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MONTHLY MARKET REVIEW & OUTLOOK
September 2026

Un affilié de NATIXIS INVESTMENT MANAGERS mirova

In a nutshell

Key events – August 2026

Middle East: hopes for de-escalation at the start of the month have given way to further strikes. Brent crude rose back above $90 and European gas prices rose by nearly 20% over the month.

Markets: corporate earnings supported equities despite rising interest rates. The S&P 500 is up by around 2.5%, compared with 0.5% for the Stoxx 600. The rebound in European software and technology stocks helped to broaden the lead beyond US semiconductors.

Interest rates: Long-term rates rose, against a backdrop of high financing needs and increased vigilance by central banks in the face of inflation.

Number of the month[1]

5.31 %

30-year US Treasury Bond yield, its highest level since 2007.

Macro outlook

Energy: if energy prices continue to rise, new inflationary pressures will emerge, complicating the task facing central bankers.

United States: August's job creation figures confirm the economy's resilience. Inflation is becoming a key factor in the Fed's next decision.

Eurozone: the recovery in economic activity, particularly in Germany, is being confirmed. However, rising gas prices could undermine the recovery whilst prompting the ECB to tighten monetary policy further.

China: Technology exports continue to underpin economic activity, whilst domestic demand is disappointing. More substantial government support is still expected.

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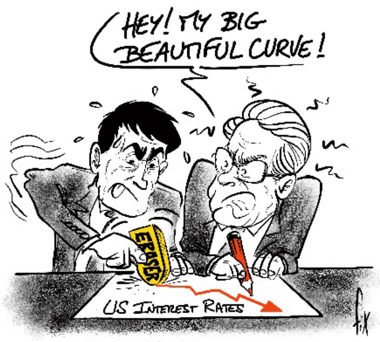


Kevin Warsh and Scott Bessent « cooperating »

The Long View

Do we still need pharmaceutical companies now that we have AI?

- What AI can already do
- Big Pharma vs Big Tech: who will sell the medicine of the future?
- Laboratories enter a new era

[1] Source: Bloomberg, August 2026.

Earnings hold their own against interest rates

Equity markets weathered August with remarkable resilience. The S&P 500 rose by around 2.5% and the Nasdaq by nearly 4%, whilst the Stoxx 600 gained around 0.5%. Following July’s profit-taking, corporate earnings reports provided reassurance and enabled the indices to approach their record highs. Yet there was no shortage of headwinds: renewed tensions in the Middle East, rising energy prices and higher bond yields. So far, earnings growth has helped to absorb this increase in the cost of capital. The start of the new financial year will reveal how long this balance can hold, as beyond certain interest rate thresholds – 5.5% on the 10-year US Treasury bond – the impact will become more difficult to counter.

Hormuz: a summer of dashed hopes

The month had begun under more favourable circumstances. Talks between Iran and Oman regarding a maritime corridor, against the backdrop of a suspension of US strikes, had rekindled hopes of a return to normal traffic in the Strait of Hormuz. Brent crude even dipped back below $80. The lull proved short-lived. Intensifying US economic pressure, followed by the resumption of military operations, pushed the price per barrel back above $90 by the end of the month.

Oil flows have not come to a complete halt, which is helping to keep price rises in check for the time being. However, the hoped-for easing of tensions over the summer has not materialised. The pressure is particularly evident in the European gas market, where prices rose by nearly 20% in August. This is hitting energy-intensive sectors and complicating the ECB’s task, just as European economic activity is beginning to pick up.

The trend continued into early September: at the close of trading on 9 September, Brent crude was hovering around $100 and European gas at €80 per megawatt-hour. This price rise weighed on European equities during the first few days of the month, whilst Wall Street held up better. Energy thus remains one of the key variables this autumn.

Earnings lived up to expectations

The second-quarter earnings season was eagerly anticipated. It lived up to expectations – even exceeding them. The figures show year-over-year earnings growth of over 30% in the US and 20% in Europe. Earnings reports have largely exceeded expectations, with margins remaining high. Revenue momentum confirms that this growth is also underpinned by solid demand.

Artificial intelligence continues to play a central role. Nvidia’s results provided reassurance regarding the strength of investment in infrastructure, while earnings reports from the major cloud players confirmed that they are continuing to spend. However, the market is becoming more demanding regarding how these investments will pay off. Impressive growth is no longer always enough to drive share prices higher, as expectations have become very high.

The widening of the lead, which we mentioned before the summer, has also materialised. European technology has regained momentum and software publishers have rebounded. Long considered particularly vulnerable to disruption from AI, several have reassured investors about the strength of their business and their ability to integrate these tools into their offerings. The issue of monetisation is therefore gradually affecting a wider part of the value chain.

Outside the technology sector, commodities and basic resources have risen, buoyed by the geopolitical context. Media results are also looking positive. By contrast, sectors sensitive to interest rate rises are

Sources: Bloomberg, Mirova.

under pressure, foremost among them property, as well as defensive stocks. Discretionary consumption, particularly leisure, is bearing the brunt of rising fuel prices.

Disparate growth of European indices

The modest rise in the European index masks significant disparities. The DAX gained around 2.5% in August, supported by an improvement in German economic indicators and announcements aimed at accelerating public investment. Conversely, the CAC 40 fell by around 2%. French budgetary uncertainty – the resolution of which is being prevented by the prospect of the 2027 presidential election – is fuelling a specific risk premium. We addressed this topic in our September 2025 edition of Mirova Alpha.

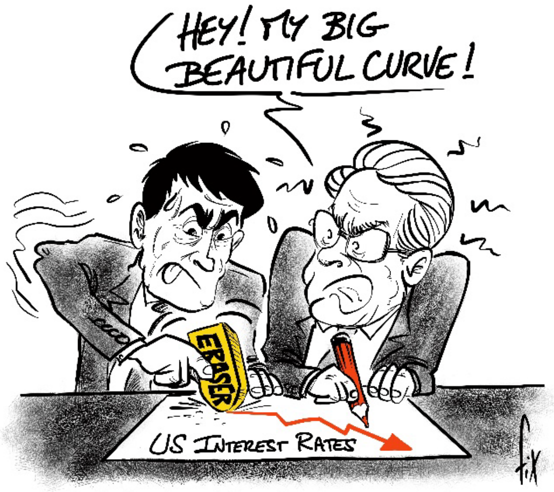
Sovereign debt under pressure

Concerns are mounting over governments' fiscal trajectories and the scale of their funding requirements, compounded by bond issues from companies involved in the race to develop AI infrastructure. In the United States, too, Kevin Warsh's initial summer comments fuelled uncertainty. His stance lacked firmness in the face of inflation, contributing to a rise in long-term rates and the term premium. This stance was corrected by the Fed Chair[1] at Jackson Hole, where he adopted a more hawkish stance[2] and reaffirmed the 2% inflation target. Whilst disinflation continues in the services sector and in wages, rising energy prices and those of certain manufactured goods are weighing on the figures, with core PCE inflation at 3.3% and CPI inflation at 3.4%.

Over the summer, the rise in yields was very marked: 4.75% for the 10-year US Treasury, 5.31% for the 30-year, a level not seen since 2007. In Germany, the Bund reached 3.32%, its highest level since 2011, whilst the OAT hit 4.15%, a level not seen since 2008. The spread against the Bund widened by more than 85 basis points.

Against this backdrop of market scepticism, coupled with a fall in the dollar, alternative sources of return have seen strong demand: gold, silver and bitcoin.

The credit market held up better in terms of spreads, with high-yield bonds performing well. Companies are benefiting from solid fundamentals and inflows attracted by their yield. But this resilience has its limits. The slight widening observed in early September serves as a reminder that the credit market remains sensitive to tightening financial conditions.



Kevin Warsh and Scott Bessent « cooperating »

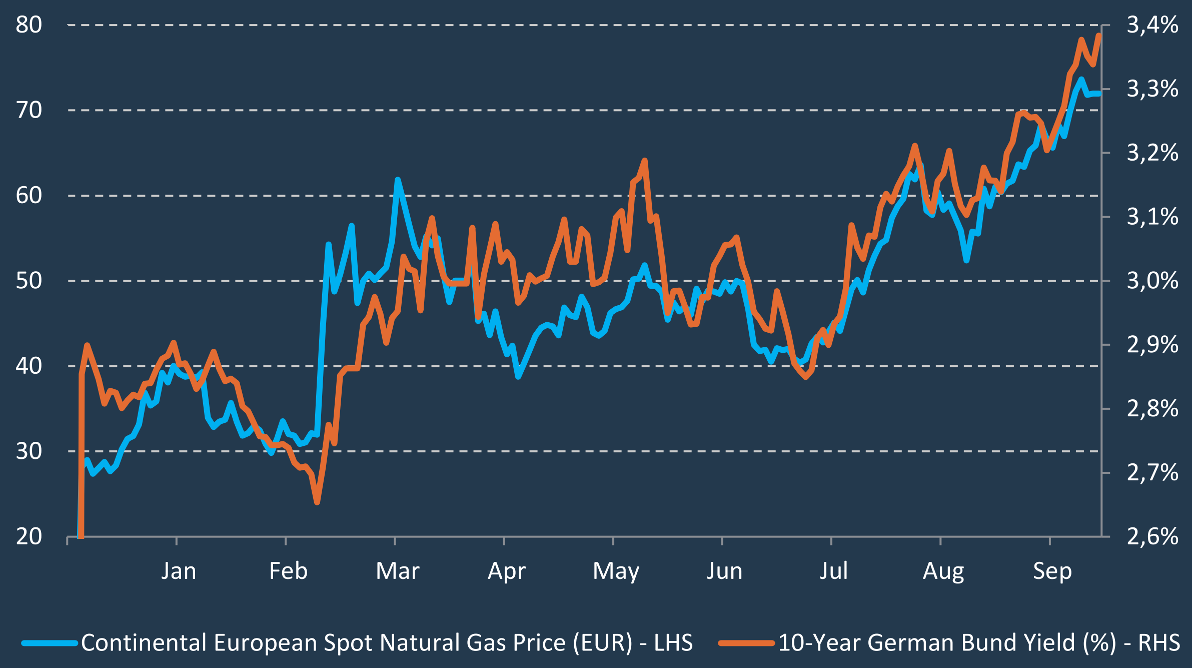
Sources: Bloomberg, Mirova.

[1] **Federal Reserve (Fed):** The central bank of the United States.

[2] **A hawkish stance** generally reflects a desire to raise interest rates in order to curb inflation and stabilise the economy.

Chart of the month

10-Year Bund yield and European natural gas prices since January 2026



Source: Bloomberg.

Macroeconomic review and outlook

In this new school year, attention is turning to governments: their policies of massive borrowing, on both sides of the Atlantic, are beginning to cause unease amongst investors. The effects on long-term interest rates are being felt and could influence the outlook for the coming months. Central banks are also taking action in the face of persistent inflation. Hikes in key interest rates are on the horizon.

Our scenario, however, remains one of resilient growth and gradual disinflation, albeit with greater uncertainty regarding the timing. The start of the new financial year presents a risk of volatility, but does not fundamentally call into question our positive outlook for risk assets in the medium term.

United States: the Fed reassured on employment, but what about inflation?

The US economy retains its key drivers. Investment in AI remains very buoyant and the wealthiest households continue to benefit from the appreciation of their financial assets. Consumption appears more fragile amongst lower-income groups but shows no signs of collapsing. Inventory restocking should also boost growth in the third quarter, having weighed on it in the previous quarter. We therefore maintain our growth forecast of over 2% for both 2026 and 2027.

The latest employment figures reinforce this resilience. Published on 4 September, the August report shows 162,000 new jobs created, compared with the 55,000 expected, plus upward revisions of 55,000 jobs for the two preceding months. The unemployment rate remains stable at 4.1%. Following the weaker signals in July, these figures have eased fears of a rapid deterioration in the labour market.

Inflation is therefore the main short-term challenge for the Fed. At Jackson Hole, Kevin Warsh reaffirmed the 2% target and the role of the core PCE index in the Fed’s assessment of prices. The jobs report has strengthened expectations of a rate rise as early as September, but the decision will depend largely on forthcoming inflation data.

We therefore continue to believe that the scale of any tightening is likely to remain limited. Disinflation in housing and wages is continuing, with no clear sign of a wage-price spiral. Pressures are concentrated more on energy and certain equipment needed for the roll-out of AI. Although it must be acknowledged that the number of US companies expressing their intention to raise their selling prices has rebounded sharply recently (40% compared with 25% last year).

The mid-term elections add short-term political and budgetary uncertainty; they will not, on their own, be enough to resolve the imbalance in public finances. A Congress with a stronger Democratic presence could, however, succeed in curbing the country’s debt cycle through reductions in defence spending, tax cuts, etc. It is worth noting that the public deficit stands at around 6% of GDP[3] and the debt service burden at nearly 3.5% of GDP. Furthermore, the US government is increasingly forced to finance itself on a short-term basis. Its financing, like that of US companies, is now a key issue.

The challenge for the US economy is now to generate productivity gains quickly without causing lasting damage to the labour market, in order to curb this debt spiral.

Sources: Bloomberg, Mirova.

[3] GDP (Gross Domestic Product): the total value of goods and services produced in a country over a given period, usually a year.

Energy: a thorn in Europe's side

The eurozone delivered a positive surprise over the summer. PMI surveys, which measure business sentiment, point to an expansion in activity and a particularly marked recovery in German industry.

The eurozone's composite PMI[4] stands at 52 points and the manufacturing PMI at 52.8 points. Germany is driving the upturn, with its manufacturing PMI at 54.1 points and second-quarter GDP growth revised to +0.4%. Economic surprise indices, notably Citigroup's, are trading at record highs. The German fiscal plan is therefore beginning to bear fruit. UBS estimates its positive impact on German GDP at 0.6 percentage points this year and next.

The main short-term risk for Europe stems from energy. European gas stocks remain insufficient as winter approaches, following high summer consumption and constraints on nuclear power generation. Competition with Asia for supplies of liquefied natural gas could exacerbate tensions if the winter turns out to be cold or if the conflict in the Middle East drags on. Europe has more diversified supplies and a less energy-intensive economy than in 2022, but the cost of gas remains a key factor for industry and purchasing power.

In August, headline inflation reached 3.3%, whilst core inflation fell to 2.4%. This divergence highlights the role of the energy shock. The next steps are likely to depend on how the shock spreads to the rest of the economy. Wage moderation and the absence of marked second-round effects (see the price components of the latest flash PMIs) argues, in our view, for a limited hiking cyclePolitical risk remains. The AfD's historic result in Saxony-Anhalt in the 6 September election is increasing pressure on the German government, which may be tempted to increase its fiscal support for a section of the population. In France, preparations for the 2027 budget and the approaching presidential election are complicating efforts to reduce the deficit. In the UK, exposure to rising energy costs is also limiting growth prospects and making monetary policy decisions tricky.

China: exports cannot do it all

China's recovery remains unbalanced. Exports of high value-added products, particularly in technology, electric cars, batteries and renewable energy, are underpinning output. However, consumption, domestic investment and the property sector remain insufficient to drive a sustained acceleration in economic activity. Data from the summer reinforce expectations of more substantial government support.

The authorities have room for manoeuvre in both fiscal and monetary policy. Announcements to date have confirmed existing policy directions, without any major stimulus measures. Additional measures towards the end of the year could help bring growth closer to the official target of 5%. In this context, stable trade relations with the United States remain essential to safeguarding the export engine. Xi Jinping is due to meet Donald Trump on 24 September in the United States and will be keen to secure the status quo on tariffs. This is a crucial issue for the Chinese economy.

Japan: forced normalisation that extends beyond its borders

Over the summer, the yen depreciated sharply, to the point where the US Treasury and the Bank of Japan were forced to take joint action to prop it up. This weakness in the currency, coupled with high inflation, is likely to prompt the BoJ to accelerate its monetary normalisation process. We expect a key interest rate rise as early as September, followed by another in December and then probably two more in the first half of 2027, in order to move rapidly towards 2%. At the same time, the government has announced measures designed to bring down food prices for low-income households. These anti-inflation measures are increasing pressure on the public deficit, at a time when Japan faces major investment challenges, particularly in artificial intelligence.

Sources: Bloomberg, Mirova.

[4] **PMI**: Purchasing managers' indices (economic indicators derived from monthly surveys of private sector companies)

It should be noted, however, that the return of the 10-year yield to 3% in early September has boosted the appeal of domestic bonds for Japanese investors, which is likely to limit the upward trend. Even so, a rebalancing of their investments will continue to weigh on demand for foreign debt, placing further strain on the financing needs of other major economies.

FOCUS – Interest rates decidedly higher for longer

We do not believe that the sharp rise in interest rates observed this summer is merely a temporary blip. Rising energy prices, a hawkish shift in central banks' stance and the resilience of economic activity certainly explain this short-term movement. Nevertheless, structural factors point towards new equilibria, with interest rates remaining sustainably higher than those of the past decade.

The first of these lies in the very source of inflation. In the 2000s, globalisation brought with it sustained disinflation. Today, the drive to secure supply chains – including the relocation of some production – is upending priorities. These chains are no longer optimised solely on the basis of cost; they must now account for geopolitical uncertainties and conflicts. This resilience tends to push up prices. The second factor is demographics: an ageing population is reducing the labour force, whilst relocations are leading to new production sites in developed economies, where wages are higher. All of this tends to fuel sustained inflation and makes the 2% target harder to achieve, barring a recession. Central banks' decisions are also becoming less predictable, as they depend on a wealth of data that is sometimes contradictory. This explains, in particular, why Kevin Warsh raised the possibility of no longer providing forward guidance.

We must also take into account another paradigm that is emerging over the long term: the rise in governments' financing needs. US public debt has exceeded $40,000 billion. And yet, the government must fund defence, an ageing population, healthcare and a technological revolution. Not to mention the funding requirements for the energy transition that certain regions of the world are committing to. This is enough to fuel considerable sovereign debt issuance.

Who will buy this debt? Traditional Western creditors – China, the Middle East and Japan – are financing less of Western debt, due to growing domestic needs and the diversification of their foreign exchange reserves. Added to this is competition from a private sector that is increasingly keen on debt issues, particularly in the highly sought-after technology sector. The debt financing needs of US 'hyperscalers'[5] in 2026 are expected to be equivalent to what Germany or France borrow in a year, and half of the US government's borrowing requirements. We discussed this in our latest issue of B(ey)ond Green last July. Debt continues to find takers, but the nature of investors is changing, with hedge funds gaining prominence. More agile and responsive than traditional international creditors, they are taking tactical, short-term positions. Interest rate volatility will therefore persist, fuelled in part by recurring bouts of mistrust towards the dollar.

A less favourable scenario would arise if US interest rates were to rise sustainably well above 5%. The US Treasury is manoeuvring to avoid such a situation, buying long-term debt to calm yields. The aim is to push long-term rates below the nominal growth threshold in order to limit the burden of public debt and safeguard corporate financing. The effect of these purchases on yields appears, for the time being, to be largely symbolic. The real catalyst for calming the market would be a reduction in public spending or a genuine easing of geopolitical tensions.

Sources: Bloomberg, Mirova.

[5] Hyperscalers: large-scale data centres specialising in the provision of computing power and storage (Amazon, Microsoft, Google, Meta, etc.).

As for the ECB, it is continuing with its quantitative tightening, but this is expected to ease in 2027 and the upward pressure on the term premium should diminish.

We estimate that the equilibrium level for long-term rates should be between 4.8% and 5% in the US, and above 3% in Germany and Japan. We are therefore cautious on the long end of the yield curves; nevertheless, our scenario does not envisage an uncontrolled surge in yields. With real rates above 2.5% in the US, some long-term investors could gradually return to the market – a prospect made all the more compelling by any ceasefire in Iran or Ukraine.

Current market levels suggest maintaining an overall neutral duration, with a preference for short maturities. However, in the absence of a recession, we see little reason to anticipate a sharp and sustained fall in yields. Carry remains a supportive factor; however, this does not mean one can afford to neglect managing interest rate sensitivity.

Sources: Bloomberg, Mirova.

The Long View

Do we still need pharmaceutical companies now that we have AI?

Artificial intelligence promises to find new medicines faster, more cheaply and with a greater chance of success. Does this mean that pharmaceutical companies will become obsolete? Not so fast…

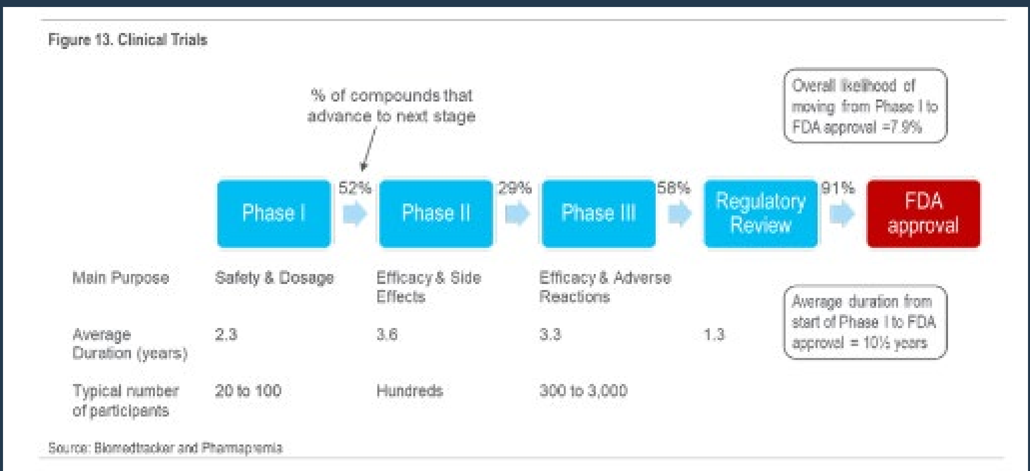
Ten to fifteen years of research. Up to several billion dollars invested. And, in the end, a staggering probability of failure.

Drug development ranks among the longest, most costly and most uncertain industrial processes there are. Around 92% of candidates entering clinical trials never make it to market. Meanwhile, patients wait, patents expire and pharmaceutical companies devote a considerable proportion of their resources to projects that will never generate revenue.

It is precisely this challenge that artificial intelligence (AI) aims to tackle.

Thanks to its ability to analyse vast amounts of biological and clinical data, AI could identify the right therapeutic targets more quickly, design better molecules, select the most suitable patients and detect projects doomed to failure at an earlier stage. In short, it promises **faster, less costly and more efficient** development.

So, it is worth asking the provocative question: **if a machine can devise a drug, do we still need pharmaceutical companies?**



Sources: Bloomberg, Mirova.

What AI can already do

To understand the revolution currently underway, we must first set aside the image of a robot in a white coat single-handedly discovering the next cancer treatment.

AI functions more like a **scientific co-pilot**. It does not necessarily replace the researcher, but it enables them to explore much more quickly a field of possibilities that has become too vast for human intelligence alone.

1. Finding the right target

The first challenge is to understand the mechanism of a disease and to determine which protein, gene or biological process to target. Traditionally, this stage has relied on years of experimentation.

Algorithms can now simultaneously analyse genetic, biological, chemical and medical data to reveal links invisible to the human eye. They help researchers formulate new hypotheses and select the targets that appear most promising.

2. Designing a better molecule

Once the target has been identified, a molecule must be created that is capable of reaching it without causing any major adverse effects.

AI can simulate how millions of potential structures would interact with the body. It helps to design molecules with the desired characteristics, such as good absorption, effective binding to the target and a limited risk of toxicity. The aim is not just to find a solution more quickly, but to avoid spending years working on the wrong molecule.

3. Reinventing clinical trials

AI also comes into play when the drug is tested in humans.

It can analyse the results of previous trials to improve protocols, identify potential design flaws and select patients with the most relevant characteristics. It can also identify those at risk of dropping out of the study and facilitate their follow-up. Finally, it can speed up the preparation of the thousands of pages of documentation required by health authorities.

In other words, AI does not work solely on the molecule itself. It seeks to make **the entire research and development chain more productive**.

Sources: Bloomberg, Mirova.

4. Giving old medicines a new lease of life

One of the most practical applications lies in the search for new indications for existing treatments.

As their safety profile has often already been studied, these medicines can sometimes move straight into more advanced clinical phases. AI analyses vast databases to identify unexpected links between an existing molecule and another disease. This approach can save several years of preclinical research.

Faster, cheaper… and perhaps more effective

On paper, the economic potential therefore appears considerable.

Global research and development expenditure in the pharmaceutical and biotechnology industries is projected to reach between approximately $230 billion and $250 billion by 2025. It is estimated that the market for pharmaceutical R&D expenditure utilising AI could grow from around $11.9 billion in 2023 to $74.6 billion by 2032.

FIGURE 26. R&D spend across Pharma and Biotech, 2014-2025, $bn

Source: Barclays Research, Bloomberg

Why such enthusiasm? Because every month saved can be of immense value.

As the duration of a patent is limited, speeding up development potentially means the drug can remain on the market for longer before generics become available. For patients, this also means earlier access to innovative treatments.

Estimates cited in the study suggest that AI-based approaches could reduce the cost of preclinical research by 25 to 50%. A prime example is rentosertib, developed by Insilico Medicine to treat pulmonary fibrosis: it reached Phase II in around two and a half years, compared with four to six years according to the 'traditional' pathway outlined in the study.

But the real revolution may not come from the cost savings achieved. It will come if AI succeeds in increasing the likelihood that a drug will actually reach the market. Identifying weak candidates at an earlier stage would make it possible to discontinue them before the costliest phases and to

Sources: Bloomberg, Mirova.

focus investment on the strongest programmes. Some analyses mentioned in the study suggest that, in the long term, the average probability of success could potentially double.

However, this hypothesis remains to be proven.

The detail that changes everything: no drug discovered by AI has been approved

Indeed, the enthusiasm surrounding AI must not obscure an inescapable reality.

To date, no drug discovered entirely through AI has been granted marketing authorisation. The majority of molecules emerging from these platforms remain confined to the preclinical phases or the early stages of clinical development.

The initial results are, moreover, mixed. Several programmes run by specialist companies have been put on hold following disappointing clinical results. Others have shown encouraging signs, notably Insilico Medicine's rentosertib, which achieved a positive result in Phase II before progressing to Phase III in China.

The lesson is simple: **AI can speed up research, but it cannot override the laws of biology**.

An algorithm can predict that a molecule will work. While AI can shorten preclinical trials, it cannot, however, replace a clinical trial itself. Only a clinical trial can verify that the identified molecule actually improves patients' health without causing unacceptable adverse effects. The human body remains extraordinarily complex, and a correlation detected in a database does not automatically constitute medical evidence.

AI therefore does not eliminate either the failures or the traditional risks associated with biotechnology. It can help us ask better questions, but it does not guarantee good answers.

Big Pharma vs Big Tech: who will sell the medicine of the future?

The entry of tech giants into the healthcare sector is fuelling another fear: will we one day see Google, Microsoft, Amazon or OpenAI replace the major pharmaceutical companies?

The scenario seems appealing. Tech companies possess exceptional computing power, AI specialists and considerable investment capacity. They are developing scientific models, cloud infrastructure, clinical automation tools and platforms designed for biological research.

At the same time, specialist firms such as Insilico Medicine, Recursion, Schrödinger and XtalPi are seeking to integrate AI into the entire discovery process. Some are developing their own medicines. Others sell their software and services to pharmaceutical groups.

Sources: Bloomberg, Mirova.

However, the line between technology and the pharmaceutical industry is becoming less clear-cut. The major pharmaceutical companies are not standing idly by. They are stepping up acquisitions and partnerships with AI specialists. Eli Lilly, Roche and AstraZeneca are among the groups that have announced initiatives in drug discovery, digital pathology and biomarker research.

The battle is therefore not necessarily set to pit Big Pharma against Big Tech. Above all, it could give rise to a new ecosystem in which pharmaceutical companies, technology firms and specialist biotech firms become interdependent.

Why pharmaceutical companies are not going to disappear

Developing a drug is not merely a computational problem.

Even if AI designs an excellent molecule, it is still necessary to:

- produce it to a consistent standard;
- organise clinical trials, sometimes involving thousands of patients;
- demonstrate its efficacy and safety;
- meet the requirements of the health authorities;
- secure reimbursement;
- ensure its large-scale distribution;
- monitor its side effects after it has been brought to market.

These clinical, regulatory, industrial and commercial capabilities form the core of pharmaceutical companies' expertise. AI can improve each of these stages, but it does not make them obsolete.

Pharmaceutical companies also possess a particularly valuable asset: their proprietary data, accumulated over thousands of clinical trials. However, AI cannot outperform the data on which it is trained.

It therefore seems more accurate and fair to say that AI **is eroding certain historical sources of** the major pharmaceutical companies' **competitive advantage**, without rendering their business model obsolete. Whilst smaller companies may be able to obtain proof of efficacy more quickly with less capital, scale will become less of a protective factor. Conversely, data quality, the integration of AI and the ability to conduct trials will become even more crucial.

The problem: the cost?

Let's imagine that AI delivers on its promises. Far more treatments reach the market. Patients have access to solutions for diseases that are currently incurable. Excellent news, of course. But someone will have to fund them…

In the United States, spending on prescription medicines reached $923 billion in 2025, according to IQVIA. If AI increases the number of innovative and often costly treatments, insurers and public

Sources: Bloomberg, Mirova.

healthcare systems could tighten their reimbursement conditions, negotiate prices more rigorously and demand stronger evidence of clinical benefit.

The paradox would be striking: having solved part of the scientific problem, the industry would face an economic one.

The success of AI will therefore not be measured solely by the number of molecules discovered, but by the number of medicines delivering a benefit significant enough to justify their price.

A revolution that is also environmental and social?

The effects of AI could extend beyond drug discovery alone. In pharmacovigilance, it can help analyse the medical literature, organise reports of adverse effects and speed up the monitoring of treatment safety after they have been placed on the market. It could thus strengthen risk management and facilitate the processing of growing volumes of information.

Optimising research, production and supply chains could also reduce the consumption of raw materials, energy and water, whilst minimising waste and overproduction.

Finally, computer models could help reduce the need for certain animal tests, provided that their reliability, reproducibility and interpretability are sufficiently demonstrated to the regulatory authorities.

However, these benefits are by no means automatic. Access to healthcare also depends on medical, digital and logistical infrastructure. An AI-powered application is no substitute for a doctor, a hospital or a functioning distribution chain.

Laboratories Enter a New Era.

AI is unlikely to kill off the pharmaceutical industry. It is likely to transform the rules of the game.

The winners will be those groups capable of combining four key elements: high-quality proprietary data, genuine expertise in AI, of course, excellence in clinical execution, and the ability to demonstrate the medical and economic value of their treatments.

The losers will not necessarily be the smallest players. They will mainly be those who still regard AI as merely an IT tool, or who continue to rely on their size to protect undifferentiated pipelines.

AI will not replace science, clinical trials or regulatory expertise. It could, however, make slowness, inefficiency and complacency far less acceptable.

So perhaps the right question is not: **'With AI, do we still need pharmaceutical companies?'** but rather **'Which ones do we need?'**

Sources: Bloomberg, Mirova.

Summary of Market views

	Summary			
ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
EQUITY	○●○	●	=	• Global growth and earnings prospects remain solid. • However, the unclear situation in Iran, valuations and interest-rate risk limit near-term upside potential.
CREDIT	○○●	●	=	• Fairly resilient macro-financial fundamentals (low default rates and high corporate profitability). • Resilient across different scenarios, with fairly attractive carry.
DURATION	○●○	●	↓	• Neutral overall duration stance, with a preference for short duration after a slight long-duration position last month. • Remaining upside potential now appears more limited butvolatility linked to the situation in Iran could continue. • At the long end of the curve, the “higher for longer” narrative remains in place due to structural factors.
CASH	○●○	●	=	• Money market is regaining its status as a safe haven even if its defensive interest seems less relevant after the recent rise in short-term rates

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 around the AI theme is a vector of volatility.The search for diversification is still favoured
EURO	○—●—○	●	=	• Improving macroeconomic momentum. • Relative valuations and positioning remain attractive. However, the potential for outperformance remains highly dependent on developments in Iran.
UNITED KINGDOM	○—●—○	●	=	• A degree of political stability has returned. Valuations remain attractive.
JAPAN	○—●—○	●	=	• Expansionary fiscal policy and supportive governance reforms. • Maintaining long exposure to financials amid monetary policy normalization. • Nevertheless, upside potential is limited following YTD outperformance.
EMERGING MARKETS	○—○—●	●	=	• Valuations and EPS momentum remain attractive. Search for geographic diversification. • However, index performance remains concentrated in a small number of stocks.
GROWTH VS. VALUE	●—○—○	●	=	• Overall preference maintained for value companies with positive earnings revision momentum, particularly financials and companies with tangible assets. • Remaining selective on US technology stocks.
QUALITY VS. HIGH VOLATILITY	○—○—●	●	=	• Quality/low-volatility strategies offer strong diversification benefits in the current market environment (volatility in the momentum factor 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 monetary policy persists.
CYCLICAL VS. DEFENSIVE	○—●—○	●	=	• Neutral overall. The underperformance of cyclicals has so far been offset by a rebound in technology, financials and stocks benefiting from higher energy prices.

ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
CREDIT				
INVESTMENT GRADE US	○—●—○	●	↓	• Preference for a neutral stance and short maturities given tight spreads and AI-related issuance.
HIGH YIELD US	○—○—●	●	=	• Resilient growth and attractive carry, particularly following the rise in interest rates. • However low compression potential
INVESTMENT GRADE EURO	○—○—●	●	=	• Quality assets at reasonable prices. • Preference short maturities.
HIGH YIELD EURO	○—○—●	●	=	• Improving macroeconomic momentum. Attractive carry, particularly following the rise in interest rates. However low compression potential
DURATION				
2 YEARS US	○—○—●	●	=	• Rate-hike expectations have been revised sharply higher, driven by the rebound in oil prices and Warsh's more hawkish stance on inflation. • Nevertheless, the risk of inflation expectations becoming unanchored is low at this stage. • The scope for policy normalization would likely remain limited.
10 YEARS US	○—●—○	●	=	• Limited potential for long-term yields to decline in the near term. Nominal growth is close to 5%, alongside an improving labor market, substantial financing needs and higher energy prices. • The rise in long-term US yields appears justified.
2 YEARS GERMAN	○—○—●	●	=	• Markets are pricing in almost four ECB rate hikes by mid-2027. Employment and domestic demand remain weak in the euro area, while the inflation shock is primarily energy-driven. Short-term yields have room to decline.
10 YEARS GERMAN	○—●—○	●	=	• The potential for long-term European yields to decline appears fairly limited. • Upward pressure stems from Germany's fiscal spending plan, political risk, the ECB's hawkish stance, continued quantitative tightening and resilient macroeconomic conditions.
PERIPHERAL DEBT EUROPE	○—●—○	●	=	• The environment is unfavorable due to the recent rise in energy prices. • Neutral on Italy, with the overweight position in Spain maintained.
UNITED KINGDOM	○—○—●	●	↓	• Attractive carry and the return of a degree of political stability. • Nominal growth revised upwards
JAPAN	●—○—○	●	=	• Macroeconomic 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 US dollars is unattractive, with sovereign spreads very tight. In local currencies, the near-term FX outlook remains uncertain.
CASH				
EUR/USD EXCHANGE RATES	○—○—●	●	=	• Bearish outlook for the US dollar over the medium to long term.Neutral in the short term.

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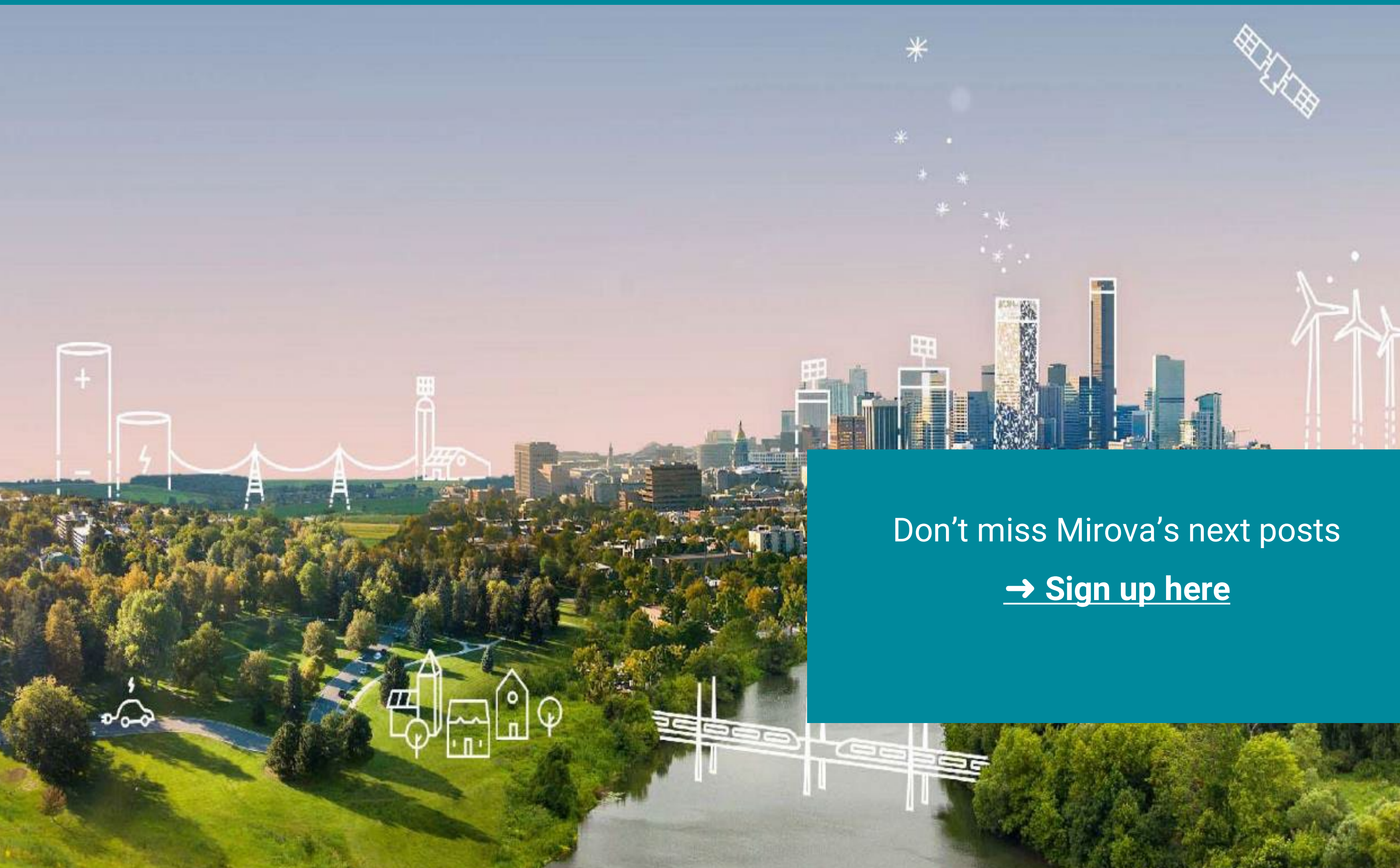

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