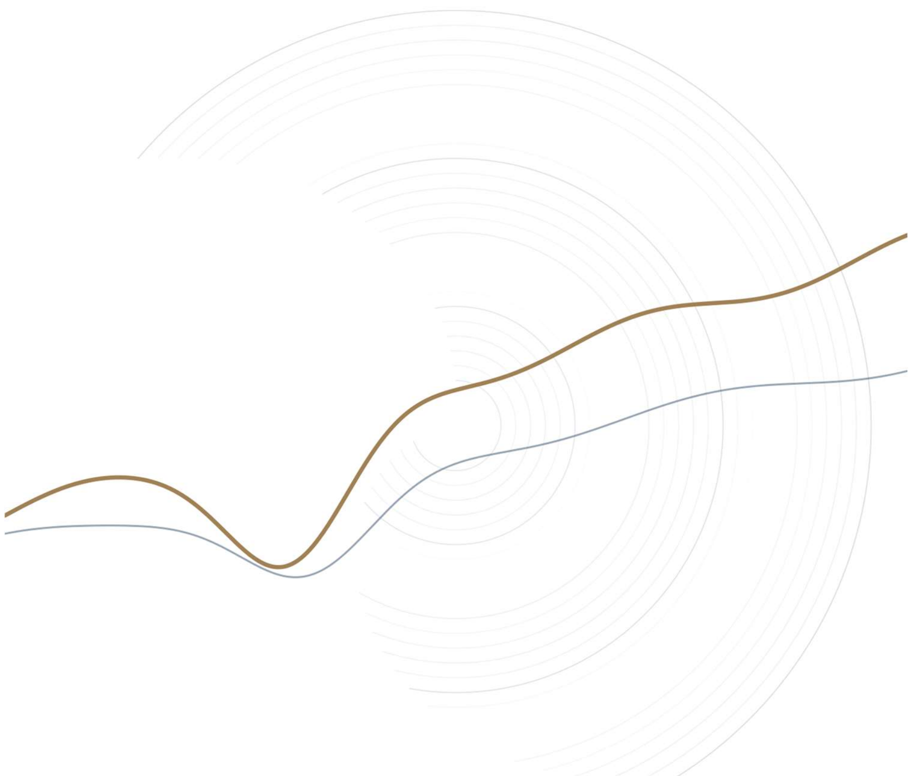
ORION CAPITAL AG

June 2026

Quarterly Commentary – Q2 2026

Beyond the Shock: Resilience, Rotation, and Discipline

Navigating sticky inflation, hawkish central banks, and dangerously concentrated markets



About this commentary

Orion Capital's Q2 2026 outlook consolidates our internal research with the mid-year views of leading houses (Invesco, Julius Bär and Goldman Sachs Asset Management) and live Bloomberg market data as of 29 June 2026. The Q1 energy shock has de-escalated faster than our bear case feared, but its inflation and policy legacy endures, and market leadership has narrowed to an extent that now constitutes the single largest portfolio risk.

Executive Overview

A consolidated Orion Capital house view for Q2 2026 across macro, equities, fixed income, real assets and currencies, written after a quarter that tested resilience and rewarded discipline.

From Crisis to Convalescence, but the Bill Comes Due

Our Q1 commentary, "Navigating Energy Shocks, Persistent Inflation, and Geopolitical Uncertainty," was written in the teeth of the US–Iran conflict and the near-closure of the Strait of Hormuz. Three months on, the acute phase has passed: a US–Iran ceasefire reached in late June has pushed oil back toward four-month lows (WTI ~$70, Brent ~$81), equity volatility has normalised (VIX 18.3 versus a March peak above 31), and global equities have recovered to deliver positive returns year-to-date. The bear case did not materialise. Resilience, as our peers have emphasised, endured.

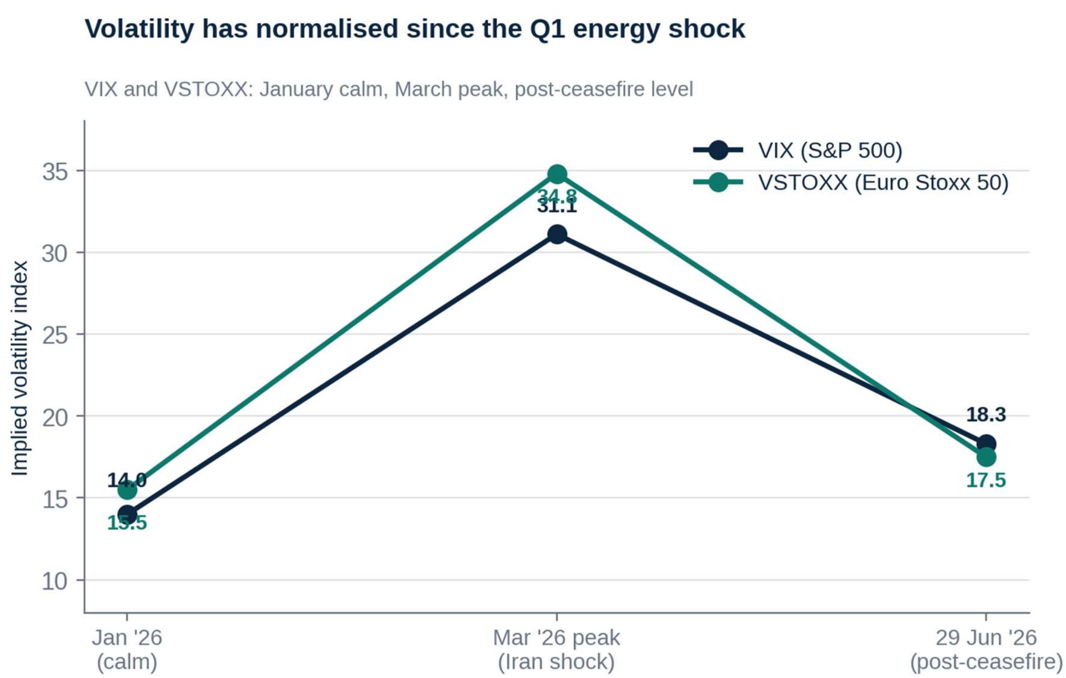


Chart: equity volatility, VIX & VSTOXX (Bloomberg)

Yet the shock left a policy residue that is now the defining feature of the landscape. Inflation proved stickier than markets hoped: US headline CPI sits at 3.4%, the Fed has stayed on hold at 3.75% with an openly hawkish tilt, and the ECB (exactly as we flagged in Q1) actually hiked in June to 2.25%. Rate-cut expectations have been pared to barely more than one Fed cut for all of 2026. At the same time, the market's rebound has been extraordinarily narrow: US Technology is up more than 52% year-to-date and now dominates index returns to a degree that institutions from the BIS to Norway's sovereign wealth fund are explicitly flagging as a systemic risk.

Key Takeaways

- **The energy shock faded, the inflation legacy didn't.** Oil has normalised, but core inflation and hawkish central banks keep real rates elevated and valuations exposed.
- **Concentration, not geopolitics, is now the primary risk.** A ~52% YTD move in US Tech and decade-high hedge-fund selling of the sector signal crowding that can unwind sharply.
- **Stay invested, but rotate and diversify.** Breadth; quality value, the physical economy, Switzerland, and selective non-US markets, is where the margin of safety now sits.
- **Quality income is finally paid for.** Yields in the 2–7Y belly and investment-grade credit offer genuine total-return cushion; we add quality duration.
- **Real assets remain strategic insurance.** Gold's pullback is a cyclical, not structural, event; central-bank demand provides a durable floor.

Macro Environment: Resilient, but Higher-for-Longer

The global economy has absorbed the energy shock better than feared. US growth is holding near trend (~2.0% YoY) on resilient consumption and a cooling-not-collapsing labour market (payrolls ~80k/month, unemployment 4.3%). The Eurozone is staging a modest recovery (~0.6%), aided by the EU's €800bn fiscal programme, though its services sector has now contracted for three straight months, a genuine concern given services' weight in the bloc. Switzerland remains subdued but stable (~0.6% growth, 0.6% inflation, 3.0% unemployment), with the franc strong and the SNB anchored at zero.

Central banks are the swing factor:

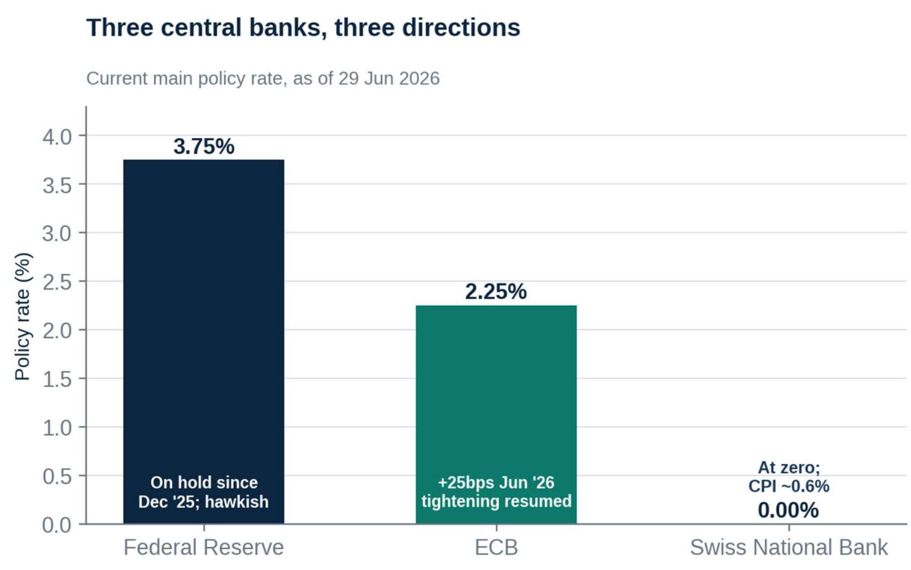


Chart: central-bank policy rates (Bloomberg)

- **The Fed is cautious and hawkish,** on hold at 3.75% since December; futures price barely more than one cut in 2026, and former officials are openly discussing hikes if inflation fails to cool.
- **The ECB has resumed tightening,** hiking to 2.25% in June (validating our Q1 call) even as Eurozone services weaken, a classic supply-shock dilemma.
- **The SNB remains at zero,** with sub-1% inflation and a strong CHF leaving no case to move; Swiss assets stay a stability and currency-protection allocation.

Investment Strategy: Breadth as the New Discipline

We are not de-risking. We are diversifying the sources of return away from a single, crowded trade. Our positioning rests on three pillars: rotate within equities toward quality, value and the physical economy; harvest the income that elevated yields now genuinely pay; and retain real assets as strategic portfolio insurance.

Equities: Stay Invested, Broaden the Base

The structural case; AI-driven productivity, electrification, energy security, defence and reshoring, is intact, and we remain invested. But with US Technology up 52% YTD and trading on a 20.6x forward multiple, concentration risk is now acute. We hold a Neutral stance on the US headline index while actively trimming concentrated Technology exposure into the physical economy (industrials, materials, utilities, energy infrastructure) and quality healthcare, which capture the same secular forces with less single-theme fragility. We remain constructive on Switzerland, supported by its defensive market composition and resilient earnings profile, while also favouring selective European peripherals.

Fixed Income: Quality Income, Tactically Longer Duration

The repricing of 2026 has finally restored fixed income's dual role of income and ballast. With the US 10-year at 4.38% and the curve re-steepening (2s10s +27bps), we favour the 2–7Y belly in high-grade credit and add quality duration on weakness, consistent with the cross-house consensus. Investment-grade corporates, supported by healthy balance sheets, are our core; we treat high yield and subordinated debt as income tools rather than bargains given historically tight spreads. CHF and EUR diversification, and selective EM hard-currency debt, round out the allocation.

Real Assets: Pullback, Not Reversal

Gold has corrected to ~$4,045 (–16.6% from its January peak) as the absence of Fed cuts and a firm dollar raised its opportunity cost. We read this as cyclical. Structural demand is intact: central banks have now bought gold for 23 consecutive months and 45% intend to buy more indeed a record. We hold a Strategic Overweight with a Tactical Neutral-to-Slightly-Positive stance. Copper and infrastructure remain structurally supported by AI build-out and electrification; silver is cheap versus gold but hostage to industrial demand.

Currencies: Range-Bound Dollar, Core Franc

The dollar (DXY 101.105) is caught between competing forces, carry and AI inflows versus a poor fiscal trajectory, leaving it range-bound near-term with a structural softening bias. The euro (1.1422) is supported by the ECB's hawkish pivot; the franc (USD/CHF 0.8077) remains our core safe-haven allocation. This is the one area where the houses genuinely diverge; Goldman leans dollar-stronger, Invesco and Julius Bär dollar-weaker, and we sit deliberately in the balanced middle.

Consolidated House View: Where We Align and Differ

The user-facing value of this commentary is synthesis. Below we map the mid-year positioning of three external houses against Orion's consolidated stance. The striking feature is consensus, not divergence: every house counsels staying invested, owning AI through hardware rather than software, and adding quality income. Orion's distinctive emphasis is a sharper warning on US concentration and a more central role for Switzerland and gold.

Theme	Invesco (Midyear)	Julius Bär (Mid-Year)	Goldman Sachs AM (3Q)	Orion Capital - House View
Macro	Resilience endures; growth re-accelerates in H2	"Glut to grab"; investment-led, constructive	Cautious on US rates; carry over duration	Resilient but inflation-sticky; disciplined
Central banks	On hold; market over-prices hikes	No urgent hiking cycle; cuts resume later	US yield risk skews higher; hawkish Fed	Fed hold/hawkish; ECB done after June hike
Equities	OW EM; semis & hardware, wary of software	Constructive; US + Asia AI; Spain/Italy > Ger/Fra	- (fixed-income focus)	Neutral US (trim Tech); OW Switzerland; selective EM/Europe
Fixed income	Alt income: real estate, private credit, CLOs	OW duration; IG; EM; AUD & GBP diversifiers	Carry > duration; EM; AI infra in HY/loans	Quality duration belly (2–7Y); IG core; CHF; selective EM
US dollar	Weaker	Gradually softer	Stronger (carry, AI flows)	Range-bound; structural softening; CHF core
Real assets	Real estate; diversifiers	Prefer gold; cautious on silver	-	Strategic OW gold; copper/infra structural
AI	Own hardware/semis, not software	AI infra; selective software	Engage AI issuance for carry/complexity premium	Own "picks & shovels"; manage concentration risk

Source: Orion Capital AG Research; Invesco 2026 Midyear Investment Outlook; Julius Bär Market Outlook Mid-Year 2026; Goldman Sachs Asset Management Fixed Income Outlook 3Q2026. As of June 2026.

How our Q1 calls fared - a candid scorecard

Right: ECB hike (we flagged April/June hikes; the ECB delivered +25bps in June to 2.25%). Right: Brent normalising toward the mid-$80s post-shock (Brent ~$81). Right: Overweight Switzerland (SMI the best developed market, +10.2% YTD). Right: CHF as core safe haven (USD/CHF 0.8077).

Partly: We expected the Fed to deliver ~50bps of cuts in H2 2025/2026; the reality has been more hawkish, with barely one cut now priced. Wrong: Our Q1 gold target of $5,900–6,200 by year-end was too high -gold sits near $4,045 as the no-cut path lifted real rates. We retain conviction on the structural thesis but have recalibrated the price path.

Economic Outlook Q2 2026

Executive Summary

If Q1 was about a shock no one forecast, Q2 has been about a recovery few fully trusted. The near-closure of the Strait of Hormuz which at its peak disrupted roughly one in four barrels of seaborne oil, has given way to a US–Iran ceasefire and a normalisation of energy flows. Oil has retraced to four-month lows, financial conditions have eased, and the global economy has demonstrated the structural resilience our peers rightly emphasise: lower private-sector leverage, reduced oil intensity, and adaptable supply chains.

But the convalescence is incomplete. The energy spike fed an inflation impulse that has not fully reversed, and central banks, wary of un-anchoring expectations, have refused to look through it. The result is a higher-for-longer rate regime layered onto a market whose gains are concentrated in a single, expensive theme. Our stance for Q2 is therefore constructive but disciplined: we lift our base case, narrow our tails, and shift the locus of risk management from geopolitics to market structure.

Key Shift from Q1 2026 Outlook

In Q1 we assigned a 40% probability to a negative macro surprise driven by prolonged energy disruption. That tail did not materialise: the ceasefire and resilient activity have de-escalated the energy risk, and we cut the negative-surprise probability to 25%. In its place, two risks have moved to the foreground, a hawkish policy mistake (sticky US inflation forcing the Fed toward hikes) and an AI/Technology concentration unwind. Our central message rotates from “resilience versus energy” to “participation versus concentration.”

Macro Outlook

The Shock Recedes, the Regime Persists

The transmission of the Q1 shock played out broadly as anticipated but with a milder tail. Headline inflation rose, growth softened at the margin, and financial conditions tightened, yet the second-round wage-price spiral that defined 2022 has not appeared, consistent with reduced energy intensity and the absence of post-pandemic over-stimulation. With the ceasefire, the impulse is now fading. The economic question for H2 is no longer “how deep is the damage?” but “how long do central banks keep policy restrictive after the cause has passed?”

Regionally, the picture is one of divergence. The US is the standout: manufacturing PMI reached 55.7 in June (the year’s high) and consumer confidence has recovered for four months. The Eurozone is the mirror image, manufacturing has clawed back into expansion while services have contracted since April, a worrying signal compounded by the ECB’s June hike. Switzerland remains the quiet anchor: low growth, low inflation, full employment, and a currency that does the defensive work.

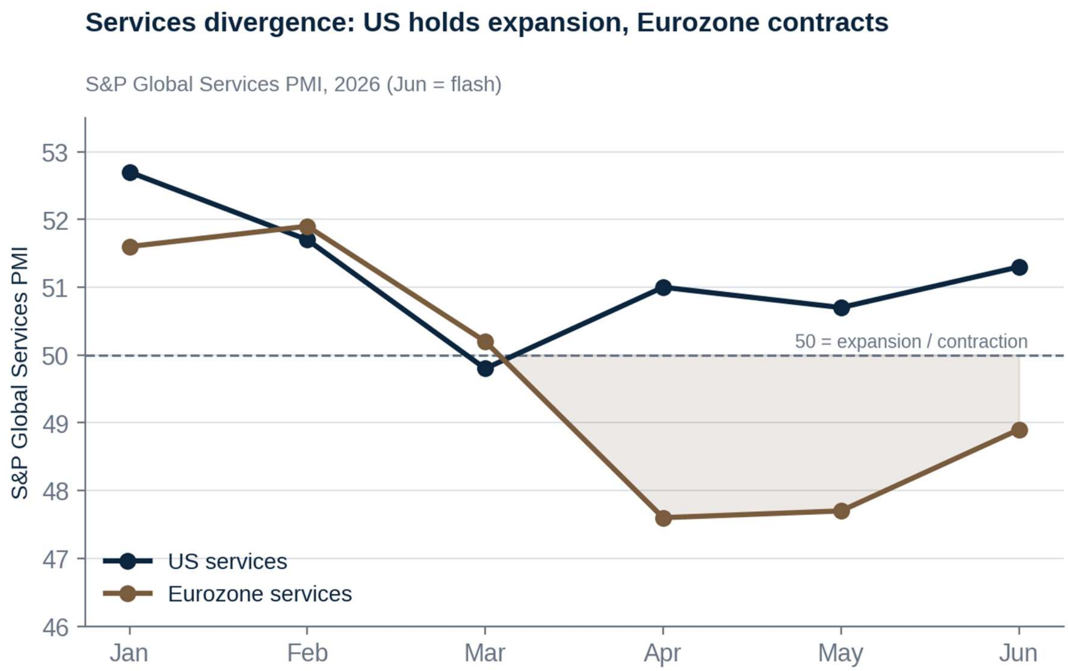


Chart: US vs. Eurozone services PMI (S&P Global)

Growth, Productivity and the AI Question

US growth near 2% is being carried by investment and a resilient consumer, even as payroll growth decelerates to ~80k/month. The AI capital-expenditure cycle remains the dominant growth engine: hyperscalers have again exceeded capex forecasts and Q1 delivered the strongest earnings growth in four years. The risk is no longer whether AI is real, but whether its monetisation justifies the capital being committed, the BIS has explicitly named an "AI bust" among the most alarming threats to financial stability, and Norway's sovereign fund models a 35%+ drawdown from an AI bubble plus geopolitics. We own the theme through infrastructure and hardware, where pricing power and visibility are strongest, and remain wary of software, where disruption risk is highest.

Inflation and Central Bank Policy

Inflation is the reason this is not simply a "risk-on" quarter. US CPI at 3.4% sits well above target, the 10-year breakeven (2.22%) prices persistent above-target inflation, and a strong June payrolls print is being flagged as a potential hike catalyst. The Fed is therefore on hold with a hawkish bias; markets price barely more than one cut for 2026. The ECB has gone further, hiking into a supply shock, a move with historical precedent but real growth costs given contracting services. Switzerland is the exception: with inflation near 0.6%, the SNB has every reason to stay at zero, reinforcing the franc's structural role.

Source: Orion Capital AG Research, Bloomberg, Bloomberg Economics, S&P Global, as of 29 June 2026. For illustrative purposes only.

Scenario Analysis for H2 2026

We revise our scenario weights to reflect a de-escalated energy risk and an elevated concentration/policy risk. The base case rises to 45%, with a 30% bullish tail (durable ceasefire, disinflation, Fed easing resumes) and a 25% bearish tail (a hawkish policy mistake, an AI capex reset, or a ceasefire collapse).

	Bull Case (30%)	Base Case (45%)	Bear Case (25%)
Energy / Iran	Durable ceasefire; WTI drifts to $60–70	Fragile ceasefire holds; Brent $75–85	Ceasefire collapses; Brent back above $110, Hormuz risk re-prices
Inflation	US CPI cools toward 2.5%; expectations anchored	US CPI sticky 3–3.5%; slow disinflation	Re-acceleration to 4%+ via energy or services
Growth	US ~2.3%; Eurozone services recover; soft landing	US ~2%; Eurozone subdued; global below-trend	Eurozone recession; US slows on AI/wealth shock
Monetary policy	Fed resumes cuts in H2; ECB on hold	Fed on hold all year; ECB done; SNB at zero	Fed forced to hike; bear-steepening globally
S&P 500 (Dec'26)	7,800–8,300	7,200–7,800	5,800–6,600
Gold (Dec'26)	$4,400–4,800 (cuts + CB demand)	$4,000–4,400 (range-bound)	$4,300–4,900 (safe-haven bid) / liquidation risk in a pure rate shock

Source: Orion Capital AG Research, drawing on Invesco, Julius Bär, Goldman Sachs AM and Bloomberg, as of 29 June 2026. Spot S&P 500 7,354; spot gold ~$4,045. For illustrative purposes only.

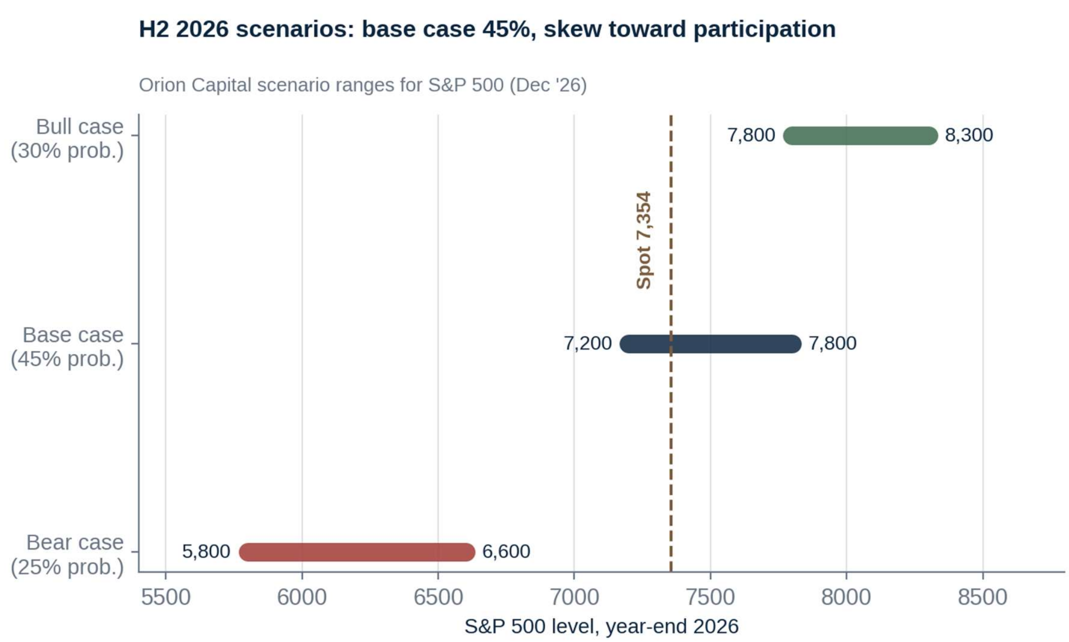


Chart: H2 2026 S&P 500 scenario ranges (Orion Capital)

Fixed Income

Global Overview

Fixed income has done precisely what we hoped it would after the Q1 selloff: paid investors to wait. Government yields have held within a fairly narrow range despite the energy spike, and today's levels offer a meaningful income buffer that did not exist for most of the prior decade. The US curve has re-steepened (2s10s +27bps from –69bps in January) as the market prices an eventual, if delayed, easing cycle. Our consolidated stance aligns with the houses: this is an environment to add quality duration on weakness and to optimise for carry, not to reach for spread.

Yield Curve Overview – Q2 2026

Curve	2Y	5Y	10Y	30Y	Stance / Trend
USD	4.11%	4.14%	4.38%	4.87%	Re-steepening; 2s10s +27bps
EUR (Bund)	2.53%	n/a	2.86%	n/a	Hawkish hold; 2s10s +33bps
CHF	n/a	n/a	~0.55%	n/a	Low but rising from a low base

Source: Bloomberg, Orion Capital AG Research, as of 29 June 2026. Swiss 10Y per latest available (late May) data point. Bund–Treasury 10Y spread ~–152bps reflects ECB–Fed divergence.

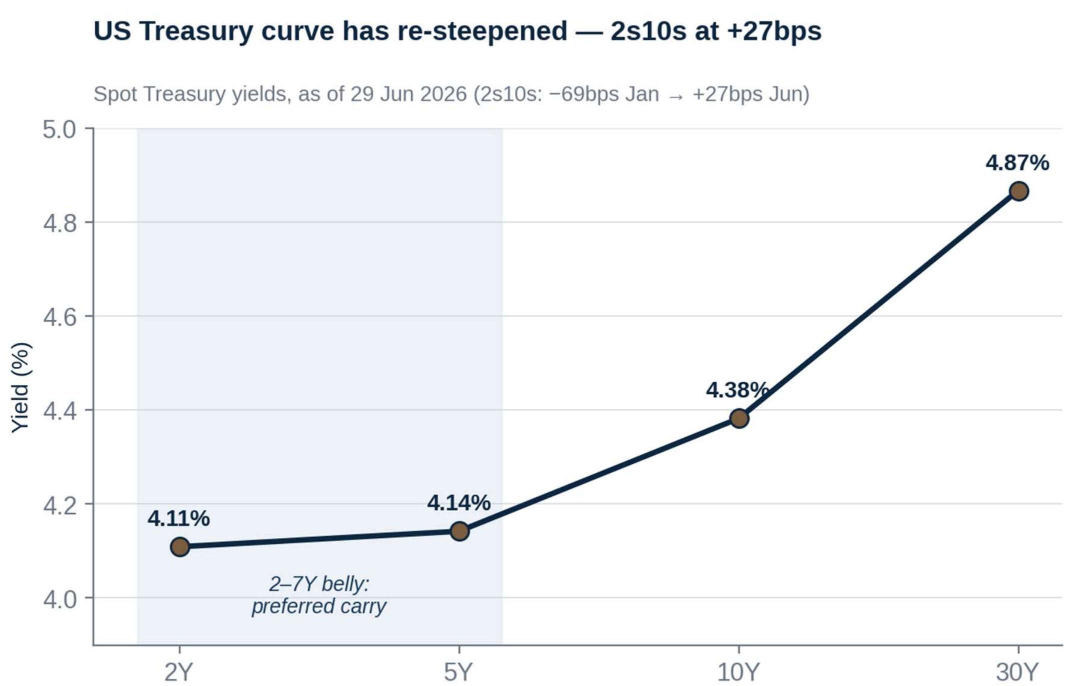


Chart: US Treasury yield curve (Bloomberg)

United States: Attractive Carry, Watch the Long End

US Treasuries offer the best risk-adjusted carry in the developed world. We favour the 2–7Y belly, where yields above 4% provide income with moderate duration risk, and we add quality duration on any hawkish overshoot. The long end is more fraught: at 4.87%, the 30-year embeds a rising term premium driven by fiscal supply and deficit concerns, and we are more cautious there. Investment-grade credit retains solid fundamentals; we continue to view AI-linked software borrowers as an under-appreciated credit risk even as AI-infrastructure issuance offers selective opportunity.

Europe: Hiking Into Weakness

The ECB's June hike crystallised the risk we identified in Q1. With services contracting and the bloc most exposed to the energy shock, tightening into weakness raises the odds of a policy-induced slowdown. We prefer shorter-duration, high-quality European IG over longer government bonds, and we monitor peripheral spreads given fiscal divergence (Belgium's 5.2% deficit and downgrade risk are emblematic).

Switzerland: The Safe-Haven Premium

Swiss yields have risen from a very low base (10-year ~0.55%) but remain the developed world's most stable. We hold Swiss fixed income primarily for diversification and currency protection rather than return; the SNB has no rationale to tighten.

Emerging Markets: Carry and Diversification Away from AI

We share the cross-house enthusiasm for EM debt as a source of carry and a diversifier away from the concentrated AI trade -EM hard-currency corporates yield meaningfully more than developed-market IG. The constraint is the dollar: at DXY 101.105, a firm USD pressures EM currencies (Indonesia and the Philippines are managing visible weakness). We favour hard-currency exposure in commodity-exporting, credibly-run sovereigns and size local-currency risk carefully.

Equity Outlook

Global Overview

Equities have rebounded since the March lows on strong earnings, easing geopolitics and AI momentum, but beneath a healthy headline lies an unhealthy concentration. The S&P 500 is up 7.8% YTD, yet that gain is overwhelmingly a Technology story (+52.4%), while Financials, Consumer Discretionary and Communications are flat-to-negative. In local-currency terms, Europe (+8.8%) and Switzerland (+10.2%) have quietly out-performed the US. We remain invested, the structural case is intact and our peers are right that staying invested through the noise has been rewarded, but we insist on breadth as the discipline of this cycle.

Q2 2026 Equity Market Snapshot

Index	Level	Fwd P/E	YTD TR	Orion Stance
S&P 500	7,354	20.6x	+7.8%	Neutral - trim Tech concentration
Euro Stoxx 50	6,227	15.9x	+8.8%	Neutral-Positive - prefer peripherals
SMI	14,187	19.0x	+10.2%	Overweight - quality, defensive, CHF buffer

Source: Bloomberg, Orion Capital AG Research, as of 29 June 2026. S&P 500 EV/EBITDA 14.9x; consensus forward EPS growth ~+17.9%. VIX 18.3 / VSTOXX 17.5.

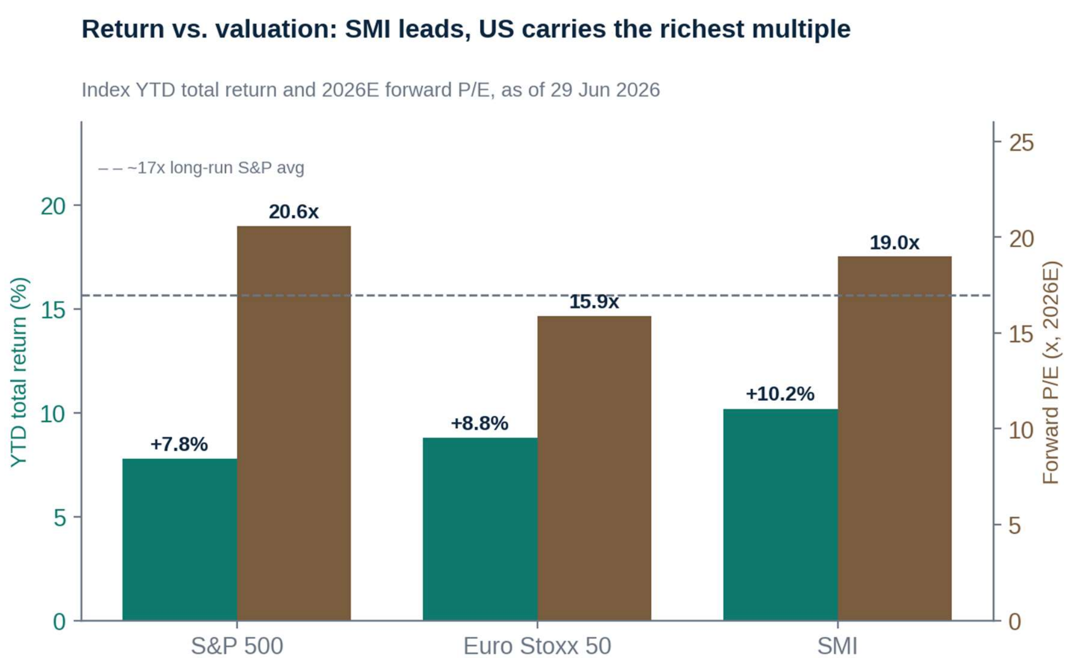


Chart: index return vs. valuation (Bloomberg)

S&P 500 Sector Dispersion - the Concentration in One Table

The dispersion below is the single most important chart of the quarter. A market in which one sector returns 52% while three sectors are negative is not a broad bull market, it is a narrow one, and narrow markets are fragile. Hedge funds dumped Technology at a decade-high pace in late June, an early sign that the crowding can reverse.

Sector	YTD Total Return	Read-through
Technology	**+52.4%**	AI-driven; the index's engine and its biggest risk
Energy	+21.4%	Iran-war premium; fades with the ceasefire
Materials	+15.3%	Physical-economy / electrification beneficiary
Industrials	+14.7%	Core of our rotation target
Real Estate	+14.2%	Rate-sensitive recovery
Utilities	+11.3%	AI-power demand; defensive quality
Consumer Staples	+8.9%	In line; defensive ballast
Health Care	+4.8%	Lagging; we see value in quality names
Consumer Discretionary	–0.3%	Consumer caution
Financials	–1.7%	Lagging; European banks more attractive
Communications	**–11.7%**	The clear laggard; ad-market & competitive pressure

Source: Bloomberg, Orion Capital AG Research, S&P 500 sector total returns YTD as of 29 June 2026.

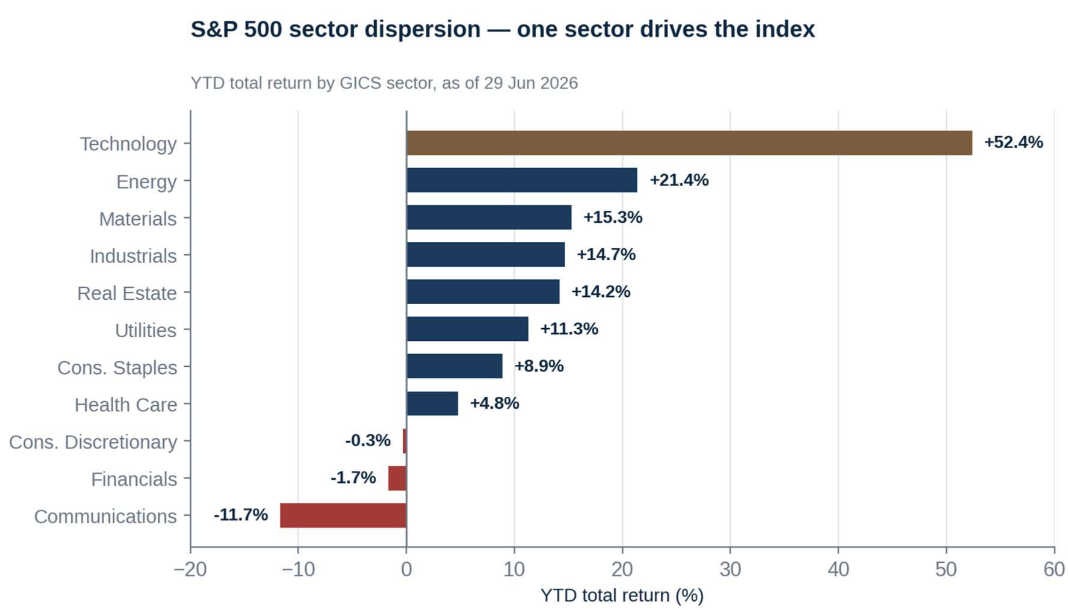


Chart: S&P 500 sector total return, YTD (Bloomberg)

United States: Leadership, but Concentrated

US leadership has reasserted on genuine fundamentals, the strongest earnings growth in four years and continued hyperscaler capex and we do not fight it. But we recommend trimming concentrated Technology positions and reinvesting into the physical economy (industrials, utilities, energy infrastructure) and quality healthcare, which share the AI/electrification tailwinds with materially less single-theme risk. The factor data supports the rotation: Value led US factors over the past month.

Europe: Refine, Don't Reduce

We echo the consolidated view to tilt within Europe rather than away from it, trimming core markets (Germany, France) where earnings momentum is softening toward peripherals (Italy, Spain) with attractive financials and electrification-linked utilities. We continue to favour globally-diversified quality multinationals over domestic cyclicals given the energy and services drag.

Switzerland: Quality and Resilience - Overweight

Switzerland is doing exactly what a defensive overweight should: the SMI leads developed markets YTD (+10.2%), combining predictable cash flows in healthcare, staples and industrial technology with a strong-franc real-return buffer. We remain Overweight.

Japan and Emerging Markets: Selective Conviction

We stay constructive on Japan, governance reform and AI-hardware leverage, while mindful of energy-import sensitivity, tilting toward domestic and banking exposure. In EM we are selective and Overweight on balance: AI-hardware economies (Taiwan, Korea) and onshore-China AI segments offer growth, while energy-importing, dollar-sensitive markets warrant caution. A softer dollar, if it comes, is the key catalyst for broader EM out-performance.

Alternatives

Global Overview

In a market this concentrated, with positive but fragile stock-bond dynamics, low-correlation assets earn their place. Our conviction in alternatives; real assets, gold, and private-market income has strengthened, not weakened, through the rebound.

Gold and Precious Metals: A Cyclical Pullback in a Structural Bull

Gold corrected to around $4,045 (–16.6% from January's record above $5,600) as elevated real rates and a strong US dollar outweighed safe-haven demand. While Goldman lowered its year-end target to $4,900, it remains constructive over the medium term, a view we share. We maintain a Strategic Overweight with a Tactical Neutral-to-Slightly-Positive stance, supported by continued central bank buying and strong ETF inflows. Silver, down 18.6% YTD, remains attractively valued versus gold but is more dependent on industrial demand, leading us to remain Neutral-to-Positive and selective.

Commodities and Real Assets – Q2 2026 Summary

Asset	Spot (Jun'26)	YTD	Orion View
Gold (USD/oz)	$4,045	–6.6%	Strategic Overweight / Tactical Neutral-Positive
Silver (USD/oz)	$58.32	–18.6%	Neutral-Positive - cheap vs gold, industrial drag
WTI Crude (USD/bbl)	$70.03	declining	Neutral - ceasefire & ample supply cap upside
Brent Crude (USD/bbl)	$81.43	-	Risk premium fading; ~$11 spread to WTI

Source: Bloomberg, Goldman Sachs AM, Julius Bär, Orion Capital AG Research, as of 29 June 2026. Copper and Bitcoin omitted from table pending current data; views in text.

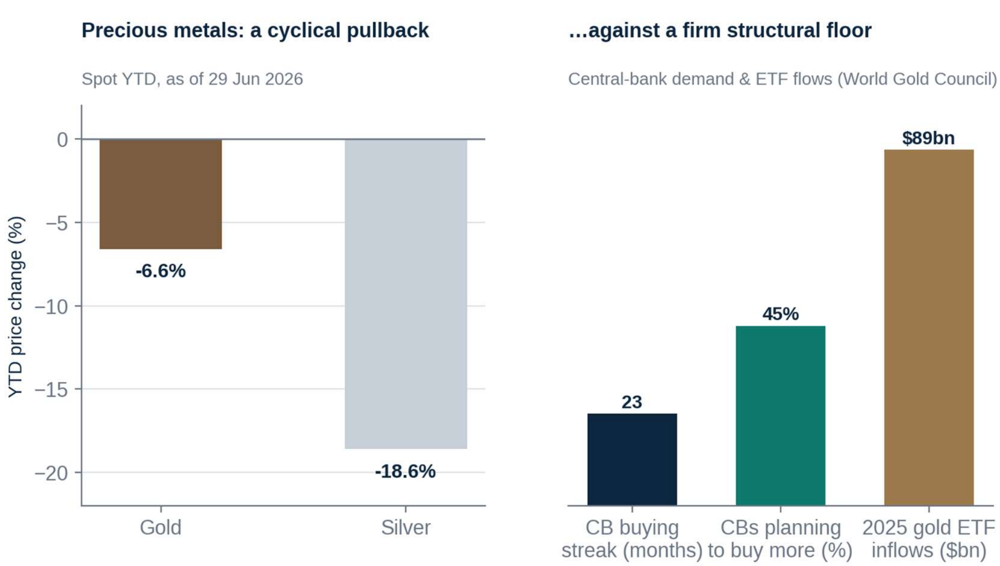


Chart: gold & silver YTD vs. structural demand (Bloomberg, WGC)

Commodities, Private Markets and Digital Assets

Beyond precious metals, we remain structurally positive on copper and grid/infrastructure investment, where AI build-out and electrification underpin multi-year demand, a view shared across the houses. Energy itself we treat as a fading trade: with the ceasefire and ample supply, we caution against chasing energy equities. In private markets, we echo the consolidated caution-with-selectivity: mega-fund fundraising is robust (KKR’s record $23bn North America fund among many), but higher financing costs and constrained exits make manager selection decisive. European direct lending and inflation-linked infrastructure are our preferred income alternatives; the $830bn Treasury basis trade and private credit’s push into consumer (BNPL) assets are systemic risks we monitor. On Bitcoin we remain Neutral, it continues to trade as a high-beta risk asset rather than a hedge.

Foreign Exchange

A Dollar Pulled Both Ways

The dollar (DXY 101.105) sits at the centre of the one genuine disagreement among the houses. Goldman sees a stronger dollar on carry, AI-investment inflows and US net-energy-exporter status; Invesco and Julius Bär see gradual weakness on valuation, fiscal imbalance and diversification flows. We take the balanced view: range-bound near-term, with a structural softening bias once the energy and rate-divergence tailwinds fade. The franc remains our anchor.

Q2 2026 FX Snapshot

Pair	Spot	Orion View
EUR/USD	1.1422	Modest support; ECB hawkish pivot underpins, growth caps upside
USD/CHF	0.8077	Strong CHF; core safe-haven allocation
DXY (USD Index)	101.105	Range-bound; structural softening bias; headwind for EM

Source: Bloomberg, Orion Capital AG Research, as of 29 June 2026.

Swiss Franc: The Standout Safe Haven

At USD/CHF 0.8077 the franc reflects both Switzerland's fundamentals and residual risk aversion. With the SNB anchored at zero and inflation near 0.6%, the franc remains a core risk-management allocation; CHF-denominated bonds and equities should stay meaningfully represented.

Euro and the Rest

The euro (1.1422) has firmed on the ECB's hawkish pivot, though contracting services and fiscal divergence cap the upside; we see two-sided risk. Among diversifiers, we share the cross-house preference for high-yielding, commodity-linked currencies (AUD, NOK) and a constructive longer-term stance on the yen as the BoJ normalises gradually.

Closing Remarks: Discipline Over Drama

The Q1 commentary was written against genuine crisis. The Q2 commentary is written against something subtler and, in its way, more demanding: a market that has recovered but not de-risked. The energy shock that dominated the first quarter has faded, validating the resilience our peers emphasise. But it leaves behind a higher-for-longer policy regime and a market whose gains are concentrated to an uncomfortable degree.

Our three central messages for Q2 2026 are these. First, stay invested but broaden: remain in equities, but actively reduce US Technology concentration in favour of the physical economy, quality healthcare, Switzerland and selective non-US markets. Second, get paid to wait: the repricing of 2026 has restored real income to high-grade fixed income, add quality duration in the 2–7Y belly and treat spread product as an income tool, not a bargain. Third, keep real assets as insurance: gold's pullback is cyclical, and the structural bid from central banks provides a durable floor that we would be unwise to abandon.

The range of outcomes for the second half remains wide, but its shape has changed. We now assign 45% to our base case, 30% to a constructive resolution, and 25% to a negative surprise - with the locus of that surprise having moved from the Strait of Hormuz to the structure of the market itself. In an environment of concentrated leadership and restrictive policy, diversification across regions, factors and real assets is not an enhancement to portfolio construction. It is the core of it. As always, active management and selective positioning will be rewarded in the quarters ahead.