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Creating Sustainable Value

MONTHLY MARKET REVIEW & OUTLOOK

July 2026

An affiliate of: NATIXIS INVESTMENT MANAGERS

July 2026

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in a nutshell

Key events – June 2026

Iran: Negotiations between the US and Iran on a peace agreement led to the partial reopening of the Strait of Hormuz in June.

Markets: European indices outperformed their US counterparts. The latter suffered from profit-taking on the AI theme against a backdrop of widening sector leadership.

Central banks: The ECB raised its rates by 25 basis points, as expected. In the US, the Fed came under the chairmanship of Kevin Warsh, whose hawkish tone led the market to price in rate rises.

Number of the month[1]

-20%

Drop in the price per barrel over the month. Having returned to around $70, by the end of June it had reached its pre-Iran conflict level.

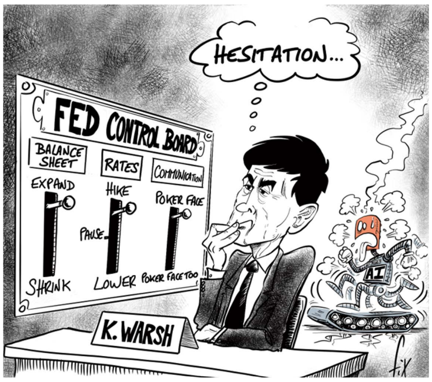
Macro outlook

Iran: tensions flared up again in July, but the negotiating framework remains largely intact. The medium-term trend continues to point towards gradual normalisation and a fall in oil prices

United States: employment is recovering, the base for job creation is broadening, inflation is already beginning to ease, and consumption could pick up moderately in the second half of the year. Nevertheless, growth remains unbalanced and heavily reliant on the digital sector.

Eurozone: PMI indices are rebounding and there are positive signs regarding growth and confidence in Europe. Will this attract international investors seeking diversification?

Results: the second-quarter earnings season, specifically US tech results, will be the main driver this summer. Expectations are very high: EPS growth of 22 per cent is expected for the S&P 500, with more than half of this linked to AI infrastructure, and 11 per cent for the Stoxx 600**.**



The Long View

AI is hungry for capital: can the market satisfy this appetite?

AI was primarily an equity market story — it is now making its way into fixed income markets as well:

- It is reinforcing the wealth effect in the US, to the point of creating vulnerability should expectations ultimately disappoint;
- Its massive funding needs, particularly through long-dated debt issuance, are beginning to weigh on bond markets;
- It is requiring other industries — utilities in particular — to keep pace and invest alongside it.

[1] Source: Bloomberg, June 2026.

Widening sector leadership

Not something we see very often: in June, European indices outperformed their US counterparts; the Stoxx 600[1] rose by 2.5%, the Euro Stoxx 50 by 4.5%, whilst the S&P 500[2] fell by 1% and the Nasdaq by 2.8%. After a hesitant start to the month, the reopening of the Strait of Hormuz eased risk aversion and reignited appetite for underweighted sectors. The environment also proved favourable for the dollar, which appreciated by nearly 2% against the euro – for a European investor, helping to mitigate the underperformance of US equity markets.

Peace pays off

In June, European investors welcomed the negotiations towards an agreement between the US and Iran and the gradual resumption of shipping traffic through the Strait of Hormuz. Confidence surveys – PMI, IFO, ZEW[3] – are rebounding, as is consumer confidence. The stagflationary shock[4] feared by the market has given way to an initial easing of inflation and a rise in real purchasing power, logically benefiting the leisure and financial sectors – particularly banks – as well as consumer staples such as food and drink, sectors that were significantly underweighted. The healthcare sector has also stood out. Meanwhile, in the wake of the fall in the price of a barrel of oil, the energy sector has underperformed.

The easing of oil prices has indeed been spectacular. With a fall of nearly 20% in June, the price per barrel had almost returned to its pre-Iran conflict level of $70, before rebounding in early July against a backdrop of tensions between the main parties involved.

AI, once again

Nevertheless, market performance remains closely linked to the theme of artificial intelligence. It has notably driven the Japanese and Korean indices, which have posted incredible returns – and the term is by no means an exaggeration – since the start of the year, thanks in particular to semiconductor and memory manufacturers: +5.6% for the Nikkei in June, +39% since the start of the year, whilst the Korean index is approaching +100% for the first half of the year. In the United States, AI-related stocks now account for nearly 50% of the S&P 500's market capitalisation.

Throughout the month, this segment was characterised by very high volatility, driven by profit-taking, which was particularly pronounced in Asia. For the time being, this appears to be more a matter of technical corrections than a challenge to the fundamentals; nevertheless, investor positioning – particularly that of retail investors through leveraged ETF positions – has reached extreme levels. The upcoming earnings season will prove decisive.

Sources : Bloomberg, Mirova.

[1] **STOXX Europe 600 or STOXX 600:** A stock market index comprising 600 of Europe's largest companies by market capitalisation

[2] **S&P 500 (Standard & Poor's 500):** A stock market index based on 500 major companies listed on US stock exchanges

[3] **PMI:** Purchasing Managers' Index; **IFO:** IFO Business Climate Index; **ZEW:** ZEW Economic Sentiment Index.

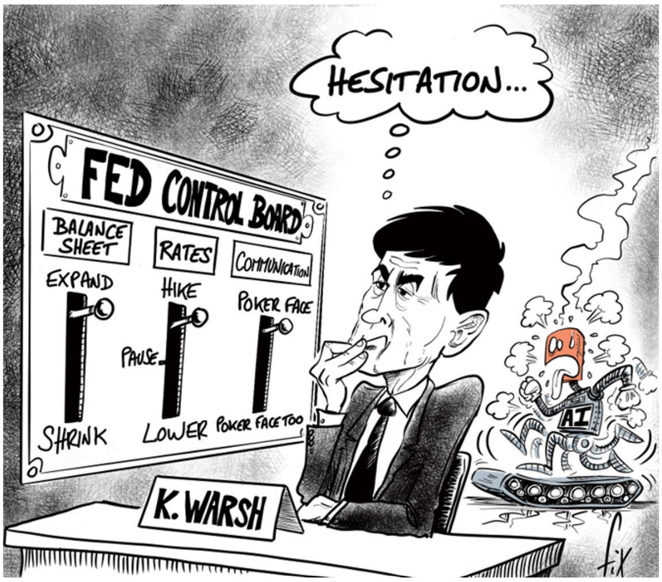
[4] **Stagflationary shock:** an economic environment characterized by sluggish growth and elevated inflation.

Earnings expectations for Q2 remain very high: the consensus forecasts 22% growth in EPS[5] for the S&P 500 (60% of which is linked to AI infrastructure, with Micron and Nvidia as the main contributors) and 11% growth for the Stoxx 600. Capex momentum has so far generated revenue and margins well above expectations for this semiconductor segment; we believe this will continue this quarter, but the market will scrutinise these results more closely than ever, as it harbours doubts about the sustainability of such growth momentum. It is worth recalling that we have been warning for several months that the major potential of AI remains, for the time being, constrained by its physical requirements (see 'So many tears shed over wishes granted' in our November 2025 issue of Mirova Alpha or The Long View below: 'AI is thirsty for capital: can the market quench its thirst?').

Warsh sets the tone

The other key event in June was the change at the helm of the Fed. Kevin Warsh took up his post and his resolutely hawkish[6] speech made a strong impression, even though it did not actually signal a rate rise, and the market priced in a possible tightening of key interest rates. The result was a rise in short-term rates – the US 2-year in particular, and to a more moderate extent in the eurozone, where the ECB's policy was already well anticipated – as well as a marked flattening of the yield curve, with the spread between 2-year and 10-year yields narrowing to around 30 basis points. June was a month of monetary policy repricing.

For its part, the ECB put its money where its mouth is: a 25 bp hike, as expected, with the rise in oil prices and the unanchoring of inflation expectations in May and early June having finally convinced it to act. A collateral victim of this rise in real interest rates, gold fell by 11% over the month and is now down since the start of the year, having lost its status as a safe-haven asset following the easing of geopolitical tensions. Credit, on the other hand, is holding up well: spreads are narrowing in the wake of equities, with high-yield bonds[7] seeing a greater narrowing than investment-grade[8] bonds.



Sources : Bloomberg, Mirova.

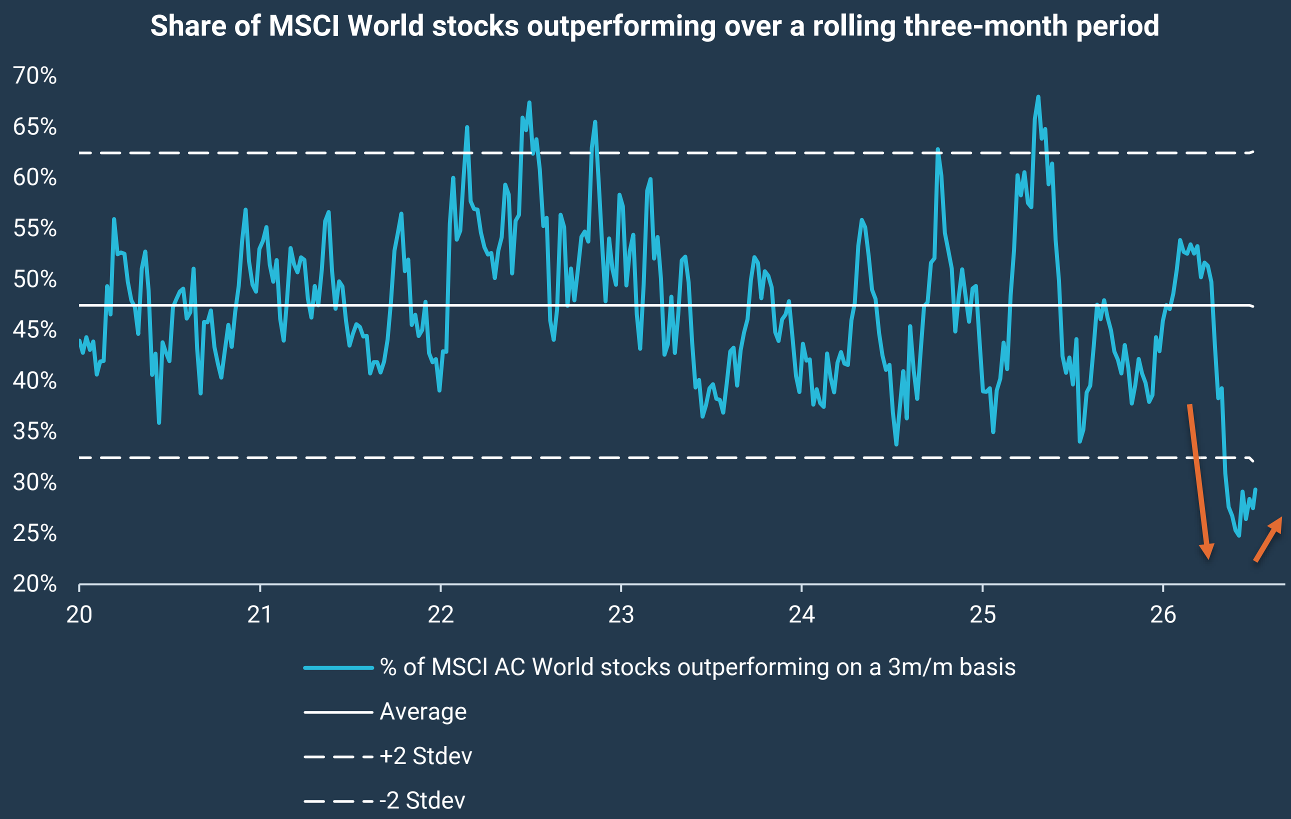
[5] **EPS:** Earnings Per Share.

[6] **Hawkish stance:** a monetary policy approach characterized by a willingness to increase interest rates to control inflation and stabilize the economy.

[7] **High yield:** debt securities offering a high return in exchange for a high level of risk.
control inflation and stabilize the economy.

[8] **Investment grade:** ratings from credit rating agencies that fall between AAA and BBB according to the Standard & Poor's scale, corresponding to a low level of risk.

Chart of the month



Source: Bloomberg.

Macroeconomic review and outlook

The situation in the Strait of Hormuz deteriorated once again in July, leading to a modest rise in the price per barrel. Despite this resurgence of tensions, our central scenario remains that of a protracted, chaotic and arduous negotiation process. The stagflationary shock is expected to remain contained: global inflation, having risen by around one percentage point, began to ease in June, whilst economic activity is expected to continue its gradual recovery. Central banks have adopted a more hawkish stance, but the scale of monetary tightening is likely to remain limited (in our view, the rate rises anticipated by the market are far from guaranteed). On the market front, profit-taking in US tech stocks and its potential negative wealth effects should be monitored closely, despite the technical nature of the correction highlighted above. Strong fundamentals and now more reasonable valuations should ultimately provide support over the summer.

United States: Goldilocks[9] under scrutiny

The US economy is maintaining its momentum, still driven by investment in artificial intelligence, and is expected to grow at a rate close to its potential in the second half of the year, notwithstanding a further surge in oil prices. Inflation remains high but has already begun to ease, standing at 2.6% for the core component and 3.5% for the headline figure in June.

As the second half of the year gets underway, indicators remain positive: manufacturing activity appears buoyant, consumption is resilient, PMIs are generally favourable and household confidence surveys continue to rebound.

As for the Fed, the first remarks by the new governor, Kevin Warsh, signal a return to a more orthodox stance, with the stated aim of bringing inflation back to 2%. The new chairman has also indicated his intention to realign the institution with macroeconomic data and to abandon its forward guidance, believing that the markets have ultimately over-interpreted the institution's statements. He has furthermore set up several working groups, notably on the Fed's balance sheet, inflation analysis, productivity and the impact of AI on the economy.

After several months of job creation far exceeding expectations, the labour market did indeed show signs of normalisation in June: 57,000 new jobs were created, compared with the expected 115,000. Whilst the unemployment rate is falling, wage growth – at 3.5% year-on-year – remains consistent with the Fed's inflation target. The labour market remains robust without overheating, which reduces the risk of a rebound in wage inflation.

We therefore believe the markets' outlook regarding the Fed is slightly too hawkish. We still expect the status quo to prevail over the summer, with a possible rate rise only after the mid-term elections should inflationary pressures accelerate.

Sources: Bloomberg, Mirova.

[9] **Goldilocks economy:** an economic environment characterized by moderate growth, low inflation and a resilient labour market.

Europe is enjoying a better growth-inflation mix

After several months marked by geopolitical tensions and the energy shock, the outlook for Europe is improving. The growth-inflation mix is becoming more favourable, with energy prices falling and both household and business confidence rebounding, whilst inflation is easing, both in its headline and core components.

At the same time, economic activity is picking up, as reflected in the composite PMI index returning to the 50 mark threshold. This signals an improvement in the economic climate, with positive revisions for the major eurozone economies of Germany and France, and continued strong momentum for Spain and Italy. The recovery in lending to businesses and households is an encouraging sign for economic activity in the second half of the year.

Further support for growth could come from Germany, where the government has announced several reforms. The retirement age is to be raised to over 67, whilst a funded component is to be introduced into the pension system; lower-income households will benefit from tax cuts, and administrative procedures relating to employment will be simplified. The plan also provides for investment in infrastructure, with €33 billion earmarked this year for roads and railways, followed by €94 billion to be invested between 2027 and 2029. Administrative procedures will be streamlined to facilitate the start of construction projects.

In Europe, too, inflationary pressures are easing. Headline inflation fell from 3.2% to 2.8% in June, with the energy shock having a limited impact on the rest of the economy. Core inflation has returned to 2.4%, close to its pre-war level, thanks to a moderate rise in industrial goods and a gradual normalisation of services. Second-round effects are therefore likely to remain contained given the sluggishness of the labour market.

Against this backdrop, we reiterate that the ECB is likely to pause or even bring its tightening cycle to an end, although the way forward will depend largely on developments in the Gulf.

China: still struggling to take off; is a stimulus on the horizon?

Things are not taking off for China, where growth was generally disappointing in Q2. Paradoxically, this weakness could become a supporting factor in the coming months and pave the way for a stimulus package. Industrial production remains robust, driven by exports, but the other drivers of the economy remain fragile. Consumption, the property market, investment and retail sales appear insufficient to meet the official growth target of 5%. Thanks to exports, industrial production rose by 20% year-on-year in May, compared with 14% at the end of April. This is helping to drive growth to around 4.5%, but the imbalance with domestic growth seems difficult to sustain in the medium term. The government could therefore step up its support for the economy in the second half of the year.

China continues to exert pressure on several European industrial sectors. Exports to Europe are growing at double-digit rates, and the country now accounts for nearly a quarter of European imports. Its competitiveness stems from lower labour, energy and capital costs, as well as an undervalued currency. The automotive, chemicals, industrial equipment and medical technology sectors are among those most exposed, although their weighting within European equity markets has declined. The European Union is beginning to implement targeted measures to respond to this external competition.

In the second half of the year, a Chinese economic recovery could help to bolster global growth momentum.

Sources: Bloomberg, Mirova.

FOCUS – AI: the challenge of the future for central banks?

AI is also becoming an issue for central banks. In the short term, its roll-out appears to be having a rather inflationary effect. The construction of data centres is putting pressure on semiconductors, memory, electricity and certain metals such as copper… The supply chain for the infrastructure required to develop AI is extensive. The expected productivity gains are not yet evident in the economy, but the strain on production capacity is very real.

This sequence is more reminiscent of the great industrial revolutions than of the dot-com bubble. Just like electrification or the rise of the motor car, the development of AI first requires significant investment in infrastructure before it yields productivity gains. These could prove to be disinflationary, or even deflationary, in the longer term. The challenge for central banks will be to manage this transition period, characterised by a potentially inflationary investment shock, before the benefits of AI filter through to the real economy.

The Long View

AI is hungry for capital: can the market satisfy this appetite?

Until recently, the bond market viewed the artificial intelligence (AI) frenzy on the equity markets with a mixture of curiosity and amusement – the record concentration of index returns on a handful of sector-related stocks, the dizzying valuation multiples, the cash flows generated by certain players, and even the cross-investment structures that were causing greater caution. On the whole, however, bond market participants felt little concern.

The situation has changed. The AI boom is indeed beginning to have an impact on debt markets, particularly the credit market. Several channels through which this equity frenzy is spilling over into fixed income are emerging:

- the vulnerability imposed on the macroeconomy via the wealth effect;
- massive debt issuance and its impact on bond markets;
- spillover effects on other related industries.

The US economy under the spell

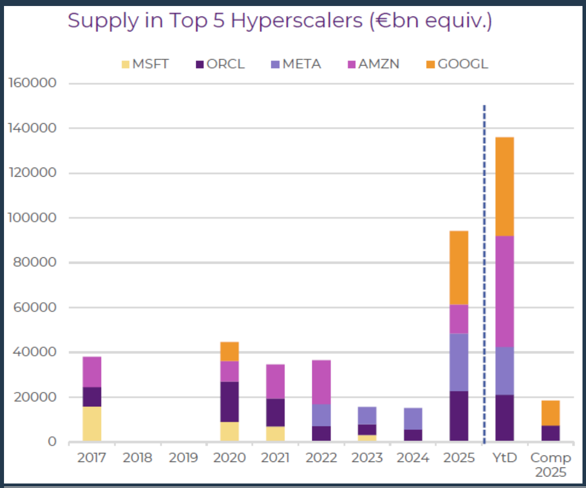
The current dynamics of the US economy are being shaped by the rapid development of AI, primarily due to the massive investment it generates, and secondly because of the well-paid jobs it requires. This creates an ideal combination for growth: research and development on the one hand – with the promise of productivity gains that inevitably trickle down to all economic actors – and infrastructure development on the other, which rapidly generates 'easy' GDP. In North America, data centre construction projects were valued at $114 billion[10] in 2025; they could reach $156 billion[2] in 2026 and then $195 billion[2] in 2027.

In addition to these fairly conventional effects, there is an already significant wealth effect: the market valuations of Nvidia, SpaceX, Micron and the like have bolstered the wealth of the wealthiest US households, which are heavily invested in shares. The benefits of AI are therefore feeding through to the consumption levels of these households, which are, on average, among the most affluent. However, it is these households that are driving the country's consumption, at a time when the rest of society – with a very low savings rate – no longer seems to have the leeway to boost consumption unless there is a rebound in employment, which is already at very satisfactory levels and does not appear to offer any further scope for positive effects either. The US household savings rate fell to 3%[11] in April, its lowest level since June 2022. AI is no longer merely a technological narrative: it is becoming a macroeconomic factor – and the most significant one for the United States.

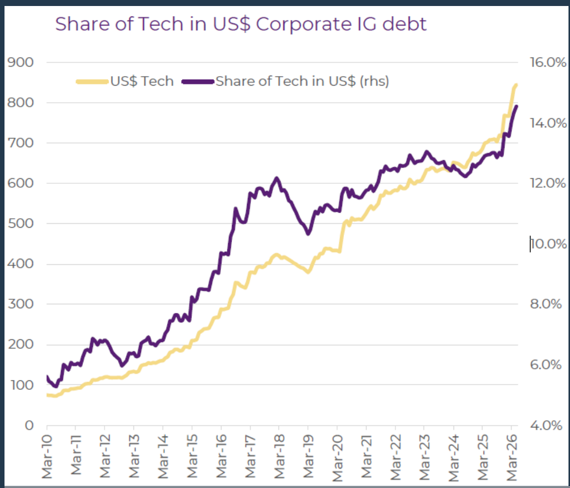
AI: but what impact would it have on the bond market?

Initially, the credit market paid it only polite attention, viewing it merely as an exotic development, but the bond issues by Alphabet, Meta, Nvidia, SpaceX, Oracle and so many others eventually, as they accumulated, significantly altered the index landscape – in terms of sector, maturity and the average quality of credit ratings. Indeed, AI is not only boosting volumes; it is also extending the average duration of indices through long- to very-long-dated bonds, such as Alphabet's 2126[3] in £ or 2075[3] in $. Amazon joined the ranks last week with $25B[3] of issues, spread across seven tranches with maturities ranging from 2029 to 2066.

[10] Source: S&P Global Market Intelligence
[11] Source: Bloomberg



Source: Natixis Credit Research



Source: Natixis Credit Research

To explore the issues surrounding the development of artificial intelligence and its impacts in greater depth, Natixis Research publications are available at the following address: Natixis Research - Home

Whether or not they are cash cows, the tech giants are becoming investment machines. In total, in the first half of 2026, the hyperscalers collectively raised around $170 billion[12] in investment-grade (IG) *debt*, mainly in US dollars, accounting for 60%[4] of the issues, but also in pounds sterling and euros. The total expected for 2026 is set to comfortably exceed $250bn[4]. Around 30%[4] of issues are now concentrated on maturities of over 30 years.

This trend is gradually altering the very structure of the market. Hyperscalers alone account for 23%[4] of non-financial IG issues this year and, when Meta, Apple and, more broadly, the rest of the technology sector are included, this share rises to 38%[4] of the non-financial IG supply – a level which, were it to be sustained, would set a record for a single sector. This rise in prominence creates a growing risk of concentration for credit investors and could, in the event of a sectoral shock or market rotation, encourage behaviour typically reserved for equities or even certain subordinated instruments relating to these issuers. Not investing in this industry, which carries increasing weight in the indices, now amounts to taking significant positions. Index-tracking funds will have to get used to this.

But where does it get all this energy from?

AI needs suppliers: specialists in electrical equipment, industrial automation and infrastructure cooling have found an unexpected source of growth in data centres following the slowdown in construction caused by rising interest rates. Think of Legrand, Schneider, Johnson Controls, ABB, Vertiv, Eaton… Yet this is merely a side effect compared to the sheer scale of the energy requirements these data centres will generate and the computing power they demand.

By 2030, global electricity consumption by data centres could thus approach 382[13] GW, with the United States alone accounting for 45% – compared with nearly 40% today – driven by demand from major hyperscalers, which is projected to rise from around 75.84[5] GW in 2026 to 134.4[5] GW in 2030. Installing the corresponding new electricity generation capacity would, in our view, require nearly $200 billion in investment, depending on the technology chosen. Access to electricity is gradually becoming the critical resource. In some regions, connection waiting times already exceed several years, and constraints relating to grids, planning permission, available equipment or the workforce are slowing down the roll-out of projects. The question is no longer simply one of who will finance the data centres, but whether they can be built at the announced pace.

At the same time, this ramp-up in AI infrastructure is not limited to electricity consumption. According to the IEA, water consumption across the entire AI value chain – including the production of the necessary energy, as well as the operation and cooling of data centres – is expected to rise from around 560 million m³ in 2023 to 1.2 billion m³ in 2030, which is equivalent to the annual water consumption of a city with a population of around 7.5 million.

[12] Source: Barclays Research
[13] Source: S&P Global Market Intelligence

Behind the algorithms, therefore, lie power stations, transmission networks, cooling systems, water pipes and industrial infrastructure. The digital economy is, surprisingly, becoming material once again. IPOs and bond issues in the AI sector will therefore be accompanied by those of the utilities responsible for producing and distributing energy and water, and of the industries tasked with building the necessary infrastructure.

Too big to fund

At a time when Mr Warsh is talking about the Fed's balance sheet reduction and is sticking to the 2%[14] target and Taylor's law; at a time when the BoE and the ECB can no longer afford overly accommodative policies either; and at a time when the BoJ is resolutely raising its key interest rates, here is an industry turning to the markets and their liquidity on a historic scale. The sums to be raised run into hundreds of billions of dollars in the space of just a few months. To give an idea of the scale, the sector is set to issue almost as much this year as the French Treasury or the UK's Debt Management Office – two heavyweights on the bond markets. Is it necessary to raise the question of whether the markets have the capacity to absorb this? Even if the answer is reassuring, the very fact that the question needs to be asked is in itself a telling indication of the sheer scale of what is at stake.

The liquidity injected during the Covid crisis to cushion the deflationary effects of the measures intended to curb the pandemic – effects which, incidentally, were exceeded – has partly fuelled the rise in equity markets since 2021. At the same time, the bond market struggled to cope with the periods of rising interest rates caused by the resulting inflation. However, the support provided by this liquidity could not last indefinitely: its effects gradually waned as the funds were deployed and the excess private savings accumulated during the pandemic dwindled, against a backdrop of slowing real growth. In this respect, the timing chosen by AI to tap the equity markets or the public or private debt markets does not appear ideal.

To put it plainly: if AI does not generate productivity gains sufficient to drive real growth, the markets will not be able to absorb IPOs and bond issues from this sector without causing damage to the yield curve or valuations, either through the supply effect or even by prolonging the inflationary phase that AI induces in many electronic devices.

This argues in favour of portfolio diversification: either AI achieves its goals, in which case economic players other than those involved in its value chain will benefit – otherwise, the entire investment thesis would be meaningless; or it fails to do so, in which case its players will be penalised to a greater extent than other industries affected indirectly.

Markets are currently financing infrastructure projects over 30 to 40 years, built around the dominant technologies of the moment. Yet history reminds us of the constant upheavals in technology industries. As we have already mentioned, and we emphasise this point: recent advances in model efficiency suggest that it is not impossible for future generations of AI to produce comparable results using far less computing power or energy. The markets are therefore making two bets simultaneously: that computing needs will continue to grow sharply, and that current technologies will remain sufficiently relevant to make the investments made profitable. Ultimately, the question – a very capitalist one – is whether AI will create more economic value than it consumes in capital, energy and resources.

AI holds the promise of transforming the economy and is therefore changing its financing structure. Every era builds the strategic assets that underpin its growth – the difference lies in the fact that today, this infrastructure is mainly funded by a handful of private companies and directly supported by the capital markets, at a time when the influx of liquidity resulting from the Covid crisis is, if not drying up, at least losing momentum.

[14] Source: Bloomberg

Summary of Market views

	Summary			
ASSET CLASSES	**MEDIUM TERM**	**PREVIOUS MONTH VIEW**	**MONTHLY CHANGE**	**COMMENTS**
EQUITY	○—●—○	●	=	• Global growth and earnings prospects remain solid. • However, part of the positive news already appears priced in. The situation in Iran remains unclear. Search for diversification.
CREDIT	○—○—●	●	=	• Fairly resilient macro-financial fundamentals (low default rates, high corporate profitability). • Robust across different scenarios and fairly attractive carry.
DURATION	○—○—●	●	=	• Slightly long duration stance through a steepening bias on yield curves. • On the short end, monetary tightening potential appears limited relative to restrictive market pricing. • On the long end, the "higher for longer" narrative remains in place due to structural factors.
CASH	○—●—○	●	=	• Reduced defensive appeal of cash, preference for short-duration bonds.

Market views

○—○—●	Very positive
○—○—●	Positive
○—●—○	Neutral
●—○—○	Negative
●—○—○	Very negative

Evolution of market views compared to the previous month.

↑ Reinforcement

= Maintenance

↓ Easing

EQUITY				
ASSET CLASSES	**MEDIUM TERM**	**PREVIOUS MONTH VIEW**	**MONTHLY CHANGE**	**COMMENTS**
US	○—●—○	●	=	• Solid growth and still positive EPS momentum. • However, extreme concentration and positioning around the AI theme likely to generate volatility.
EURO	○—●—○	●	=	• Recent improvement in macroeconomic momentum. • Relative valuations and positioning remain attractive. However, the potential for outperformance remains highly dependent on developments in Iran.
UNITED KINGDOM	○—●—○	●	↑	• Return of a degree of political stability. • Attractive valuation.
JAPAN	○—●—○	●	=	• Expansionary fiscal policy and favorable governance reform. • Still long financials in a context of monetary normalization. • Nevertheless, upside potential is limited after YTD outperformance.
EMERGING MARKETS	○—○—●	●	=	• Valuations and EPS momentum remain attractive. • Continued search for geographic diversification. • However, performance remains concentrated in a limited number of stocks.
GROWTH VS. VALUE	●—○—○	●	=	• Overall preference maintained for value companies with positive earnings revision momentum, particularly financials and companies with tangible assets. • Remain selective on US technology stocks.
QUALITY VS. HIGH VOLATILITY	○—○—●	●	↑	• Quality/low-volatility strategies provide strong diversification benefits in the current market environment (Momentum factor volatility and renewed tensions in the Middle East).
SMALL VS. LARGE CAPITALIZATIONS	○—●—○	●	=	• Small-cap valuations remain relatively attractive, but financial conditions have tightened and uncertainty around growth in Europe persists.
CYCLICAL VS. DEFENSIVE	○—●—○	●	=	• Overall positioning remains balanced. Defensive exposures have recently been increased given their strong diversification benefits in the current market environment.

CREDIT

ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
INVESTMENT GRADE US	○–○–●	●	=	• Attractive carry and resilient asset class.
HIGH YIELD US	○–●–○	●	=	• Stress in private debt is negative for sentiment, offset by a globally favorable macro environment for risk assets.
INVESTMENT GRADE EURO	○–○–●	●	=	• Quality assets at reasonable prices. • Preference for financial.
HIGH YIELD EURO	○–●–○	●	=	• BB too tight relative to IG, and a negative net supply effect offset by continued demand for carry.

DURATION

ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
2 YEARS US	○–○–●	●	=	• Recent inflation and employment data have come in below expectations. • No risk of inflation expectations becoming unanchored at this stage. • A Warsh-led Federal Reserve would likely favor a wait-and-see approach until the midterm elections, allowing time to assess the situation.
10 YEARS US	○–●–○	●	=	• The recent decline in breakeven inflation rates has been offset by the increase in real rates (less accommodative Fed tone, positive activity surprises, expected rise in the budget deficit). • Higher long-term US yields appear justified.
2 YEARS GERMAN	○–○–●	●	=	• Markets are pricing in almost two ECB rate hikes by year-end. • Employment and domestic demand remain weak in the euro area, while the inflation shock remains primarily energy-driven. • Potential for a decline in short-term rates.
10 YEARS GERMAN	○–●–○	●	=	• Potential for a decline in long-term European yields appears fairly limited. • Upward pressure remains driven by Germany's fiscal spending plans, political risk, the ECB's hawkish stance, continued quantitative tightening (QT), resilient macroeconomic conditions…
PERIPHERAL DEBT EUROPE	○–●–○	●	=	• Unfavorable environment due to the recent rise in oil prices. • Neutral on Italy, overweight maintained on Spain.
UNITED KINGDOM	○–○–●	●	↑	• Attractive carry and return of a degree of political stability. • Slight tactical long-duration position following the recent increase in real yields.
JAPAN	●–○–○	●	↓	• Macro and inflation trends remain strong. • The BoJ is supporting the yen, reducing the monetary base and contributing to tighter monetary conditions. • Interest rates are likely to remain under upward pressure.
EMERGING MARKETS	○–●–○	●	=	• Emerging market sovereign debt in USD is unattractive, with sovereign spreads very tight. • In local currencies, the near-term FX outlook remains uncertain.

CASH

ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
EUR/USD EXCHANGE RATES	○–○–●	●	=	• Bearish outlook on the USD over the medium/long term. • In the short term, US macro outperformance argues for neutrality.

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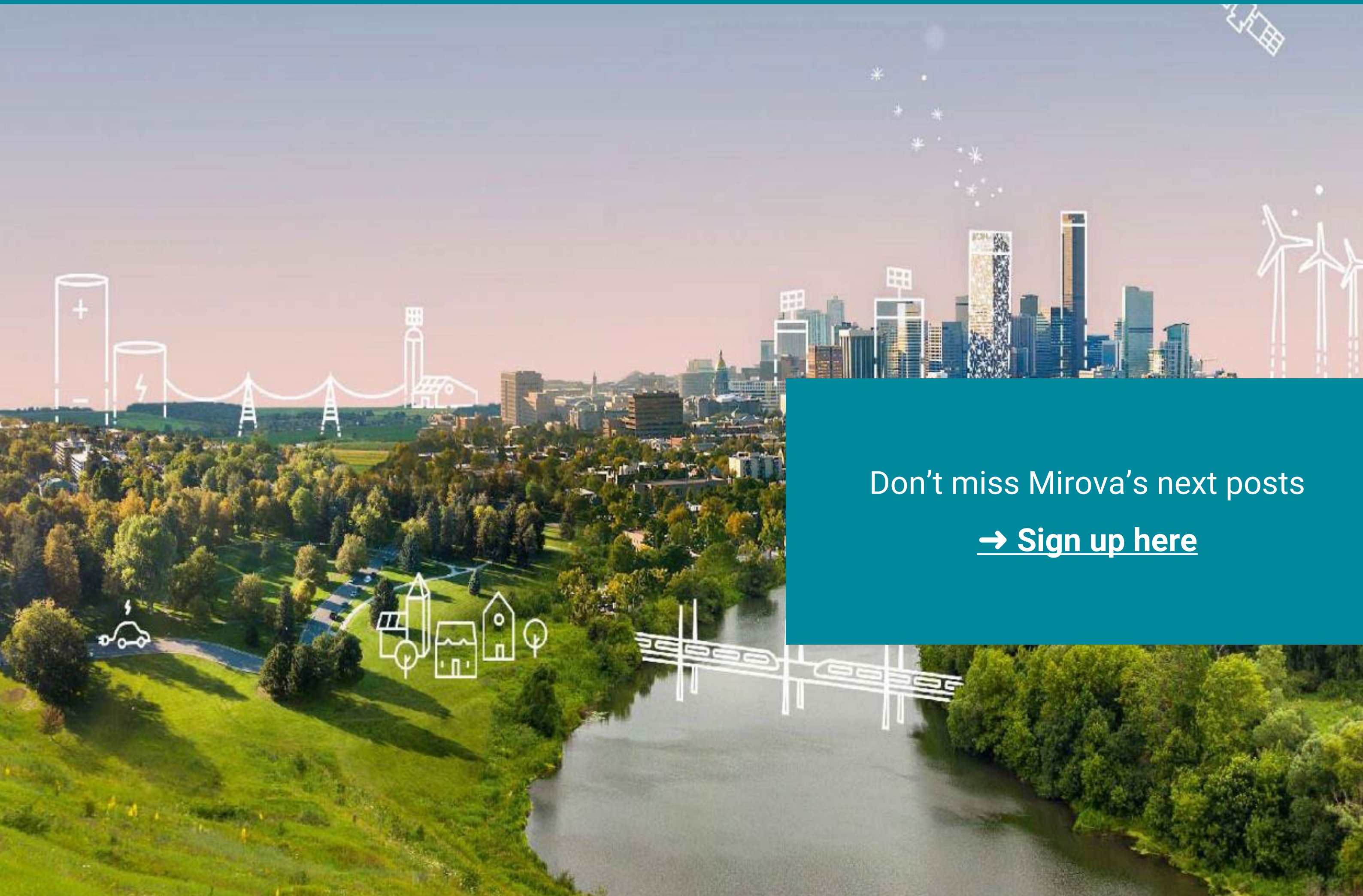

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ABOUT MIROVA

Mirova is a global asset management company dedicated to sustainable investing and an affiliate of Natixis Investment Managers. At the forefront of sustainable finance for over a decade, Mirova has been developing innovative investment solutions across all asset classes, aiming to combine long term value creation with positive environmental and social impact. Headquartered in Paris, Mirova offers a broad range of equity, fixed income, multi-asset, energy transition infrastructure, natural capital and private equity solutions designed for institutional investors, distribution platforms and retail investors in Europe, North America, and Asia-Pacific. Mirova and its affiliates had €36.7 billion in assets under management as of June 30, 2026. Mirova is a mission-driven company, labeled B Corp*.

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