00:00:10:01 - 00:00:15:15
In June, global equities suffered a pullback narrowly led by technology stocks.

00:00:15:15 - 00:00:19:03
This episode signalled a shift in the AI narrative,

00:00:19:03 - 00:00:22:08
from a fundamental bull market driven by earnings

00:00:22:08 - 00:00:26:06
towards a dynamic increasingly driven by flows and positioning.

00:00:26:06 - 00:00:31:02
Leveraged strategies in this AI theme are reinforcing volatility,

00:00:31:02 - 00:00:36:08
by forcing market participants to buy into strength and sell into weakness.

00:00:36:08 - 00:00:41:05
In parts of the semiconductor sector, leverage-induced feedback loops

00:00:41:05 - 00:00:44:12
are becoming a dominant driver of volatility.

00:00:44:12 - 00:00:47:22
While we still see a fundamental case for AI,

00:00:47:22 - 00:00:52:01
hyper concentration suggests some caution.

00:00:52:01 - 00:00:55:18
For example, we took profits on emerging markets equities,

00:00:55:18 - 00:01:00:13
where the performance has been almost entirely down to three names.

00:01:00:13 - 00:01:03:12
We retain a positive stance on equities, supported

00:01:03:12 - 00:01:08:06
by most of our quantitative signals and a constructive fundamental backdrop.

00:01:08:06 - 00:01:11:16
Investors' positioning has generally normalised,

00:01:11:16 - 00:01:14:21
and sentiment is only modestly above neutral.

00:01:14:21 - 00:01:17:13
Fundamentals remain also strong.

00:01:17:13 - 00:01:20:22
Corporates have been delivering exceptional earnings,

00:01:20:22 - 00:01:25:15
with American large caps posting 28% growth over a year.

00:01:25:15 - 00:01:28:15
While technology is again a key contributor

00:01:28:15 - 00:01:31:08
and will likely be next quarter,

00:01:31:08 - 00:01:36:07
we are witnessing a significant broadening in earnings growth across sectors.

00:01:36:07 - 00:01:38:02
This broadening reinforces

00:01:38:02 - 00:01:41:24
our view that the current bull market is becoming more balanced.

00:01:41:24 - 00:01:46:04
While higher oil prices may weigh on second-quarter results,

00:01:46:04 - 00:01:50:08
we expect markets to look through any temporary weakness,

00:01:50:08 - 00:01:53:10
assuming the energy outlook stabilises.

00:01:53:10 - 00:01:57:24
Meanwhile, the US Federal Reserve welcomed a new chair, Kevin Warsh.

00:01:57:24 - 00:02:01:03
On his very first press conference, he operated

00:02:01:03 - 00:02:05:00
a clear shift in communication, with a more assertive tone

00:02:05:00 - 00:02:10:06
backed by the strength in recent data on consumption, employment and income.

00:02:10:06 - 00:02:14:20
US inflation is still running slightly above the Fed’s projections,

00:02:14:20 - 00:02:20:12
but this should improve as lower energy prices feed through in coming months.

00:02:20:12 - 00:02:24:24
On this side of the Atlantic, the European Central Bank hiked interest rates,

00:02:24:24 - 00:02:29:15
signalling rising concerns over the broadening impact of the energy shock.

00:02:29:15 - 00:02:34:18
As interest rates shifted lower, thanks in part to the fall in oil prices,

00:02:34:18 - 00:02:38:18
we have reverted to a neutral stance on duration.

00:02:38:18 - 00:02:42:21
Altogether, whilst we may have entered a late-cycle phase

00:02:42:21 - 00:02:47:13
in certain segments of the equity market, we are not yet at the end

00:02:47:13 - 00:02:52:16
and we remain in a supportive environment for a well-diversified multi-asset portfolios.

00:02:52:16 - 00:02:55:16
We are therefore confident that we should potentially

00:02:55:16 - 00:02:59:24
see positive returns in this second half of 2026.