PROBUS PLEION

Monthly Newsletter

August 2026

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Editorial

Well, well… a major hedge fund collapses

The "Situational Awareness" fund on the brink of collapse

Although it didn't make major headlines in the financial press, it was reported on July 30 that the "Situational Awareness" fund is in serious trouble and was forced to liquidate all of its listed positions on an emergency basis.

Personally, I had never heard of this fund or its manager, Leopold Aschenbrenner. According to several sources, the fund's assets reached a peak of $45 billion (!) at one point, and its manager is a young man aged 24 or 25 (no public data available) who was fired from OpenAI in 2024.

In less than two years, the fund's size has reached levels that no European fund manager could ever hope to achieve, and the buzz surrounding this young man has led some to call him the "Nostradamus of artificial intelligence"—no less.

His strategy was ultimately quite simple: to take a long position (with leverage, of course) in AI infrastructure stocks (particularly semiconductors) and a short position (with leverage, of course) in software sector stocks, which were expected to be wiped out by AI.

$45 billion "vanished" in just a few days

Source: CNBC

It is always the same story…

It's the same story over and over again. You take a fund manager whose convictions turn into certainties as success grows, add a healthy dose of leverage, a cohort of guru followers, and finally an ego that has grown out of control—and disaster is guaranteed.

As recently as late May, it was reported that the fund had acquired more than a 5% stake in Nebius for over $2 billion and that a very large short position in Adobe stock had been established. The recent decline in AI infrastructure stocks, combined with the rebound in the software sector, forced the fund to urgently unwind its positions as margin calls piled up.

Microsoft and Amazon "are getting the house in order"

Hyperscalers—namely, the leading buyers of AI infrastructure—have been hit hard on the stock market, as investors doubted their ability to monetize their massive capital expenditures; however, the latest earnings reports from MSFT and AMZN have disproved that assumption. Both stocks rebounded by more than 15% in the wake of the reports.

What consequences can we expect for the markets?

The binary view of the market—namely, a positive outlook on AI and a negative outlook on the software sector and hyperscalers—is over. Going forward, investors will need to take a more nuanced approach and analyze individual stocks in these sectors, even though the revolution brought about by AI remains unquestioned.

Kim Muller

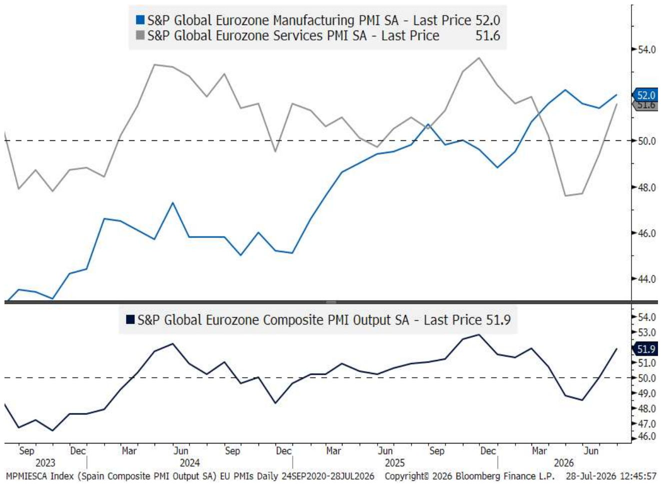
CIO (Switzerland)

Assessment of the economic situation

The sight economic recovery in Europe that emerged last month is now confirmed. The U.S. job market remains strong, and layoffs are at their lowest level since 1969. Oil prices are bouncing around and gold remains unchanged.

After March/April slowdown, eurozone is returning to growth

Positive economic news from the eurozone is few and far between, and when it does emerge, it should not be overlooked. With this upturn that began in June, even the French economy managed to post modest growth of 0.2% in the second quarter, after contracting by -0.1% in the first three months of the year. If the situation in the Middle East does not deteriorate over the coming months, there is reason to hope for better days ahead. In the U.S., the economy remains resilient, with a labor market that is barely laying off workers—though it is not hiring on a massive scale either. New unemployment claims have reached their lowest level since 1969, even as the population has grown by 75% in the meantime! However, inflationary pressures persist, and access to credit is now more difficult, which could ultimately cast a shadow over the outlook.



Source: Bloomberg

Oil prices "bounced around" by developments in the M. East

While we had anticipated a slight rebound ($5–$10) in oil prices over the coming months, the occupant of the White House could think of nothing better to do than to reignite the conflict with Iran, driving oil prices up by nearly $30 at their peak on July 23. Not only has the Strait of Hormuz effectively been closed off, but the Iranians have called on their Houthi allies in Yemen to disrupt maritime traffic in the Bab el-Mandeb Strait, which controls access to the Red Sea. As a result, Saudi Arabia's "Plan B" for oil exports was potentially threatened, further exacerbating an already tense situation. Since the peak on the 23rd, Donald Trump has once again been blowing hot and cold, which has currently calmed energy prices somewhat.

Source: Bloomberg

The Fed Is Divided Over Its Interest Rate Policy

At its most recent committee meeting in July 2026, the Federal Reserve kept interest rates unchanged but faced a split vote of a kind rarely seen (9 to 3). In fact, three regional bank presidents dissented, calling for a 25-basis-point rate hike—a scenario rare enough to be noteworthy. With a new Chairman determined to abandon "guiding" markets about future monetary policy, uncertainty will now become the norm.

What about the SNB's monetary policy?

The Swiss National Bank reported a profit of 25.2 billion francs in the first half of 2026. Foreign currency positions generated a profit of 31.7 billion francs. The gold reserves resulted in a loss of 6.4 billion francs. Interest-bearing securities and interest rate instruments recorded price losses of 1.7 billion francs, while equity securities and equity instruments (primarily shares held) recorded price gains of 22.9 billion. Finally, foreign exchange gains totaled 2.5 billion francs.

Financial markets during the month

The semiconductor sector is succumbing to a wave of profit-taking, while software stocks and some Mag7 stocks are rebounding. Long-term yields are rising again, as the BoJ and the Fed intervene in the yen market.

The “most crowded trades” are being partially unwound

The most pronounced market trends of recent months—notably bullish positions in semiconductors and AI equipment manufacturers, as well as bearish positions in the software sector and among hyperscalers (the very large buyers of AI equipment)—saw dramatic reversals in July.

SanDisk, THE star stock in the semiconductor sector, was down -56% for the month by late July, while Micron (the other U.S. star) was down -36% for the month at the same time. The Korean giants (SK Hynix and Samsung Electronics) fared no better, to the point that the main Korean index, the KOSPI, fell by -38% for the month at the height of the turmoil. On the “other” side, the software sector saw Adobe and Intuit rebound by 22%, while the “fallen” star Microsoft did even better, with a 24.6% (!) rebound in July. Finally, Amazon gained 15.3% on the single day its earnings were released!

Semiconductors (red) vs. software (blue) in July

Source: Bloomberg

Long-term interest rates are on the rise again

As expected, yields on the long end of the yield curve have started to rise again. Renewed tensions in the Middle East, along with mixed signals from the Fed, have reignited market concerns. As a result, the 10-year U.S. Treasury yield rose from 4.47% to 4.75%, and the 30-year yield climbed from 4.95% to 5.28%—its highest level since… 2006!

Given that the yield spread between 1-year and 30-year bonds is currently barely 1.2%, why wouldn’t it align in the medium term with the spread prevailing in France (2%), or even in Japan, where it is approaching 3%? If that were to happen, starting from a 1-year yield between 3.5% and 4%, why wouldn’t the 30-year yield reach a level of 6.5% or higher? In Europe, yields have also risen, but in absolute terms, they remain lower than their U.S. counterparts for now. Moreover, a record number of non-European issuers have turned to the euro debt market.

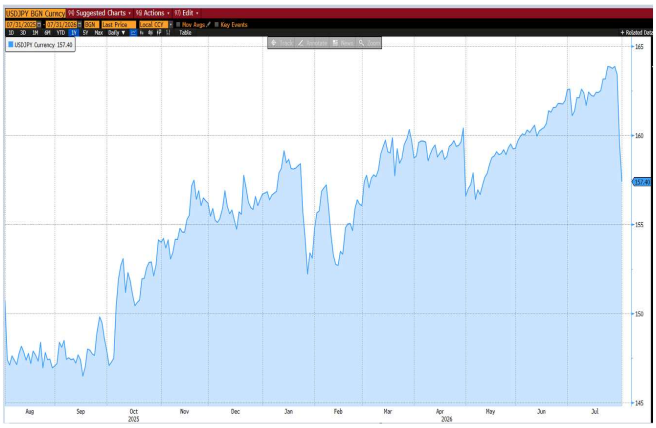
The 30-Year U.S. Treasury yield since 2006

Source: Bloomberg

The BoJ and the Fed Come to the Yen’s rescue

After the yen flirted with 40-year lows (November 1986!) against the dollar, the Bank of Japan (BoJ) initially, followed by the Fed, intervened to steady the yen’s course. The amounts used in these interventions are not yet known, but they are certainly substantial. The BoJ naturally sold dollars from its foreign exchange reserves, while the Fed reportedly (hypothetically) sold euros from its reserves to buy the yen. President Trump was quick to comment on the operation, justifying it by citing the very long-standing friendship (dating back to the postwar period) between the two countries. In any case, this was the first joint foreign exchange market operation between the BoJ and the Fed since 1998! For the yen’s reversal to be sustainable, it will be essential for a portion of Japanese capital to be repatriated.

The dollar/yen exchange rate over the past 12 months



Source: Bloomberg

Our convictions

		Least attractive	Unattractive	Neutral		Attractive	Very Attractive	Comments
Equities	US Equities				●			Some excesses were corrected last month
	EU Equities				●			Trend remains favourable
	Swiss Equities				●			A slightly weaker CHF is supporting the market
	Japan Equities				●			The yen remains attractive, despite its rebound
	China Equities				●			Valuations are undemanding
	Asia ex-Japan & China			●				Korea's overbought reading finally corrected
Fixed Income	Cash & short term debt					●		Maturities: 3–5 years for EUR, 2–3 years for USD
	US long term debt		●					Unattractive risk-return ratio
	EU long term debt		●					Avoid French government debt
	High Yield US & EU		●					Unattractive credit spreads
	Emerging debt local currency					●		Focus on diversified funds
	Emerging debt hard currency			●				
Alternatives	Precious metals & gold miners				●			The long-term trend remains bullish
	Commodities				●			Industrial metals remain long-term attractive
	REITs (EU + CH)		●					Swiss residential real estate is highly valued
	Private Markets			●				Be cautious about private debt

● Current conviction ○ Previous conviction

Forex					
EURUSD	EURCHF	EURGBP	USDCHF	USDJPY	GBPUSD
⇨	⇨	⇨	⇨	⇩	⇨

Comments on investment decisions

The overvaluation in the semiconductor sector has been partially corrected, while some previously neglected sectors are regaining investor favor. Long-term yields are rising again, but the dollar is not benefiting from this. The yen has finally rebounded following the coordinated intervention by the BoJ and the Fed. Gold remains steady.

Equities

The excesses of June (and earlier) related to the AI theme have been somewhat reduced, allowing the rest of the market to "catch its breath." The banking and energy sectors outperformed the broad indices, as did the software sector. At the end of the month, we took advantage of the "sales" on semiconductor stocks to increase our exposure to this sector.

While market volatility is one thing, we remain convinced that the AI theme, in the broadest sense, remains a key focus. Ultimately, we are maintaining a slightly overweight equity allocation.

Bonds

The resumption of hostilities in the Middle East has reignited the rise in energy prices, as well as inflation expectations. The Fed's non-unanimous decision to keep interest rates unchanged has only added to the uncertainty, at a time when the financing needs of governments in particular—but also of businesses—continue to grow.

At the risk of repeating ourselves yet again, we are opting for caution and remain firmly "tucked away" in short durations.

Precious metals, listed real estate (REITs)

Gold and precious metals continued to consolidate in July, with the price of gold rising very slightly by 1% per ounce, while the price of silver fell by 1.7% per ounce. Although central bank purchases remain steady, there is no catalyst to reignite the upward trend. European real estate investment trusts (REITs) remain as volatile as ever, prompting us to exercise caution for the time being.

Rising yields have also weighed on Swiss real estate funds, but valuations are not yet attractive enough to warrant a full-fledged return to this segment.

Currencies

Despite rising yields, the dollar has failed to confirm a continued recovery. The DXY index is down 1.3% for the month, while the euro has gained 0.9% against the greenback.

The most notable movement came from the yen, which surged 3.2% against the dollar, buoyed by coordinated interventions by the BoJ and the Fed. The pound was not to be outdone, posting a monthly gain of 1.7%, while the franc edged slightly lower.

Performance summary

Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	14346	1.1	8.1	21.2
STXE 600 (EUR) Pr	649.2	1.2	9.5	18.9
CAC 40 INDEX	8510	1.3	4.2	9.5
DAX INDEX	25629	2.5	4.7	6.5
FTSE 100 INDEX	10868	3.5	9.3	19.0
Euro Stoxx 50 Pr	6358	0.5	9.7	19.5
DOW JONES INDUS. AVG	52485	0.3	8.5	18.9
S&P 500 INDEX	7490	-0.1	8.6	18.1
NASDAQ COMPOSITE	25374	-3.2	8.3	20.1
RUSSELL 2000 INDEX	2931	-3.1	17.2	32.5
TOPIX INDEX (TOKYO)	4003	0.2	17.4	36.0
FTSE CHINA A50	14843	-5.5	-3.0	7.7
Global Index	1120.51	0.0	9.8	20.5

Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	137.9	-1.1	-0.3	-0.2
Euro-Aggregate	246.3	-1.5	-0.2	0.2
U.S. Aggregate	2332.6	-1.3	-0.8	2.7
Global Aggregate	497.5	-0.5	-0.9	1.6

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.808	-0.1	2.0	-0.6
EUR	1.153	0.9	-1.9	1.0
DXY	99.91	-1.3	1.7	-0.1
GBP	1.348	1.7	0.1	2.1
JPY	157.400	-3.2	0.6	4.4
CNY	6.752	-0.5	-3.5	-6.2
CAD	1.402	-1.2	2.4	1.2
AUD	0.702	1.4	4.8	9.2
BRL	5.073	-1.7	-7.3	-9.4
INR	95.393	0.8	6.2	8.9
MXN	17.343	-0.8	-3.6	-8.1
EURCHF	0.930	0.8	0.0	0.3

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	4046	1.0	-6.8	23.0
Silver	57.60	-1.7	-24.5	56.9
WTI	84.67	21.8	46.1	22.2
Copper	646.55	4.4	11.8	48.5
Industrial Metals	176.73	3.3	7.4	27.5
Agriculture	58.07	5.7	7.9	8.1

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