

Equity Strategy

STAY LONG

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We remain tactically LONG. While the rally has already been meaningful, we do not think the move is over. Our constructive stance rests on four pillars: improving geopolitical newsflow, supportive company fundamentals, still-light positioning, and a dovish Fed Funds repricing.

Our base case is still one of stabilisation rather than renewed escalation in the Middle East, which should allow the geopolitical risk premium embedded earlier in the year to continue to fade. At the same time, company fundamentals remain supportive. Earnings revisions have already improved, but we do not believe the market has fully exhausted the benefits of resilient corporate delivery. Positioning also remains relatively light despite the rebound, leaving scope for further re-engagement if the backdrop stays constructive.

Valuations are not standing in the way at this stage. The market remains materially less stretched than it was at the October peak, which limits the case for turning tactically cautious too early. From here, the clearest additional upside catalyst would be a more supportive shift in policy expectations. In other words, geopolitics, fundamentals and positioning should keep equities supported, while a favourable Fed repricing would provide the next leg of upside.

That said, one tactical risk to watch is that any broadening of the rally following the current phase of tight market concentration could lead to a temporary rise in volatility. We would view this less as the beginning of a sell-off and more as a phase of market repositioning.

From a regional perspective, we continue to prefer the US over the rest of the world, supported by relative energy independence, a firmer domestic backdrop, and stronger earnings visibility. Europe remains more exposed to the lingering effects of the energy shock, while EM may benefit at the margin from lower oil prices and a softer USD, although this is not sufficient to dislodge our preference for the US.

From a sector perspective, we continue to favour Cyclical over Defensives, while maintaining a Growth tilt. Materials and Semiconductors remain our preferred exposures, while Energy continues to offer a useful hedge within portfolios.

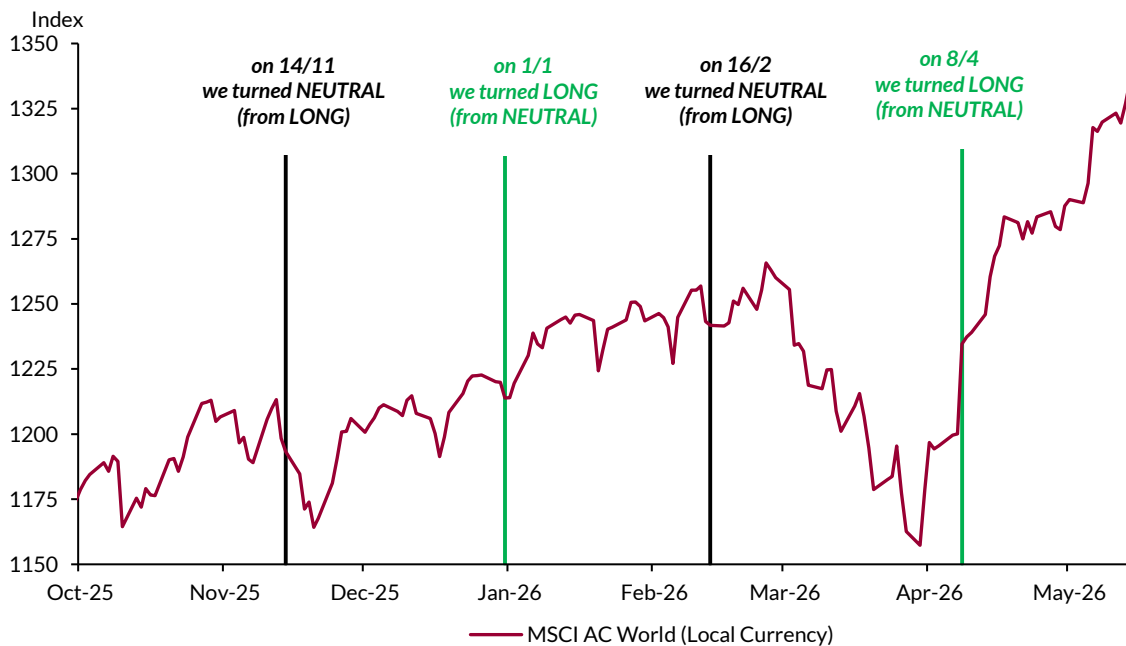
Strategically, we maintain our 12-month OVERWEIGHT view on equities. The recent de-escalation in the Middle East has reduced the risk of a more severe and prolonged macro shock, even if some uncertainty remains and the path ahead is unlikely to be linear. That said, we continue to view any market weakness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

Tactically LONG

We maintain a tactical LONG stance. Global equities have pushed to fresh all-time peaks (**Figure 1**), helped by further de-escalation in the Iranian conflict and a renewed AI-driven leg of the rally, underpinned by a strong reporting season. While some headline risk remains, the backdrop still falls short of a broader macro shock. As long as that remains the case, we would continue to view any market pullback as a buying opportunity and remain selectively engaged on dips.

Figure 1

MSCI AC World and Equity Strategy Positioning



Source: MSCI, ANIMA Research. Prices are as of 15 May 2026.

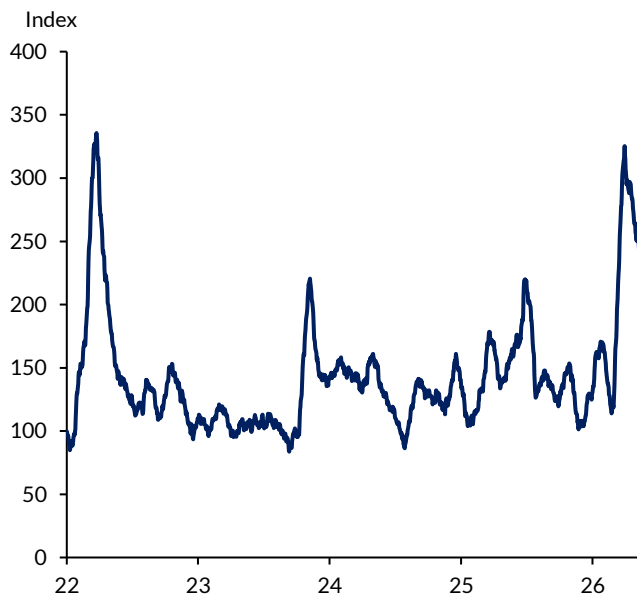
CATALYSTS

Despite the global benchmark trading around the fresh new all-time highs, we see the balance of risks as still tilted toward a constructive view.

- 1) **Our base case remains one of stabilisation and normalisation, rather than renewed escalation, in the Middle East.** That should allow the geopolitical risk premium embedded earlier in the year to compress further and provide an additional leg to the ongoing rally (**Figure 2** and **3**).

Figure 2

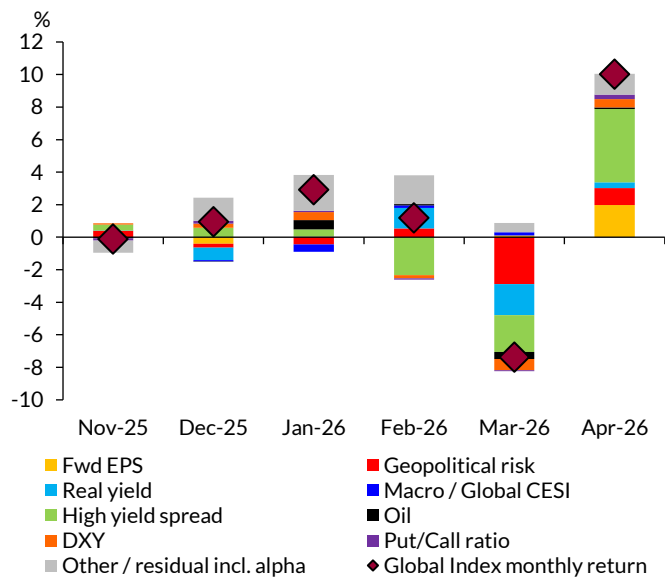
Geopolitical Risk Indicator



Source: Caldara & Iacoviello, ANIMA Research. Prices are as of 11 May 2026.

Figure 3

AC World Monthly Performance Contribution

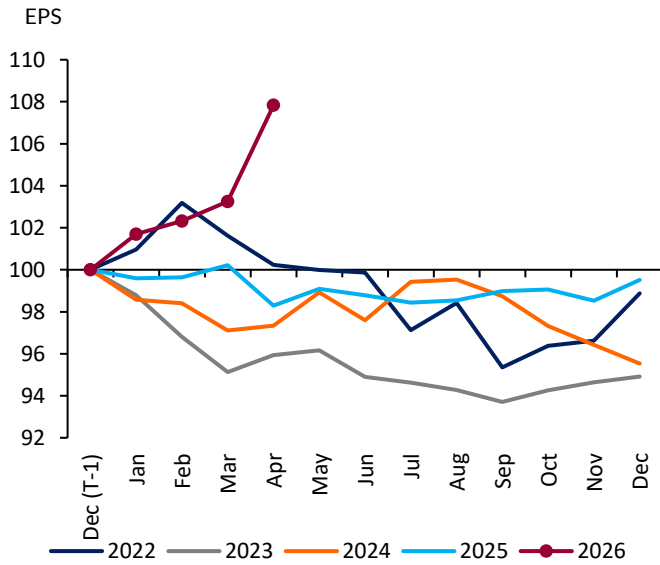


Source: MSCI, ANIMA Research. Prices are as of 30 April 2026.

- 2) **Company fundamentals remain supportive.** Earnings revisions have already improved, but we do not think the market has fully exhausted the benefits from resilient corporate delivery. Since last December 2025, global EPS has been revised up by 7pp, marking the strongest pace of upward revisions in recent years. Upgrades have been broad-based, although the largest revisions have come in EM (**Figure 4** and **5**).

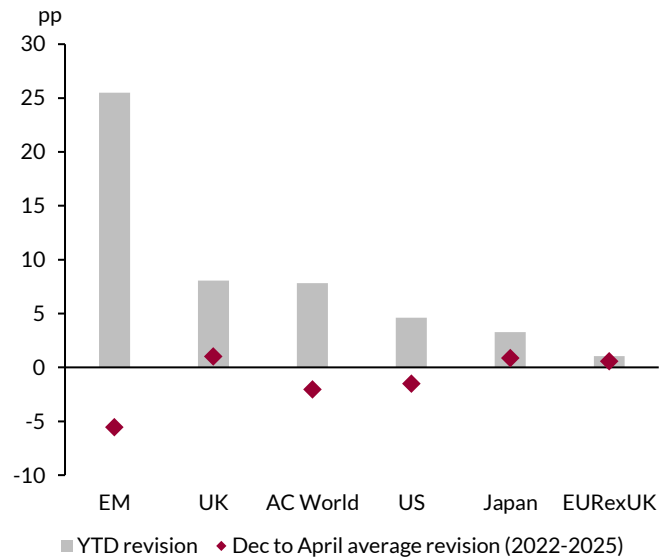
Consensus now expects global EPS growth of 25% in 2026, more than double the roughly 10% pace recorded in both 2025 and 2024 (**Figure 6**). **Our top-down model has also moved higher and now points to high-teens EPS growth in 2026** (from 12% previously), although it remains below bottom-up consensus. In our view, the macro backdrop is supportive, but not strong enough to fully justify a 20%+ expansion in earnings. Meanwhile, improving corporate guidance continues to reinforce the constructive earnings backdrop (**Figure 7**).

Figure 4
Annual MSCI AC World EPS Revisions



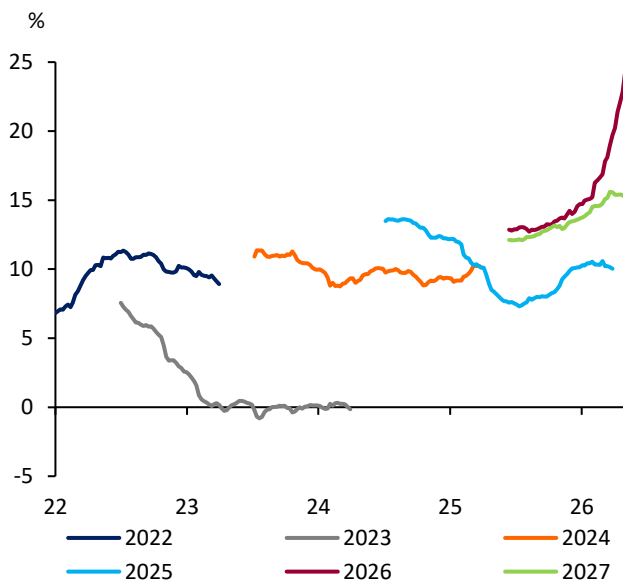
Source: IBES, ANIMA Research. Data are as of 30 April 2026.

Figure 5
2026 EPS Revisions by Regions



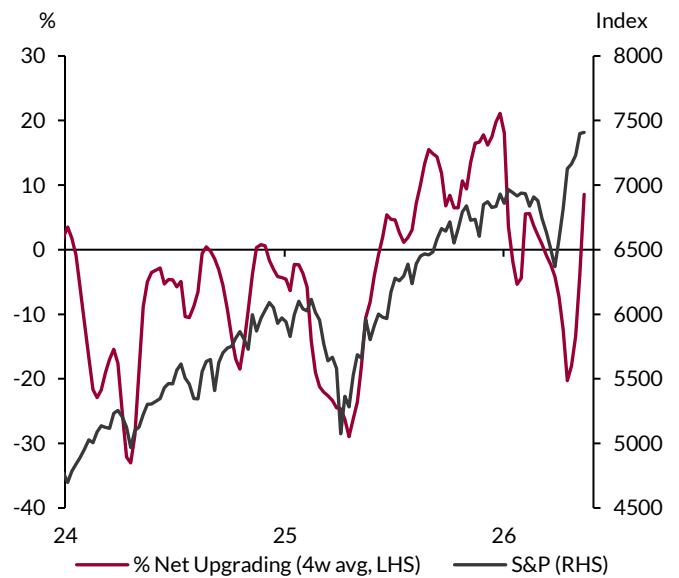
Source: IBES, ANIMA Research. Prices are as of 30 April 2026.

Figure 6
MSCI AC World EPS Growth Rate



Source: IBES, ANIMA Research. Prices as of 15 May 2026.

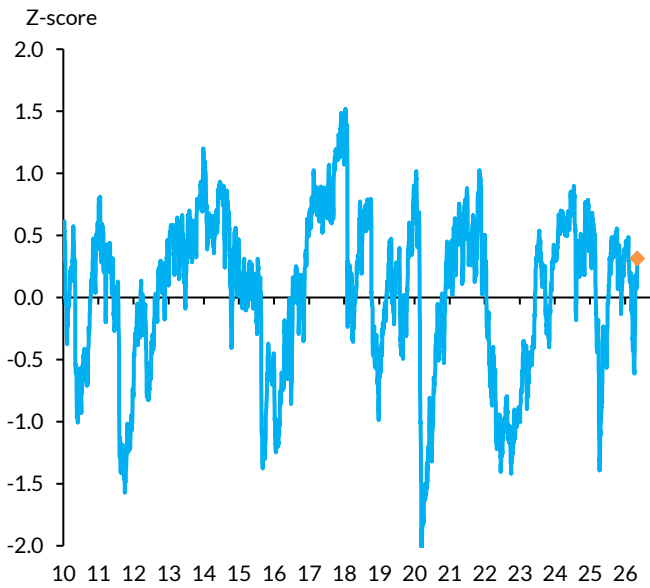
Figure 7
US Companies' forward guidance ratio



Source: Bloomberg, ANIMA Research. Prices as of 15 May 2026.

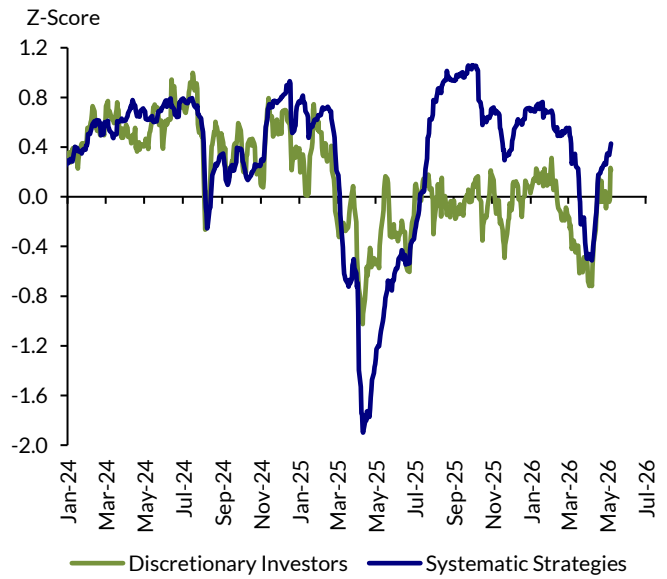
3) **Positioning is still moderate** for both discretionary and systematic investors (Figure 8 and 9).

Figure 8
Equity Positioning



Source: DB, ANIMA Research. Prices are as of 8 May 2026.

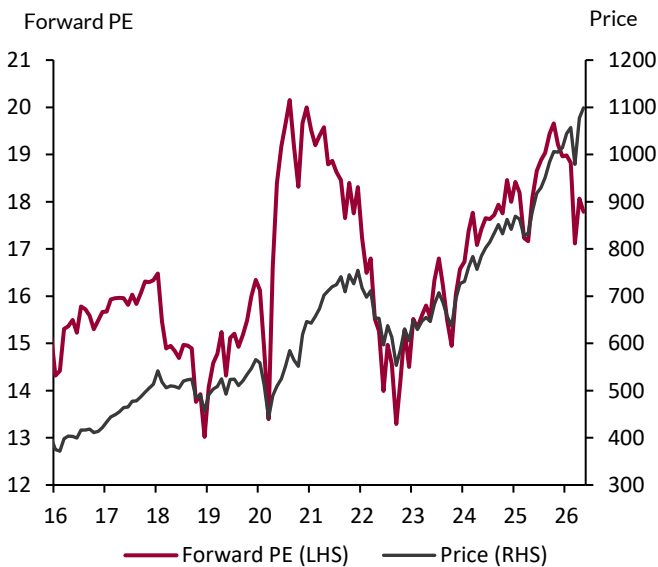
Figure 9
Equity Positioning by Investors



Source: DB, ANIMA Research. Prices are as of 8 May 2026.

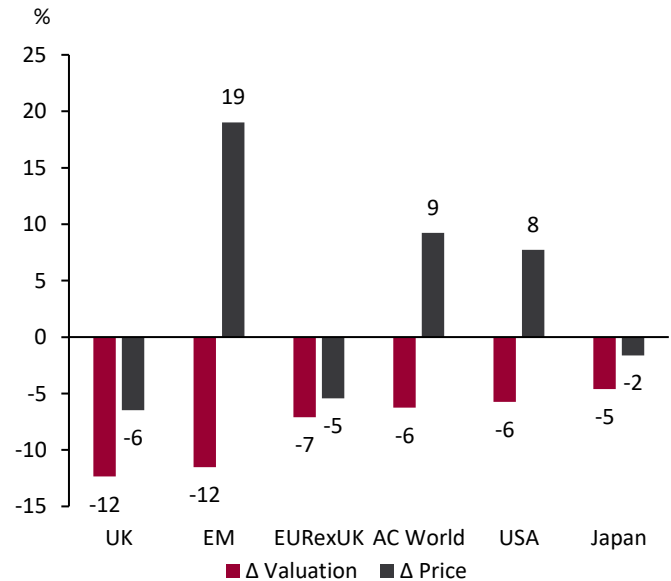
- 4) **Valuations are not standing in the way at this stage.** The market remains less stretched than at previous valuation peaks (October 2025 for the US and EM, and February 2026 for Europe and Japan), which limits the case for turning tactically cautious too early.

Figure 10
MSCI AC World Valuation and Price



Source: ANIMA Research. Prices are as of 15 May 2026.

Figure 11
Multiple and Price from Regional Valuation Peaks



Source: DB, ANIMA Research. Prices are as of 15 May 2026.

- 5) **We continue to see room for a supportive repricing of 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 gradually fade.

CAVEAT

Two caveats are worth highlighting around our otherwise constructive equity view.

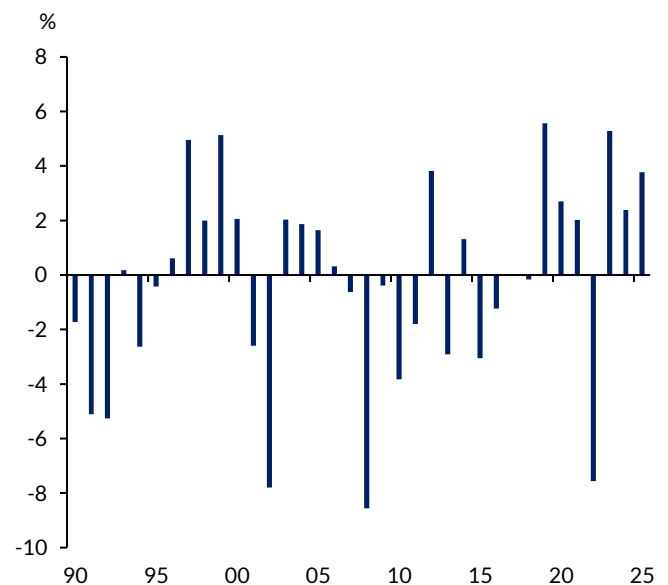
- 1) **Seasonality becomes less supportive from here**, with June having historically been a relatively sluggish month for equities. That said, since 2019, the pattern has been more encouraging, with global equities delivering strong June performance in every year except 2022 (**Figure 12** and **13**). More broadly, **the period ahead of US midterm elections has historically been positive for equity markets**, with 2022, 2002 and 1990 standing out as the main exceptions. Importantly, those episodes of weakness were driven less by political uncertainty itself and more by broader geopolitical and macro shocks (**Figure 14**).
- 2) **Market breadth remains limited.** Within the S&P 500, only 28% of constituents are outperforming the benchmark, with leadership still concentrated largely in the large-cap growth segment. In that context, a definitive end to the Iran conflict could trigger a rotation within the market, as investors broaden exposure beyond the current leadership cohort. While that would ultimately be a healthy development, the transition could be accompanied by higher volatility and some temporary equity weakness (**Figure 15** and **16**).

Figure 12
Monthly Equity Performance

	Average Monthly Performance (% , since 1987)					Hit Ratio
	Global	US	Europe	Japan	EM	Global
January	0,7	0,8	0,7	0,2	1,4	57
February	0,3	0,1	0,8	0,2	1,2	51
March	0,5	0,8	0,4	0,4	0,8	65
April	1,7	1,6	1,8	1,7	2,5	78
May	0,6	1,2	0,1	0,2	-0,1	62
June	-0,2	0,2	-0,7	0,0	-0,3	51
July	1,4	1,6	1,2	0,2	1,3	68
August	-0,9	-0,6	-1,0	-1,3	-1,6	57
September	-1,1	-0,7	-1,4	-0,9	-0,6	51
October	1,2	1,4	1,1	0,0	0,5	65
November	1,7	2,2	1,5	1,0	0,8	73
December	1,6	1,3	1,8	1,4	3,2	76
Average	0,6	0,8	0,5	0,3	0,8	63

Source: MSCI, ANIMA Research.

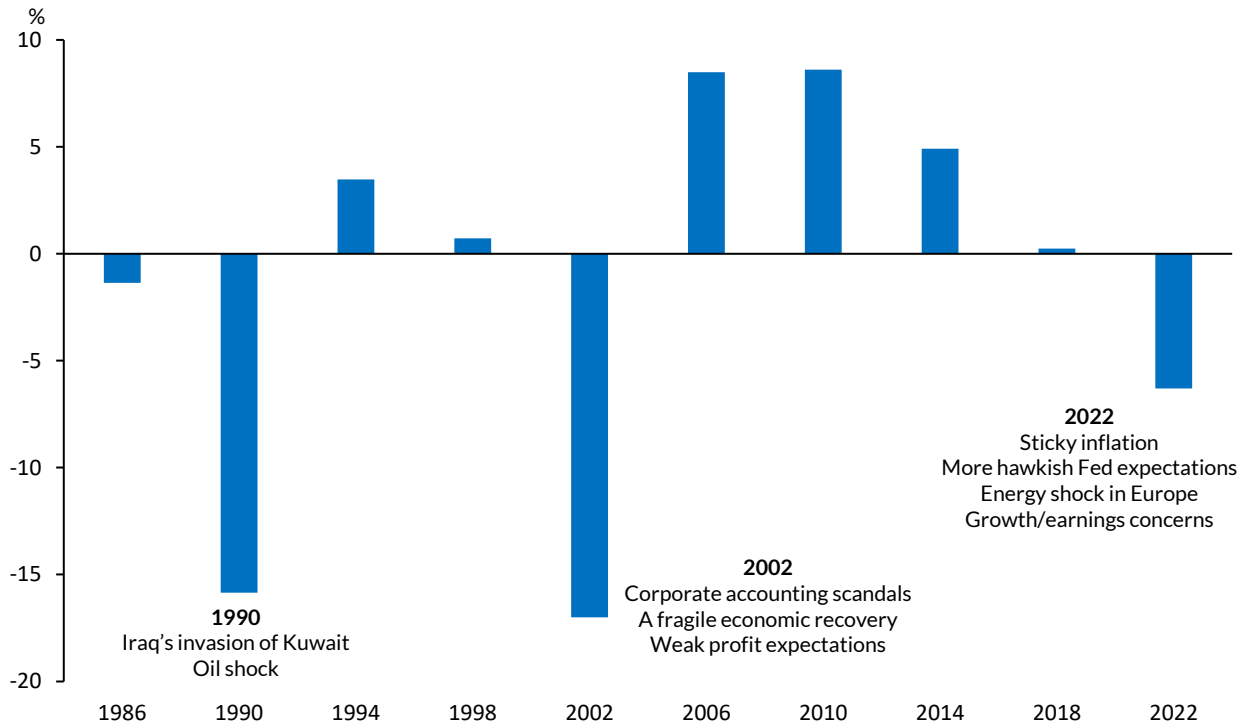
Figure 13
Global Equity Performance in June



Source: MSCI, ANIMA Research.

Figure 14

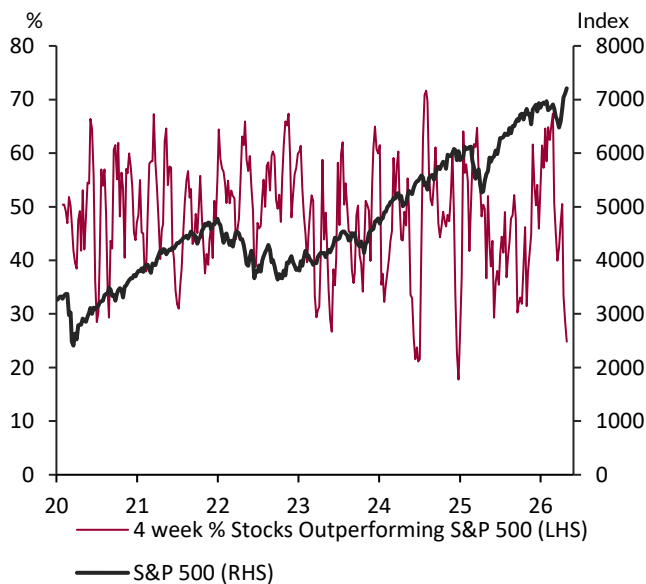
S&P 500 Performance from May to the end of October in the last 10 Mid-Term Election Episodes



Source: S&P, ANIMA Research.

Figure 15

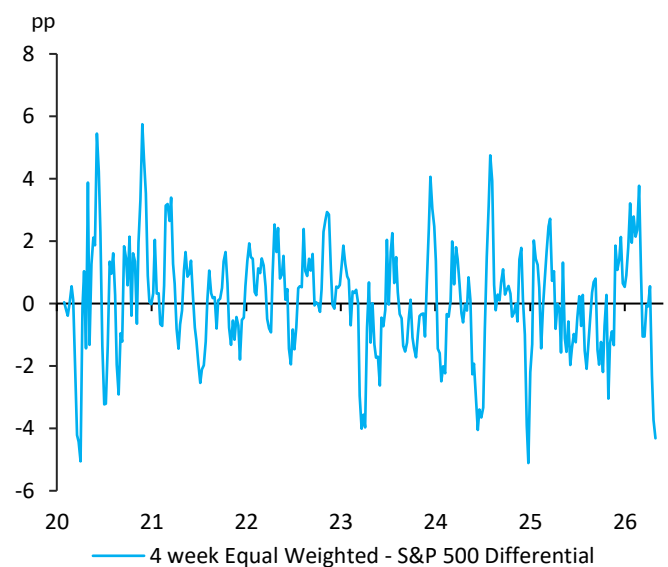
% Stocks Outperforming



Source: S&P, ANIMA Research.

Figure 16

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



Source: S&P, ANIMA Research.

A. Regional Allocation

From a regional perspective, we continue to prefer the US over the Rest of the World (Figure 17).

US – LONG: The US continues to stand out, supported by relative energy independence, a more resilient domestic backdrop, and stronger earnings visibility. It is also likely to remain well placed to attract incremental flows as investor positioning normalises and capital is redeployed towards markets offering deeper liquidity, greater macro resilience, and more robust earnings support.

UK – NEUTRAL: While the recovery in commodity prices may offer some support at the margin, the defensive composition of the benchmark remains a headwind and is likely to limit participation in any cyclical rebound. In addition, a softer USD following geopolitical easing is unlikely to provide a meaningful relative tailwind for UK equities.

Europe ex-UK – NEUTRAL: Lower oil prices relative to the highs reached after the conflict began 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, a softer USD, and meaningful AI exposure should provide some near-term support, but, in our view, this is not sufficient to justify a more constructive stance relative to the US.

Japan – SHORT: Japan's domestic backdrop remains stable, but the market offers a less compelling risk-reward profile given fading external support, softer earnings momentum, and weaker relative positioning if global flows continue to favour the US.

Figure 17

Tactical Regional Recommendations - June 2026

Overweight	Neutral	Underweight
US	EM Continental Europe UK	Japan

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

B. Sector Allocation

From a sector perspective, we continue to favour Cyclical over Defensives, while maintaining a Growth tilt (Figure 18, 19, and 20). Energy, Materials, and Semiconductors remain our preferred exposures.

Notably, **these sectors are delivering the strongest positive EPS revisions in both the US and Europe, (Figure 21 and 22)** which helps explain why valuations still look reasonable despite the strength of the rally.

Figure 18

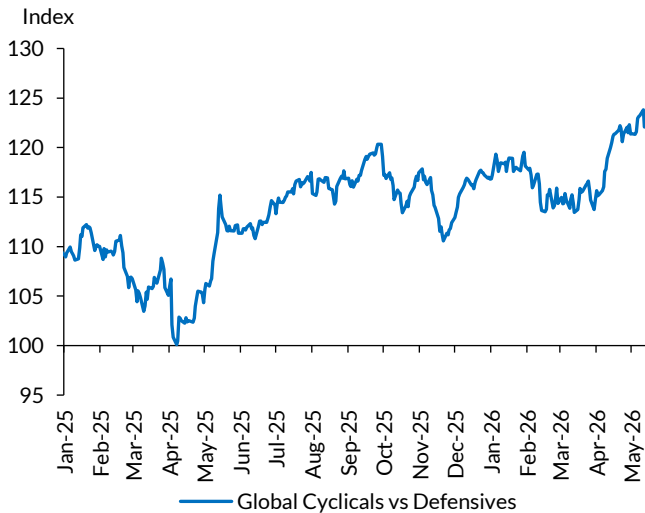
Tactical Sector Recommendations - June 2026

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

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

Figure 19

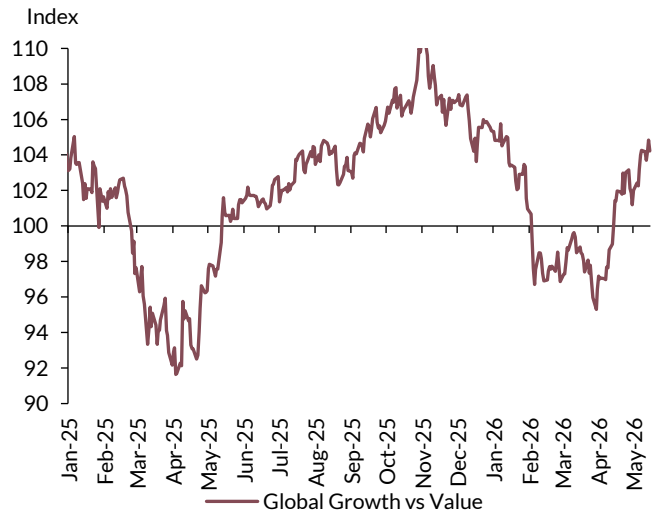
Traditional Cyclical relative to Defensives



Source: MSCI, ANIMA Research. Prices are as of 15 May 2026.

Figure 20

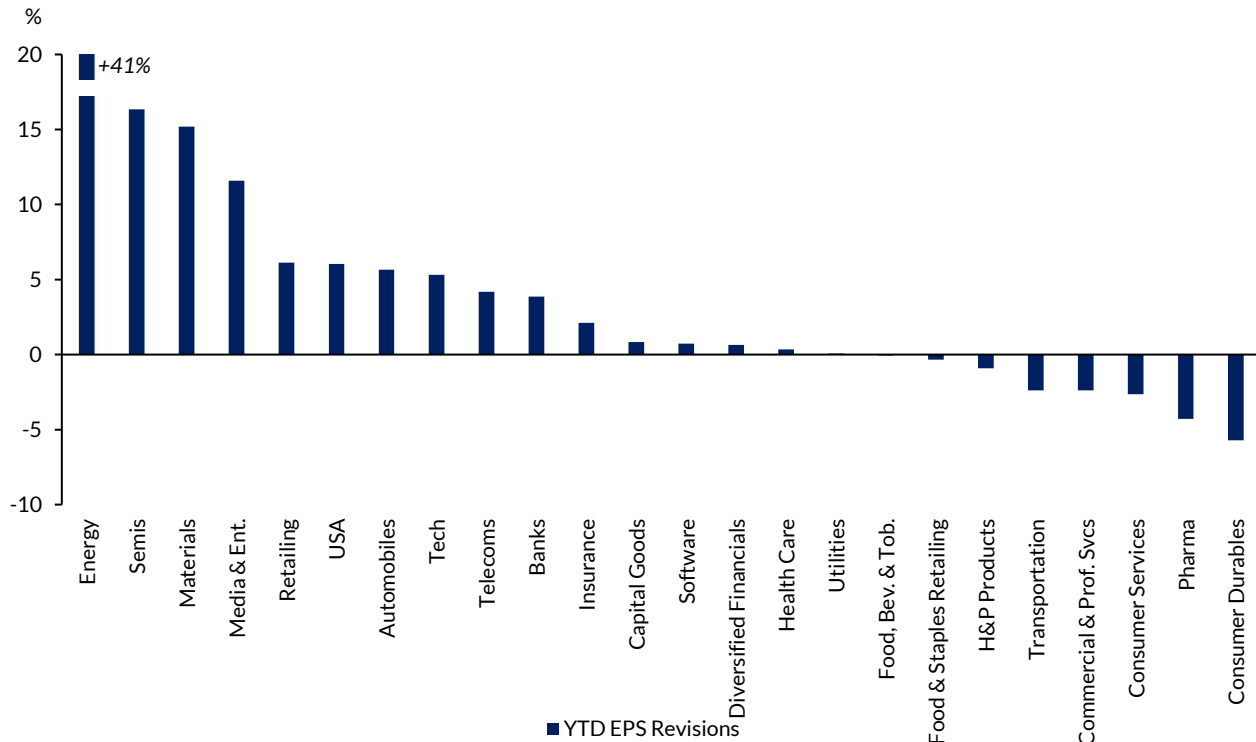
Growth relative to Value



Source: MSCI, ANIMA Research. Prices are as of 15 May 2026.

Figure 21

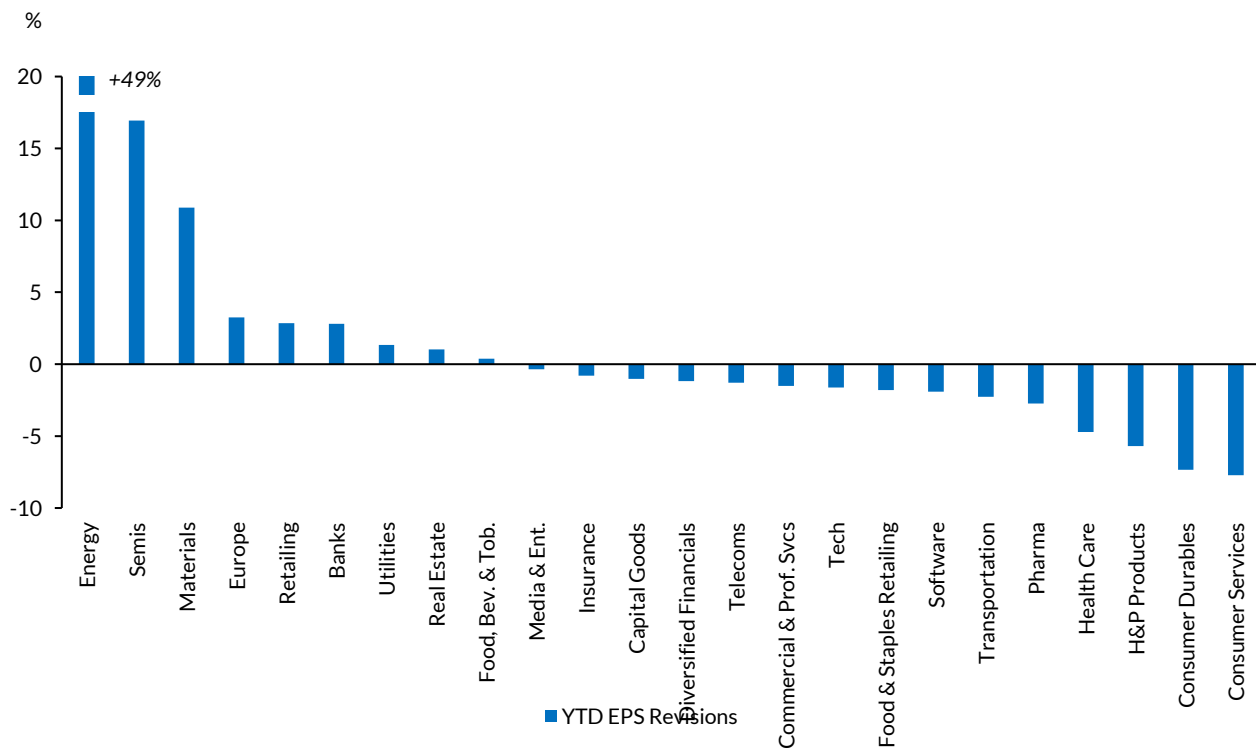
US Sectors' 2026' EPS Revisions



Source: IBES, MSCI, ANIMA Research. Data as of 13 May 2026.

Figure 22

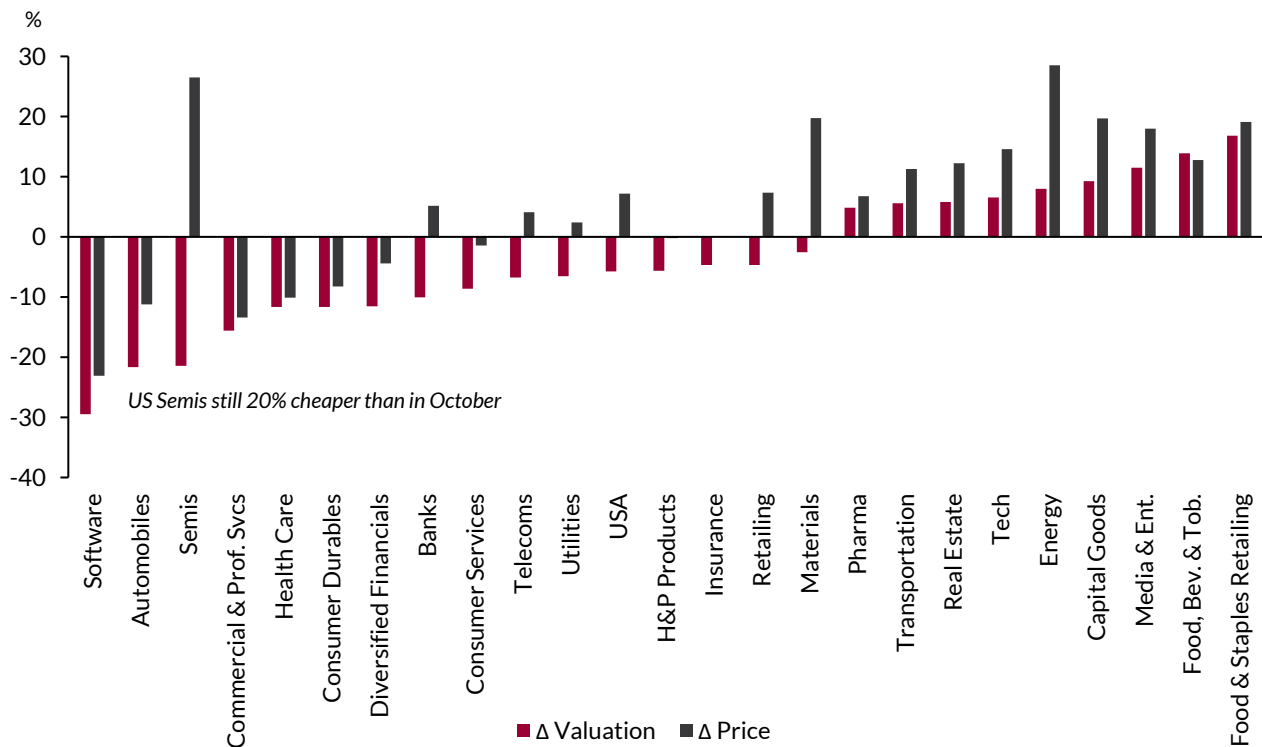
European Sectors' 2026 EPS Revisions



Source: IBES, MSCI, ANIMA Research. Data as of 13 May 2026.

Figure 23

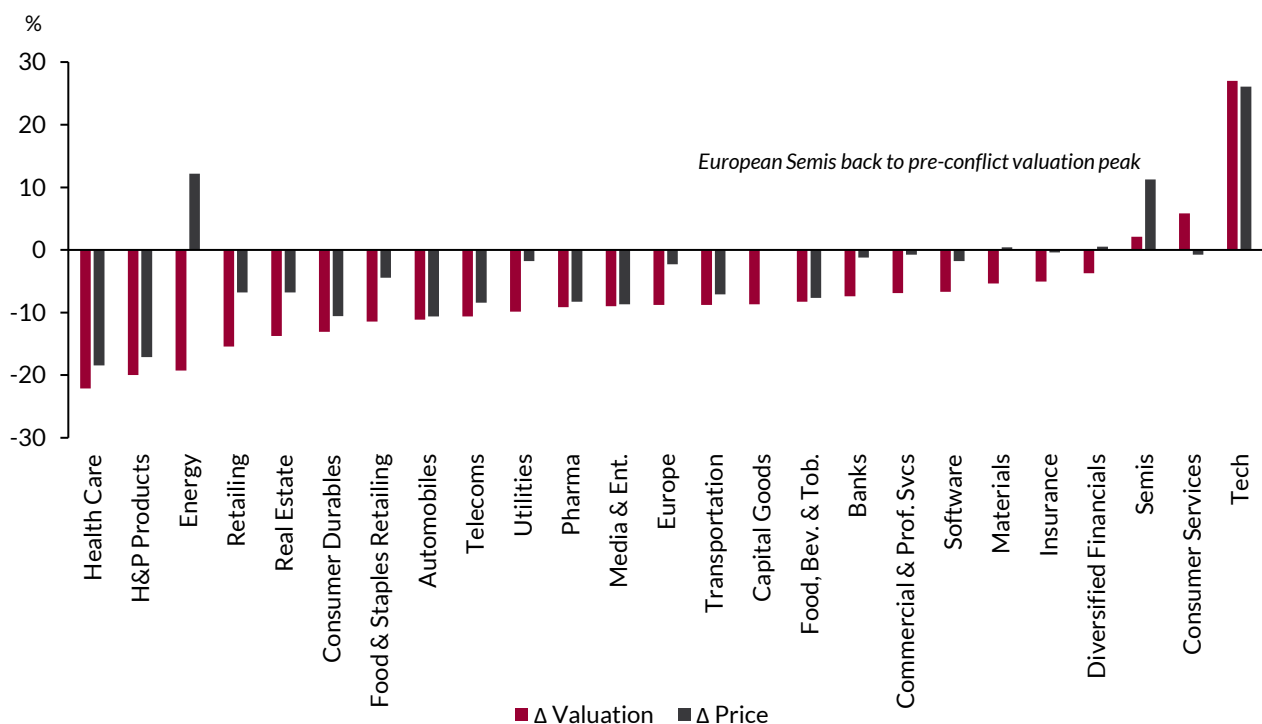
US Sectors' Forward P/E and Price Change since the October Peak



Source: MSCI, ANIMA Research. Prices are as of 13 May 2026.

Figure 24

European Sectors' Forward P/E and Price Change since the February Peak



Source: MSCI, ANIMA Research. Prices are as of 13 May 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 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 is based on the premise 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 believe 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 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.**

Regionally, we prefer the US over the rest of the world. From a sector perspective, we continue to prefer Cyclical over Defensives.

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