

# Equity Focus

## Operation Epic Earnings

### Summary

- 1. Short term pain vs long term gain?** The Strait of Hormuz remains largely closed. The markets have so far focused on strong earnings prospects while the economy draws down oil inventories at a record pace. Reduced imports from China and increased exports from the US have helped to keep energy prices relatively muted. This can't last forever and oil inventories could reach "Operational Stress Levels" as early as June. This would force equity markets to re-evaluate the current optimistic stance.
- 2. Operation Epic Earnings:** equity markets have showed remarkable resilience of late. A major driver of this rebound has been earnings expectations which have continued to improve since the beginning of the year. Once again, growing AI capex projections have fuelled ongoing optimism. Even in Europe, earnings estimates have increased modestly, mainly driven by positive revisions in energy and tech.
- 3. Keep calm and book profits.** Within Europe, the UK market has been a long-term favorite. The FTSE 100 produced 2.8% relative outperformance versus the Euro STOXX over the last 12 months. Due to ongoing political turmoil, rising yields and weak results of certain major index constituents, we cut the UK to Neutral.
- 4. Sector update:** US cyclical sectors continue to perform well, supported by a resilient economy. Additionally, many cyclicals are benefiting from the infrastructure boom, particularly in AI-related investments. Globally, Healthcare continues to offer significant upside potential, particularly in innovative areas like biotech. European banks could also see a rebound, as their valuations are attractive again.
- 5. AI Infrastructure:** Artificial Intelligence — specifically the resources and infrastructure required to power it — remains a key conviction.

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### CHART 1: HOW LONG WILL GLOBAL OIL RESERVES REMAIN SUFFICIENT?



Source: BNP Paribas, Google Gemini



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## Short term pain vs long term gain - a dangerous gamble

*“Markets don’t care until they care and then they REALLY care.” (unknown source)*

We are well into the 3<sup>rd</sup> month of the conflict in the Middle East and the Strait remains closed. This presents the market with an increasingly hard choice - focus on either a) the risks from the disruptions in the oil market or b) the prospects from a very solid earnings season and renewed optimism about the AI trade.

Until recently, the market seemed to be focused more on the latter. Apparently, the narrative is still dominated by the perception of this supply disruption not only being the biggest in history but also the shortest. Moreover, oil prices well below recent highs seem to support that view.

However, as President Donald Trump called Iran's response to a US proposal to end the war [“totally unacceptable”](#), hopes for a quick reopening of the Strait of Hormuz have been dealt another blow. Thus, the question about the growing air bubble in the global oil system and its consequences are back on people’s minds. With more than 1 bn barrels of oil supply already missing (Chart 2), the main puzzle for the market to solve is this: When will we reach breaking point?

We entered the crisis with an oversupplied market (~ 2 mb/d) and buffers expected to be north of 8bn barrels. While this sounds like a decent cushion, it is slimmer than it sounds. While there are some signs of reduced demand, the economy consumes more oil than is currently produced. This demand is currently met from consuming oil inventories which are currently falling by ~ 4 mb/d, a record pace [according to the IEA](#). This could become a problem sooner than the huge inventory number is suggesting because the system also requires a

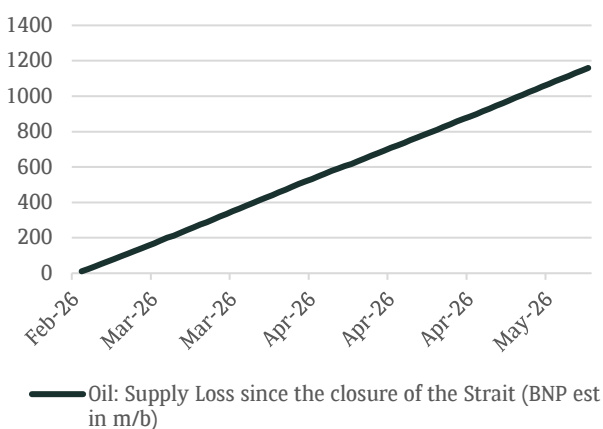
minimum level of oil for refineries, pipelines, storage tanks and export terminals to function properly. Thus, the “operational minimum” is reached long before the inventories actually hit zero.

Some analysts are estimating the “Operational Stress Level” to sit at around 7.6 bn barrels of oil which could be reached as early as June (Chart 3). Especially worrisome is the fact that this level might be reached even if the Strait has already been reopened. Due to the time required to restart fields, repair refineries and reposition tanker tonnage, the market is on track to lose up to another 1 billion barrels post the reopening.

### Given this rather bleak outlook, why isn’t oil trading higher?

China (among other energy importers) has materially cut back imports. It appears as if buyers expect the Strait to open soon which is why they’re happy to use the existing buffers, betting they could refill them later at lower prices. At the same time, the US (and other exporters) are increasing their exports for oil and refined products (Charts 4 & 5). The combined effect has shielded the spot market from significant additional tightening, but this is unlikely to last forever. While China seems to have ample inventories for now, the US seem to export mainly from inventories (Chart 6). This raises a critical question: What will come to an end first? The closure of the Strait or the ability of the US / China to sustain the current abnormal flows? There is still a significant risk of further spikes in the price of oil and refined products. A materialization would force equity markets to eventually care. **We remain neutral global equities.**

**CHART 2: THE BIGGEST OIL SUPPLY DISRUPTION IN HISTORY**



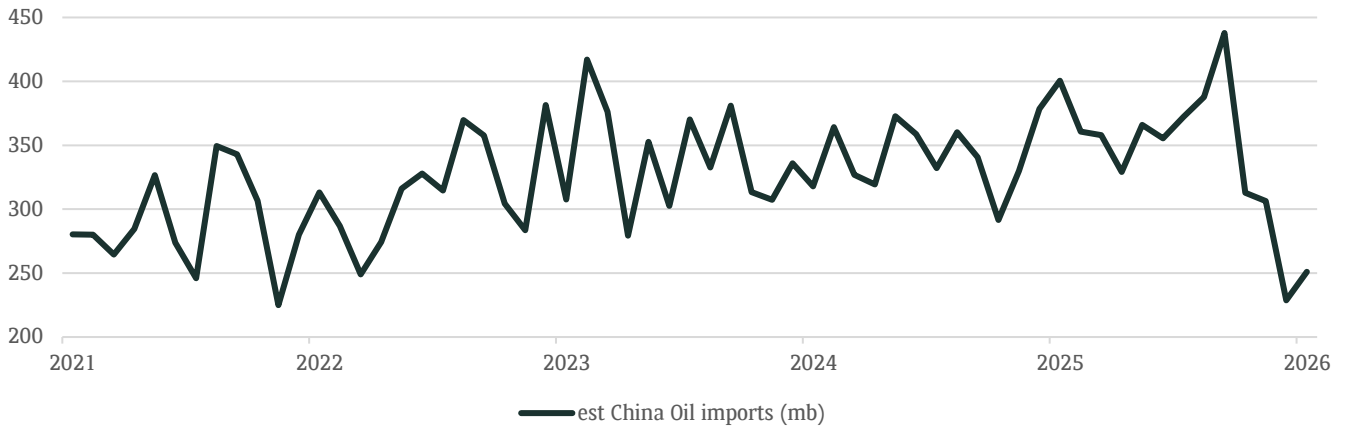
Source: BNP Paribas, Bloomberg

**CHART 3: WHEN WILL INVENTORIES REACH OPERATIONAL STRESS LEVELS?**



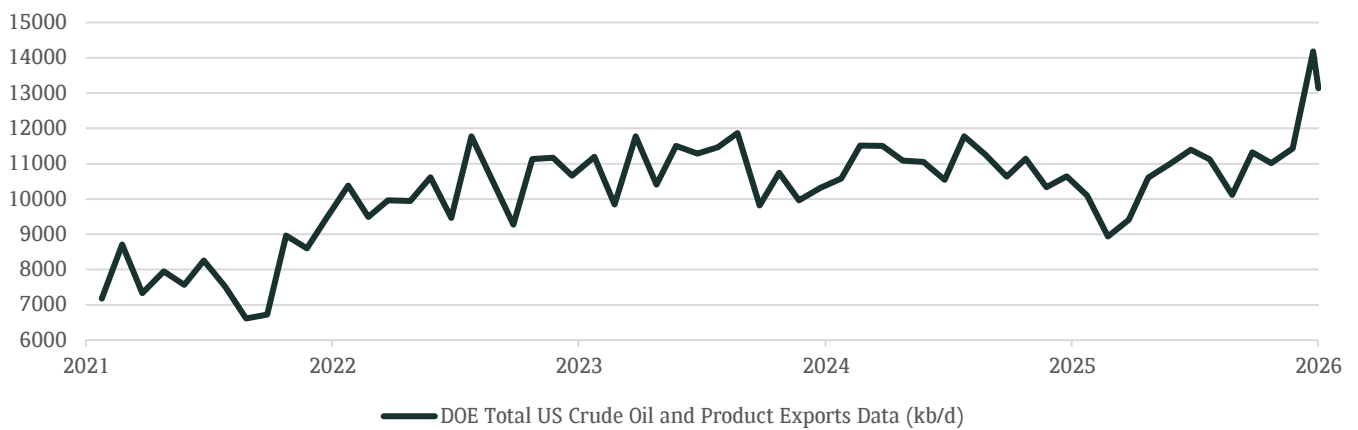
Source: BNP Paribas, UNCTAD.org

**CHART 4: CHINAS OIL IMPORTS DECREASED MATERIALLY**



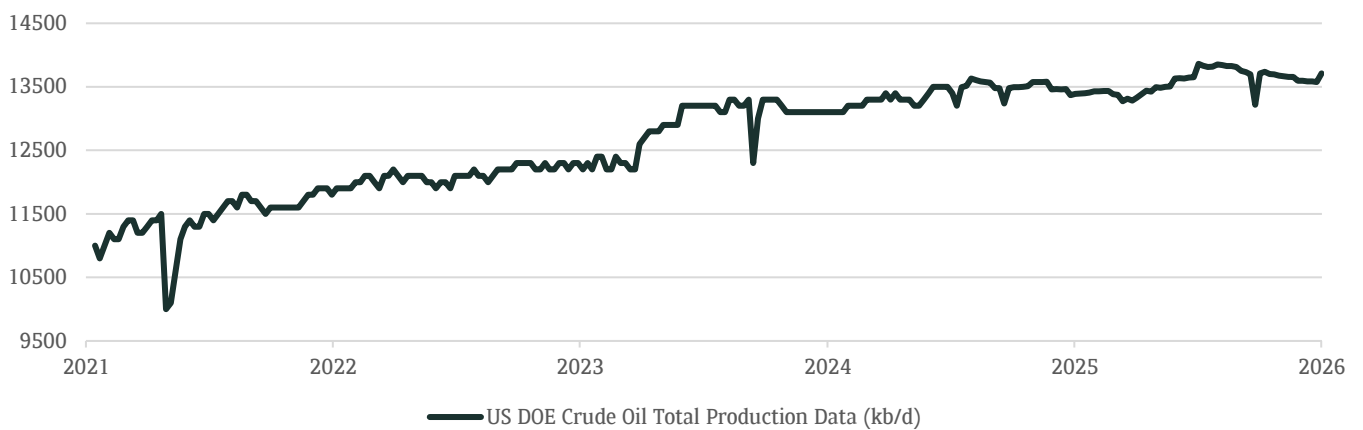
Source: BNP Paribas, Bloomberg

**CHART 5: US OIL EXPORT LEVELS ARE RISING....**



Source: BNP Paribas, Bloomberg

**CHART 6: ....WHILE PRODUCTION DATA BARELY ROSE WHICH SUGGESTS THAT RISING EXPORTS ARE MAINLY FEED BY INVENTORIES**



Source: BNP Paribas Bloomberg

## Operation Epic Earnings

*“We also are mindful of all the risks out there....To date, these impacts have been measured and absorbed by the economies here and around the world.” ( Brian Moynihan, CEO Bank of America)*

Equity markets showed a remarkable resilience recently. Despite the still ongoing closure of the Strait of Hormuz, rising bond yields and deteriorating economic data in some parts of the world, many major benchmark indices are trading close to 52-week highs.

### Earnings estimates keep rising

A major driver of this move has been earnings expectations which kept going higher since the beginning of the year. Once again, growing AI capex projections have been the fuel of ongoing optimism. This is evident especially from the strong upgrades in markets heavily geared towards AI infrastructure such as **Taiwan and Korea which we upgrade to neutral** (Chart 7). But even for Europe, earnings estimates rose a bit, mainly driven by positive revisions in energy and tech.

### Dividing faith

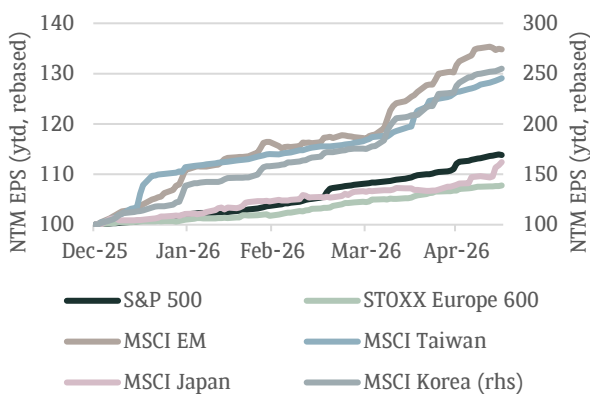
One man’s capex is another man’s revenue. Thus, the growing capex spending (Chart 8) should keep supporting the AI Infrastructure theme. While we don’t know who the winner of the race for AI leadership will be, we know what sort of resources they need: energy and computing power. Thus, we remain focused on those areas, including the broader realm of semiconductors. Since the evolution towards agentic AI requires an increasing number of CPUs and memory chips (Chart 9), we feel that those names have a fair chance to “grow into their valuations”, such as Nvidia did (Chart 10). Given the very strong performance during April, a correction looks likely though. We would embrace such dips as buying opportunities and **remain neutral US equities**.

The situation in Europe remains more challenging. Consumer confidence and the business outlook (measured by the respective Ifo sub-index) suffered some of their worst 2-month changes outside COVID (Charts 11 & 12). Historically, this resulted in sub-average earnings revisions (Chart 13). A sharp drop in the “Activity Index” from the German Bundesbank (Chart 14) seems to support the rather bleak outlook. We thus continue to believe that the current EPS growth rate expected by the market is too high and needs to be adjusted materially lower (Chart 15). With such headwinds, **European equities should continue to struggle relative to global peers. We remain underweight**.

Within Europe, the UK market has been a long-term favorite of ours. The FTSE produced 2.8% relative outperformance versus the Euro STOXX over the last 12 months. Due to the ongoing political turmoil, rising yields and some weak results of major index constituents, we take profits and **reduce the UK from overweight to neutral**.

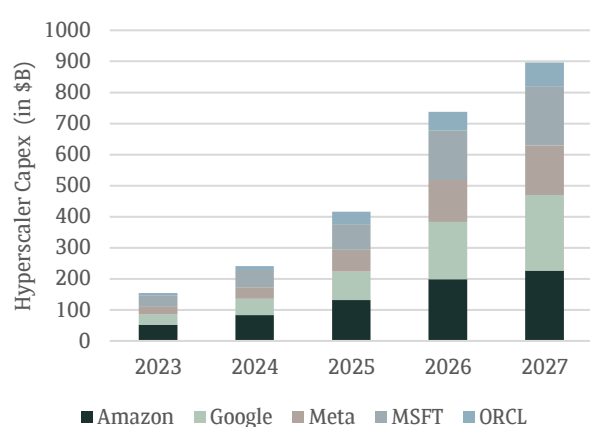
While Middle East uncertainties should remain for Japan, we expect that accelerating AI investments alongside a supportive fiscal policy should provide ongoing support for the market. While the valuation gap to the US market has closed (Chart 16), we are confident that Japan can increase its still very low RoE (Chart 17) in the coming years. In conjunction with strong earnings growth, higher RoE should support valuations. **We remain neutral Japanese Equities**.

**CHART 7: EARNINGS ESTIMATES KEEP GOING UP**



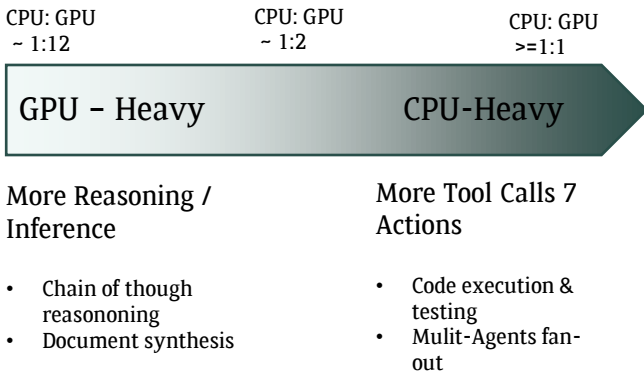
Source: BNP Paribas, Bloomberg

**CHART 8: AI CAPEX CONTINUES TO RISE, DRIVING AI INFRASTRUCTURE**



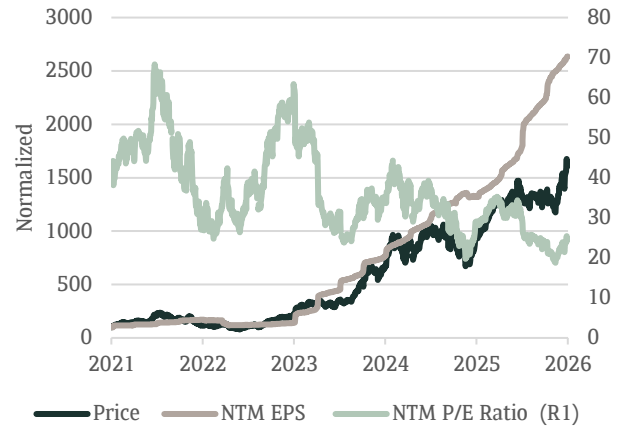
Source: BNP Paribas, Bloomberg

**CHART 9: CPU:GPU INTENSITY RISES AS AI MOVES TOWARDS AGENTIC**



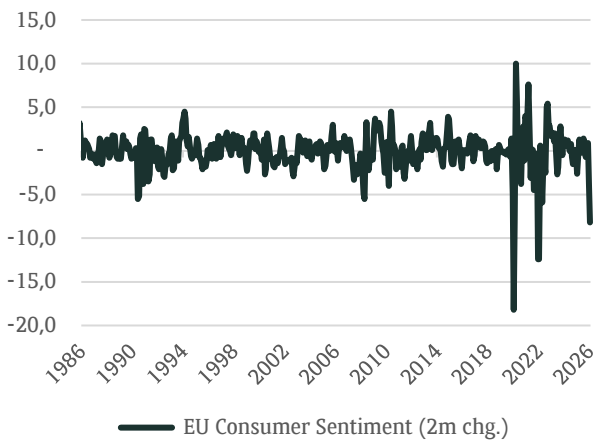
Source: BNP Paribas, Morgan Stanley

**CHART 10: NVIDIA "GREW" INTO ONCE DEMANDING VALUATIONS**



Source: BNP Paribas, Bloomberg

**CHART 11: EUROPEAN CONSUMER SENTIMENT FELL SHARPLY....**



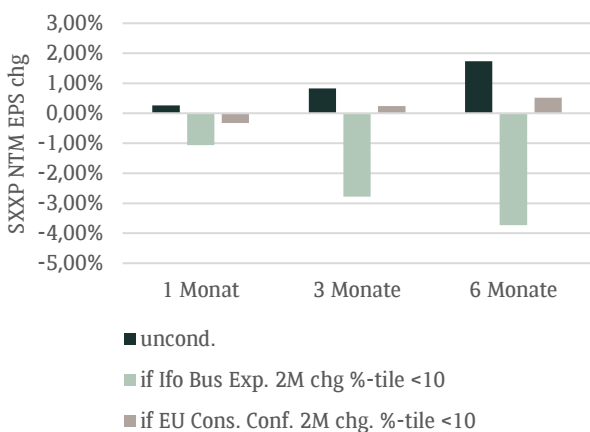
Source: BNP Paribas, Bloomberg

**CHART 12: ....AS DID GERMAN BUSINESS EXPECTATIONS**



Source: BNP Paribas, Bloomberg

**CHART 13: A HARBINGER FOR EARNINGS DOWNGRADES?**



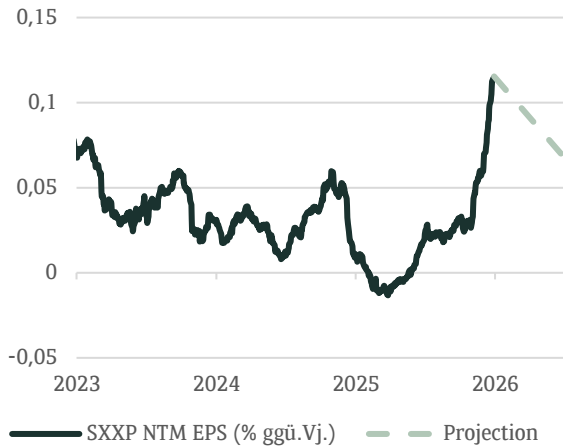
Source: BNP Paribas Bloomberg

**CHART 14: GERMAN ECONOMIC ACTIVITY KEEPS FALLING**



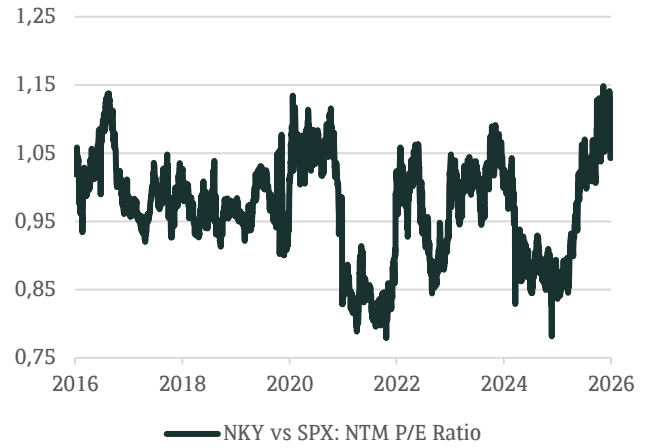
Source: BNP Paribas, Bundesbank

**CHART 15: WE EXPECT EPS EXPECTATIONS TO BE REVISED LOWER**



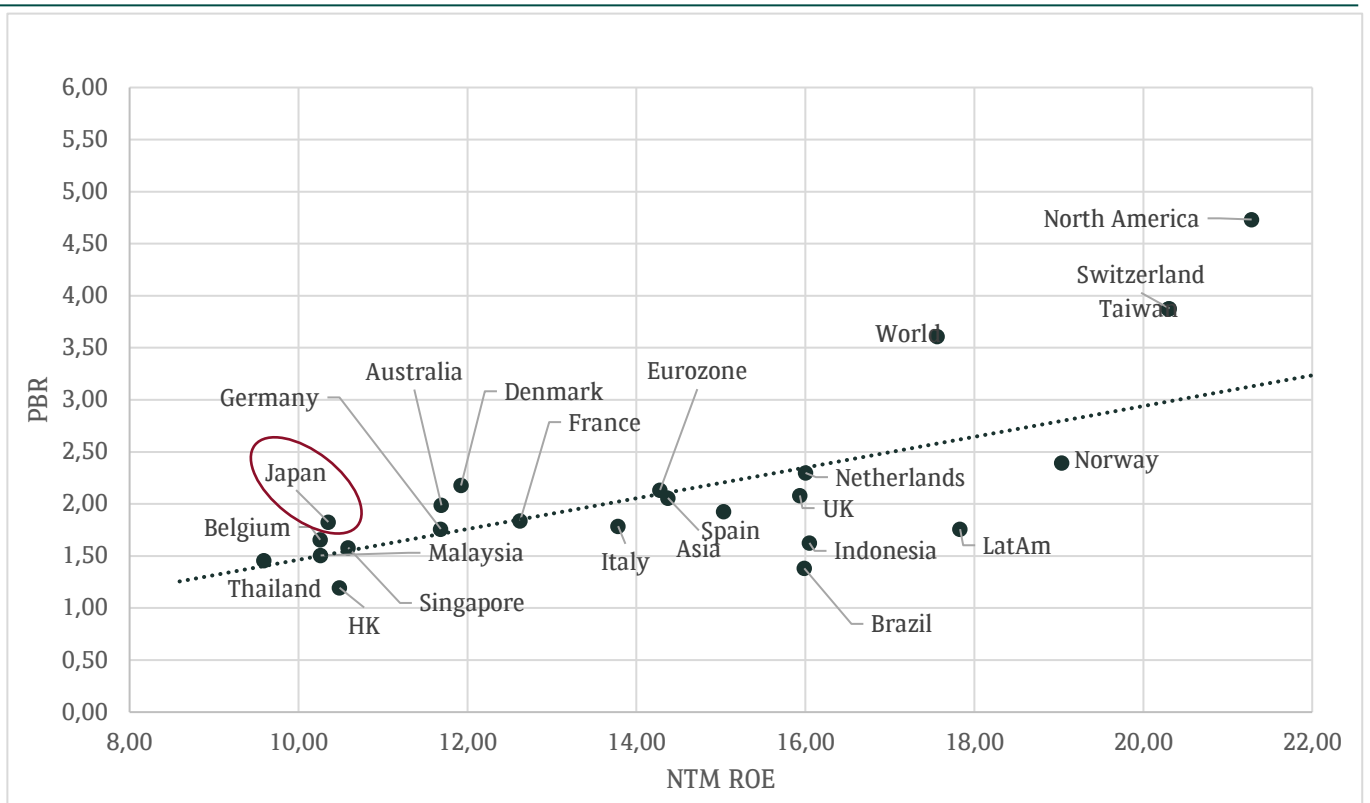
Source: BNP Paribas, Bloomberg

**CHART 16: JAPAN NOW TRADES WITH A PREMIUM TO THE US**



Source: BNP Paribas, Bloomberg

**CHART 17: JAPAN STILL HAS A RATHER LOW ROE, LEAVING AMPLE ROOM FOR IMPROVEMENTS**



Source: BNP Paribas, Bloomberg

# US and Europe Equity Performances and Our Preferences

## Iran conflict de-escalation being priced in

There is growing sentiment in financial markets that the end of the Iran war is approaching whereas a ceasefire and negotiations are underway (cf. also China’s diplomatic intervention). New developments in AI and strong Q1 earnings and outlook from US tech companies contributed to a robust market recovery.

Patient investors who held their equity positions — particularly in technology — despite weak performance from November last year through March this year, have now been vindicated. The tech-heavy US Nasdaq index reached a new all-time high on 15 April, and by 8 May, it had surged an additional 10%.

In April, the S&P 500 rose by 10.4%, driven by strong gains in communication services (+18.4%), IT (+17.4%), and consumer discretionary (+11.7%). Most sectors recovered, except for energy (down 3.5%) and healthcare (-0.6%). This latter faces renewed concerns over reimbursement rates, regulatory risks and lackluster Q1 corporate results.

Year-to-date, S&P500 is +7.6%. Energy remains the top-performing sector, though recent gains appear more fragile as almost no country stands to benefit from prolonging the Iran conflict. However, rebalancing oil and gas supply and demand will likely take months, given the extensive damage to critical infrastructure.

Meanwhile, US cyclical sectors continue to perform well, supported by a resilient economy. Additionally, many cyclicals are benefiting from the infrastructure boom, particularly in AI-related investments.

## European equities also rebounding

European equities’ recovery has been less pronounced than in the US. Unlike the American equity markets, Europe has limited exposure to AI and the broader technology sectors, which has dampened its gains. Additionally, as a major importer of raw materials, Europe remains highly sensitive to fluctuations in energy and commodity prices.

In April, the Stoxx 600 index rose by 4.8%, with the strongest rebounds in technology, media, financials, and industrials. Meanwhile, healthcare, consumer-related sectors, and energy underperformed.

Year-to-date, Stoxx600 index is +5,2%. European energy has seen the strongest gains. Sectors benefiting from artificial intelligence, a resilient global economy, infrastructure investments, and fiscal spending — such as basic resources, telecoms, utilities, technology, industrials, and chemicals—are also outperforming.

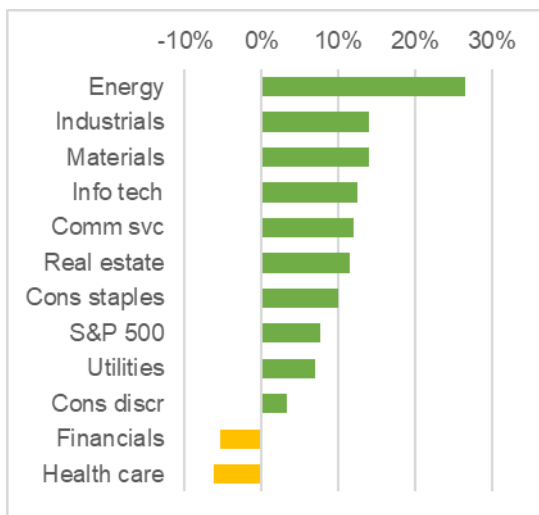
Conversely, most consumer-related sectors remain in negative territory, along with healthcare, which has been weighed down by relatively weak Q1 results.

## Our preferences

Overall, we like market segments supported by fiscal spending - including infrastructure, industrials, and metals & mining - and key enablers for AI, renewables, and (electronic) defence.

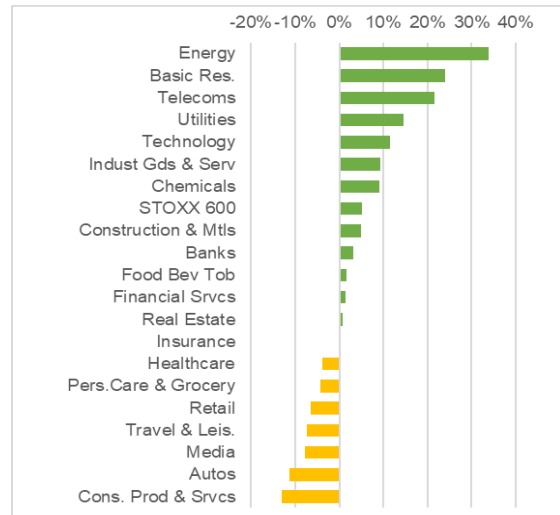
Healthcare continues to offer significant upside potential., particularly in innovative areas like biotech. Additionally, European banks could also see a rebound, as their valuations are attractive again.

**CHART 18 : US SECTOR PERFORMANCE YTD: ENERGY, CYCLICALS AND IT-RELATED SECTORS LEAD; FINANCIALS AND HEALTH CARE ARE IN THE RED.**



Source: S&P 500, 2026 performances as at 6th of May 2026.

**CHART 19 : EU SECTOR PERFORMANCE YTD: ENERGY, INFRASTRUCTURE AND CYCLICALS LEAD; DISRUPTED SECTORS, EXPORTERS AND CERTAIN DEFENSIVES POST LOSSES.**



Source: Stoxx600, 2026 performances as at 6th of May 2026.

# Q1-2026 earnings: excellent in the US; much less impressive in Europe

## An exceptionally strong corporate results season in the US, led by technology

The market anticipated +12% earnings growth before the corporate results' season. With close to 90% of results in (note that Nvidia announces on the 20<sup>th</sup> and Wal Mart on the 21<sup>st</sup> of May), it turns out that:

- 75% of US companies beat expectations at the earnings level. **S&P 500 Q1-2026 EPS is currently growing at +27,3% y/y (see table below) against +12% expected at the beginning of the season.** Without some big one-offs related to Anthropic, Space-X and tax refunds, the earnings growth is still around +18% y/y. It is exceptionally strong.
- 77% of companies beat at revenues level.
- 64% beat at both levels.
- **Main growth contributor is Technology, once again. Materials and Financials' Q1 results have also been solid in general.**
- As mentioned above, Communication services and Consumer Discretionary results have been boosted by strong one-off gains.
- Health Care and Staples results were subdued.
- SMID caps earnings have also exceeded expectations, with projected H2 2026 earnings growth now even surpassing that of large caps.

In general, given outlooks were relatively cautious but not up to the point that earnings expectations would significantly be revised down.

The analysts' consensus' forecast has risen to +20,2% earnings growth in the US in 2026, led by strong upward revisions in energy, semis (see next slide) and materials.

## In Europe, earnings expectations have also improved

After recent upward revisions, particularly in Energy and other resources, +7% earnings growth is now expected by the sell-side analysts' consensus in Q1-26, with Tech, Financials, Energy and other Basic resources as main contributors.

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

- Slightly more than 50% of European Stoxx600's companies beat expectations at earnings level.
- 42% beat at revenues level, which is quite lower than the previous season (48%).
- The earnings beats have been spread on several sectors whereas recently, it was mainly Banks that were keeping head of European earnings above water. Banks still announced strong Q1-26 results. Energy as well.
- **Without Financials and Energy, European earnings would record -3% y/y.**
- Consumer discretionary and Health care have been the main detractors to earnings. A recovery is expected for both sectors, up to +6% earnings growth in 2026. A strong acceleration in health care earnings is even expected to +15% in 2027.
- European SMID caps earnings have been robust thus far, with mid-cap forward earnings growth projected to be particularly strong.

The analysts' consensus now expects +15,9% earnings growth in Europe (Stoxx 600 index) in 2026, mainly thanks to upward revisions in Energy, Materials and Semiconductors (like in the US).

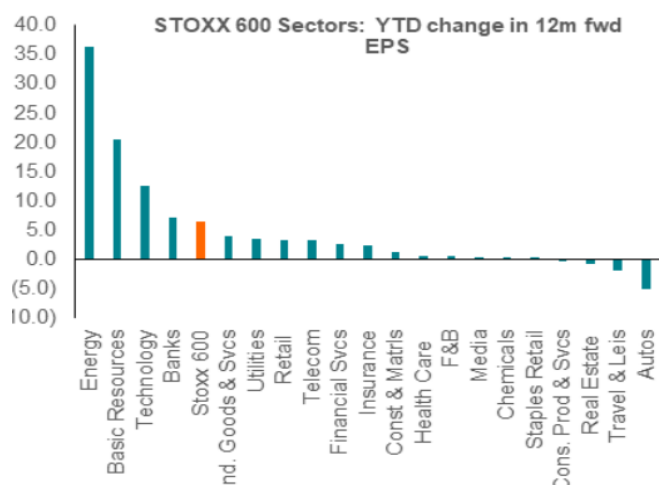
**TABLE1 : AN EXCEPTIONALLY STRONG EARNINGS SEASON IN THE US**

Sector	Earnings	Sales
	YoY%	YoY%
Consumer Discr	35,7%*	9,6%
Consumer Staples	6,5%	7,0%
Energy	0,1%	4,1%
Financials	22,4%	10,9%
Health Care	-3,5%	7,0%
Industrials	7,3%	8,0%
Technology	51,5%	29,0%
Materials	37,2%	9,1%
Real Estate	5,7%	11,0%
Communic. Serv.	53,1%*	13,5%
Utilities	15,5%	12,1%
<b>S&amp;P 500</b>	<b>27,3%*</b>	<b>11,1%</b>
<b>S&amp;P 500- adjusted</b>	<b>18,0%</b>	<b>11,1%</b>

*\*: significant non-operating profits are boosting earnings of certain hyperscalers (AMZN, GOOGL, META)*

Source: FactSet, BOFAML, BNP Paribas

**CHART 20: EUROPEAN EARNINGS GROWTH ACCELERATION DRIVEN BY FEW SECTORS**



Source: BNP Paribas Exane



## Focus on technology

### AI infrastructure stocks flying high

Artificial intelligence — specifically the resources and infrastructure required to power it — was a key theme we identified in 2026 and remains highly relevant for the medium term.

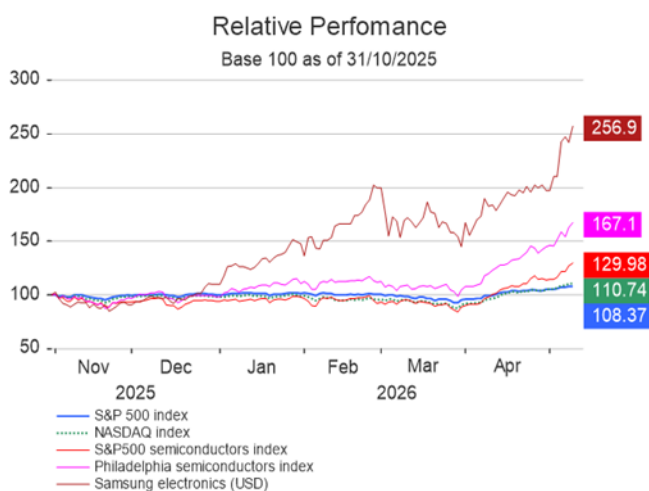
While the return on investment (ROI) and profitability of hyperscalers have long been scrutinized, our analyses led us to conclude that the massive capex necessary to sustain AI would bolster companies involved in electrification, renewables, and semiconductors. This thesis has held true.

Momentum in these market segments remains exceptionally strong, driven by unprecedented demand and pricing power—particularly in semis. For example, 2026 earnings estimates of the Philadelphia Semiconductor Index (SOX), a widely followed benchmark, have been revised up by 40% since February of this year. Shortage now looks most acute in memory chips, where manufacturers—such as Samsung Electronics—have seen their performance surge (see chart below).

While supply will eventually align with demand, current production capacity remains severely constrained. AI-related chips require high-end precision manufacturing equipment, also in big shortage. New developments in automation, robotics, health care, space, etc., will continue to drive demand.

Given that order backlogs extend years into the future, we believe AI infrastructure stocks should remain a core holding in any well-diversified portfolio. That said, for investors with large exposure to this theme, taking partial profits by shaving positions in high-flying stocks is a sensible approach.

**CHART 21 : TECHNOLOGY HARDWARE & SEMIS, ESPECIALLY MEMORY CHIPS, HAVE DELIVERED STRONG GAINS THIS YEAR**



### Divergence across other IT segments

Among hyperscalers, the market has rewarded companies perceived as AI winners. Anthropic’s AI systems have emerged as the most impressive in recent months. Amazon and Alphabet hold big exposure as they own roughly 17% and 13% respectively of Anthropic.

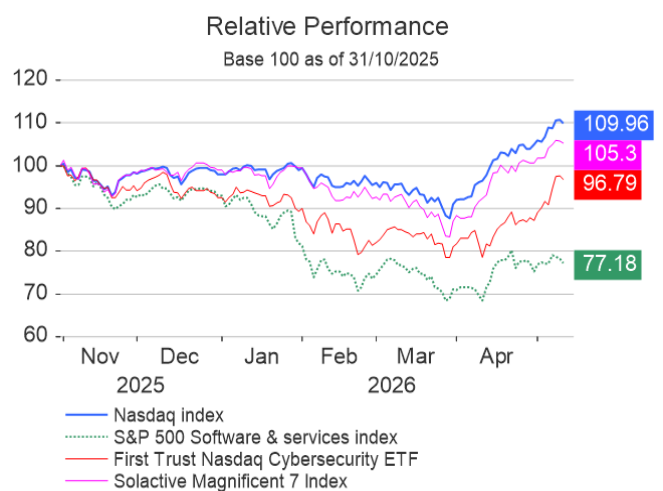
Conversely, Microsoft has underperformed, among others due to concerns about market share erosion at its key partner OpenAI. This latter was widely regarded as a strong leader until one year ago but has seen its position weaken since then.

Meta’s aggressive infrastructure investments have raised other concerns, as this represents a departure from its core business and recalls its previous missteps in the Metaverse.

By contrast, Apple’s strategy suddenly appears much wiser: rather than making massive capital investments, the company has chosen to partner with leading AI infrastructure providers and to rent capacity as needed.

Disruption concerns have impacted the software and services sector. AI’s ability to perform traditional software tasks—such as coding, testing, and even cybersecurity—faster and at much lower costs has raised fears about sector profitability. While some concerns may be overstated, as leading companies are rapidly integrating AI into their offerings, the transition period will be challenging. This uncertainty has cast doubt on future profitability and residual values in a sector previously considered highly profitable and fast-growing. Given these dynamics, we maintain a cautious and selective stance on these segments.

**CHART 22 : MAG-7, SOFTWARE AND SERVICES (STILL NOT RECOVERING) ARE UNDERPERFORMING THE BROADER NASDAQ INDEX**



## European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View			YTD (6 May)	Out/ underperf. vs index	Our view at a glance
	UW	N	OW			
Health Care		X		-3,82%	-9,06%	<b>Defensive compounder with attractive valuations.</b> This sector should be a key AI beneficiary: expect efficiency gains in a structurally growing market (e.g. demographics, obesity etc). <b>Key risks: weakening USD, tariffs. Negotiations with the US administration (lowering drug prices, etc) look more constructive now.</b>
Industrial Goods & Services		X		9,33%	4,09%	<b>A main beneficiary of infrastructure, defense spending, data centers construction, renewable energy projects, re-/nearshoring, and electrification</b> 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		14,52%	9,28%	<b>European infrastructure spending and energy independence willingness are tailwinds, whereas (green and AI-related) power demand continues to grow.</b> Higher energy prices could hurt some names.
Banks	X			3,12%	-2,12%	Cheap valuations (avg P/E <10). Balance sheets are solid and profitability is high with new business opportunities. <b>But stagflation is a rising risk.</b> Besides, issues in the private credit business are also creating uncertainty.
Basic Resources	X			24,02%	18,78%	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			9,10%	3,86%	The sector should profit from EU <b>infrastructure plans</b> as well as from some end markets revivals. <b>Competition from China, overcapacity, tariffs and now elevated energy prices are headwinds</b> , except for some fertilizer and other chemical companies benefiting of the Iran conflict.
Construction Materials	X			5,01%	-0,23%	<b>(German) infrastructure and energy efficiency spending are catalysts for some.</b> On the other hand, rebuilding Ukraine theme still looks distant. Energy prices a headwind for other companies in the sector. <b>Be selective.</b>
Cons. Products and Services	X			-13,15%	-18,39%	<b>The sector suffers from tariffs, geopolitical uncertainties and higher risks / costs of travelling.</b> Globally, some end markets have been recovering however (i.e. the USA). <b>Be selective.</b>
Energy	X			33,96%	28,72%	The sector is profiting from higher energy prices but it is not obvious to determine how long these will stay elevated. Medium term, <b>we like energy infrastructure, equipment and services.</b> Necessity to rebuild and develop new energy sources as some others have become unreliable.
Financial Services	X			1,49%	-3,75%	Latest corporate results were fine but <b>concerns have appeared relating to private credits/ equity businesses and possible AI disruption</b> , i.e. AI startups aiming to automate some financial services' tasks (pressure on revenues and margins).
Insurance	X			0,01%	-5,23%	Solid and rather defensive sector. <b>Cash returns attractive but European insurance now looks fully priced</b> at an avg fwd P/E around 12. Also, there is now a risk that some private loans exposure could turn sour. <b>Be selective.</b>
Real Estate	X			0,82%	-4,42%	Defensive sector hit by rising bond yields. Logistics and data centers enjoy tailwinds from e-commerce/ AI. <b>Be selective.</b>
Retail	X			-6,49%	-11,73%	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			11,45%	6,21%	<b>Strong Q1-26 results in general.</b> Software & services still lagging considering the risk of business loss to AI (although certain companies are integrating AI quite well in their programmes and solutions). <b>Be selective.</b>
Telecommunications	X			21,64%	16,40%	<b>New business opportunities relating to AI.</b> Furthermore, the industry's <b>falling capital intensity</b> driven by the fibre cycle & the sector's <b>free M&amp;A option</b> are supporting performance. <b>EU infrastructure plans another support.</b>
Auto & Parts	X			-11,32%	-16,56%	Automotives still weak due to rising competition with China, high EV investment costs, excess inventories, and bad pricing. <b>Trade tensions and high energy prices bring further complications.</b>
Food, Bev and Tobacco	X			1,67%	-3,57%	<b>Valuations high compared with the rest of the market and considering the sluggish earnings growth of the sector.</b> Lack of upside catalysts except for its <b>defensive profile. Favour 'self help' stories.</b>
Media Price EUR	X			-7,84%	-13,08%	<b>AI full impact on business models still unclear but very negative so far. Meta Platforms another threat</b> as entering many (European) media businesses and grabbing more and more ads business/ market share.
Personal Care	X			-4,23%	-9,47%	The sector still faces <b>headwinds from rising input costs while consumers are increasingly price sensitive.</b> Lack of upside catalysts.
Travel & Leisure	X			-7,30%	-12,54%	Higher energy prices, travelling issues in some parts of the world, high competition and capacity expansion are <b>big headwinds.</b>

Sector (S&P 500 Level 1)	View			YTD (6 May)	Out/ underperf. vs index	Our view at a glance
	UW	N	OW			
Health Care		X		-6,16%	-13,75%	<b>Defensive compounder with attractive valuations in a structurally growing market</b> (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		14,04%	6,45%	<b>Re-shoring, reindustrialization, defense, AI and other infrastructure (re)development are major tailwinds.</b> But higher energy prices a headwind for some.
Communication Services	X			11,95%	4,36%	The sector is <b>dominated by 2 mega tech companies, growing fast, but facing various litigations.</b> The rest of the sector is not cheap and is also facing challenges and opportunities. <b>Be selective.</b>
Consumer Discretionary	X			3,27%	-4,32%	The sector is <b>dominated by 2 expensive mega tech companies, facing various issues.</b> 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.
Energy	X			26,61%	19,02%	The sector is profiting from higher energy prices but it is not obvious to determine how long they will remain elevated. <b>Medium term, we like energy infrastructure, equipment and services.</b> Necessity to develop new energy sources as some others have become unreliable.
Information Technology	X			12,48%	4,89%	<b>Strong Q1-26 results in general, especially semiconductors.</b> Some sub-sectors such as software and SaaS are however at <b>risk of losing business to AI.</b> Besides, huge capex spending is raising questions on hyperscalers' future ROIs and profitability. <b>Be selective.</b>
Materials	X			14,02%	6,43%	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 necessary for (electronic) defense as well as energy transition metals mining.
Real Estate	X			11,42%	3,83%	Activity is still sluggish in residential RE. New construction activity is still muted. Commercial RE stabilising. <b>Momentum is better at some logistics and specialized REITs.</b>
Utilities	X			7,03%	-0,56%	<b>Solid growth in power demand due to AI &amp; electrification</b> but US utilities are not cheap anymore. Furthermore, there is now a <b>growing risk of more controls or price caps</b> on surging electricity prices in certain American states.
Consumer Staples	X			9,91%	2,32%	<b>The sector looks fully priced.</b> 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 expected to strongly benefit of AI, have performed well recently.
Financials	X			-5,46%	-13,05%	<b>Sector not cheap and now at risk of potential economic slowdown and problems in the private credits / equity sphere.</b> Deregulation and volatile/ active capital markets could bring support however.



# Valuations

TABLE : GLOBAL INDICES

Index	Level	1yr Range	Forward														Composite	
			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	1106		58,69		3,32	18,84		3,49		1,71		17,64		5,31		n.a.	n.a.	
MSCI World	4757		235,91		2,59	20,17		3,77		1,63		17,71		4,96		1,07		
MSCI Emerging Markets	1711		133,98		6,77	12,77		2,25		2,28		17,38		7,83		0,67		
S&P 500	7399		337,19		3,53	21,94		5,06		1,14		21,60		4,56		1,21		
S&P 500 Equal Weighted	8267		483,43		1,03	17,10		2,97		1,96		15,87		5,85		0,90		
Russell 2000	2861		94,58		-0,47	30,25		2,30		1,85		5,90		3,31		1,46		
NASDAQ 100	29235		1129,64		4,88	25,88		7,93		0,60		28,51		3,86		1,51		
MSCI USA Growth	34941		609,13		3,31	30,36		11,17		0,35		34,39		1,74		1,86		
MSCI USA Value	17335		270,13		1,25	16,95		3,25		1,97		18,00		1,56		0,91		
STOXX Europe 600	612		40,45		1,69	15,13		2,22		3,23		14,19		6,61		0,78		
STOXX Europe Mid 200	650		42,93		1,48	15,19		1,94		3,46		12,42		6,60		0,77		
STOXX Europe Small 200	394		28,17		0,30	14,00		1,58		3,55		10,87		7,14		0,70		
DAX	24287		1555,13		2,01	15,65		1,86		2,89		11,50		6,40		0,78		
FTSE 100	10252		789,40		0,98	12,96		2,16		3,40		16,03		7,70		0,68		
CAC 40	8049		569,86		0,16	14,24		1,90		3,46		13,03		7,08		0,72		
FTSE MIB	49354		3925,60		-2,13	12,56		1,80		4,65		13,44		7,95		0,64		
Nikkei 225	62418		2533,64		-0,22	24,75		2,95		1,47		11,79		4,06		1,24		
Hang Seng	26388		2247,12		-0,09	11,75		1,28		3,22		10,49		8,52		0,58		

TABLE : EUROPEAN SECTORS

Index	Level	1yr Range	Forward														Composite	
			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. SX5P 5yr Z-Score	
STOXX Europe	612		40,45		1,69	15,13		2,22		3,23		14,19		6,61		15%	1,00	
STOXXE 600 Consumer P&S	336		14,71		-1,22	23,20		3,32		2,32		14,25		4,37		22%	1,53	
STOXXE 600 Energy	176		16,77		5,24	10,47		1,77		3,94		17,21		9,51		3%	0,71	
STOXXE 600 Food, Bev and Tobacco	186		12,64		0,35	14,73		2,61		3,33		16,38		6,80		18%	1,00	
STOXXE 600 Personal Care	157		10,91		-0,30	14,52		2,91		3,76		13,70		6,94		16%	1,00	
STOXXE 600 Chemicals	1188		65,36		-0,51	18,20		2,02		3,42		12,07		5,50		11%	1,17	
STOXXE 600 Utilities	550		34,62		0,71	15,90		1,98		3,99		12,05		6,29		7%	1,03	
STOXXE 600 Banks	364		36,46		0,10	9,33		1,32		5,44		13,43		10,02		13%	0,65	
STOXXE 600 Real Estate	125		8,42		0,25	14,87		0,73		4,83		7,56		6,74		18%	0,30	
STOXXE 600 Technology	937		37,70		2,03	24,74		5,13		1,23		21,77		4,02		20%	1,72	
STOXXE 600 Autom. & Parts	459		54,08		-3,76	8,60		0,57		4,71		6,30		11,77		19%	0,53	
STOXXE 600 Telecom	1083		68,56		-1,32	15,72		3,26		2,77		17,51		6,33		20%	1,09	
STOXXE 600 Financial Services	900		64,28		11,11	13,97		1,64		2,91		10,51		7,15		17%	0,30	
STOXXE 600 Insurance	494		41,60		0,55	11,91		2,01		5,16		16,82		8,41		3%	0,80	
STOXXE 600 Telcos	310		17,71		1,56	17,38		1,93		3,63		9,75		5,72		7%	1,11	
STOXXE 600 Media	368		27,58		0,63	13,34		2,05		3,37		11,18		7,49		34%	0,89	
STOXXE 600 Ind. Goods & Services	1117		47,76		0,54	23,66		4,21		1,98		16,90		4,27		15%	1,61	
STOXXE 600 Constn & Materials	867		47,51		0,74	18,35		2,55		2,69		13,72		5,48		12%	1,20	
STOXXE 600 Basic Resources	823		55,14		2,06	14,91		1,82		3,05		11,95		6,70		1%	0,96	
STOXXE 600 Retail	445		28,35		-0,45	15,85		2,89		3,12		17,11		6,37		21%	1,08	
STOXXE 600 Travel & Leisure	258		22,50		-4,29	11,49		2,72		2,95		22,19		8,71		17%	0,82	

\*BBG consensus, NOT an official BNP target price

TABLE : US SECTORS

Index	Level	1yr Range	Forward														Composite	
			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	7399		337,19		3,53	21,94		5,06		1,14		21,60		4,56		15%	1,00	
S&P 500 Consumer Discretionary	1997		73,86		0,67	27,04		7,25		0,69		24,31		3,70		13%	1,27	
S&P 500 Consumer Staples	950		41,35		0,45	22,37		6,41		2,46		27,33		4,35		10%	1,09	
S&P 500 Energy	850		68,49		9,60	12,41		2,16		2,89		17,69		8,06		17%	0,54	
S&P 500 Financials	852		56,45		-0,27	15,09		2,09		2,02		13,53		6,63		17%	0,64	
S&P 500 Health Care	1672		101,54		0,13	16,47		4,19		1,89		21,26		6,07		23%	0,76	
S&P 500 Industrials	1467		55,39		0,05	26,19		6,60		1,26		24,32		3,82		15%	1,21	
S&P 500 Information Technology	6573		251,07		3,04	26,18		10,96		0,47		39,08		3,82		14%	1,38	
S&P 500 Materials	646		35,89		4,41	18,00		3,03		1,59		16,06		5,56		15%	0,78	
S&P 500 Real Estate	282		7,41		0,41	38,06		3,19		3,29		8,20		2,63		10%	1,53	
S&P 500 Communication Services	507		23,33		1,17	21,72		4,86		0,68		20,35		4,60		16%	0,98	
S&P 500 Utilities	454		24,88		-0,43	18,25		2,12		2,91		11,60		5,48		15%</		

## Our key convictions at a glance (neutral equity)

		USA	Europe	Japan	Emerging Markets
Relative view*		Neutral	Underweight	Neutral	Neutral
What we (especially) like				Domestically exposed names benefiting from wage gains or GDP growth (including SMIDS)	Latin America
What we don't (really) like			Consumption related stocks		South and Southeast Asia
Preferred themes & trades	Regional basis		Strategic Autonomy (with selectivity)	Governance Reform achievers	Chinese tech
	Global Basis	Energy Infrastructure, Equipment & Services Infrastructure and Industrials exposed to Artificial Intelligence, Fiscal Spending and Re-shoring Innovation in Healthcare Metals & mining, particularly those critical for renewables, electrification and defense electronics			

\* Relative view: against your benchmark

## Economic, FX forecast tables

Weaker growth amid conflict and inflation shocks

### BNP Paribas Forecasts

GDP Growth %	2025	2026	2026- Bloomberg Consensus	2027	2027- Bloomberg Consensus
United States	2.1	2.4	2.2	2.3	2.0
Japan	1.2	0.5	0.7	0.4	0.9
United Kingdom	1.4	0.7	0.8	1.2	1.2
Switzerland	1.4	0.8	1.1	1.3	1.4
<b>Eurozone</b>	<b>1.5</b>	<b>1.0</b>	<b>0.9</b>	<b>1.3</b>	<b>1.3</b>
Germany	0.4	0.8	0.7	1.1	1.3
France	0.9	1.0	0.9	1.1	1.0
Italy	0.7	0.7	0.6	0.8	0.8
<b>Emerging</b>					
China	5.0	4.6	4.6	4.5	4.4
India**	7.6	6.6	7.5	6.8	6.7
Brazil	2.3	2.0	1.8	1.6	1.8

\*\* Fiscal year

Source : BNP Paribas, Bloomberg - 27.04.2026

### Inflation re-acceleration projected

### BNP Paribas Forecasts

CPI Inflation %	2025	2026	2026- Bloomberg Consensus	2027	2027- Bloomberg Consensus
United States	2.7	3.3	3.2	2.8	2.4
Japan	3.1	2.7	2.0	3.2	2.0
United Kingdom	3.4	3.6	3.1	3.3	2.3
Switzerland	0.2	0.5	0.6	0.5	0.7
<b>Eurozone</b>	<b>2.1</b>	<b>3.0</b>	<b>2.8</b>	<b>3.3</b>	<b>2.1</b>
Germany	2.2	3.2	2.7	3.5	2.3
France	1.0	2.4	2.0	1.9	1.7
Italy	1.7	3.1	2.3	3.7	1.8
<b>Emerging</b>					
China	0.0	1.3	1.0	1.4	1.1
India*	2.1	4.5	2.0	4.2	4.6
Brazil	5.0	4.7	4.3	4.5	3.9

\* Fiscal year

Source : BNP Paribas, Bloomberg - 27.04.2026

## FX FORECASTS EUR

Country	Spot 29/04/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
United States	EUR / USD 1.17	Positive	1.14	Negative	1.20
United Kingdom	EUR / GBP 0.87	Neutral	0.87	Neutral	0.87
Japan	EUR / JPY 187.33	Positive	180	Neutral	186
Switzerland	EUR / CHF 0.92	Neutral	0.92	Neutral	0.92
Australia	EUR / AUD 1.64	Positive	1.56	Negative	1.69
New-Zealand	EUR / NZD 2.00	Positive	1.90	Neutral	2.00
Canada	EUR / CAD 1.60	Neutral	1.57	Neutral	1.62
Sweden	EUR / SEK 10.87	Neutral	10.80	Positive	10.60
Norway	EUR / NOK 10.87	Neutral	10.80	Neutral	10.75
Asia					
China	EUR / CNY 7.99	Positive	7.75	Negative	8.16
India	EUR / INR 110.98	Positive	108.30	Negative	114.00
Latam					
Brazil	EUR / BRL 5.85	Negative	6.04	Negative	6.00
Mexico	EUR / MXN 20.44	Positive	19.95	Neutral	20.40

Source: BNP Paribas, LSEG

## FX FORECASTS USD

Country	Spot 29/04/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
Eurozone	EUR / USD 1.17	Negative	1.14	Positive	1.20
United Kingdom	GBP / USD 1.35	Negative	1.31	Positive	1.38
Japan	USD / JPY 160.12	Neutral	158.00	Positive	155.00
Switzerland	USD / CHF 0.79	Negative	0.81	Positive	0.77
Australia	AUD / USD 0.71	Positive	0.73	Neutral	0.71
New-Zealand	NZD / USD 0.58	Positive	0.60	Positive	0.60
Canada	USD / CAD 1.37	Neutral	1.38	Neutral	1.35
Asia					
China	USD / CNY 6.83	Neutral	6.80	Neutral	6.80
India	USD / INR 94.85	Neutral	95.00	Neutral	95.00
Latam					
Brazil	USD / BRL 5.00	Negative	5.30	Neutral	5.00
Mexico	USD / MXN 17.47	Neutral	17.50	Positive	17.00
EMEA					
South Africa	USD / ZAR 16.72	Neutral	16.50	Positive	16.00
USD Index	DXY 98.96	Neutral	100.66	Negative	96.23

Source: BNP Paribas, LSEG

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