FEBRUARY 2026

Equity Focus

Who needs to be afrAId?

Summary

1. **Who needs to be afraid?** – 2026 seems to mark the turning point of how the market perceives AI. Rising Capex is no longer a sufficient condition for outperformance.
2. **SaaSmageddon and beyond** – We note a rising focus on AI disruption risks. Software stocks have been at the center of that focus. Beyond software, stocks in data-intensive industries including media, education, and business services, as well as some asset managers have been caught in the crosshairs as well. AI disruption risk is currently top of investors mind, leading to a "sell first, ask questions later" environment.
3. **How to play this** – While we think that the concerns about the ability of hyperscalers to monetize their AI investments have a certain degree of credibility, we think that the AI disruption fears are in many cases overblown.
4. **Europe** – As dispersion is increasing, we reiterate our call to be selective in Europe, favoring domestically geared exposure benefitting from increasing investments to foster Europe's autonomy
5. **Acropolis Now** – Greece has transitioned from the center of the Eurozone crisis to what we now consider one of the most interesting equity transformation stories in the market today
6. **Earnings Season** – >70% of US companies beat expectations at the earnings level. S&P 500 Q4-2025 EPS is currently growing at +12% y/y. In Europe, > 50% of companies beat expectations at earnings level. European Stoxx 600 EPS is beating expectations by 2%, i.e. Stoxx 600 EPS should barely grow in Q4-2025.
7. **Sector changes**– we are becoming more cyclical as we upgrade US industrials to OW and global energy stocks. to neutral.

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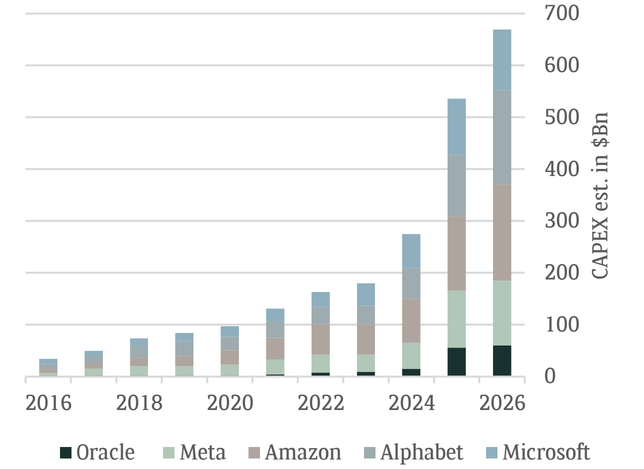
CHART 1: US HYPERSCALER CAPEX CONTINUES TO GROW STRONGLY



Source: BNP Paribas, Bloomberg

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Who needs to be afrAId?

"Disruption is no longer a single or recurring event, but a steady state expanding its impact" **(Roger Spitz)**

2026 seems to mark the turning point of how the market perceives AI. The last three years have been dominated by the "building cycle" as investors embraced ever-growing capex plans from US-hyperscalers. Following updated guidance in 4Q earnings reports, analysts now expect the hyperscalers to spend a combined $660 billion on capex in 2026, $120 billion (22%) above estimates at the start of the earnings season (Chart 1). Those announcements have been met with increasing skepticism which is evident from the lackluster year-to-date performance of the majority of the names (Chart 2). Moreover, the post-earnings share price reaction of US hyperscalers indicates that revenue growth is becoming an increasingly important signal of the perceived ability to monetize the AI investments. Rising capex is no longer a sufficient condition for outperformance (Chart 3).

SaaSmageddon and beyond

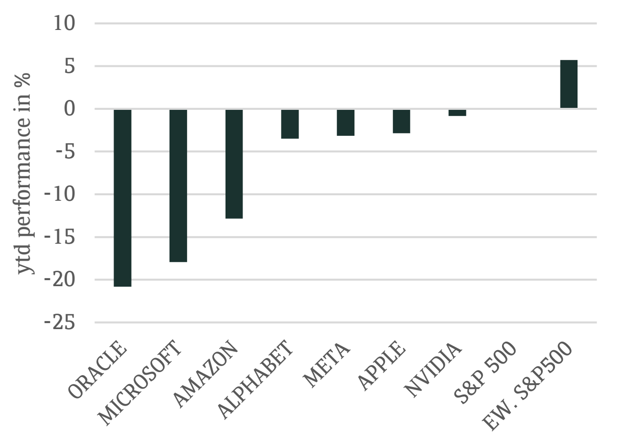
Another trend which gained pace recently is a rising focus on AI disruption risks. Software stocks have been at the center of that focus. After falling 20% ytd, the sector is now close to the post liberation day lows of 2025. The market has introduced long term existential risk to a lot of these names, adding some question marks to the terminal value at the end of the valuation models. It feels as if even if companies can prove that they have resilient moats today, there is little confident those moats will be still around tomorrow. As a consequence, valuation multiples have fallen to the bottom end of their recent ranges, although the analyst growth estimates embedded in those multiples remain elevated. The forward P/E multiple for software has declined from 35x in late 2025 to 22.5x currently, representing the lowest absolute level since 2014 and the smallest premium to the average S&P 500 stock since 2010 (Chart 4) . However, current profit margins register at their highest levels in at least 20 years of data history and sales is expected to grow above average (Chart 5). This suggests a serious risks of negative earnings revisions which would lead to a rising P/E ratio, softening the optically cheapness of the sector.

Beyond software, stocks in data-intensive industries including media, education, and business services, as well as some asset managers have been caught in the crosshairs as well. AI disruption risk is currently top of investors mind, leading to a "sell first, ask questions later" environment.

Rotation towards AI insulation

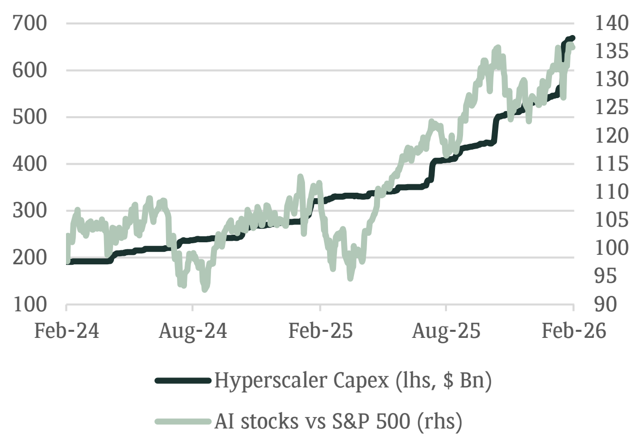
The S&P 500 continues to underperform as the high concentration of tech stocks is now backfiring. With ~33% of the index being concentrated in AI-related stocks which struggle, it´s hard for the index to keep track with the broader market. The same is true for the US-heavy MSCI World (topics we discussed here and here before). If the last three years of this AI cycle were primarily about the build-cycle (i.e., "picks and shovels"), it feels like this year the market has shifted its focus to use cases, productivity, and potential impacts, changes, or disruptions at the application layer. The search for relative insulation or safety has driven an acceleration in the ongoing cyclical rally, supporting companies levered to the "real economy". As a result, AI productivity winners are starting to outperform while perceived laggards are increasingly falling behind (Charts 6 & 7).

CHART 2: US HYPERSCALER & AI RELATED NAMES UNDERPERFORM YTD



Source: BNP Paribas, Bloomberg (Data per 18th Feb. 2026)

CHART 3: CAPEX KEEPS RISING WHILE OUTPERFORMANCE STALLS



Source: BNP Paribas, Bloomberg
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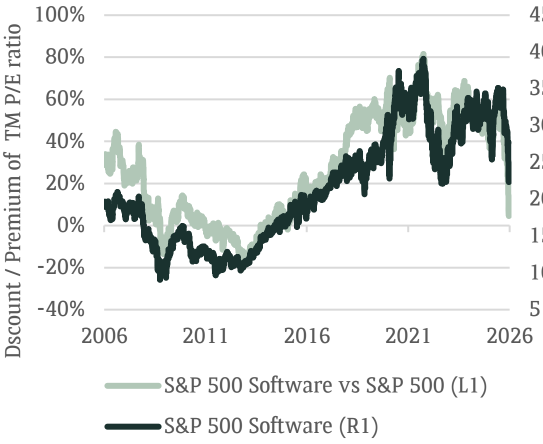
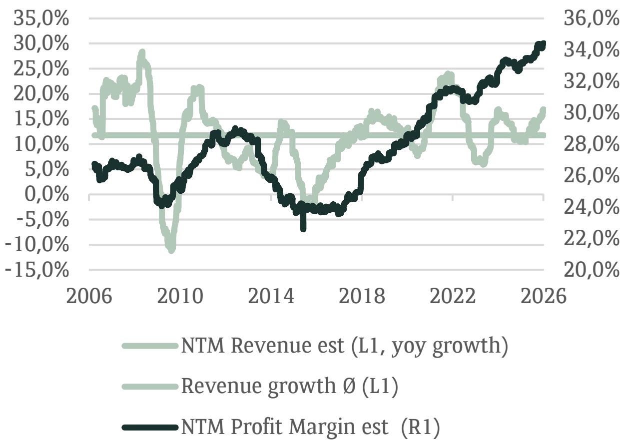
CHART 4: SOFTWARE LOOKS CHEAP, BUT THIS MIGHT BE AN ILLUSION



Source: BNP Paribas, Bloomberg

CHART 5: SOFTWARE MARGIN AND SALES GROWTH EXPECTATIONS REMAIN HIGH



Source: BNP Paribas, Bloomberg

CHART 6: AI ADOPTERS START TO OUTPERFORM

Source: BNP Paribas, Bloomberg

CHART 7: THE UNDERPERFORMANCE OF AI AT-RISK STOCKS ACCELERATED

Source: BNP Paribas, Bloomberg

We feel there are three, partially interconnected, trends at play here: the HALO-Effect, AI related productivity gains and a broader cyclical recovery.

The HALO-Effect of AI

Heavy Asset, Limited Obsolescence "HALO" companies own the scarce, tangible infrastructure that cannot be digitized, automated away, or easily replicated. In a world were AI capabilities become more powerful at lower costs (Chart 8), those asset classes that cannot be "reproduced" by AI could likely experience an increase in value once Transformative AI has been achieved. This includes physical scarcity (e.g. real estate, power assets, metals, infrastructure or intellectual property), network effects (e.g. large technology platforms) or assets solving AI bottlenecks (e.g. data center or semiconductor assets). Another beneficiary could be AI adopters, ideally if they command a certain degree of pricing power.

AI productivity gains

Academic papers are inconclusive about the impact of AI on productivity (Table 1). We do believe though that there are first signs emerging that AI is having a positive impact on adopting companies (Chart 9). At this point in time, the biggest impact seems to be on the cost side (Chart 10), primary driven by time savings (Chart 11). As a result, earnings expectations for AI adopters have recently outperformed the broader market (Chart 12).

A cyclical recovery

The rotation out of technology and AI disruption risk added further fuel to a rotation towards the more cyclical areas of the market. Our economists just upgraded their 2026 GDP growth forecast to 2,9% y/y as the US economy is clearly accelerating. This is driven by rising capex plans outside the hyperscalers (Chart 13) and rising confidence in the business cycle (Chart 14).

Companies with rising capex ratios started to outperform a few months ago (Chart 15). The same is true for capital-intensive vs capital-light industries (Chart 16). This outperformance has more to do with the broadening of the capex cycle in an early cycle backdrop than anything else, though rotation away from areas perceived to be AI-disrupted has played a role recently.

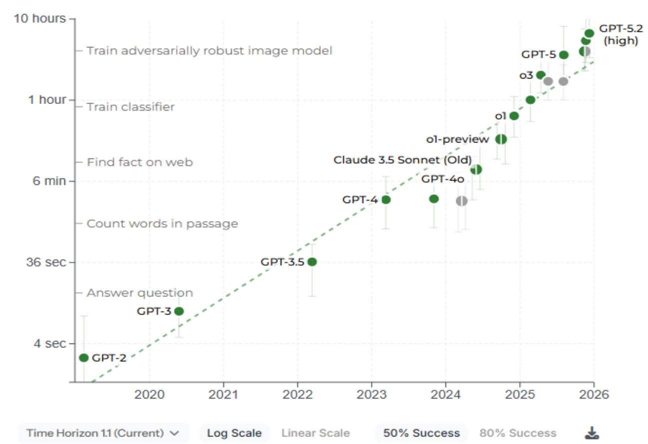
How to play this

The current market reaction seems to include a certain degree of contradiction. If rising AI usage is about to disrupt many industries, shouldn´t hyperscalers be able to monetize their investments? Otherwise, if the investments can´t be monetized, isn´t this pointing towards a lower-than-expected uptake of AI? It feels as if the market is pricing a path of higher usage but falling profitability of AI projects.

While we think that the concerns about the ability of hyperscalers to monetize their AI investments have a certain degree of credibility, we think that the AI disruption fears are in many cases overblown. AI will certainly transform a certain number of industries, but we don´t expect it to be a "kiss of death". Well-established software companies with a high level of integration into their clients' IT-landscape often run their own AI programs. Those companies should be able to benefit from higher AI adoption rates. The same is true for areas like banking or other services. AI will help to reduce costs and improve products and services. Companies with access to proprietary data should be able to monetize this treasure. Thus, we do think that the current situation offers an opportunity to increase the allocation in selected high-quality names which got battered down recently.

More broadly, we remain neutral on the US market as

CHART 8: THE LENGTH OF TASKS AI CAN DO IS DOUBLING EVERY 7 MONTHS



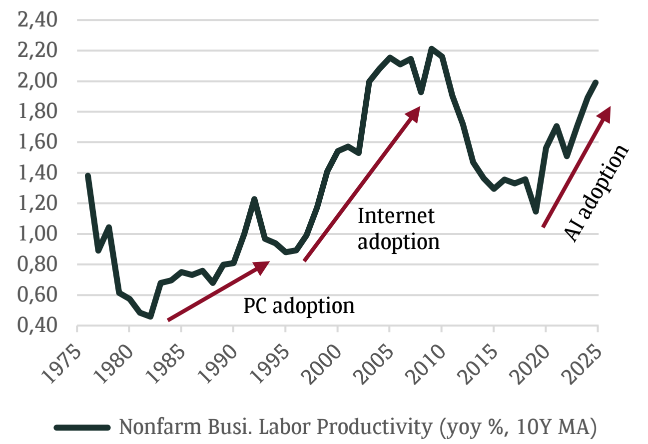
Source: metr

TABLE 1: THE IMPACT OF AI IS WIDELY DISCUSSED IN ACADEMICS

Paper	Annual Productivity / TFP Gain (pp)	Horizon	Cumulative Level Effect	Key Assumptions
Acemoglu (2024)	0.07	10 years	0.7%	Narrow task coverage, slow diffusion, limited reorganization
Penn Wharton Budget Model (2024/25)	0.1–0.2 (peak)	10–20 years	1.5% by 2035; 3% by 2055	Task-based GPT framework, gradual diffusion, conservative adoption
Aghion & Bunel (2024)	0.2–0.4	10–20 years	2–6%	AI as GPT boosting innovation and creative destruction
Baily et al. (2023)	0.5 (peak)	10–15 years	5–10%	Broad diffusion comparable to late-1990s IT boom
Filippucci et al. (2024)	0.2–0.5	15–20 years	3–8%	Firm-level adoption, capital deepening, sectoral reallocation
Bergeaud (2024)	0.3–0.6	10–20 years	6–12%	Reallocation toward frontier firms dominates automation

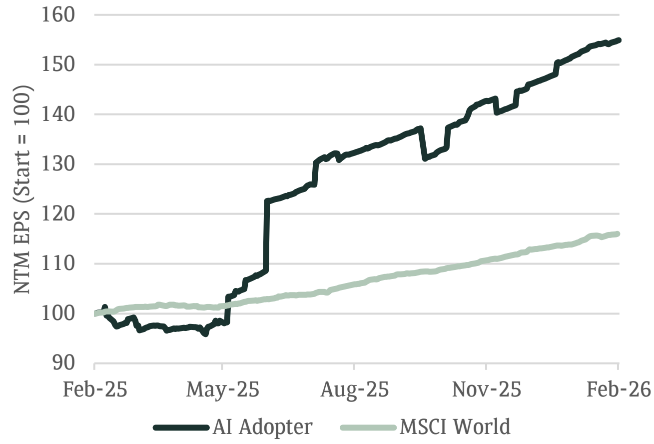
Source: Apollo

CHART 9: SOFTWARE LOOKS CHEAP, BUT THIS MIGHT BE AN ILLUSION



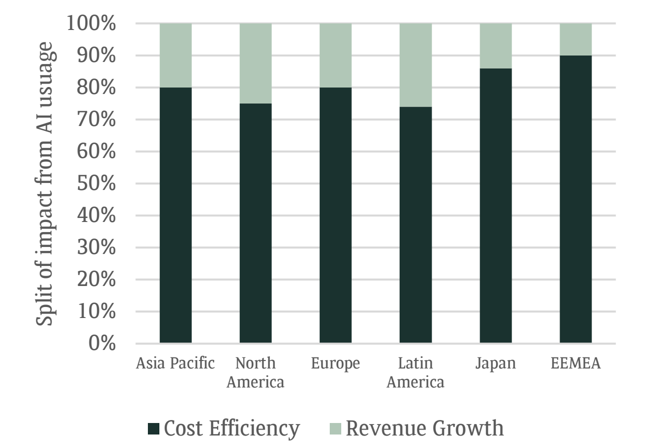
Source: BNP Paribas, Bloomberg

CHART 12: EPS EXPECTATIONS OF AI ADOPTER START TO OUTPERFORM



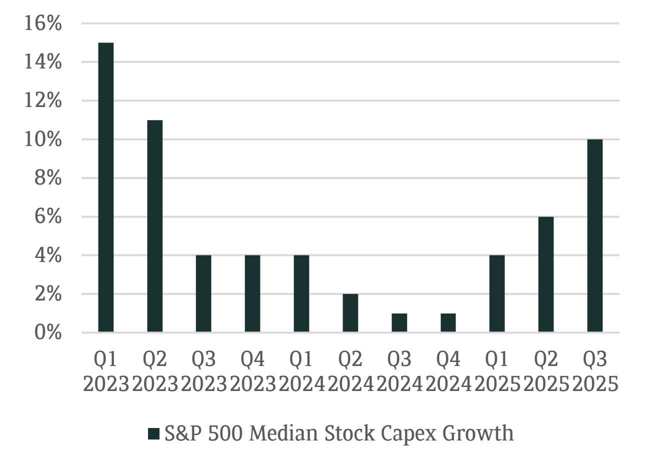
Source: BNP Paribas, Bloomberg

CHART 10: THE MAJORITY OF AI BENEFITS ARE EXPECTED FROM COST SAVINGS



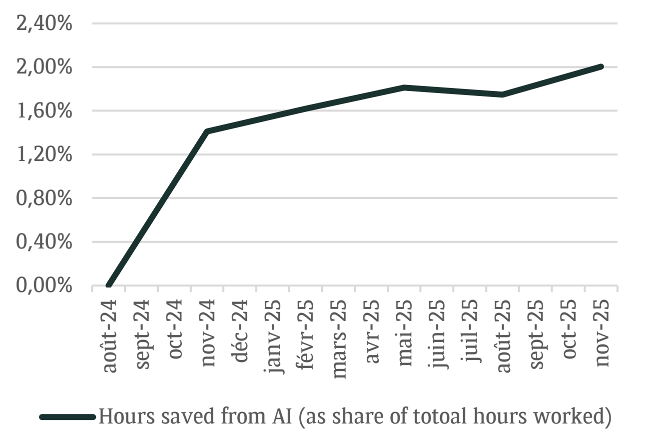
Source: BNP Paribas, Morgan Staley

CHART 13: MEDIAN STOCK CAPEX GROWTH IS ACCELERATING



Source: BNP Paribas, Bloomberg

CHART 11: AI USAGE IS INCREASINGLY USED TO SAVE TIME



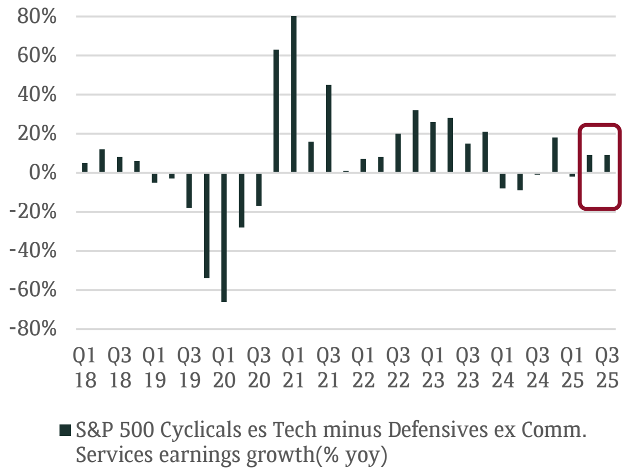
Source: BNP Paribas, Bloomberg

CHART 14: CONFIDENCE IN THE BUSINESS CYCLE IS IMPROVING

Source: BNP Paribas, Bloomberg

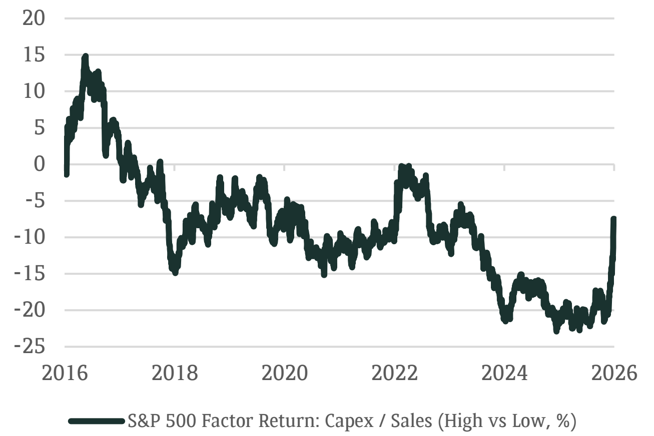
the S&P 500 should continue to struggle from the underperformance of AI heavyweights. Within US equities we prefer cyclical sectors which should enjoy an ongoing tailwind from earnings (Chart 17). Hence, the Dow Jones Industrial Average looks like an interesting play to us in the current environment despite its demanding valuations. Moreover, we still find value in Small & Mid caps (prefer quality via S&P indices and avoid the Russell) as valuations still look reasonably attractive (Chart 18). Moreover, those indices could benefit from an ongoing rotation out of the S&P 500 as even small reallocations would have a meaningful impact (Chart 19).

CHART 17: INCREASING CAPEX IS NOW REWARDED BY THE MARKET



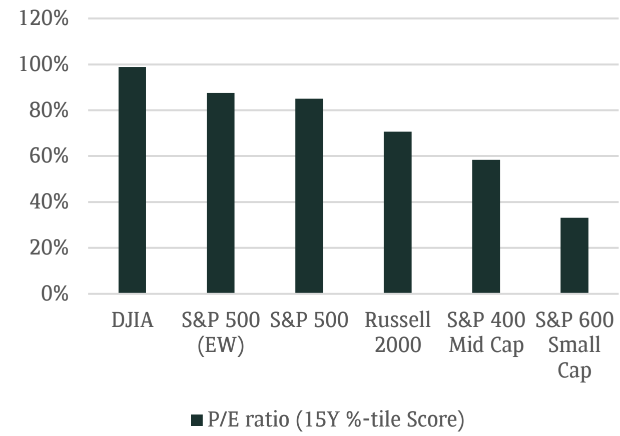
Source: BNP Paribas, Bloomberg

CHART 15: INCREASING CAPEX IS NOW REWARDED BY THE MARKET



Source: BNP Paribas, Bloomberg

CHART 18: S&P SMID CAPS ARE STILL REASONABLY CHEAP

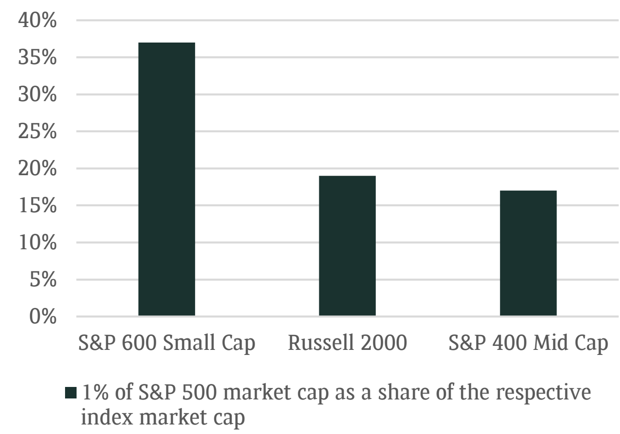


Source: BNP Paribas, Bloomberg

CHART 16: CAPITAL-INTENSIVE STOCKS STOPPED UNDERPERFORMING

Source: Goldman Sachs

CHART 19: SMALL REALLOCATIONS COULD HAVE A BIG IMPACT



Source: BNP Paribas, Bloomberg

Europe – an exceptionally polarized market

"United in diversity" **(Official motto of the European Union)**

Our above consensus forecast for German GDP growth in 2026 (+1.4% vs +1.0%) is mainly driven by the positive impact from German Infrastructure and European defence spending. We see our view confirmed by the strong rebound in new industrial orders. Following the sharp rise that began in November, the December reading reached 13%, the highest rise outside a recession within the last 20 years (Chart 20). Moreover, German household spending intentions continue their slow ascent from the post-COVID lows. While still negative, the reading improved substantially over the last 36 month, reaching its post-COVID high last month (Chart 21).

What keeps our rating for European equities at neutral is our long-held view that earnings for USD-exposed areas of the market might be too high, posing overall risks for the index. We see this view confirmed by the still negative earnings revision (Chart 22) and the growing level of dispersion within the index.

Winners and Losers

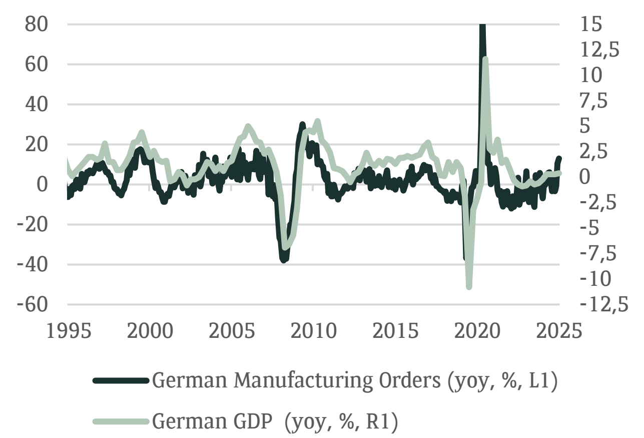
Over the past month, the gap between winners and losers in European equities has been the widest since November 2022. Return dispersion across EU stocks has been higher only 4% of the time over the past 20 years. Even more interesting: It is exceptionally rare to see such a high share of stocks posting sharp advances and steep declines at the same time. 21% of EU stocks have risen by 10% or more over the past month — an 87th-percentile outcome over the 20-year range. Historically, this breadth of strong gains has been associated with a one-month market rally of around +6%, compared with an actual rise of only ~2% in EU equities over the period.

At the same time, 14% of EU stocks have fallen by 10% or more, an 83rd-percentile reading. On average, this degree of downside breadth has coincided with a market decline of roughly -5.5%. The last time Europe experienced such a high proportion of stocks gaining and losing 10%+ at the same time was in Q4 2008. At that point, the economy was beginning to recover from the depths of a recession, even as the financial sector remained under severe stress. Today, we see a recovering economy as well. The headwinds are not coming from banks but from foreign exposure (especially US) and rising competition from China. We reiterate our call to be selective in Europe, favoring domestically-geared exposure benefitting from increasing investments to foster Europe's autonomy.

CHART 21: THE GERMAN CONSUMER CONFIDENCE KEEPS IMPROVING

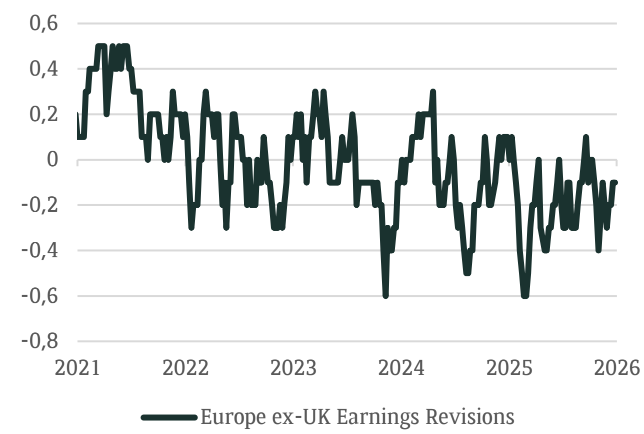
Source: BNP Paribas, Bloomberg

CHART 20: GERMAN MANUFACTURING IS RECOVERING



Source: BNP Paribas, Bloomberg

CHART 22: EARNINGS REVISIONS FOR EUROPE REMAIN NEGATIVE



Source: BNP Paribas, Bloomberg

Acropolis Now!

***"Take courage, my heart: You have been through worse than this."* (Homer)**

Greece has transitioned from the center of the Eurozone crisis to what we now consider one of the most interesting equity transformation stories in the market today. While the MSCI Greece delivered a staggering 60% total return last year, we believe this performance was merely the first phase of a multi-year rerating. Rather than viewing the recent gains as a peak, we see them as the foundation for a structural shift as the country prepares for its return to Developed Market status. The primary catalyst for this positive outlook is the imminent reclassification of the Greek capital market (Table 2). FTSE Russell has confirmed Greece's move to DM status for September 2026, and with STOXX and MSCI also reviewing similar upgrades, the Greek equity story is finally moving onto the radar of a much larger cohort of international investors. While this transition typically involves a rotation of capital, the potential for inflows from global DM managers building new positions is substantial. We believe the fundamental "pull" for these investors remains strong, driven by fundamental drivers and undemanding valuations.

Strong economic growth....

Greece enjoys a robust macro-fiscal framework and is projected to maintain primary surpluses of c. 2.5% through 2027, allowing the government to implement discretionary tax reductions and public-sector pay rises without compromising debt sustainability.

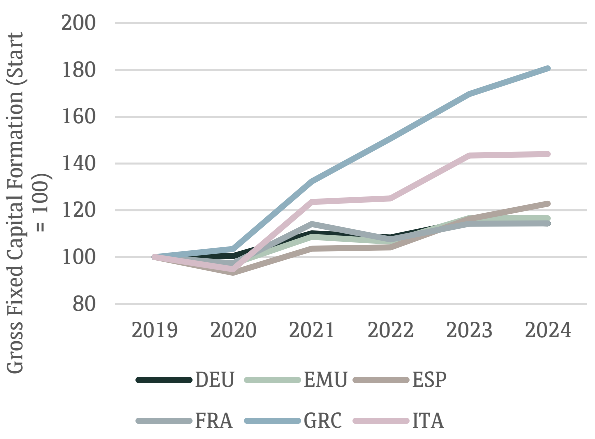
Moreover, investments in Greece has been rising sharply in the post-COVID era (Chart 23), backed by different and healthier drivers than in the expansion phase leading up to 2008 where household-led investment growth dominated. The opposite has been true in the post-pandemic years. From the end of 2019 to Q3 2025, non-financial corporations (NFCs) were responsible for 40% of total investment growth (vs 16% pre GFC). Investment from NFCs has the potential to bring longer lasting effects on potential growth and increase productivity, keeping GDP growth above the eurozone average (Chart 24).

....meets attractive valuations

Despite the momentum seen last year, the Greek market still offers significant room for a valuation catch-up. The P/E ratio looks undemanding and leaves ample room for a further rerating vs. the MSCI Europe (Chart 25), especially as earnings growth remains healthy (Chart 26). The banking sector, representing over three-quarters of the MSCI Greece index, is the engine of this transformation. Greek banks have successfully cleaned up their balance sheets and resumed dividend payouts. And still, their share price performance is substantially lagging the respective earnings growth (Chart 27).

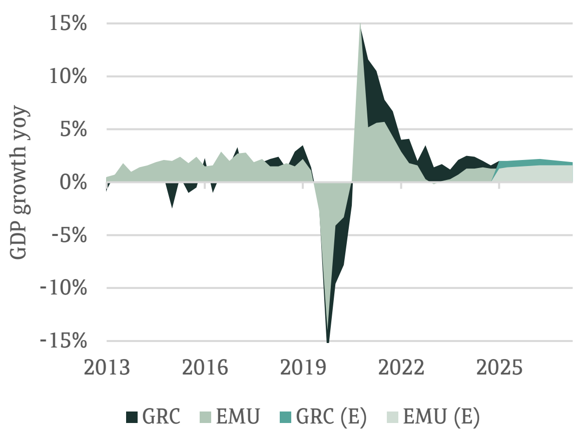
The implied Cost of Equity has compressed to 11.6%, yet the spread against European equities remains wide at c. 490bp — a far cry from the 100bp average seen in the pre-GFC era (Chart 28). This gap is especially notable when compared to sovereign bonds, where Greek 10-year yields have already caught up. Thanks to a Debt-to-GDP Ratio which likely fell below 150% in 2025 (the lowest since 2010), they trade at yields similar to France and Italy (Chart 29). In our view, the equity market is the next logical step in this convergence trade, making it an interesting investment case.

CHART 23: GREECE STRENGTH IN INVESTMENT BEATS MOST EMU COUNTRIES



Source: BNP Paribas, Worldbank

CHART 24: GREECE GDP IS EXPECTED TO KEEP OUTGROWING EUROPE



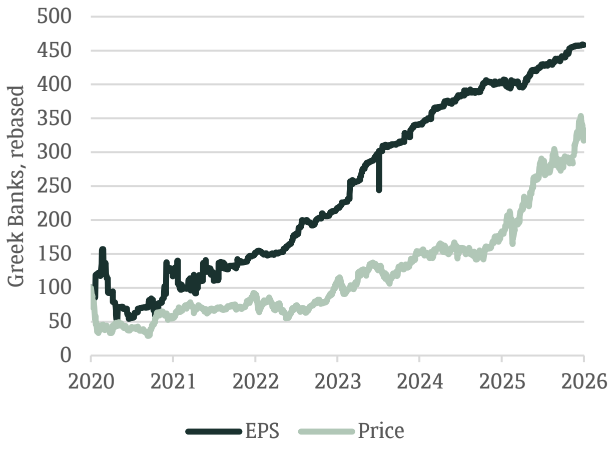
Source: BNP Paribas, Bloomberg

TABLE 2: TIMELINE OF GREEK EQUITIES RETURN TO DM STATUS

Date	Event
24th Jun 25	MSCI announces that Greece meets all DM criteria except for the size and liquidity persistence requirement.
7th Oct 25	FTSE announces its decision to upgrade Greece to DM.
26th Jan 26	MSCI announces the launch of public consultations to consider the reclassification of Greece to DM.
31st Mar 26	MSCI to announce ts decision on whether to upgrade Greece to DM following the consultation process.
Apr 26	STOXX may also announce its decision to reclassify Greece to DM, as the country is currently on its Watch List.
31st Aug 26	MSCI reclassification may come into effect.
21st Sep 26	FTSE reclassification of Greece to DM comes into effect. STOXX reclassification may come into effect, assuming a decision is announced in Apr'26.

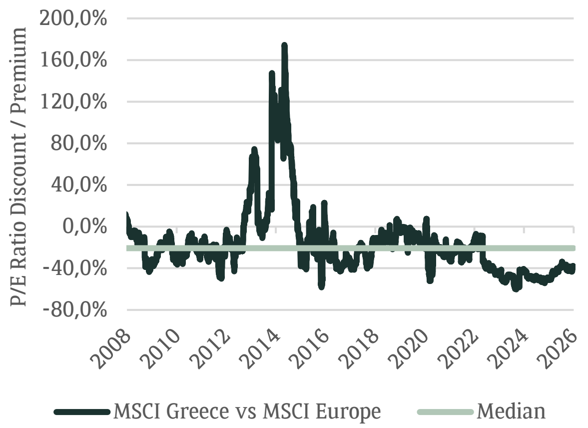
Source: BNP Paribas, Morgan Stanley

CHART 27: GREEK BANKS' PERFORMANCE IS LAGGING PROFITABILITY



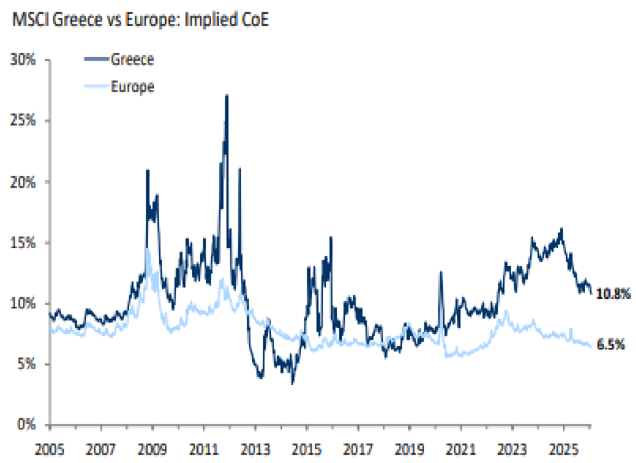
Source: BNP Paribas, Bloomberg

CHART 25: THERE IS AMPLE ROOM FOR A RERATING LEFT



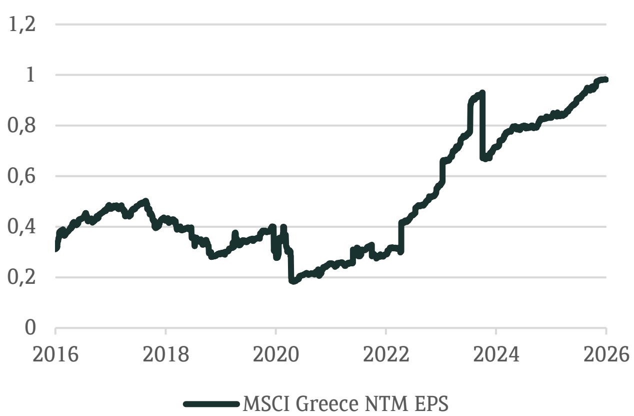
Source: BNP Paribas, Bloomberg

CHART 28: COST OF EQUITY IS STILL SUBSTANTIALLY HIGHER THAN IN EUROPE....



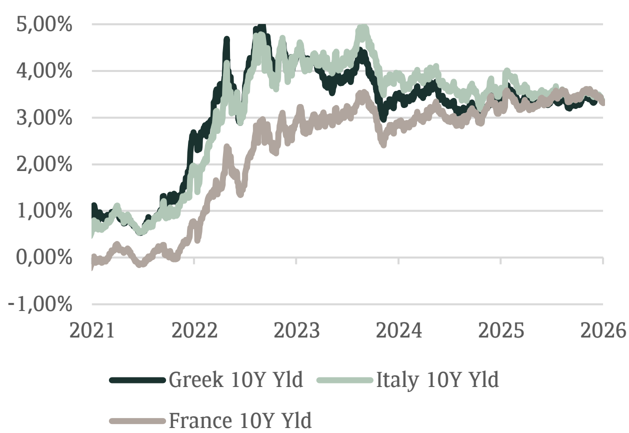
- Source: FactSet, LSEG Data & Analytics and Morgan Stanley Research

CHART 26: EARNINGS EXPECTATIONS KEEP GROWING



Source: BNP Paribas, Bloomberg

CHART 29: ....WHILE THE GOVERNMENT YIELD SPREAD FELL SUBSTANTIALLY



Source: BNP Paribas, Bloomberg

Q4-2025 earnings and 2026 (good) perspectives

Very good results in the US, but with concerns

The market anticipated +8% earnings growth before the corporate results' season. With 75% of results in, it turns out that:

- More than 70% of US companies beat expectations at the earnings level. **S&P 500 Q4-2025 EPS is currently growing at +12% y/y (see table below) but could reach +14% at the end of the reporting season.** It would be a great quarter once again.
- 70% of companies beat at revenues level.
- 55% beat at both levels.
- **Main growth contributor is Big Tech again**, with an impressive +30% earnings growth y/y. This rate is expected to slow in the coming years whereas other sectors' earnings growth is expected to accelerate. Note that huge capex spending announced by some hyperscalers is making investors nervous.
- Financials and Communications services also announced strong results, but it looks priced in.
- On the other hand, **US Industrials' potential looks good (this month, we upgrade them to OW).**
- US small and mid caps have also announced results better than expected but, so far, it is much less impressive than for large caps. However, their earnings growth is expected to accelerate in 2026.

In general, a relatively conservative and realistic guidance seems to have been provided for 2026, when compared with the accelerating US economy.

Nonetheless, +15,4% earnings growth is expected for the MSCI USA index (IBES consensus) in 2026.

European earnings not taking off, but hope remains !

The market anticipated 0% earnings growth before the corporate results' season, and even a negative revenues' growth. European companies have suffered from US tariffs, from the strong EUR and from stiff competition of Chinese exporters reorienting parts of their exports from the US to Europe.

With 50% of results in, it turns out that:

- Slightly more than 50% of companies beat expectations at earnings level. European Stoxx 600 EPS is beating expectations by 2%, i.e. **Stoxx 600 EPS should barely grow in Q4-2025.**
- Without some major disappointments in automobile (i.e. Stellantis) and at one transportation company (Maersk), earnings would grow by +3 to +4%. Some EU bellwethers' forecasts have also disappointed, i.e. LVMH, Rheinmetall and SAP.
- **On the other hand, Banks have been the main contributors to EU earnings growth.** Excluding this sector, European earnings would be in the red.
- Semiconductors, Mining, Communications and Financial services have also reported solid results.

Q1-2026 will see little profit growth in Europe, but this is expected to accelerate later and reach +11% in 2026.

Growth will be fed by the stimulus plans, particularly in Germany. However, anticipations could look optimistic if the EUR were to appreciate further or in case consumer confidence were not to improve in Europe.

Cyclicals and Communications services are expected to be the main earnings growth drivers in 2026.

CHART 30 : ONCE AGAIN, A VERY STRONG EARNINGS SEASON IN THE US

Sector	Earnings YoY%	Sales YoY%
Consumer Discr	-1,2%	5,1%
Consumer Staples	1,8%	5,3%
Energy	2,1%	-0,3%
Financials	9,6%	7,2%
Health Care	-0,1%	10,0%
Industrials	12,1%	7,8%
Technology	30,0%	20,4%
Materials	7,6%	3,0%
Real Estate	1,4%	7,4%
Communic. Serv.	12,9%	10,8%
Utilities	3,9%	3,2%
S&P 500	12,0%	8,5%

Source: FactSet, BNP Paribas, Bank of America, based on 75% of US companies having reported so far.

CHART 31 : EARNINGS GROWTH EXPECTED TO ACCELERATE IN MANY PARTS OF THE WORLD

Source: BNP Paribas Equity Research estimates, DataStream, Bloomberg

US and Europe Sector allocation & review

Becoming more pro-cyclical in the US

The S&P 500 has been quite volatile this year without managing to take off. Beginning of February, it was slightly up. **A big rotation is taking place** from sectors having performed well in 2025 in favour of deep cyclical sectors as well as some 2025 underperformers. Communications services, Financials and Information Technology are now in the red YTD whereas Energy, Materials, Staples and Industrials are leading.

Our call of diversification away form the Mag-7, favouring the S&P 500 Equal weight rather than the usual Market cap weighted S&P 500 is working well and US SMID caps are significantly outperforming.

The US economy is accelerating. Business confidence indicators and new orders are significantly improving, and the earnings season has been solid. These tailwinds, coupled with the fact the US administration will do everything it can to support the economy before November elections **augur well for cyclicals.**

In this context, **we estimate that US industrials have outperforming potential,** considering rising capex spending announced by many companies. We upgrade the sector from Neutral to Overweight. **We also like Mining and some segments of Energy, a sector that we now globally upgrade from UW to Neutral.**

We maintain a cautious stance on consumer-related sectors, as the US recovery is capex driven whereas low-income consumers still lack purchasing power. Besides, **we downgrade Utilities from Overweight to Neutral** as the US administration is considering more regulation, i.e. control on soaring electricity prices in the USA (see next page for more on these changes).

YTD, European equities outperform the US

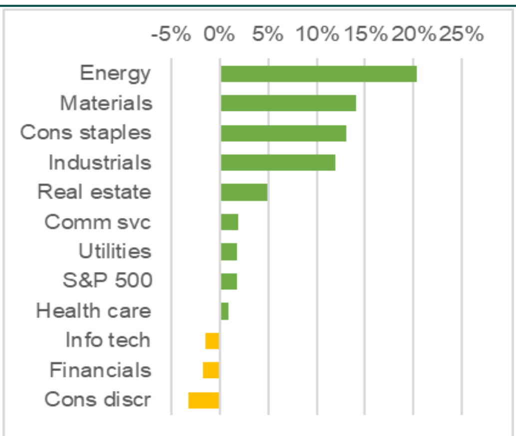
European equities indices are outperforming the US so far in 2026, recording a progress of almost +5% as of early February. This can be explained by the higher economic cycle's sensitivity of the European stock indices and by a lower exposure to technology. Besides, European tech and communications services indices are more exposed to semiconductors and telecom operators, strongly rebounding this year after a subdued performance in 2025.

On top of that, several European sectors are expected to profit from the boost provided by the infrastructure and military stimulus plans destined to enhance the strategic autonomy of Europe. Whereas in 2025, these plans took time to be voted and put in place, in 2026, implementation should start to go full swing. This is obviously a strong tailwind for basic resources, telecoms, energy (that we upgrade from UW to N), utilities, industrials, construction, tech hardware and semis, and even banks that are expected to take a big role in financing various initiatives in this regard.

On the contrary, sectors suffering from intense Chinese competition such as automobile, or those facing potential AI disruption such as media, software and services, and even some parts of insurance and financial services are suffering. Regarding this latter sector, the correction looks exaggerated and some significant opportunistic acquisitions are occurring, cf. Schroders now being taken over by Nuveen.

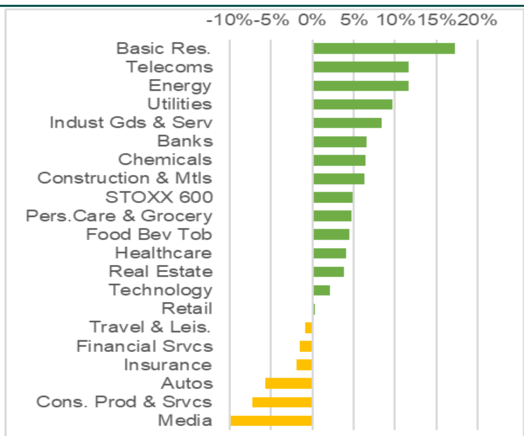
Remember that in both the US and Europe, we view sector rotation as a healthy and bullish signal.

CHART 32: 2026 US SECTOR PERFORMANCE YTD: DEEP CYCLICALS AND STAPLES LEAD; TECH RELATED AND FINANCIALS LAG



Source: S&P 500, 2026 performances as at 9th of February 2026.

CHART 33: 2026 EU SECTOR PERFORMANCE YTD: CYCLICALS & INFRASTRUCTURE RELATED LEAD; DISRUPTED SECTORS POST LOSSES.



Source: Stoxx600, 2026 performances as at 9th of February 2026.

Becoming more pro-cyclical in our sector allocation

Energy upgraded from Underweight to Neutral

Since November 2024, our cautious stance on Energy has proven justified, with the sector underperforming the global index by 5% despite recent recovery.

Geopolitical tensions (e.g., Iran, recent attacks on US vessels, Venezuela) add uncertainty, making a tactical reassessment necessary. While oil & gas majors remain less favored due to oversupply risks, energy infrastructure (LNG terminals, pipelines), equipment, services and European renewables (aligned with strategic energy independence) stay preferred.

In this challenging environment, oil equipment and services deserve renewed attention, supported by:

- Strong Q4-2025 results (now seeking profitability over market share)
- New growth areas supporting results (gas infrastructure, electrification, AI/data centers, etc.)
- Push for diversifying and better controlling energy resources (necessity of new developments).

We globally upgrade Energy from UW to Neutral. Preference for infrastructure, equipment, services, and renewables; be selective with oil majors due to overcapacity and the US preference to keep low fossil energy prices.

US Industrials: upgraded from Neutral to Overweight

The US Industrials sector has been upgraded from Neutral to Overweight (we maintained a neutral rating for roughly a year). During this period, its performance closely tracked the S&P 500.

The US administration's procyclical policies, including incentives for reshoring, local production, and supply chain independence, create a favorable environment.

Tax benefits for companies investing in capital expenditures further strengthen the sector's outlook.

Additionally, defense spending and the boom in AI infrastructure and data center brings lots of opportunities. Rising commodity prices and potential increases in oil exploration also benefit industrials exposed to these areas. Meanwhile, a gradual decline in the USD is expected to enhance the competitiveness of US-based industrial firms.

Recent confidence indicators reinforce this view. The latest manufacturing PMI (52.4) and a surprising jump in the ISM index (52.6, exceeding expectations of 48.5) show recovering confidence.

Despite high valuations and recent performance, we believe US Industrials should outperform thanks to macroeconomic and policy-driven tailwinds. Within cyclicals, we also favor Mining and Energy infrastructure, equipment, and services (cf. supra).

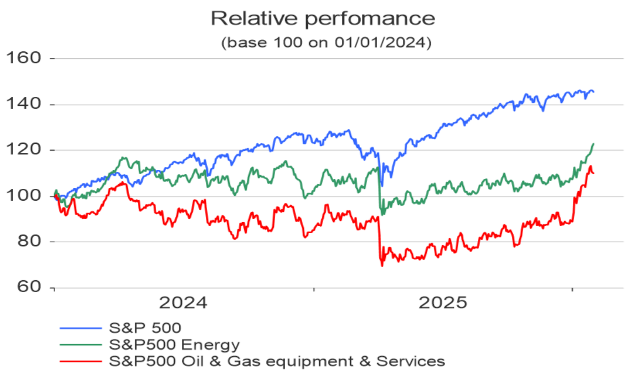
US Utilities: downgraded from Overweight to Neutral

Given the expected US economic acceleration, equity exposure should shift away from defensive sectors. Healthcare remains favored (AI, innovation, weaker USD), while Consumer Staples stay underweight. Note that some (staples) retailers like Walmart are now supported by developments in AI and e-commerce.

US Utilities face regulatory pressures relating to surging energy costs. The risk of further USD weakness or of US bond yields rising (economic recovery, capital outflows) are other headwinds. Valuations are not cheap (P/E = 18.3x). Therefore, we downgrade this US sector from OW to Neutral.

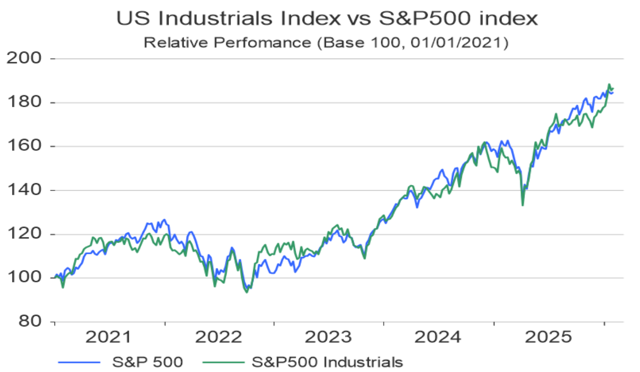
In contrast, European Utilities benefit from big infrastructure plans and lower valuations (P/E around 15x). We maintain a positive stance on these.

CHART 34: AFTER HAVING BEEN PRUDENT IN 2025, WE UPGRADE ENERGY FROM UW TO NEUTRAL (NEW OPPORTUNITIES IN SOME SEGMENTS HAVE APPEARED).



Source: LSEG Datastream, 02/02/2026

CHART 35: US INDUSTRIALS ARE NOW EXPECTED TO OUTPERFORM (ACCELERATING ECONOMY, SUPPORTING POLICIES) AFTER A PERFORMANCE IN LINE WITH THE INDEX.



Source: LSEG Datastream, 30/01/2026

European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Banks			X	6,57%	1,64%	**Valuations still reasonable (avg P/E slightly above 10)**. Balance sheets are solid and profitability is high. EU
Financial Services			X	-1,51%	-6,44%	**Current business looks fine, M&As supportive but concerns have appeared relating to possible AI**
Health Care			X	4,05%	-0,88%	**Defensive compounder with attractive valuations.** This sector should be a key AI beneficiary: expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). **Key risks: weakening USD,**
Industrial Goods & Services			X	8,34%	3,41%	**A main beneficiary of infrastructure, defense spending, data centers construction, renewable energy projects, re-/ nearshoring, and electrification although short term, there are some market frustrations**
Utilities			X	9,73%	4,80%	**European infrastructure spending and energy independence willingness are supporting whereas (green**
Basic Resources		X		17,31%	12,38%	We like and have recommended **energy transition (huge needs due to AI & energy independence) and**
Chemicals		X		6,38%	1,45%	The sector should profit from EU **infrastructure plans**, low energy prices, as well as from some end markets
Construction Materials		X		6,33%	1,40%	**(German) infrastructure spending has been a key catalyst but it seems priced in now.** Rebuilding Ukraine
Cons. Products and Services		X		-7,29%	-12,22%	**Despite higher consumption in Europe, the sector suffers from tariffs and from the strong euro.** Chinese
Energy		X		11,64%	6,71%	Oversupply & US administration policies are capping the upside in oil related. **We like energy infrastructure,**
Insurance		X		-1,91%	-6,84%	Solid and rather defensive sector. **Cash returns attractive but European insurance now looks fully priced** at
Real Estate		X		3,78%	-1,15%	Defensive sector potentially hit by new European expansionary budgets and rising bond yields but now
Retail		X		0,36%	-4,57%	The sector has now found some capital discipline allowing for cash distribution. However, tariffs now putting
Technology		X		2,11%	-2,82%	**Hardware and Semis related to AI have been outperforming whereas some software & services are facing**
Telecommunications		X		11,67%	6,74%	Despite weak top line growth, the industry's **falling capital intensity** driven by the fibre cycle & the sector's
Auto & Parts	X			-5,65%	-10,58%	Automotives still weak due to rising competition with China, high EV investment costs, excess inventories, and
Food, Bev and Tobacco	X			4,53%	-0,40%	**Valuations still high compared with the rest of the market and considering the sluggish earnings growth**
Media Price EUR	X			-9,90%	-14,83%	**AI full impact on business models still unclear but very negative so far. Meta Platforms another threat** as
Personal Care	X			4,80%	-0,13%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**.

Sector (S&P 500 Level 1)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Health Care			X	0,85%	-0,89%	**Defensive compounder with solid earnings in a structually growing market** (e.g. demographics, obesity etc). AI to bring more efficiency gains. Further deregulation could bring extra support. Negotiations with the
Industrials			X	11,98%	10,24%	Re-shoring, reindustrialization, defense, AI and other infrastructure (re)develoment are major tailwinds**. The**
Communication Services		X		1,89%	0,15%	The sector is **dominated by 2 mega tech companies, growing fast, but expensive now**. The rest of the
Consumer Discretionary		X		-3,29%	-5,03%	The sector is **dominated by 2 expensive mega tech companies, facing various issues**. However, their strong exposure to AI, automation and robotics keeps attracting interest. Other names in the sector could
Energy		X		20,32%	18,58%	Oversupply & US administration policies are capping the upside in oil related. **We like energy infrastructure,**
Financials		X		-1,76%	-3,50%	Profits and balance sheets quite solid but **the sector looks fully priced**. Deregulation should be a support but
Information Technology		X		-1,49%	-3,23%	**Trading at premium** vs the market. Strong earnings growth has been supportive. Some sub-sectors such as software and SaaS are however at risk of losing business to AI. Besides, huge capex spending is raising
Materials		X		14,07%	12,33%	Medium term, the sector should benefit from reshoring/ reindustrialization/ lower energy prices. **In the short term, we prefer stocks with exposure to precious and industrial metals as well as energy transition**
Real Estate		X		4,94%	3,20%	Activity is still sluggish in residential RE. New construction activity is still muted. Commercial RE stabilising.
Utilities		X		1,80%	0,06%	**Solid growth in power demand due to AI & electrification but** US utilities are not cheap anymore.
Consumer Staples	X			13,03%	11,29%	**The sector looks fully priced**. Costs have risen due to tariffs. Besides, consumers may continue to "trade down" due to economic uncertainties. However, some names exposed to emerging markets or supposed to

Valuations

TABLE : GLOBAL INDICES

			Forward													Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	vs. ACWI	5yr Z-Score
MSCI ACWI	1043		52,60		1,72	19,82		3,49		1,86		16,46		5,04		n.a.	n.a.
MSCI World	4510		216,30		1,21	20,85		3,77		1,79		16,81		4,80		1,06	
MSCI Emerging Markets	1555		107,61		4,46	14,45		2,24		2,41		14,91		6,92		0,72	
S&P 500	6836		301,76		1,46	22,65		5,11		1,24		20,80		4,41		1,19	
S&P 500 Equal Weighted	8212		432,68		0,76	18,98		3,20		1,89		14,57		5,27		0,95	
Russell 2000	2647		91,03		0,55	29,08		1,66		1,88		4,52		3,44		1,32	
NASDAQ 100	24733		949,23		-2,42	26,06		7,58		0,70		25,81		3,84		1,44	
MSCI USA Growth	30573		548,56		2,33	29,51		11,64		0,38		37,02		1,79		1,77	
MSCI USA Value	16829		235,02		-0,13	18,98		3,48		1,98		16,48		1,40		0,96	
STOXX Europe 600	620		38,10		-0,54	16,21		2,34		3,65		13,79		6,15		0,80	
STOXX Europe Mid 200	656		39,95		0,19	16,40		2,05		3,50		12,47		6,09		0,79	
STOXX Europe Small 200	396		27,45		-1,37	14,38		1,57		3,63		10,75		6,94		0,68	
DAX	24947		1500,88		0,72	16,60		1,98		3,28		11,94		6,02		0,80	
FTSE 100	10470		710,90		-0,89	14,69		2,32		3,30		14,53		6,79		0,73	
CAC 40	8338		485,08		-4,12	17,13		2,10		3,33		11,99		5,82		0,82	
FTSE MIB	45680		3583,34		-7,60	12,68		1,72		5,26		12,27		7,84		0,62	
Nikkei 225	56806		2275,83		-0,69	25,09		2,59		1,57		10,26		4,01		1,19	
Hang Seng	26706		2194,32		0,19	12,11		1,33		3,11		9,52		8,22		0,58	

TABLE : EUROPEAN SECTORS

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Upside to 12M Target Price*	vs. SXXP	5yr Z-Score
STOXX Europe	620		38,10		-0,54	16,21		2,34		3,65		13,79		6,15		10%	1,00	
STOXXE 600 Consumer P&S	366		14,71		-2,47	24,80		3,69		2,22		14,67		4,02		18%	1,54	
STOXXE 600 Energy	152		10,74		-1,49	14,14		1,65		4,09		11,39		7,05		1%	0,85	
STOXXE 600 Food, Bev and Tobacco	199		12,46		-0,49	16,04		2,86		3,68		15,84		6,27		9%	1,02	
STOXXE 600 Personal Care	187		10,94		-1,29	17,11		3,48		3,31		20,43		5,86		1%	1,11	
STOXXE 600 Chemicals	1201		63,09		3,15	19,17		2,06		3,14		11,97		5,25		8%	1,14	
STOXXE 600 Utilities	546		32,35		-0,87	16,92		1,93		3,98		11,22		5,93		-2%	1,02	
STOXXE 600 Banks	361		34,82		1,19	10,15		1,30		5,09		12,92		9,66		9%	0,62	
STOXXE 600 Real Estate	134		7,68		0,51	17,45		0,89		4,41		8,03		5,71		43%	0,99	
STOXXE 600 Technology	838		36,67		5,44	22,89		4,56		1,34		20,72		4,37		31%	1,48	
STOXXE 600 Autom. & Parts	513		46,76		-20,14	11,01		0,64		4,15		5,37		9,11		10%	0,63	
STOXXE 600 Health Care	1213		65,69		-1,26	18,55		4,01		2,58		18,38		5,42		7%	1,22	
STOXXE 600 Financial Services	879		64,54		3,20	13,47		1,61		3,00		10,68		7,34		19%	0,81	
STOXXE 600 Insurance	490		39,63		-0,32	12,24		2,20		6,02		19,42		8,09		9%	0,78	
STOXXE 600 Telcos	297		18,02		-1,64	16,35		1,85		3,74		9,32		6,08		2%	0,98	
STOXXE 600 Media	353		29,56		-0,23	12,04		1,83		3,73		12,80		8,37		69%	0,75	
STOXXE 600 Ind. Goods & Services	1152		47,09		-0,07	24,41		4,44		4,05		16,62		4,09		9%	1,56	
STOXXE 600 Constrn & Materials	891		46,44		-2,11	19,12		2,67		2,51		13,83		5,21		7%	1,18	
STOXXE 600 Basic Resources	781		48,34		6,62	16,34		1,88		3,17		11,14		6,19		1%	0,98	
STOXXE 600 Retail	485		28,91		0,03	16,74		3,06		3,44		19,24		5,96		10%	1,07	
STOXXE 600 Travel & Leisure	274		25,15		-1,76	10,79		2,82		3,30		24,49		9,16		13%	0,73	

*BBG consensus, NOT an official BNP target price

TABLE : US SECTORS

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Potential Upside to 12M Target Price*	vs. S&P 500	5yr Z-Score
S&P 500	6836		301,76		1,46	22,65		5,11		1,24		20,80		4,41		20%	1,00	
S&P 500 Consumer Discretionary	1832		69,61		-1,02	26,32		8,20		0,69		25,13		3,80		19%	1,24	
S&P 500 Consumer Staples	1000		40,47		-0,14	24,70		7,18		2,29		27,67		4,05		2%	1,15	
S&P 500 Energy	834		40,37		-2,87	20,66		2,29		2,94		11,16		4,84		1%	0,83	
S&P 500 Financials	858		55,33		0,04	15,50		2,12		1,89		13,27		6,45		18%	0,63	
S&P 500 Health Care	1836		95,78		-0,03	19,17		4,53		1,72		20,11		5,22		12%	0,85	
S&P 500 Industrials	1474		54,73		-0,62	26,93		6,69		1,24		24,02		3,71		6%	1,21	
S&P 500 Information Technology	5403		210,02		2,97	25,72		10,35		0,57		37,35		3,89		32%	1,30	
S&P 500 Materials	670		30,60		0,80	21,88		3,18		1,56		13,97		4,57		5%	0,90	
S&P 500 Real Estate	276		5,97		-0,02	46,28		3,20		3,26		8,75		2,16		8%	1,78	
S&P 500 Communication Services	441		21,32		1,15	20,69		4,56		0,75		20,74		4,83		24%	0,91	
S&P 500 Utilities	472		24,52		-0,64	19,23		2,44		2,72		12,37		5,20		5%	0,78	

*BBG consensus, NOT an official BNP target price

Source: BNP Paribas, Bloomberg

Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Date: 16 February 2026

Our key convictions at a glance

		USA	Europe	Japan	Emerging Markets
Relative view*		Neutral	Neutral	Overweight	Overweight
What we (especially) like		Energy Infrastructure, Equipment & Services	European banks SMID caps UK	Select foreign (US) exposed larger caps, including AI beneficiaries Domestically exposed names benefiting from wage gains or GDP growth (including SMIDS) Financials	China, India, Singapore
What we don´t (really) like		Certain expensive US mega caps with limited exposure to AI related growth or potentially loosing business to AI (cf. certain SaaS)	Exporters		Thailand
Preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth	Strategic Autonomy (with selectivity)	Governance Reform achievers	Chinese tech Chinese high dividend plays (banks, telecom)
	Global Basis	Precious and energy transition metal miners Innovation in Healthcare Utilities			

* Relative view: against your benchmark

Economic, FX forecast tables

Revising up 2026 US GDP projections

BNP Paribas Forecasts

GDP Growth %	2025	2026	2026-Bloomberg Consensus	2027	2027-Bloomberg Consensus
United States	2.3	2.9	2.4	1.8	2.0
Japan	1.2	0.7	0.8	0.8	0.9
United Kingdom	1.4	1.1	1.0	1.3	1.4
Switzerland	1.4	1.0	1.3	1.6	1.5
Eurozone	**1.5**	**1.6**	**1.2**	**1.6**	**1.4**
Germany	0.3	1.4	1.0	1.5	1.5
France	0.8	1.1	1.0	1.3	1.1
Italy	0.6	1.0	0.7	0.9	0.9
Emerging					
China	5.0	4.7	4.5	4.5	4.4
India**	6.8	6.5	7.5	6.6	6.6
Brazil	2.2	1.8	1.8	1.4	2.0

** Fiscal year

Source : BNP Paribas, Bloomberg - 26/01/2026

Less downside for US inflation

BNP Paribas Forecasts

CPI Inflation %	2025	2026	2026-Bloomberg Consensus	2027	2027-Bloomberg Consensus
United States	2.7	2.7	2.7	2.7	2.4
Japan	3.1	2.0	1.9	2.5	2.0
United Kingdom	3.4	2.4	2.4	2.2	2.1
Switzerland	0.2	0.4	0.4	0.7	0.7
Eurozone	**2.1**	**1.9**	**1.8**	**2.3**	**2.0**
Germany	2.2	1.6	2.0	2.3	2.1
France	1.0	1.1	1.3	1.5	1.7
Italy	1.7	1.5	1.3	1.9	1.8
Emerging					
China	0.1	0.9	0.7	1.0	1.0
India*	2.4	4.1	2.0	4.3	4.0
Brazil	5.0	3.8	4.0	3.8	3.9

* Fiscal year

Source : BNP Paribas, Bloomberg - 26/01/2026

FX FORECASTS EUR

	Country		Spot 28/01/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.19	Neutral	1.18	Negative	1.24
	United Kingdom	EUR / GBP	0.87	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	183.33	Positive	179	Neutral	184
	Switzerland	EUR / CHF	0.92	Negative	0.94	Negative	0.94
	Australia	EUR / AUD	1.71	Negative	1.79	Negative	1.82
	New-Zealand	EUR / NZD	1.98	Neutral	1.97	Negative	2.07
	Canada	EUR / CAD	1.62	Neutral	1.63	Negative	1.67
	Sweden	EUR / SEK	10.58	Negative	10.80	Neutral	10.60
	Norway	EUR / NOK	11.50	Neutral	11.60	Neutral	11.30
Asia	China	EUR / CNY	8.30	Neutral	8.26	Negative	8.68
	India	EUR / INR	109.63	Positive	106.20	Neutral	111.60
Latam	Brazil	EUR / BRL	6.22	Negative	6.37	Negative	7.07
	Mexico	EUR / MXN	20.56	Negative	21.24	Negative	22.63

Source: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 28/01/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.19	Neutral	1.18	Positive	1.24
	United Kingdom	GBP / USD	1.38	Neutral	1.36	Positive	1.43
	Japan	USD / JPY	153.49	Neutral	152.00	Positive	148.00
	Switzerland	USD / CHF	0.77	Negative	0.80	Neutral	0.76
	Australia	AUD / USD	0.70	Negative	0.66	Negative	0.68
	New-Zealand	NZD / USD	0.60	Neutral	0.60	Neutral	0.60
	Canada	USD / CAD	1.36	Neutral	1.38	Neutral	1.35
Asia	China	USD / CNY	6.95	Neutral	7.00	Neutral	7.00
	India	USD / INR	91.79	Neutral	90.00	Neutral	90.00
Latam	Brazil	USD / BRL	5.21	Negative	5.40	Negative	5.70
	Mexico	USD / MXN	17.22	Negative	18.00	Negative	18.25
EMEA	South Africa	USD / ZAR	15.91	Negative	16.50	Neutral	16.00
	USD Index	DXY	96.45	Neutral	97.58	Negative	93.31

Source: BNP Paribas, LSEG

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