

Equity Strategy

RALLY INTO THE SUMMER

AUTHORS**Cosimo Recchia**

Senior Equity Strategist
cosimo.recchia@animasgr.it

Francesco Ponzano

Junior Equity Strategist
francesco.ponzano@animasgr.it

We remain tactically LONG. Middle East newsflow remains volatile, but we continue to see renewed equity weakness as a buying opportunity, provided the conflict does not broaden into a more systemic escalation involving other major powers directly (**NOT OUR BASELINE**). Unless that tail risk materialises, **we would expect markets to keep looking through the geopolitical noise and rotate back toward the usual macro and fundamental catalysts**, keeping us firmly in a buy-the-dips regime.

Earnings season is about to start. We expect a solid set of results to help support the recent relief rebound. We also continue to see also room for a supportive repricing of policy expectations and light positioning. **We retain our baseline of three Fed cuts this year**, although risks remain skewed toward only two. Even so, current market pricing still leaves scope for a more supportive rates backdrop, which should remain a tailwind for equities.

From a regional perspective, we continue to prefer the US over the Rest of the World, supported by relative energy independence, a more resilient domestic backdrop and stronger earnings visibility, alongside potential support from flows as investor positioning normalises. By contrast, Europe remains more exposed to the energy shock, while EM should benefit from lower oil prices and a softer USD, although we still prefer the US on a relative basis.

From a sector perspective, we continue to favour Cyclical over Defensives, while maintaining a Growth tilt. Materials and Semiconductors remain our preferred exposures. We also maintain a LONG stance on Energy, which continues to offer a useful hedge despite the recent compression in the oil risk premium. Within Financials, we upgrade Banks to LONG (from NEUTRAL) and remain SHORT on Diversified Financials. Within Defensives, Utilities remain our preferred pick.

Strategically, we maintain our 12-month OVERWEIGHT view on equities. The recent de-escalation in the Middle East reduces the risk of a more severe and sustained macro shock, but some uncertainty remains and the path is unlikely to be linear. In the near term, markets should increasingly be driven by earnings delivery, policy expectations and the evolution of growth data, rather than by the pure geopolitical risk premium.

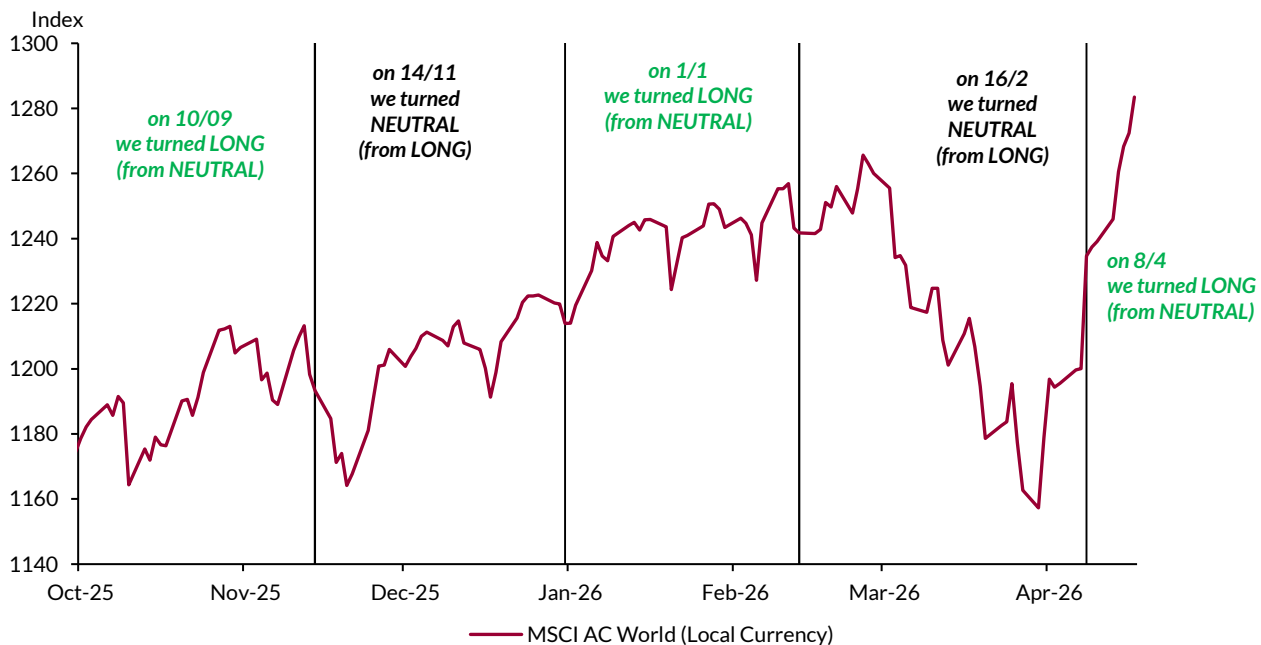
Tactically LONG

We maintain a tactical LONG stance. While Middle East newsflow remains volatile, the conflict has not broadened into a materially wider disruption to global trade, energy supply or financial conditions.

Absent that tail-risk scenario, we would continue to view renewed equity weakness as a buying opportunity. In our view, only a more severe and sustained escalation, particularly one involving other major powers directly (NOT OUR BASELINE), would be sufficient to undermine the case for remaining LONG. Until then, equities should remain broadly supported, even if short-term volatility stays above normal.

Against this backdrop, **we think investors should stay invested and selectively add risk on weakness (Figure 1).**

Figure 1
MSCI AC World and Equity Strategy Positioning



Source: MSCI, ANIMA Research. Prices as of 17th April 2026.

CATALYSTS

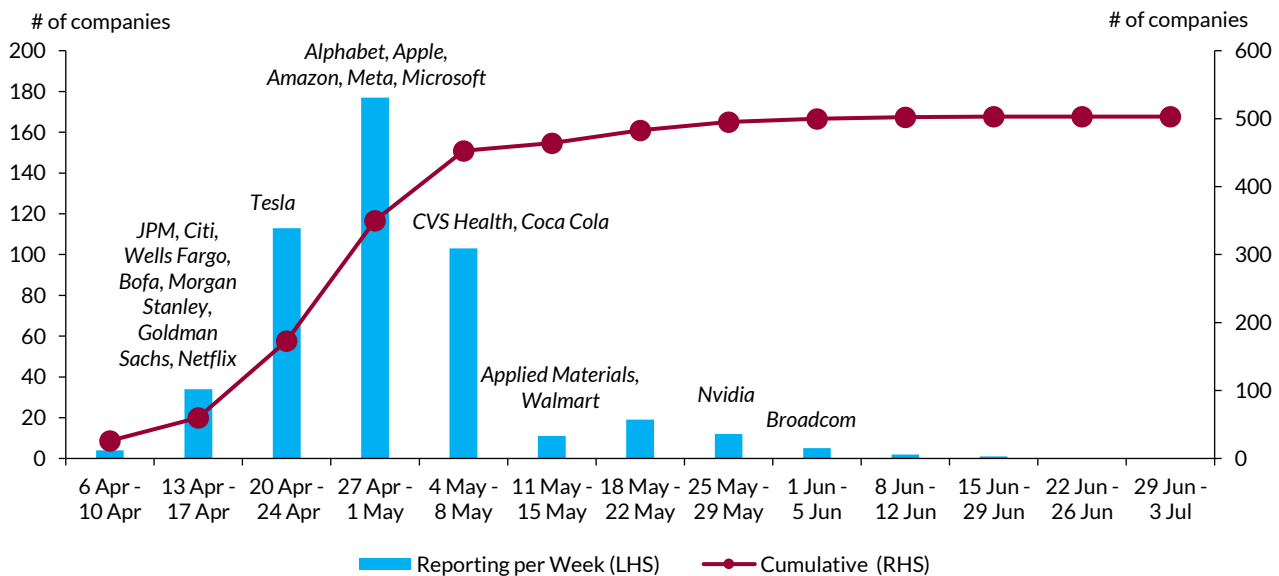
With the immediate geopolitical shock fading, we expect markets to rotate back towards the next key catalysts: reporting season, Fed repricing, and positioning.

- 1) **Earnings season is only just beginning**, but it should accelerate quickly over the coming days (**Figure 2**). In our view, a solid reporting season would help validate the recent rebound and strengthen the case for equities to trade once again on earnings resilience rather than on geopolitical risk alone.

We see the risk-reward for this earnings season as tilted to the upside, given that corporate sentiment already looks subdued. Negative forward guidance has exceeded positive guidance since the start of the year, while the CEO Confidence Index has been in a downtrend since December and remains meaningfully below its 10-year average (**Figure 3** and **Figure 4**).

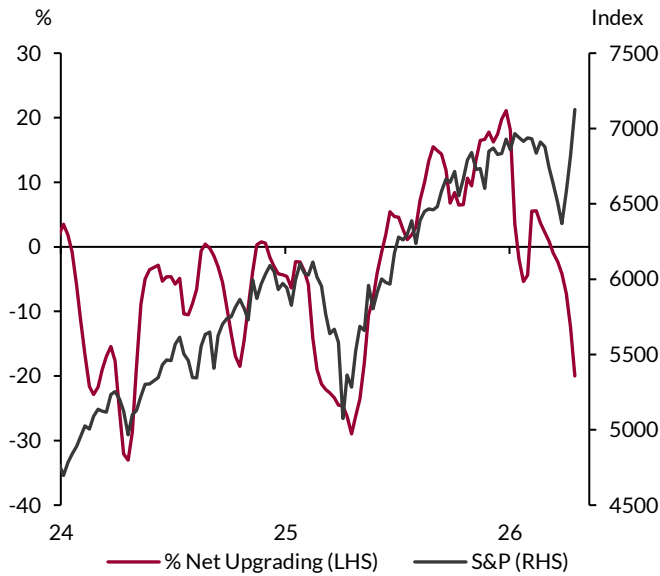
Figure 2

US Q1 reporting season - Timeline



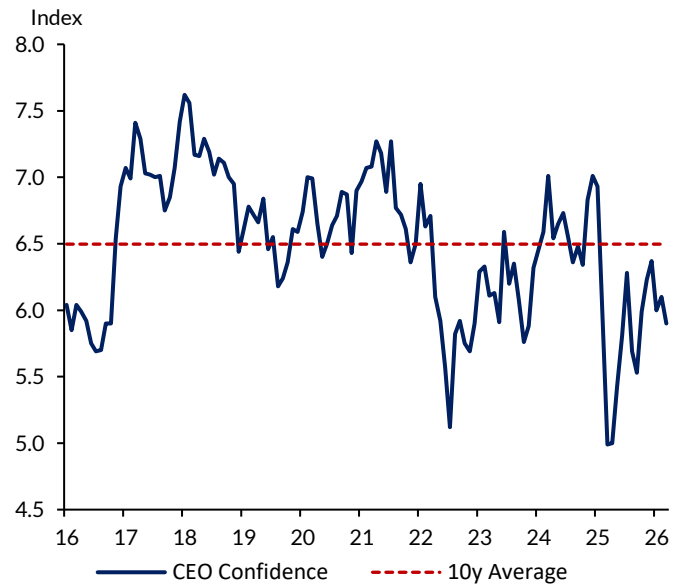
Source: Bloomberg, ANIMA Research.

Figure 3
US Companies forward guidance ratio



Source: DB, ANIMA Research. Prices as of 17th April 2026.

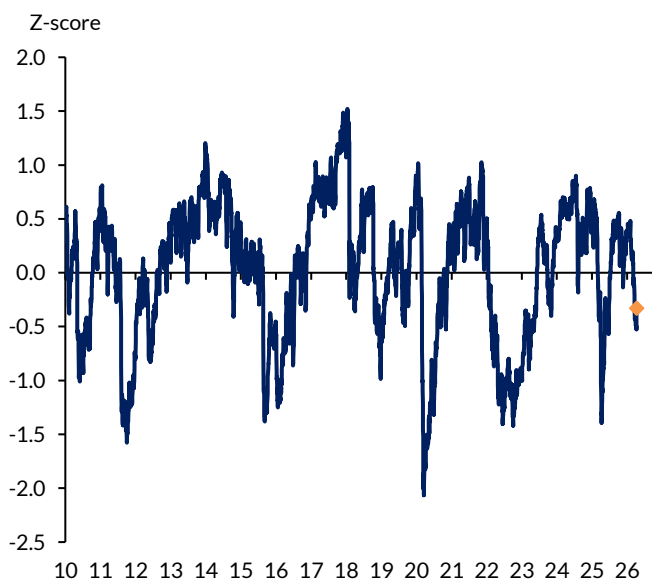
Figure 4
US CEO Confidence



Source: DB, ANIMA Research. Prices as of 30th March 2026.

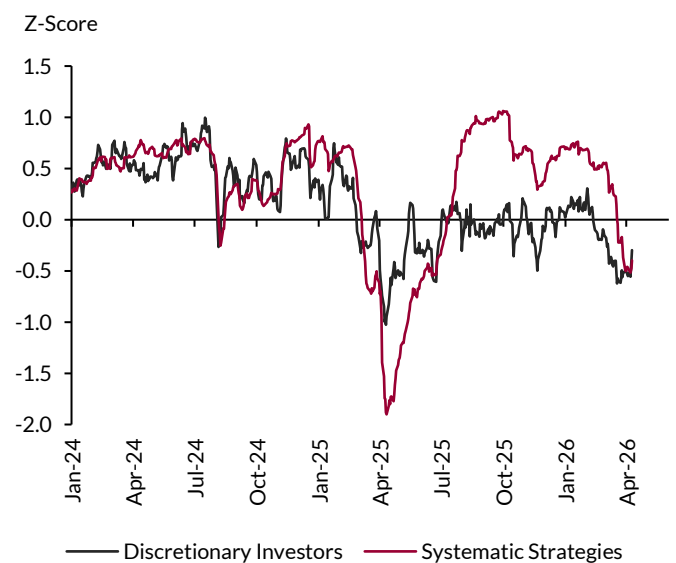
- 2) **On rates, we continue to see room for a supportive repricing in policy expectations.** We retain our baseline of three Fed cuts this year, although risks remain skewed towards only two. Even so, current market pricing still leaves scope for a more supportive rates backdrop, and any gradual repricing towards lower expected policy rates should provide an additional tailwind for equities as geopolitical fears continue to fade.
- 3) **Positioning remains particularly light** for both discretionary and systematic investors (**Figure 5** and **Figure 6**).

Figure 5
Equity Positioning



Source: DB, ANIMA Research. Prices as of 9th April 2026.

Figure 6
Equity Positioning by Investors



Source: DB, ANIMA Research. Prices as of 9th April 2026.

A. Regional Allocation

From a regional perspective, we continue to prefer the US over the Rest of the World

US – LONG: It continues to stand out on the back of relative energy independence, a more resilient domestic backdrop and stronger earnings visibility. The US should also remain well placed to capture incremental flows as investor positioning normalises and capital is redeployed into markets offering deeper liquidity, stronger macro resilience and better earnings support.

UK – NEUTRAL: While the recovery in commodity prices may provide some support, the defensive composition of the benchmark continues to pose a challenge and is expected to limit the extent of any gains from a cyclical rebound. Additionally, a softening of the USD following geopolitical easing does not present a significant relative advantage for UK equities.

Europe ex UK – NEUTRAL: Declining (from the peak reached since the conflict started) oil prices are helpful at the margin, but the region remains more exposed to the lingering effects of the energy shock and to a softer macro backdrop.

EM – NEUTRAL: The combination of lower oil prices and a softer USD should provide some near-term relief, but not enough to warrant a more constructive stance relative to the US.

Japan – SHORT: While the domestic story remains relatively stable, we see a less compelling risk-reward, particularly against a backdrop of reduced external support, more limited earnings momentum and a market that looks less well positioned if global flows continue to rotate towards the US (Figure 7).

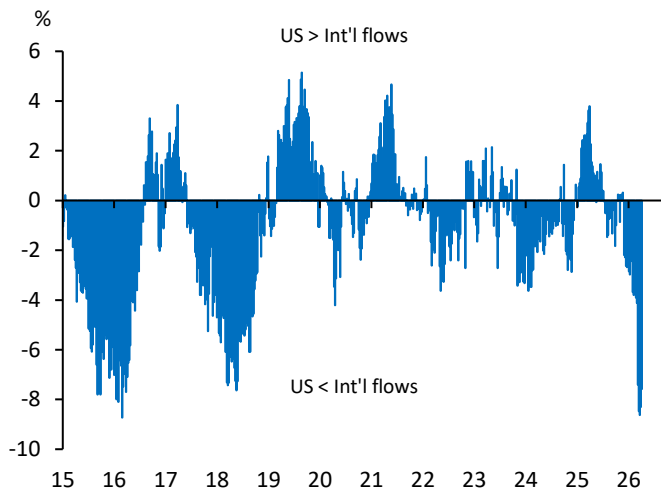
Figure 7

Tactical Regional Recommendations - May 2026

Overweight	Neutral	Underweight
US	EM	Japan
	Continental Europe	
	UK	

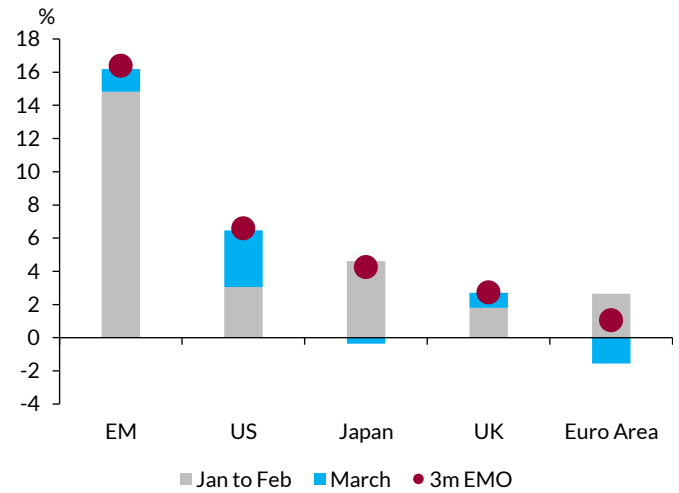
Source: ANIMA Research. Markets in *green* have been upgraded, while those in *red* have been downgraded since the last Alert.

Figure 8
Equity Flow as % of AUM - Differential



Source: Wells Fargo, ANIMA Research. Prices as of 9th April 2026.

Figure 9
3 Month Earnings Momentum



Source: MSCI, ANIMA Research. As of 31st March 2026.

B. Sector Allocation

From a sector perspective, we continue to favour Cyclical over Defensives, while maintaining a Growth tilt (Figure 10, Figure 11, and Figure 12). Energy, Materials and Semiconductors remain our preferred exposures.

We remain LONG Energy, which continues to act as an effective hedge against geopolitical risk and inflation. The sector should benefit from any sustained increase in oil prices or disruptions to global energy supply, while still offering strong balance sheets, robust free cash flow generation and disciplined capital allocation, all of which should continue to support shareholder returns through dividends and buybacks, even in a more volatile macro environment.

We also remain LONG Materials, despite the recent weakness in the sector. Valuations have become more attractive following the pullback, while resilient demand for key industrial and strategic commodities, together with supply constraints across several commodity markets, could provide support for prices if global growth proves more resilient than currently expected. **We also remain LONG Semiconductors**, supported by powerful structural demand drivers including artificial intelligence, cloud computing and continued investment in advanced computing infrastructure. While the sector may still experience periodic volatility given its cyclical nature, the medium-term earnings outlook remains underpinned by sustained capital expenditure in digital infrastructure and AI-related technologies.

Within Growth, we upgrade Tech to LONG (from NEUTRAL), supported by very strong net margin and earnings momentum, while Media & Entertainment and Retailing move to NEUTRAL (from SHORT) as the sector could continue to benefit from favourable price momentum. That said, we continue to be selective on Mag7, expecting their performance divergence to continue despite a synchronised positive EPS momentum (Figures 13 and 14).

Within Financials, we upgrade Banks to LONG (from NEUTRAL), as the current backdrop could prove supportive given still broadly healthy balance sheets, while we remain SHORT on Diversified Financials. Within Defensives, Utilities remain our preferred pick, given their relative resilience, defensive cash flow profile and continued role as a stabiliser in portfolios should volatility remain elevated.

Fundamentally speaking, **cyclical sectors continue to post the strongest EPS momentum across the board**, even during the first month of the conflict in Iran (Figure 15).

Figure 10

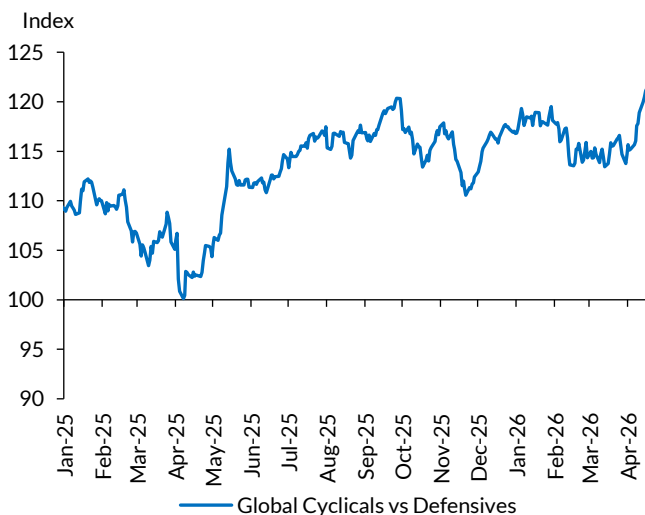
Tactical Sector Recommendations - May 2026

Long	Neutral	Short
Energy	Commercial & Professional Svcs	Diversified Financials
Materials	Capital Goods	Insurance
Utilities	Real Estate	Transportation
Semis & Semi Equip.	Telecoms	Household & Personal Products
Software & Services	Media & Entertainment	Automobiles & Components
Tech Hardware & Equip.	Retailing	Consumer Durables & Apparel
Banks	Consumer Services	Health Care Equip. & Svcs
		Pharma, Biotech & Life Sciences
		Food, Beverage & Tobacco
		Food & Staples Retailing

Source: ANIMA Research. Markets in green have been upgraded, while those in red have been downgraded since the last Strategy Focus.

Figure 11

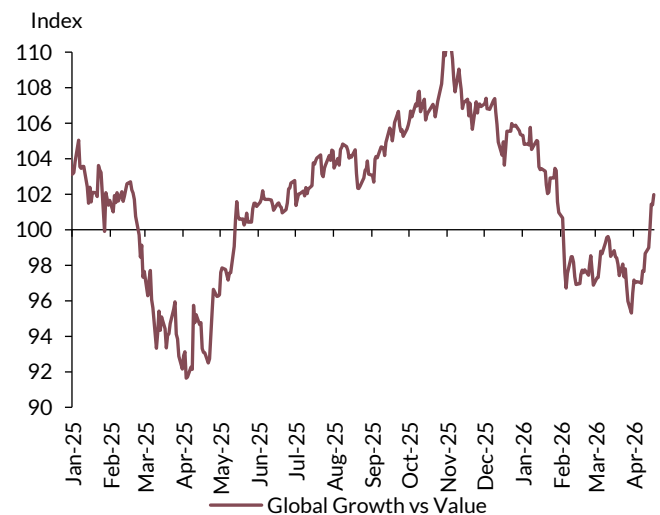
Global Traditional Cyclical relative to Defensives



Source: MSCI, ANIMA Research. Prices as of 17th April 2026.

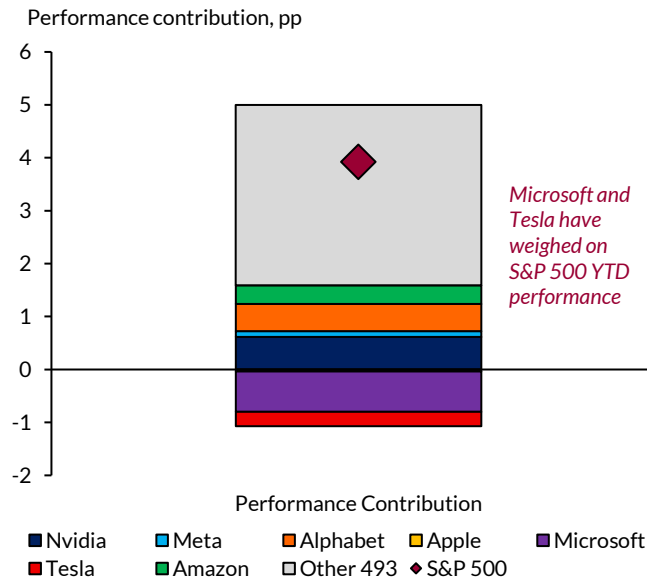
Figure 12

Global Growth relative to Value



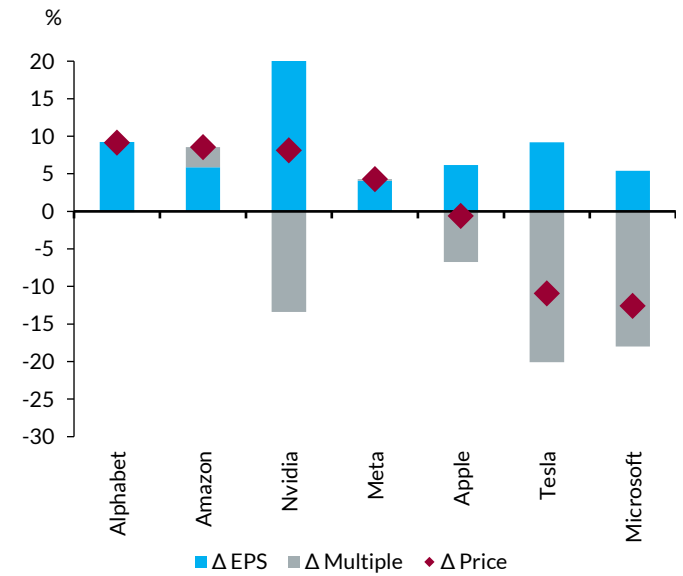
Source: MSCI, ANIMA Research. Prices as of 17th April 2026.

Figure 13
S&P 500 YTD Performance by stocks



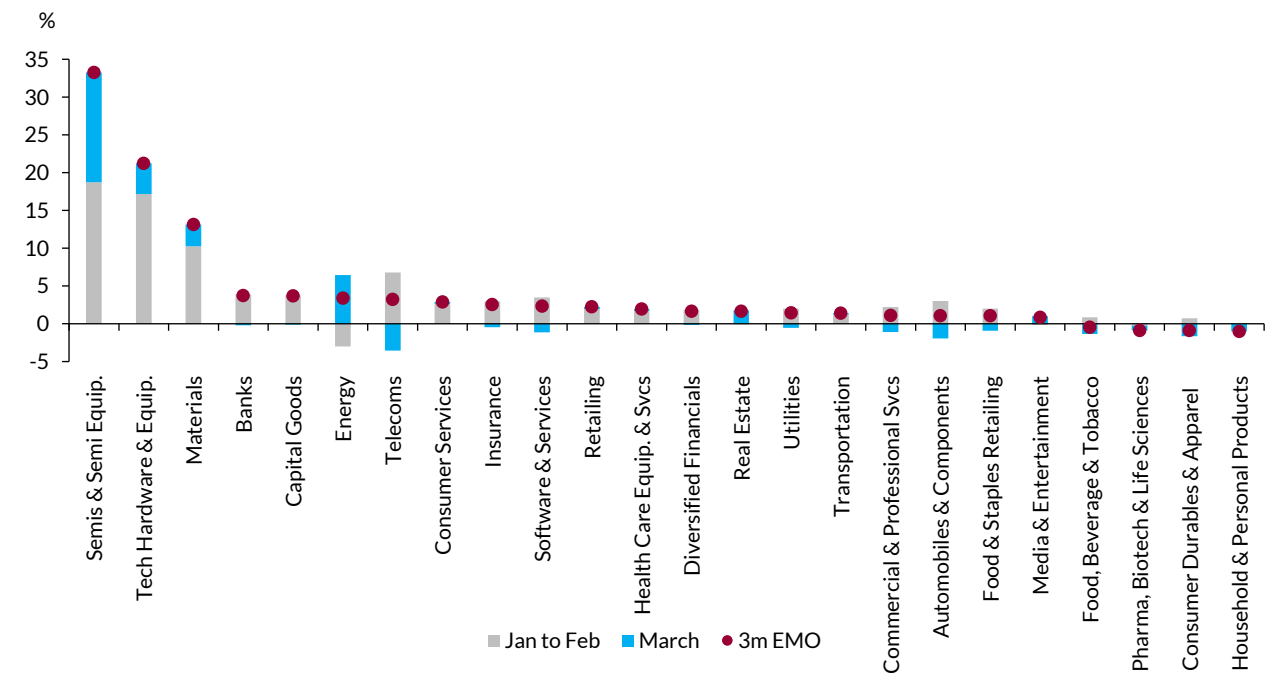
Source: MSCI, ANIMA Research. Prices as of 17th April 2026.

Figure 14
Mag 7 Performance Breakdown



Source: MSCI, IBES, ANIMA Research. Prices as of 17th April 2026.

Figure 15
3 Month Earnings Momentum



Source: MSCI, ANIMA Research.

Strategically OVERWEIGHT

Strategically, we maintain our 12-month OVERWEIGHT view on equities. While the latest geopolitical developments have clearly reintroduced some uncertainty, we do not think they fundamentally alter the medium-term case for remaining constructive on the asset class. The recent de-escalation had already reduced the probability of a more severe and sustained macro shock, and although the latest setback shows that the path is unlikely to be linear, our broader view remains that the expansion is bending rather than breaking.

More importantly, the medium-term equity case does not rest on geopolitics fading entirely from view. Rather, it rests on the idea that **over a 12-month horizon, markets are likely to be driven predominantly by earnings delivery, policy expectations and the evolution of growth data**, rather than by the persistence of a geopolitical risk premium alone. As long as the macro backdrop remains broadly intact, corporate earnings stay resilient and policy expectations retain the potential to become more supportive, we think the case for maintaining an overweight position in equities remains sound.

In short, we acknowledge that the near-term path may remain volatile and that setbacks in the geopolitical newsflow can still generate episodic risk-off moves. But unless those developments morph into a materially broader systemic shock, our central scenario remains one in which equity weakness proves temporary rather than trend-defining. That is why **we see any market dip as a buying opportunity**.

Regionally, we prefer the US over the rest of the world (previously agnostic). **Sector-wise, we continue to prefer Cyclical over Defensives.**

ANIMA INVESTMENT RESEARCH**FABIO FOIS**

Head of Investment Research & Advisory
fabio.fois@animasgr.it

CHIARA CREMONESI

Senior Rates Strategist
chiara.cremonesi@animasgr.it

COSIMO RECCHIA

Senior Equity Strategist
cosimo.recchia@animasgr.it

MATTEO GALLONE

Macroeconomist
matteo.gallone@animasgr.it

FRANCESCO PONZANO

Junior Equity Strategist
francesco.ponzano@animasgr.it

MATTIA BANIN

Junior Macro Analyst
mattia.banin@animasgr.it

IMPORTANT DISCLOSURES

Marketing material for professional clients or qualified investors only. This material does not constitute an advice, an offer to sell, a solicitation of an offer to buy, or a recommendation to buy, sell, or hold any investment or security or to engage in any investment strategy or transaction. ANIMA can in no way be held responsible for any decision or investment made based on information contained in this document. The data and information contained in this document are deemed reliable, but ANIMA assumes no liability for their accuracy and completeness. ANIMA accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained in this material in violation of this disclaimer and the relevant provisions of the Supervisory Authorities.

This is a marketing communication. Please refer to the Prospectus, the KID, the Application Form and the Governing Rules ("Regolamento di Gestione") before making any final investment decisions. These documents, which also describe the investor rights, can be obtained at any time free of charge on ANIMA website (www.animasgr.it). Hard copies of these documents can also be obtained from ANIMA upon request. The KIDs are available in the local official language of the country of distribution. The Prospectus is available in Italian/English. Past performances are not an indicator of future returns. The distribution of the product is subject to the assessment of suitability or adequacy required by current regulations. ANIMA reserves the right to amend the provided information at any time. The value of the investment and the resulting return may increase or decrease and, upon redemption, the investor may receive an amount lower than the one originally invested. In case of collective investment undertakings distributed cross-border, ANIMA is entitled to terminate the provisions set for their marketing pursuant to Article 93 Bis of Directive 2009/65/EC.