HOUSE VIEW

THE DAY HAS ARRIVED: THE STRAIT REOPENS

BancaMarch

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STRATEGIC POSITION

ASSET ALLOCATION

ASSET CLASS	-2	-1	NEUTRAL	+1	+2
LIQUIDITY		■			
FIXED-INCOME			■		
EQUITIES			■		
ALTERNATIVES				■	

FIXED-INCOME	-2	-1	NEUTRAL	+1	+2
SOVEREIGN DEBT		■			
United States			■		
Euro			■		
CORPORATE BONDS				■	
Investment Grade				■	
High Yield			■		
EMERGING MARKET DEBT				■	
CONVERTIBLE BONDS			■		

EQUITIES	-2	-1	NEUTRAL	+1	+2
EUROPE			■		
UNITED STATES				■	
EMERGING MARKETS				■	
REST OF WORLD		■			

ALTERNATIVES	-2	-1	NEUTRAL	+1	+2
LIQUID				■	
ILLIQUID					■

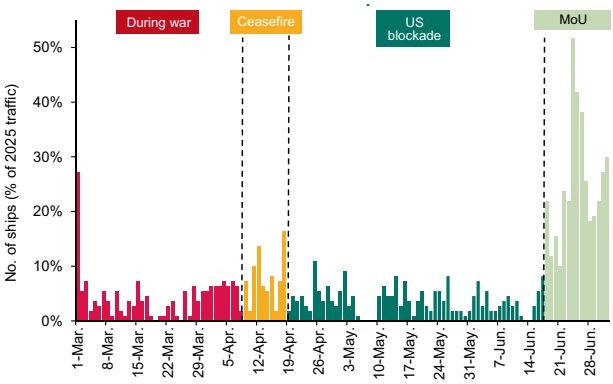
CURRENCIES	-		NEUTRAL		+
DOLLAR		■			
POUND STERLING			■		

Green light for an accelerated normalisation of the Strait of Hormuz: after four months of closure, the priority for all parties is to break the deadlock.

The signing of the Memorandum of Understanding (MoU) between the United States and Iran represents a decisive step towards de-escalation and, in just two weeks, tanker traffic through the Strait of Hormuz recovered to levels equivalent to 25% of normal pre-conflict traffic.

1. THE BEGINNING OF THE END OF THE BLOCKADE

Sources: Bloomberg and Banca March



Although the long-awaited normalisation of crude oil transport will not happen overnight — mines need to be cleared and insurance cover reinstated — the priority for all parties is to reopen the world's largest maritime crude oil transit route as soon as possible.

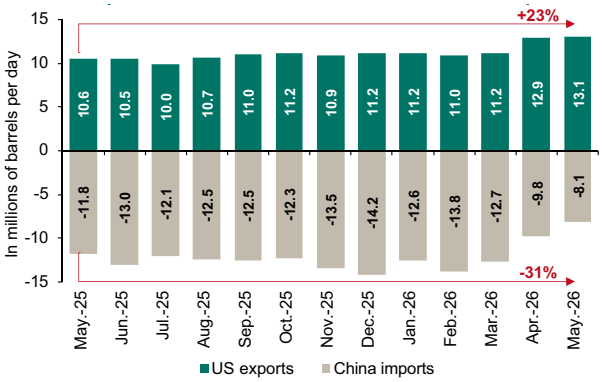
We therefore believe that the process will accelerate, with the aim of recovering virtually all the crude that was transported through the strait before the conflict by the end of the year.

While transit through the strait is restored, other mitigating factors will continue to support the rebalancing of the oil market: since the start of the conflict, the United States has increased its crude oil exports by 1.7 mb/d, while China has reduced its imports by 2.3 mb/d.

Meanwhile, the blockade of the strait has given greater prominence to alternative routes, which are now being used intensively and receiving new investment to improve their capacity.

2. US AND CHINA: UNLIKELY ALLIES AMID SHORTAGES

Sources: Bloomberg and Banca March



These additional routes, which bypass the strait, are already enabling three of the Persian Gulf's leading crude oil producers to transport around 7.3 mb/d: Saudi Arabia has increased its use of its national pipeline network to transport crude overland to Red Sea ports (Yanbu), while the United Arab Emirates has diverted crude through pipelines directly to the port of Fujairah and, finally, Iraq has strengthened its overland export route to the port of Ceyhan in Turkey. There is no doubt that, given the reliability these routes have demonstrated, they are likely to be used in the future to consolidate lower dependence on Hormuz in the years ahead.

Against this backdrop, we are now entering a phase in which the crude oil deficit will gradually narrow, easing price pressures, while the purchases needed to replenish strategic reserves will put upward pressure on prices. We believe these opposing forces will keep Brent crude trading at between $70 and $80/barrel in the short term.

However, over the medium term, faster production growth in countries outside the Middle East (primarily the US), together with improvements in alternative routes and the energy efficiency of consuming economies, will favour a sharper decline in prices, bringing them back to a range similar to pre-conflict levels ($65–70/barrel).

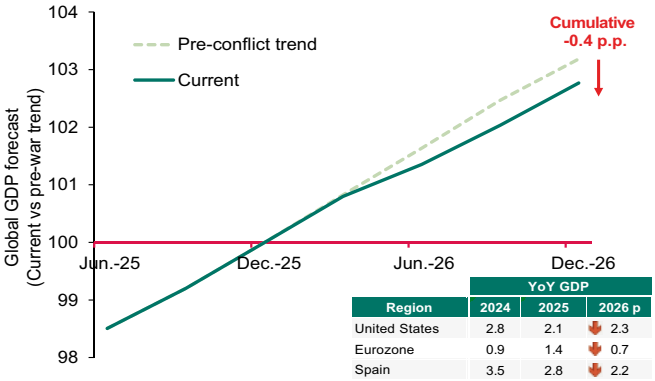
Even so, a Brent price of $80 represents an increase of less than 10% compared with the average recorded in the two years preceding the conflict. While higher energy costs would shave a few tenths off global growth, they would not push the global economy into recession.

Although growth will slow, it will hold up, and the worst is behind us.

Alongside the conflict in Iran, the global economy continues to show signs of resilience, allowing us to anticipate that the slowdown resulting from the energy shock will be contained and, more importantly, that the worst is behind us.

3. GDP FORECASTS

Sources: Bloomberg, O.E. and Banca March



	YoY GDP		
Region	2024	2025	2026 p
United States	2.8	2.1	2.3
Eurozone	0.9	1.4	0.7
Spain	3.5	2.8	2.2
China	5.0	5.0	4.4
World	3.3	3.4	2.9

We anticipate global GDP growth to moderate this year to 2.9%, four tenths of a percentage point below our forecast before the conflict began and half a percentage point lower than last year's figure. These rates remain well above recessionary levels.

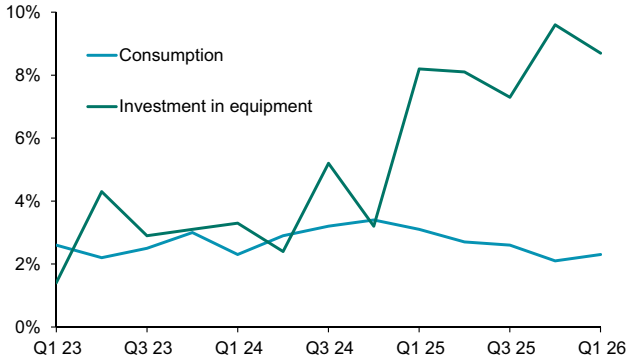
By region, the impact will be more pronounced in the eurozone, where GDP growth will be limited to just 0.7% (down eight tenths since the start of the conflict), while the downgrade in the US is more modest (down five tenths), with growth remaining above 2% for another year.

A two-speed economy: headwinds for consumption, but investment remains resilient.

However, rather than regional developments, the key factor over the coming months will be the divergence between the main components of private demand (Chart 4). Artificial intelligence is driving a rapid increase in capex and, in the US, investment in equipment is growing at a rate of 8.4%, led by spending on computers (+24%), while other areas such as software investment are also showing strong momentum (+14%). By contrast, the higher energy bill will reduce purchasing power and, although we do not expect a sharp deterioration, consumption growth will be more modest.

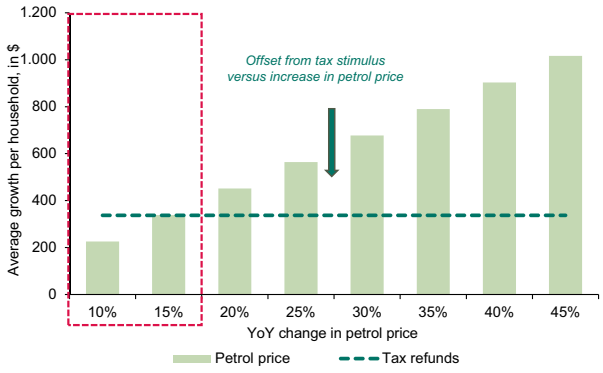
4. CONSUMPTION SLOWS, WHILE INVESTMENT GROWS

Sources: Bloomberg, IRS and Banca March



5. ENERGY COSTS ABSORB THE STIMULUS

Sources: Bloomberg, IRS and Banca March



The fiscal stimulus measures approved by the Trump Administration last year (through the so-called *Big Beautiful Bill*) have reached taxpayers' pockets during the first half of the year in the form of larger tax refunds. Specifically, the additional $340 per taxpayer on average was intended to boost consumption.

However, the outbreak of the war means that households will have to devote a larger share of their income to energy bills: in the US, petrol prices rose from $3/gallon before the conflict to a post-2022 high of $4.6/gallon (+48% vs. the 2025 average), before moderating to $3.9/gallon over the past month.

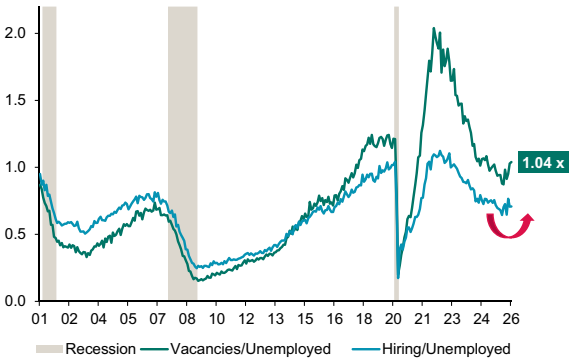
With the reopening of the strait, the most adverse scenarios — shown at the far right of Chart 5 — have been ruled out, and petrol prices are expected to gradually fall back towards pre-conflict levels. We therefore estimate that the additional amount US households will spend on petrol this year will be 15% higher than last year. Accordingly, we expect the higher energy bill to roughly offset the additional income from tax refunds on average, "absorbing" the stimulative effect of these fiscal measures.

Although higher energy costs will constrain growth, we do not expect a sharp deterioration in household spending, which will continue to be supported by the resilience of the labour market, reflected so far this year in three areas: solid job creation, high numbers of unfilled vacancies and limited redundancies.

First, job creation has remained solid so far this year, with an average of 92,000 jobs created per month, compared with an average of 66,000 over the past two years. In addition, the ratio of vacancies to unemployed people stands at 1.04x, meaning that the economy continues to have approximately one unfilled position for every unemployed person. Furthermore, the Challenger layoffs indicator shows a considerably lower volume of redundancies than a year ago (-46%), when the figures were influenced by the wave of federal job cuts promoted by the Trump Administration through DOGE.

6. VACANCIES OUTNUMBER UNEMPLOYED PEOPLE

Sources: BLS, Bloomberg and Banca March

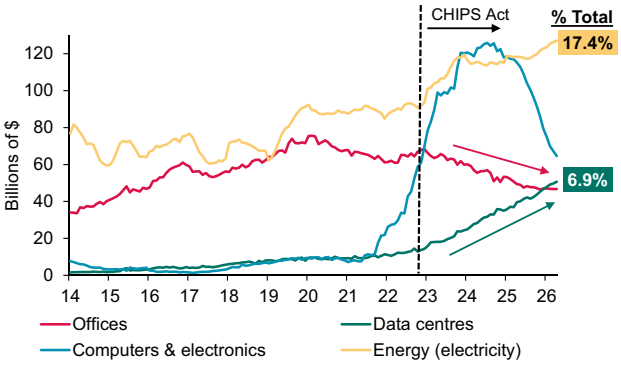


Technology investment is spreading across the economy, reaching other sectors: for the first time in history, spending on data centre construction exceeds spending on offices.

The rapid pace of technological transformation and the growing adoption of artificial intelligence are acting as engines of growth, with their momentum spreading to an increasing number of sectors.

7. USA: PRIVATE NON-RESIDENTIAL CONSTRUCTION SPENDING

Sources: Bloomberg and Banca March



A clear example of this trend can be found in construction. Since the beginning of the year, investment in data centre construction has, for the first time on record, exceeded spending on office construction, currently accounting for approximately 7% of total private non-residential construction investment in the United States.

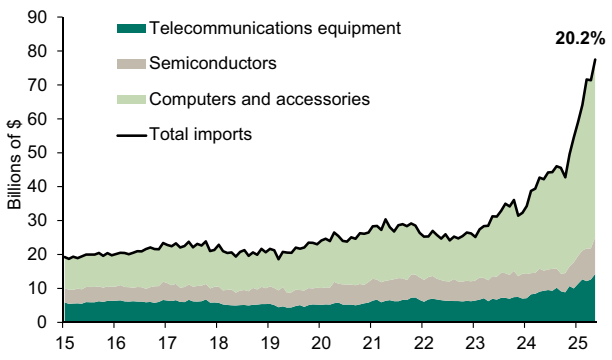
Likewise, other supporting industries, such as electricity infrastructure, are also attracting significant investment, gaining greater prominence within private construction and currently accounting for more than 17% of the total, up from 14% in 2022, when ChatGPT was launched and the US CHIPS Act was also introduced.

Technology's new and increasingly important trade routes.

The race to build more and better data centres is in full swing and is not confined to the United States. It is expanding and becoming an increasingly important factor in international trade.

8. USA: TECHNOLOGY IMPORTS

Sources: Bloomberg and Banca March

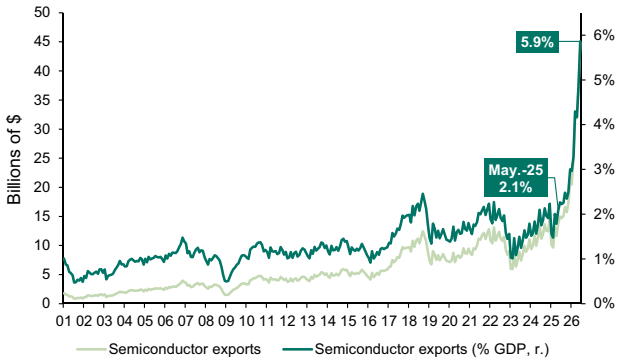


The latest US foreign trade figures provide a clear illustration of this: on the export side, oil sales reached record levels as the country sought to make up for some of the shortages caused by the closure of the Strait of Hormuz. The other side of the coin shows that imports of technology products surged at an impressive rate of 84% over the past year and, in April, accounted for more than 20% of total imports, doubling in value the total crude oil sales made that month. This extraordinary increase in US purchases of artificial intelligence-related products is acting as a catalyst and helping to spread the benefits of this investment wave across a broader range of economies.

Trade in certain products, such as semiconductors, is becoming increasingly global, creating international trade flows that are driving growth in other parts of the world, particularly in Asian economies such as South Korea, where exports of these goods have surged and, on their own, account for nearly 6% of GDP.

9. SOUTH KOREA: SEMICONDUCTOR EXPORTS

Sources: Bloomberg and Banca March



In China, where they are growing at an annual rate of 51% and account for one-third of all exports, the importance of high technology in international trade is also undeniable. Electric vehicles and semiconductors are gradually replacing exports of other traditional manufactured goods.

The AI economy is moving from the development of intangible algorithms to the construction of tangible infrastructure with increasingly widespread everyday use. In China's particular case, this can be seen in two dimensions: daily token usage reached 140 trillion in March 2026, increasing fourteenfold over the past year, while intelligent computing tripled in 2025. This structural transformation is set to receive a further decisive boost in the coming months.

Chinese authorities are preparing a strategic plan, known as the "Six Networks", which will place the development of computing capacity and data centres on the same footing in terms of importance as five other basic services: water, energy, telecommunications, logistics and urban services.

The aim is to create the infrastructure needed to provide computing capacity nationwide, with additional investment in a smart electricity grid to power these facilities. The programme will prioritise coordination and the use of domestic suppliers — at least 80% of the underlying technology will be domestically sourced, while state-owned telecommunications operators will be responsible for the infrastructure.

In terms of spending, the programme is estimated to reach €640 billion over five years, equivalent to 4% of China's GDP, financed primarily through new sovereign debt issues. This investment effort is comparable only to the €690 billion in private capital that the five major US hyperscalers (Amazon, Alphabet, Microsoft, Meta and Oracle) are expected to deploy this year.

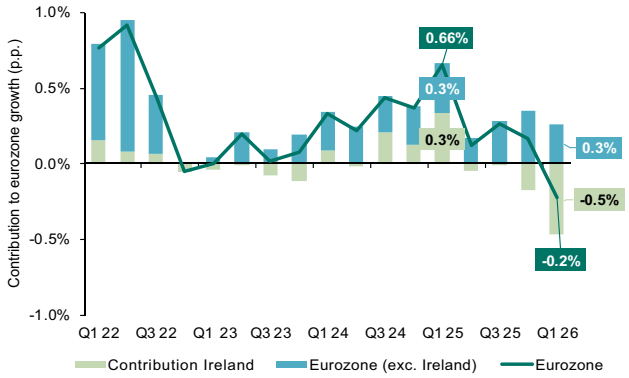
Ultimately, the global economy is reaching a turning point, with the development of artificial intelligence acting as an engine of growth and generating unprecedented waves of investment and demand for products, creating opportunities but also requiring a massive deployment of both public and private capital.

Between structural weaknesses and a cyclical recovery: after the GDP "contraction", Europe will begin a slow recovery.

In this environment, a region such as the eurozone, which is an energy importer and where technology-related investment plays a less significant role in its growth model, has been hit hard, with GDP contracting by 0.2% in Q1. However, this figure largely reflects Ireland's unusually negative contribution (-0.5 percentage points), with the Irish economy contracting by 12.1% — an even sharper decline than during the pandemic, driven by exceptional factors.

10. IRELAND PUSHES THE EUROZONE INTO NEGATIVE TERRITORY

Sources: Bloomberg and Banca March



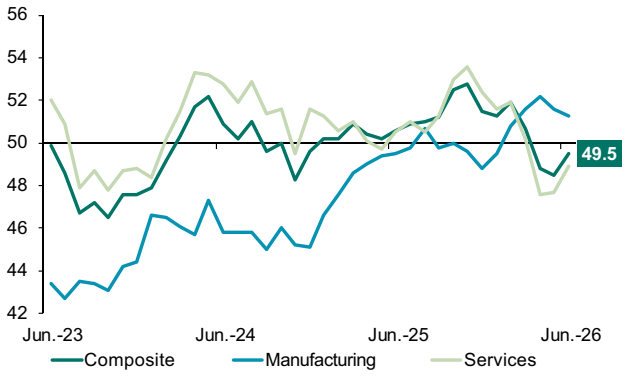
Although Ireland accounts for just 3.5% of the EU's GDP, it is home to the headquarters of major multinationals, which introduces considerable volatility into its macroeconomic figures when these companies decide to shift profits or reduce production. This situation has intensified in recent months, as sales had been brought forward last year ahead of the introduction of Trump's tariffs and have now been reversed. As shown in Chart 10, excluding Ireland, growth across the region would have slowed, but would still have remained in positive territory, at 0.3% quarter-on-quarter.

Looking ahead, and following this disappointing first half of the year, we believe growth in the region should gradually recover: the reopening of the Strait of Hormuz and the rapid decline in crude oil prices will support this recovery, which businesses in the region have already begun to anticipate.

In June, following confirmation that the Memorandum of Understanding had been signed and with energy price pressures easing, eurozone businesses became more optimistic about the outlook. After two consecutive months of decline, the region's composite PMI rose to 49.5, increasing by one point over the month and returning to levels close to economic expansion. Furthermore, this turnaround in confidence was led by an improvement in the services sector, which is particularly relevant given that it coincides with the arrival of summer and the peak tourism season.

11. AFTER THE SETBACK, BUSINESSES REGAIN CONFIDENCE

Sources: Bloomberg and Banca March



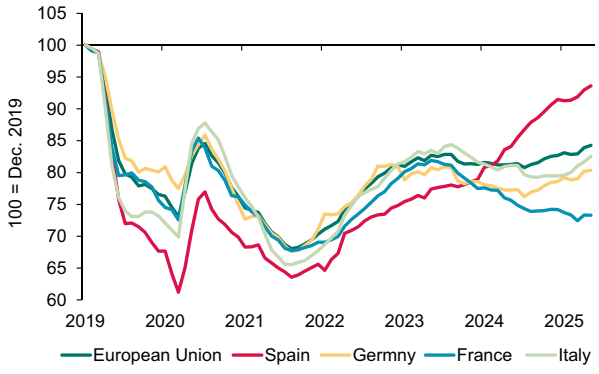
Beyond this cyclical improvement, the economy will continue to undergo a process of transformation in which we see progress, but also structural weaknesses that will continue to weigh on growth.

On the negative side, key industries such as the automotive sector remain weak and, although EU car registrations rose by 4.5% year-on-year in the first five months of the year, sales remain more than 15% below pre-COVID levels.

This is compounded by the industry's paradigm shift. The growing electrification of the sector is an established trend and, in May, registrations of battery electric vehicles (BEVs) rose by 39.1%, plug-in hybrids (PHEVs) by 13.2% and non-plug-in hybrids by 8.2%. Together, these technologies accounted for more than two-thirds of all new vehicles registered, in stark contrast to traditional combustion engines, which suffered a sharp decline: both petrol and diesel sales fell by approximately 19%.

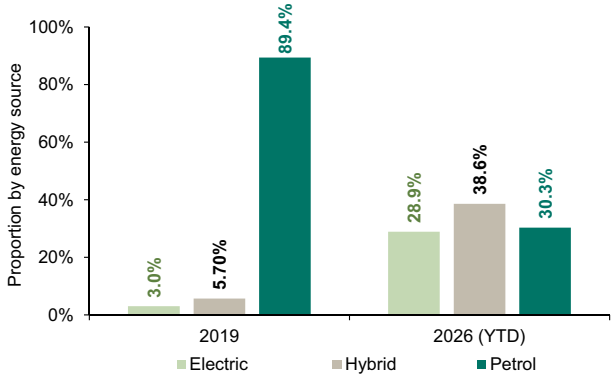
12. TREND IN CAR REGISTRATIONS BY COUNTRY

Sources: ACEA, Bloomberg and Banca March



13. TREND IN REGISTRATIONS BY FUEL TYPE

Sources: ACEA, Bloomberg and Banca March



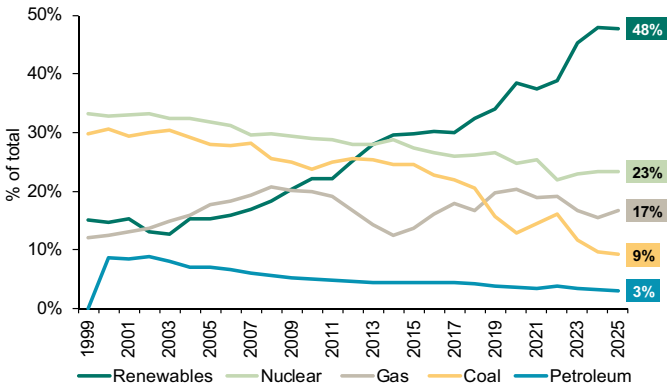
The problem is that this transition towards electric vehicles is also reshaping the market share landscape in Europe, where established manufacturers are losing ground to aggressive Chinese competition. In May, while Volkswagen sales fell by 3% and Stellantis sales by 2.3%, figures for major Chinese brands such as Chery surged by 244%, BYD more than doubled its sales (+137%) and SAIC Motor Corp (owner of MG) rose by 14%. Such growth is increasing the market shares of Chinese competitors, which exceeded 10% in the last month (vs. 7% just a year ago). A trend that is delaying the recovery of the industry and calling its ability to recover into question.

However, it is not all bad news, and there are areas of transformation in which Europe is leading the way. In particular, the region is managing to reduce its dependence on imports of fossil fuels from abroad to power electricity generation.

As shown in the chart, renewables account for close to 50% of the region's total electricity generation, representing a structural shift. If nuclear power is included, more than two-thirds of total electricity generation would already be less dependent on external sources, reducing the region's vulnerability to external energy crises.

14. EU: SOURCES OF ELECTRICITY GENERATION

Sources: Bloomberg and Banca March



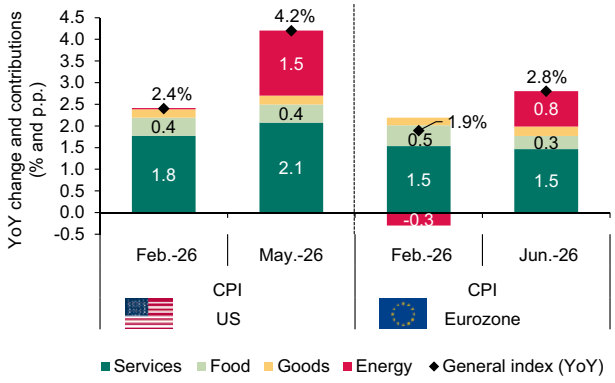
Inflation is peaking and will normalise in 2027.

The surge in energy prices pushed inflation to its highest level since 2023. Comparing the latest figure with the CPI reading before the conflict, we can see that the energy component alone accounts for more than 80% of the increase in inflation in the United States and virtually all of the rise in the eurozone (Chart 15).

However, beyond energy, the contribution from the services sector remains contained and is concentrated in specific areas, such as air transport, rather than reflecting a broad-based acceleration. Moreover, unlike in 2022, wage growth continues to moderate and remains below services inflation, suggesting that second-round effects remain contained.

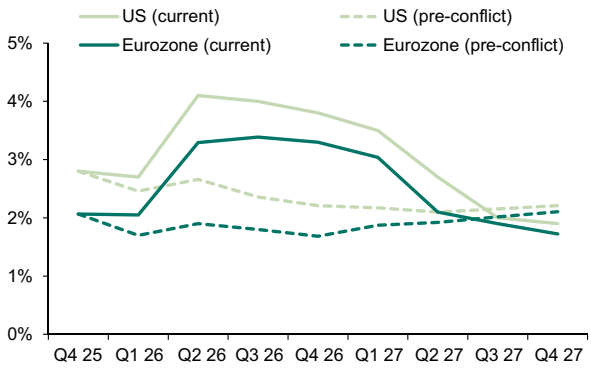
15. CPI: SECOND-ROUND EFFECTS CONTAINED

Sources:Bloomberg, O.E. and Banca March



16. INFLATION FORECASTS (BM)

Sources:Bloomberg, O.E. and Banca March

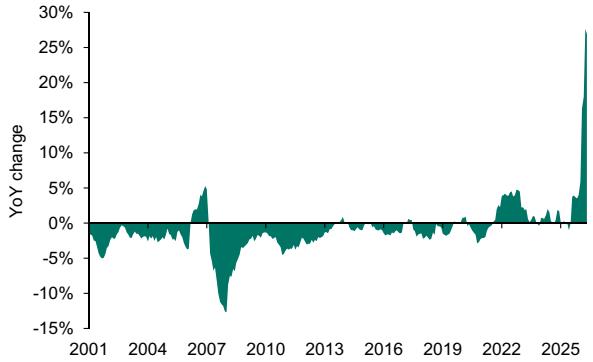


Against this backdrop, following the agreement reached between the United States and Iran and the rapid decline in oil prices, we believe that the first few months of summer will mark the peak in inflation, with inflationary pressures gradually easing until inflation normalises in Q2 2027, when the base effect from the rise in energy prices has fully dissipated.

Although we expect the passage through the Strait of Hormuz to be reopened, the need to replenish strategic reserves will drive crude oil purchases in the short term. We therefore estimate that Brent crude will remain in a range of $70–80/barrel during the second half of 2026. These levels would represent a 15% increase in energy prices compared with last year's average price ($65/barrel), meaning that the decline in inflation we anticipate will be gradual.

17. ELECTRONIC COMPONENTS, PRODUCER PRICES

Sources: Bloomberg and Banca March



The other factor that will continue to exert some upward pressure on inflation stems from the shortage of certain key components required for the development of artificial intelligence.

While, in the long term, productivity gains from this technology will have a deflationary effect, paradoxically, in the short term they are having an inflationary impact. The supply of memory chips is insufficient to meet growing demand, resulting in a sharp increase in the price of these components, which has risen five- to sevenfold over the past nine months.

As an intermediate good, the impact is being reflected more directly in the producer price index (PPI), and its impact on consumer prices will only become apparent a few months later. The electronics and accessories component, which over the past decade has shown an average year-on-year change of just +0.2%, is currently rising by +27%. By contrast, the impact on the CPI (consumer prices) remains limited for now: prices of finished goods such as computers —where memory chips account for 10% of production costs— are showing much more modest increases (+1.3% year-on-year vs. an average of -1% in 2024-2025).

Therefore, as manufacturers gradually pass higher costs along the value chain, we expect greater pressure on consumer prices. A clear example is Apple's recent decision to raise the prices of several of its models by up to 25% as a result of higher chip costs.

CENTRAL BANKS

The Warsh era begins: towards a less transparent Fed.

Kevin Warsh's arrival as chair of the Federal Reserve marks the beginning of a new era in a context that is both complex and paradoxical. Despite the sharp correction in oil prices, which are now slightly below pre-conflict levels, interest-rate expectations have risen significantly as the new chair has opted to convey a more hawkish monetary policy stance from the outset.

His first interventions at the helm of the institution have provided several important signals. On the one hand, he is adopting a more restrictive tone than might be expected from a chair appointed by Trump. On the other, he has demonstrated a preference for more concise and less prescriptive communication. In this regard, the new dot plot published by the Fed showed a clearly more hawkish bias, with nine committee members anticipating at least one rate hike in 2026. However, Warsh himself chose not to participate in the exercise, thereby reinforcing his intention to reduce the role of forward guidance regarding the future path of interest rates and not to explicitly disclose his view on the direction of monetary policy.

At the same time, Warsh has also begun to set out an agenda of wide-ranging reforms for the Federal Reserve. To this end, he has announced the creation of five working groups focusing on: (i) communication; (ii) the balance sheet and operating framework; (iii) alternative data sources; (iv) productivity, employment and artificial intelligence; and (v) the inflation framework. However, since no conclusions are expected until the end of the year, these initiatives remain purely declarative for now.

The cost of opacity: a less communicative Fed will mean greater volatility.

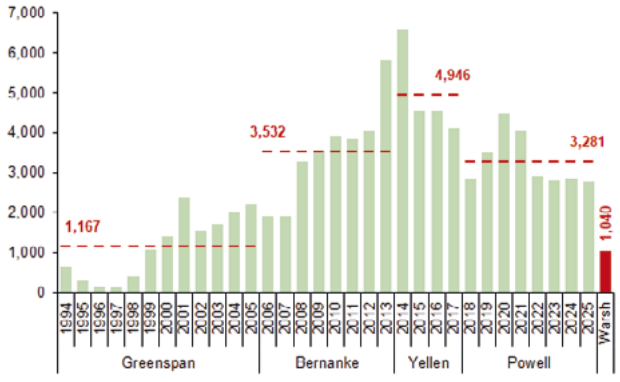
Kevin Warsh's push for a Federal Reserve less reliant on forward guidance has a clear consequence: increased uncertainty over the direction of monetary policy.

In this context, macroeconomic data take on an even more important role in price formation. A market receiving less guidance from monetary authorities is forced to extract more information from each economic release, increasing the sensitivity of financial assets to macroeconomic surprises and reinforcing the influence of economic indicators on interest-rate expectations.

In essence, this approach represents a partial return to a model more akin to the Greenspan era, when he chaired the Fed from 1987 to 2006. That period was characterised by more limited communication and less reliance on forward guidance regarding monetary policy. Warsh's actions at his first meeting reinforce this view: he shortened the statement, bringing it to around 70% below the average length observed during Powell's chairmanship.

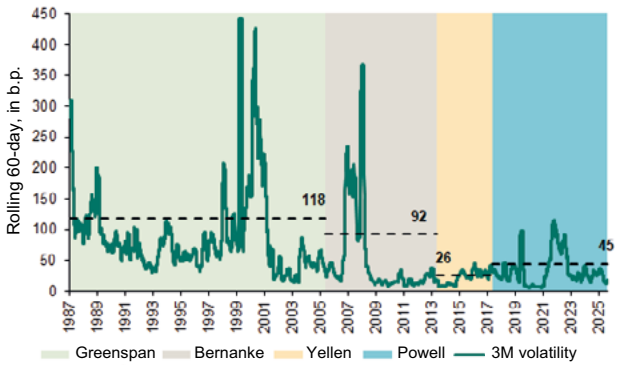
18. NUMBER OF WORDS PER YEAR IN FED STATEMENTS (*)

Sources: Bloomberg and Banca March



19. 3-MONTH INTEREST-RATE VOLATILITY (ANNUALISED)

Sources: Bloomberg and Banca March



(*) For Warsh, the number of words is assumed to remain constant based on the June meeting.

Historical evidence suggests that this type of regime tends to be accompanied by greater variability in short-term interest rates. In terms of average annualised volatility of three-month interest rates, the average reached 118 b.p. during Greenspan's tenure, compared with 92 b.p. under Bernanke —a period partly shaped by the financial crisis—, 26 b.p. under Yellen and 45 b.p. under Powell. If Warsh consolidates an approach more akin to Greenspan's, markets could return to an environment in which the short end of the yield curve responds more strongly to each macroeconomic data release and each Federal Reserve decision.

The process of monetary policy normalisation in the United States is temporarily interrupted. For our part, we continue to expect the Fed to keep interest rates unchanged in 2026, while the ECB will implement one further increase in official rates.

The market has drastically revised its expectations for US monetary policy. Since the start of the conflict, it has moved from pricing in between two and three rate cuts to pricing in around one and a half rate hikes in 2026. Were this scenario to materialise —something we consider unlikely— it would mark the beginning of a new interest-rate hiking cycle. In any event, it is essential to distinguish between a traditional monetary tightening cycle and a series of preventive adjustments.

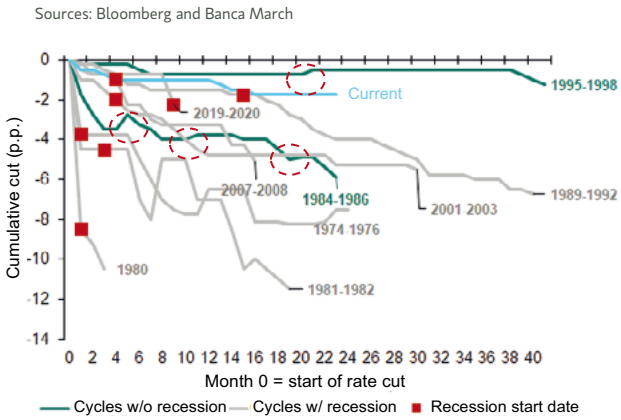
Empirical evidence shows that the latter type of episode has been relatively uncommon. If we define preventive cycles as those in which three or fewer rate increases occurred during a process of monetary easing, only three such cases have been recorded since 1980. While the 1982 episode coincided with a recession, the only two examples of a soft landing for the economy —the cycles that began in 1984 and 1995— did not result in a contraction in economic activity. Consequently, history suggests that a preventive rate hike does not necessarily herald the onset of a recession.

The 1995 episode is particularly relevant in the current context. The Federal Reserve's minutes show that the rate hike was driven by a strictly preventive rationale, in an economy that continued to show strength thanks to the increase in productivity associated with technological advances, an environment that bears some similarities to the current one.

Against this backdrop, and despite the sharp adjustment in market expectations, we are leaving our interest-rate forecasts unchanged. In the United States, we continue to believe that inflation has already peaked and that the normalisation process will extend into 2027, and therefore we do not anticipate any changes in official interest rates this year. In the euro area, we continue to envisage one further rate hike aimed exclusively at preserving the ECB's credibility, although our conviction has weakened in recent weeks.

20. FED: RATE-CUTTING CYCLES

Sources: Bloomberg and Banca March



On the one hand, the fall in energy costs has been much more pronounced than expected, to the point that oil is trading at around $72/barrel, well below the $88/barrel envisaged in the more moderate scenario set out in the ECB's June projections. In other words, virtually all the assumptions that justified the rate hike implemented in June have disappeared. On the other hand, the rise in sovereign bond yields —particularly in Germany— has brought them to levels similar to those reached following the invasion of Ukraine, meaning that the market has already made a significant part of the adjustment sought by the monetary authority.

FIXED INCOME

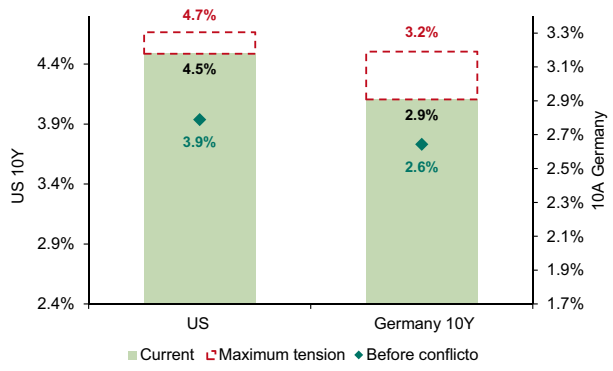
From the problem of inflation to a "concern" about growth. We continue to believe that taking on greater duration risk does not offer sufficient compensation.

Our decision not to extend duration at the start of the conflict has proved to be the right one. Since the end of February, yields on 10-year sovereign bonds have risen sharply, increasing by as much as +75 b.p. in the United States and +55 b.p. in Germany. However, following the reopening of the strait, both markets have recovered some of the ground lost, moving away from the highs reached in May.

More important than the magnitude of the move has been its composition. Both the long and short ends of the curve —although more pronounced at the short end— have been driven primarily by an increase in real interest rates, rather than by a deterioration in inflation expectations.

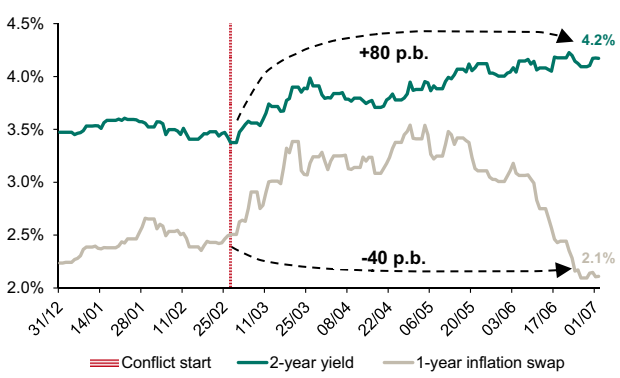
21. USA VS. GERMANY: 10-YEAR YIELDS

Sources: Bloomberg and Banca March



22. USA: 2-YEAR YIELD VS. 1-YEAR INFLATION SWAP

Sources: Bloomberg and Banca March



The recent performance of the short end of the US curve provides a good example of this dynamic. The movements observed are consistent with a scenario of resilient growth and contained inflation, to the extent that inflation expectations are currently below pre-conflict levels. As a reference, while US two-year yields have risen by 80 b.p. since the start of the conflict, one-year inflation expectations implied by the swaps market have fallen by 40 b.p. Consequently, the rise in yields reflects an increase in real interest rates rather than an increase in expected inflationary pressures.

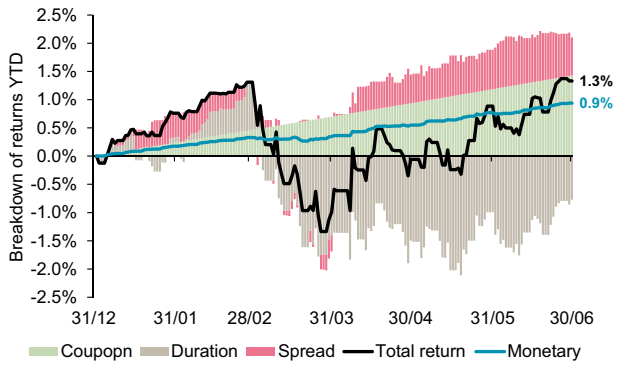
We continue to favour capturing the additional risk premium offered by credit over sovereign debt, although its potential is becoming increasingly limited.

High-quality credit continues to stand out in both the United States and Europe for its ability to generate positive real returns while also providing a significant margin of safety against potential episodes of volatility. However, with spreads close to historic lows, the potential for further appreciation is becoming increasingly limited.

The recent performance of the European market reinforces this view. After falling by 1.3% in March, high-quality credit has recovered strongly and has now delivered a year-to-date return of +1.4%. The main driver of this performance has been carry, which has contributed 1.4 p.p. to the cumulative return, while duration has acted as the main drag, detracting 0.8 p.p. As a result, IG credit is already outperforming money-market assets, an advantage we expect to continue widening in the coming months.

23. EURO IG: BREAKDOWN OF RETURNS YTD

Sources: Bloomberg and Banca March



Within the segment, we continue to favour the shorter maturities on the curve, particularly those between 1 and 3 years. These maturities have not only experienced the largest increase in yields since the beginning of the year, but also offer a particularly attractive margin of safety against adverse market movements. Taking the European market once again as a reference, yields in the 1-to-3-year segment have risen by more than 40 b.p. so far this year, compared with just 5 b.p. for maturities between 7 and 10 years. This difference translates into significantly greater protection at the short end of the curve: yields would have to rise by around 160 b.p. for this segment to start generating losses, compared with just +50 b.p. for the longer-dated segment.

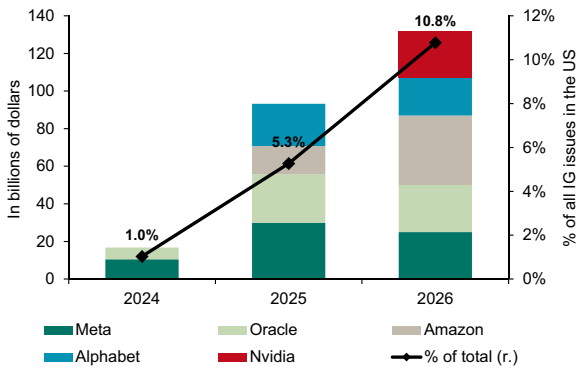
The race to finance AI is driving corporate issuance and adding pressure to already very tight spreads.

So far this year, the market has absorbed the sharp increase in debt issuance in the US high-quality credit segment without apparent difficulty. By May, issuance volumes were up 21% compared with the same period last year. Far from resulting in wider spreads, this dynamic has been accompanied by a further tightening to 78 b.p., around 5 b.p. below the 2025 average.

Part of this strength is closely linked to investors' appetite for increasing their exposure to the development of artificial intelligence, as demonstrated by Nvidia's recent bond issue. For the first time since 2021, the company tapped the debt market to raise financing, obtaining $25 billion despite receiving orders of nearly $85 billion, equivalent to 3.4x the amount ultimately placed.

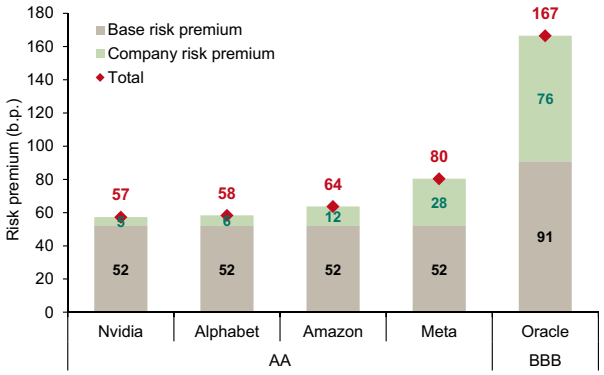
24. USA: IG ISSUES (*)

Sources: Bloomberg and Banca March



25. HYPERSCALERS: RISK PREMIUM (**)

Sources: Bloomberg and Banca March



(*) Only dollar-denominated issues are considered.

(**) For each company, the most significant issue since 2025 to date is used as the reference.

With this transaction, Nvidia has joined a growing group of hyperscalers that have turned to the bond market to finance their ambitious investment plans in AI-related infrastructure. Taken together, the USD-denominated issues from Nvidia, Amazon, Alphabet, Meta and Oracle amount to $132 billion so far this year, representing an increase of +41% compared with 2025. In addition, Amazon and Alphabet have broadened their sources of financing through issues in other currencies, including the euro, Canadian dollar and Swiss franc. Including these transactions, the total amount raised by this group reaches $194.3 billion.

That said, financing costs vary considerably between issuers. Taking the total risk premium over sovereign debt as a reference —calculated as the sum of the benchmark index spread and each company's specific spread— reveals significant differences. In Nvidia's case, this premium stands at 57 b.p., of which 52 b.p. correspond to the index and just 5 b.p. to the company's own risk. Meta, meanwhile, has a total premium of 80 b.p., with a company-specific contribution of 28 b.p. The divergences are even more pronounced in the case of Oracle. With a BBB credit rating, compared with the AA rating of the other companies analysed, its premium over sovereigns rises to 167 b.p., in line with its higher leverage and negative cash flow generation.

Against a backdrop of tight spreads and a strong dollar, emerging-market debt is once again becoming more attractive.

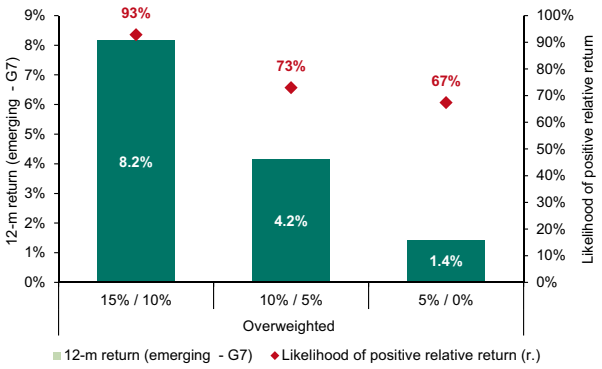
We continue to see value, particularly in local-currency debt. Beyond offering an attractive entry point from a tactical perspective, one of the main arguments in favour of this segment is the level of indebtedness of emerging economies, which is significantly lower than that of developed countries, giving them greater room for manoeuvre from a fiscal perspective.

The strength of the dollar provides an additional argument in favour of this asset class. Historically, when the US currency has traded above its theoretical value against the euro —estimated on the basis of purchasing power parity— emerging-market local-currency debt has tended to perform better on a relative basis. This is because a potential correction in the dollar tends to favour emerging-market currencies, providing an additional source of return.

Although the dollar has remained overvalued for approximately 90% of the past decade, the extent of that overvaluation is crucial. When it has been between 10% and 15%, emerging-market local-currency debt has generated an additional return of more than 8% compared with G7 government debt, while the probability of achieving a positive relative return has exceeded 90%. Conversely, when the overvaluation has been below 5%, the additional return has fallen to 1.4%, with a 67% probability of success.

26. EMERGING-MARKET LOCAL-CURRENCY DEBT: RELATIVE RETURN VS. DOLLAR VALUATION (*)

Sources: Bloomberg and Banca March



(*) For the valuation of the dollar, we compare its observed value with the simple average of the dollar's inflation-adjusted and producer-price-adjusted PPP values.

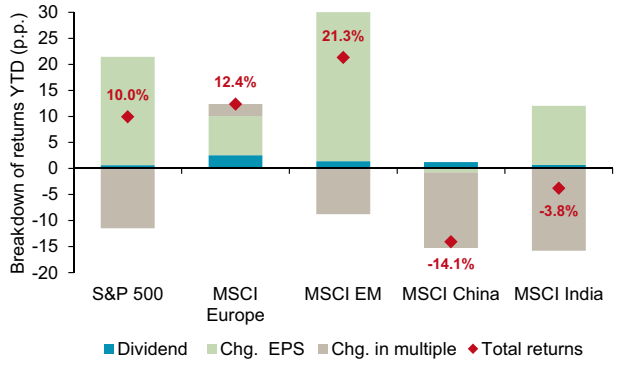
These factors are complemented by structural elements that continue to support the long-term appeal of emerging-market debt. Among them is a comparatively stronger fiscal position: gross debt in emerging economies currently represents 74% of GDP, well below the 108% recorded in developed countries.

EQUITIES

Hormuz leaves us, paradoxically, with higher equity markets at lower multiples.

27. HALF-YEAR RETURN BREAKDOWN

Sources: Refinitiv and Banca March



Global equity markets, in aggregate, consolidated their recovery and closed the half-year up 10.4%. The United States and Europe practically ended flat (+10% and +12%), while emerging markets delivered the strongest performance, rising 21%. However, these gains were particularly concentrated in certain geographies, such as South Korea (+133%) and Taiwan (+64%).

On the negative side, the regions most affected by the energy shock posted declines, including India (-4%), China (-14%) and Germany (-0.4%).

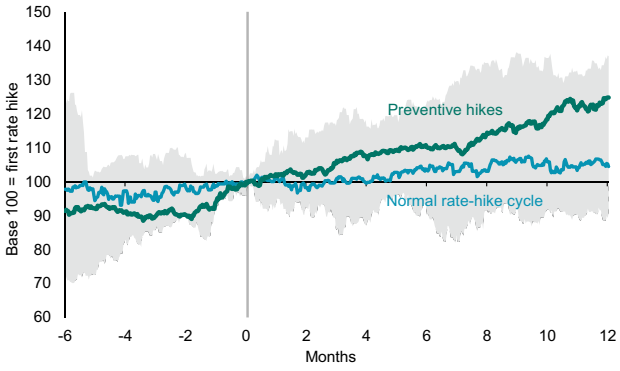
At the sector level, technology clearly led the way, particularly in its more tangible areas, with semiconductors (+60%) and hardware (+37%) the main drivers of the advance. In this respect, the technology sector contributed 5 percentage points to the overall return, accounting for approximately half of the half-year performance. Likewise, driven by investment in artificial intelligence, infrastructure-related sectors —industrials (+14.5%) and utilities (+7%)— also posted a strong half-year performance.

Beyond AI-related demand, more traditional sectors were hit by the energy crisis, including consumer sectors, both consumer discretionary (-5.7%) and consumer staples (+3.7%). The healthcare sector also ended the half-year broadly flat (+0.8%).

We remain constructive on the strength of corporate earnings and recommend taking advantage of potential pullbacks caused by fears of official interest-rate increases.

28. RETURNS FOLLOWING INTEREST-RATE INCREASES (*)

Sources: Federal Reserve, Bloomberg and Banca March



(*) Preventive rate hikes: official interest-rate hikes that are not followed by further hikes over the next 12 months.

As we already pointed out at the height of the conflict, equity markets do not tend to react systematically negatively to episodes of armed conflict. For a conflict to have a significant adverse impact, it must generate substantial economic pressure. Aware of this, Trump has pushed the issue as far as he could and, gradually, we have seen his policy shift towards seeking an agreement that would allow traffic through the Strait of Hormuz to resume, an objective that has ultimately been achieved.

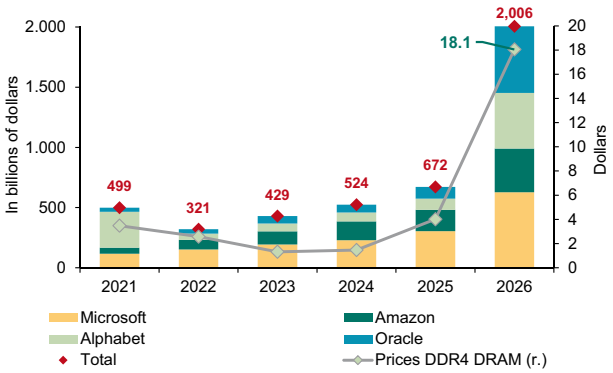
Against this backdrop, the market is satisfied —with Brent prices very close to pre-conflict levels— and is entering a new phase focused on two factors: the duration of the recent hawkish shift by central banks and the sustainability of investment in artificial intelligence.

First, as we explain in the section on central banks, we believe that the current hawkish stance will not last. However, if the rise in inflation were to lead the Fed to raise interest rates, it would probably be a preventive adjustment, meaning that it would not mark the start of a prolonged monetary tightening cycle. Looking at similar historical episodes, these have been very positive for equity markets, with 12-month gains reaching a median of 24.7%. This favourable performance is consistent with an economy that, despite showing certain imbalances in prices, remains fundamentally solid and healthy.

There are still no signs that investment in artificial intelligence has peaked, with the hyperscalers' ambitions intact, which should continue to support broader participation in equity market gains.

29. RAM ORDERS AND PRICES

Sources: Refinitiv, Bloomberg and Banca March



Second, the investment frenzy in artificial intelligence continues to display the same patterns observed over the past year and a half. A race is continuing between four major cash-generating companies and Oracle, which view computing capacity as the key to dominating the nascent AI market.

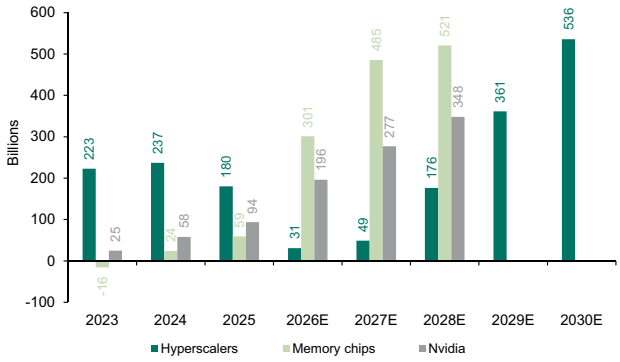
Given this scenario, we see no signs that investment has peaked, although each earnings presentation will provide a further test of this hypothesis. For now, expected demand for computing capacity exceeds $2 trillion, while chip exports and sales forecasts continue to reach new highs.

Moreover, the increase in spending is not explained solely by the expansion of capacity, but also by rising component prices, particularly memory chips.

In light of this, we believe it is appropriate to continue taking advantage of the beneficiaries of this investment cycle. Beyond the obvious sector —semiconductors—, as we anticipated at the beginning of the year, other segments will also benefit, such as infrastructure and smaller-cap companies. By contrast, the substantial investment effort by the five major hyperscalers will begin to be reflected in their results, primarily through a reduction in cash generation that could reach 70% over this year and next. However, towards the end of the decade, a significant recovery is expected, with cash generation almost doubling from previous levels.

30. CASH FLOWS: HYPERSCALERS VS. SEMIS

Sources: Refinitiv and Banca March

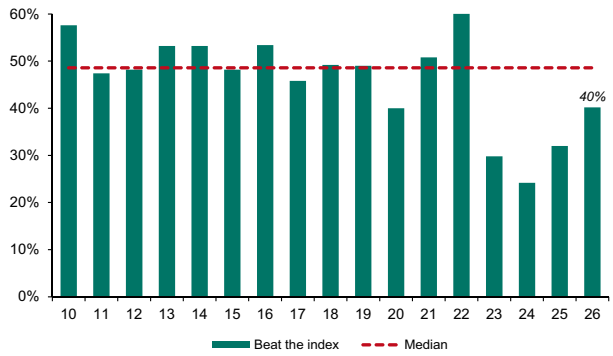


Hyperscalers: Microsoft, Alphabet, Amazon, Meta and Oracle.
Memory chips: SK Hynix, Samsung Electronics and Micron.

This process will result in these companies delivering less impressive performance in the short term, but will at the same time lead to broader participation across the rest of the market. Indeed, this trend is already visible in the first half of the year, with 40% of stocks outperforming the S&P 500, the highest level in three years and close to its historical median of 50%. Meanwhile, the Russell 2000 has recorded its best half-year in 25 years.

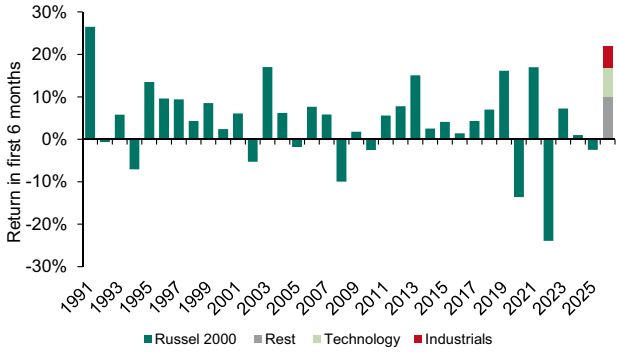
31. COMPANIES OUTPERFORMING THE INDEX

Sources: Bloomberg and Banca March



32. RUSSELL 2000: BEST HALF-YEAR IN 25 YEARS

Sources: Refinitiv and Banca March



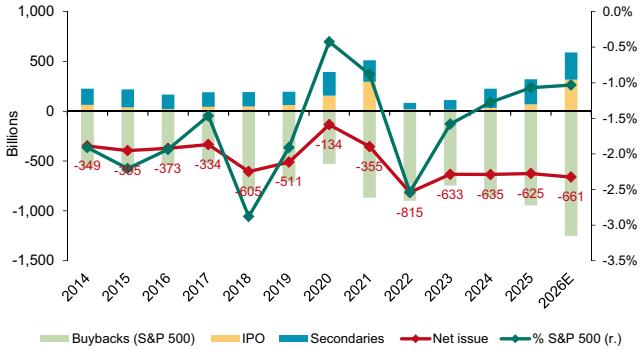
The increase in issues will not offset the impact of share buybacks, but it will not be as pronounced as in previous years.

If forecasts are borne out, 2026 will end with the highest IPO proceeds of the past five years. However, the volume will be concentrated in three transactions: SpaceX, Anthropic and OpenAI, although in the latter case there are still doubts amid rumours of a possible delay until 2027.

Although the size of these transactions is significant and will gradually feed through to the market as share lock-up restrictions are lifted, share buybacks by S&P 500 companies act as a counterweight, keeping net issues firmly in negative territory and by a wide margin. Buybacks are concentrated in sectors such as banks and other technology companies that are not involved in massive data-centre investments.

33. NET ISSUES IN THE UNITED STATES

Sources: Refinitiv and Banca March



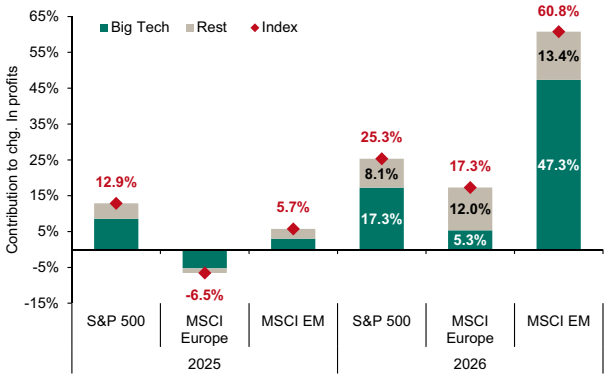
All in all, this will be the fifth consecutive year of decline in net share buybacks measured against the S&P 500, which will reach the third-lowest level of the decade, with only around 1% of the index being retired.

We continue to favour the United States as US exceptionalism returns.

After a period of uncertainty, US exceptionalism has once again prevailed during the recent Hormuz crisis. Thanks to its advantages in energy capacity and the greater weight of the technology sector in its equity markets, the United States has weathered the recent tensions with greater resilience, with no significant macroeconomic impact and an equity market that has recovered more rapidly from the conflict. However, it is currently performing similarly to Europe, with returns of around +10%.

34. EARNINGS GROWTH BY REGION

Sources: Refinitiv and Banca March



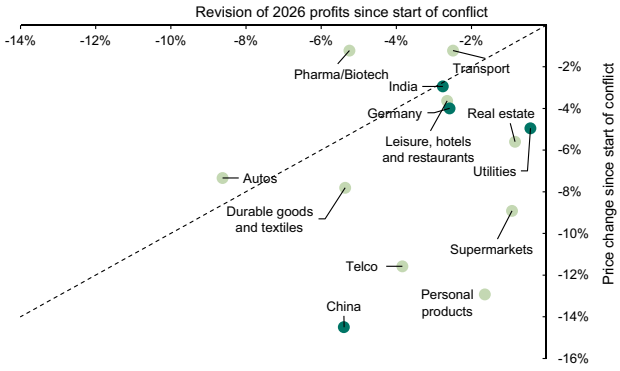
Towards the end of the year, we expect this trend to moderate, although it will remain relevant, mainly because of the difference in earnings growth between listed companies in the two regions. This gap is largely driven by the technology sector. In addition, the contraction in multiples in the US equity market has reached -16% from last year's peak, compared with a -10% decline in Europe, suggesting that the market is not yet fully reflecting the strong growth in earnings, particularly that recorded in the latest quarter.

With the reopening of the Strait, we believe it is attractive to position ourselves in the regions and segments most affected by the Hormuz crisis.

The conflict has affected multiple segments of the equity markets, as reflected in downward revisions to earnings for this year and falls in share prices since the start of the conflict. First, consumer companies, weighed down by higher costs and the potential reduction in household disposable income as a result of higher energy prices. Second, countries with greater dependence on external energy supplies, such as Germany (-4%), China (-14.5%) and India (-3%). Finally, sectors most sensitive to interest-rate increases, such as utilities (-5%), which are closely linked to infrastructure.

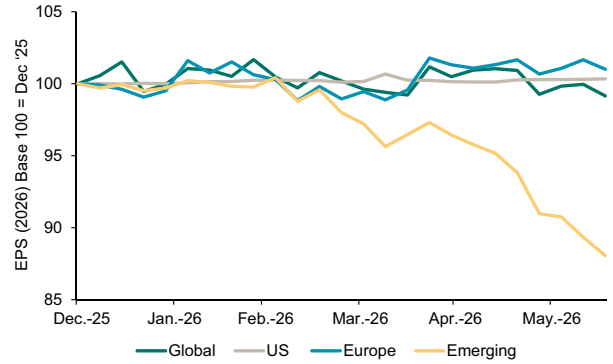
35. MOST AFFECTED SEGMENTS AND REGIONS

Sources: Bloomberg, Refinitiv and Banca March



36. EPS REVISIONS IN UTILITIES

Sources: Refinitiv and Banca March



Among the most affected segments, we see particular value in positioning ourselves in those that could benefit from the normalisation of flows and energy prices, such as Germany, China and India. Recent corrections should also be used to increase exposure to infrastructure, where the limited downward earnings revisions have been concentrated mainly in emerging markets. In this respect, we expect short-term interest-rate pressures to begin to ease shortly.

The defence sector: From political rearmament to industrial execution.

After four years of strong stock-market gains, the sector's recent correction reflects a shift in the market's focus. The question is not whether the developed world will spend more on defence —something that is now difficult to reverse— but how much of the political commitment can be translated into contracts, production, deliveries and cash generation. In other words, The thesis has moved from a budgetary "boom" to a more demanding phase: industrial execution.

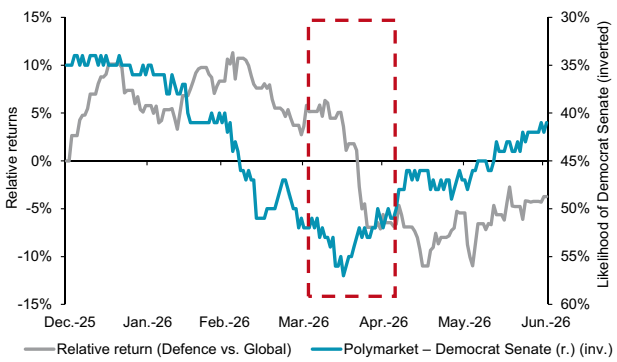
The starting point remains favourable. In June 2025, NATO raised its benchmark target to 5% of GDP by 2035, comprising 3.5% of strictly military spending and an additional 1.5% linked to critical infrastructure, resilience, cybersecurity and the defence industry. The target confirmed that security has ceased to be a discretionary budget item and become a strategic priority, particularly in Europe, where there is a need to rebuild capabilities after decades of underinvestment, replenish arsenals and reduce dependence on the United States.

The path, however, will not be linear. To begin with, the sector now faces greater political risk from the US mid-term elections. The market fears that a Democratic takeover of the House and Senate could block the historic $1.5 trillion military budget proposed by Trump for fiscal year 2027.

In Europe, the difficulties stem from a fragmented industrial base, long delivery times and significant political interference. In Germany, the Ministry of Defence has cut the F126 frigate programme by ruling out the purchase options for the fifth and sixth vessels.

37. DEFENCE VS. PROBABILITY OF A DEMOCRATIC SENATE

Sources: Bloomberg, Polymarket and Banca March



The strategic decision is intended to free up and reallocate €2.3 billion to the immediate purchase of eight MEKO A-200 frigates, prioritising shorter delivery times amid deteriorating security in the North Sea.

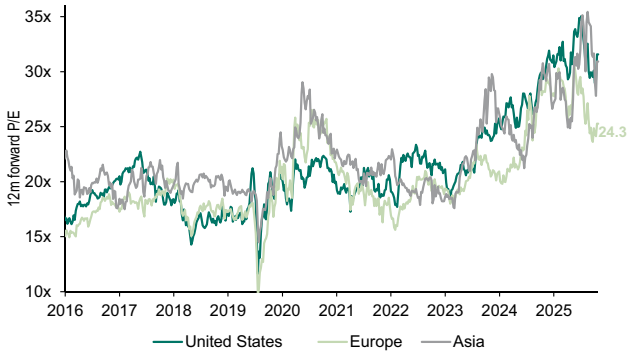
Paris and Berlin have also cancelled development of the sixth-generation fighter under the FCAS programme, a project valued at €100 billion, owing to irreconcilable intellectual-property disputes between Dassault Aviation and Airbus, together with differences in technical capabilities.

Fiscal constraints add another layer to the challenge. Several European countries, led by Spain, the United Kingdom and Italy, are already distancing themselves from NATO's 5% target, opting to meet their defence needs through more gradual and conditional spending that falls short of Washington's demands. This fiscal reality, with debt and deficits taking priority, points to higher defence spending, but one that is likely to be less linear than some multiples imply.

Overweight defence: a more selective new cycle, but the same structural thesis.

38. DEFENCE: LESS DEMANDING VALUATIONS FOLLOWING THE FALLS

Sources: World Bank, SIPRI, European Commission, Refinitiv and Banca March



In any event, we do not interpret the aforementioned German decision as a reduction in its defence ambitions, but rather as a reprioritisation aimed at strengthening its rearmament efforts. Governments are increasingly focused on spending more efficiently, accelerating delivery times and reducing execution risk.

This drive for efficiency forms part of a global expansionary super-cycle in which the order books of major defence groups have grown by more than 50% over the past three years, driving the defence market towards projected global revenues of $2.75 trillion in 2026.

In terms of valuations, persistently high P/E multiples —24.3x in Europe, despite the declines— have ceased to be a technical anomaly and have instead become a structural security premium. The market is therefore validating the visibility of future cash flows backed by record order books and a rising floor for military spending, moving beyond a phase driven purely by expectations. This solid fundamental support is reflected in a 46% increase in the sector's combined operating profit and massive private capital inflows totalling $11.3 billion in Q1 2026 alone.

Consequently, we remain positive on the sector. In our view, the recent correction does not break the structural trend; it simply raises the bar for execution. The defence industry retains one of the strongest demand visibility profiles, supported by a lasting transformation in public spending and the strategic priority placed on security. And the stock-market recovery will increasingly depend less on announced budgets and more on the industry's ability to absorb, execute and monetise them —areas that we expect to improve over time.

Gold: seeking to regain its lost lustre.

At the end of June, the gold market had posted its fourth consecutive monthly decline, bringing its year-to-date fall to -4.5%. We highlight, firstly, the persistent rise in real interest rates, which increases the opportunity cost of holding safe-haven assets such as gold, which do not generate regular income.

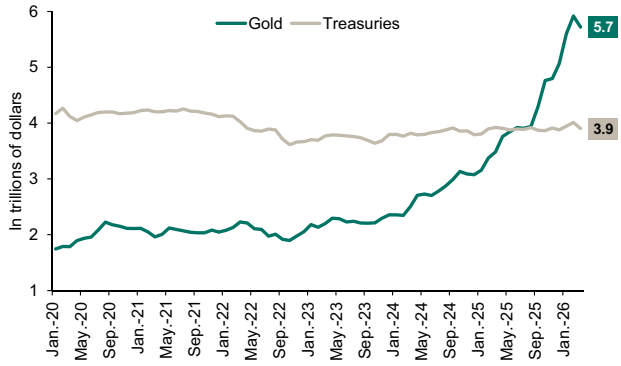
At the same time, the recent strength of the dollar has acted as a clear downward catalyst, automatically making the metal more expensive for investors operating in other currencies and thereby curbing international demand. The combination of these factors has prompted the aforementioned profit-taking which, far from undermining the asset's fundamentals, has resulted in a cyclical adjustment in valuations.

Buying gold after the correction. Its physical scarcity and institutional backing will support its recovery.

Despite its recent poor performance, the long-term investment case remains intact and rests fundamentally on the behaviour of central banks, whose average rate of accumulation has doubled over the past four years to 1,000 tonnes a year, versus an average of 500 tonnes in the previous decade. The latest aggregate industry data also reveal a key operational factor: given the current complex macroeconomic environment, 76% of monetary institutions already manage gold completely separately from the rest of their foreign exchange reserves, consolidating it as a strategic asset and a key tool for risk mitigation.

39. GOLD SURPASSES TREASURY BILLS IN CENTRAL BANK RESERVES

Sources: World Bank, SIPRI, European Commission, Refinitiv and Banca March



This trend is being led by emerging markets, where a record 45% expect to increase their own reserves in the coming months. This strong institutional positioning has also resulted in gold's weighting on official balance sheets surpassing the aggregate holdings of US Treasury bills. The clearest example is the People's Bank of China: the institution accelerated its purchases in May, adding 10 metric tonnes – its largest monthly purchase since December 2024 – up from 8 tonnes in April. As a result, its purchases in the first five months of 2026 reached 25.2 tonnes, a notable increase from the 16.8 tonnes recorded over the same period in 2025.

On the supply side, the metal's fundamental support is reinforced by a growing imbalance between extraction and available reserves. The global mining industry faces severe structural constraints on expanding production, as the success rate at the exploration stage has plummeted over the past five years. Indeed, since 2020, only six discoveries exceeding the two-million-ounce threshold have been recorded, barely half the historical average of 11.6 discoveries.

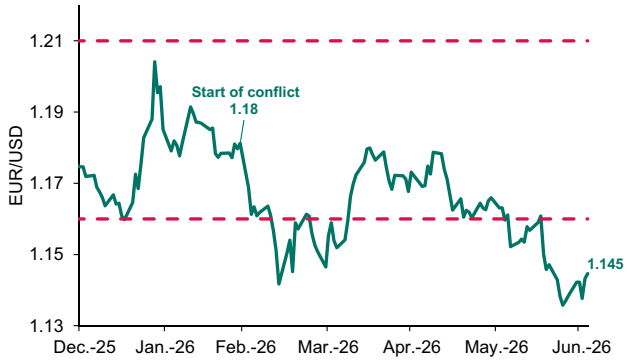
This scenario of geological scarcity also coincides with a monetary turning point, as we believe the market consensus is pricing in an excessively hawkish Fed bias. In this respect, we believe that lingering inflationary pressures will force a more neutral stance, preventing benchmark interest rates from rising as much as the futures curves currently anticipate. This brake on monetary tightening will act as an effective ceiling on sovereign bond yields, directly limiting any further rise in real interest rates and clearing the way for a recovery in the gold price.

CURRENCIES

The dollar rally hits the Fed's fundamental ceiling.

40. EUR/USD RANGE

Sources: Bloomberg and Banca March



The US dollar has appreciated by 3.8% in just ten weeks, pushing the euro down from 1.179 EUR/USD in mid-April to a recent low of 1.135 EUR/USD. This rally has been driven by the recent and dramatic shift in monetary policy at the Federal Reserve following Kevin Warsh's appointment as Chair. His markedly more vigilant stance on price stability has recalibrated expectations in the interest-rate futures markets, which now price in more than one Fed rate hike over the next twelve months.

This tightening has also coincided with a revival of the "US exceptionalism" narrative, as the resilience of recent US macroeconomic data contrasts with the weakness of the eurozone, which is bearing the brunt of the increase in energy costs resulting from the war.

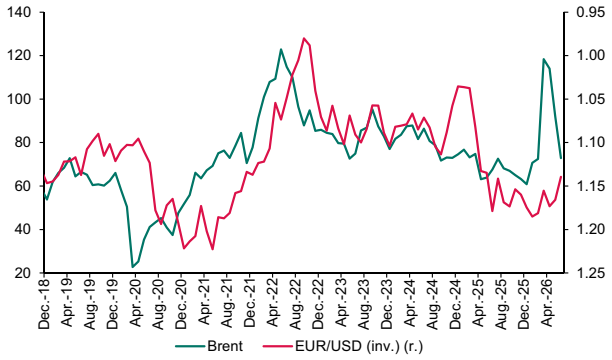
We believe, however, that the greenback has exhausted its scope for further appreciation in the short term. Our view therefore differs from the aggressive interpretation that the consensus has placed on the Fed's guidance; instead, we believe market expectations of further rate hikes this year are excessive and that leading indicators will force a pause.

From a fundamental perspective, we also believe that the current exchange rate already fully discounts the growth gap between the two regions, leaving limited upside potential from positive macroeconomic surprises. Furthermore, although speculative positioning in the foreign exchange market reflects a pronounced pro-dollar bias following weeks of inflows, it has already reached mature levels that tactically limit its further upside and point towards profit-taking.

Tactical opportunity to sell the dollar, with a fundamental target range of 1.16–1.21 EUR/USD.

41. BRENT VS. EUR/USD

Sources: Bloomberg and Banca March



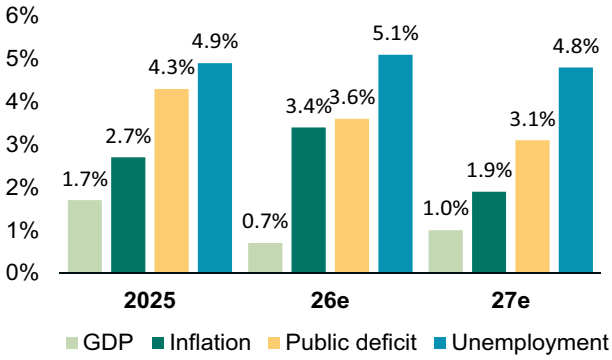
Expectations of higher US policy rates have propelled the dollar to its highest levels of the past 12 months, while the currency has simultaneously reached its highest level of technical overbought conditions in three years. As the decline in oil prices becomes more firmly established, we believe the dollar should begin to lose strength. As the chart shows, the relationship between the two assets is clear and should reassert itself as the macroeconomic environment stabilises.

Sterling absorbs the change at Downing Street amid contained volatility.

The UK economy is entering mid-2026 against a backdrop of structural weakness – despite a technical rebound in GDP of +0.6% in the first quarter, subsequently undermined by a contraction in activity in April – and a marked slowdown in demand. This stagnation is now compounded by a climate of political uncertainty, fuelled by the recent resignation of Prime Minister Keir Starmer. The market is watching the changeover cautiously amid concerns that the consolidation of Andy Burnham, the potential successor to Starmer, could weaken fiscal discipline over the longer term.

42. UNITED KINGDOM: FORECASTS

Sources: Bloomberg and Banca March



Against this backdrop, the Bank of England decided at its June meeting to leave the policy rate unchanged at 3.75%, reflecting a balance between opposing forces: a markedly more restrictive monetary policy than expected – reflected in a 7–2 voting split in favour of a tightening bias amid persistent CPI inflation of 2.8% – combined with a fiscal budget whose commitment to consolidating the public finances is facing close scrutiny from investors.

We maintain our neutral stance on sterling and our 0.86–0.89 EUR/GBP range.

Despite the complex backdrop described, sterling is entering the summer with temporary strength against the euro, approaching 0.855 EUR/GBP and suggesting that the market has implemented an immediate hedging move following the political shock, supported by the interest-rate differential and the Bank of England's hawkish stance.

However, this short-term appreciation is occurring alongside lingering concerns about a shift towards fiscal loosening and increased public spending following the change of government, limiting the upside potential for sterling. This duality between current strength and medium-term political risk leads us to reiterate our unchanged forecast for the euro-sterling exchange rate. We therefore recommend maintaining a tactically neutral position, trading within the 0.86–0.89 EUR/GBP range while awaiting greater clarity on the incoming government's fiscal commitments.

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