MARKET INSIGHT

September 2026

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As autumn approaches, questions abound, yet the equity bull market remains on course

The summer lull, particularly pronounced during this exceptionally hot year, did not extend to the markets. Indeed, there was no shortage of events, whether it was the rescue of an alternative fund on the brink of collapse, the erratic behaviour of stock market segments linked to the artificial intelligence theme, a (surprise) intervention in the Yen or the US Treasury's intervention in the bond market.

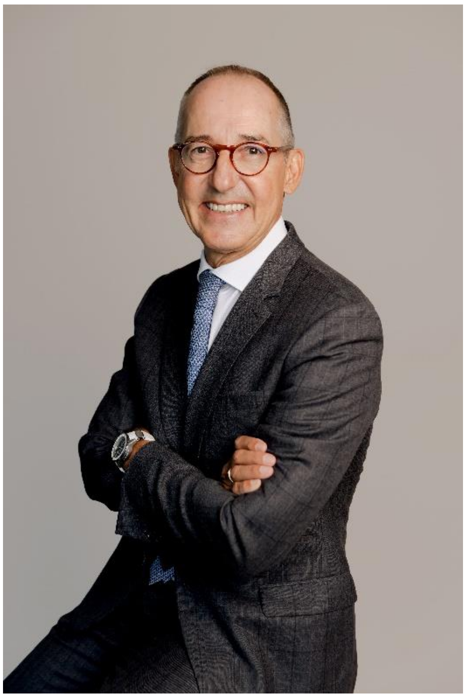
To this can be added the still tense situation in the Persian Gulf – where nothing has been resolved –, erratic movements in commodities – energy foremost among them – and a lack of clarity from the new Chairman of the Federal Reserve, something investors have hardly welcomed.

And yet, international equity markets continue to advance, shrugging off both the aforementioned threats and the marked rebound in gold prices, which nevertheless appears to indicate that the search for safe-haven assets is making a comeback within the financial community as summer draws to a close.

Two major and interconnected factors may explain this seemingly unwavering resilience of risk assets: outstanding earnings growth on the one hand, and economic conditions that have proved stronger than many market participants had expected on the other.

As regards the latter, which we highlighted in our previous publications to justify our continued preference for equities, we have somewhat altered our views on the global economic outlook for the next 18 months.

While the US economy is showing slight signs of greater vulnerability (employment, retail sales), any reacceleration in global activity must now be definitively ruled out.



"Gold's return to favour shows that investors nevertheless remain in search of safe-haven assets."

FRANÇOIS SAVARY, CIO
GENVIL SA

Conversely, better US inflation figures reduce the probability of a move towards stagflation (10%), while a slide into recession appears unlikely to us at this stage (5%).

Continued growth at a cruising pace (60%) remains our central scenario, while a moderate slowdown in economic activity is now the most credible alternative (25%).

It should be noted that this latter scenario is significantly more favourable than a stagflationary one, which would place much greater constraints on macroeconomic policies.

We therefore remain convinced that positive scenarios for economic activity remain significantly more likely than a marked deterioration in the economic cycle.

This latter view is closely linked to the other factor mentioned above: corporate earnings growth.

The figures published for the second quarter are quite remarkable, both across regions and sectors.

Moreover, upward revisions to earnings growth expectations continue unabated.

If the best predictor of the health of the global economy is the picture currently being painted by companies – a theory supported by some –, then the latest earnings seasons suggest that the global economy still has bright days ahead!

But, as is so often the case in finance, one must also know how to resist and avoid succumbing to overly "simple" ideas.

In order not to give in to excessive optimism and given our determination to manage the risk of our investment policy as effectively as possible, we are not overlooking the risks that could "derail" the cycle, which is primarily the result of robust demand and US investment in particular.

Thus, the positive impact of the AI revolution on economic growth is undeniable; however, the favourable spiral we are witnessing would not be immune to adverse developments on several fronts.

First, there is the issue of oil prices, directly linked to the crisis in the Strait of Hormuz. Oil prices must not climb too high again (USD 100 per barrel), as this would inevitably fuel renewed inflationary fears, potentially increasing the cost of capital at the wrong time!

Then there are the growing monetary policy questions, particularly in the United States. On this front, expectations of a second ECB rate hike in September are entirely legitimate. However, a rise in key interest rates in September should not be followed by further tightening in the subsequent months, provided that oil prices stabilise.

As far as the Federal Reserve is concerned, we remain convinced that it should not raise interest rates by the end of 2026. The recent moderation in inflationary pressures and some signs of weakening activity support this view.

Moreover, S. Bessent's decision to intervene in the US bond market represents an obstacle to any pre-emptive tightening by the Fed, not least because of the massive increase in issuance at the short end of the yield curve under the Trump administration!

"We remain convinced that positive scenarios for economic activity are more likely than a marked deterioration in the economic cycle."

The more "hawkish" members of the Washington-based monetary institution are seeing their room for manoeuvre diminish, unless forthcoming inflation and employment data deliver a clear message that the US economy is at risk of "overheating".

More generally, the bond market issue, which had tended to fade in importance over the past few months, has returned to centre stage in recent weeks.

The sword of Damocles represented by fiscal "profligacy" and sovereign debt is undoubtedly something investors must keep in mind from a medium- to long-term perspective.

The threat of a rapid rise in US 10-year yields above 5% should not be dismissed out of hand.

Were it to materialise, such a shock could 1) reshuffle the cards in terms of the economic outlook and 2) call into question the sustainability of the rally in risk assets, given the pressure it would inevitably exert on valuations linked to the Artificial Intelligence Revolution theme.

Furthermore, one can imagine that the loss of confidence in the dollar triggered by such a bond market shock would open the door to widespread volatility across financial markets. This is a chilling scenario, as economic activity would inevitably be affected through knock-on effects.

We are not there yet!

To conclude on our macroeconomic views, we are sticking to our usual approach, namely assessing the situation on the basis of the facts.

In this respect, recent economic data remain entirely satisfactory.

As regards our investment policy, our main decision over the summer was to let the positions we had established continue to run.

As a result, our equity exposure tended to increase in the portfolios. However, this marginal development does not move us significantly away from the neutral weighting we continue to recommend for equities, except for the most aggressive profiles.

Indeed, we should not lose sight of the fact that we are already well advanced in the economic and financial cycle.

As has been the case for several quarters, equities remain favoured over bonds across all our investment profiles.

Similarly, maintaining a bias towards credit at the expense of sovereign debt still appears appropriate to us. In order not to accumulate risks within portfolios, we continue to favour higher-quality issuers.

The recent turbulence in sovereign bond markets does not encourage us to change course on our recommendation to significantly underweight this market segment.

Diversifying equity exposure beyond the sole theme of artificial intelligence leaders has remained one of our priorities in recent weeks.

However, as long as we do not see signs of a more pronounced deterioration in the global economy, we do not intend to adopt an overly defensive stance in the sector allocation of our portfolios.

Nevertheless, diversification into the less cyclical segments of the equity market remains an option we support and implement when constructing a diversified equity portfolio.

Last but not least, we acknowledge both the improved performance of gold and the less favourable performance of the US currency.

While in our previous publication we acknowledged that our expectations regarding these two assets had proved incorrect, recent weeks have given us greater satisfaction, particularly as far as the yellow metal is concerned.

In this respect, the return to centre stage of concerns about the debasement of the dollar, in the wake of interventions in the Yen and in long-dated US sovereign debt, is obviously at the heart of recent developments affecting both Uncle Sam's currency and the "barbarous relic".

It is legitimate for investors to be concerned about the United States crossing the USD 40 trillion threshold in sovereign debt. What was far less understandable was their ability to overlook – temporarily? – a development that was effectively "written in the cards" given the macroeconomic policies pursued by those currently in charge of the White House!

Gold is regaining ground because buying flows into gold ETFs are increasing again, but also – if not above all – because investors do not appear convinced by the diversification benefits of USD sovereign debt.

Who could blame them? At least until credible solutions for restoring public finances emerge. This does not appear to be a particularly credible short-term prospect…

Against this backdrop, the US midterm elections remain a major unknown. There is no guarantee that the US fiscal position will emerge stronger from the vote.

As you will have understood, we reaffirm our commitment to 1) a further recovery in gold over the medium term and 2) a continued cautious stance towards the US currency, particularly against the CHF.

Our diversification policy towards the Swiss currency remains in place.

Admittedly, the SNB remains vigilant and continues to "hold out the threat" of further interventions.

However, the fundamentals of the Swiss franc remain very strong, both in absolute terms and by international comparison.

The resurgence of concerns about excessive government debt, the approach of major elections – after the United States in November, France, Spain and Italy will go to the polls in 2027, not to mention high-risk regional elections in Germany in autumn 2026 – and Switzerland's better control of inflation and public finances are all factors that continue to encourage us to hold CHF in portfolios.

To conclude, we are maintaining the course of our asset allocation.

While market developments have led our allocations to display slightly more risk as autumn approaches, due to the rise in risk assets, the extent of this movement remains limited.

We are not deviating from our primary objective of maintaining control over the overall risk of portfolios.

In this respect, after suffering for several months from maintaining our commitment to gold and the CHF, we acknowledge the return to favour of these assets over recent weeks.

As stated above, we are maintaining the course of our main exposures. This does not mean that we are inflexible and/or lack courage in our decisions.

In asset allocation, doing nothing is more often an indication that a positioning remains consistent with the economic and financial conditions we observe than the result of culpable inaction.

As the United States prepares to celebrate Labor Day, financial markets have entered a period of waiting. September 7 will therefore mark the effective beginning of the final third of 2026. There is little doubt that it will hold a few surprises for us, just as the past 18 months have.

We enter this period with a constructive mindset, without overlooking the risks.

As you will have understood, the bond market and the behaviour of the US currency will be at the heart of our observations, because if certain developments have the potential to derail the economic and financial cycle, these are precisely the areas we need to watch!

After a well-deserved summer break, welcome back.

Geneva, 25 August 2026

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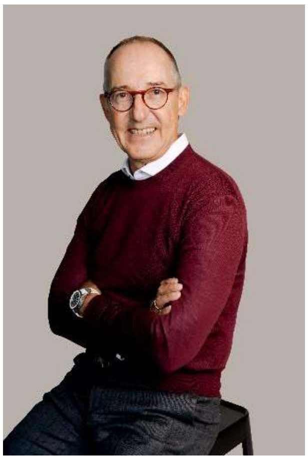

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