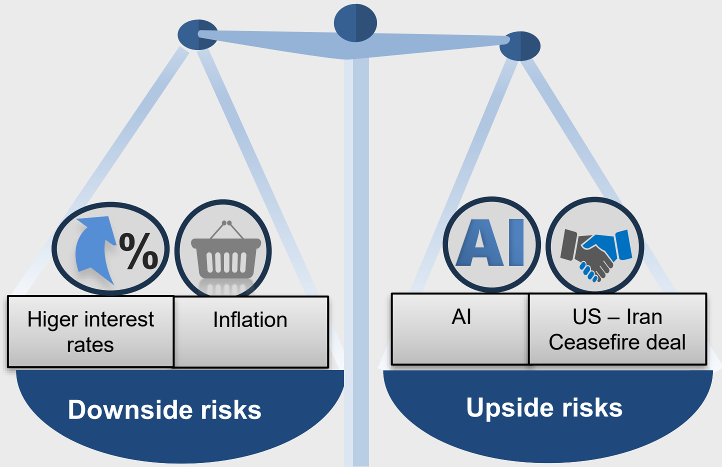
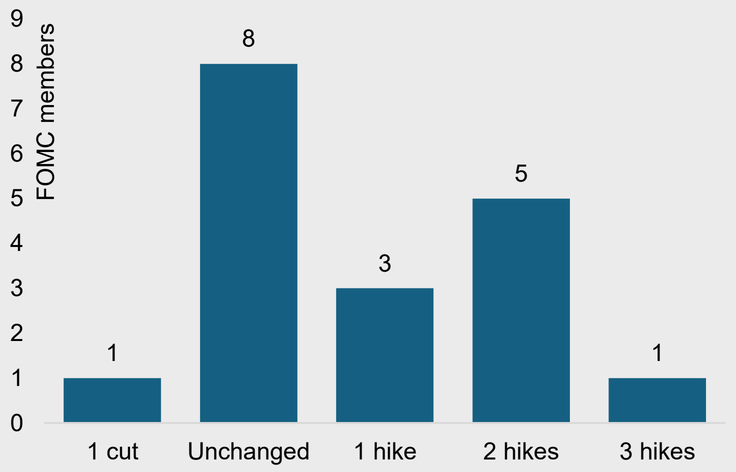
AI-driven growth and the Middle East ceasefire support the global economy

Global economy



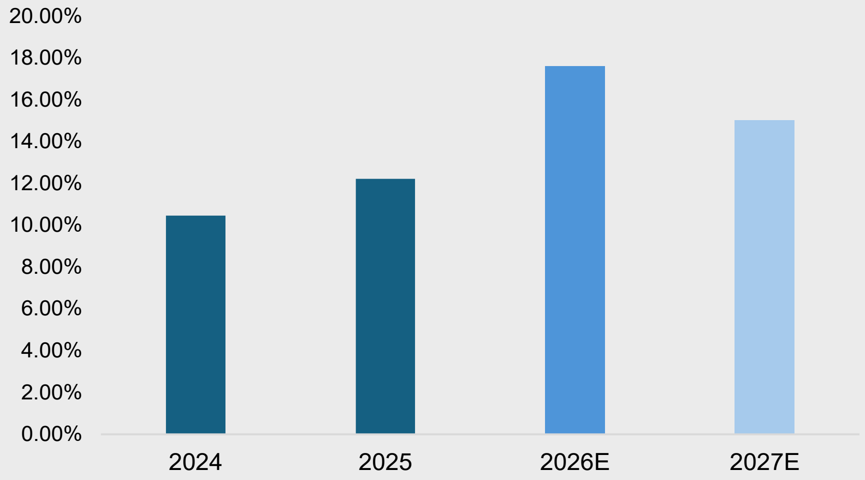
Central Banks face a dilemma: Proactive hikes or stand pat?

FOMC June meeting dot-plot projections for 2026



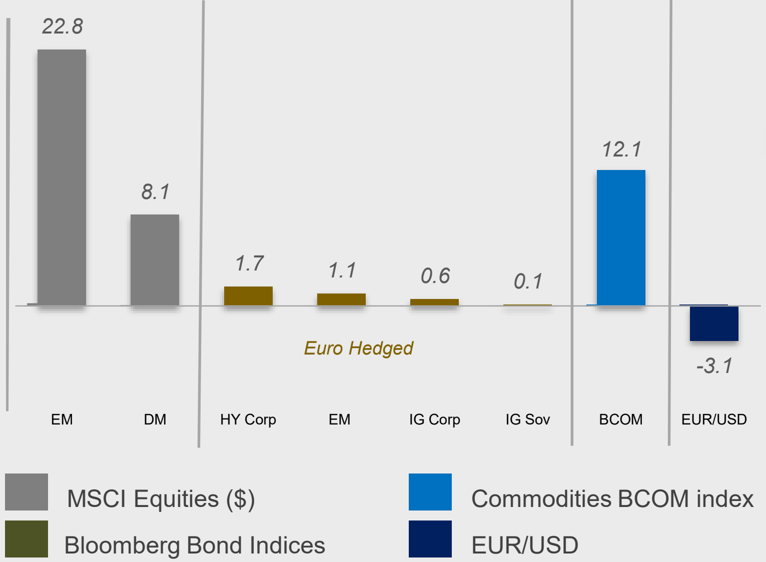
Solid corporate profitability underpins the equity market uptrend

MSCI all countries YoY earnings growth, 2024 – 2027E



Markets Performance, YTD

Total Return (%) 31/12/2025 – 26/06/2026



ALPHA BANK

Asset Allocation

Medium term investment horizon (6 months)

Equities

US	👍
Europe	↔
Japan	↔
Emerging	👍
Quality Stocks	👍
Strategic Autonomy	👍
AI beneficiaries	👍

Alternative Investments

Energy	↔
Gold	👍
Basic Metals	↔
Alternative Strategies	👍

Bonds

Government (€)	👎
Government ($)	👎
IG Corporate	👍
HY Corporate	👎
Emerging	👍

Navigator Q3 2026: Upward momentum despite persistent disruptions

➢ Summary

The global economy demonstrates resilience, while equity markets are posting all-time highs despite existing challenges. The US – Iran ceasefire, which restores maritime traffic through the Strait of Hormuz, has improved sentiment and eased stagflationary concerns. Market sentiment remains supported by optimism around AI prospects and expectations that AI adoption will extend across a range of economic sectors. Inflation remains the key challenge for governments and Central Banks. Although inflation concerns have eased following the ceasefire deal, price pressures have proved persistent. Central Banks are confronted with a difficult policy trade-off between pre-emptively tightening monetary policy or maintaining a wait-and-see approach until they have clarity on secondary inflationary pressures. We remain bullish on equities due to strong corporate profitability and ample liquidity conditions. Nevertheless, concentration, stretched valuations and the prospect of higher interest rates pose risks and may trigger short-term profit taking. From a regional perspective, we favour emerging markets. At the sector level, we maintain a preference for utilities and industrials, which offer diversification benefits. We remain underweight in government bonds as uncertainty surrounding the inflation outlook and fiscal concerns limit their attractiveness. That said, the recent moderation in short-term inflation expectations, combined with the fact that rate hikes are currently priced in the yield curves, makes us less negative on the asset class relative to the previous quarter. Finally, we maintain an overweight stance in hedge fund strategies, which have historically performed well during periods of elevated inflation and heightened market volatility.

➢ Key Takeaways

- The global economy continues to demonstrate resilience despite lingering inflation concerns.
- Central Bank interest rate trajectories have been revised higher, reflecting fears of potential second-round inflationary effects.
- Equity markets remain in an upward trend, supported by AI growth and the ceasefire agreement in the Middle East.
- Inflationary pressures and fiscal concerns continue to limit the attractiveness of government bonds.
- EUR/USD is in a short-term downtrend, driven by expectations of a more hawkish Fed and the US economy's widening growth differential against the Eurozone.

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