported the greenback, which recently moved closer to 1.13 against the euro.

This movement is obviously contrary to our expectations and to the scenario of depreciation of the US currency that we have defended for several quarters. Some operators are now even betting on a rebound of the greenback toward 1.10 against the euro over the coming months.

We are not convinced by such a scenario. First, because the sharp adjustment in expectations for US policy-rate hikes seems excessive to us.

Second, because European growth has resisted the spring rise in oil prices much better than many had anticipated.

Finally, because the problem of US public debt is far from resolved; on the contrary, it could even

become more problematic depending on the outcome of the midterm elections.

Therefore, while major alternative investors have quickly reversed their positions on the dollar (from short to long), we continue to expect a decline in the greenback by the end of 2026. Nevertheless, we are revising our targets to 1.18–1.20 against the euro.

Although the franc remained under pressure in June, the movement was marginal, especially against the euro. The SNB remains vigilant regarding the behaviour of our national currency and “will not hesitate to intervene” if necessary.

In other words, the fundamentals of the CHF remain of good quality by international comparison and may justify upward pressure on the franc, which the SNB must counter.

This justifies maintaining our recommendation to diversify into CHF and to envisage fluctuation ranges of 0.90–0.93 against the euro, for example. A return below 0.80 against the USD also seems likely by the end of 2026.

This brings us to our greatest disappointment in June: the yellow metal, which fell by more than 8% in a few weeks. The reason lies, once again, in K. Warsh's change of course and its consequences for both interest rates and the dollar.

Significant ETF sales by retail investors contributed to this decline, while institutional investors, central banks first and foremost, remain buyers of gold over the medium term.

As marked as it may be, the fall in gold prices looks more like a consolidation after strong gains in recent years.

More reasonable expectations concerning the extent of any monetary tightening, the persistence of a risk of debasement of the main paper currencies, and central banks' desire to diversify their foreign-exchange reserves should favour a recovery in prices over the medium term.

We are revising our three-month target to USD 4,500 and maintaining our 12-month target of USD 5,000.

In conclusion, June could be summed up as a "warning shot" for markets and, above all, for overly consensual views.

The Fed and its new head are clearly at the heart of this process, which largely explains the more erratic behaviour of financial markets.

In a context where fears of a bubble in risky assets have strengthened in recent months, market reactions can become emotional.

Strong fundamentals and sufficient liquidity inflows are necessary conditions for equity markets to continue progressing. In an environment where the economic cycle has entered an advanced phase, any prospect of rapid monetary tightening is a factor that increases volatility.

We remain convinced that operators moved too quickly in revising their expectations of interest-rate hikes.

A return to greater reason on that front in the coming months should allow for further progress in the major stock indices.

We are therefore entering the summer period – and a heatwave – with a positioning that still favours equities over bonds, a neutral positioning (45% in a balanced profile) on equity indices, solid diversification beyond the sole theme of artificial intelligence, and significant exposure to European and emerging equities.

We take this monthly message as an opportunity to wish you a wonderful summer. We look forward to reconnecting with you at the end of August.

Geneva, July 1, 2026.

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