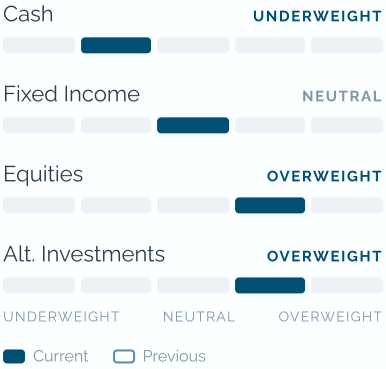
# MARKET COMPASS

A MONTHLY BRIEFING ON THE STATE OF THE FINANCIAL MARKETS AND OUR TACTICAL POSITIONING



## TACTICAL POSITIONING




We are happy to explain our detailed tactical positioning to you in a conversation. Please contact us.

## SPOTTED

**Yen at a record low** – The Japanese yen has fallen to its lowest level against the U.S. dollar since 1986. The main factors weighing on the currency are Japan's persistently negative real interest rates, ongoing capital outflows, and technical market factors. In the short term, the yen is likely to remain under pressure despite possible further interest rate hikes by the Bank of Japan (BoJ). In the medium term, however, we expect the USDJPY to weaken once expectations of Fed rate hikes subside – which we anticipate will happen by the end of the year.

## MARKET REVIEW:

### DE-ESCALATION IN THE MIDDLE EAST, BUT MONETARY HEADWINDS PERSIST

**Geopolitical easing, but not a green light** – In June, financial markets were once again heavily influenced by the conflict in the Middle East. At the beginning of the month, the situation remained unclear: Despite renewed tensions, U.S. President Trump repeatedly held out the prospect of a peace agreement with Iran in the near future, leading to a volatile mix of hope and scepticism in the markets. The Strait of Hormuz was a particular focus, as any potential disruption to commodity supplies would have had immediate consequences for oil prices, inflation expectations, and central banks' room for manoeuvre in monetary policy. As the month progressed, however, sentiment improved noticeably. A framework agreement between the U.S. and Iran brought an end to hostilities within reach, allowing many stock markets to recover from the sharp decline triggered by the Iran conflict. The risk premium in the oil market also fell significantly: Brent briefly dropped to around USD 73 per barrel, returning to a level close to that seen before the conflict began. Nevertheless, it would be premature to sound the all-clear. The markets primarily priced in a short-term de-escalation and hopes for a normalization of supply flows; however, key questions regarding the long-term security of shipping through the Strait of Hormuz, Iran's nuclear program, and the regional security architecture remain unresolved.

**AI euphoria shows early signs of fatigue** – Following the strong rally of the previous months, the AI and semiconductor trade came under greater pressure for the first time in June. Demand for computing power, memory chips, and AI infrastructure remains fundamentally robust – as demonstrated, among other things, by Micron's very strong quarterly results. At the same time, however, the enormous capital intensity of infrastructure buildout, fears of rising computing costs that can no longer be passed on, and dependence on favourable financing conditions once again came more sharply into focus. This led to increased profit-taking over the course of the month, particularly among the so-called hyperscalers. Toward the end of the month, extreme positioning also led to a brief pause on the part of semiconductor manufacturers and suppliers. While the AI cycle remains intact, the market reaction shows that investors are increasingly distinguishing between structural growth and exaggerated expectations. We would therefore not be surprised if volatility in the technology sector increases over the summer months, especially since the sector has become technically more vulnerable to sharp swings due to the massive use of leveraged financial products and options.

## SOON IN FOCUS

**Earnings Season for Q2 2026** – After the latest earnings reports on Wall Street turned out to be more than encouraging – and gave the equity market an additional boost – investors are now eagerly awaiting the next fundamental reality check. Earnings growth of 23.1% is expected for the S&P 500 – once again driven largely by the major tech stocks, whose earnings growth is expected to significantly outpace the broader market.

**Monetary policy and the economy are sending mixed signals** – From a monetary policy perspective, the past month was marked by several important central bank decisions. As expected, the European Central Bank (ECB) raised the deposit rate by 25 bps to 2.25%, responding to increased energy-driven inflation risks. However, the focus was even more firmly on the U.S. Federal Reserve: Although the Fed left its policy rate unchanged at 3.50% to 3.75%, the markets clearly interpreted the first meeting under new Fed Chair Kevin Warsh as "hawkish." The decisive factor was, above all, the surprisingly strong emphasis on the 2% inflation target. This prompted investors to revise their interest rate expectations upward, leading to a noticeable rise in short-term U.S. yields in particular. On the economic front, the U.S. economy remained resilient, supported by a robust labour market, solid corporate investment, and continued strength in the AI infrastructure cycle. At the same time, the breakdown of the revised Q1 GDP was less convincing, as private consumption was significantly weaker than initially reported. In Europe, the picture remained subdued; in Germany in particular, the purchasing managers' indices continued to deteriorate. While China benefited from strong exports related to AI hardware and semiconductors, weak domestic demand remained a drag.

# DID YOU KNOW THAT...

## ...GLOBAL STOCKS RARELY STUMBLE IN THE SECOND HALF OF THE YEAR IF THEY'VE RISEN IN THE FIRST SIX MONTHS?

### MSCI WORLD: H1 VS. H2

Historical price return per half-year since 2000, and the odds of a positive second half.

SOURCE: BLOOMBERG

| YEAR | JAN–JUN | JUL–DEC |
|---|---|---|
| 2000 | -3.0% | -11.4% |
| 2001 | -11.2% | -7.5% |
| 2002 | -9.5% | -12.7% |
| 2003 | 10.0% | 19.0% |
| 2004 | 2.5% | 10.1% |
| 2005 | -1.8% | 9.5% |
| 2006 | 4.9% | 12.4% |
| 2007 | 8.0% | -0.8% |
| 2008 | -11.7% | -34.4% |
| 2009 | 4.8% | 21.2% |
| 2010 | -10.9% | 22.9% |
| 2011 | 4.0% | -11.2% |
| 2012 | 4.5% | 8.3% |
| 2013 | 7.1% | 15.9% |
| 2014 | 5.0% | -1.9% |
| 2015 | 1.5% | -4.2% |
| 2016 | -0.6% | 5.9% |
| 2017 | 9.4% | 9.8% |
| 2018 | -0.7% | -9.8% |
| 2019 | 15.6% | 8.3% |
| 2020 | -6.6% | 22.2% |
| 2021 | 12.2% | 7.1% |
| 2022 | -21.2% | 2.2% |
| 2023 | 14.0% | 6.8% |
| 2024 | 10.8% | 5.6% |
| 2025 | 8.6% | 10.0% |
| **2026** | 8.9% | ? |

| | |
|---|---|
| Positive H2 returns when H1 returns were positive | **75%** |
| Positive H2 returns when H1 returns were positive and above 5% | **89%** |
| Positive H2 returns when H1 returns were negative | **50%** |

A common reaction among investors watching a strong stock market rally is to brace for the inevitable correction. When global stocks post solid gains through the middle of the year, the urge to lock in profits and wait out the summer lull can feel like the more sensible move. Historical experience shows, however, that going against such an upward trend is usually a losing bet.

A STRONG FIRST HALF OF THE YEAR ON GLOBAL STOCK MARKETS WILL MOST LIKELY BE FOLLOWED BY A POSITIVE SECOND HALF.

Data since the beginning of the century show that strength in global stock markets almost always leads to further strength. When the MSCI World Index has closed the first six months of the year in positive territory, it has historically posted further gains in the second half of the year in 75% of cases.

If this early rally is robust – and clears the 5% hurdle – the probability of a positive second half of the year climbs to nearly 90%. With global stocks up about 9% after the first six months of this year, investors are looking at a historical pattern that strongly favours the bulls. In contrast, in years with a negative first half, the second half of the year becomes a proverbial coin toss, yielding gains in only 50% of cases.

The data shows that momentum is a powerful force. While past performance is never a guarantee of future results, history sends a clear message to those tempted to time the market: A strong start is not a warning signal to exit, but rather a statistical invitation to stay the course. When global stock markets post gains in the first half of the year, this typically reflects deep-rooted institutional buying and fundamental economic resilience, rather than the emergence of an imminent market bubble. For long-term investors, the most effective approach in such an environment is often also the simplest: stay invested and let the power of compound interest do the heavy lifting.

## MARKET OUTLOOK

Geopolitical uncertainty is likely to remain a risk factor for financial markets in July as well, though its immediate impact on markets has recently eased somewhat. The framework agreement between the U.S. and Iran has reduced the short-term risk of escalation in the Strait of Hormuz and provided noticeable relief for oil prices. This is macroeconomically significant because lower energy prices reduce pressure on inflation expectations, corporate margins, and consumer sentiment. At the same time, the situation remains fragile: The agreement is, for now, only a temporary solution, while key issues regarding the long-term status of the Strait of Hormuz, Iran's nuclear program, and the regional roles of Israel and Hezbollah remain unresolved. The risk of another oil price shock has therefore not disappeared; it has merely receded into the background.

From a macroeconomic perspective, the environment remains positive, though not without contradictions. The U.S. economy is proving more resilient than many market participants expected. Positive surprises in economic data, an upward revision of U.S. GDP for the first quarter, stronger order intake, and robust capital investment in AI suggest that a slowdown is not imminent. At the same time, the picture beneath the surface is more mixed: consumer demand appears weaker than the aggregate growth figures suggest, and inflation remains stubbornly high. As a result, while the macroeconomic environment remains conducive to growth, it poses challenges for monetary policy.

Against this backdrop, the market narrative has also shifted. Lower oil prices are no longer interpreted exclusively as disinflationary, but in some cases also as an additional boost to demand for an already robust U.S. economy. This explains why yields at the short end of the U.S. yield curve have risen despite falling oil prices.

EARNINGS GROWTH REMAINS ROBUST, EARNINGS REVISIONS ARE POSITIVE ACROSS SEVERAL SECTORS, AND THE EARNINGS CYCLE IS GRADUALLY BROADENING BEYOND THE MAJOR AI BENEFICIARIES.

Accordingly, the Federal Reserve remains in a wait-and-see mode, although the markets interpreted the June meeting as a clear "hawkish hold." In his first meeting, the new Fed Chair, Kevin Warsh, sent a clear signal: less forward guidance, a stronger emphasis on the 2% inflation target, and a greater willingness to steer monetary policy based on data. Speculation about interest rate cuts therefore remains limited for the time being. The ECB, too, has sent a more restrictive signal with its latest interest rate hike, even though economic momentum in the eurozone is already slowing. In our view, this increases the risk of a monetary policy misstep that could weigh on growth, particularly in 2027.

In our view, the risk-reward profile for equities remains attractive. The key factor is that the rally is increasingly driven by fundamental factors and not merely by an expansion of valuation multiples ("multiple expansion"). Earnings growth remains robust, earnings revisions are positive across several sectors, and the earnings cycle is gradually broadening beyond the major AI beneficiaries. The U.S. equity market remains particularly compelling, as it continues to offer the strongest combination of earnings visibility, balance sheet quality, structural growth, and access to the key AI value chains. Technology, semiconductors, digital infrastructure, power supply, cooling, and networking technology remain the key beneficiaries of this investment cycle.

In our tactical asset allocation, we therefore remain overweight in equities. At the same time, we are not pursuing an undifferentiated increase in risk. Following the strong market performance, the risk of short-term consolidation is certainly present. However, we would interpret any temporary weakness as a healthy consolidation within an intact uptrend rather than as a signal of a fundamental trend reversal. Stock selection remains crucial: quality, pricing power, balance sheet strength, and positive earnings revisions continue to be our primary focus. Regionally, we continue to favour the U.S., while Europe is less compelling from a tactical perspective due to a weaker economy, a more restrictive ECB, and lower structural growth momentum.

We are maintaining a neutral position in fixed income. Current yields continue to offer some cushion, but the potential for returns remains limited by persistent inflation, higher short-term interest rates, and limited visibility regarding the central banks' next moves. A significant increase in duration will only become more attractive once inflationary pressures clearly subside or central banks provide more reliable signals of easing. Within the asset class, we favour quality, solid issuers, and disciplined duration exposure. High yield, on the other hand, appears less attractive, as credit spreads offer only limited compensation for an environment marked by monetary policy uncertainty, geopolitical risks, and potential growth disappointments.

Alternative investments remain overweight, with gold continuing to play a central role as a portfolio diversifier. Although the technical picture has deteriorated in the short term, we do not interpret this as a break from the medium-term investment thesis. Geopolitical uncertainty, high government debt, fiscal risks, and gold's hedging function continue to support a more substantial gold position. Gold thus remains less of a short-term driver of returns and more of a strategically valuable stabilizer within a risk-conscious multi-asset portfolio.

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For the sixth time, the company was named one of the 50 most influential independent asset managers in Switzerland and Liechtenstein by the renowned media company Citywire.

Additionally, Tramondo has been recognised as the winner in the Fund Manager category at the prestigious WealthBriefing Swiss Awards 2026 for the first time.

Tramondo is a member of the VSV-ASG, Switzerland's leading association of independent wealth managers, and a member of the Alliance of Swiss Wealth Managers.

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