

Equity Strategy

TAKE A BREAK

AUTHORS

Cosimo Recchia

Senior Equity Strategist
cosimo.recchia@animasgr.it

Francesco Ponzano

Junior Equity Strategist
francesco.ponzano@animasgr.it

*We turn **NEUTRAL** (previously **LONG**). We expect global equities to keep moving sideways over the next few weeks within a narrow trading range. The floor is underpinned by robust macroeconomic conditions, subdued inflationary pressures/expectations of monetary easing, and continued fiscal support across regions. The ceiling is set by valuations in a context of diminishing near-term catalysts, which are likely to continue to drive rotations and associated performance dispersion.*

That said, we tactically continue to buy on dips, anticipating that the upward trend will persist, albeit with higher volatility.

The main risks to our constructive outlook stem from any dramatic shift in expectations about the Fed's stance and/or a significant reduction in liquidity. We view any rise in geopolitical tensions as a potential buying opportunity, provided China is not directly involved. Escalations in Latin America or the Middle East are seen as marginally supportive.

*From a regional perspective, we turn more selective (previously **NEUTRAL** on the major regions). We cut the **US** to **SHORT**, expecting the current underperformance to continue, while we promote the **Rest of the Developed World - Japan, Continental Europe and the UK** - to **LONG**. We remain **NEUTRAL** on **EM**.*

*From a sector standpoint, we maintain a cyclical tilt with a bias towards traditional cyclical Value names. Within the main sectors, we still like Banks, Diversified Financials, and Materials; while we cut Capital Goods to **NEUTRAL** (previously **LONG**) favouring Transportation, which is now promoted to **LONG** (previously **SHORT**), due to its strong EPS momentum. Within the AI theme, we continue to prefer Semis over Software. We tactically downgrade Media & Entertainment and Retailing to **SHORT** (previously **NEUTRAL**). Within Defensives, Telecoms and Food, Beverages, and Tobacco are now the top picks (previously **NEUTRAL** and **SHORT**, respectively), while we downgrade Pharma to **NEUTRAL** (from **LONG**) due to its weak earnings momentum.*

*Strategically, we reiterate our **OVERWEIGHT** stance on equities and view any market weakness as a buying opportunity. We expect the global benchmark to accelerate in 2026, driven primarily by earnings growth. Our GDP forecasts for the US suggest global EPS will rise by around 12% in 2026. Already rich valuations will limit gains from multiple expansion, whose impact has been progressively decreasing since 2023.*

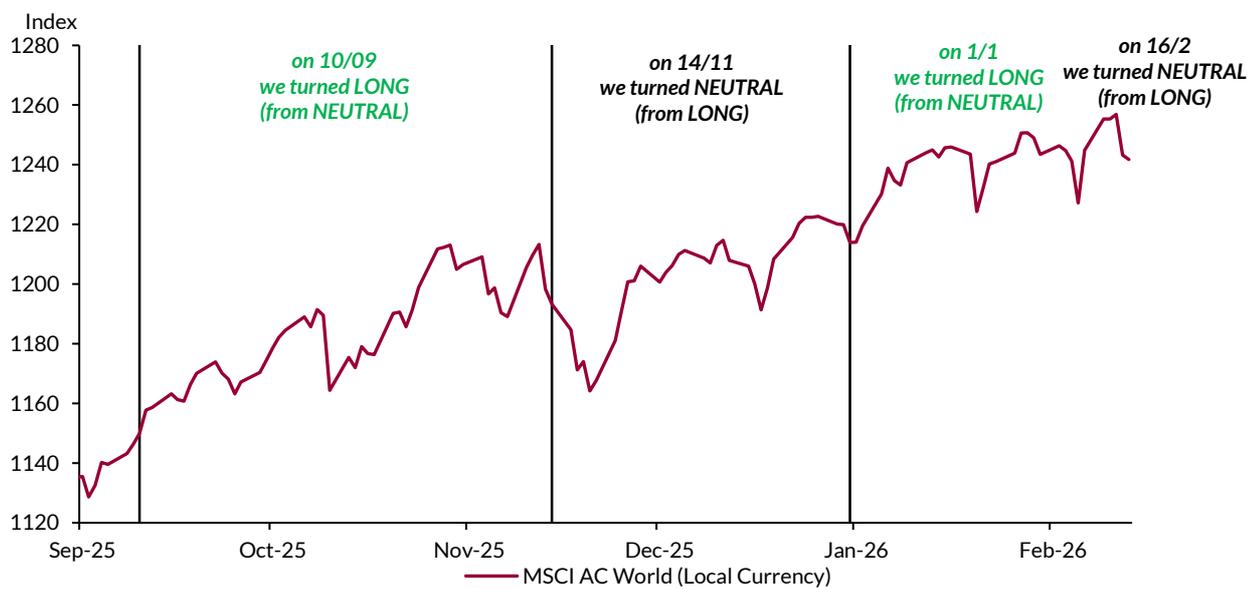
*Regionally, we expect equities' performance to become more aligned across regions over the next 12 months. That said, we neutralise our previous US and EM tilt in favour of a more agnostic approach. We believe this is the most effective approach for navigating a year marked by synchronized global economic growth and latent geopolitical risks, including the US midterm elections. Sector-wise, we favour **Cyclicals over Defensives**, remaining neutral on style.*

Tactically NEUTRAL

We turn tactically **NEUTRAL** (previously LONG) expecting global equities to trade sideways over the next few weeks within a narrow trading range (see **Figure 1**). The floor is underpinned by robust macroeconomic conditions (**Figure 2**), subdued inflationary pressures/expectations of monetary easing, and continued fiscal support across regions, which is expected to drive synchronised global EPS growth in 2026 (**Figure 3**). The ceiling is set by valuations in a context of diminishing near-term catalysts, which are likely to continue to drive rotations and associated performance dispersion (**Figure 4**).

Figure 1

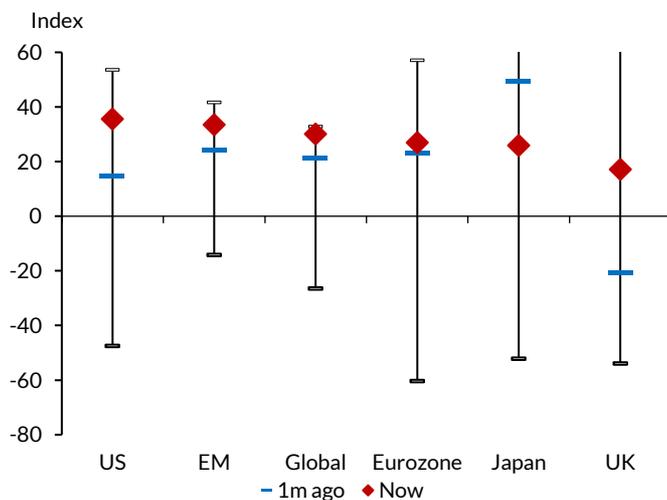
MSCI AC World and Equity Strategy Positioning



Source: MSCI, ANIMA Research. Prices as of 13th February 2026.

Figure 2

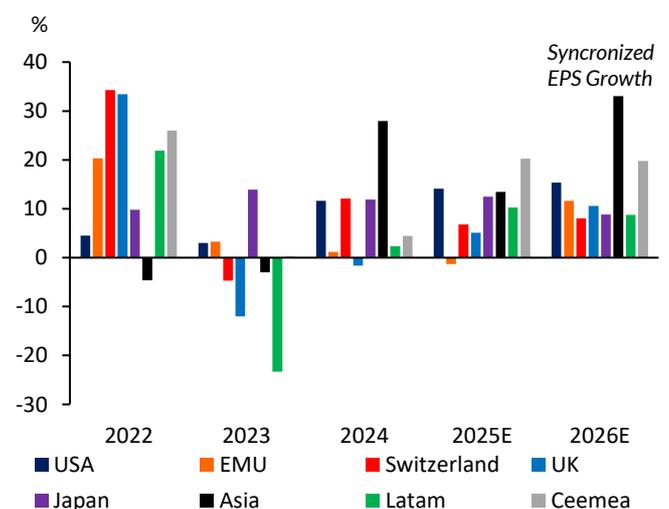
Citi Economic Surprise Index



Source: Citi, ANIMA Research. Prices as of 13th February 2026.

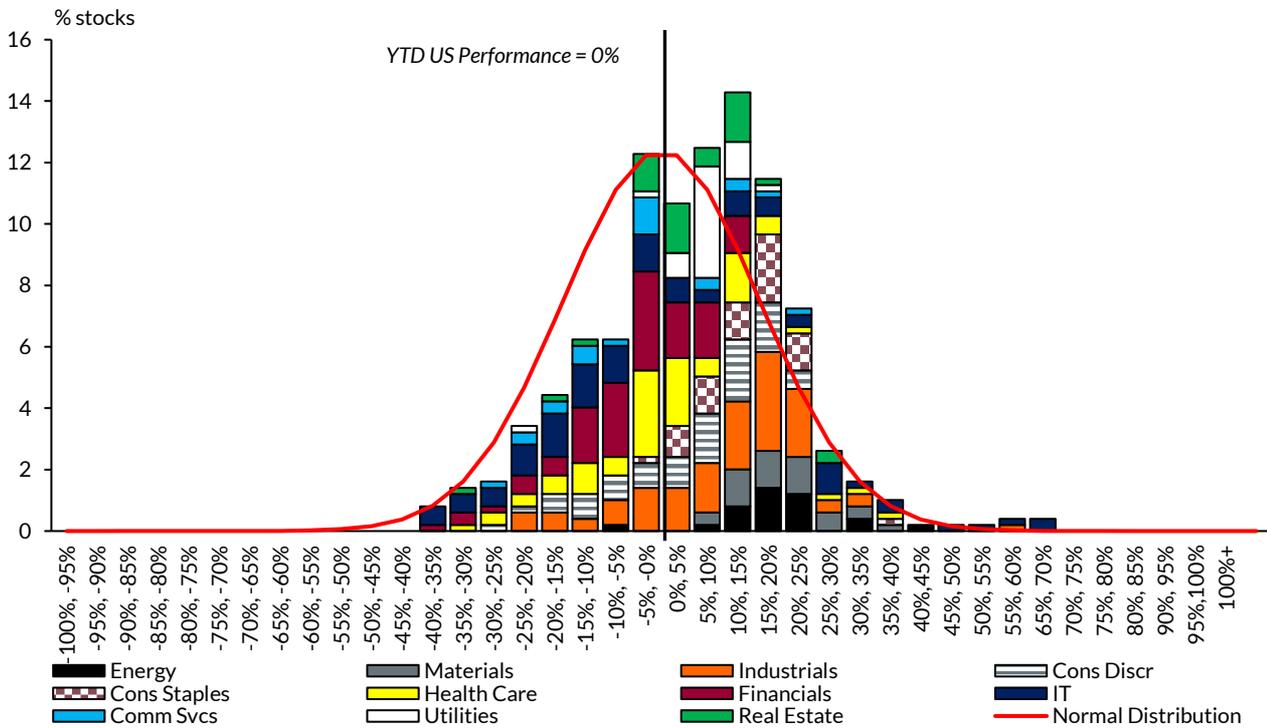
Figure 3

Annual EPS Growth Rate



Source: IBES, ANIMA Research. Prices as of 13th February 2026.

Figure 4
S&P 500 performance distribution



Source: MSCI, ANIMA Research. Prices as of 13th February 2026.

Against this backdrop, we suggest a more cautious stance on the asset class expecting current market volatility to continue as investors take profits while assessing the balance of risks, especially around the AI theme and its actual monetisation. **However, the macro environment remains strong, so we continue to buy the dips.**

A. Regional Allocation

We turn more selective (previously NEUTRAL on the major regions). **We cut the US to SHORT**, expecting the current relative underperformance to continue, while **we promote the Rest of the Developed World - Japan, Continental Europe and the UK - to LONG**. We remain NEUTRAL on EM (Figure 5).

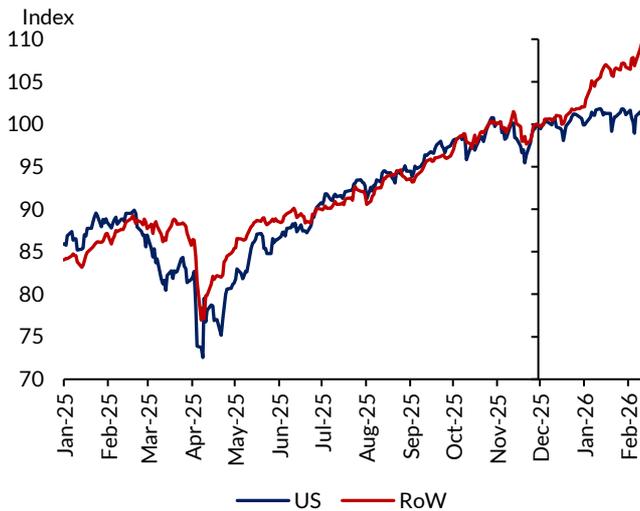
Figure 5
Tactical Regional Recommendations - March 2026

Regional Allocation		
Long	Neutral	Short
Europe ex UK UK Japan	EM	US

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

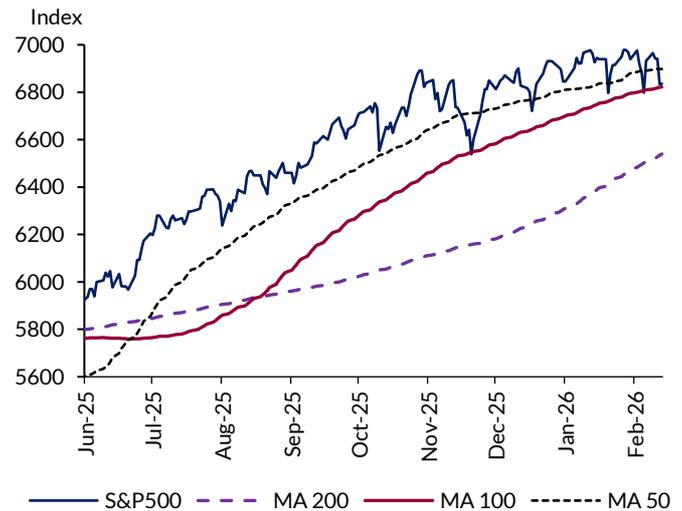
The US is now our least favoured market in relative terms. We anticipate that its equities will continue to trade mostly sideways within the 300bp range established since late November. During this period, the S&P 500 was mostly flat, while the Rest of the World gained 7pp (**Figure 6**). The latter continued to reach new all-time highs, whereas the former repeatedly broke below its 50-day moving average and three times bounced off its 100-day moving average (**Figure 7**).

Figure 6
US and Rest of the World – Price



Source: MSCI, ANIMA Research. Prices as of 13th February 2026.

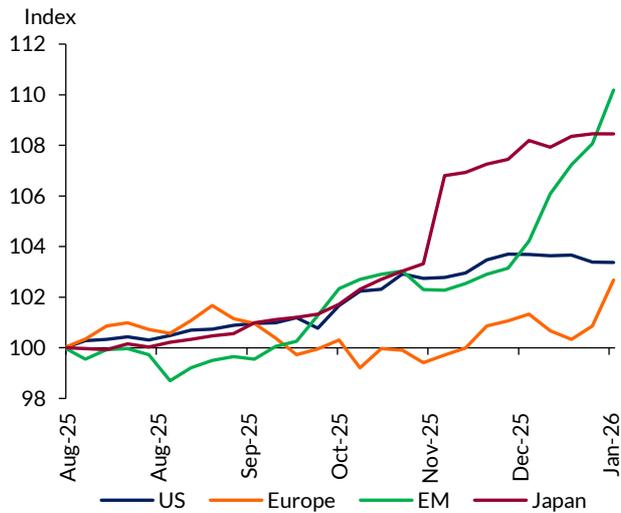
Figure 7
S&P 500 - Price and Moving Averages



Source: S&P, ANIMA Research. Prices as of 13th February 2026.

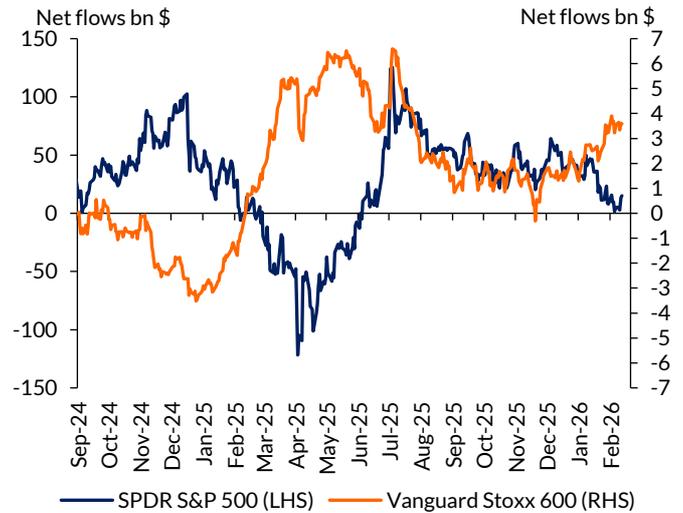
We are more constructive on other DMs, as they stand to gain most from synchronized economic growth. We prefer Europe due to its recent strong EPS momentum, while other regions are slowing down (Figure 8). European equities also benefit from renewed inflows since last November (**Figure 9**). **We have a positive tactical view on Japan. Its equities usually outperform when the US is volatile, and we expect the local stock market to benefit from the news flow related to a more likely expansionary fiscal policy than from a sharp depreciation of the Yen.** After the February 8th Lower House election, the LDP won 316 seats and the coalition secured a total of 352, giving the LDP over two-thirds control of the 465-seat House for the first time. This result boosts policy stability and execution capability. **While further fiscal stimulus is possible, we expect the currency to remain near current levels, below 160 per USD.** Factors like potential Bank of Japan intervention, easing political risks, and a narrowing JGB-US Treasury spread point to limited downside for the Yen (**Figure 10**). However, still accommodative real yields in Japan reduce the likelihood of sustained currency appreciation (**Figure 11**).

Figure 8
2026 EPS Estimates



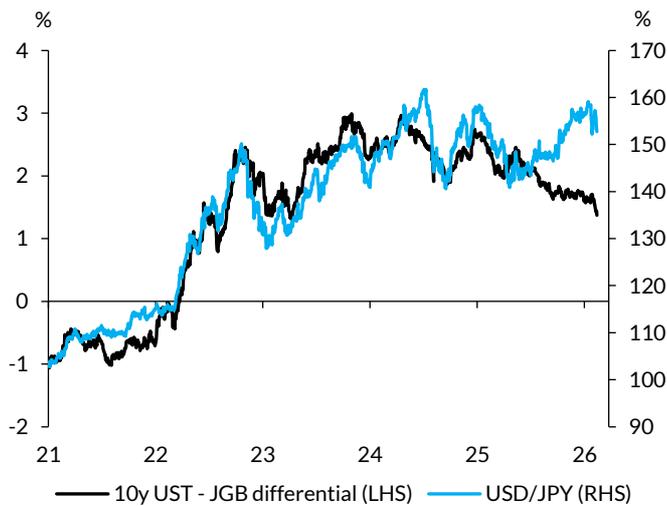
Source: MSCI, IBES, ANIMA Research. Data as of 31st January 2026.

Figure 9
ETF Flows



Source: Bloomberg, ANIMA Research. Data as of 13th February 2026.

Figure 10
US and Japan Yield Differentials and USD/JPY



Source: Bloomberg, ANIMA Research. Prices as of 13th February 2026.

Figure 11
Japan - Nominal and Real 10y Yield



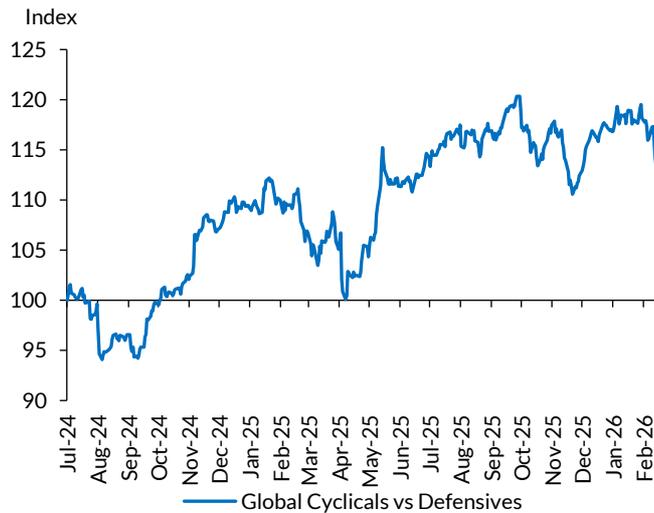
Source: Bloomberg, ANIMA Research. Prices as of 13th February 2026.

B. Sector Allocation

Amid increased market volatility, we prioritise fundamentals in our sector picking. That said, we maintain a cyclical tilt with a bias towards traditional cyclical Value names, expecting these characteristics to continue to outperform (Figure 12 and Figure 13).

Figure 12

Global Traditional Cyclical relative to Defensives



Source: MSCI, ANIMA Research. Prices as of 13th February 2026.

Figure 13

Global Value relative to Growth



Source: MSCI, ANIMA Research. Prices as of 13th February 2026.

Within the main sectors, we still like Banks, Diversified Financials, and Materials. Within the AI sector, our preference remains for Semiconductors over Software. Within Defensives, Telecoms and Food, Beverages, and Tobacco are now the top picks (previously NEUTRAL and SHORT, respectively) (Figure 14).

This month, the main changes are:

- Traditional Cyclical: we cut Capital Goods to NEUTRAL (previously LONG) favouring Transportation, now upgraded to LONG (previously SHORT), due to its strong EPS momentum (Figure 15).
- Cyclical Growth: we downgrade Media & Entertainment to SHORT (previously NEUTRAL) due to its weak EPS momentum and cut Retailing to SHORT (previously NEUTRAL) on the back of weak margin momentum.
- Defensives: we downgrade Pharma to NEUTRAL (previously LONG) due to weak earnings and margin momentum. For the same reasons we cut Health Care Equip. to SHORT (previously NEUTRAL). We add defensiveness to our allocation through Telecoms and Food, Beverages, and Tobacco, both of which feature best-in-class free cash flow yield and solid price momentum despite recent market weakness.

Figure 14

Tactical Sector Recommendations - March 2026

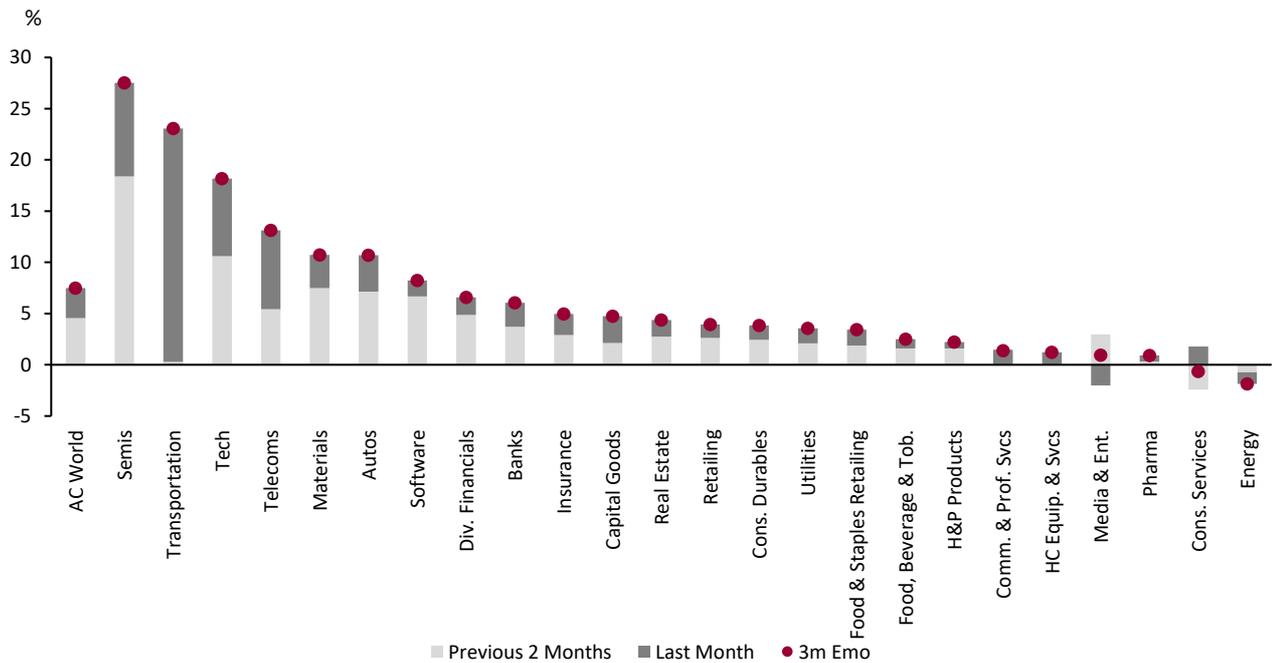
Industry Group Allocation

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

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

Figure 15

3m Forward Earning Momentum

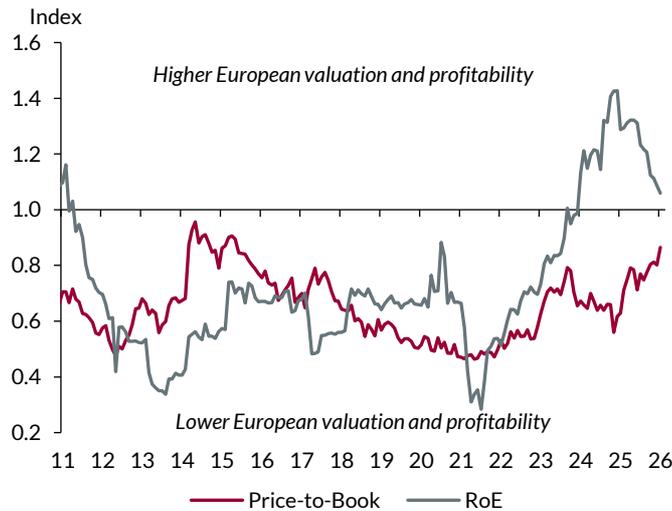


Source: MSCI, IBES, ANIMA Research. Data as of 31st January 2026.

We remain LONG on global banks. The valuation gap between European and US banks has continued to narrow, even as European banks' profitability has declined on a relative basis compared with US peers (**Figure 16**). We also remain constructive on Japanese banks, which stand out as clear beneficiaries of rising yields, as higher JGB rates and a steeper curve should translate into a meaningful boost to net interest margins, although they have begun to raise rates on cash deposits (**Figure 17**).

Figure 16

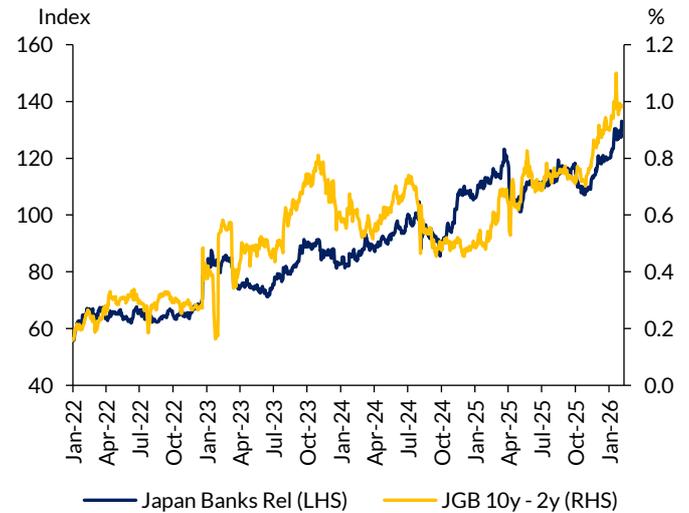
European vs US Banks – P/B ratio and RoE



Source: MSCI, ANIMA Research. Prices as of 13th February 2026.

Figure 17

Japan Banks relative and JGB 10Y – 2Y curve



Source: MSCI, ANIMA Research. Prices as of 13th February 2026.

Strategically OVERWEIGHT

Strategically, we reiterate our OVERWEIGHT stance on equities and view any market weakness as a buying opportunity. We expect the global benchmark to accelerate in 2026, driven primarily by earnings growth. Our GDP forecasts for the US suggest global EPS will rise by around 12% in 2026. Already rich valuations will limit gains from multiple expansion, whose impact has been progressively decreasing since 2023.

Regionally, we continue to see equities' performance to become more aligned across regions over the next 12 months. That said, we neutralise our previous US and EM tilt in favour of a more agnostic approach. We believe this is the most effective approach for navigating a year marked by synchronized global economic growth and latent geopolitical risks, including the US midterm elections. **Sector-wise, we favour Cyclical over Defensives, remaining neutral on style.**

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

Junior Macroeconomist
matteo.gallone@animasgr.it

FRANCESCO PONZANO

Junior Equity Strategist
francesco.ponzano@animasgr.it

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