APRICUS FINANCE

WEALTH MANAGEMENT

Summer Update 2026

Equities Enter into Ludicrous Mode

As we suspected in our last report, the trigger for (at least) a correction in memory and semiconductor stocks, after the recent parabolic rally, would likely come from the Korean market and its two main companies, SK Hynix and Samsung, on steroids thanks to the domestic single stock leveraged ETFs, introduced just last May, that local retail investors rushed to buy.

Well both Samsung Electronics and SK Hynix in a month retraced their respective 70% and 125% rallies since early May, crushing retail investors on the way down.

On the US side, Micron, Credo Technology and Sandisk also suffered very large drawdowns. We imagined that we would have some rotation out of AI infrastructure stocks into sectors which were unloved until June, such as software and (most) of the Magnificent 7. We didn't imagine that the rotation would include pretty much everybody else, with all unloved 'old economy' and 'old technology' sectors rising. But equally impressive was the daily volatility amidst Q2 earnings' reports: moves of 5 to 20% for mega and large caps has been almost the norm.

In Asia, the Korean Kospi lost 22% in the month, off 42% from the peak, but including an 18% rally on the last day of the month.

In China, the Hang Seng Tech index, which notably comprises the 'old tech' companies such as Alibaba, Meituan and Tencent, rose 7% on the month, versus a drop of close to 9% for the domestic market, and 27% for the ChiNext 50, the index for growth and innovation stocks in Shenzhen.

In Europe, the rotation was also nothing short of spectacular: using indices developed by UBS as an example, on AI winners versus losers, the losers outperformed the winners by a margin of over 31%.

The huge daily volatility of single stocks (and sectors) is also thanks to geopolitics, as the US restarted the bombing of Iran, and with Iran responding by bombing US bases in neighbouring countries. At the same time, Trump and his lead megaphones continue to assert that a deal is near, (again), and that Hormuz will reopen soon. In the meantime, Iran activated the Houthis, over in the Red Sea, to block the strait of Bab-El-Mandeb.

Several announcements from China, also shook Western technology stocks, fearing a second 'DeepSeek' moment: from a flurry of new AI models, to the spectacular IPO of its DRAM champion CXMT, (which already controls about 10% of the world DRAM market), or to the announcement that a Chinese company will soon be able to deliver to companies SMIC Deep Ultra Violet machines, that are able to compete with ASML. Although they can't compete with the latest EUV technologies from ASML, this development is significant, and it means that China is advancing at a much faster pace than most experts expected.

We think that the recent releases suggest that China, despite all the US efforts to slow its development, via sanctions and other means, is gaining technology independence much faster than anyone anticipated. Some experts, such as the CEO of Hugging Face, (the platform for open models), are even saying that China is now leading in AI open models.

I would add this short comment from Poe Zhao, a Beijing-based tech analyst and founder of the Hello China Tech newsletter:

'The most important change since January 2025 is that China's progress no longer looks like a single-company breakthrough. The first DeepSeek moment looked exceptional. The recent releases suggest China now has a repeatable system for producing models close to the global frontier.'

And what about the global stock market amidst all of this? Well, the MSCI World finished up 0.1% for the month.

And a word on earnings, which are coming in strong, not only in cloud and AI infrastructure stocks:

- 48% of European results have come in ahead of expectations compared to 21% below, on track for the broadest beat since 2023.
- European earnings revisions breadth continues to accelerate from 4-year highs, with Financials, Industrials and Technology seeing the strongest upgrades.
- 86% of US companies have beaten EPS estimates, the best earnings beat rate in 5 years. (all figures from Goldman).

The 'New' US Central Bank

The US Federal Reserve (Fed), under its new Chairman Warsh has changed the way it communicates and indicated that in the future they could have a reduced number of meetings. No more 'dot plots', or forward guidance and hence explicit rate commitments into predetermined paths, and shorter press conferences.

That is all ok. Decades ago, there was no predetermined meeting, no press conference, and the simple announcement of a rate change. But we are in 2026, and at the last meeting what was missing was the framework: despite his tough talk about taming inflation, how does the Fed bring inflation down to 2%? Does it shrink its balance sheet, manoeuvre for tighter financial conditions via higher credit spreads and government yields or higher Fed Funds rates?

Investors dumped 30-year Treasury bonds, sending the yield shooting up as much as 14 basis points to nearly 5.23%, a 19-year high. 2-year bond yields dropped. Market measures of inflation expectations rose, (our inflation linker maturing in a bit over a year now implies 4.25% inflation), the dollar slid, and even stocks tumbled as investors wagered Warsh was only delaying an inevitable rate hike. Not taking action could backfire if inflation accelerates - we haven't seen 'second round effects' in inflation but we might do so soon.

In this context we can introduce the intervention in the foreign exchange market to strengthen the Japanese YEN, which we highlighted as a possibility in our last report.

Well, the Bank of Japan (BOJ) spent an estimated record amount 53 billion USD in a single day. But this time was different. The Fed allowed the BOJ to use a facility that provides the central bank with dollars using Treasuries as collateral: the facility enables Japan to access up to $60 billion per day without having to sell Treasuries. The Fed itself symbolically joined by (strangely) selling EUR against YEN, for the equivalent of 1 billion USD. This was the first coordinated action since 2011, after the Tsunami.

Trump described the joint financial action primarily as a 'signal of friendship' to Tokyo.

We are more cynical: the bond market in Japan has been stressed all year, as the BOJ is hesitant about raising rates, and inflation is stubbornly high, and a weaker YEN makes the situation worse, along with the trade balance. The US wanted to avoid a spill over into its own stressed bond market, as it could have faced higher bond yields in Japan, and selling by Japan into its own market to fund the intervention, as has been the case in February and April.

Japan is now by far the biggest holder of US debt well ahead of China: they stand at over 1.1 trillion, (they were higher at 1.2 earlier this year). In China over the last 12 years, the holdings dropped from 1.3 trillion to less than 800 billion. Of course, the US is a friend of Japan.

Strategy

In short:

- We are experiencing an historical investment Supercycle (CAPEX) and the AI revolution. Mega companies that once were 'capital-light' are now capital intensive.
- The developed economies have absorbed the energy shock caused by the war reasonably well.
- Surprisingly the Eurozone in Q2 outgrew the US despite the energy crisis.
- The Eurozone economic surprise index is at its highest in more than 2 years.
- Global macro surprises have been positive every day for 18 months.
- Employment in the US continues to be reasonably strong.
- Inflation in the Western world looks contained, even if it is too high in the US.
- Spending in the US continues to be strong, aided by strong stock markets.

At this juncture, we thus continue to be cautiously optimistic about equities and are currently running an overweight position in equities, which is also partly a result of the lackluster performance of fixed income. It is worth mentioning that one of our longstanding preferred exposure, Eurozone banks, continues to strongly outperform: at the time of writing, as a group, they are up 26% year-to-date.

We favor a balanced and diversified approach to sectors and geographies: we believe it is too early to dismiss the AI and AI infrastructure theme. At the same time, in recent weeks the markets have shown the benefits of having 'old economy' exposure such as (for example) consumer staples, pharma or telecom, when crowded sectors and stocks see profit taking and exposure adjustment. That is how we currently judge the recent July episode in the AI infrastructure and AI 'winners' stocks.

Within our strategies, in our Asian technology basket we balance the exposure to 'old technology' and memory/ semiconductor stocks. Within our European basket, after avoiding the sector this year, during the month we have added about 10% of software exposure.

Equity

We are slightly overweight. We keep an overweight in Eurozone and Asian equities versus the US ex. Mega Caps.

Fixed income

We continue to favor exposure to credit versus duration. However, we have increased the quality of our holdings. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt, insurance subordinated debt.

Foreign Exchange

The Japanese YEN exposure is entirely hedged, we now have 5% exposure to the US Dollar.

Gold

We keep our allocation to Gold of slightly over 2%.

Positioning

Overall Exposure

We are now slightly overweight Equities, and Underweight Fixed Income, with a reduced Gold position, Overweight Cash, JPY hedged.

Equity: Overweight

We have an Overweight to the Eurozone and an Underweight in US equities, Underweight US technology, Overweight Nasdaq 100 equal weight, Overweight S&P 500 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, European Champions.

Fixed Income: Underweight

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD. Long US inflation linker.

Thematic Fixed Income

Long Hybrids, Long Subordinated Financial Credit, Long subordinated European insurance bonds.

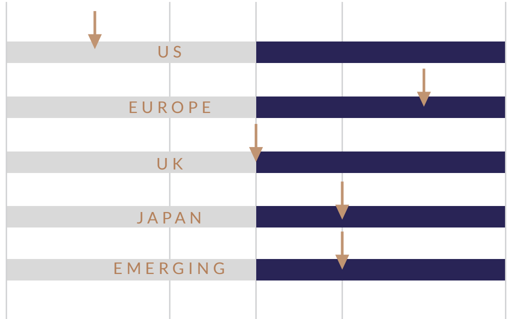
Currencies: Non USD-referenced portfolios are fully hedged YEN, have 5% exposure to the USD. USD-referenced portfolios are long EUR.

Commodities: Overweight

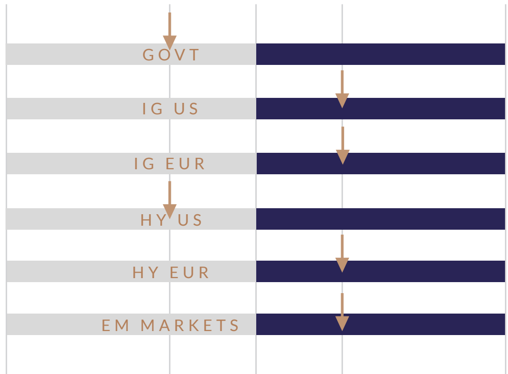
Long a small Gold position.

Conviction thermometer

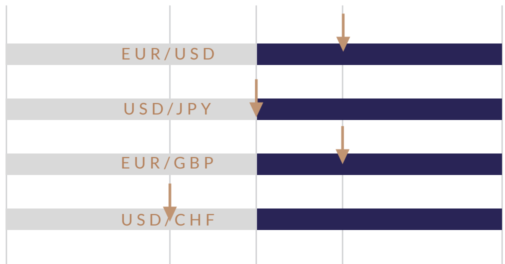
Equities



Bonds



Currencies



Commodities

Negative view   Positive view

Market Overview As Of July 31st, 2026

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD HEDGED EUR	530,84	0,86%	0,13%	9,61%
US S&P500	7 489,72	1,06%	-0,06%	10,12%
MAGNIFICENT 7 (CAP WEIGT.)	217,63	3,87%	4,81%	5,04%
NASDAQ 100	28 274,20	0,53%	-6,59%	12,38%
EUROPE EURO STOXX 50	6 358,01	1,24%	0,59%	12,35%
GERMANY DAX	25 629,24	2,11%	2,53%	4,65%
FRANCE CAC40	8 509,64	1,64%	1,33%	7,14%
BELGIUM BEL20	5 685,82	-0,85%	-1,14%	14,64%
SWISS MARKET INDEX	14 346,14	0,13%	1,07%	11,30%
UK FTSE100	10 868,05	1,23%	3,62%	11,48%
RUSSELL 2000	2 931,34	0,05%	-3,02%	18,98%
JAPAN TOPIX	4 003,30	-0,19%	0,22%	18,85%
MSCI EMERGING	1 666	2,36%	-3,03%	20,25%
MEXICO MEXBOL	66 936,99	0,83%	0,17%	5,91%
HONG KONG HANG SENG	25 884,43	3,69%	13,45%	2,99%
CHINA CSI 300	4 588,20	-1,24%	-7,41%	0,59%
INDIA SENSEX	78 094,64	2,71%	2,33%	-7,31%
KOREA KOSPI	6 595,45	-1,40%	-22,18%	57,55%
HANG SENG TECH	4 829,22	4,31%	7,98%	-11,86%
AUSTRALIA ALL-SHARE	5 836,47	1,17%	3,69%	11,15%

US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	456,61	5,37%	0,58%	1,39%
CONSUMER DISCRETIONARY	1 922,36	8,30%	0,82%	0,04%
CONSUMER STAPLES	940,96	1,15%	2,10%	10,31%
ENERGY	912,61	-0,16%	12,60%	34,74%
FINANCIALS	946,79	1,07%	6,16%	4,77%
HEALTH CARE	1 893,67	-0,01%	2,40%	5,96%
INDUSTRIALS	1 520,75	-1,58%	-3,01%	16,54%
INFORMATION TECHNOLOGY	6 553,95	-0,11%	-3,43%	15,65%
MATERIALS	627,22	-1,72%	-1,65%	10,12%
REAL ESTATE	286,59	-2,20%	2,52%	14,33%
UTILITIES	450,17	-4,21%	-2,23%	5,29%

EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	3 476,26	0,84%	1,38%	20,25%
CONSUMER GOODS	4 055,99	2,10%	1,71%	7,15%
CONSUMER SERVICES	1 388,31	1,10%	-0,27%	-7,39%
FINANCIALS	1 787,85	1,60%	5,98%	18,69%
HEALTH CARE	3 851,68	-0,54%	-1,53%	2,79%
INDUSTRIALS	5 510,61	2,17%	0,25%	10,51%
OIL & GAS	2 194,63	0,38%	10,02%	34,49%
TECHNOLOGY	2 447,03	-2,79%	-10,41%	19,64%
TELECOMS	728,00	1,11%	-2,30%	11,99%
UTILITIES	3 006,06	-2,95%	-1,00%	18,55%

Market Overview As Of July 31st, 2026

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	219,72	0,14%	-0,74%	0,20%
Euro Aggregate	246,33	0,03%	-1,47%	-0,19%
Pan-Euro HY Hedged Eur	483,76	-0,01%	-0,32%	1,34%
Global Inflation hedged EUR	237,91	-0,01%	-1,12%	-0,38%
US Corp High Yield	2 964,19	0,18%	-0,25%	1,71%
EM USD Aggregate TR	1 396,48	-0,04%	-1,30%	0,70%
EM Aggregate TR Local Ccy	167,08	1,03%	1,06%	2,75%
EUR Banks CoCo Tier 1	178,50	0,40%	-0,27%	2,11%
EU GOVT HEDGED EUR	214,17	0,02%	-1,72%	-0,84%
Global Aggregate Hedged EUR	217,78	0,01%	-1,14%	-0,88%

Commodities	Level	5D	MTD	YTD
GOLD	4 046,15	-0,16%	0,95%	-6,33%
COPPER	646,55	2,30%	4,41%	13,79%
OIL WTI	84,67	-5,20%	21,83%	47,46%
OIL BRENT	90,12	-6,88%	23,59%	48,10%

Currencies	Rate	5D	MTD	YTD
EURUSD	1,1527	1,38%	0,92%	-1,86%
GBPUSD	1,3483	1,19%	1,67%	0,06%
USDJPY	157,4000	-3,92%	-3,17%	0,44%
USDCHF	0,8075	-1,31%	-0,11%	1,88%
AUDUSD	0,7019	0,57%	1,45%	5,19%
EURCHF	0,9304	0,01%	0,77%	-0,04%
USDCNY	6,7531	-0,27%	-0,50%	-3,36%
USDKRW	1 471,95	-1,37%	-7,11%	
USDBRL	6,1774	-0,20%	-1,72%	
USDTRY	47,5119	0,37%	1,83%	10,61%
BITCOIN	62 899,25	-1,89%	7,26%	-28,24%

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