JULY 2026

# Equity Focus

## Back to Basics: Rebalance and Diversify your Portfolio

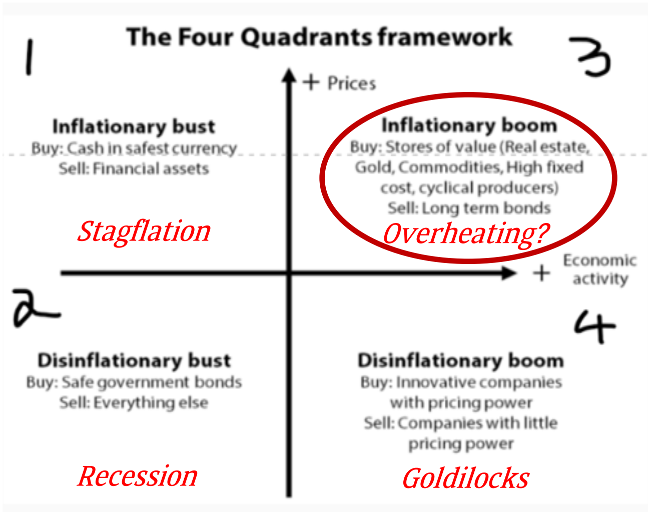

## Summary

1. **Relief for Consumers as Hormuz Strait Tensions Ease:** though many underlying questions remain unresolved and sporadic skirmishes persist. Oil prices plummeted in June from over USD90 per barrel to USD72, triggering a drop in fuel costs at the pump. As a result, consumers can now reallocate spending to other areas.
2. **Resilient US economy defying expectations:** Despite earlier pressure from rising energy prices, the US economy continues to outperform forecasts. Job growth remains robust, and strong capital expenditure is sustaining GDP expansion.
3. **Inflation and Monetary Policy Shifts:** While lower energy prices have eased inflationary concerns, other factors—including a tight labor market and supply constraints (particularly in semiconductors and tech hardware, driven by the AI boom)—are fueling price pressures. Consequently, market expectations for US interest rates have shifted: rate cuts are now unlikely, with anticipation growing for potential tightening by late 2026 (possible overheating, cf. chart 1).
4. **US and tech volatility:** High US equity valuations, uncertainty over AI monetization - particularly for hyperscalers - and potential shifts in monetary policy are contributing to market volatility, particularly in the tech sector. Symbol of this nervousness: OpenAI has decided to postpone its planned IPO.
5. **Summer often an opportune moment to rebalance portfolios:** While US (technological) innovation and entrepreneurship are expected to remain dominant for years, **tactically, we recommend to rebalance geographic and sector exposure.** Revisit relatively cheaper areas of the market such as global SMID caps, Japan, Europe and Emerging markets.
6. **Sector preferences: We favor value and cyclical sectors, with a particular focus on European banks, (OW)** which align well with our current outlook—especially as the sector index has recently broken out. Global Health care (OW) and Industrials (OW) also show signs of improvement after lagging.


## Contents



**CHART 1 : THE 4 PHASES OF THE BUSINESS CYCLE : IN AN INFLATIONARY BOOM TODAY**




*Source: Evergreen Gavekal, BNP Paribas*


Alain Gérard, MSc, MBA

Senior Investment Advisor, equities
BNP Paribas Wealth Management


# Back to Basics: Rebalance and Diversify your Portfolio

**After driving the equity markets higher for months, technology and the AI trade are taking a breather.**

After months of tensions in the Middle East, a focus on AI, and following SpaceX's stock market launch, markets are attempting a soft landing and returning to investment fundamentals: diversification.

## Relative easing in the Middle East reshuffles market dynamics

In mid-June, the United States and Iran finalized a ceasefire agreement, ending months of extreme tensions. While key issues—such as Iran's nuclear program, the full reopening of the Strait of Hormuz, and Lebanon's stability—remain unresolved (chart 2) and localized incidents persist, their intensity has significantly decreased since the March-April peaks.

This outcome, which aligned with our earlier analysis, was inevitable given the unsustainable energy crisis for many countries—particularly the United States. As early as June, we had advised a tactical reduction in exposure to fossil fuels in anticipation of this shift.

The agreement's materialization brings relief to oil-importing nations and consumers, whose purchasing power is recovering as energy prices decline. The drop in June was especially sharp: Brent crude oil plummeted from levels above USD90 per barrel to around USD72 today (chart 3).

## Complicated situation for the USA

At the outset of the conflict, the United States appeared all-powerful. Self-sufficiency in oil, abundant reserves, and the world's strongest military were supposed to ensure a swift and easy victory. Yet, Iran's resistance caught many off guard.

Additionally, the closure of the Strait of Hormuz, an unusually resilient U.S. economy — with historically low unemployment — and sharp price increases in key AI-related components reignited inflationary pressures. These developments erased hopes of interest rate cuts in 2026, with many economists now anticipating that the Federal Reserve may even need to raise rates by late 2026 or early 2027.

This shift has somewhat reinforced the dollar, accelerating the decline in USD commodity prices.

## AI trade Shows Signs of Slowing

Amid global economic pressure fueled by Middle East tensions, investors had flocked to AI-related companies, which had delivered dazzling results. However, questions are now emerging about the profitability of certain U.S. AI models — particularly their high operational costs compared to Chinese alternatives. A telling sign of this reassessment: OpenAI (developer of ChatGPT) postponed its IPO, as its current valuation might no longer be worth the $1 trillion target initially set by Sam Altman. This comes as SpaceX, after a triumphant market debut (with shares surging from $135 to $225 in days), saw its stock retreat to $157,5 (1st of July).

The AI revolution still has strong long-term potential, and investments in companies supplying critical infrastructure remain promising. However, AI's hosts - the hyperscalers (Alphabet, Amazon, Meta, Microsoft, etc.) - are under strain (chart 4). Their massive investments have yet to translate into clear profitability.

**CHART 2: NORMALIZATION IN THE STRAIT OF HORMUZ STILL A LONG WAY TO GO**

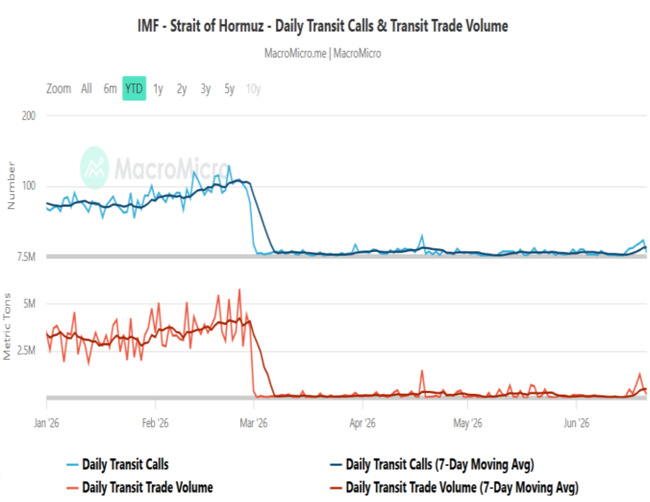
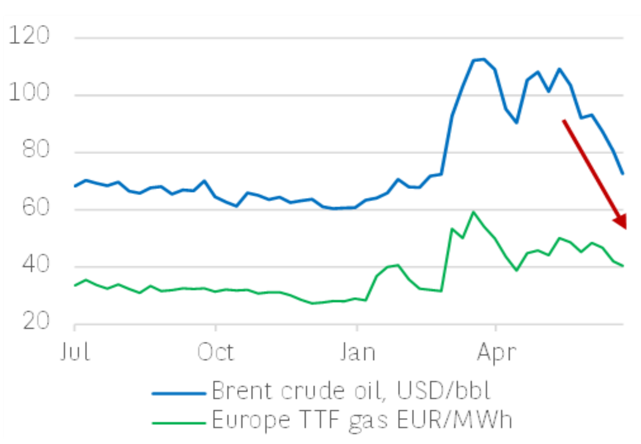



**CHART 3: CRUDE OIL PRICES CLOSE TO PRE-CONFLICT LEVEL**




*Source: BNP Paribas, Bloomberg*

While semiconductor firms keep raising prices and profits, their customers face growing challenges. Consequently, Apple and Microsoft are hiking prices on certain products to protect margins, but such increases risk dampening sales.

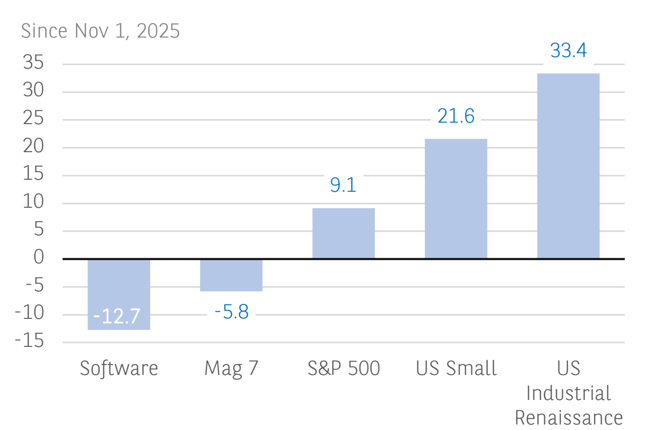
### Diversification Across Asset Classes, Regions, and Sectors

The decline in energy and commodity prices, combined with a stronger U.S. dollar, creates a favorable environment for Asian and European economies—traditionally net importers of fossil fuels and exporters of goods and services. This context provides an opportunity to rebalance portfolios toward these regions while optimizing diversification across equities, bonds, and alternative investments.

The rebound in purchasing power is boosting consumption (chart 5), particularly in travel, leisure, and high-end luxury sectors. A healthier economy also benefits the financial sector, especially European banks. We have long highlighted this sector due to its restored growth, strong profitability, and still-attractive valuations (forward P/E around 10 - cf. chart 6). The positive impact of Europe's stimulus plans (infrastructure and defense) appears underestimated, as does AI's contribution to productivity. Today, we estimate 17% upside potential for European banks. A P/E ratio around 11.5x would be more appropriate in the current economic environment. Technically, the sector index has recently broken out (chart 7).

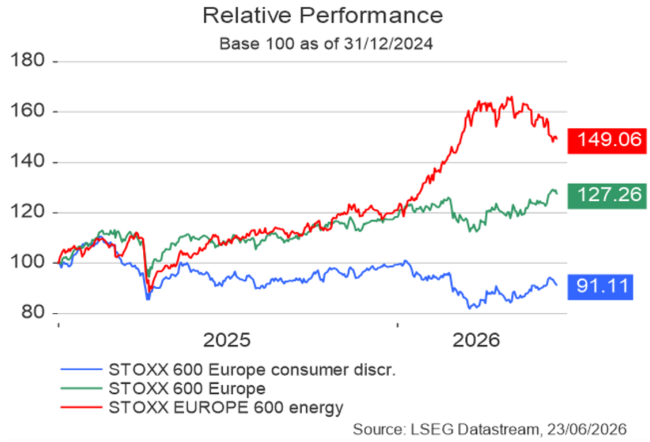
More broadly, tomorrow's winning companies will often be those that successfully integrate AI into their operations. Next to Financials, Pharmaceuticals – Biotechnology in particular - and Industrials are also well-positioned to benefit from AI advancements.

### CHART 4 : US MARKET ROTATION : AWAY FROM SOFTWARE AND MAG 7

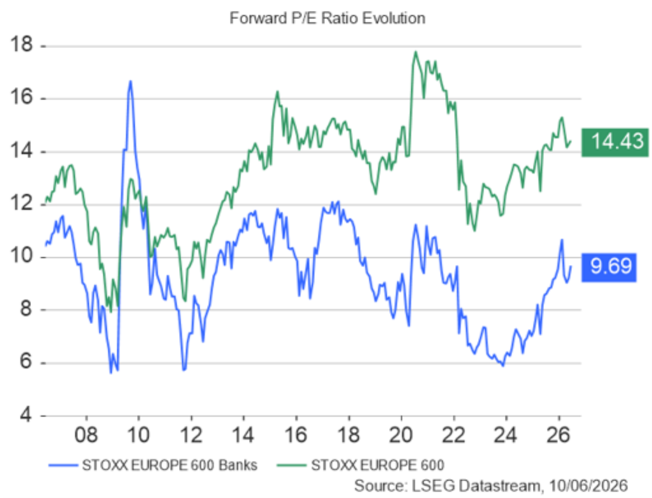



*Source: BNP Paribas, Bloomberg*

### CHART 5 : ENERGY (OIL & GAS) SECTOR FALLING WHEREAS EUROPEAN CONSUMER DISCRETIONARY TRYING TO RECOVER




### CHART 6 : EUROPEAN BANKS UNDERVALUED AT AN AVG P/E RATIO UNDER 10




### CHART 7 : EUROPEAN BANKS BREAKING OUT, A POSITIVE SIGNAL !

# US and Europe Equity Performances and Sector Preferences

### US equities: Significant Sector Rotation in June

The first half of 2026 was marked by volatility due to the Middle East crisis. Investors sought to hedge their portfolios by increasing exposure to Energy—a move we had also recommended. In early June, as it became evident that the conflict was unsustainable for many countries, we advised reducing Oil & gas allocations, anticipating the mid-June US-Iran agreement.

Beyond Energy, in H1-26, investors favored sectors and stocks tied to AI (cf. chart 8) amid stagflationary risks, prioritizing growth certainty. Supported by strong earnings, these equities significantly outperformed during the peak of the conflict. However, in June, both Energy (-5.1%) and Technology (Nasdaq: -3%) underperformed sharply, ending the month in negative territory despite a late-month rebound.

By contrast, our preferred sectors - Healthcare (+7.2%) and Industrials (+6.5%) - delivered the strongest returns in June. In our previous Equity Focus, we had highlighted these sectors, particularly their impending technical breakout, confirmed in the case of Biotechnology and Industrials (chart 9). US Financials, which we upgraded in June to neutral, also performed well, finishing third (+4.2%).

Meanwhile, the S&P 500 consolidated (-1.1%) after a strong start to 2026, finally closing the first half with a 9.55% gain.

Infrastructure-related sectors, especially those exposed to AI (a key 2026 theme we recommended), remain among the top performers.

Given expectations of heightened summer volatility, we recommend:

- buying on dips while trimming oversized positions to manage risk;
- rebalancing and diversification.

Another sign of the rotation/ diversification that investors are seeking nowadays is the outperformance of small and mid caps in H1-2026.

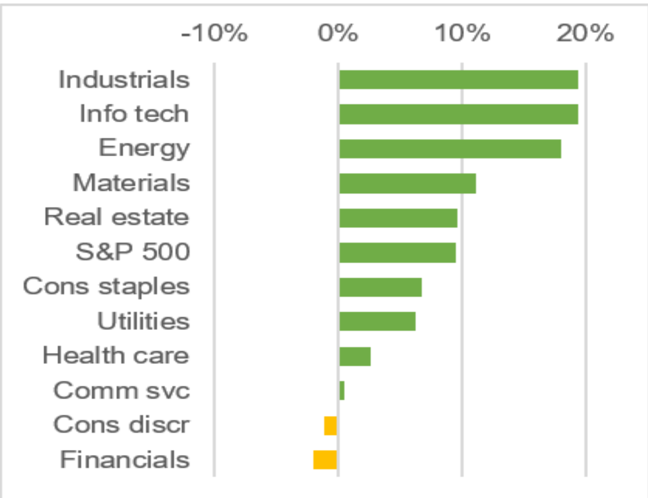
### Europe outperformed in June

As we had expected, European equities rebounded in June (Stoxx 600: +2,5%), outperforming their US counterparts. Note however that the euro lost 2% against the USD over the month.

Sector performance further validated our outlook, with a recovery of consumer discretionary sectors such as travel & leisure (+7,2%), retail (+3,7%), consumer products and services (+2,1%). That said, challenges persisted in Autos (-9.3%), weighed down by warnings from major players like BMW, and in Media (-1.2%). Next to Travel & leisure, Banks (+6,3%) and Insurance (+6,4%) finished on the podium of June's European performances. Healthcare was just behind.

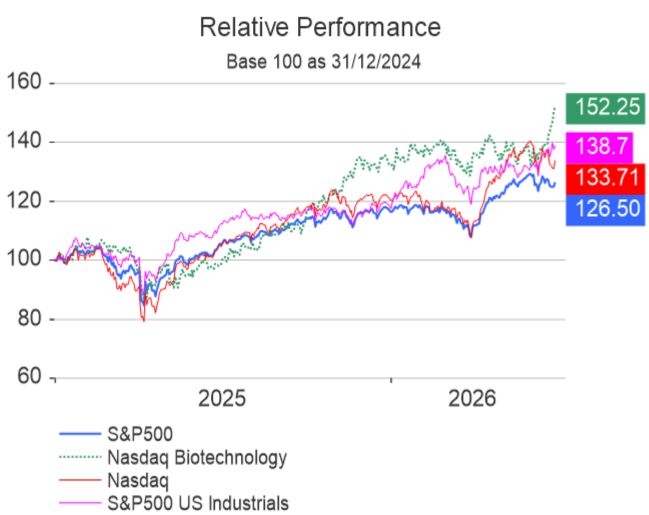
The most pronounced decline came from Telecoms (-10.3%), driven by Deutsche Telekom's 17% drop after SpaceX signaled potential entry into the US mobile market—a significant risk given T-Mobile's exposure. Elsewhere, investors continued to rotate out of early-year winners, taking profits in sectors like Basic Resources and Energy, which ended June in negative territory, but remain among the best performers year-to-date.

**CHART 8 : US SECTOR PERFORMANCE (H1-26): INDUSTRIALS AND INFO TECH NOW LEADING; FINANCIALS, CONSUMER DISCR. & COMMUNICATION SVC AT THE BOTTOM.**




*Source: S&P 500, 2026 performances as at 30th of June 2026.*

**CHART 9 : NASDAQ BIOTECHNOLOGY INDEX BREAKING OUT, AS WELL AS US INDUSTRIALS. BOTH SECTORS HAVE BEEN AMONG OUR FAVOURITES FOR A LONG TIME.**




Source: LSEG Datastream, 29/06/2026

A key contrast with the US market is the strong outperformance of European tech in June, with the sector rising by 4.8%. While US technology remains dominated by hyperscalers—which faced significant corrections—European tech is driven by semiconductors, particularly equipment manufacturers critical to chip production.

The standout performer in this space is ASML, which alone accounts for 30% of the Stoxx 600 Technology index. Combined with other semiconductor stocks, this subsector represents more than half of the index — and demand remains robust. This structural difference explains why European Tech has outperformed US Tech.

In H1-26, best-performing sectors were those essential to the AI infrastructure build up as well as Energy, Banks and Chemicals (chart 10). Conversely, consumer-related sectors—which we have long viewed with caution—have underperformed YTD.

### Sector preferences

In the short term, uncertainties surrounding AI may persist. We will be closely monitoring half-year earnings releases in July-August, particularly from hyperscalers, for further insights. Meanwhile, we recommend ensuring portfolios remain sufficiently diversified.

**The current environment remains favorable for our preferred sectors, many of which have recently broken out—including Global Industrials, Global Pharma/Biotech, and European Banks. Others, such as EU Utilities, appear poised for similar momentum. So that we are confident in our sector positioning for the coming months.** Over the medium term, we also see strong potential in Infrastructure, as well as the Metals & Mining sector.

### Q2-26 Earnings Outlook

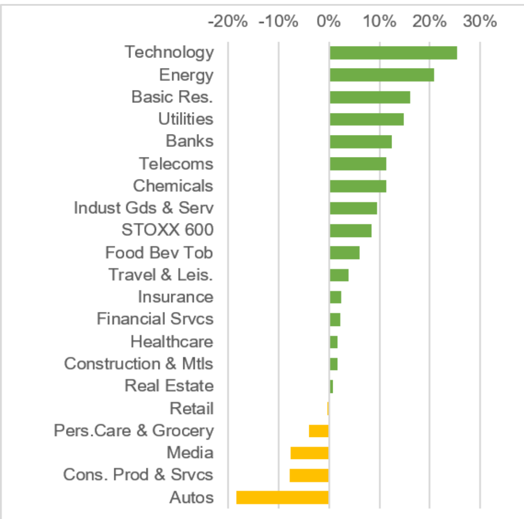
While developed market valuations remain relatively elevated, they are supported by a supportive economic backdrop. With no major macroeconomic or monetary shocks anticipated —though some policy adjustments may occur— earnings growth is poised to be the primary market driver in the coming months. As illustrated in Chart 11, earnings have continued to reach new highs, reinforcing the bullish trend and justifying the recent record levels in major equity indices.

Mid-July marks the start of half-year earnings releases, following an exceptional Q1-2026 performance in the US, where earnings grew by nearly 30% (or +18% excluding one-off gains, among others from hyperscalers' investments in Anthropic and SpaceX). **For Q2-2026, analysts' consensus forecasts +22% earnings growth in the US. Hyperscalers' results, and their cash flows in particular, will be closely scrutinized, given their pivotal role in both the AI-driven capex boom and overall US earnings growth.**

Among outperformers, Energy and Basic resources have benefited from elevated commodity prices. This tailwind is reversing now, acting as a potential drag on Q3 earnings. This dynamic is particularly critical for Europe, where these sectors contributed significantly to the 6% earnings growth in Q1-2026. For now, these remain key drivers of the +11.3% EU earnings growth forecast for Q2.

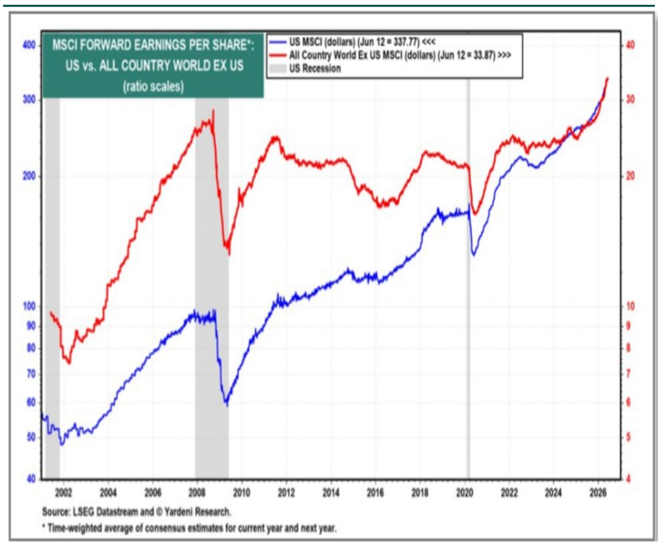
In contrast, Consumer-related sectors and Health care have faced challenging conditions, but we anticipate improvement. Meanwhile, Banks and Financials continue to demonstrate strong fundamentals, making their forward-looking guidance for the remainder of 2026 a key focus of our analysis.

**CHART 10 : EU SECTOR PERFORMANCE (H1-26): (AI) INFRASTRUCTURE RELATED SECTORS, ENERGY & BANKS LEAD; DISRUPTED SECTORS, EXPORTERS & DEFENSIVES LAG**




*Source: Stoxx600, 2026 performances as at 30th of June 2026.*

**CHART 11 : EARNINGS DRIVING THE BULL MARKET AS BEING CONSISTENTLY REVISED UPWARD THIS YEAR; Q2-26 RESULTS EXPECTED TO PROVIDE SUPPORT**



# European and US Sectors in a nutshell

| Sector (STOXX Europe 600) | View UW | View N | View OW | YTD (30 June) | Out/ underperf. vs index | Our view at a glance |
|---|---|---|---|---|---|---|
| Banks | | | X | 12,51% | 4,14% | **Cheap valuations** (avg P/E <10). Balance sheets are solid and profitability is still improving. New business opportunities. Stagflation and private credit risks are diminishing. |
| Health Care | | | X | 1,72% | -6,65% | **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, tariffs. Negotiations with the US administration (lowering drug prices, etc) look more constructive now.** |
| Industrial Goods & Services | | | X | 9,53% | 1,16% | **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 that these investments are a bit slow to translate in new earnings. Higher energy prices could hurt profits in some instances. |
| Utilities | | | X | 14,80% | 6,43% | **European infrastructure spending and energy independence willingness are tailwinds, whereas (green and AI-related) power demand continues to grow.** Higher energy prices could hurt some names. |
| Auto & Parts | | X | | -18,43% | -26,80% | Automotives still weak due to rising competition with China, high EV investment costs and bad pricing. However, **decreasing geopolitical tensions, lower stagflation risk and a more supportive European Union could now stabilize this industry.** |
| Basic Resources | | X | | 16,07% | 7,70% | We have recommended energy transition commodities (huge needs due to AI & energy independence) and precious metals (cf. geopolitics) for a long time. Watch also metals/ rare earths necessary for (electronic) defense. |
| Chemicals | | X | | 11,39% | 3,02% | The sector should profit from **EU infrastructure plans** as well as from some end markets revivals. **Competition from China, overcapacity, tariffs and other trade issues are headwinds**, except for some fertilizer and other chemical companies benefiting of the tensions in the Hormuz strait. |
| Construction Materials | | X | | 1,70% | -6,67% | **(German) infrastructure and energy efficiency spending are catalysts for some.** On the other hand, rebuilding Ukraine theme still looks distant. Energy prices has been a headwind for other companies. Be selective. |
| Cons. Products and Services | | X | | -7,88% | -16,25% | **The sector has suffered from tariffs, geopolitical uncertainties and higher risks / costs of travelling.** Globally, some end markets are recovering now (i.e. the USA, some Asian markets, high-end luxury). Be selective. |
| Financial Services | | X | | 2,22% | -6,15% | Latest corporate results were fine but ongoing **concerns relating to private credits/ equity businesses and possible AI disruption**, i.e. AI startups aiming to automate some financial services' tasks (pressure on revenues and margins). |
| Insurance | | X | | 2,48% | -5,89% | Solid and rather defensive sector. **Cash returns attractive but European insurance now looks fully priced** at an avg fwd P/E of 11,6. Also, there is now a risk that some private loans exposure could turn sour. Be selective. |
| Media Price EUR | | X | | -7,68% | -16,05% | **AI impact has been very negative for the sector as well as Meta Platforms** entering and threatening many (European) media and ads businesses.The sector is adaping and we expect a certain stabilisation now. |
| Real Estate | | X | | 0,81% | -7,56% | Defensive sector hit by rising bond yields**.** Logistics and data centers enjoy tailwinds from e-commerce/ AI. Be selective. |
| Retail | | X | | -0,30% | -8,67% | The sector has now found some capital discipline allowing for cash distribution. However, higher energy prices and other disruptions are putting pressure on margins. |
| Technology | | X | | 25,50% | 17,13% | **Strong Q1-26 results in general.** Software & services still lagging considering the risk of business loss to AI (although certain companies are integrating AI quite well in their solutions). Be selective. |
| Telecommunications | | X | | 11,44% | 3,07% | **New business opportunities relating to AI.** Furthermore, the industry's **falling capital intensity** driven by the fibre cycle & the sector's **free M&A option** are supporting performance. **EU infrastructure plans are another support.** |
| Travel & Leisure | | X | | 3,84% | -4,53% | Higher energy prices, travelling issues in some parts of the world, high competition and capacity expansion have been **headwinds. But most big airline companies were hedged to a certain degree; adaptation happened relatively fast and oil prices are now decreasing. High demand is supportive.** |
| Energy | X | | | 20,78% | 12,41% | The sector has profited from higher energy prices but Hormuz strait is now reopening (and oil & gas prices have fallen). Medium term, **we like renewables, energy infrastructure, equipment and services.** Necessity to rebuild and develop new energy sources as some others have become unreliable. |
| Food, Bev and Tobacco | X | | | 5,99% | -2,38% | **Valuations high compared with the rest of the market and considering the sluggish earnings growth of the sector.** Lack of upside catalysts except for its **defensive profile. Favour 'self help' stories.** |
| Personal Care | X | | | -4,05% | -12,42% | The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. Lack of upside catalysts. |

| Sector (S&P 500 Level 1) | View UW | View N | View OW | YTD (30 June) | Out/ underperf. vs index | Our view at a glance |
|---|---|---|---|---|---|---|
| Health Care | | | X | 2,56% | -6,99% | **Defensive compounder with attractive valuations in a structually growing market** (e.g. demographics, obesity etc). AI to bring more efficiency gains. Negotiations with the US administration (lower drug prices, etc) look more constructive now. |
| Industrials | | | X | 19,46% | 9,91% | **Re-shoring, reindustrialization, defense, AI and other infrastructure (re)develoment are major tailwinds**. But higher energy prices have been a headwind for some. |
| Communication Services | | X | | 0,44% | -9,11% | The sector is **dominated by 2 mega tech companies, growing fast, and now regularly raising new debt and equity**. The rest of the sector is not cheap and is also facing challenges and opportunities. Be selective. |
| Consumer Discretionary | | X | | -1,11% | -10,66% | 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 profit from a relatively resilient discretionary consumption in the US. |
| Financials | | X | | -2,06% | -11,61% | Although the sector is not cheap the risk of a sharp economic slowdown is now receding as well as problems in the private credits / equity sphere. Deregulation, numerous profitable corporate activities (e.g. big IPOs, M&As) and volatile/ active capital markets are bringing additional support. |
| Information Technology | | X | | 19,43% | 9,88% | **Strong Q1-26 results in general, especially semiconductors.** Some sub-sectors such as software and SaaS are however at **risk of losing business to AI**. Besides, huge capex spending is raising questions on hyperscalers' future ROIs and profitability. Be selective. |
| Materials | | X | | 11,08% | 1,53% | Medium term, the sector should generally benefit from reshoring and reindustrialization. In the short term, we prefer stocks with exposure to precious metals, rare earths and metals & mining necessary for (electronic) defense and energy transition. |
| Real Estate | | X | | 9,67% | 0,12% | Activity is still sluggish in residential RE. New construction activity is still muted. Commercial RE stabilising. **Momentum is better at some logistics and specialized REITs.** |
| Utilities | | X | | 6,19% | -3,36% | **Solid growth in power demand due to AI & electrification but** US utilities are not cheap anymore. Furthermore, there is now a **growing risk of more controls or price caps** on surging electricity prices in certain American states. |
| Consumer Staples | X | | | 6,72% | -2,83% | **The sector looks fully priced**. Costs have risen due to tariffs and higher energy prices. Besides, consumers may continue to "trade down" due to inflation. However, some names exposed to emerging markets, or expected to strongly benefit of AI, have performed well recently. |
| Energy | X | | | 17,98% | 8,43% | With Hormuz Strait reopening, oil & gas prices have fallen. We are mainly cautious on Oil Majors. **We still like renewables, energy infrastructure, equipment and services as it is time to rebuild and develop new energy sources as some others have become unreliable.** |

# Valuations

## TABLE : GLOBAL INDICES

| Index | Level | 1yr Range | Forward 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 Yiel | 5yr Z-Score | Composite vs. ACWI | 5yr Z-Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSCI ACWI | 1126 | | 61,43 | | 0,39 | 18,33 | | 3,48 | | 1,75 | | 18,15 | | 5,46 | | n.a. | n.a. |
| MSCI World | 4828 | | 245,83 | | 0,08 | 19,64 | | 3,74 | | 1,65 | | 18,08 | | 5,09 | | 1,07 | |
| MSCI Emerging Markets | 1786 | | 143,28 | | 2,01 | 12,47 | | 2,33 | | 2,42 | | 18,45 | | 8,02 | | 0,68 | |
| S&P 500 | 7501 | | 354,86 | | 0,74 | 21,14 | | 4,94 | | 1,18 | | 21,94 | | 4,73 | | 1,20 | |
| S&P 500 Equal Weighted | 8487 | | 486,93 | | 0,40 | 17,43 | | 3,05 | | 1,86 | | 16,00 | | 5,74 | | 0,94 | |
| Russell 2000 | 2980 | | 107,56 | | 1,01 | 27,70 | | 2,38 | | 1,78 | | 6,98 | | 3,61 | | 1,38 | |
| NASDAQ 100 | 30406 | | 1220,04 | | 0,34 | 24,92 | | 7,75 | | 0,62 | | 28,56 | | 4,01 | | 1,50 | |
| MSCI USA Growth | 35815 | | 624,14 | | -2,85 | 30,35 | | 11,42 | | 0,36 | | 35,42 | | 1,74 | | 1,92 | |
| MSCI USA Value | 17477 | | 282,05 | | 3,02 | 16,34 | | 3,17 | | 2,04 | | 18,06 | | 1,61 | | 0,89 | |
| STOXX Europe 600 | 635 | | 41,57 | | 0,36 | 15,29 | | 2,27 | | 3,29 | | 14,53 | | 6,55 | | 0,81 | |
| STOXX Europe Mid 200 | 659 | | 42,34 | | -1,14 | 15,63 | | 1,98 | | 3,37 | | 12,36 | | 6,43 | | 0,81 | |
| STOXX Europe Small 200 | 398 | | 28,14 | | -2,50 | 14,20 | | 1,61 | | 3,54 | | 11,03 | | 7,07 | | 0,72 | |
| DAX | 24950 | | 1603,35 | | -0,38 | 15,58 | | 1,87 | | 2,93 | | 11,69 | | 6,43 | | 0,80 | |
| FTSE 100 | 10362 | | 799,17 | | 0,66 | 12,97 | | 2,18 | | 3,43 | | 15,87 | | 7,71 | | 0,69 | |
| CAC 40 | 8385 | | 573,76 | | 1,10 | 14,68 | | 1,96 | | 3,33 | | 12,93 | | 6,84 | | 0,76 | |
| FTSE MIB | 52586 | | 3909,03 | | -0,38 | 13,52 | | 1,91 | | 4,34 | | 14,60 | | 7,43 | | 0,71 | |
| Nikkei 225 | 72354 | | 2766,75 | | 3,03 | 25,75 | | 3,00 | | 1,32 | | 11,63 | | 3,82 | | 1,32 | |
| Hang Seng | 23769 | | 2277,74 | | -0,83 | 10,50 | | 1,18 | | 3,58 | | 10,78 | | 9,58 | | 0,54 | |

## TABLE : EUROPEAN SECTORS

| Index | Level | 1yr Range | Forward 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* | Composite vs. SXXP | 5yr Z-Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| STOXX Europe | 635 | | 41,57 | | 0,36 | 15,29 | | 2,27 | | 3,29 | | 14,53 | | 6,55 | | 12% | 1,00 | |
| STOXXE 600 Consumer P&S | 365 | | 14,96 | | -0,87 | 24,61 | | 3,60 | | 2,25 | | 15,92 | | 4,10 | | 11% | 1,61 | |
| STOXXE 600 Energy | 168 | | 17,82 | | 2,73 | 9,37 | | 1,66 | | 4,21 | | 17,73 | | 10,60 | | 18% | 0,63 | |
| STOXXE 600 Food, Bev and Tobacco | 188 | | 12,04 | | 1,09 | 15,69 | | 2,66 | | 3,89 | | 16,66 | | 6,39 | | 16% | 1,04 | |
| STOXXE 600 Personal Care | 155 | | 10,89 | | -0,15 | 14,29 | | 2,87 | | 3,76 | | 18,84 | | 7,04 | | 18% | 0,98 | |
| STOXXE 600 Chemicals | 1214 | | 68,34 | | 3,79 | 17,87 | | 2,05 | | 3,24 | | 12,55 | | 5,63 | | 9% | 1,13 | |
| STOXXE 600 Utilities | 546 | | 35,47 | | -0,99 | 15,45 | | 1,97 | | 4,04 | | 12,62 | | 6,49 | | 8% | 0,99 | |
| STOXXE 600 Banks | 400 | | 36,94 | | 0,32 | 10,80 | | 1,44 | | 4,93 | | 13,88 | | 9,24 | | 4% | 0,70 | |
| STOXXE 600 Real Estate | 122 | | 8,69 | | -1,03 | 14,09 | | 0,77 | | 4,95 | | 8,00 | | 7,14 | | 20% | 0,85 | |
| STOXXE 600 Technology | 1061 | | 38,39 | | 0,45 | 27,42 | | 5,59 | | 1,10 | | 21,23 | | 3,62 | | 12% | 1,88 | |
| STOXXE 600 Autom. & Parts | 435 | | 52,20 | | -3,40 | 8,41 | | 0,53 | | 4,75 | | 6,27 | | 12,01 | | 23% | 0,51 | |
| STOXXE 600 Health Care | 1094 | | 68,53 | | 0,33 | 16,02 | | 3,33 | | 2,70 | | 17,57 | | 6,26 | | 18% | 1,10 | |
| STOXXE 600 Financial Services | 916 | | 57,19 | | -2,02 | 16,06 | | 1,69 | | 2,86 | | 10,17 | | 6,24 | | 12% | 1,01 | |
| STOXXE 600 Insurance | 509 | | 42,01 | | 0,66 | 12,11 | | 2,05 | | 5,06 | | 16,81 | | 8,25 | | 7% | 0,81 | |
| STOXXE 600 Telcos | 297 | | 17,45 | | -2,13 | 17,18 | | 1,91 | | 3,79 | | 10,14 | | 5,88 | | 17% | 1,09 | |
| STOXXE 600 Media | 369 | | 27,34 | | 0,21 | 13,64 | | 2,10 | | 3,30 | | 11,56 | | 7,41 | | 35% | 0,90 | |
| STOXXE 600 Ind. Goods & Services | 1165 | | 51,09 | | -0,22 | 22,90 | | 4,30 | | 2,07 | | 17,32 | | 4,39 | | 11% | 1,55 | |
| STOXXE 600 Constrn & Materials | 867 | | 50,03 | | 0,50 | 17,53 | | 2,56 | | 2,74 | | 13,76 | | 5,77 | | 12% | 1,14 | |
| STOXXE 600 Basic Resources | 815 | | 59,66 | | 1,49 | 13,63 | | 1,73 | | 3,80 | | 12,29 | | 7,32 | | 7% | 0,87 | |
| STOXXE 600 Retail | 480 | | 28,09 | | -0,71 | 17,19 | | 3,13 | | 2,90 | | 17,38 | | 5,86 | | 12% | 1,16 | |
| STOXXE 600 Travel & Leisure | 285 | | 21,44 | | -0,83 | 13,26 | | 2,82 | | 2,49 | | 19,49 | | 7,52 | | 8% | 0,92 | |

*BBG consensus, NOT an official BNP target price

## TABLE : US SECTORS

| Index | Level | 1yr Range | Forward 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* | Composite vs. S&P 500 | 5yr Z-Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| S&P 500 | 7501 | | 354,86 | | 0,74 | 21,14 | | 4,94 | | 1,18 | | 21,94 | | 4,73 | | 18% | 1,00 | |
| S&P 500 Consumer Discretionary | 1908 | | 73,84 | | -0,07 | 25,84 | | 7,05 | | 0,67 | | 24,56 | | 3,87 | | 13% | 1,26 | |
| S&P 500 Consumer Staples | 927 | | 42,28 | | -0,02 | 21,93 | | 6,10 | | 2,54 | | 27,48 | | 4,56 | | 13% | 1,07 | |
| S&P 500 Energy | 815 | | 74,65 | | 2,68 | 10,92 | | 1,98 | | 3,10 | | 18,35 | | 9,16 | | 23% | 0,49 | |
| S&P 500 Financials | 889 | | 56,57 | | 0,15 | 15,71 | | 2,19 | | 1,89 | | 13,60 | | 6,36 | | 12% | 0,69 | |
| S&P 500 Health Care | 1736 | | 97,55 | | -0,37 | 17,80 | | 4,37 | | 1,81 | | 20,18 | | 5,62 | | 18% | 0,85 | |
| S&P 500 Industrials | 1528 | | 56,33 | | 0,35 | 27,12 | | 6,89 | | 1,24 | | 24,48 | | 3,69 | | 12% | 1,30 | |
| S&P 500 Information Technology | 6881 | | 258,50 | | 2,19 | 26,62 | | 11,40 | | 0,52 | | 40,76 | | 3,76 | | 20% | 1,46 | |
| S&P 500 Materials | 647 | | 36,64 | | 1,33 | 17,67 | | 3,01 | | 1,60 | | 16,63 | | 5,66 | | 16% | 0,79 | |
| S&P 500 Real Estate | 277 | | 7,33 | | 0,14 | 37,79 | | 3,16 | | 3,36 | | 8,18 | | 2,65 | | 13% | 1,57 | |
| S&P 500 Communication Services | 470 | | 23,33 | | -0,25 | 20,14 | | 4,52 | | 0,72 | | 20,42 | | 4,96 | | 26% | 0,95 | |
| S&P 500 Utilities | 452 | | 25,18 | | -0,80 | 17,96 | | 2,10 | | 2,92 | | 11,64 | | 5,57 | | 15% | 0,77 | |

*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: 22 June 2026*

# Our key convictions at a glance (Neutral equity)

| | USA | Europe | Japan | Emerging Markets |
|---|---|---|---|---|
| Relative view* | Neutral | Neutral | Positive | Neutral |
| What we (especially) like | Profitable SMID caps | Banks | Domestically exposed names benefiting from wage gains or GDP growth (including SMIDS) | Latin America |
| What we don´t (really) like | | | | |
| Preferred themes & trades – Regional basis | | Strategic Autonomy (with selectivity) | Governance Reform achievers | Chinese tech |
| Preferred themes & trades – Global basis | Infrastructure and Industrials exposed to Artificial Intelligence, Energy independence, Fiscal Spending and Re-shoring<br>Innovation in Healthcare<br>Metals & mining, particularly those critical for renewables, electrification and defense electronics | | | |

* Relative view: against your benchmark

# Economic, FX forecast tables

*BNP Paribas Forecasts*

| GDP Growth% | 2025 | 2026 | 2026-Bloomberg Consensus | 2027 | 2027-Bloomberg Consensus |
|---|---|---|---|---|---|
| United States | 2.1 | 2.3 | 2.1 | 2.4 | 2.0 |
| Japan | 1.1 | 0.5 | 0.6 | 0.7 | 0.8 |
| United Kingdom | 1.4 | 1.0 | 1.0 | 1.2 | 1.1 |
| Switzerland | 1.4 | 0.8 | 1.1 | 1.3 | 1.4 |
| **Eurozone** | **1.5** | **0.6** | **0.6** | **1.6** | **1.2** |
| Germany | 0.3 | 0.8 | 0.6 | 1.1 | 1.1 |
| France | 0.9 | 0.8 | 0.6 | 1.1 | 0.9 |
| Italy | 0.7 | 0.8 | 0.6 | 0.8 | 0.7 |
| **Emerging** | | | | | |
| China | 5.0 | 4.6 | 4.6 | 4.5 | 4.4 |
| India** | 7.7 | 6.6 | 7.5 | 6.8 | 6.5 |
| Brazil | 2.3 | 2.3 | 1.9 | 1.4 | 1.8 |

** Fiscal year

Source : BNP Paribas, Bloomberg - 24.06.2026

*BNP Paribas Forecasts*

| CPI Inflation% | 2025 | 2026 | 2026-Bloomberg Consensus | 2027 | 2027-Bloomberg Consensus |
|---|---|---|---|---|---|
| United States | 2.7 | 3.7 | 3.5 | 2.8 | 2.4 |
| Japan | 3.1 | 2.3 | 2.1 | 3.1 | 2.1 |
| United Kingdom | 3.4 | 3.4 | 3.2 | 3.3 | 2.6 |
| Switzerland | 0.2 | 0.5 | 0.6 | 0.5 | 0.7 |
| **Eurozone** | **2.1** | **3.0** | **2.9** | **3.3** | **2.2** |
| Germany | 2.2 | 3.2 | 2.7 | 3.5 | 2.3 |
| France | 1.0 | 2.2 | 2.3 | 1.6 | 1.9 |
| Italy | 1.7 | 3.1 | 2.9 | 3.7 | 2.0 |
| **Emerging** | | | | | |
| China | 0.0 | 1.3 | 1.2 | 1.4 | 1.1 |
| India* | 2.1 | 5.1 | 2.0 | 4.2 | 5.0 |
| Brazil | 5.0 | 4.7 | 4.6 | 5.1 | 4.0 |

* Fiscal year

Source : BNP Paribas, Bloomberg - 24.06.2026

## FX FORECASTS EUR

| | Country | | Spot 24/06/2026 | Trend | Target 3 months (vs. EUR) | Trend | Target 12 months (vs. EUR) |
|---|---|---|---|---|---|---|---|
| | United States | EUR / USD | 1.13 | Neutral | 1.14 | Negative | 1.20 |
| | United Kingdom | EUR / GBP | 0.86 | Neutral | 0.87 | Neutral | 0.87 |
| | Japan | EUR / JPY | 183.50 | Neutral | 180 | Neutral | 186 |
| | Switzerland | EUR / CHF | 0.92 | Neutral | 0.92 | Neutral | 0.92 |
| | Australia | EUR / AUD | 1.65 | Positive | 1.56 | Negative | 1.69 |
| | New-Zealand | EUR / NZD | 2.01 | Positive | 1.90 | Neutral | 2 |
| | Canada | EUR / CAD | 1.62 | Positive | 1.57 | Neutral | 1.62 |
| | Sweden | EUR / SEK | 11.08 | Positive | 10.80 | Positive | 10.60 |
| | Norway | EUR / NOK | 11.19 | Positive | 10.80 | Positive | 10.75 |
| Asia | China | EUR / CNY | 7.72 | Neutral | 7.75 | Negative | 8.16 |
| | India | EUR / INR | 107.35 | Neutral | 108.30 | Negative | 114 |
| Latam | Brazil | EUR / BRL | 5.91 | Negative | 6.04 | Neutral | 6 |
| | Mexico | EUR / MXN | 20.02 | Neutral | 19.95 | Neutral | 20.40 |

*Source: BNP Paribas, LSEG*

## FX FORECASTS USD

| | Country | | Spot 24/06/2026 | Trend | Target 3 months (vs. USD) | Trend | Target 12 months (vs. USD) |
|---|---|---|---|---|---|---|---|
| | Eurozone | EUR / USD | 1.13 | Neutral | 1.14 | Positive | 1.20 |
| | United Kingdom | GBP / USD | 1.31 | Neutral | 1.31 | Positive | 1.38 |
| | Japan | USD / JPY | 161.81 | Positive | 158 | Positive | 155 |
| | Switzerland | USD / CHF | 0.81 | Neutral | 0.81 | Positive | 0.77 |
| | Australia | AUD / USD | 0.69 | Positive | 0.73 | Positive | 0.71 |
| | New-Zealand | NZD / USD | 0.56 | Positive | 0.60 | Positive | 0.60 |
| | Canada | USD / CAD | 1.42 | Positive | 1.38 | Positive | 1.35 |
| Asia | China | USD / CNY | 6.80 | Neutral | 6.80 | Neutral | 6.80 |
| | India | USD / INR | 94.66 | Neutral | 95 | Neutral | 95 |
| Latam | Brazil | USD / BRL | 5.21 | Neutral | 5.30 | Positive | 5 |
| | Mexico | USD / MXN | 17.66 | Neutral | 17.50 | Positive | 17 |
| EMEA | South Africa | USD / ZAR | 16.62 | Neutral | 16.50 | Positive | 16 |
| | USD Index | DXY | 101.61 | Neutral | 100.66 | Negative | 96.23 |

*Source: BNP Paribas, LSEG*

## THE INVESTMENT STRATEGY TEAM


### FRANCE

**Edmund SHING**
Global Chief Investment Officer

**Isabelle ENOS**
Senior Investment Advisor

**Charles GIROT**
Senior Investment Advisor

### ITALY

**Luca IANDIMARINO**
Chief Investment Advisor

### BELGIUM

**Philippe GIJSELS**
Chief Investment Advisor

**Alain GERARD**
Senior Investment Advisor, Equities

**Mattias DEMETS**
Senior Investment Advisor, Commodities

### GERMANY

**Stephan KEMPER**
Chief Investment Strategist

### LUXEMBOURG

**Guy ERTZ**
Deputy Chief Investment Officer

### ASIA

**Prashant BHAYANI**
Chief Investment Officer, Asia

**Grace TAM**
Chief Investment Strategist

## CONNECT WITH US

**wealthmanagement.bnpparibas**

### DISCLAIMER

This marketing document is communicated by the Wealth Management Métier of BNP Paribas, a French Société Anonyme, Head Office 16 boulevard des Italiens, 75009 Paris, France, registered under number 662 042 449 RCS Paris, registered in France as a bank with the French Autorité de Contrôle Prudentiel et de résolution (ACPR) and regulated by the French Autorité des Marchés Financiers (AMF). As marketing material, it has not been prepared in accordance with legal and regulatory requirements aimed at ensuring the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It has not been submitted to the AMF or any other market authority.

This document is confidential and intended solely for the use of BNP Paribas SA, BNP Paribas Wealth Management SA or their affiliates ("BNP Paribas") and the persons to whom this document has been delivered. It may not be distributed, published, reproduced or disclosed by any recipient to any other person, nor may it be quoted or referred to in any document, without the prior consent of BNP Paribas.

This document is provided solely for information and shall not constitute an offer or solicitation in any state or jurisdiction in which such an offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer, solicitation or sale. It is not, and under no circumstances is it to be construed as, a prospectus.

Although the information provided herein may have been obtained from published or unpublished sources considered to be reliable and while all reasonable care has been taken in the preparation of this document, BNP Paribas does not make any representation or warranty, express or implied, as to its accuracy or completeness and does not accept responsibility for any inaccuracy, error or omission. BNP Paribas gives no warranty, guarantee or representation as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of any product or transaction. Investors should not place undue reliance on any theoretical historical information regarding such theoretical historical performance. This document may contain or refer to past performance; past performance is no guarantee for future performance.

The information contained in this document has been drafted without prior knowledge of your personal circumstances, including your financial position, risk profile and investment objectives.

Prior to entering into a transaction each investor should fully understand the financial risks, including any market risk associated with the issuer, the merits and the suitability of investing in any product and consult with his or her own legal, tax, financial and accounting advisors before making his or her investment. Investors should be in a position to fully understand the features of the transaction and, in the absence of any provision to the contrary, be financially able to bear a loss of their investment and willing to accept such risk. Investors should always keep in mind that the value of investments and any income from them may go down as well as up and that past performance should not be seen as an indication of future performance. Any investment in a product described herein is subject to the prior reading and understanding of the legal documentation concerning the product, and in particular the one which describes in details the rights and obligations of investors as well as the risks inherent to an investment in the product. Save as otherwise expressly agreed in writing, BNP Paribas is not acting as financial adviser or fiduciary of the investor in any transaction. The information, opinions and projections expressed herein reflect the opinion of their author at the time of writing; they are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by anyone, and are subject to change without notice. Neither BNP Paribas nor any BNP Paribas Group entity accepts any liability whatsoever for any consequences that may arise from the use of information, opinions or projections contained herein.

As distributor of the products described herein, BNP Paribas may receive distribution fees on which you can obtain more information upon specific request. BNP Paribas, their employees or administrators may hold positions in these products or have dealings with their issuers.

By accepting this document, you agree to be bound by the foregoing limitations.

© BNP Paribas (2024). All rights reserved.

Pictures from Getty Images.