Equity Strategy

Turning NEUTRAL

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We move to a tactical NEUTRAL stance (from previously LONG). The rally has been strong, and while macro conditions and fundamentals remain supportive, we think the near-term risk-reward has become less compelling. Part of the return profile has likely been pulled forward, raising the risk of earlier-than-usual profit-taking ahead of the more typical August/September window.

We will enter the reporting season with the bar set relatively high. Analysts have continued to revise earnings estimates higher despite a Q2 heavily shaped by the war in Iran, which speaks to the resilience of the underlying backdrop. At the same time, it leaves this market facing a higher hurdle ahead of results, with less room for upside surprises.

We do not expect a meaningful FOMO-driven extension of the rally, given that participation improved much earlier in the rebound. That makes the move healthier overall but also implies less incremental support from late performance-chasing flows.

A separate risk is that any broadening in market leadership could generate temporary weakness at the headline index level. While ultimately constructive, such a rotation could still bring a short-lived rise in volatility and would likely look more like a repositioning phase than the start of a broader sell-off.

That said, two supportive elements remain in place: valuations, while elevated, do not look overly stretched, and we continue to expect a further easing in geopolitical tensions, which should help preserve a constructive market backdrop.

From a regional perspective, Europe is now our preferred market (upgraded from NEUTRAL). We downgrade the US to NEUTRAL (from LONG). Although the US still appears fundamentally strongest, we do not think this is the right point to express that preference aggressively at the index level following the recent rally. We remain NEUTRAL on EM and SHORT Japan.

From a sector perspective, we also move to a more balanced stance, moderating our cyclical exposure and becoming more agnostic on style (from a previously strong cyclical Growth bias). We are not turning defensive outright, but after the recent rally we think the near-term risk-reward for Cyclicals is less attractive, particularly with expectations already elevated.

Strategically, we maintain our 12-month OVERWEIGHT stance on equities. The recent de-escalation of tensions in the Middle East reduces the risk of a more severe and prolonged macroeconomic shock, even if some uncertainty remains and the path ahead is unlikely to be linear. That said, we continue to view any meaningful market weakness as a buying opportunity.

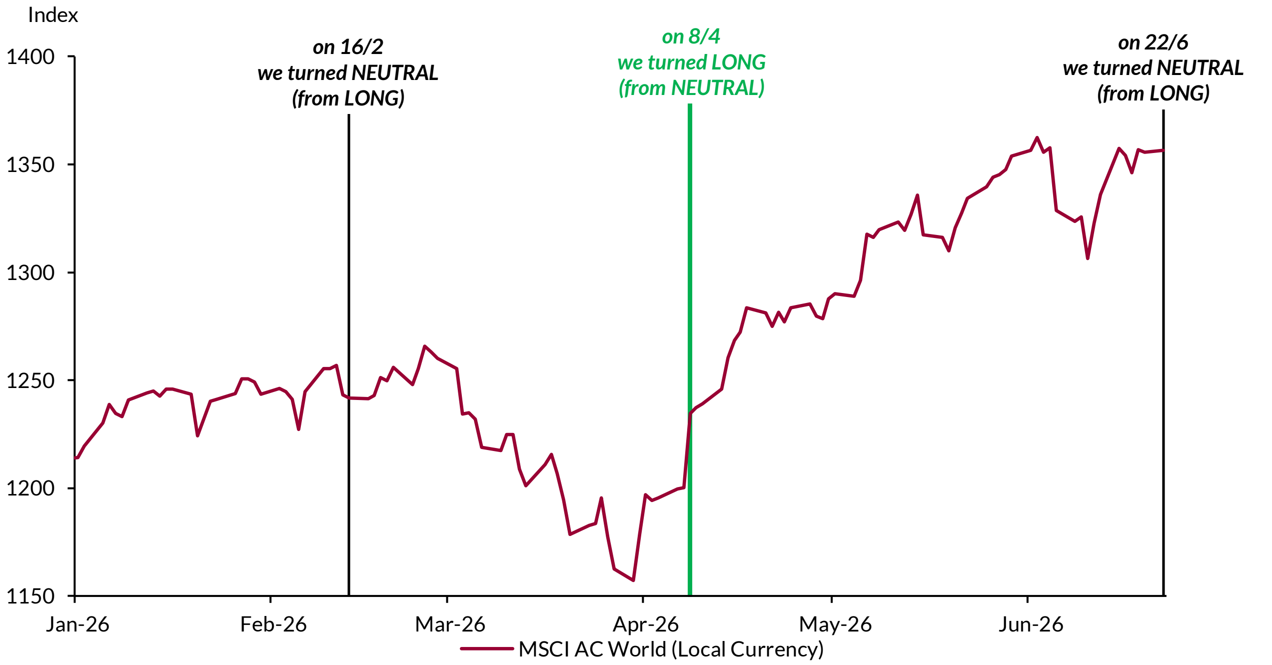
Tactically NEUTRAL

We turn tactically NEUTRAL (from LONG). Global equities have reached fresh all-time highs, rebounding by roughly 17% from the end-March lows (**Figure 1**). The rally has been driven mainly by EPS growth rather than multiple expansion (**Figure 2**). The strongest recoveries have come in EM and the US, where earnings have improved the most, while valuations have de-rated across the board (**Figure 3**).

We expect global equities to trade sideways over the coming weeks, within a relatively narrow range, as the near-term risk-reward has become less compelling than it was last month.

Figure 1

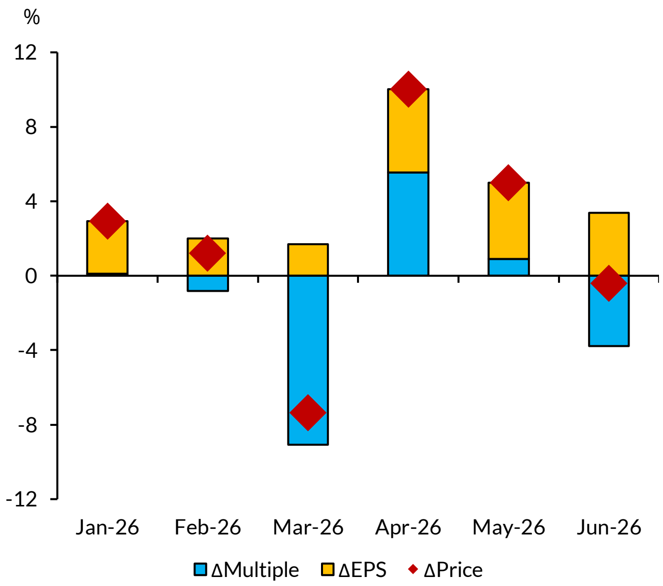
MSCI AC World and Equity Strategy Positioning



Source: MSCI, ANIMA Research. Prices are as of 22 June 2026.

Figure 2

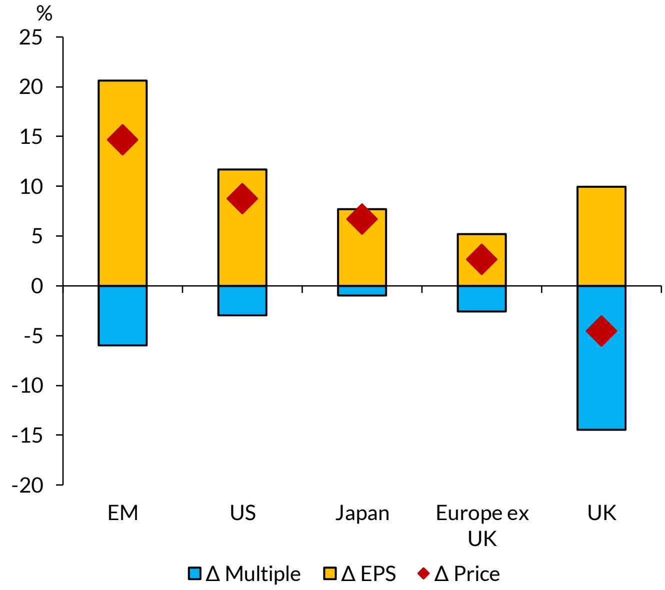
MSCI AC World – Performance Breakdown



Source: MSCI, ANIMA Research. Prices are as of 22 June 2026.

Figure 3

Regional Performance Breakdown since March



Source: MSCI, ANIMA Research. Prices are as of 22 June 2026.

Balance of Risks

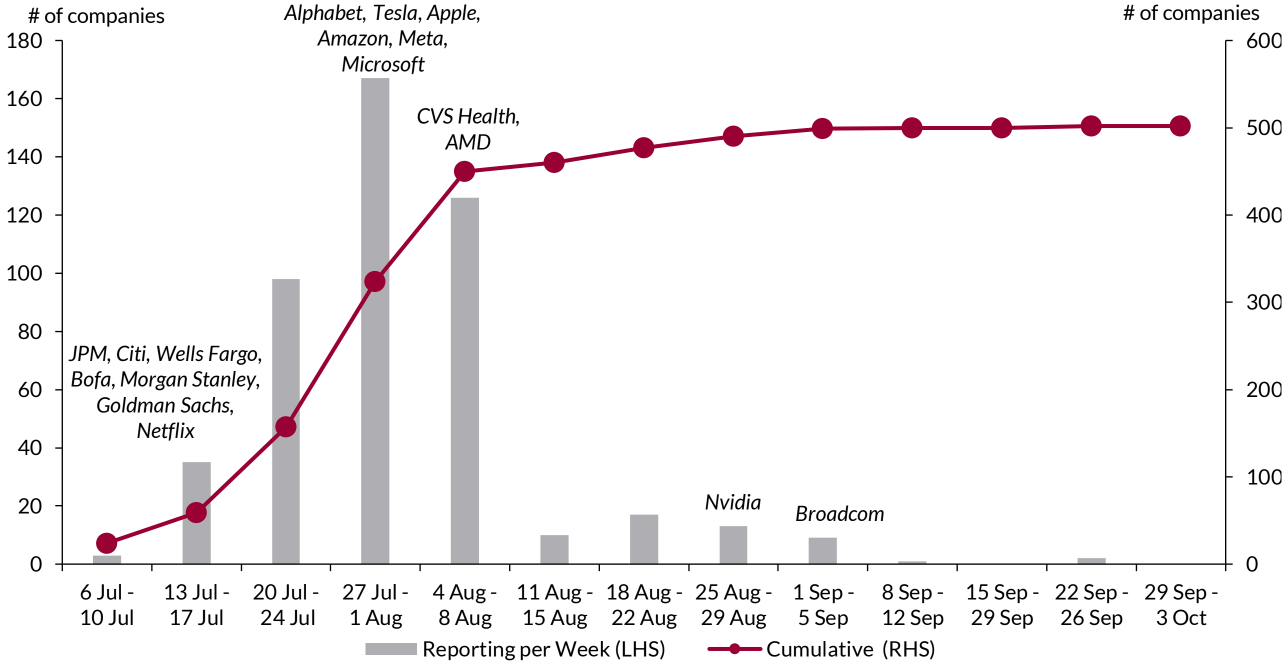
With the global benchmark still trading near the all-time highs, we see the balance of risks as broadly balanced through July.

HEADWINDS

US reporting season will kick off in mid-July, as usual led by the large banks (**Figure 4**). We enter the season with the bar set relatively high: analysts have continued to revise earnings estimates upward - particularly in the US (**Figure 5**) - despite a Q2 dominated by the war in Iran, highlighting the resilience of the underlying backdrop. This is notable, as June has historically been a month in which analysts tend to trim, rather than raise, numbers ahead of the summer reporting season (**Figure 6**). As a result, **the market faces a higher hurdle into earnings season and less room for upside surprises**.

Figure 4

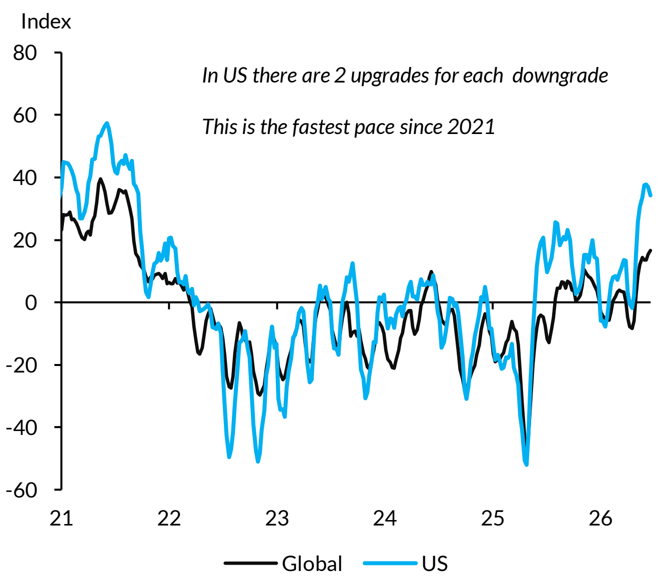
Timeline of US companies' reporting season



Source: Bloomberg, ANIMA Research.

Figure 5

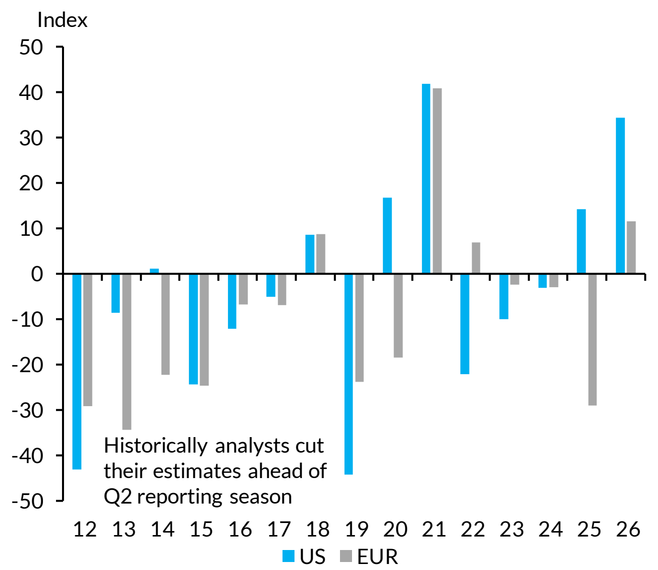
Earnings Revision Index (ERI)



Source: Citi, ANIMA Research. Data are as of 19 June 2026.

Figure 6

ERI in June over the last 15 years

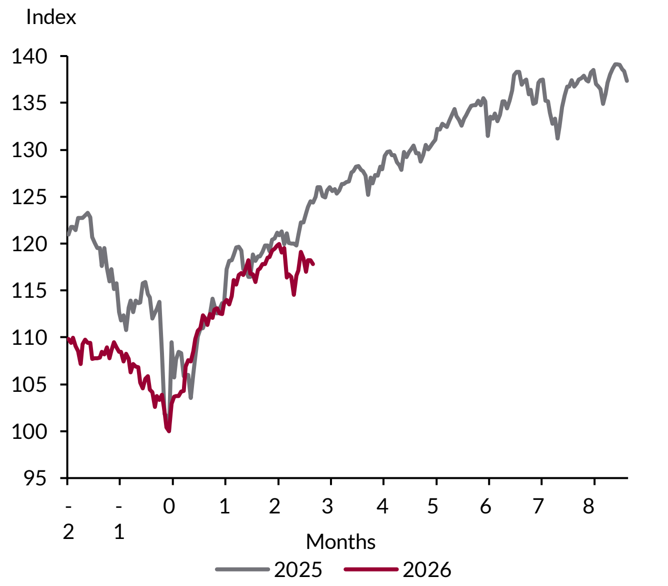


Source: Citi, ANIMA Research. Data are as of 19 June 2026.

We do not expect a meaningful FOMO-driven extension of the rally, given that participation improved much earlier in the rebound. While this makes the move healthier compared to the last year's rally, it also implies less incremental support from late performance-chasing flows (**Figure 7** and **8**).

Figure 7

S&P 500 around the annual bottom



Source: S&P, ANIMA Research. Prices are as of 22 June 2026.

Figure 8

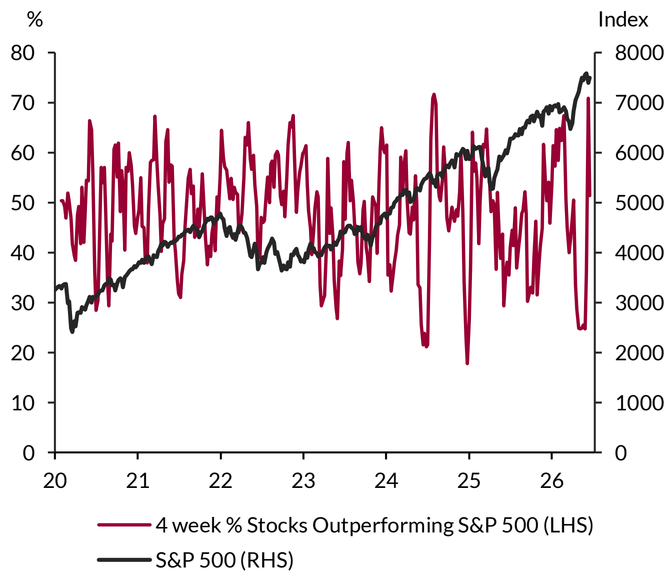
US Equity Positioning

Source: MSCI, ANIMA Research. Prices are as of 12 June 2026.

A separate risk is that any broadening in market leadership could create temporary weakness at the headline index level. While ultimately a healthy development, such a rotation could still trigger a short-lived pickup in volatility and would likely resemble a repositioning phase rather than the start of a broader sell-off (**Figure 9** and **10**).

Figure 9

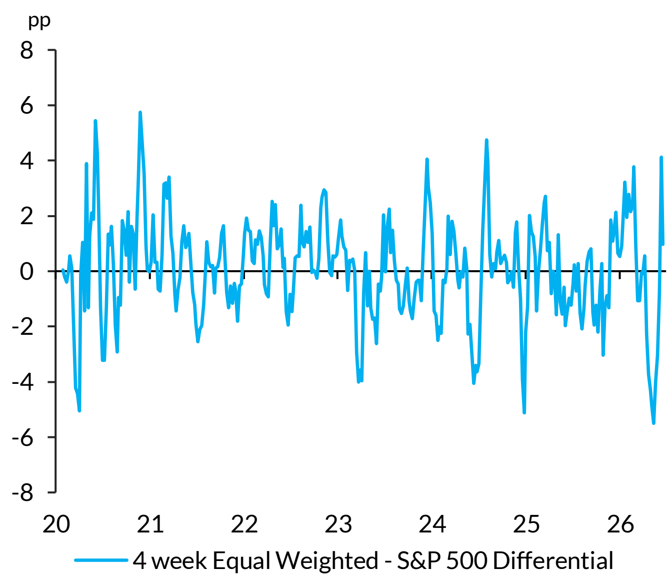
% Stocks Outperforming



Source: S&P, ANIMA Research. Prices are as of 19 June 2026.

Figure 10

Equal-weighted vs Market Cap-Weighted S&P 500



Source: S&P, ANIMA Research. Prices are as of 19 June 2026.

TAILWINDS

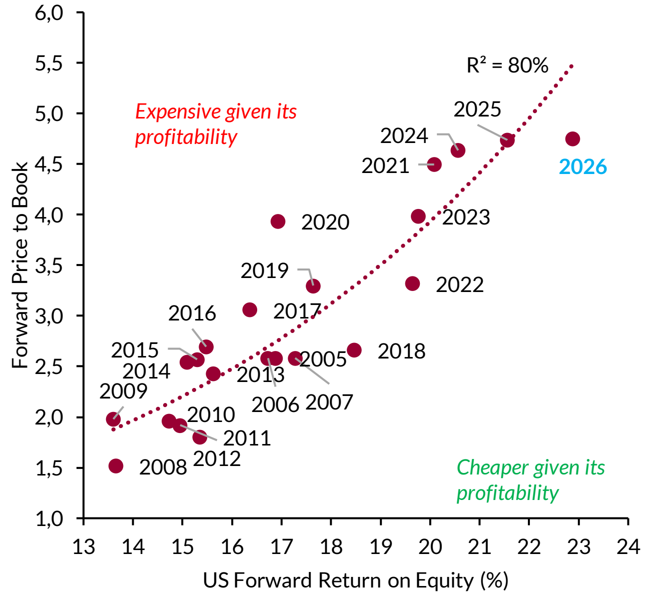
Valuations are not standing in the way at this stage. US equities, which account roughly 60% of the global benchmark, appear broadly fair valued relative to the current level of profitability (**Figure 11**). In addition, all regions except Japan are trading below their recent valuation peaks (**Figure 12**).

We continue to expect a further easing of geopolitical tensions, with recent developments pointing to a gradual de-escalation rather than a renewed deterioration. While headline risk remains elevated, the direction of travel should help compress the geopolitical risk premium and support a more constructive risk backdrop (**Figure 13** and **14**).

Credit is not confirming a more defensive market message. Historically, IG spreads of around150bp and HY spreads of around 600bp have been the sort of levels that begin to signal rising stress and a higher probability of a deeper equity correction. Today, with US IG spreads near 71bp and HY spreads around 256bp, we remain well below those alert levels (**Figure 15** and **16**).

Figure 11

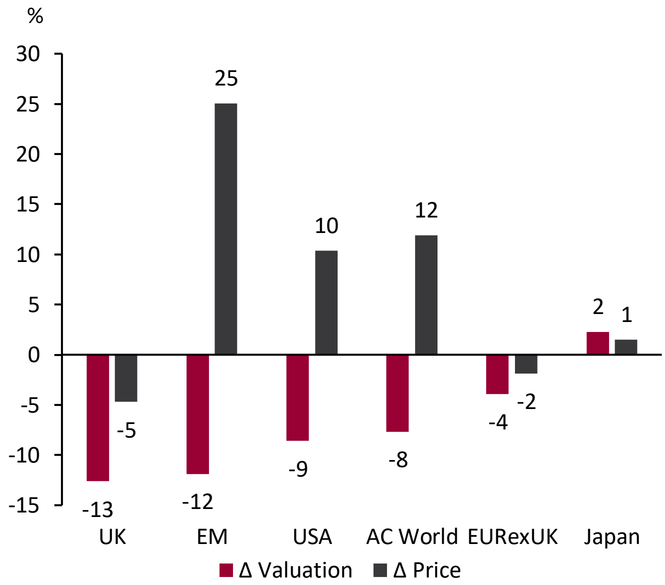
US - Price to Book and Return on Equity



Source: ANIMA Research. Prices are as of 29 May 2026.

Figure 12

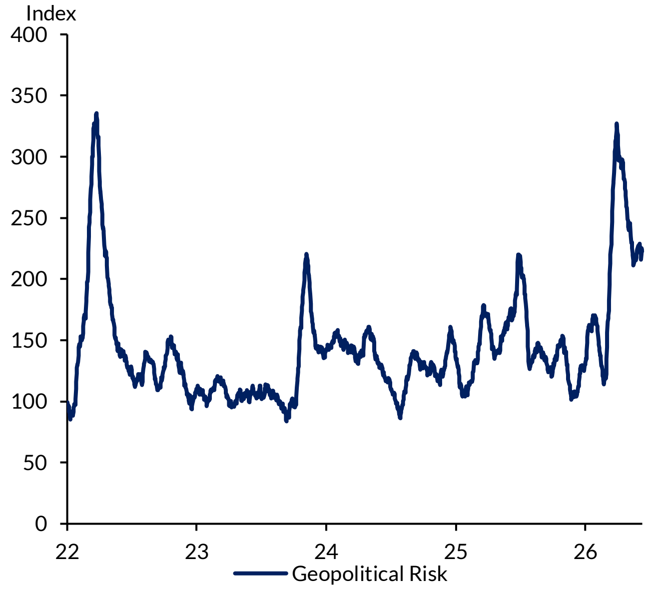
Multiple and Price from Regional Valuation Peak



Source: MSCI, ANIMA Research. Prices are as of 22 June 2026.

Figure 13

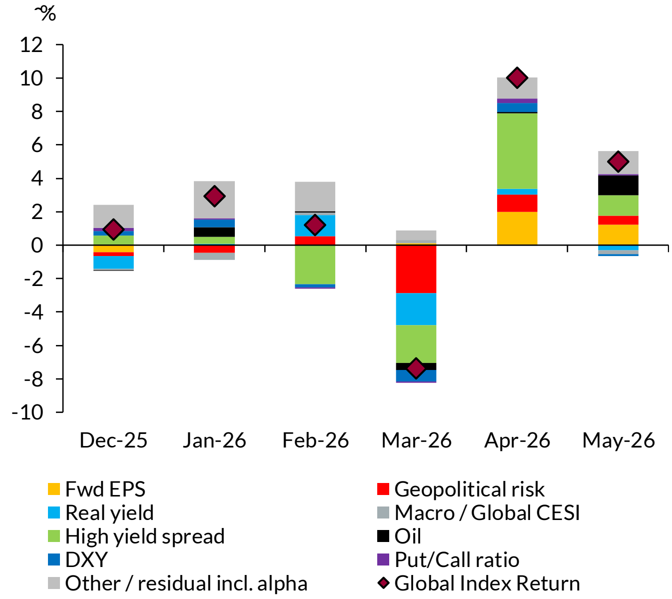
Geopolitical Risk Indicator



Source: Bloomberg, ANIMA Research. Prices are as of 22 June 2026.

Figure 14

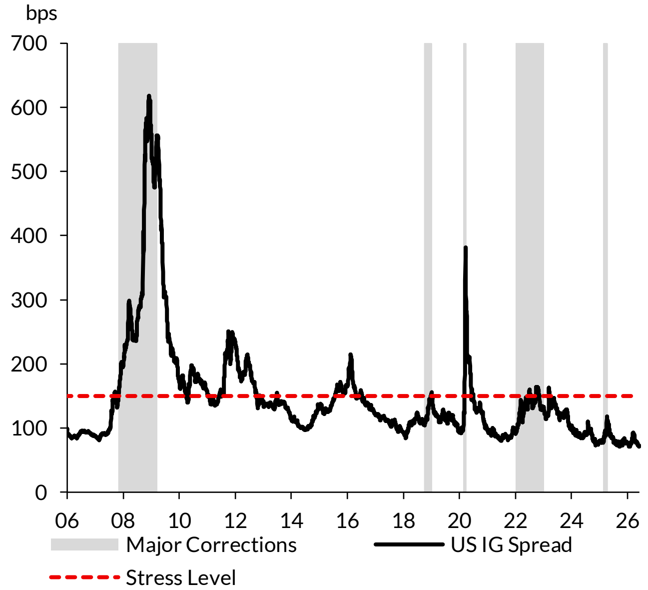
AC World Monthly Performance Contribution



Source: Bloomberg, ANIMA Research.

Figure 15

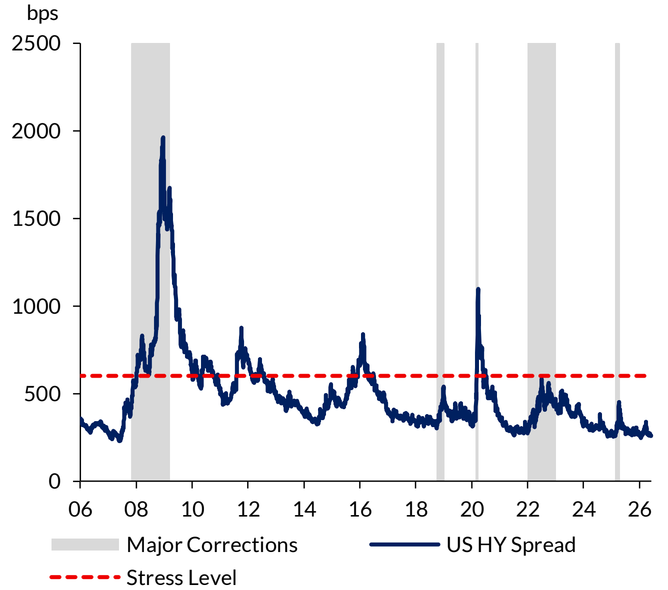
US Investment Grade Spread



Source: Bloomberg, ANIMA Research. Prices are as of 22 June 2026.

Figure 16

US High Yield Spread



Source: Bloomberg, ANIMA Research. Prices are as of 22 June 2026.

A. Regional Allocation

From a regional perspective, Europe is now our preferred market (upgraded from NEUTRAL), while we downgrade the US to NEUTRAL (from LONG). The US still appears fundamentally strongest but following the recent rally we do not believe this is the right point to express that preference aggressively at the index level. We remain NEUTRAL on EM and SHORT Japan (**Figure 17**).

Europe, by contrast, appears better positioned from any broadening in market leadership, particularly if volatility in the US remains elevated and the geopolitical backdrop continues to improve (**Figure 18**). Even so, we would still view any European outperformance as a tactical trade rather than the start of a new leadership regime, not least because the region's valuation discount versus the US is no longer as wide as it once was (**Figure 19**). **US fundamentals remain solid**, and the rebound has not been confined to AI-related names but has broadened across more traditional sectors as well. The relationship with PMIs continues to hold (**Figure 20**), and the **current trend in PPI points to continued growth in sales** (**Figure 21**).

We remain NEUTRAL on EM, given its high exposure to Technology, which, much like in the US, could experience higher volatility in the event of a rotation, even though it continues to offer some of the strongest medium-term upside potential.

We remain SHORT Japan, as the yen has returned to very weak levels against the US dollar, and any meaningful appreciation could interrupt the strong rally in Japanese equities seen so far this year (NIKKEI: +30% YTD vs. MSCI AC World: +9%). In addition, the market's roughly 20% exposure to Technology could prove a headwind in the event of a rotation or broadening in market leadership, as evidenced recently when local equities declined by a magnitude similar to that of the US market.

Figure 17

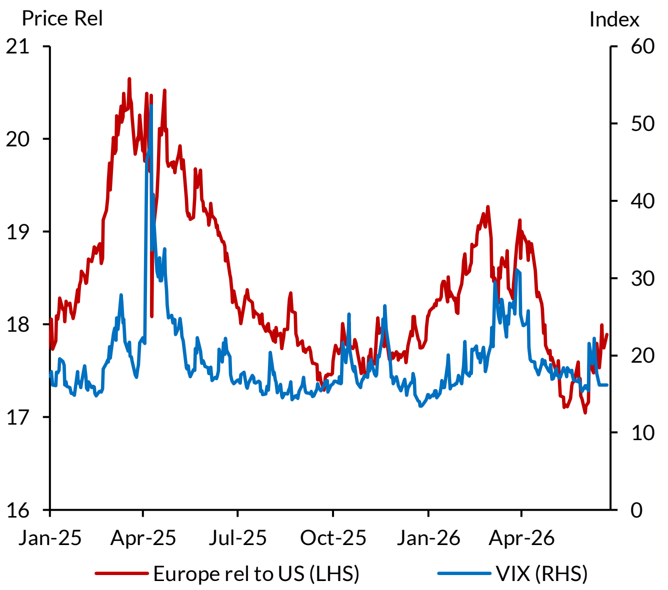
Tactical Regional Recommendations - July 2026

Long	Neutral	Short
Europe ex UK	EM	Japan
UK	US	

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

Figure 18

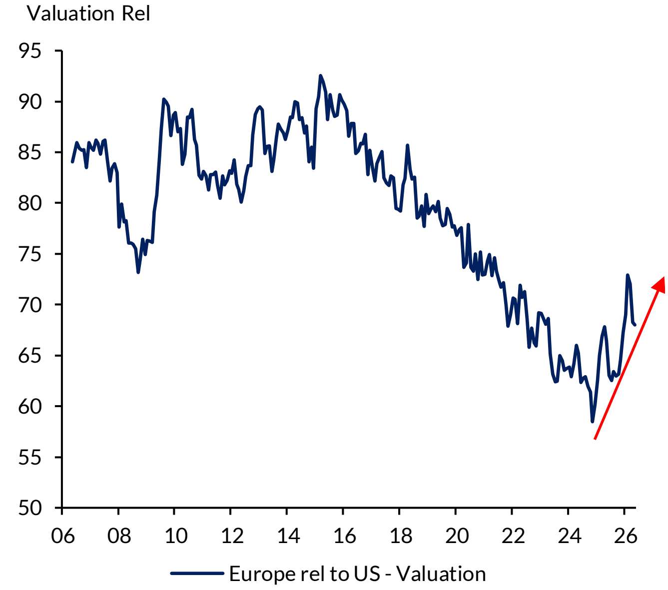
Europe relative to the US - Price



Source: MSCI, ANIMA Research. Prices are as of 19 June 2026.

Figure 19

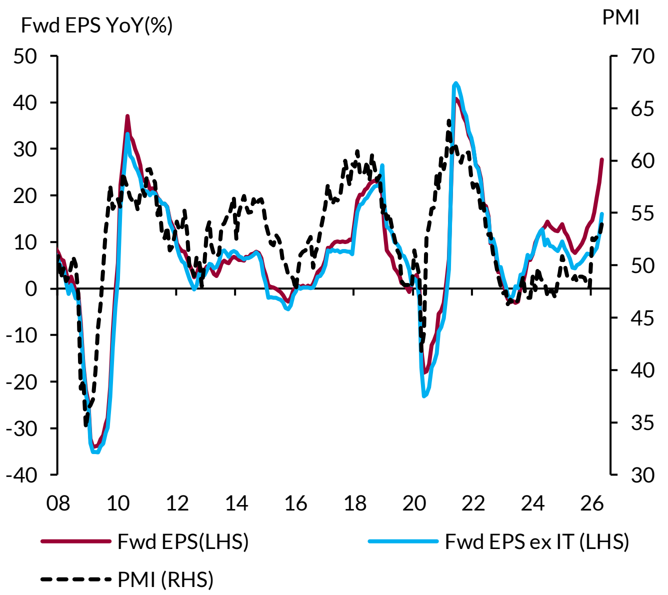
Europe relative to the US - Valuation



Source: MSCI, ANIMA Research. Prices are as of 29 May 2026.

Figure 20

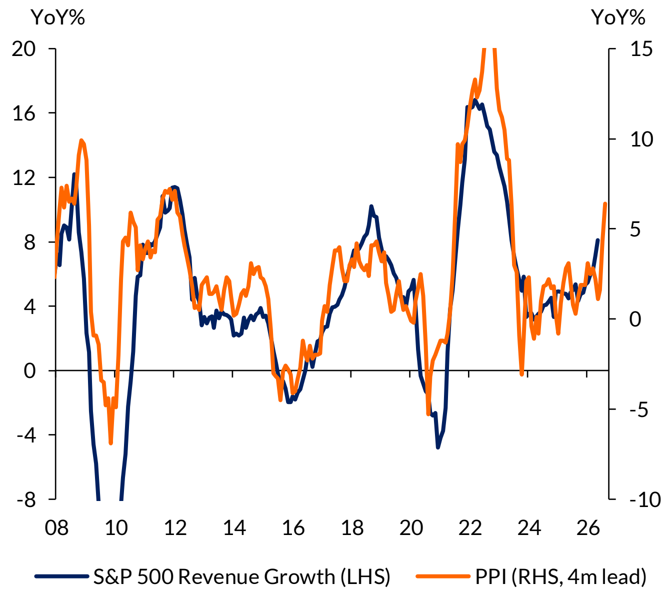
US Equities - YoY EPS Growth



Source: MSCI, ANIMA Research. Prices are as of 29 May 2026.

Figure 21

US Equities – YoY Sales Growth



Source: S&P, ANIMA Research. Prices are as of 29 May 2026.

B. Sector Allocation

From a sector perspective, we move to a more balanced stance, moderating our cyclical exposure and becoming more style-agnostic (from a previously strong Cyclical/Growth bias). We are not turning outright defensive, but after the recent rally we see a less attractive near-term risk-reward in Cyclicals, particularly with earnings expectations already elevated (**Figure 22**, **23** and **24**).

Within our LONG positions, we remain constructive on Semiconductors. Despite elevated volatility and stretched positioning (**Figure 25**), we continue to see the sector at the forefront of the AI theme and as a key market leader going forward, even if dispersion within the space is likely to remain high (**Figure 26**). We also continue to favour Media, which remains the laggard within Growth. **Across traditional Cyclicals, we remain constructive on Banks, while we upgrade Consumer Durables and Apparel** (from SHORT). In our view, much of the sector's earnings downgrade cycle is already priced in, while two tailwinds remain in place: a potential rotation within the market and continued strength in the US economy. **Within Defensives, Food, Beverage and Tobacco is now our preferred area** (upgraded from SHORT)**, supported by a solid free cash flow (FCF) yield**.

At the same time, we reduce our exposure to more cyclical parts of Growth, downgrading Tech to NEUTRAL and Software to SHORT (from LONG and NEUTRAL, respectively). We also downgrade our long-standing LONG stance on Materials to NEUTRAL.

Figure 22

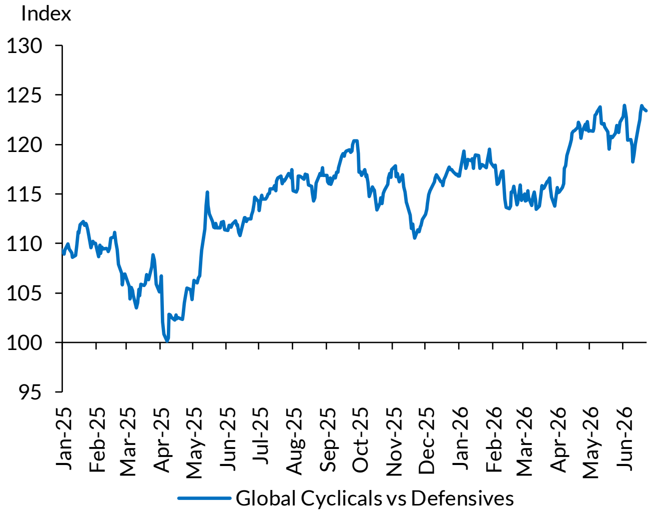
Tactical Sector Recommendations - July 2026

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

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

Figure 23

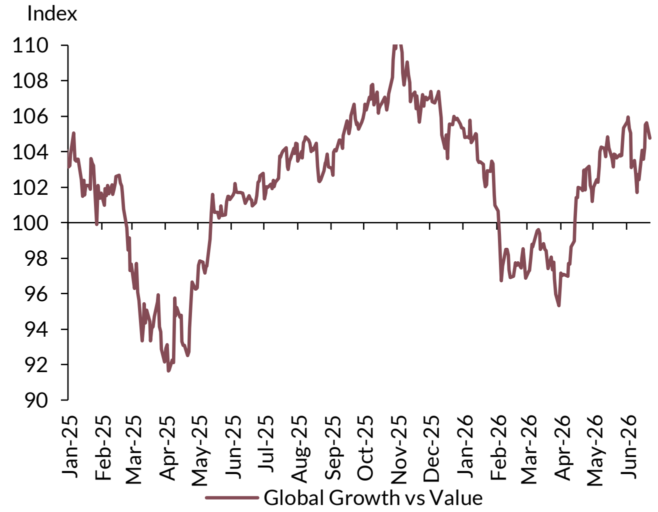
Traditional Cyclicals relative to Defensives



Source: MSCI, ANIMA Research. Prices are as of 22 June 2026.

Figure 24

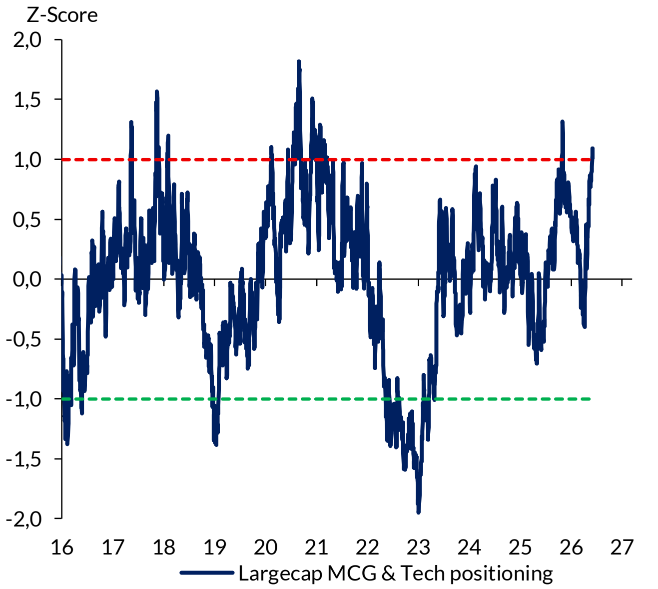
Growth relative to Value



Source: MSCI, ANIMA Research. Prices are as of 22 June 2026.

Figure 25

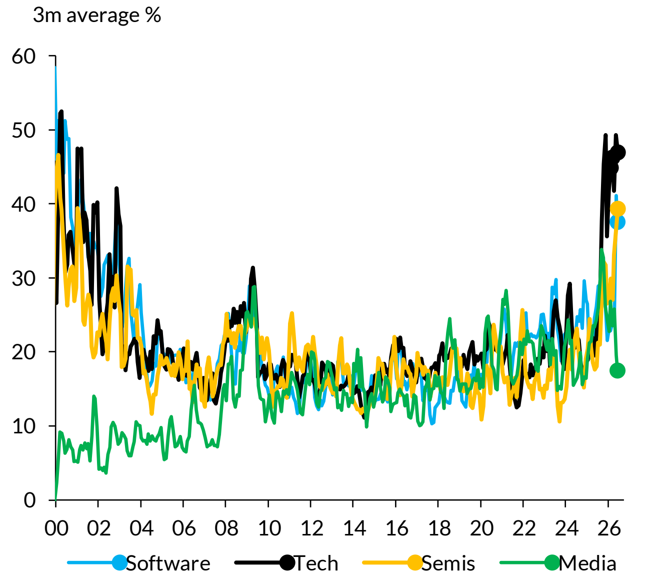
Positioning in Large Growth Companies



Source: DB, ANIMA Research. Prices are as of 9 June 2026.

Figure 26

Growth sectors' dispersion



Source: MSCI, ANIMA Research. Prices are as of 22 June 2026.

Strategically OVERWEIGHT

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

The medium-term equity case for equities does not rest on geopolitics fading entirely from view. Rather, it is based on the premise that, over a 12-month horizon, markets are likely to be driven primarily 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 believe the case for maintaining an overweight position in equities remains compelling.

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. However, unless those developments evolve into a materially broader systemic shock, our central scenario remains one in which equity weakness proves temporary rather than trend-defining. As such, **we continue to view market pullbacks as a buying opportunity**.

From a regional perspective, we continue to prefer the US relative to the rest of the world. **From a sector perspective, we continue to prefer Cyclicals over Defensives**.

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