Monthly Newsletter

July 2026

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Editorial

Mag 7, not so magnificent anymore…

From FAANG to Mag 7

The market loves acronyms, and after using and overusing the term FAANG (Facebook, Apple, Amazon, Netflix, and Google) to refer to leading U.S. tech companies, a new term coined by Bank of America took hold in May 2023: the Magnificent Seven (or Mag 7), namely Alphabet (formerly Google), Amazon, Apple, Meta (formerly Facebook), Microsoft, Nvidia, and Tesla.

This very exclusive "club" has indeed dominated U.S. and global indices, with exceptional stock market performances that have propelled each company to market capitalizations in the trillions of dollars.

These stock market performances have largely been driven by unprecedented growth and profitability rates, particularly for their star performer, Nvidia, which managed—for two consecutive fiscal years—to generate profits exceeding the previous year's revenue!

With the exception of Tesla and, to a lesser extent, Amazon, all of these companies operated under an "asset-light" model that required little capital.

Underperforming in 2025, in the red in 2026

Source: TheStreet/Shutterstock

From an "asset-light" to an "asset-heavy" model

But the "arms race" to conquer and dominate artificial intelligence has radically changed the game. For four of these companies (Alphabet, Amazon, Microsoft, and Meta)—now known as "hyperscalers"—the days of huge positive cash flows and massive share buybacks are over!

Now it's time for massive bond issuances, private placements, and even new shares to finance, at any cost, colossal investments in AI—the exact opposite of what the market had grown accustomed to over so many years.

While investors initially welcomed the initial investment plans, regular announcements of further spending increases eventually caused the market to lose confidence, leading it to shift its focus to semiconductors—the main beneficiaries of this race.

Even Nvidia is seeing doubts about its growth mount

While the company was the only one among the Mag 7 to benefit from these massive investments, doubts about the expected growth rates are beginning to mount, as the market wonders whether there will be enough capital available.

What consequences can we expect for the markets?

With a combined market capitalization of more than 21,000 billion dollars, the Mag 7's cumulative performance of -2.1% in 2026 clearly weighed on the flagship U.S. S&P 500 index and the global stock index, despite the major surge in the semiconductor sector.

Kim Muller

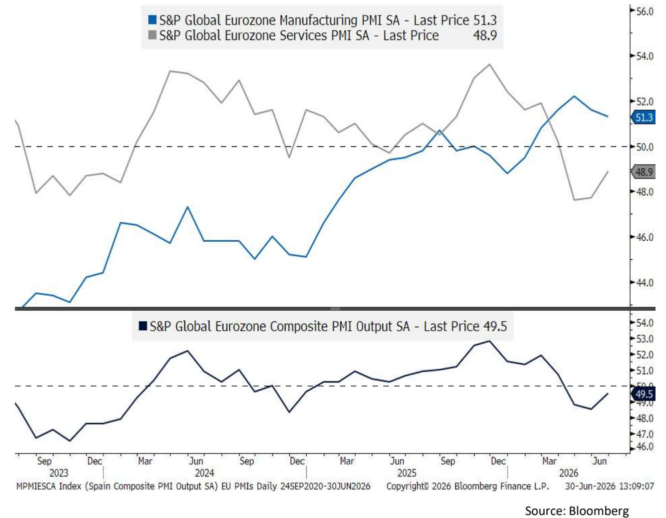
CIO (Switzerland)

Assessment of the economic situation

U.S. economic activity is picking up, while in Europe, it is recovering (somewhat) after six months of slowdown. The sharp drop in oil prices has undoubtedly contributed to this upturn, but will it last?

Economic activity in Europe is finally picking up (a little)

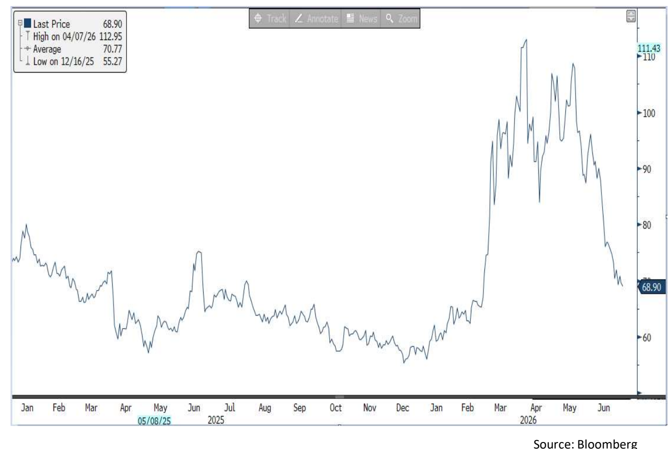
It seems like a long time ago now since the announcement in March 2025 of a massive stimulus plan for the German economy, aimed at investing 500 billion euros in defense and infrastructure. As is always the case in Europe, the gap between (political) rhetoric and action is noticeable. After six months of slowdown, the European economy is finally showing signs of recovery, even if these remain modest. The sharp drop in energy costs since mid-May has certainly contributed to this recovery, but there is a long way to go before growth returns to a more robust level. Fierce competition from Chinese automakers is only adding to the distress felt by industry players in Europe, and we will have to rely on other sectors of the economy (defense & infrastructure) to pull the European and the German economies out of their downward spiral.



Source: Bloomberg

Oil prices are (almost) back to their pre-conflict levels

The decline in oil prices, which began in May, continued throughout June, bringing prices back to levels nearly identical to those prevailing before hostilities broke out in Iran. The market has clearly bet on a “perfect” normalization of oil supply, disregarding the inevitable hurdles associated with the resumption of maritime traffic through the Strait of Hormuz and the restart of oil terminals that may have been damaged during the conflict. Furthermore, both commercial inventories and major strategic oil reserves have been drawn down quite significantly and clearly need to be replenished. At current levels, the price per barrel seems too low to us, and we anticipate a slight recovery ($5–$10) over the coming months.



Source: Bloomberg

The new Fed Chair Is making his mark

To say the least, the new Fed Chair has lived up to his reputation as a “hawk”. By repeatedly emphasizing that inflation had been above the historical (though not contractual) 2% target for the past five years and suggesting that his predecessor may have been too accommodative, he caught the market off guard, immediately driving up the USD and short-term yields. Going forward, he is likely to tone down his initial remarks somewhat.

Source: LinkedIn

What about the SNB's monetary policy?

At its monetary policy meeting on June 18, the Swiss National Bank (SNB) unsurprisingly kept its key interest rate at 0.0%. With domestic inflation remaining moderate and energy prices falling following an easing of tensions in the Middle East, the Swiss central bank had no reason to follow in the footsteps of its European counterpart, which had just raised its rate by 0.25%. It was “too good an opportunity to pass up” to widen the interest rate differential with the euro and ease some of the upward pressure on the franc against the euro.

Financial markets during the month

The semiconductor sector is "captivating" investors, but the range of sectors driving the rally is broadening, with healthcare, banking & insurance contributing to the gains. Long-term yields continue to ease, and gold is struggling.

European stocks are rebounding against their U.S. counterparts

In May, all eyes were on semiconductors and technology stocks. June, on the other hand, saw attention shift to a wider range of sectors, notably healthcare, banking, and insurance.

Their higher weightings in European indices enabled the Eurostoxx 50, in particular, to fully make up for its performance "lag" relative to the S&P 500, with the former outperforming the latter by 6.2% for the month. The Swiss SMI index also took advantage of this to stand out, thanks to its significant allocation to these sectors, delivering a monthly return of 4.8%.

This broadening of participation in the bull market is clearly a development we first hoped for and subsequently anticipated. Over the longer term, this solidifies the uptrend and makes the markets less dependent on the AI theme, even though it remains essential and central in many respects.

The Eurostoxx 50 in blue and the S&P 500 in red in June

Source: Bloomberg

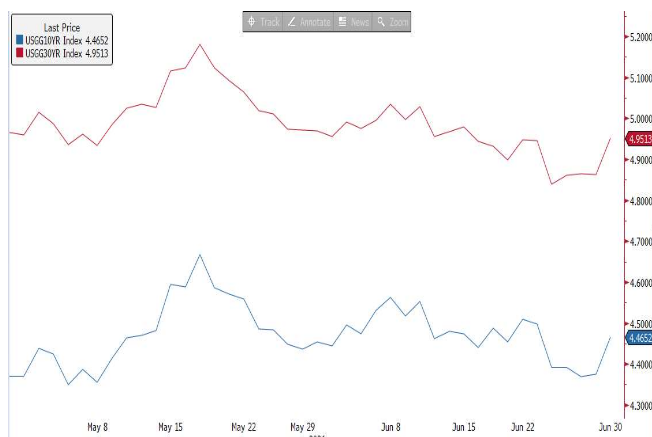
Long-term rates decrease continued, but is expected to stop

inflation expectations falling significantly in the wake of the decline in energy prices, the long end of the U.S. yield curve has, quite logically, pulled back. Since its annual peak on May 19, the U.S. 10-year yield has fallen from 4.69% to 4.47%, and the 30-year yield from 5.20% to 4.95%.

In absolute terms, these declines are not significant, but the strength of the U.S. economy and massive debt issuance—by both the government and corporations—could not sustain a more substantial drop in yields. In the longer term, we believe that the enormous U.S. budget deficits will require higher yields than currently seen on long-term bonds in order to be financed.

As such, we reiterate our caution regarding long durations, particularly for government debt, whether U.S., French, or British.

The US 30y (red) & 10y yields (blue) in May and June



Source: Bloomberg

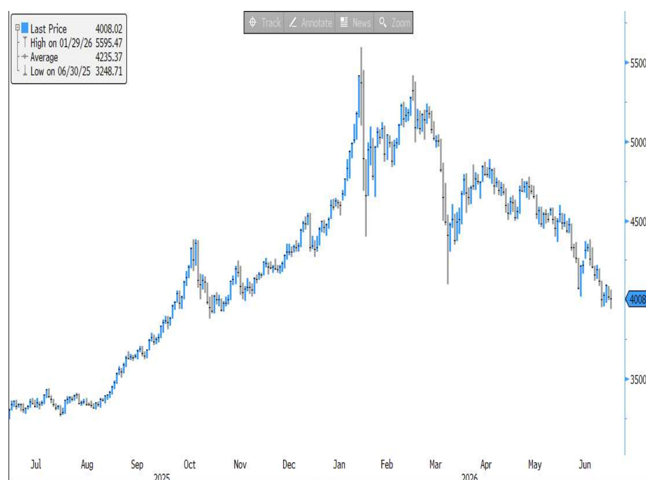
Gold posted its worst quarter (-14.7%) in 13 years

The current consolidation phase in the gold market continued, as expected, in June. Following the sharp rise in prices between early August 2025 and the last few days of January of this year (+70%!), such a development was both desirable and essential to solidify the long-term trend. As is always the case, trading volumes via ETFs skyrocket as prices approach their peaks and then contract once the trend has stabilized.

This is once again the case in this phase, with monthly trading volumes down by two-thirds between January and June. In contrast, the physical market remains active, and central banks continue to buy gold, often adopting a "buy the dips" strategy.

The investment thesis in favor of gold remains valid, as with an annual U.S. budget deficit of $2,000 billion, currency debasement is not likely to stop anytime soon.

Gold ounce over the past year



Source: Bloomberg

Our convictions

		Least attractive		Unattractive		Neutral		Attractive		Very Attractive	Comments
Equities	US Equities					○	●				Tech is not the only sector in this market
	EU Equities					○	●				The drop in oil prices eases fears
	Swiss Equities					○	●				The drop in oil prices eases fears
	Japan Equities					○	●				The yen is significantly undervalued
	China Equities					○	●				Valuations are undemanding
	Asia ex-Japan & China			○		●					Watch out for Korea—it's very (too) volatile
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						●	○			Oil prices should rebound somewhat
	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 sharp drop in oil prices is giving new momentum to non-U.S. stock markets. The Mag 7 are struggling, while semiconductors are soaring. Long-term yields are easing, but the Fed is driving up the dollar, while gold suffers.

Equities

The drop in oil prices is providing relief to the markets and breathing new life into European and Swiss stocks in particular. The specter of runaway inflation is receding, allowing for a more constructive stance toward this asset class.

The breadth of the rally is widening, with the healthcare, banking, and insurance sectors standing out. The underperformance of the Mag 7 is reaching levels that suggest a partial catch-up in their relative performance compared to the market. In Europe, industrial and banking stocks appear poised to embark on a new uptrend.

Bonds

The decline in oil prices and expectations for future inflation have been beneficial for yields at the long end of the curve. However, robust economic activity—particularly in the U.S.—along with a sharp increase in bond issuance by both governments and corporations, has tempered this easing.

Given the massive budget deficits expected in the coming years—not only in the U.S. but also in France and the U.K.—long-term yields are likely to start rising again.

Precious metals, listed real estate (REITs)

The consolidation in gold and precious metals that began in late January has continued. Gold has finally broken below its 200-day moving average and is attempting to form a base at its support level between $3,950 and $4,000 per ounce.

The long-term investment case remains positive, but the (very) short-term trend is still fragile. European real estate investment trusts (REITs) appear to have confirmed a low in early June, but the downtrend in place since the fourth quarter of 2024 is still intact. With volatility one and a half time that of the stock market, we are still staying on the sidelines.

Currencies

The new Fed chair's shift in tone has given the dollar a boost. While a decline in geopolitical risk should have signaled the end of the dollar's rally—which began at the start of the conflict in Iran—the market has once again turned to the greenback. Investors are now anticipating a widening interest rate differential, particularly against the euro, rather than the opposite, as was the case just a few months ago. By keeping its benchmark rates unchanged, the SNB has eased the upward pressure on the franc against the euro.

Performance summary

Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	14194	4.8	7.0	19.1
STXE 600 (EUR) Pr	641.7	2.5	8.3	18.5
CAC 40 INDEX	8404	2.7	2.9	9.6
DAX INDEX	24996	-0.4	2.1	4.5
FTSE 100 INDEX	10497	0.8	5.6	19.8
Euro Stoxx 50 Pr	6328	4.6	9.2	19.3
DOW JONES INDUS. AVG	52319	2.5	8.2	18.7
S&P 500 INDEX	7499	-1.1	8.7	20.9
NASDAQ COMPOSITE	26214	-2.8	11.9	28.7
RUSSELL 2000 INDEX	3024	3.6	20.9	39.0
TOPIX INDEX (TOKYO)	3995	0.9	17.2	40.0
FTSE CHINA A50	15702	-1.1	2.6	16.0
Global Index	1120.46	-0.9	9.8	22.1

Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	139.4	0.8	0.7	1.2
Euro-Aggregate	250.0	0.4	1.3	1.7
U.S. Aggregate	2363.4	0.2	0.5	3.8
Global Aggregate	500.2	-0.7	-0.3	0.6

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.808	3.5	2.1	1.9
EUR	1.142	-2.0	-2.8	-3.1
DXY	101.19	2.3	3.0	4.5
GBP	1.326	-1.4	-1.5	-3.4
JPY	162.550	2.1	3.9	12.9
CNY	6.787	0.3	-3.0	-5.3
CAD	1.420	2.9	3.6	4.3
AUD	0.692	-3.7	3.3	5.1
BRL	5.162	2.5	-5.7	-5.0
INR	94.665	-0.4	5.4	10.4
MXN	17.488	0.8	-2.8	-6.7
EURCHF	0.923	1.4	-0.8	-1.2

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	4008	-11.7	-7.6	21.3
Silver	58.60	-22.2	-23.2	62.3
WTI	69.50	-20.4	19.9	6.7
Copper	619.25	-3.1	7.1	23.1
Industrial Metals	171.02	-7.9	3.9	15.2
Agriculture	54.95	-4.0	2.1	0.6

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