SEPTEMBER 2026

# Equity Focus
## RegAIning confidence

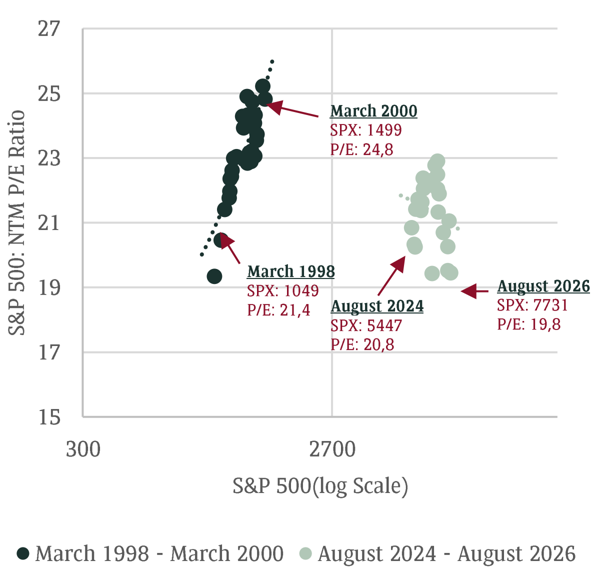

## Summary

1. **A strong economy –** Despite recent geopolitical tailwinds, the global economy remains surprisingly robust. The global economic surprise index is only a whisker away from its 20-year highs (outside the post-COVID era). Purchasing manager indices are also pointing toward a healthy economic activity in the major countries.
2. **Strong earnings –** The Q2 earnings season provided very strong results. All major regions showed above average earnings growth. We expect this trend to continue given the tailwinds from the economy and AI.
3. **AI the story continues -** We remain optimistic that the adoption rates of AI will continue to climb higher. This is especially encouraging as there is ample room for higher spending among companies. This should motivate hyperscalers to continue spending on AI infrastructure. With more and efficient models available, token prices are declining. This, however, leads to increased demand rather than companies pocketing the savings - a real-life example of Jevon´s paradox
4. **Europe – Winter is coming.** At a first glance, economic data looks encouraging in Europe. Beneath the surface, we still see some risk though, especially from rising gas prices. on European earnings. For now, we tend to give Europe the benefit of the doubt and confirm our neutral stance. Given the risks, we would still recommend that investors engage selectively, focusing on sectors and companies with strong fundamental tailwinds.
5. **A cheapening bull market**– As Chart 1 is showing, equities got cheaper as the current bull market is progressing. A key distinction from the dot.com bubble.


## Contents



CHART 1: THIS ISN´T 2000. DURING THIS BULL MARKET STOCKS GOT CHEAPER




*Source: BNP Paribas, Bloomberg*


Stephan Kemper

Chief Investment Officer
BNP Paribas Wealth Management-
& Private Banking Germany


# RegAIning Confidence

***"Q3 demand was simply hot and we´re just getting started" (Broadcom CEO Hock Tan)***

The 2026 growth narrative is defined by a tug-of-war between a powerful AI-driven investment cycle — concentrated in the US and Asia — and the stagflationary drag from the Middle East conflict via energy prices and supply chain disruption. Monetary policy tightening in key economies adds a further constraint. And yet, the global economy remains remarkable resilient. Economic data keeps surprising to the upside (Chart 2), driven by a broad-based recovery in PMI and Services activity (Tables 1 & 2). Moreover, the ongoing strong demand for data center appears to not only support manufacturing activity, but it also impacts the US job market (Charts 3 & 4). We read this as a sign that the AI capex is eventually trickling through the economy, benefitting an increasing number of industries.

Earnings continue to grow strongly. Albeit the pace of earnings growth diverges across regions, it has been above average. Thus, we´re less concerned about valuations, which are in some cases elevated. We find the most appealing combination of above average earnings growth and below average valuations in Emerging markets, particularly in Asia (Table 3).

Thus, **we upgrade equities to Overweight** due the overall constructive fundamental backdrop while remaining neutral on Europe and the US. **We upgrade Emerging Markets to Overweight and South Korea and Taiwan are becoming our key convictions**. Both markets are very well positioned to benefit from the ongoing strength in the AI Infrastructure buildout. Moreover, Korea is also enjoying a strong overall economic activity.

## AI - still in the early innings

The recent earnings season was nothing but exceptional in terms of AI. US Hyperscaler Capex keeps increasing (Chart 5) as growing revenues in their cloud divisions are indicating improving possibilities to monetize their investments, including advertisement. OpenAI said its advertising business has reached a USD 1 billion annualized revenue run rate less than 200 days after its launch. It is expected to generate USD 2.5 billion in ad revenue this year and USD 100 billion by 2030, Axios reported. This is very positive news as it confirms the recent evidence of growing ways to monetize the huge investments from AI companies. It should keep Hyperscalers motivated to keep investments in new products high as only then they will attract sufficient marketing dollars.

Rising capex could continue to provide a drag on free cashflow of US Hyperscaler (Chart 6). While we take comfort in the strength of their businesses from the solid operating cash flow developments (Chart 7), any further delays in the expected free cash flow recovery could represent a drag on performance. **We thus stick to our long-held view to prefer the equal-weight S&P 500 / S&P 100 over the capital weighted S&P 500.**

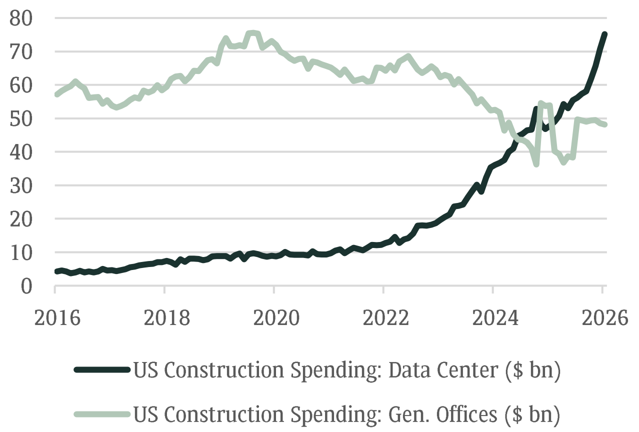
## Prefer the receivers of capex and adopters of AI

Those investments will keep driving demand for all sorts of AI-hardware, including semiconductors. Chip makers such as Nvidia or Broadcom provided very strong earnings growth forecasts until 2028 in a sign of growing long-term confidence in the durability of this cycle.

CHART 2: THE GLOBAL ECONOMIC SURPRISE INDEX SITS AT ITS 90TH PERCENTILE


*Source: BNP Paribas, Bloomberg*

CHART 3: DATA CENTER SPENDING COMPENSATED WEAKNESS ELSEWHERE




*Source: BNP Paribas, Bloomberg*

## TABLE 1: MANUFACTURING ACTIVITY IMPROVED SINCE THE IRAN CONFLICT STARTED AND INDICATES STRONG GROWTH

| Manufacturing | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Global | 50,7 | 50,8 | 50,5 | 50,4 | 50,9 | 51,8 | 51,3 | 52,6 | 52,7 | 52,2 | 52,1 | 52,3 |
| Developed Markets | 50,3 | 50,6 | 50,5 | 50,5 | 51,4 | 51,8 | 52 | 53,8 | 53,9 | 53,2 | 53,4 | 53,5 |
| Emerging Markets | 51,2 | 51,1 | 50,5 | 50,4 | 50,6 | 52 | 50,7 | 51,6 | 51,6 | 51,4 | 51 | 51,3 |
| USA | 48,9 | 48,8 | 48 | 47,9 | 52,6 | 52,4 | 52,7 | 52,7 | 54 | 53,3 | 55,6 | 54,6 |
| Eurozone | 49,8 | 50 | 49,6 | 48,8 | 49,5 | 50,8 | 51,6 | 52,2 | 51,6 | 51,4 | 51,9 | 52,7 |
| Germany | 49,5 | 49,6 | 48,2 | 47 | 49,1 | 50,9 | 52,2 | 51,4 | 50,1 | 50,3 | 52,2 | 54,3 |
| France | 48,2 | 48,8 | 47,8 | 50,7 | 51,2 | 50,1 | 50 | 52,8 | 49,7 | 51,2 | 49,8 | 51,1 |
| Italy | 49 | 49,9 | 50,6 | 47,9 | 48,1 | 50,6 | 51,3 | 52,1 | 52,9 | 52,2 | 51,3 | 49,6 |
| Spain | 51,5 | 52,1 | 51,5 | 49,6 | 49,2 | 50 | 48,7 | 51,7 | 51,2 | 49,7 | 50,2 | 49,5 |
| UK | 46,2 | 49,7 | 50,2 | 50,6 | 51,8 | 51,7 | 51 | 53,7 | 53,9 | 52,5 | 51,9 | 51,7 |
| Japan | 48,5 | 48,2 | 48,7 | 50 | 51,5 | 53 | 51,6 | 55,1 | 54,5 | 54,8 | 54,5 | 54,9 |

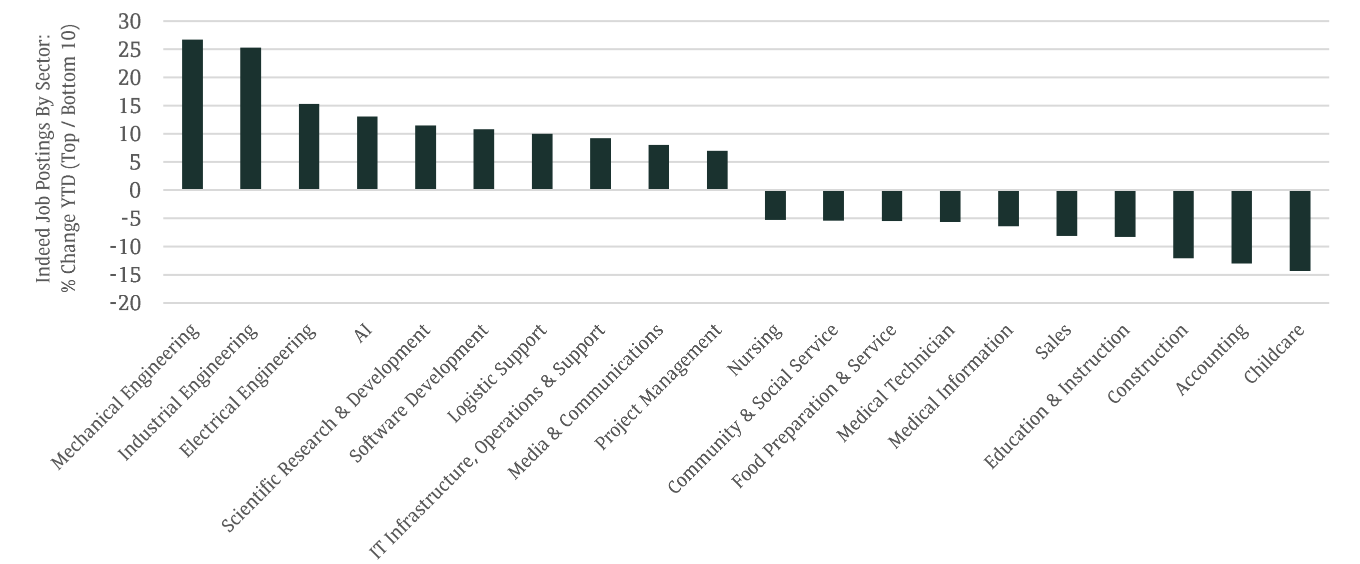
*Source: BNP Paribas, Bloomberg*

## TABLE 2: SERVICES RECOVERED FROM THEIR MARCH LOWS IN ALMOST EVERY JURISDICTION. READINGS ARE POINTING TO HEALTHY ACTIVITY, TOO.

| Services | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Global | 52,9 | 53,5 | 53,2 | 52,4 | 52,8 | 53,4 | 50,8 | 51,2 | 51,3 | 51,7 | 52,7 | 53,7 |
| Developed Markets | 52,9 | 53,8 | 53,3 | 52,1 | 52,6 | 52,1 | 50,1 | 50,4 | 49,8 | 50,6 | 53,2 | 54,2 |
| Emerging Markets | 53 | 53 | 53,3 | 53 | 53 | 56,1 | 51,9 | 52,7 | 54 | 53,5 | 50,9 | 52,2 |
| USA | 50,3 | 52 | 52,4 | 53,8 | 53,8 | 56,1 | 54 | 53,6 | 54,5 | 54 | 54,1 | 55,4 |
| Eurozone | 51,3 | 53 | 53,6 | 52,4 | 51,6 | 51,9 | 50,2 | 47,6 | 47,7 | 49,4 | 51,7 | 51,6 |
| Germany | 51,5 | 54,6 | 53,1 | 52,7 | 52,4 | 53,5 | 50,9 | 46,9 | 48,1 | 48,6 | 49,8 | 49,7 |
| France | 48,5 | 48 | 51,4 | 50,1 | 48,4 | 49,6 | 48,8 | 46,5 | 44,3 | 46,8 | 49,6 | 48 |
| Italy | 52,5 | 54 | 55 | 51,5 | 52,9 | 52,3 | 48,8 | 49,8 | 49,4 | 50,2 | 52,5 | 55,2 |
| Spain | 54,3 | 56,6 | 55,6 | 57,1 | 53,5 | 51,9 | 53,3 | 47,9 | 50,1 | 54,2 | 58,3 | 57,8 |
| UK | 50,8 | 52,3 | 51,3 | 51,4 | 54 | 53,9 | 50,5 | 52,7 | 49,3 | 48,8 | 52,1 | 52,5 |
| Japan | 53,3 | 53,1 | 53,2 | 51,6 | 53,7 | 53,8 | 53,4 | 51 | 50 | 52,2 | 51,2 | 52,5 |

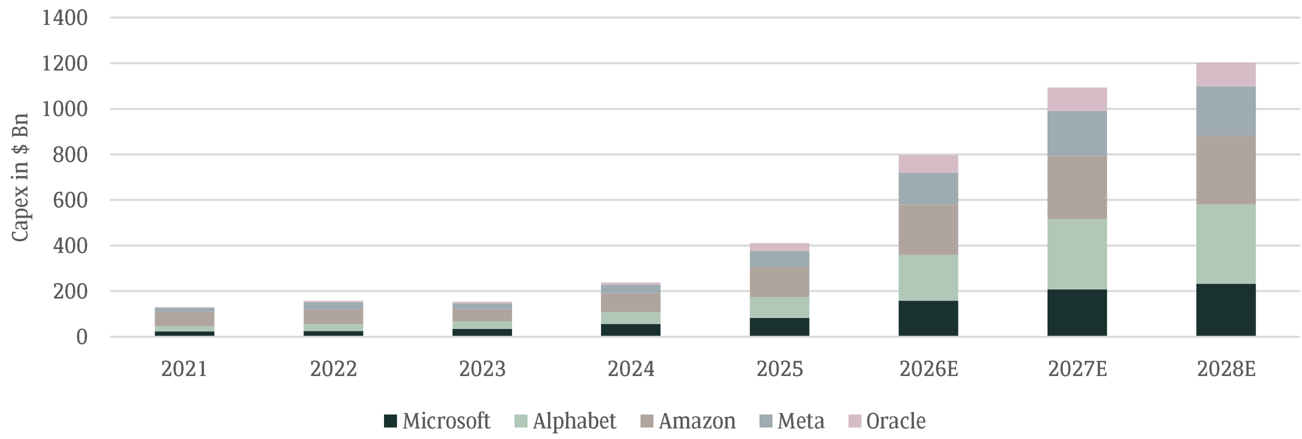
*Source: BNP Paribas, Bloomberg*

## CHART 4: WE SEE STRONG JOB GROWTH IN ENGINEERING AND OTHER AI RELATED INDUSTRIES



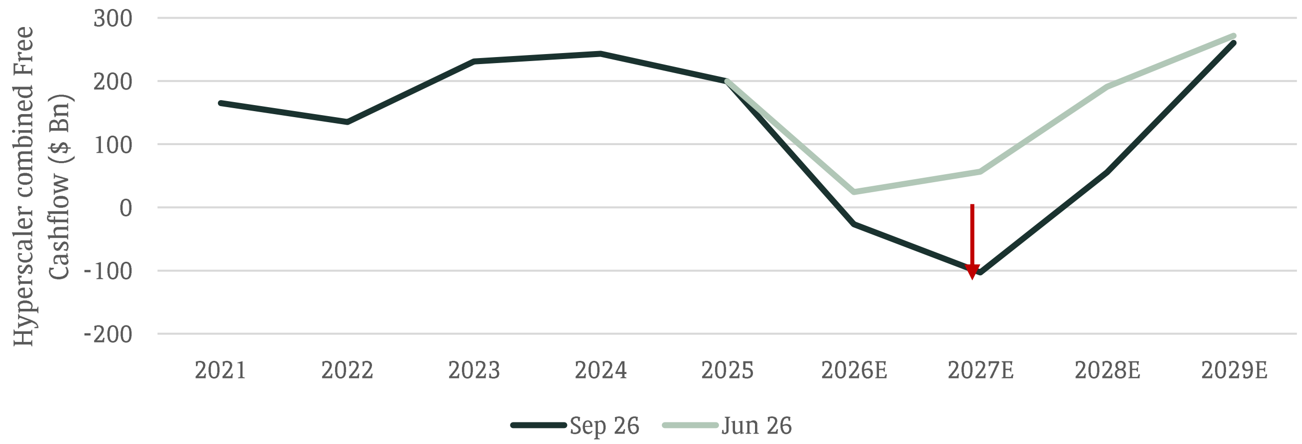

*Source: BNP Paribas, Indeed.com*

## CHART 5: HYPERSCALER CAPEX KEEPS RISING



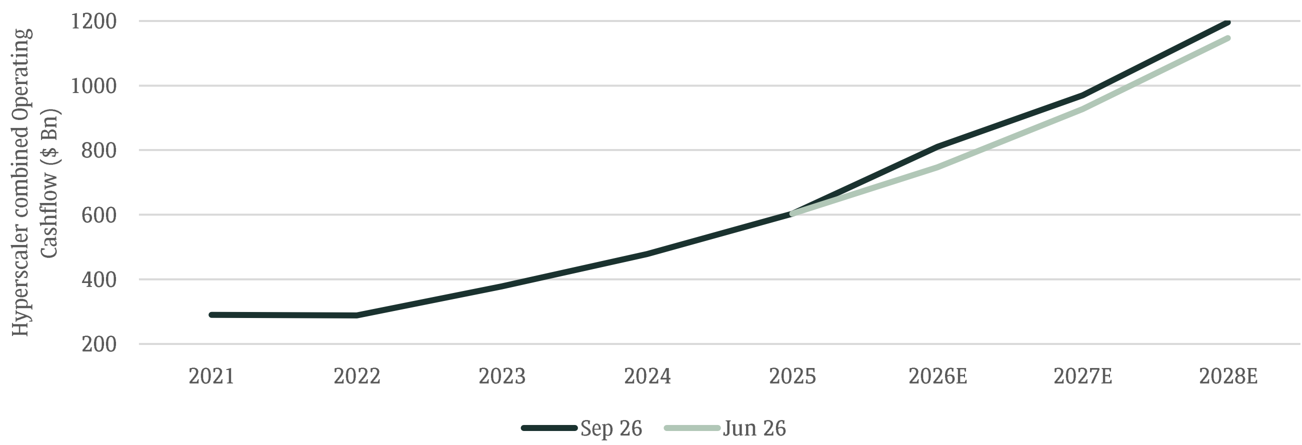

*Source: BNP Paribas, Bloomberg*

## CHART 6: US HYPERSCALER FREE CASH FLOW EXPECTATIONS KEEP FALLING DUE TO INVESTMENTS




*Source: BNP Paribas, Bloomberg*

## CHART 7: US HYPERSCALER OPERATING CASHFLOW DEVELOPMENTS REMAIN HEALTHY




*Source: BNP Paribas Bloomberg*

Encouragingly, the capex story is expanding beyond Hyperscaler as the latest numbers from Nvidia are showing. NVIDIA officially segments its Data Center revenue — which accounts for ~90% of total sales — into two customer groups: Hyperscale and AI Clouds, Industrial & Enterprise (ACIE). While Hyperscaler still represent ~ 55% of revenues during the last quarter, ACIE shows stronger growth. ACIE revenue grew +138% year-on-year in Q2:27, outpacing Hyperscaler´s +101% year-on-year growth. This broadening trend is confirmed by positive developments within software.

### Jevon´s Paradox

The price per token for AI recently fell to fresh lows (Chart 8). Rising rental costs, even for older chips such as the A100, are making us believe that companies aren´t cashing in the savings but do increase their token consumption (Chart 9). Hence, the volume effect is very likely to overwhelm the price effect. Companies such as Salesforce, Datadog, Snowflake and SAP all reported strong growth in their AI related businesses. This indicates that an increasing number of companies can monetize on their AI offerings which should keep demand growth strong.

We see rising adoption rates across industries (Chart 10). While Technology and Financials are the heaviest users, their adoption rates are just around 80%. Most other industries are way beyond that, leaving ample room for growth. The same is true when looking at money spent per employee. While the Top 1% spends as much as USD 7.400 per month per employee, the median company in the US is not even spending USD 12 (Chart 11).

**We still see value in the AI infrastructure buildout and would recommend to add to the theme on any signs of weakness.**

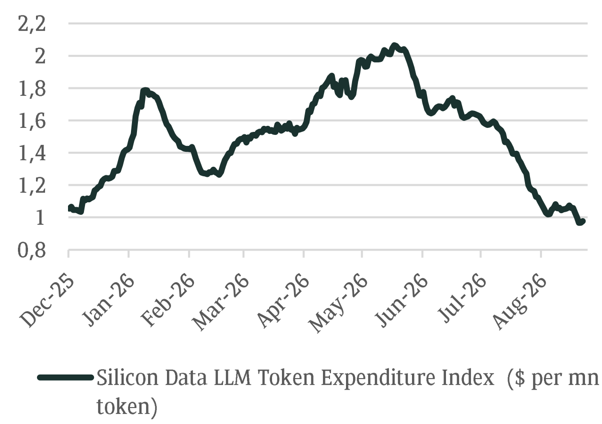
### Don´t fear the Fed

The recent rise in longer dated yields is a reason for concern and could, should they settle higher for longer, derail our positive market view. However, we don´t think this risk will materialize.

The term premium of US Treasuries, while being volatile, basically stands were it started the year and CDS spreads retreated from their highs (Chart 12). This indicates that the current move in yields is not (primarily) driven by concerns about the US fiscal sustainability. We would rather see rising inflation and Fed hike concerns as core drivers. When we look at the two sides of the Fed mandate, inflation is clearly the point to worry for the Fed right now (Chart 13). The Fed´s preferred gauge to measure inflation, as confirmed by the Fed Chair Mr. Warsh, is core PCE. This metric is still running well above CPI, which trended lower during the last couple of months. The spread between the two currently trades at the second highest level (PCE over CPI) of the last 50 years (Chart 14). The last time the spread was that extreme (in 1983), a longer trend of falling PCE followed. Due to its construction, we believe that the PCE often trails the CPI in terms of direction. We thus think that the PCE will ease in the future, allowing the Fed to follow a modest path. The Fed Mandate Surprise Index also eased recently, allowing the Fed to become less hawkish in their communication (Chart 15).

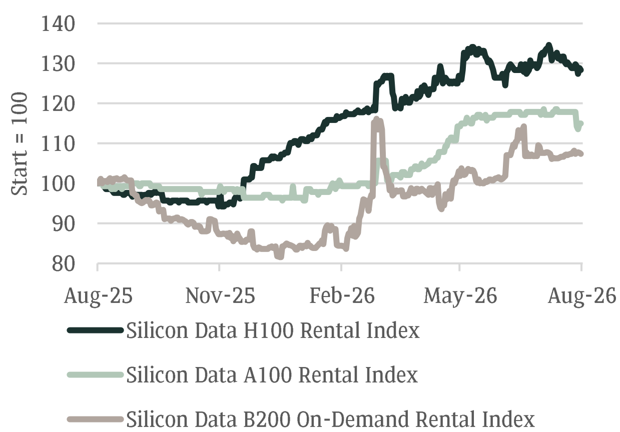
**We believe that the current market pricing is too hawkish** (~ 2,4 hikes vs our base case of one) and that US 10-year yields should retreat to 4,5% within the next 12 months. Historically, a less hawkish Fed was supportive for equity valuations (Chart 16). **We thus expect some tailwinds for equities once the market adopts a less hawkish stance**.

CHART 8: TOKEN PRICES CONTINUE TO FALL WHILE....



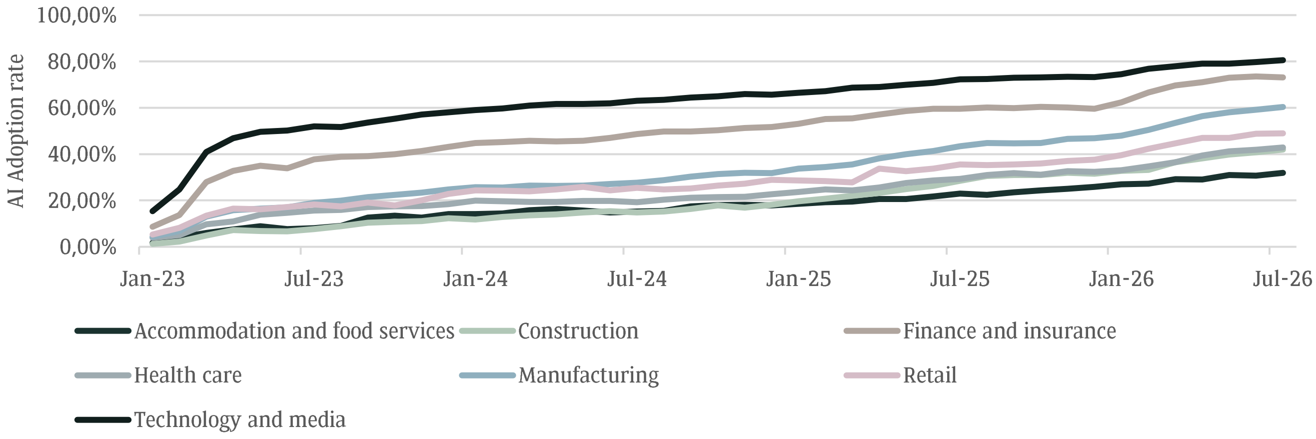

*Source: BNP Paribas, Bloomberg*

CHART 9: ...CHIP RENTAL LEVELS ARE RISING, INDICATING STRONG DEMAND



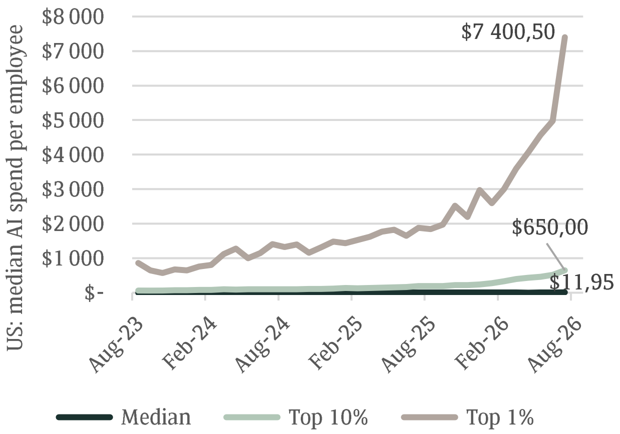

*Source: BNP Paribas, Bloomberg*

## CHART 10: AI ADOPTION LEVELS PER INDUSTRY KEEP CLIMBING. MOST INDUSTRY ARE STILL FAR AWAY FROM LEVELS WE WOULD CONSIDER AS SATURATED



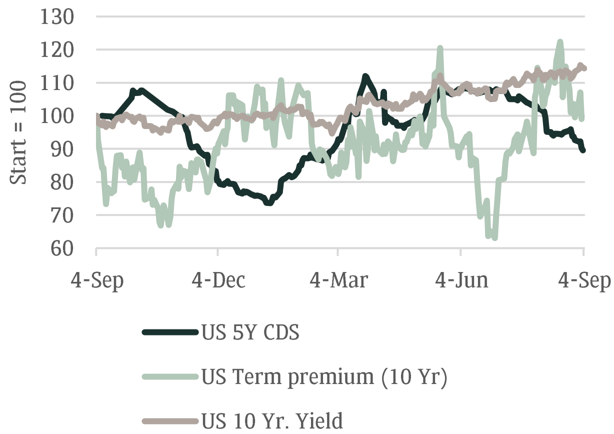

Source: BNP Paribas, ramp.ai

## CHART 11: AI SPENT FOR EMPLOYEE IS STILL VERY MUTED FOR MOST COMPANIES



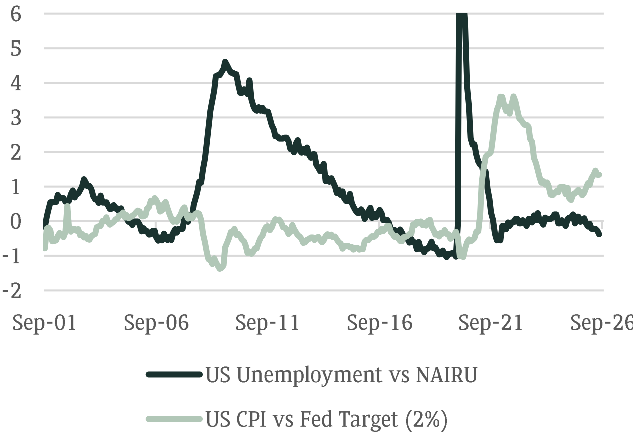

Source: BNP Paribas, ramp.ai

## CHART 12: TERM PREMIUM / CDS DON´T SEEM TO BE THE MAIN DRIVER OF RATES



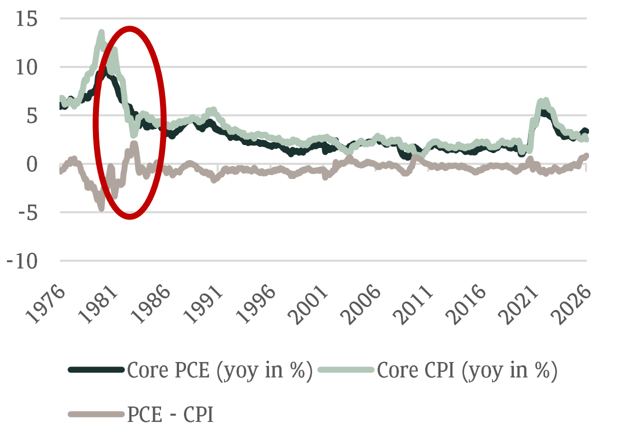

Source: BNP Paribas, Bloomberg

## CHART 13: THE FED´S MAIN WORRY IS INFLATION



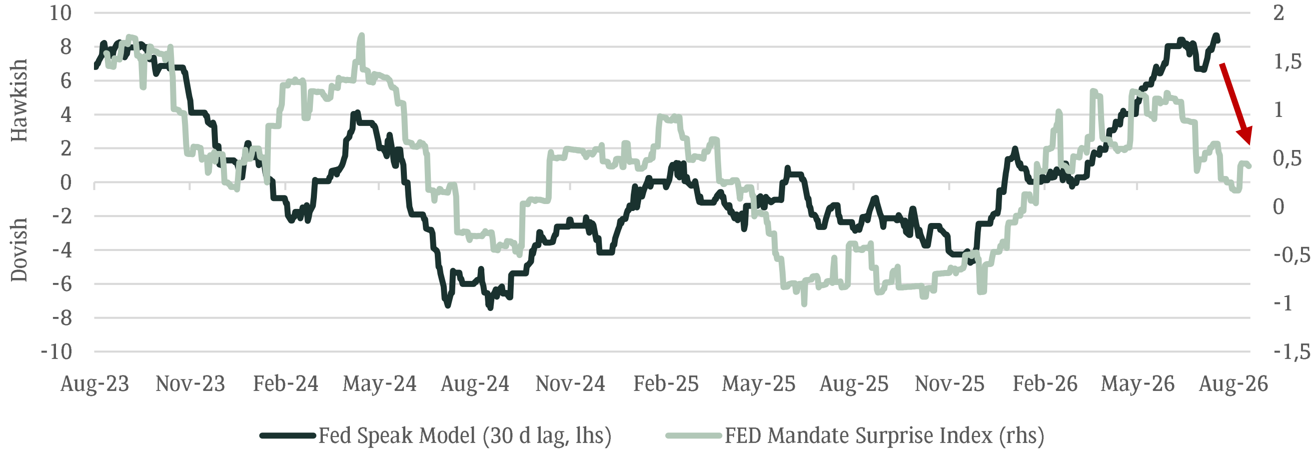

Source: BNP Paribas Bloomberg

## CHART 14: THE CPI AS LEADING INDICATOR FOR THE PCE



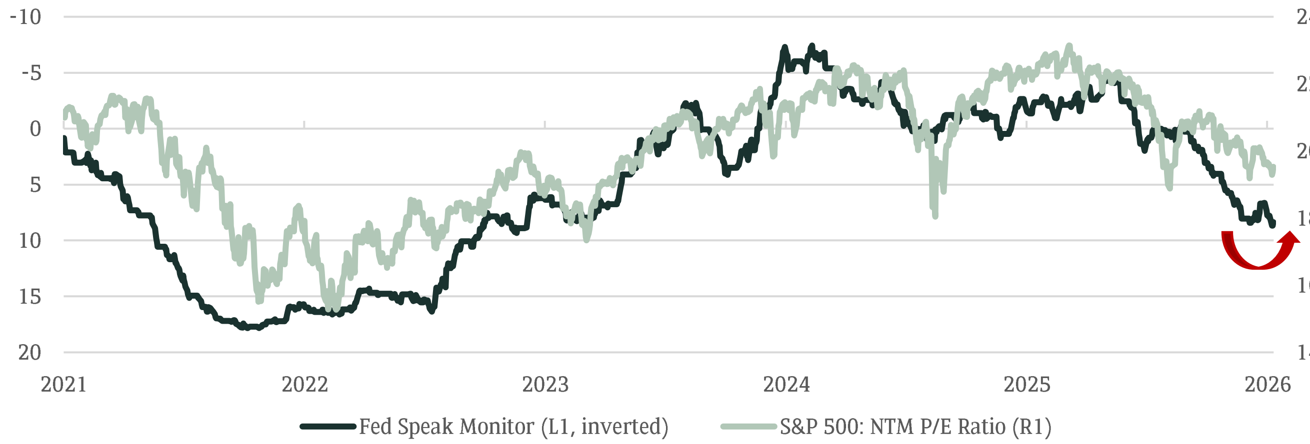

Source: BNP Paribas Bloomberg

## CHART 15: THE FED MANDATE SURPRISE INDEX (INFLATION / JOB DATA VS EXPECTATIONS) INDICATES MORE DOVISH FEDSPEAK AHEAD




*Source: BNP Paribas, Bloomberg*

## CHART 16: A LESS HAWKISH FED WOULD SUPPORT EQUITY VALUATIONS




*Source: BNP Paribas, Bloomberg*

## Europe – Winter is coming

The economic surprise index for the Eurozone showed some remarkable strength as of recently (Chart 17) . Moreover, the earnings season was among the strongest Europe experienced during the last couple of years and earnings revisions reached multi year recently (Chart 18). At a first glance, investors could be forgiven to believe that the fundamental picture is eventually changing for good.

Unfortunately, though, we see a growing number of factors which could alter that optimistic view. If we deduct the Economic Surprise index into soft (i.e. sentiment) and hard data, we find that the reality can not keep track with the sentiment (Chart 19). Looking at the historic relationship between low water levels in the river Rhine, a crucial industrial waterway, and industrial production, hard data could struggle to catch up with the sentiment (Chart 20). This would be also in line with the still rather bleak picture the Bundesbank´s German Economic Activity Index is painting (Chart 21).

Another reason for concern are rising gas prices, which recently reached the highest levels since Russia invaded Ukraine (Chart 22). With EU gas storage levels still alarmingly low, the risks of energy shortages and further price spikes are increasing. The worst case, which we warned about in June, seems to be materializing. The result would be higher inflation, a drag on consumption and rising costs for companies.

Lastly, rising political risks in France and Germany could dampen investors sentiment. The far right "Alternative für Deutschland" seems to be poised to win two of the three state level elections while the ruling parties are expected to suffer meaningful losses. This could have negative impacts on the coalition at the federal level.

In France, the strong showing in recent 2027 Presidential election polls of both Marine Le Pen (far right) and Jean-Luc Mélenchon (far left) are adding further pressure to an already fragile investor sentiment, dominated by fiscal concerns. Albeit elections are still 8 months ahead, investors take notice and reduce domestic French equity exposure (Chart 23).

For now, **we tend to give Europe the benefit of the doubt and confirm our neutral stance**. The market is not particularly expensive, and some structural drivers such as German Infrastructure and European Defense spending are supporting growth. Given the risks, we would still **recommend that investors engage rather selective, focusing on sectors and companies with strong fundamental tailwinds**. Greek equites (our thesis is playing out and we see further upside), banks, defence stocks, certain industrials, AI related infrastructure plays and utilities are among the areas we currently like the most. Within Emerging Europe, Poland still offers interesting investment opportunities.

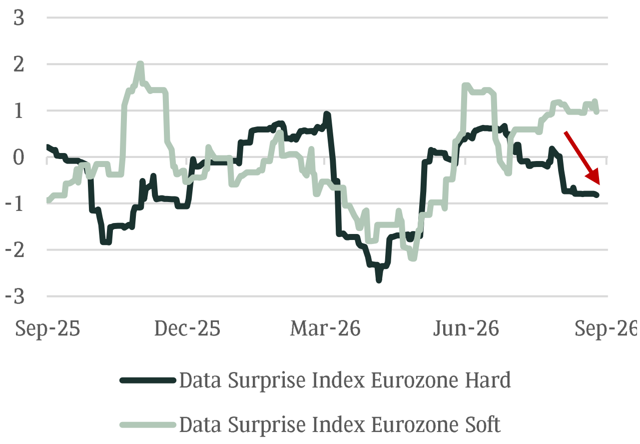
### CHART 17: THE ECONOMIC SURPRISE INDEX FOR EUROPE REBOUNDED...


*Source: BNP Paribas, Bloomberg*

### CHART 18: ...DRIVING EARNINGS REVISION HIGHER

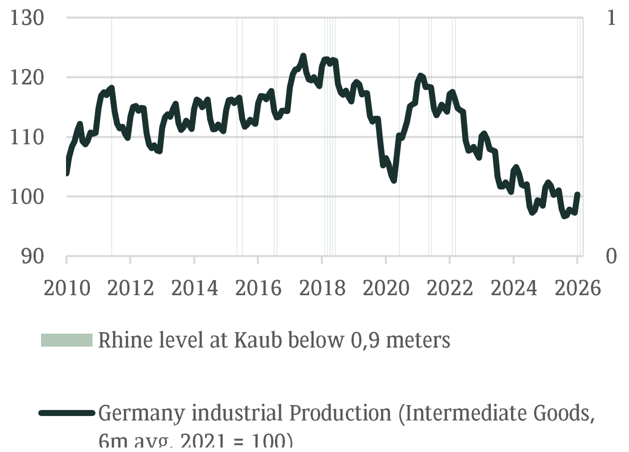

*Source: BNP Paribas, Bloomberg*

## CHART 19: HARD DATA IS NO LONGER HOLDING UP WITH SENTIMENT




*Source: BNP Paribas, Bloomberg*

## CHART 20: INDUSTRIAL PRODUCTION TENDS TO SUFFER FORM LOW WATER LEVELS

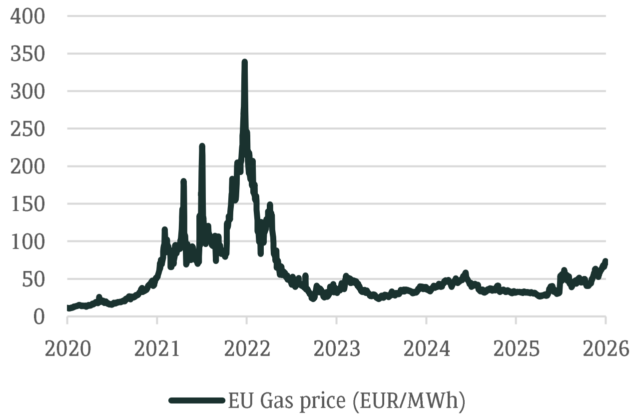



*Source: BNP Paribas, Bloomberg*

## CHART 21: ACTIVITY IN GERMANS ECONOMY STILL LOOKS MUTED

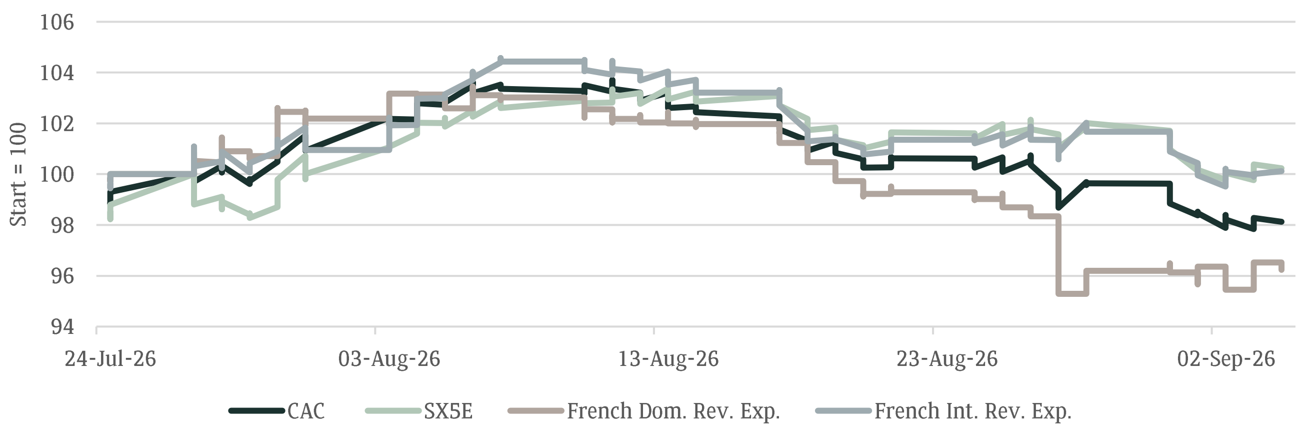

*Source: BNP Paribas, Bundesbank*

## CHART 22: EU GAS PRICES REACHED THE HIGHEST LEVEL SINCE 2022




*Source: BNP Paribas, Bloomberg*

## CHART 23: DOMESTIC REVENUE EXPOSED COMPANIES START TO UNDERPERFORM IN FRANCE




*Source: BNP Paribas Bloomberg*

# European and US Sectors in a nutshell

| Sector (STOXX Europe 600) | View | | | YTD (24 Aug) | Out/ underperf. vs index | Our view at a glance |
|---|---|---|---|---|---|---|
| | UW | N | OW | | | |
| Banks | | | X | 25,42% | 11,95% | **Cheap valuations** (avg fwd P/E around 10,6). Balance sheets are solid and profitability is still improving. New business opportunities. Stagflation and private credit risks are diminishing. |
| Health Care | | | X | 3,75% | -9,72% | **Defensive compounder with attractive valuations.** This sector should be a key AI beneficiary; expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). **Key risks: weakening USD, tariffs. Negotiations with the US administration (lowering drug prices, etc) look more constructive now.** |
| Industrial Goods & Services | | | X | 14,40% | 0,93% | **A main beneficiary of infrastructure, defense spending, data centers construction, renewable energy projects, re-/ nearshoring, and electrification** although short term, there are some market frustrations that these investments are a bit slow to translate in new earnings. Higher energy prices could hurt profits in some instances. |
| Utilities | | | X | 13,37% | -0,10% | **European infrastructure spending and energy independence willingness are tailwinds, whereas (green and AI-related) power demand continues to grow.** Higher bond yields and energy prices are hurting now. |
| Auto & Parts | | X | | -11,04% | -24,51% | Automotives still weak due to rising competition with China, high EV investment costs and bad pricing. However, **decreasing geopolitical tensions, lower stagflation risk and a more supportive European Union could now stabilize this industry.** |
| Basic Resources | | X | | 31,87% | 18,40% | We have recommended energy transition commodities (huge needs due to AI & energy independence) and precious metals (cf. geopolitics) for a long time. Watch also metals/ rare earths necessary for (electronic) defense. |
| Chemicals | | X | | 19,75% | 6,28% | The sector should profit from **EU infrastructure plans** as well as from some end markets revivals. **Competition from China, overcapacity, tariffs and other trade issues are headwinds**, except for some fertilizer and other chemical companies benefiting of the tensions in the Hormuz strait. |
| Construction Materials | | X | | 0,93% | -12,54% | **(German) infrastructure and energy efficiency spending are catalysts for some.** On the other hand, rebuilding Ukraine theme still looks distant. Energy prices have been a headwind for other companies. Be selective. |
| Cons. Products and Services | | X | | -7,94% | -21,41% | **The sector has suffered from tariffs, geopolitical uncertainties and higher risks / costs of travelling.** Globally, some end markets are recovering now (i.e. the USA, some Asian markets, high-end luxury). Be selective. |
| Financial Services | | X | | 12,93% | -0,54% | Latest corporate results were fine but ongoing **concerns relating to private credits/ equity businesses and possible AI disruption**, i.e. AI startups aiming to automate some financial services' tasks (pressure on revenues and margins). |
| Insurance | | X | | 11,83% | -1,64% | Solid and rather defensive sector. **Cash returns attractive but European insurance now looks fully priced** at an avg fwd P/E of 12,3. Also, there is now a risk that some private loans exposure could turn sour. Be selective. |
| Media Price EUR | | X | | 4,31% | -9,16% | **AI impact has been very negative for the sector as well as Meta Platforms** entering and threatening many (European) media and ads businesses.The sector is adaping and somewhat stabilizing now. |
| Real Estate | | X | | 5,18% | -8,29% | Defensive sector hit by rising bond yields**.** Logistics and data centers enjoy tailwinds from e-commerce/ AI. Be selective. |
| Retail | | X | | 4,94% | -8,53% | The sector has now found some capital discipline allowing for cash distribution. However, higher energy prices and other disruptions are putting pressure on margins. |
| Technology | | X | | 22,52% | 9,05% | **Strong Q2-26 results in general.** Software & services still lagging considering the risk of business loss to AI (although certain companies are integrating AI quite well in their solutions). Be selective. |
| Telecommunications | | X | | 14,88% | 1,41% | **New business opportunities relating to AI.** Furthermore, the industry's **falling capital intensity** driven by the fibre cycle & the sector's **free M&A option** are supporting performance. **EU infrastructure plans are another support.** |
| Travel & Leisure | | X | | 0,82% | -12,65% | Higher energy prices, travelling issues in some parts of the world, high competition and capacity expansion have been **headwinds. But most big airline companies were hedged to a certain degree; adaptation happened relatively fast and high demand is supportive.** |
| Energy | X | | | 36,21% | 22,74% | The sector profits from high and volatile energy prices as well as elevated refining margins. However, it is still at (high) risk of a full reopening of the strait of Hormuz and of overcapacity of production. Medium term, **we like renewables, energy infrastructure, equipment and services.** Necessity to rebuild and develop new energy sources as some others have become unreliable. |
| Food, Bev and Tobacco | X | | | 6,58% | -6,89% | **Valuations high compared with the rest of the market and considering the sluggish earnings growth of the sector.** Lack of upside catalysts except for its **defensive profile. Favour 'self help' stories.** |
| Personal Care | X | | | 2,54% | -10,93% | The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. Lack of upside catalysts. |

| Sector (S&P 500 Level 1) | View | | | YTD (24 Aug) | Out/ underperf. vs index | Our view at a glance |
|---|---|---|---|---|---|---|
| | UW | N | OW | | | |
| Health Care | | | X | 13,86% | 1,25% | **Defensive compounder with attractive valuations in a structually growing market** (e.g. demographics, obesity etc). AI to bring more efficiency gains. Negotiations with the US administration (lower drug prices, etc) look more constructive now. |
| Industrials | | | X | 16,06% | 3,45% | **Re-shoring, reindustrialization, defense, AI and other infrastructure (re)develoment are major tailwinds**. But higher energy prices have been a headwind for some. |
| Communication Services | | X | | 1,24% | -11,37% | The sector is **dominated by 2 mega tech companies, growing fast, and now regularly raising new debt and equity**. The rest of the sector is not cheap and is also facing challenges and opportunities. Be selective. |
| Consumer Discretionary | | X | | 0,95% | -11,66% | The sector is **dominated by 2 expensive mega tech companies, facing various issues**. However, their strong exposure to AI, automation and robotics keeps attracting interest. Other names in the sector could profit from a relatively resilient discretionary consumption in the US. |
| Financials | | X | | 7,11% | -5,50% | Although the sector is not cheap the risk of a sharp economic slowdown is now receding as well as problems in the private credits / equity sphere. Deregulation, numerous profitable corporate activities (e.g. big IPOs, M&As) and volatile/ active capital markets are bringing additional support. |
| Information Technology | | X | | 18,44% | 5,83% | **Strong Q2-26 results in general, especially semiconductors.** Some sub-sectors such as software and SaaS are however at **risk of losing business to AI**. Besides, huge capex spending is raising questions on hyperscalers' future ROIs and profitability. Be selective. |
| Materials | | X | | 18,47% | 5,86% | Medium term, the sector should generally benefit from reshoring and reindustrialization. In the short term, we prefer stocks with exposure to precious metals, rare earths and metals & mining necessary for (electronic) defense and energy transition. |
| Real Estate | | X | | 15,18% | 2,57% | Activity is still sluggish in residential RE. New construction activity is still muted. Commercial RE stabilising. **Momentum is better at some logistics and specialized REITs.** |
| Utilities | | X | | 2,62% | -9,99% | **Solid growth in power demand due to AI & electrification but** US utilities are not cheap anymore. Furthermore, there is now a **growing risk of more controls or price caps** on surging electricity prices in certain American states. Higher bond yields not helping either. |
| Consumer Staples | X | | | 12,40% | -0,21% | **The sector looks fully priced**. Costs have risen due to tariffs and higher energy prices. Besides, consumers may continue to "trade down" due to inflation. However, some names exposed to emerging markets, or expected to strongly benefit of AI, have performed relatively well this year. |
| Energy | X | | | 42,96% | 30,35% | The sector profits from high and volatile energy prices as well as elevated refining margins. However, it is still at (high) risk of a full reopening of the strait of Hormuz and of overcapacity of production. **Medium term, we like renewables, energy infrastructure, equipment and services.** Necessity to rebuild and develop new energy sources as some others have become unreliable. |

# Valuations

## TABLE : GLOBAL INDICES

| Index | Level | 1yr Range | EPS (Forward) | 5yr Z-Score | change 4 weeks (%) | PE Ratio | 5yr Z-Score | PB Ratio | 5yr Z-Score | Div Yield | 5yr Z-Score | ROE | 5yr Z-Score | Earnings Yiel | 5yr Z-Score | Equity Risk Premium | 5yr Z-Score | Composite vs. ACWI | Composite 5yr Z-Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MSCI ACWI | 1150 | | 67,46 | | 4,05 | 17,04 | | 3,41 | | 1,78 | | 19,45 | | 5,87 | | 1,16 | | n.a. | n.a. |
| MSCI World | 4970 | | 250,38 | | 2,95 | 19,85 | | 3,81 | | 1,61 | | 18,68 | | 5,04 | | 0,33 | | 1,16 | |
| MSCI Emerging Markets | 1722 | | 185,01 | | 15,67 | 9,31 | | 2,08 | | 2,70 | | 23,29 | | 10,74 | | 6,04 | | 0,56 | |
| S&P 500 | 7674 | | 362,44 | | 2,84 | 21,17 | | 5,01 | | 1,14 | | 23,07 | | 4,72 | | 0,02 | | 1,28 | |
| S&P 500 Equal Weighted | 8970 | | 513,66 | | 0,18 | 17,46 | | 3,12 | | 1,80 | | 16,37 | | 5,73 | | 1,02 | | 1,01 | |
| Russell 2000 | 3018 | | 103,21 | | -1,53 | 29,24 | | 0,93 | | 1,84 | | 0,01 | | 3,42 | | -1,29 | | 1,48 | |
| NASDAQ 100 | 29309 | | 1220,83 | | 3,17 | 24,01 | | 7,48 | | 0,60 | | 29,74 | | 4,17 | | -0,54 | | 1,54 | |
| MSCI USA Growth | 35354 | | 631,95 | | 5,36 | 29,58 | | 10,52 | | 0,36 | | 36,82 | | 1,79 | | -2,92 | | 1,96 | |
| MSCI USA Value | 18634 | | 297,23 | | 0,80 | 16,50 | | 3,27 | | 1,94 | | 18,72 | | 1,60 | | -3,11 | | 0,97 | |
| STOXX Europe 600 | 655 | | 42,91 | | -0,62 | 15,24 | | 2,32 | | 3,37 | | 15,03 | | 6,55 | | 3,31 | | 0,86 | |
| STOXX Europe Mid 200 | 689 | | 44,88 | | -3,51 | 15,30 | | 2,02 | | 3,89 | | 14,05 | | 6,51 | | 3,27 | | 0,85 | |
| STOXX Europe Small 200 | 416 | | 29,76 | | 0,32 | 13,98 | | 1,72 | | 3,45 | | 11,75 | | 7,15 | | 3,90 | | 0,77 | |
| DAX | 26127 | | 1658,95 | | 0,91 | 15,75 | | 1,97 | | 2,91 | | 11,98 | | 6,35 | | 3,11 | | 0,87 | |
| FTSE 100 | 10830 | | 824,15 | | -0,20 | 13,12 | | 2,26 | | 3,80 | | 16,74 | | 7,61 | | 2,57 | | 0,75 | |
| CAC 40 | 8480 | | 573,15 | | -0,09 | 14,80 | | 1,95 | | 3,49 | | 13,14 | | 6,76 | | 3,52 | | 0,82 | |
| FTSE MIB | 52679 | | 3821,58 | | -5,94 | 13,78 | | 1,88 | | 4,51 | | 13,84 | | 7,25 | | 4,01 | | 0,77 | |
| Nikkei 225 | 65528 | | 2939,53 | | 0,67 | 22,46 | | 2,82 | | 1,61 | | 12,48 | | 4,49 | | 1,61 | | 1,24 | |
| Hang Seng | 25517 | | 2298,07 | | -0,10 | 11,32 | | 1,29 | | 3,29 | | 10,96 | | 9,01 | | 7,33 | | 0,62 | |

*BBG consensus, NOT an official BNP target price

## TABLE : EUROPEAN SECTORS

| Index | Level | 1yr Range | EPS (Forward) | 5yr Z-Score | EPS change 4 weeks (%) | PE Ratio | 5yr Z-Score | PB Ratio | 5yr Z-Score | Div Yield | 5yr Z-Score | ROE | 5yr Z-Score | Earnings Yield | 5yr Z-Score | Upside to 12M Target Price* | Composite vs. SXXP | Composite 5yr Z-Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| STOXX Europe | 655 | | 42,91 | | -0,62 | 15,24 | | 2,32 | | 3,37 | | 15,03 | | 6,55 | | 13% | 1,00 | |
| STOXXE 600 Consumer P&S | 357 | | 15,01 | | -0,49 | 23,62 | | 3,41 | | 2,35 | | 15,80 | | 4,21 | | 16% | 1,54 | |
| STOXXE 600 Energy | 180 | | 17,12 | | 3,12 | 10,60 | | 1,82 | | 3,88 | | 17,89 | | 9,49 | | 11% | 0,71 | |
| STOXXE 600 Food, Bev and Tobacco | 193 | | 13,01 | | 0,43 | 14,73 | | 2,67 | | 3,82 | | 17,01 | | 6,76 | | 16% | 0,99 | |
| STOXXE 600 Personal Care | 165 | | 11,14 | | 0,05 | 14,76 | | 2,97 | | 3,43 | | 18,58 | | 6,73 | | 12% | 1,01 | |
| STOXXE 600 Chemicals | 1277 | | 65,65 | | -1,18 | 19,37 | | 2,15 | | 3,03 | | 10,98 | | 5,14 | | 9% | 1,23 | |
| STOXXE 600 Utilities | 536 | | 37,32 | | 0,73 | 14,37 | | 1,91 | | 4,22 | | 12,71 | | 6,96 | | 11% | 0,93 | |
| STOXXE 600 Banks | 426 | | 37,87 | | -1,74 | 11,23 | | 1,51 | | 4,91 | | 13,88 | | 8,90 | | 6% | 0,72 | |
| STOXXE 600 Real Estate | 128 | | 8,72 | | 1,19 | 14,69 | | 0,79 | | 4,67 | | 8,45 | | 6,80 | | 15% | 0,88 | |
| STOXXE 600 Technology | 1019 | | 43,06 | | -1,07 | 23,75 | | 4,99 | | 1,28 | | 18,53 | | 4,23 | | 28% | 1,64 | |
| STOXXE 600 Autom. & Parts | 449 | | 53,75 | | -0,11 | 8,41 | | 0,58 | | 4,36 | | 6,23 | | 11,98 | | 17% | 0,51 | |
| STOXXE 600 Health Care | 1160 | | 69,55 | | -1,16 | 16,77 | | 3,52 | | 2,76 | | 17,94 | | 5,99 | | 12% | 1,16 | |
| STOXXE 600 Financial Services | 985 | | 63,82 | | -1,33 | 15,38 | | 1,73 | | 4,00 | | 11,62 | | 6,48 | | 9% | 0,97 | |
| STOXXE 600 Insurance | 543 | | 42,87 | | -0,30 | 12,62 | | 2,26 | | 4,91 | | 17,76 | | 7,89 | | 4% | 0,85 | |
| STOXXE 600 Telcos | 287 | | 17,60 | | -2,42 | 16,25 | | 1,82 | | 4,15 | | 10,32 | | 6,13 | | 17% | 1,03 | |
| STOXXE 600 Media | 393 | | 30,91 | | -3,03 | 12,63 | | 1,98 | | 3,54 | | 12,98 | | 7,86 | | 16% | 0,83 | |
| STOXXE 600 Ind. Goods & Services | 1208 | | 56,22 | | 2,18 | 21,46 | | 4,37 | | 2,10 | | 18,88 | | 4,65 | | 14% | 1,47 | |
| STOXXE 600 Constrn & Materials | 843 | | 50,95 | | 1,52 | 16,46 | | 2,45 | | 2,90 | | 14,93 | | 6,04 | | 18% | 1,08 | |
| STOXXE 600 Basic Resources | 858 | | 60,12 | | -0,75 | 14,17 | | 1,87 | | 4,20 | | 13,04 | | 7,00 | | 2% | 0,91 | |
| STOXXE 600 Retail | 498 | | 28,18 | | -1,43 | 17,66 | | 3,14 | | 3,34 | | 17,10 | | 5,66 | | 11% | 1,18 | |
| STOXXE 600 Travel & Leisure | 276 | | 9,77 | | -55,20 | 27,93 | | 3,12 | | 2,84 | | 24,66 | | 3,54 | | 16% | 1,77 | |

*BBG consensus, NOT an official BNP target price

## TABLE : US SECTORS

| Index | Level | 1yr Range | EPS (Forward) | 5yr Z-Score | EPS change 4 weeks (%) | PE Ratio | 5yr Z-Score | PB Ratio | 5yr Z-Score | Div Yield | 5yr Z-Score | ROE | 5yr Z-Score | Earnings Yield | 5yr Z-Score | Potential Upside to 12M Target Price* | Composite vs. S&P 500 | Composite 5yr Z-Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| S&P 500 | 7674 | | 362,44 | | 2,84 | 21,17 | | 5,01 | | 1,14 | | 23,07 | | 4,72 | | 19% | 1,00 | |
| S&P 500 Consumer Discretionary | 1934 | | 78,37 | | 1,78 | 24,67 | | 6,34 | | 0,67 | | 23,26 | | 4,05 | | 18% | 1,18 | |
| S&P 500 Consumer Staples | 941 | | 42,03 | | 1,23 | 22,39 | | 6,43 | | 2,39 | | 26,76 | | 4,47 | | 11% | 1,10 | |
| S&P 500 Energy | 971 | | 70,92 | | 4,32 | 13,69 | | 2,42 | | 2,57 | | 17,92 | | 7,31 | | 6% | 0,62 | |
| S&P 500 Financials | 955 | | 59,69 | | 0,19 | 16,00 | | 2,29 | | 1,80 | | 14,05 | | 6,25 | | 11% | 0,70 | |
| S&P 500 Health Care | 2033 | | 104,79 | | 0,83 | 19,40 | | 5,08 | | 1,58 | | 22,03 | | 5,15 | | 6% | 0,94 | |
| S&P 500 Industrials | 1524 | | 60,87 | | 1,45 | 25,03 | | 6,60 | | 1,23 | | 25,48 | | 3,99 | | 17% | 1,21 | |
| S&P 500 Information Technology | 6816 | | 294,11 | | 1,71 | 23,18 | | 10,33 | | 0,54 | | 41,63 | | 4,31 | | 28% | 1,28 | |
| S&P 500 Materials | 672 | | 36,83 | | 0,46 | 18,24 | | 3,14 | | 1,55 | | 16,60 | | 5,48 | | 12% | 0,82 | |
| S&P 500 Real Estate | 287 | | 7,59 | | 0,79 | 37,80 | | 3,23 | | 3,27 | | 8,32 | | 2,65 | | 13% | 1,57 | |
| S&P 500 Communication Services | 451 | | 23,60 | | -0,63 | 19,13 | | 3,79 | | 0,75 | | 18,58 | | 5,23 | | 25% | 0,88 | |
| S&P 500 Utilities | 433 | | 25,54 | | -0,40 | 16,95 | | 2,03 | | 3,10 | | 11,98 | | 5,90 | | 20% | 0,72 | |

*BBG consensus, NOT an official BNP target price

*Source: BNP Paribas, Bloomberg*

*Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.*

*Date: 24th August 2026*

# Our key convictions at a glance (Overweight equity)

| | | USA | Europe | Japan | Emerging Markets |
|---|---|---|---|---|---|
| Relative view* | | Neutral | Neutral | Positive | Positive |
| What we (especially) like | | Profitable SMID caps | Banks | Domestically exposed names benefiting from wage gains or GDP growth (including SMIDS) | Northeast Asia (China A shares, Korea, Taiwan), Latin America |
| What we don´t (really) like | | | | | |
| Preferred themes & trades | Regional basis | | Strategic Autonomy | Governance Reform achievers | APAC Tech |
| | Global basis | Infrastructure and Industrials exposed to Artificial Intelligence, Energy independence, Fiscal Spending and Re-shoring<br>Innovation in Healthcare<br>Metals & mining, particularly those critical for renewables, electrification and defense electronics | | | |

* Relative view: against your benchmark

# Economic, FX forecast tables

*BNP Paribas Forecasts*

| GDP Growth % | 2025 | 2026 | 2026-Bloomberg Consensus | 2027 | 2027-Bloomberg Consensus |
|---|---|---|---|---|---|
| United States | 2.1 | 2.4 | 2.1 | 2.5 | 2.1 |
| Japan | 1.1 | 0.8 | 0.7 | 1.1 | 0.8 |
| United Kingdom | 1.4 | 1.0 | 1.0 | 1.2 | 1.1 |
| Switzerland | 1.4 | 0.8 | 1.1 | 1.3 | 1.4 |
| Eurozone | 1.5 | 0.8 | 0.8 | 1.6 | 1.2 |
| Germany | 0.3 | 0.8 | 0.9 | 1.1 | 1.1 |
| France | 0.9 | 0.8 | 0.6 | 1.1 | 1.0 |
| Italy | 0.7 | 0.8 | 0.9 | 0.8 | 0.8 |
| Emerging | | | | | |
| China | 5.0 | 4.6 | 4.6 | 4.5 | 4.4 |
| India** | 7.7 | 3.7 | 7.5 | 6.8 | 6.6 |
| Brazil | 2.3 | 2.3 | 2.0 | 1.4 | 1.8 |

** Fiscal year

Source : BNP Paribas 27.07.2026, Bloomberg - 28.08.2026

*BNP Paribas Forecasts*

| CPI Inflation % | 2025 | 2026 | 2026-Bloomberg Consensus | 2027 | 2027-Bloomberg Consensus |
|---|---|---|---|---|---|
| United States | 2.7 | 3.2 | 3.3 | 2.5 | 2.4 |
| Japan | 3.1 | 2.0 | 2.0 | 2.3 | 2.1 |
| United Kingdom | 3.4 | 3.2 | 3.1 | 3.1 | 2.6 |
| Switzerland | 0.2 | 0.5 | 0.5 | 0.5 | 0.7 |
| Eurozone | 2.1 | 2.7 | 2.8 | 2.6 | 2.2 |
| Germany | 2.3 | 2.3 | 2.7 | 2.4 | 2.3 |
| France | 0.9 | 2.2 | 2.2 | 1.6 | 1.9 |
| Italy | 1.7 | 2.4 | 2.8 | 1.7 | 2.0 |
| Emerging | | | | | |
| China | 0.0 | 1.3 | 1.1 | 1.6 | 1.2 |
| India* | 2.1 | 5.1 | 2.0 | 4.3 | 5.0 |
| Brazil | 5.0 | 4.7 | 4.7 | 5.1 | 4.2 |

* Fiscal year

Source : BNP Paribas 27.07.2026, Bloomberg - 28.08.2026

## FX FORECASTS EUR

| | Country | | Spot 27/08/2026 | Trend | Target 3 months (vs. EUR) | Trend | Target 12 months (vs. EUR) |
|---|---|---|---|---|---|---|---|
| | United States | EUR / USD | 1.16 | Neutral | 1.16 | Negative | 1.20 |
| | United Kingdom | EUR / GBP | 0.86 | Neutral | 0.87 | Neutral | 0.87 |
| | Japan | EUR / JPY | 185.54 | Neutral | 183 | Neutral | 186 |
| | Switzerland | EUR / CHF | 0.94 | Neutral | 0.92 | Neutral | 0.92 |
| | Australia | EUR / AUD | 1.62 | Neutral | 1.59 | Negative | 1.69 |
| | New-Zealand | EUR / NZD | 1.96 | Neutral | 1.93 | Negative | 2.0 |
| | Canada | EUR / CAD | 1.61 | Neutral | 1.60 | Neutral | 1.62 |
| | Sweden | EUR / SEK | 11.09 | Neutral | 11.00 | Positive | 10.80 |
| | Norway | EUR / NOK | 10.87 | Neutral | 10.80 | Positive | 10.60 |
| Asia | China | EUR / CNY | 7.83 | Neutral | 7.77 | Neutral | 7.92 |
| | India | EUR / INR | 111.27 | Neutral | 110.20 | Negative | 114.0 |
| Latam | Brazil | EUR / BRL | 6.02 | Neutral | 6.03 | Neutral | 6.0 |
| | Mexico | EUR / MXN | 19.76 | Neutral | 19.72 | Negative | 20.16 |

Source: BNP Paribas, LSEG

## FX FORECASTS USD

| | Country | | Spot 27/08/2026 | Trend | Target 3 months (vs. USD) | Trend | Target 12 months (vs. USD) |
|---|---|---|---|---|---|---|---|
| | Eurozone | EUR / USD | 1.16 | Neutral | 1.16 | Positive | 1.20 |
| | United Kingdom | GBP / USD | 1.36 | Neutral | 1.33 | Neutral | 1.38 |
| | Japan | USD / JPY | 159.32 | Neutral | 158 | Positive | 155 |
| | Switzerland | USD / CHF | 0.80 | Neutral | 0.79 | Positive | 0.77 |
| | Australia | AUD / USD | 0.72 | Neutral | 0.73 | Neutral | 0.71 |
| | New-Zealand | NZD / USD | 0.59 | Neutral | 0.60 | Neutral | 0.60 |
| | Canada | USD / CAD | 1.39 | Neutral | 1.38 | Positive | 1.35 |
| Asia | China | USD / CNY | 6.72 | Neutral | 6.70 | Neutral | 6.60 |
| | India | USD / INR | 95.55 | Neutral | 95.0 | Neutral | 95.0 |
| Latam | Brazil | USD / BRL | 5.17 | Neutral | 5.20 | Positive | 5.00 |
| | Mexico | USD / MXN | 16.97 | Neutral | 17.00 | Neutral | 16.80 |
| EMEA | South Africa | USD / ZAR | 16.00 | Neutral | 16.00 | Neutral | 15.75 |
| | USD Index | DXY | 99.16 | Neutral | 99.40 | Negative | 96.31 |

Source: BNP Paribas, LSEG

## THE INVESTMENT STRATEGY TEAM


### FRANCE

**Edmund SHING**
Global Chief Investment Officer

**Isabelle ENOS**
Senior Investment Advisor

**Charles GIROT**
Senior Investment Advisor

### ITALY

**Luca IANDIMARINO**
Chief Investment Advisor

### BELGIUM

**Philippe GIJSELS**
Chief Investment Advisor

**Alain GERARD**
Senior Investment Advisor, Equities

**Patrick CASSELMAN**
Senior Investment Advisor, Commodities

### GERMANY

**Stephan KEMPER**
Chief Investment Officer, Germany

### LUXEMBOURG

**Guy ERTZ**
Deputy Chief Investment Officer

### ASIA

**Prashant BHAYANI**
Chief Investment Officer, Asia

**Grace TAM**
Chief Investment Strategist

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