

Market Outlook

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In summary



Earnings Season

Overall, earnings and their trajectories remain well oriented. This is particularly the case for semiconductors, which should once again post very solid results.



Our preference

Our preference is once again to favour equity markets and in particular U.S. and emerging market indices because of their high exposure to technology stocks.

Is earnings season supporting equity markets?

Bond markets suffered greatly in September both because of the additional increases in energy commodity prices (+10.93% for Brent, +3.77% for gas in the Euro zone) and because of the strength of macroeconomic figures.

The conflict in Hormuz drags on, with hopes for political resolution vanishing within days. Even so, flows from the Middle East appear to be gradually improving, mainly through an increase in volumes that pass through so-called "Ship to Ship" transfers. This improvement allows the market to only show a contained supply deficit (around 2Mb/D, given that data sources vary) but at a high cost. Indeed, tanker prices (VLCCs) are booming, to which significant operational costs must be added. In total, the additional cost of a barrel coming from the middle east can be estimated at around + \$35-40.

At the same time, **macroeconomic data remains robust, if not very robust**. Below are some figures to illustrate this point:

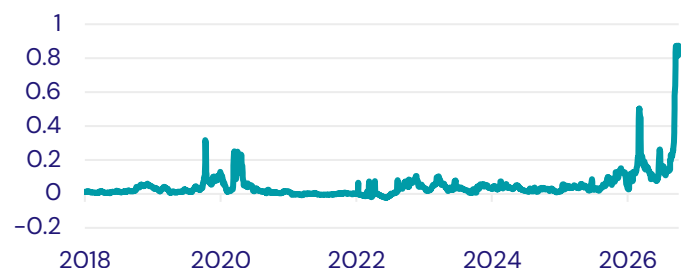
- **US Composite PMI at 58.4** (highest since 2015 excluding post COVID rebound)
- **Korean exports up 83% year on year**
- **Upward revisions of Q2 GDP in the US from 1.5% to 2.2%**

There is an American prism to this data, of course, but overall nominal growth remains strong in most of the world's economies.

In this context, central banks have had no choice but to tighten monetary policy. **The Fed, the ECB, the BOJ, and the RBA all raised rates in September**. The Fed, long awaited after Kevin Warsh's comments in Jackson Hole, delivered what can be best described as an orthodox message, emphasizing the strength of the economy and an above-target inflation. However, at the end of the month there was a slight nuance in the messaging by both European and American central bankers who signaled that the number of rate hikes anticipated by markets might be too large.

On the side of equity markets, the month was seemingly much calmer with broadly resilient indices despite tighter monetary conditions. This is only apparent, because the low volatility of the indices masks a significant volatility of the constituents (showing significant dispersion).

VLCC* Rates - Arabian Gulf to China (USD m/day)



Sources: Bloomberg, as of 02/10/2026. Historical market trends are not a reliable indicator of future market performance. *Very Large Crude Carrier.

A contrasted market resilience

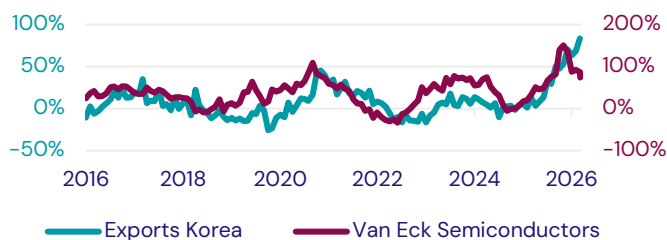
This resistance of equity markets is based on a profit dynamic that is still very well oriented: +32.4% profit growth on the S&P 500 expected in 2026 or even +17.6% for the Stoxx 600. These are numbers not seen since the late 1990's, except in post-recession periods (2009 and 2021).

This strength is largely based on the **AI ecosystem and in particular on semiconductors**. Expectations are very high, as are doubts, but the momentum in the next earnings season should once again be well oriented. Nominal growth has been strong in Q3 across major economies, US earnings are structurally revised upward during the earnings season, and the rise in Korean exports (mainly semiconductors) has once again reached new highs in recent months.

In Europe the situation is more difficult because of an overall less dynamic growth and, of course, the French situation. We have been very cautious on French assets in general for

several months and our caution remains in place, yet some assets now seem to anticipate a very significant risk in our view. This is the case for the OAT vs Bund spread, which has settled at around 150 bps, or in other words, the spread of a country rated BBB-. On these levels, we have neutralized our positions on France.

South Korea Exports YoY vs. Semiconductors YoY



Sources: Bloomberg, as of 02/10/2026. Historical market trends are not a reliable indicator of future market performance.



Market drivers

- ✓ **Earnings season:** This should again be positive and supportive for markets.
- ✓ **Hormuz:** Changes in commodity prices will be key for bond markets.
- ✓ **French budget:** In the current situation, the adoption of a budget has become a necessity.

Our positioning

EQUITY



Persistently strong nominal growth coupled with solid profit dynamics: equity markets are expected to perform well if bond markets remain calm. Preference for US and Emerging Markets.

CREDIT



Credit widened marginally at the end of September due to the stress generated by the situation in France, however, this only anticipates a limited risk. Slight caution, especially on financial debts.

RATES



Bond dynamics remain highly dependent on the still unclear situation in the Middle East. Very slightly positive bias, with a preference for the short end of the Euro curve.

Given the subjective nature of certain analyses, it should be emphasized that some forward-looking statements are prepared based on certain assumptions, which may likely differ either partially or entirely from reality. Any hypothetical estimate is, by nature, speculative, and it is possible that some, if not all, of the assumptions underlying these hypothetical illustrations may not materialize or may do so differently from current expectations.

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