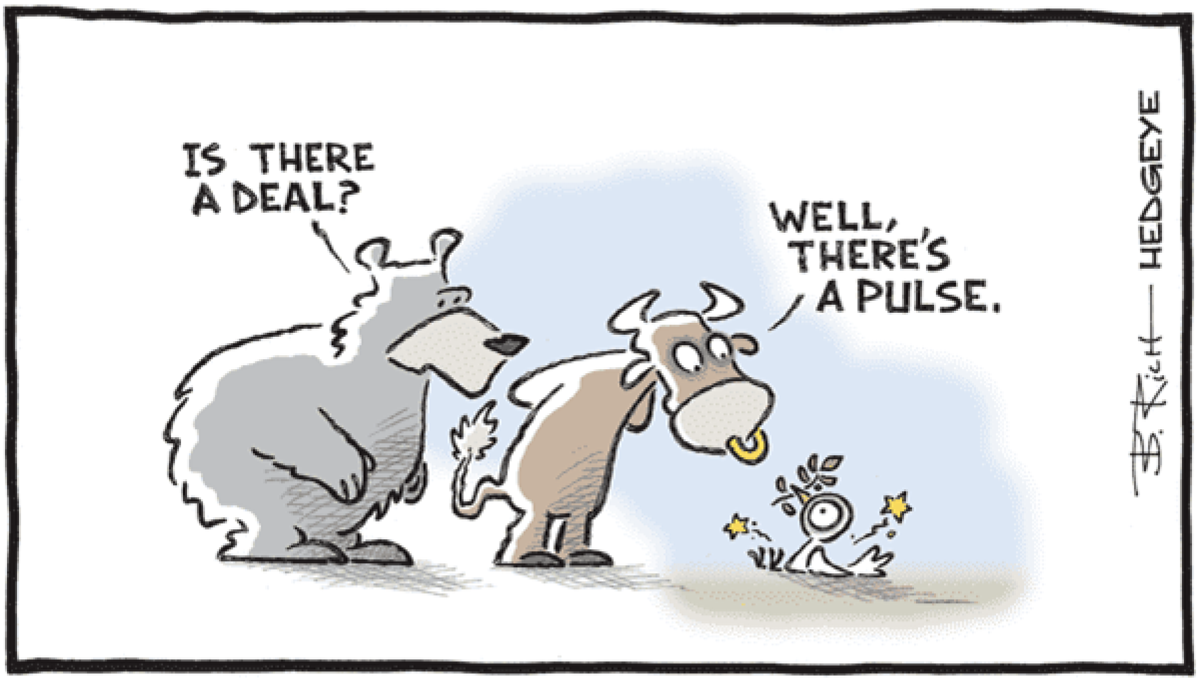
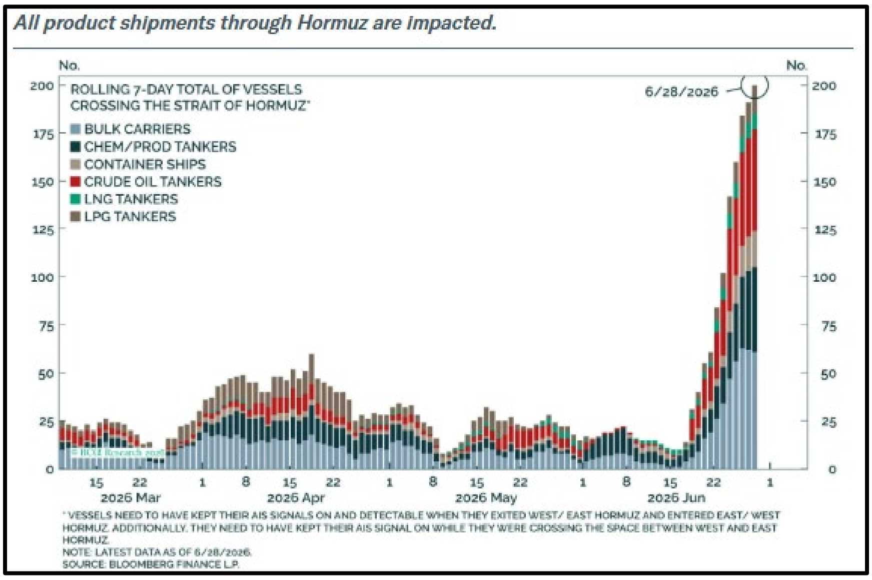
Market Review – July 2026



Peace or no peace?

This month, the market celebrated a peace deal that does not exist. The US-Iran framework signed in mid-June for President Trump's birthday was enough to send Brent crude back below USD 72 a barrel, its lowest level since 27 February, for a weekly fall of more than 10%. Long-term inflation expectations fell, currency volatility sank toward record lows, and equity indices held within reach of their highs; the tape priced in a resolution. But tensions remain on the ground. After the Friday market close on June 26th, fighting erupted again.

Rolling 7-Day Total Of Tanker Flows By Vessel (Since March 9)



Source: BCA

The Memorandum of Understanding that was signed by the US and Iran is a framework, not a settlement: a 60-day ceasefire that defers every difficult question, from the fate of enriched uranium and on-site inspections to a reported USD 300 billion Gulf-funded reconstruction plan and whether Iran may levy "service fees" on every vessel transiting Hormuz once the free-passage window expires. By June 27, the fragility was no longer theoretical: Bahrain reported Iranian drone strikes, and a tanker was hit crossing the strait. But the

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com

two parties said they will stop fighting before markets reopen on Monday, 29. More ships are crossing the strait, but many remain stranded. It will take time to normalize the flow, if it ever does. Before the war, between 350 and 450 vessels per week were crossing the strait.

The real economy, for now, refuses to break. US retail sales rose close to 7% year-on-year in May, and the Atlanta Fed's GDPNow estimate for the current quarter stands near 2.5%. IT capex remains the main driver of economic growth in the US and around the world. Yet in the same month, the University of Michigan's consumer sentiment index, though it ticked up for the first time in four months, sat at its second-lowest reading in the survey's entire history, and a Wall Street Journal survey found that 86% of upper-income and 87% of working-class Americans no longer believe their children will live better than they did.

China sits on the other side of the same coin, where the optimism of early 2026 has faded again, with retail sales and fixed-asset investment both softening despite Beijing's stated intent to lift consumption. It is difficult to believe that GDP growth is running at a 4%+ clip when private consumption is crumbling.

Europe is also barely growing; it does not have a huge amount of hyperscalers' capex to rely on. Unemployment is low, and savings are elevated. There is potential for an acceleration in GDP growth should the sentiment improve.

The new chairman wants change

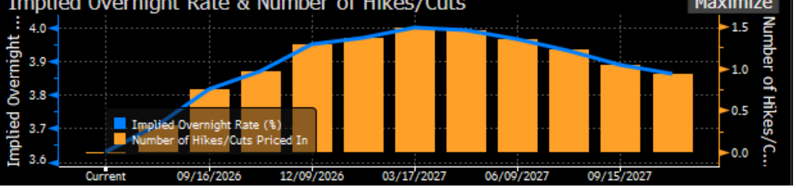
Investors were waiting on Kevin Warsh for his debut as Federal Reserve chair on June 17. His previous dovish comments led the market to think that he could be too lenient in the face of inflation pressures. The new chairman didn't meet expectations because the tone was more hawkish than expected. He trimmed the policy statement, declined to submit his own interest-rate projection, and launched five "independent task forces" to review everything from communication to the dot plot, deflecting most substantive questions with a variant of "we have a task force for that". On one point, he was emphatic: "We've missed for five years, and we're going to fix that," referring to the 2021 inflation spike and the slow FED response, and pledging that price stability would be delivered "unambiguously and unanimously." He would not, however, say whether that meant raising rates.

Markets supplied their own answer. The implied probability of a September hike jumped from roughly 30% to above 50% in a single session, a remarkable reversal for a committee that, before Iran's war, had been expected to cut. By month-end, traders were pricing at least one quarter-point increase this year. The FOMC committee itself is split down the middle, with roughly half seeing rates unchanged by year-end and half seeing them higher, which is precisely the moment Warsh chose to withdraw the guidance that might have anchored expectations. JPMorgan's chief economist, Michael Feroli, identified the deeper problem: discarding a

FOMC Rate Hike Probabilities (+1 = one hike of 0.25%)

Region: United States »
Target Rate 3.75
Effective Rate 3.63
Instrument: Fed Funds Futures »
Pricing Date 06/30/2026
Cur. Imp. O/N Rate 3.629

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
07/29/2026	+0.315	+31.5%	+0.079	3.708	0.250
09/16/2026	+0.750	+43.5%	+0.187	3.816	0.250
10/28/2026	+0.955	+20.5%	+0.239	3.868	0.250
12/09/2026	+1.290	+33.5%	+0.322	3.951	0.250
01/27/2027	+1.355	+6.5%	+0.339	3.967	0.250
03/17/2027	+1.482	+12.7%	+0.371	3.999	0.250
04/28/2027	+1.455	-2.7%	+0.364	3.993	0.250



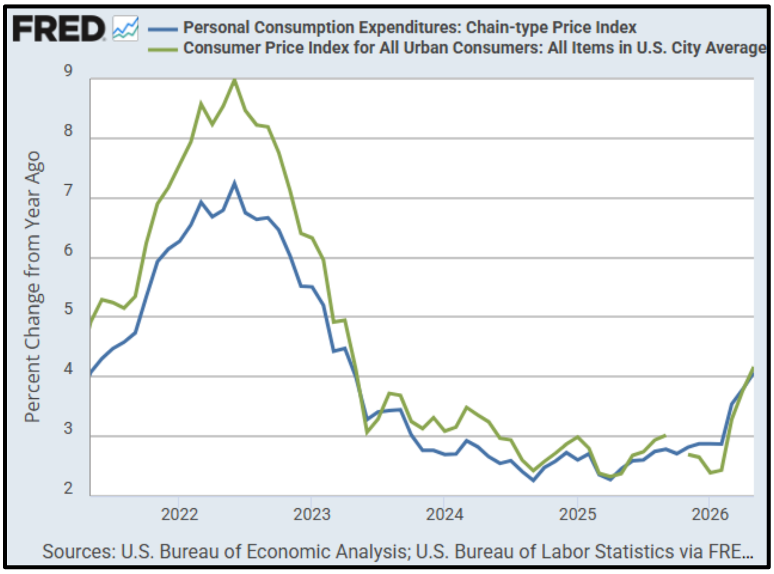
Source: Bloomberg

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com

forecast of the next move is defensible, but Warsh also discarded any account of how the committee reasons. "That's not forward guidance. That's having a framework". Whether the new chairman is the hawk of his first Fed tour (2006-2011) or the lower-rates sympathizer who auditioned for the chair remains, for now, a genuine unknown. Therefore, investors will have to wait to tell if Warsh is a pragmatist or a pleaser.

The data underwrite the hawkish posture. May PCE rose to 4.1% and core PCE to 3.4%, and headline CPI came out at 4.2%, more than double the 2% target. Yet market-implied inflation expectations moved in the opposite direction: ten-year break-evens (nominal 10y rate minus the 10y Treasury Inflation-Protected Security yield) fell from above 2.5% in mid-May to roughly 2.2% at the end of June, the lowest in over a year. The paradox, accelerating realized inflation against collapsing expected inflation, is the cleanest expression of how much credit the market has extended to Warsh before he has spent any of it.

US CPI (green) and US PCE YoY % Change



Source: Federal Reserve Of St-Louis

Elsewhere, the ECB hiked as expected in June with one more 0.25% step priced for 2026. The EUR 5y5y inflation swap also drifted lower over the month, evidence that the ECB remains credible. The ECB's own staff now projects more inflation and less growth for 2026 and 2027, with core HICP above target throughout the forecast horizon.

The Bank of Japan lifted its rate to 1%, the highest in three decades.

Currently, the question is not about whether inflation is out of control, because it is not the case, but whether central banks will be able to hold inflation expectations in line. The hawkish turn of the last few months shows they remain trusted by the markets for now.

The bad news is that as short-term rates rise and the long end falls, yield curves have notably flattened in the US and worldwide. Usually, it is a sign that economic growth is slowing. The good news is that government debt yields are not on the verge of exploding higher as investors feared a few weeks ago

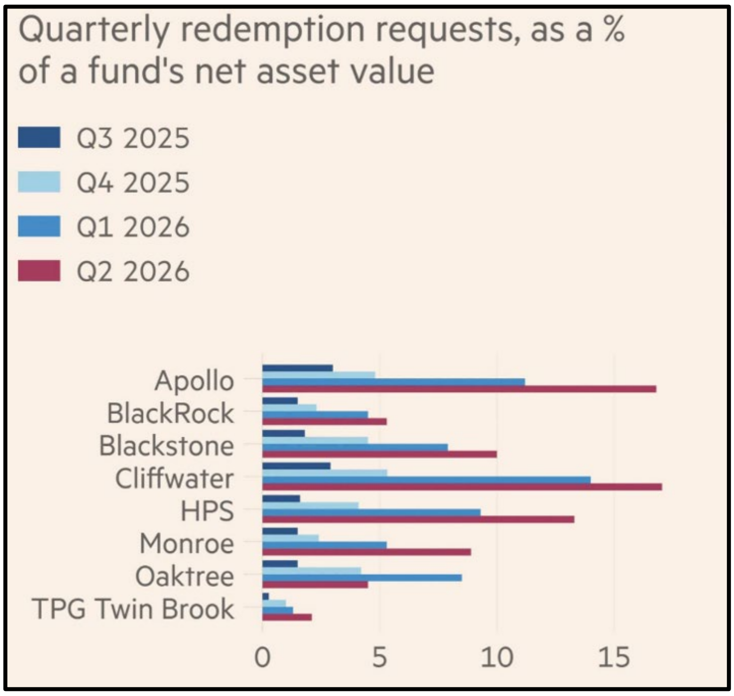
Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com

No problem brewing

Credit spreads are not moving; they remain close to their all-time lows. There is no stress in the capital markets, except for the lowest-rated issuers, single B and below, where spreads have been slowly widening over the past few months. Is it the classic early-warning signal? Too early to say; Like the US, emerging-market and European high-yield spreads are close to their decade lows. This is quite remarkable, given that the European economy is officially barely growing. That should send default rates higher. It is not the case.

In June, more private credit companies gated their investors. The most notable is probably Cliffwater, on June 2, for its huge Corporate Lending Fund (CCLFX). It had received requests for 17% of the 31 billion AUM, and allowed only 5%. Partners Group (Global Value Fund), Blackstone (Private Credit Fund, BCRED), Apollo (Debt Solution, ADS), and Ares (Strategic Income Fund, ASIF) also gated investors willing to exit. At first glance, one could conclude that the sector is under tremendous stress; it is only partly true. In general, there is enough cash to face redemption requests. But the goal is to protect the remaining investors and avoid fire sales that would negatively impact the funds' NAV. These funds enforced a contractual quarterly cap; this is not a hard freeze. Clients are nervous, but there is currently no evidence that the market is deteriorating rapidly. Nevertheless, Moody's had already revised its BDC sector outlook to Negative on April 7, citing redemption pressure and rising leverage. The market assumes the stress in private markets will not spread to the traditional capital market. As explained in previous months, banks are not exposed to the private credit sector in a manner that could put their financial health in jeopardy. Therefore, the 2008 scenario is not plausible.

Redemption Requests Across Private Credit Funds



Source: FT

The liquidity vortex

The US indexes remain supported by a handful of stocks. In June, the Nasdaq index was under pressure, reversing the previous month's gain. European equities edged higher, with defensives and financials leading, while emerging markets leaned on a handful of outliers in Taiwan and South Korea, but these indexes gave back monthly gains toward the end of the month with increased volatility. Breadth is an excellent indicator to test the health of a trend. Paradoxically, more SP500 stocks are trading above their 200-day average than at the end of May despite the index being slightly lower for the month.

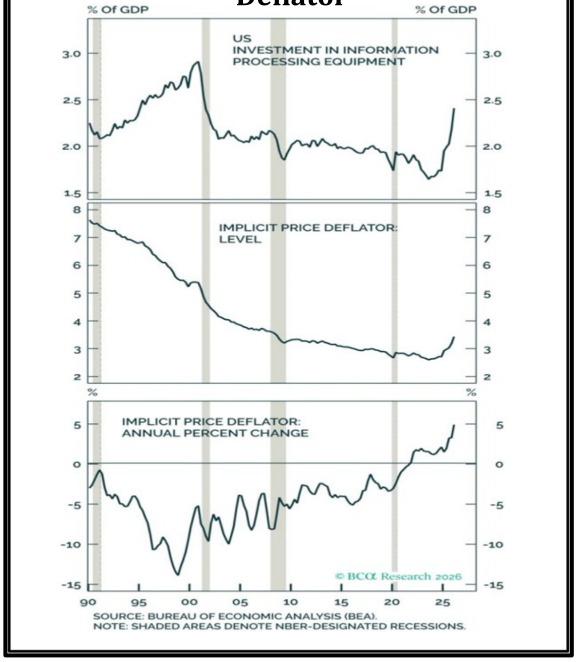
In the second half of July, the reporting season will start. FactSet consensus expects second-quarter S&P earnings growth of 23.1% and revenue growth of 12.1%. This is way more than expected at the end of Q1. Sales growth expectations for the IT sector have risen by 7 percentage points to 33%, and earnings growth by 72% to 122%! This is mainly due to the semiconductor sector. That industry is currently sitting at a

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com

bottleneck, like Nvidia was not so long ago. Therefore, sales and margins are exploding higher. The last example on the list is Micron. Its third-quarter revenue, released on June 24, quadrupled yoy to USD 41.46 billion, comfortably ahead of consensus. Its gross margin rose to 84% (ten-year average is around 35%). The company secured long-term contracts, which is a bit reassuring, because the industry remains dependent on cycles. For cyclical stocks, when the economy sags, sales shrink, and margins go negative. To alleviate these concerns, the company raised guidance, and management extended its memory-shortage call beyond 2027 because it takes time to build fabs and put in place the power and water they demand.

Chip supply will increase significantly in the coming years. On June 26, Samsung and SK Hynix in South Korea pledged to invest USD 648 billion (1,000 trillion won) in new plants over the next 10 years, spanning chips, AI data centers and batteries. To put this amount in perspective, it is one-third of South Korea's 2025 GDP. But advisers warn that projects may have to be pulled forward because demand is outpacing the capital region’s available power and water. This is not a joke!

US IT Spending As % Of GDP & Deflator



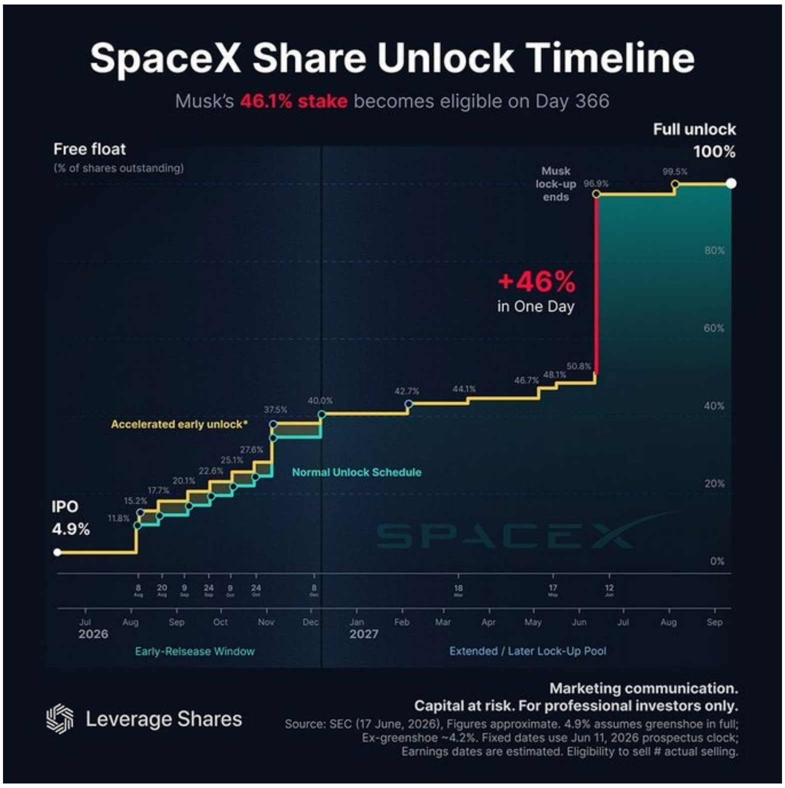
Source: BCA

What is different from previous cycles is that chip companies can raise prices. Up to now, obsolescence was driving prices lower; therefore, it was essential to produce new, better chips to maintain margins. On top of that, investment in information-processing equipment was relatively stable at around 2% of GDP. Over the last 12 months, that percentage has been rising sharply, along with prices, as shown on the BCA chart opposite. This is totally unusual, and investors are betting it will last much longer, something that the CEOs of these chip companies are ready to help believe.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com

The big event in June was the SpaceX IPO. Priced at 135 USD, the first two days of trading were a historic success. The stock rose immediately well above 200 USD, for a market cap of 2.8 trillion USD, or 145 years of 2025 sales. This is insane for a capital-intensive company that has never made money.

SpaceX Share Unlock Timeline



Source : Leverage Shares

The float will quickly grow because insiders will be able to sell after the 18 August earnings call.

The Nasdaq 100 index changed its rules to include the stock as of July 7. This will force passive investors to purchase a few billion USD of SpaceX shares.

The listing approaches 6% of US GDP by its market cap, dwarfing Facebook's 2012 listing, with a far larger insider unlock arriving six to twelve months out.

In contrast to the 90s when IPOs were meant to provide financing for start-ups, 2026 IPOs look more like a giant wealth transfer from insiders toward gullible retail investors and passive money. Will SpaceX defy gravity like Tesla can? Two days after its trading debut, SpaceX came to the capital markets to borrow USD 25 billion, 5 billion more than its 2025 turnover. It is considered investment grade.

BofA Fund Manager Survey shows that a net 15% of global fund managers now report being underweight European equities, up sharply from 4% in May, and a net 17% remain overweight the US. Where managers do expect AI to show up in European earnings, the dominant channel they cite is margin expansion through cost savings rather than new revenue. Until now, it remains to be proven that the implementation of AI has improved profitability. Anecdotally, it feels more like the opposite. A company needs to hire new capabilities, train its people on new systems and see its energy bill rise. Investors once again questioned whether software companies would become obsolete because of the AI revolution. Sector stock prices fell more than 10% in June after a brief respite in May. Europe and Switzerland did better, with financials and healthcare leading the rebound. The Eurostoxx600 and the Swiss Performance Index made new all-time highs in June.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com

Deflated

Oil has made a round trip in price. Brent has surrendered its entire war premium, settling at USD 72 on 26 June, its lowest since 27 February, as Hormuz flows were expected to recover. Will it be the case? The flow of vessels crossing the strait has grown. Goldman Sachs cut its fourth-quarter Brent forecast to USD 80 from USD 90 and now expects Gulf exports back to pre-war levels by the end of July, a month earlier than previously. This sounds incredibly optimistic given the level of uncertainty in the region.

Brent Oil Price

Oil is trading well below USD 100 a barrel, despite the loss of one-fifth of the world's supply for over three months and predictions that the market will soon hit a tipping point as stockpiles are exhausted.

What happened, why were specialists so wrong? The under-appreciated reason prices never spiked as forecasted comes from China. Chinese seaborne crude imports fell to roughly 7.5 million barrels a day over the past month, down from about 13 million a year earlier, as Beijing drew down the stockpiles it had accumulated at lower prices rather than chasing cargoes into a war premium *(Morgan Stanley, 4 Jun 2026)*.

There is a lack of data on Chinese inventories; estimates range as high as 1- 1.25 billion barrels. S&P Global puts the commercial inventory draw at 700,000 to 800,000 barrels a day through the third quarter, thanks to forced refinery run-cuts and curbs on diesel and jet-fuel exports; China's investment in electric vehicles, electrified rail and renewables acts as a buffer that held the demand decline to roughly 1.5 million barrels a day. Specialists did not foresee a fall in Chinese demand of this magnitude. The catch is that this cannot run indefinitely.

Global inventories fell by some 350 million barrels from March to May (IEA via WSJ, 24 Jun 2026), and the US strategic reserve is on track to reach roughly 243 million barrels by September, down from a 2009 peak above 700 million. Société Générale cautions that even on a clean reopening, meaningful supply relief does not reach buyers until late August, with normalization closer to September. Nevertheless, OPEC's own cohesion is crumbling; the UAE left the cartel in May, and Iraq is now threatening to follow unless granted a higher quota. Supply could increase in the coming months, further pressuring prices.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com

Top of the range

The dollar firmed on Warsh's hawkish, surprise tone, while one-month at-the-money implied currency volatility sits near all-time lows, a striking serenity given the geopolitical backdrop. A repricing of rate-hike odds is underway. After the FOMC, the dollar index rose above 100, exceeding its last 12-month trading range. Even as the Bank of Japan tightened its monetary policy. Currently, the dollar-yen exchange rate is hovering around 162 and is on the verge of breaking out of a 35-year trading range. Will it? Option price makers don't believe it; or, should it happen, it would be a gradual move because the price of uncertainty, i.e., implied volatility, remains low. That would be historic. Will it ignite tensions between Japan and the US? It is possible that, should inflation moderate in the summer, Mr. Warsh will take the opportunity to hint at a more accommodative rate policy, especially if the goal remains to reduce the size of the Fed's balance sheet. That could put some pressure on the greenback and end the current rally.

The Swiss franc softened modestly against the euro, near 0.92, though its long-term appreciation trend remains intact, but the SNB has reiterated its commitment to continued currency intervention.

Challenges ahead

Optimism is running high because AI will change the world. This is true, but the question is how. SpaceX was presented as an AI play, and it was a good test of (retail) investors' appetite for the AI theme. The IPO was a success at launch, but liquidity must come from somewhere, which is probably why the rest of the market was a bit weaker. Anthropic and OpenAI are expected to IPO in Q4, but it could be delayed to next year if market conditions worsen.

Inflation is up, but inflation expectations are cooling, and yield curves are flattening. It could herald a softening of the economy, but with corporate spreads remaining tight, the signal is difficult to interpret.

If the Iran saga is over, investors will turn their attention to the upcoming US midterm elections. Usually, it doesn't change the course of the market, because it has almost no impact on growth, inflation and public deficits. In the current context of a divided society, it will be important that everything goes smoothly.

Markets are difficult to read. The AI narrative has attracted flows on the assumption of unlimited long-term growth. The supply of shares hitting the equity markets is enormous. The second half of the year could prove challenging for the AI theme. Therefore, it is important to remain well diversified.

The US will celebrate its 250th birthday on July 4th. Will it allow Americans to reunite behind the flag, despite its divisive president? America is rich, but it is looking for its soul; it is not only a question of making money. Let us hope that its leaders will find a way to hail the fundamental virtues of the founding fathers. America must remain a land where everything is possible. Happy Birthday!

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1

+41 22 316 03 30 info@weisshorn-am.com www.weisshorn-am.com