MONTHLY INVESTMENT OUTLOOK — JULY 2026

Executive Summary

The global economy remains resilient in July, but the investment regime has become more inflation-sensitive and less supportive of duration. The IMF expects global growth of 3.0% in 2026, accelerating to 3.4% in 2027, while July data show a meaningful divergence between resilient private demand in the United States and a tentative recovery in Europe. Our stance is moderately pro-risk but deliberately diversified: we favour European equities relative to expensive US growth segments, high-quality carry over long-duration bonds, and real assets as protection against renewed energy-driven inflation. [1]

Macro Environment

Global growth: resilient, but increasingly bifurcated. The IMF's July update projects global GDP growth of 3.0% in 2026 and 3.4% in 2027, compared with an average of 3.5% in 2024-25. The United States is projected to grow 2.3% this year , while the euro area is expected to expand only 0.9%. Technology-related investment continues to support activity in economies integrated into the AI capital-spending cycle, whereas energy importers face a renewed terms-of-trade headwind. [1]

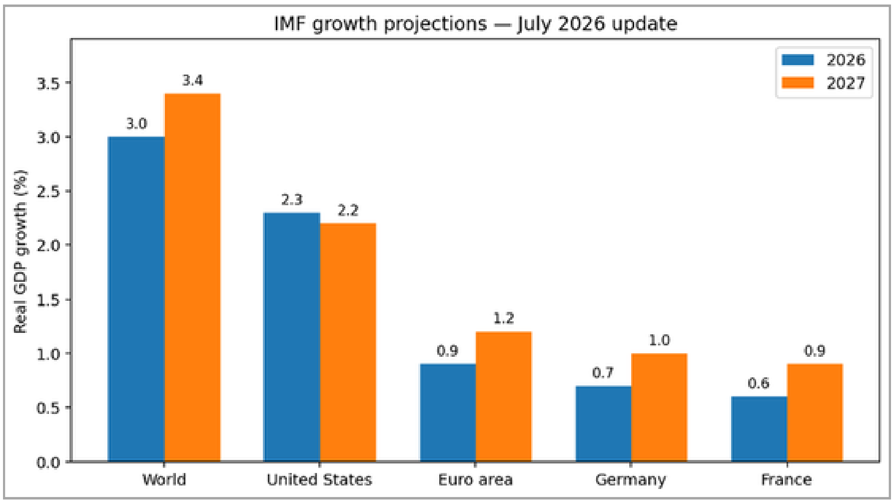

Figure 1. IMF real GDP growth projections (%) — July 2026 World Economic Outlook Update. Source: IMF.

United States: softer headline growth, firm domestic demand. US real GDP expanded at a 1.5% annualised rate in Q2, down from 2.1% in Q1. The composition was stronger than the headline suggests: real final sales to private domestic purchasers increased 3.9%, reflecting continued consumer spending and business fixed investment. Inflation remains the greater constraint, with June CPI at 3.5% year-on-year and energy prices 15.7% above year-earlier levels. [2] [3]

Europe: recovery is emerging, but the energy shock complicates the policy path. Euro-area GDP grew 0.4% quarter-on-quarter in Q2 after stagnating in Q1. The regional picture remains uneven: Spain expanded 0.7%, while Germany, France and Italy each grew 0.2%. At the same time, euro-area headline inflation rose to 2.9% in July, driven by a 10.0% annual increase in energy prices; core HICP excluding energy, food, alcohol and tobacco was 2.5%. [4] [5]

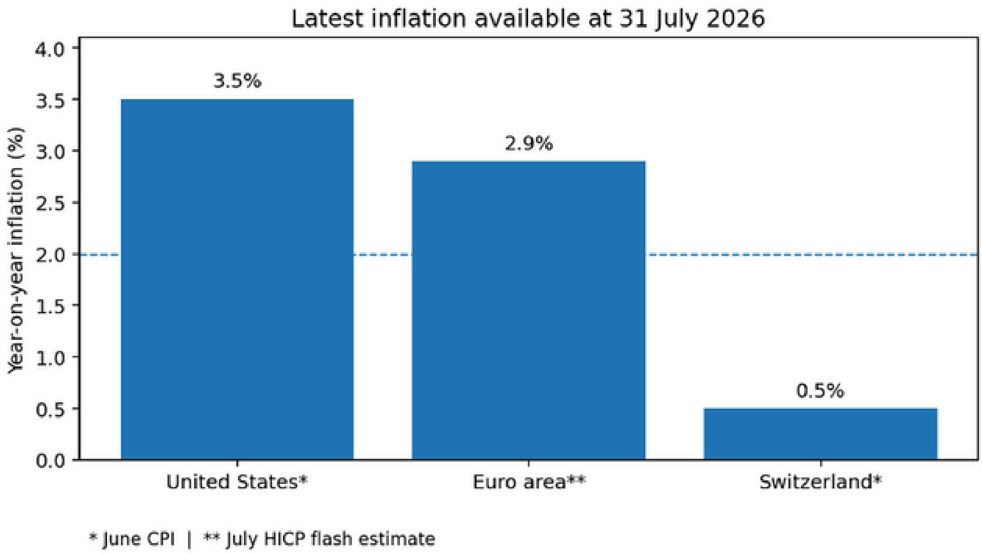

Figure 2. Latest inflation available at 31 July 2026. US and Swiss CPI: June; euro-area HICP: July flash estimate. Sources: BLS, Eurostat, Swiss FSO.

Central banks: a higher-for-longer bias has re-emerged. The Federal Reserve held the federal funds target range at 3.50–3.75% in July, with three FOMC participants preferring a 25bp increase. The ECB kept its deposit facility rate unchanged at 2.25% after June's hike, while emphasising that the full inflationary impact of the energy shock has yet to play out. Switzerland remains the outlier: the SNB policy rate is 0%, June inflation was 0.5%, and the SNB retains an increased willingness to intervene against rapid and excessive franc appreciation. [6] [7] [8] [9]

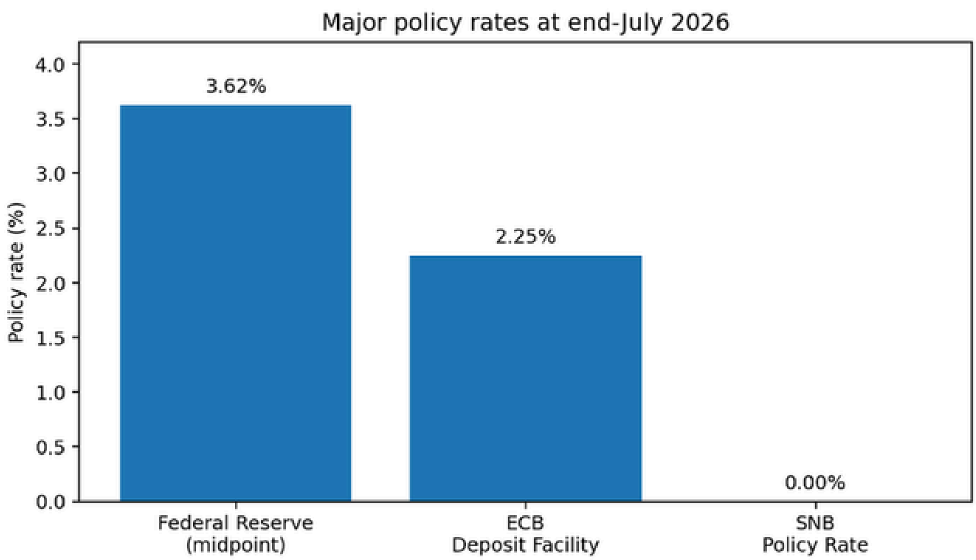

Figure 3. Major policy rates at end-July 2026. Fed shown at target-range midpoint. Sources: Federal Reserve, ECB, SNB.

Asset Class Views (see Table below

Market overview as of the 31st of July 2026

Equities	MTD	YTD
MSCI WORLD	0.46%	9.42%
US S&P500	-0.13%	9.41%
NASDAQ 100	-3.20%	9.17%
RUSSELL 2000	-3.08%	18.11%
EUROPE EURO STOXX 50	0.47%	9.78%
JAPAN TOPIX	0.21%	17.43%
MSCI EMERGING	-3.31%	18.62%
CHINA CSI 300	-7.86%	-0.90%
Fixed Income		
U.S.Corporate	-1.67%	-0.83%
U.S.Corporate HY	-0.25%	1.71%
Pan-Euro Aggregate	-1.36%	-0.02%
Pan-Euro Aggregate HY	-0.23%	1.64%
EM USD Aggregate	-1.30%	0.70%
EM Local Currency Govt	1.06%	2.75%
Commodities		
GOLD ($4046.15)	0.95%	-6.33%
OIL WTI ($84.67)	21.83%	47.46%
Currencies		
EUR/USD (1.1527)	0.92%	-1.86%
EUR/CHF (0.93036)	0.77%	-0.04%
USD/JPY (157.40)	-3.17%	0.44%
GBP/USD (1.3463)	1.52%	-0.09%

Equities — Moderately constructive; overweight Europe relative to US growth.

July reinforced the case for broader participation beyond the most expensive growth franchises. The STOXX Europe 600 advanced 1.2%, while the S&P 500 eased 0.1% and the Nasdaq declined 3.2%. Within global equities, the MSCI World Semiconductors Index fell 13.2%, while value stocks gained 3.6% and growth stocks declined 2.5%. We retain global equity exposure but favour Europe, quality balance sheets, financials, industrial beneficiaries of capital expenditure and less crowded areas of the market. We remain underweight the most valuation-sensitive US growth exposures. [10] [11]

Fixed Income — Favour carry; underweight long duration.

The Bloomberg Global Aggregate Bond Index fell 0.5% in July as government yields rose on higher energy prices, resilient activity and a more hawkish policy interpretation. We prefer short- and intermediate-maturity high-quality sovereign and investment-grade credit, where carry is attractive without excessive duration exposure. Long-dated nominal government bonds remain vulnerable to inflation uncertainty, heavy sovereign issuance and higher term premia. Select inflation-linked exposure remains appropriate. [11]

Private Markets — Neutral, highly selective.

Elevated financing costs continue to increase dispersion between managers and strategies. We favour private credit with disciplined underwriting, seniority and conservative structures, alongside infrastructure linked to power, digitalisation and essential services. We remain cautious on highly leveraged private-equity transactions dependent on aggressive refinancing assumptions or multiple expansion.

Alternatives — Overweight diversifiers and real assets.

The geopolitical shock and July commodity rally reinforce the portfolio role of real assets, commodities and liquid absolute-return strategies. Commodities gained 7.5% during the month as Brent crude briefly moved above USD 100 per barrel. These exposures are not substitutes for traditional diversification, but they can improve resilience when the dominant shock originates in inflation rather than growth. [11]

FX — Selective USD support; structurally constructive CHF, tactically constrained.

Higher US yields and the United States' relative energy independence provide support for the dollar in risk-off or renewed inflation scenarios. Europe's greater dependence on imported energy limits the euro's upside under escalation. The Swiss franc retains strong defensive characteristics, but the SNB's zero-rate policy and explicit readiness to counter excessive appreciation argue against an aggressive tactical overweight. [8]

Key Risks

1. Renewed Middle East escalation: A further disruption to energy supply would create a stagflationary combination of weaker European growth, higher inflation and renewed pressure on central banks.
2. Additional monetary tightening: Persistently elevated inflation could force the Fed or ECB to tighten further, challenging both equity multiples and long-duration fixed income.
3. AI capital-spending retrenchment: A disorderly reassessment of expected returns on AI infrastructure could transmit a technology-sector correction into broader risk assets and credit markets.
4. Sovereign term-premium shock: Heavy government borrowing and weaker demand for long-duration assets could push term premia higher, reducing the diversification benefit of nominal government bonds.

Portfolio Positioning

Our highest-conviction allocation is an overweight to European equities relative to US mega-cap growth, an overweight to short/intermediate high-quality fixed income and credit carry, and an overweight to real assets and diversifying alternatives. We remain underweight long-duration nominal sovereign bonds and valuation-sensitive growth exposures. Within balanced portfolios, we would resist responding to geopolitical uncertainty with a material move into cash: current yields allow portfolios to generate meaningful income while retaining participation in an economic expansion that, although uneven, remains intact.

Allocation	Conviction	Rationale
European equities	**Overweight**	Relative valuation, broader sector mix, capex and financials exposure
US mega-cap growth	**Underweight**	High valuation sensitivity and concentrated AI return expectations
Short/intermediate IG & sovereigns	**Overweight**	Attractive carry with controlled duration risk
Long-duration nominal sovereigns	**Underweight**	Inflation uncertainty, issuance and term-premium risk
Real assets / diversifiers	**Overweight**	Protection against energy and inflation shocks
Private markets	**Neutral/OW**	Manager selection and financing structure are decisive

Closing Remarks

July reinforces our view that the next phase of the cycle will be driven less by broad beta and more by valuation discipline, income generation and diversification across economic regimes. We continue to allocate capital where prospective returns adequately compensate investors for duration, leverage and geopolitical risk, while maintaining sufficient liquidity to exploit the dispersion created by a less predictable macro environment.

Sources & Data References

[1] IMF — July 2026 World Economic Outlook Update
[2] U.S. Bureau of Economic Analysis — GDP (Advance Estimate), Q2 2026
[3] U.S. Bureau of Labor Statistics — June 2026 CPI
[4] Eurostat — Preliminary flash GDP estimate, Q2 2026
[5] Eurostat — Euro area inflation flash estimate, July 2026
[6] Federal Reserve — FOMC statement, 29 July 2026
[7] European Central Bank — Monetary policy decisions, 23 July 2026
[8] Swiss National Bank — Monetary policy assessment, 18 June 2026
[9] Swiss Federal Statistical Office — Swiss CPI, June 2026
[10] Investec — European and UK Equity Capital Markets Review, July 2026
[11] J.P. Morgan Asset Management — Review of Markets over July 2026

Riccardo Altamura
Chief Investment Officer

Swiss Finance Management
International SA