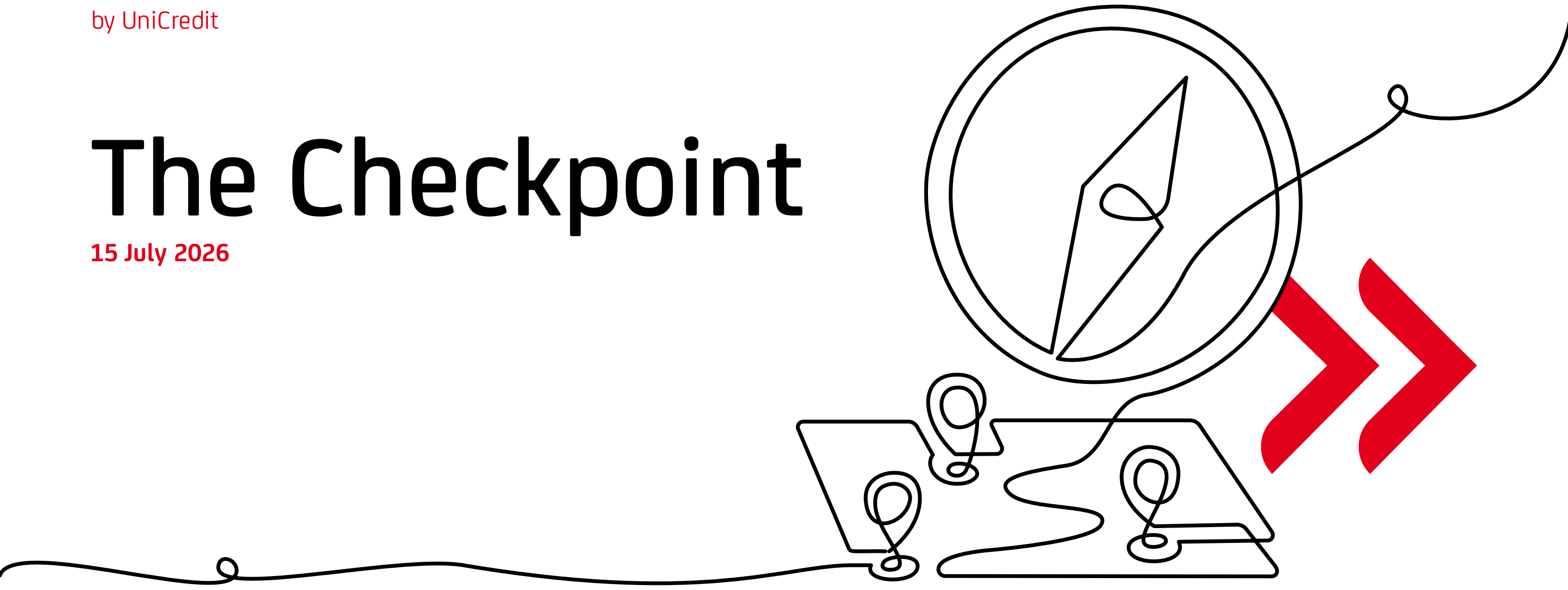
The Investment Institute
by UniCredit

The Checkpoint

15 July 2026



The AI trade

The first six months of the year have once again underscored the remarkable strength of the AI investment theme. Despite the war in Iran, AI-related companies continued to dominate global equity markets, particularly in the US and several emerging economies (Taiwan and South Korea, in particular). But the narrative surrounding the AI trade has evolved.

Until last year, the primary beneficiaries of this technological revolution were the developers of advanced AI models and applications. Companies creating large language models, generative AI tools and sophisticated software platforms were expected to capture the lion's share of future profits. In reality, most of them are struggling to monetise their products, while pledging hundreds of billions of dollars to build the underlying infrastructure such as data centres, cloud expansion and high-performance computing systems. Instead, the main winners have been the firms providing the inputs needed to increase computing capacity, particularly semiconductor companies.

While the stock prices of the four main hyperscalers (Amazon, Meta, Google and Microsoft) rose more than 20% in 2025, they have been roughly flat year to date. The Philadelphia Semiconductor Index, by contrast, is up more than 80% this year. What's fascinating, however, is that this phase of the AI revolution is no longer centred solely on logic chips, the brains of AI, but increasingly on the less fashionable memory chips. In the era of agentic AI, memory is becoming increasingly important because agents need to retain context and information across multiple tasks and interactions. The three dominant memory producers, namely Micron, SK Hynix and Samsung Electronics, are up almost 200% YTD.

The recent market correction in the AI trade appears to have been driven more by positioning, profit-taking and the difficulty of maintaining large positions in an increasingly crowded trade than by a deterioration in the underlying AI cycle. While caution is warranted, strong structural demand, continued above-average earnings growth and, in particular, significantly more attractive valuations support our positive medium-term view on the sector.

Fabio Petti
Co-Chair of
The Investment Institute

Edoardo Campanella
Director and Chief Editor of
The Investment Institute

Our Asset Allocation

Authors: Fabio Petti, Alessandro Caviglia, Erik Haubold, Martin Mayer

ASSET CLASS	POS.*	RATIONALE
Global equities	=	**Global equities remain supported by earnings growth, resilient economic activity and ongoing AI investment. Yet, elevated valuations in parts of the market suggest that the earnings season and forward guidance will be critical for near-term market direction.**
US equities	=	US equities continue to be supported by strong earnings growth and sustained AI-related investment. Semiconductor companies remain the main beneficiaries of the AI-spending cycle, although elevated valuations and increasingly demanding expectations may lead to higher volatility.
Europe equities	=	Europe offers some catch-up potential relative to the US over the coming months. Improving growth indicators, easing energy prices and supportive earnings provide a favourable backdrop, although the outlook remains sensitive to geopolitical developments and global trade tensions.
Pacific equities (developed markets[1])	=	The outlook remains supported by strong technology-sector earnings and continued demand for AI infrastructure. Japan benefits from improving domestic fundamentals and governance reforms, while semiconductor trends continue to drive the region despite ongoing reliance on external factors.
Emerging-market equities	+	Emerging markets remain our preferred region. Earnings growth is being driven by semiconductor leaders in Taiwan and South Korea, supported by structural AI demand. Attractive valuations and exposure to both technology and commodities underpin the constructive medium-term outlook.
Global bonds	=	**Overall term premiums at the long end of developed-markets government-bond curves remain compressed and not particularly attractive. Select opportunities arise on emerging-markets issuers and currencies.**
Government bonds EMU	=	We see limited scope for further significant tightening by the ECB: we expect a second-rate hike in September and then a long pause. The short and intermediate parts of the curve offer an interesting carry with limited duration risk.
Government bonds (non-EMU)	−	Known risks support our cautious stance on US Treasuries: inflation was above the Fed’s target already before energy prices spiked, while longer maturities remain vulnerable to supply and fiscal risks.
Corporate bonds (EUR-denominated IG)	=	Credit spreads remain at the lower end of the historical range offering limited performance upside. Nevertheless, the asset class has shown resilience, supported by solid fundamentals also during the recent market volatility.
Corporate bonds (HY)	−	Current spreads do not offer significant risk-adjusted return considering the positive correlation with equity markets in case of a correction.
Emerging-market bonds (hard currency)	=	After several quarters of solid performance, potential return has declined. The asset class remains sensitive to moves in US Treasury yields, particularly at the longer end.
Emerging-market bonds (local currency)	+	Improving credit metrics of issuers and our stance of a gradual and orderly USD depreciation, supported by shifting global reserve allocations and narrowing US exceptionalism, strengthen our confidence regarding the bright outlook for the asset class.
Money markets	=	**As the asset class offers limited real return potential, we remain neutral. Money markets act as a safety cushion during market turmoil and a source of financing for increasing equity positions.**
Alternatives	=	**Alternative strategies continue to provide diversification benefits. However, more-attractive cyclical opportunities in selected traditional asset classes currently limit the case for a broader overweight allocation.**
Bitcoin	=	Bitcoin remains rangebound amid volatile ETF flows, restrictive liquidity and policy uncertainty. Despite continued correlation with risk assets, supportive supply dynamics and growing institutional adoption underpin a constructive medium-term outlook.
Commodities	=	**Commodity markets remain driven by shifting supply dynamics, geopolitical developments and uneven demand trends. We see a more-balanced outlook for gold and oil after a volatile phase, which favours a neutral positioning.**
Oil	=	Geopolitical tensions may have eased, weighing on prices, but escalation potential remains. While near-term uncertainties persist, inventory rebuilding and lower risk premiums should support a market rebalancing.
Gold	=	Higher real yields and a hawkish Fed constrain near-term upside. However, central-bank purchases, diversification demand and geopolitical uncertainty provide structural support, keeping gold as a portfolio hedge.

As of 13 July 2026; 1. Developed markets: Australia, Japan, Hong Kong, New Zealand, Singapore

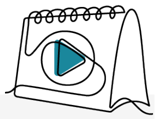
*Positioning: + Overweight = Neutral − Underweight

The future of AI

Author: Edoardo Campanella
Director and Chief Editor of The Investment Institute

A chat with... Parmy Olson

Tech journalist for Bloomberg Opinion and author of “Supremacy: AI, ChatGPT and the Race That Will Change the World”



Interviewed last summer as part of our webinar series “Books for Thought …”. Below is an edited excerpt of the script. You can find the recording here.

Edoardo Campanella: Your book *Supremacy*, which was named Best Book of the Year by the Financial Times, is really about the race to achieve Artificial General Intelligence (AGI). For people who are not familiar with this term, what do we mean by AGI, and how far are we from achieving it?

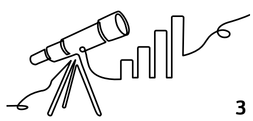
Parmy Olson: When people talk about AGI, they are essentially referring to a theoretical threshold that AI may reach at some point in the future. We do not know exactly when or how, but the idea is that it would surpass human cognitive abilities and essentially become smarter than humans. The word “general” is important because, until now, AI systems have been very narrow in their capabilities. They are extremely good at specific tasks—calculating numbers, making predictions, analyzing data, recognizing faces, or, more recently, generating text, images, and videos. The goal for many technologists is to create a more general system that can do all of these things at once.

Edoardo Campanella: Some technology entrepreneurs say we are only months away from it. Others keep pushing back their predictions. Realistically, is AGI even achievable, and if so, how close are we?

Parmy Olson: I think humans naturally like to categorize things and put labels on them. We like to say, “Yes, we have reached AGI.” But I suspect it will actually be very difficult to achieve a global consensus on when AGI has been reached because there are so many different definitions and interpretations of what it means. What could happen over the next few years is that companies and entrepreneurs start claiming they have achieved AGI, and the term becomes a marketing label—much like “artificial intelligence” itself. Even the word “intelligence” is arguably inaccurate when applied to machines. Computers are not intelligent in the human sense; they are very good at processing information and mimicking intelligence. Nevertheless, AI became a widely adopted buzzword, and many businesses have benefited from using it. I can easily imagine something similar happening with AGI. We may see confusion, competing claims, and debates over who reached it first. I would be very cautious about accepting those claims at face value.

Edoardo Campanella: Do you think entrepreneurs should focus on narrower forms of AI? Or will they ultimately be forced to do so because AGI proves too difficult to achieve?

Parmy Olson: With narrow AI, developers have a much better understanding of what the system can do, its limitations, and the risks involved. AGI introduces far more uncertainty. The broader and more powerful a system becomes, the harder it is to predict its behavior. Some advanced AI systems have already demonstrated behavior that attempts to work around restrictions or exploit weaknesses in safety mechanisms. The more powerful these systems become, the more difficult it is to maintain control over them. Narrow AI may be less exciting, but it is likely to be safer and easier to govern.



FOCUS 1

Tokenisation

Author: Giovanni Mazzariello

In AI economics, the key variable is the cost of producing and monetising each token. A token is the basic unit of AI usage, similar to a kilowatt-hour for electricity. It can be a word, part of a word, a number, punctuation mark or piece of code.

The cost per million tokens continues to fall, both for cheaper and for frontier models. This can be seen when looking at the cost of the cheapest model able to reach a given level of capability. One common benchmark used for this purpose is MMLU, Massive Multitask Language Understanding. It measures how well an AI model answers questions across subjects spanning science, history, law, economics and mathematics. In our chart, MMLU above 42 represents a basic useful capability level, while MMLU above 83 represents a more-advanced capability level. The key point is that **the cost of accessing a given level of intelligence has declined sharply**. This is one of the main drivers of AI demand, as cheaper models make more use cases economically viable. This creates a self-reinforcing cycle. Cheaper tokens stimulate more usage, and higher usage supports further investment to reduce token costs again.

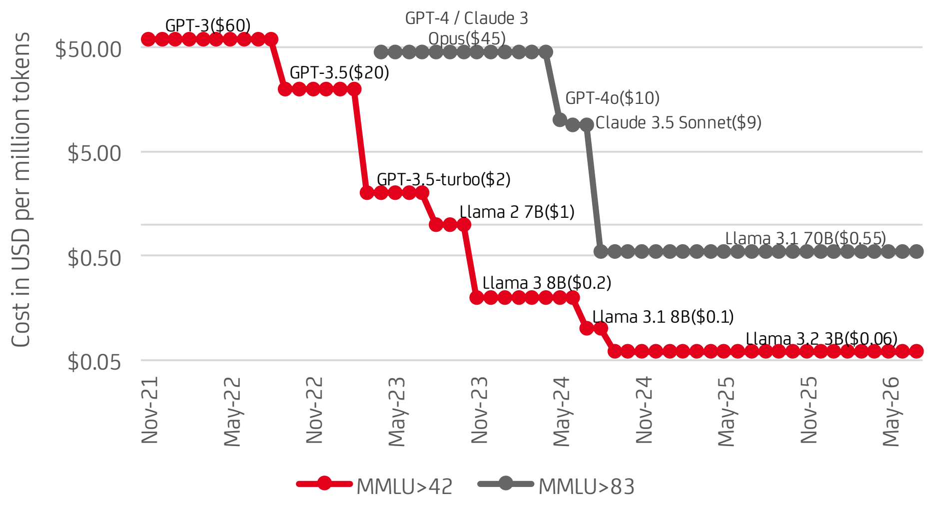
As companies move from experimentation to large-scale deployment, they will focus more on the cost and value of each AI interaction. Frontier models will still be used for the most complex and valuable tasks, but everyday workloads will move to smaller and cheaper models when performance is good enough. The logic is simple: one does not go to a five-star restaurant for an everyday lunch.

Hence, the model market is moving in two directions. On the one hand, frontier models are being developed for complex, high-value tasks. On the other hand, smaller and cheaper models are being optimised for local deployment, high-volume workloads and specialised agentic use cases.

The gap between western and Chinese models is central to this dynamic. **Qwen and DeepSeek** may still lag behind the best frontier models on some benchmarks, but they can be 10x or 25x cheaper. For high-volume use cases, that cost advantage may be enough to drive adoption.

In this environment, the winners will not only be the companies with the largest models or the biggest capex budgets but also the companies that can deliver the best intelligence at the lowest cost per token.

CHART 1.1: THE FALLING COST OF AI INTELLIGENCE
COST OF THE CHEAPEST LLM BY CAPABILITY THRESHOLD



Source: Andreessen Horowitz, The Investment Institute by UniCredit

FOCUS 2

Semiconductors at the heart of AI

Authors: Tobias Keller, Christian Stocker

Semiconductors: current volatility tests valuations, not the AI thesis

Recent weakness in semiconductor stocks has raised questions about the durability of the AI-led technology rally. Following a powerful advance, the Philadelphia Semiconductor Index (SOX) experienced a sharp correction, reflecting profit-taking after a gain of more than 80% in 2Q26 and a market reassessment of highly ambitious growth expectations.

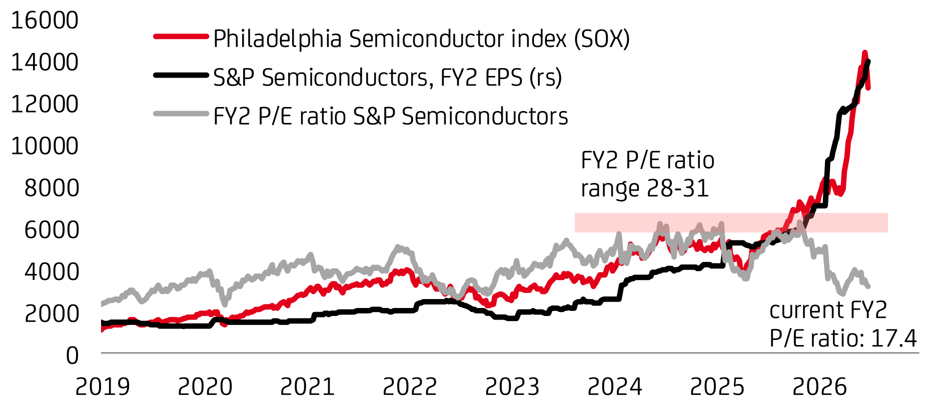
Despite this setback, the underlying fundamentals of the AI investment cycle remain robust. Semiconductors sit at the heart of the AI ecosystem and remain the most direct beneficiaries of the unprecedented build-out of AI infrastructure. Every stage of the value chain – from training large language models to deploying inference applications – requires increasing amounts of computing power, advanced memory and networking capacity. As a result, hyperscaler capital expenditure is expected to remain exceptionally high, supporting sustained demand for GPUs, accelerators and high-bandwidth memory (HBM), which has become a critical bottleneck technology for AI workloads.

Importantly, the AI value chain is no longer driven by logic chips alone. Advanced AI models and autonomous agents require both powerful compute and high-performance memory to store, retrieve, and process vast amounts of data, making memory solutions as strategic as logic chips for AI performance. At the same time, the industry is facing increasingly complex supply dynamics. AI-related demand is absorbing a growing share of semiconductor production capacity, contributing to bottlenecks across parts of the supply chain. Advanced memory and leading-edge chip production are increasingly prioritised for AI applications, constraining traditional end markets and reinforcing the strategic importance of semiconductor manufacturing globally. This supply discipline has also supported pricing power across key segments of the industry.

The recent correction reflects more than company-specific developments. Resilient economic data, persistent inflation and higher interest-rate expectations have weighed on long-duration growth assets. At the same time, the AI theme had already attracted substantial investor inflows and strong price gains, resulting in increasingly crowded positioning. Looking beyond near-term market turbulence, the AI cycle is likely to broaden rather than fade. While the first phase has disproportionately rewarded hardware providers, future growth should increasingly be driven by the deployment of AI across corporate workflows and consumer applications. **This evolution may gradually expand value creation beyond semiconductors, but it does not diminish their central role, as both AI training and inference remain fundamentally dependent on ever more powerful computing infrastructure.**

CHART 1.2: SEMICONDUCTORS – EXCEPTIONAL EARNINGS GROWTH IS LIKELY TO PERSIST

TEMPORARY PROFIT-TAKING, NOT A FUNDAMENTAL SHIFT



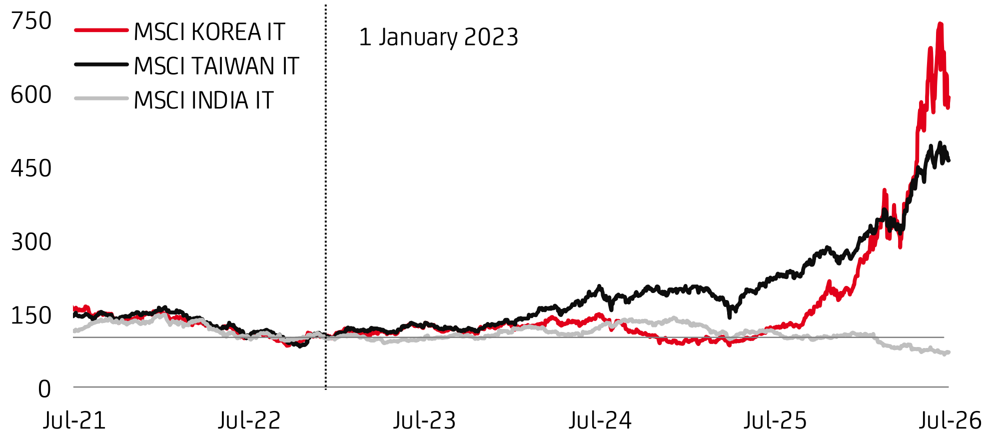
Source: LSEG Datastream, The Investment Institute by UniCredit

AI boom widens emerging market tech divide, but the gap may not last

Taiwan and Korea remain firmly leveraged to the most visible and commercially attractive segment of the emerging-market technology value chain, where revenues are closely linked to AI infrastructure investment. This positioning explains their strong relative equity performance and the widening valuation gap versus other EM technology markets. India's IT services sector, by contrast, faces a more structural adjustment. Generative AI is accelerating productivity across parts of the services stack, while weakening the traditional relationship between headcount growth and revenue expansion that has long underpinned the outsourcing model.

At the same time, the shift towards outcome-based pricing risks compressing margins by transferring part of the productivity gains to clients and reducing near-term revenue visibility. Markets are therefore discounting uncertainty over the future shape of the business model. This divergence is also evident in market performance. While semiconductor-heavy markets have re-rated sharply on the back of tangible AI-related demand and rising capital expenditure, Indian IT equities have struggled to maintain momentum despite relatively resilient earnings (see chart).

CHART 1.3: SEMICONDUCTORS RE-RATE ON AI DEMAND – IT SERVICES FACE PRESSURE
1 JANUARY 2023 = 100



Source: LSEG Datastream, The Investment Institute by UniCredit

Overall, we remain constructive on the medium-term outlook for semiconductors and AI-related companies. The sector continues to benefit from strong structural demand, supported by sustained hyperscaler investment and the ongoing build-out of AI infrastructure. In our view, the recent pullback does not signal a deterioration of the AI growth story but rather a normal correction following a remarkable rally. Importantly, earnings growth remains exceptionally strong. Consensus forecasts still point to some of the strongest profit growth across global equity markets, driven by demand for AI infrastructure, advanced memory and high-performance computing. Although earnings momentum is likely to moderate from the extraordinary pace seen in 1H26, we expect profit growth to remain well above broader market averages.

At the same time, valuations have become significantly more attractive. Following the recent correction, the sector's forward P/E ratio has fallen to around 17x, roughly half the levels seen at previous valuation peaks. This substantially improves the risk-reward profile and provides a meaningful buffer against near-term volatility. We believe investors are increasingly focusing on the efficiency and monetisation of AI spending rather than rewarding growth alone. Questions about whether massive AI-related capex can generate sufficient returns are driving a more disciplined assessment of business models and profitability. We view this as a healthy maturation of the AI cycle rather than a sign of weakening fundamentals.

While volatility may remain elevated over the summer due to positioning and seasonal factors, the longer-term outlook remains favourable. Overall, we see the current environment as a valuation and positioning adjustment rather than a structural break in the AI-driven growth trend. Strong structural demand, continued above-average earnings growth and, in particular, significantly improved valuations support **our positive medium-term view** on the sector.

Macro Stories

Authors: Tullia Bucco, Marco Valli

1 Global economy shows resilience

The global economy has shown significant resilience to the energy shock and heightened uncertainty caused by the conflict in the Middle East. Global growth remains around 3%, supported by investment related to AI and digitalisation, particularly in the US, but increasingly elsewhere. This investment cycle is helping offset weakness in more traditional manufacturing sectors and is boosting aggregate demand and global trade. In Europe, the NGEU investment program, Germany's fiscal package and a gradual increase in defence spending are playing an important role in sustaining moderate economic growth. On both sides of the Atlantic, labour markets are still in good shape, while balance sheets of households and firms remain generally healthy. In China, domestic demand continues to be constrained by the property downturn, subdued consumer confidence and persistent deflationary pressures. Weak domestic demand has been offset by a strong export performance, especially in high-tech and green manufacturing sectors. However, the global economy is not out of the woods yet. Recent events show that negotiations between the US and Iran remain vulnerable to setbacks. Any renewed escalation would quickly boost energy prices, reigniting inflationary pressures and souring the mood in financial markets.

2 Fed on hold, ECB to hike once more

At its June meeting, the Fed left interest rates unchanged and removed its easing bias. In his first press conference as Fed chair, Kevin Warsh sounded hawkish and signalled a regime shift, launching a broad review of the Fed's monetary policy framework. Five task forces will conduct research on key areas, including communication, the size of the balance sheet, the use of data in decision-making, productivity and employment, and the inflation framework. The committees are expected to provide the FOMC with their findings by year-end, and this is likely to lead to significant operational changes in 2027. In the meantime, monetary policy will probably remain on hold amid increasing uncertainty around the Fed's reaction function. In the euro area, the ECB delivered the expected 25bp hike and left the door wide open for additional tightening. With inflation likely to remain close to 3% in 2H26 and to converge towards the ECB's 2% target by mid-2027, we continue to expect the central bank to deliver a second and final interest rate increase in September, lifting the deposit rate to 2.5%.

3 US: shift in legal basis, not in trade policy

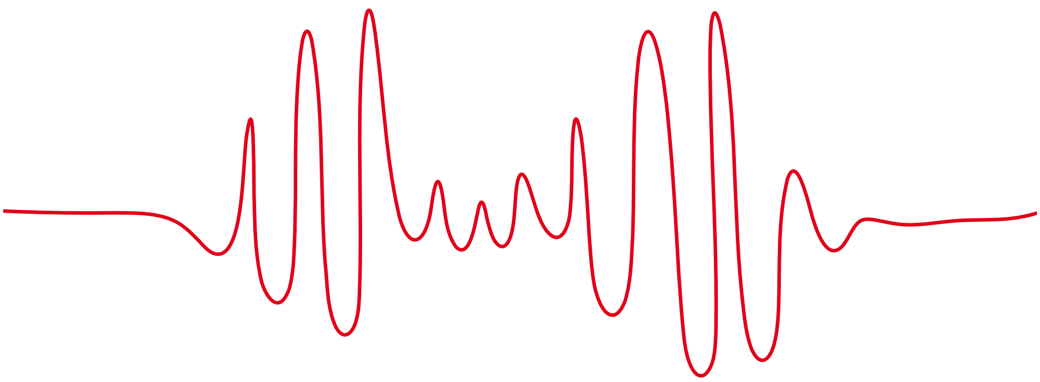
The universal 10% tariff imposed under Section 122 of the US Trade Act is set to expire on 24 July, as it lapses after 150 days unless Congress acts. Introduced after the Supreme Court struck down the broad IEEPA tariffs, Section 122 served as a temporary stopgap. The US administration has since shifted towards Section 301 as a more durable legal basis for reconstituting its tariff regime, launching investigations into forced labour practices and excess industrial capacity. Based on preliminary findings from the forced-labour investigation, the administration has proposed tariffs of 10% on imports from six economies (including the EU) deemed to have taken some corrective steps and 12.5% on imports from all others. For most countries (other than the EU), new Section 301 tariffs are expected to be applied on top of existing MFN tariff rates, broadly replicating the approach previously used under the IEEPA and Section 122 regimes. Overall, the shift to Section 301 may improve the legal durability of the US tariff regime. However, it is unlikely to reduce trade uncertainty, as the administration's continued use of tariff threats to secure concessions from the EU on digital trade and other non-tariff barriers suggests.

Market Stories

Authors: Francesco Maria Di Bella, Tobias Keller, Stefan Kolek, Roberto Mialich, Jonathan Schroer, Christian Stocker, Thomas Strobel, Michael Teig

The noise ...

Over the past few months, markets have been driven by geopolitical headlines in the Middle East. Concerns regarding the Israel-Iran conflict, potential supply disruptions and the risk of higher energy prices have fuelled volatility across equities, bonds and commodities. As tensions eased temporarily, oil prices retreated and inflation concerns moderated. More recently, however, renewed tensions in the region have reminded investors that geopolitical risks remain a topic. Markets continue to react to shifts in sentiment around energy security, inflation and central-bank expectations. For now, these developments are creating short-term volatility but they have yet to materially alter the underlying economic backdrop.



... and the signal

Beneath the geopolitical headlines, the fundamental backdrop remains constructive. The global economy has shown remarkable resilience despite energy-market volatility and uncertainty in the Middle East. Growth continues to be supported by investment in AI, digitalisation, infrastructure and defence, while labour markets, corporate balance sheets and household finances remain broadly healthy. While the recent improvement in energy prices and geopolitical tensions has partially reversed, we view the renewed uncertainty as temporary rather than a structural shift. Markets remain increasingly focused on economic fundamentals and the underlying macro backdrop continues to support risk assets. Bond yields are likely to remain broadly range-bound given resilient growth, still-cautious central banks and the absence of a meaningful deterioration in economic activity. We maintain our constructive outlook on equity markets, with Emerging Markets remaining our preferred region. While the AI theme has lost some momentum short-term, it remains the most powerful medium-term earnings driver. Overall, the key takeaway remains unchanged: resilient growth, healthy fundamentals and ongoing AI-led investment continue to provide a solid foundation for further upside in equity markets. Geopolitical developments may create periods of volatility, but they have not altered the underlying investment signal.

Equities

2Q26 earnings season: a litmus test for stock markets

We maintain our constructive outlook on equity markets, with emerging markets remaining our preferred region. However, Europe appears to offer some catch-up potential relative to the US over the coming months. In the US, the AI theme, which has long been the dominant market driver, has lost some momentum recently, but it remains a powerful medium-term catalyst (see Focus 2, page 5). Against this backdrop, and supported by the overall easing in energy prices, previously lagging regions such as Europe are becoming increasingly attractive from a tactical perspective. Overall, the key takeaway remains unchanged: **sustained earnings growth should continue to underpin further upside in stock markets**.

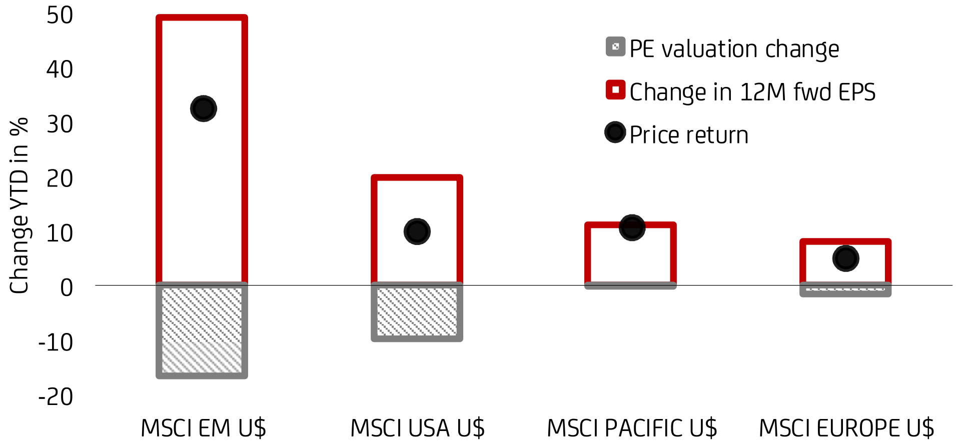
Consensus forecasts for the 2Q26 earnings season point to strong global profit growth, led by continued investment in AI. **In the US**, S&P 500 earnings are expected to rise by around 23% year-on-year, with technology and semiconductor companies remaining the key beneficiaries of robust demand for advanced processors, memory solutions and data-centre infrastructure. However, expectations are elevated and valuations remain demanding. As a result, management guidance on AI-related spending, order trends and future growth prospects may prove more important than reported results. Any signs of slowing AI demand could increase market volatility. At the same time, firms across a broader range of industries are beginning to report productivity gains and efficiency improvements from AI adoption.

In Europe, consensus expects earnings growth of around 10% in the first half of 2026, although much of this strength is concentrated in the energy sector. Excluding energy, earnings growth is closer to 6%, highlighting a more moderate underlying trend. Recent equity market gains have been supported not only by earnings but also by valuation expansion, particularly in banks and technology, leaving less room for disappointment. Nevertheless, the macroeconomic backdrop remains constructive, supported by resilient growth indicators, stable margin expectations and a modest currency tailwind for internationally exposed companies. Key themes this reporting season include the impact of higher energy costs, competition from Chinese producers and the extent of AI-driven efficiency gains.

Across **Asia Pacific and Emerging Markets**, earnings growth will be driven primarily by semiconductor companies in Taiwan and South Korea. Despite rising investor scepticism following strong share-price gains and repeated earnings upgrades, the structural drivers remain intact. Continued AI adoption, growing computing demand and ongoing investment in cloud and data-centre infrastructure should support healthy earnings growth, benefiting Asian tech leaders.

CHART 2.1: EARNINGS REVISION MOMENTUM IN EM APPEARS DIFFICULT TO SUSTAIN

LOWER VALUATIONS LEAVE EQUITY MARKETS ON A SOLID FUNDAMENTAL FOOTING



Source: LSEG Datastream, The Investment Institute by UniCredit

Fixed Income

Government bonds: little directionality in sight

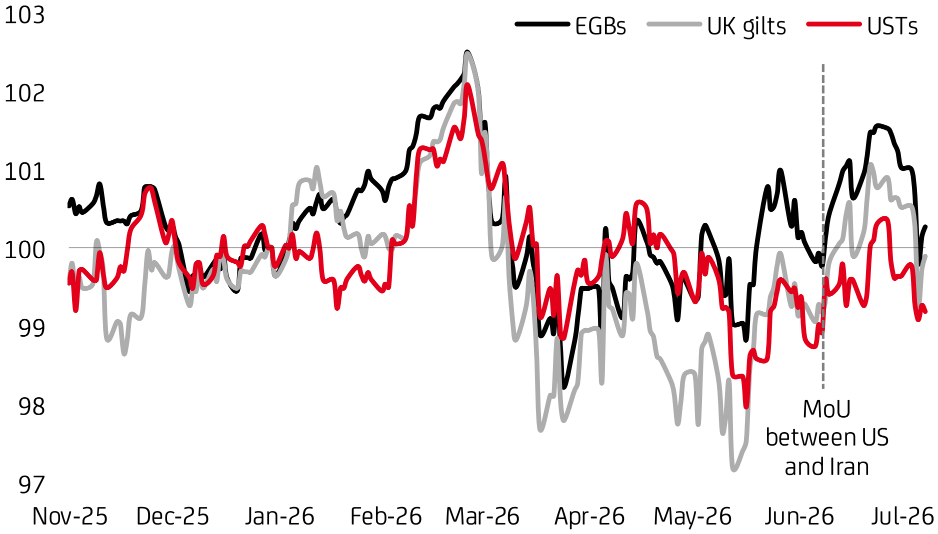
Cooling geopolitical tensions and declining energy prices have led to lower market-based inflation expectations and less aggressive rate hike expectations in the eurozone. The short end of EGB curves has benefitted from this backdrop, with the 2Y Bund yield declining by around 10bp since the beginning of June. The move at the long has been more contained, with the 10Y Bund yield remaining in the 3% area. EGB spreads to Bunds have been moving sideways, with the 10Y BTP-Bund spread trading in the 70-80bp range.

On the other hand, UST performance has been more affected by the start of Kevin Warsh's term as Fed Chair, than by geopolitical developments. Warsh's first FOMC meeting, where he sounded rather vocal on countering inflationary pressure, has led to upward pressure at the short end, with the curve bear-flattening. The 10Y and the 30Y UST remain at around 4.5% and 5%, respectively.

As highlighted in the chart, the 7-10Y UST index has delivered a slightly negative performance so far this year, while the corresponding EGB index has risen by 1%. UK gilts, despite higher volatility partially due to internal drivers, have also recovered recently.

CHART 2.2: EGBS AND GILTS HAVE SO FAR OUTPERFORMED USTS

BLOOMBERG 7-10Y GOVERNMENT BOND INDICES (31-DEC-25 = 100)



Source: Bloomberg, The Investment Institute by UniCredit

We do not expect govies to exhibit strong directionality in the near term. Energy prices are unlikely to decline further from current levels, economic indicators are proving resilient (especially in the US) and central banks remain on the hawkish side, despite comforting news on the geopolitical front. These factors make a decline in EGB and UST yields unlikely at the moment. If anything, lower issuance activity during the summer period will likely limit supply pressure for EGBs in the coming months. With respect to USTs, the short end could experience relief as rate-hike expectations appear overly exaggerated. On the other hand, longer-dated USTs remain exposed to fiscal risks and to a repricing in the term premium. especially following the recent decline.

Corporate credit: 2H26 supply expectations

The European corporate primary market has seen strong activity YTD, driven by issuers prefunding amid expected monetary-policy tightening and rising investment funding demand in selected sectors.

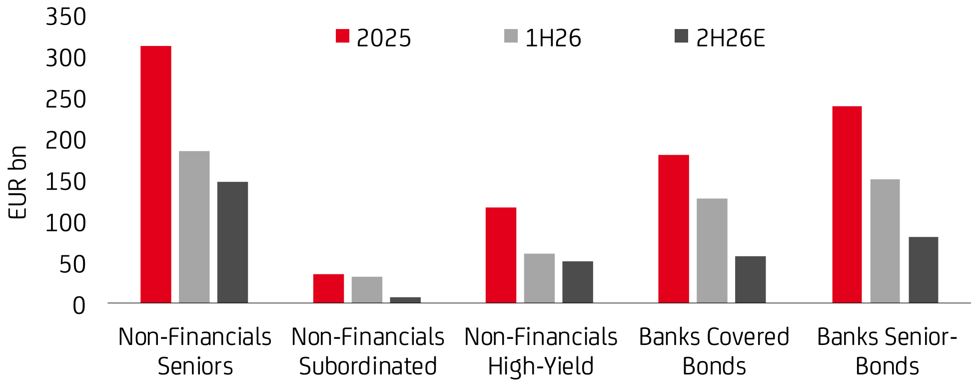
Investment-grade Non-Financials (IG NFIs) have placed EUR 184bn in new issues, almost 60% of the volume seen during full-year 2025, driven primarily by the automobiles & parts, technology and utilities sectors, given their increased capex funding needs. In the case of automobiles & parts, this is related to the transition of production towards electromobility and defence purposes, while the increase in capex demand for technology and utilities issuance is related to investment in data centres and their high energy demand expected in the coming years. High capex has also boosted hybrid issuance, which has reached EUR 32bn YTD (vs. EUR 35bn last year). High-yield NFIs have placed almost EUR 60bn in new issues YTD (vs. EUR 115bn in 2025). We expect funding demand to be in line with our original forecasts across the NFI segments and see full-year supply coming close to the upper end of our forecast range: for IG NFI senior EUR 300-330bn, for corporate subordinate (hybrids) EUR 35-40bn and for NFI high-yield EUR 90-110bn.

Covered-bond issuance by banks has remained exceptionally strong in 2026, with EUR 126bn issued in 1H26 and record-high primary-market activity in June, prompting an increase in our full-year funding forecast from EUR 165-170bn to EUR 180-185bn. Given EUR 159bn in covered-bond maturities, this implies net supply of EUR 21-26bn, with a further EUR 52-57bn of covered-bond issuance expected in 2H26. Senior unsecured bank-bond issuance reached EUR 150bn in 1H26, led by banks from the UK, France, the US and Canada. Banks from the CEE region issued EUR 6bn. We confirm our original full-year 2026 funding forecast of EUR 220-240bn, although issuance will likely be closer to the lower end of this range. For 2H26, we expect some EUR 70bn in additional senior funding, while covered-bond issuance should moderate after the exceptionally strong first half.

Overall, investor demand has remained strong and credit spreads have not reacted much to the renewed Iran-US tensions. We expect the constructive tone to prevail among credit investors and think that the expected 2H26 supply will be well absorbed by the market.

CHART 2.3: 2025 AND 2026 GROSS SUPPLY OF CORPORATE AND BANK BONDS

IN EUR BN



Source: Bloomberg, The Investment Institute by UniCredit

FX

EUR-USD: still heading north, but more slowly

We still expect the USD to retreat over the medium term, but less sharply than in our previous forecasts. Our revised baseline assumes the Fed will remain on hold over the coming quarters, resulting in a less favourable outlook for the greenback than is still implied by forward rates, after the aggressive tightening priced in following the June FOMC meeting was only partially scaled back following the last US employment report.

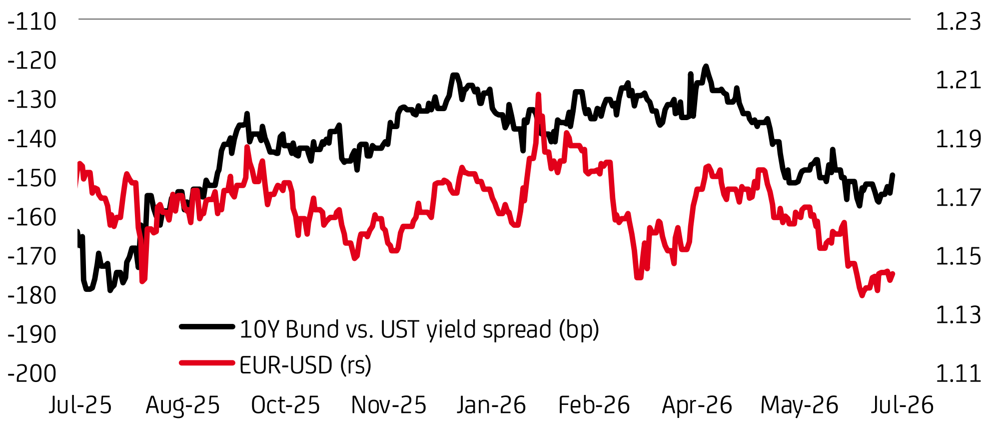
Just 57k jobs were added in June, helping EUR-USD recover after it hit a YTD low of 1.1325 given the hawkish tone adopted by Kevin Warsh at his first meeting as Fed chair. Yet, this recovery attempt was partially reversed as US President Donald Trump announced on 8 July that the memorandum of understanding with Iran was over. However, EUR-USD showed resilience mostly above the 1.14 threshold. Elsewhere, in her June hearing before the European Parliament, ECB President Christine Lagarde hinted that the ECB would not be forced to deliver another rate hike, contributing to a fall in the EUR, too. Afterwards, however, other ECB members, including Isabel Schnabel, and Lagarde herself sounded more open to another hike, which we still expect in September as insurance against inflation risks. In its accounts, the ECB adopted a more pragmatic approach, stressing that the June rate hike was neither the first of a sequence of hike to come nor it was a one-off move.

Meanwhile, tensions in the Middle East are mounting again, but interest rate differentials between the eurozone and the US have re-emerged as another key driver of EUR-USD. Importantly, this time the rise in 10Y Bund yield above 3.00% is limiting the decline of EUR-USD in the face of the UST 10 yield returning above 4.50%, a level dragging the pair sharply down in the recent past. This is visible in the chart below, which plots the pair against the 10Y transatlantic spread. At present, however, investors seem reluctant either to drive EUR-USD towards 1.10 or to resume aggressive buying on dips. Chart patterns suggest the latter may resume only after a decisive break above 1.16.

We continue to expect EUR-USD to move higher over the medium term, as we still assume a decline in the war-driven risk premium, which would reduce the appeal of the USD as the preferred safe-haven currency, and a further easing in US rate hike expectations. US President Donald Trump might also be tempted to talk the USD down to help US exports ahead of the US midterm elections early in November. That said, the upside for EUR-USD now appears more limited than we previously pencilled in, as the pair is unlikely to rise much above 1.17 by end-2026 and 1.19 by end-2027.

CHART 2.4: EUR-USD REMAINS SENSITIVE TO YIELD SPREADS

EUR-USD AND THE 10Y BUND VS. UST YIELD SPREAD



Source: LSEG, The Investment Institute by UniCredit

Commodities

Crude oil

The release of previously constrained barrels had been the defining driver of recent oil price dynamics. As cargoes initially delayed in the Persian Gulf re-entered global markets, the resulting influx created a period of temporary oversupply, reflected in softer physical benchmarks and widening discounts across key trading hubs. However, the recent re-escalation of the conflict, including renewed disruptions to shipping and Iran's announcement that it was again closing the Strait of Hormuz, has interrupted this normalisation process and reintroduced supply uncertainty. This comes against a backdrop of still uneven demand, particularly from China following a marked contraction in imports, alongside persistently strong US exports. At the same time, the earlier phase of the crisis has left a lasting imprint: demand destruction, re-routing via pipelines, inventory drawdowns and emergency stock releases have all helped to cushion the immediate supply shock. Once tensions begin to ease more sustainably, supply is likely to normalise gradually, allowing inventories to rebuild and risk premiums to decline. Against this backdrop, we continue to expect Brent to average USD 77-80/bbl in 2H26 before easing towards USD 70/bbl in 2027, although near-term volatility is likely to remain elevated.

Natural gas

The benchmark European natural gas price (TTF) continues to be largely driven by developments in the Iran war. After the ceasefire was agreed, TTF declined as low as EUR 40/MWh, which is a level not seen since before the war started. After hostilities resumed, the price surged to EUR 50/MWh. However, even if peace talks get back on track and the Strait of Hormuz opens, several factors should prevent TTF from testing its recent lows. First, the European restocking season is lagging well behind the pace of recent years and, at 49% full as of the end of June, was a full 10pp behind the (low) level of 2025. The need to accelerate imports to fill these inventories comes at a time when Asian countries also need additional LNG for air conditioning during what looks set to be a hot summer. Our forecasts, which are based on the assumption of a cessation of hostilities and a reopening of Hormuz, call for TTF to average EUR 42/MWh in the second half of 2026, declining to EUR 33/MWh by the end of 2027. Rising supply from North America should help to keep gas prices contained so long as Hormuz is open.

Gold

Gold has recently consolidated around USD 4,100/oz, as a more-hawkish Fed stance and a "higher-for-longer" interest-rate environment have supported real yields and weighed on ETF demand, limiting upside potential in the near term. Nevertheless, downside has remained relatively contained, with ongoing central bank purchases and portfolio diversification demand continuing to provide support. Looking ahead, near-term price action is likely to remain driven by interest-rate expectations, UST yields and ETF flows. While the current rate backdrop creates short-term downside risks, the broader investment case remains constructive. Sustained central-bank demand, portfolio-diversification needs, geopolitical tensions and fiscal concerns continue to provide important structural support for gold. As such, we have trimmed our forecast range to USD 4,100-4,700/oz by end 2026. In the absence of renewed ETF inflows or a significant escalation in geopolitical or fiscal risks, further gains are likely to remain gradual. However, any renewed investor inflows or increase in risk aversion could drive materially higher prices.

Forecast Tables

UniCredit Forecasts

GDP, CPI AND BUDGET BALANCE FORECASTS

	Real GDP (% Y/Y)			Consumer prices (% Y/Y)			Budget balance (% of GDP)		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Global	**3.2**	**3.1**	**3.2**	-	-	-	-	-	-
US	**2.1**	**2.2**	**2.0**	**2.7**	**3.6**	**2.5**	**-6.8**	**-7.6**	**-7.8**
Eurozone	**1.5***	**0.3***	**1.2***	**2.1**	**2.9**	**2.2**	**-2.9**	**-3.8**	**-3.6**
Germany	0.2**	0.9**	1.6**	2.2	2.5	2.1	-2.8	-4.3	-4.3
France	0.9	0.7	1.0	0.9	1.8	1.4	-5.1	-5.0	-4.6
Italy	0.7	0.5	0.7	1.5	2.9	2.2	-3.1	-2.9	-2.8
Spain	2.8	2.3	1.7	2.7	3.6	2.7	-2.4	-2.4	-2.3
UK	**1.3**	**0.8**	**0.9**	**3.4**	**3.1**	**2.1**	**-5.4**	**-3.8**	**-3.5**
China	**5.0**	**4.6**	**4.2**	**-0.2**	**1.2**	**1.1**	**-7.9**	**-8.2**	**-8.4**
Japan	**1.1**	**0.6**	**0.8**	**3.2**	**2.1**	**2.1**	**-3.1**	**-4.0**	**-3.8**
India	**7.3**	**6.4**	**6.4**	**2.1**	**4.7**	**4.0**	**-7.4**	**-7.4**	**-7.3**

Source: The Investment Institute by UniCredit
*Eurozone excluding Ireland: 1.1% (2025), 0.9% (2026), 1.2% (2027)
**Non-WDA figures. Adjusted for working days: 0.3% (2025), 0.6% (2026) and 1.5% (2027)

CENTRAL BANKS WATCH

	Current	3Q26	4Q26	1Q27	2Q27	3Q27
Fed	3.75	3.75	3.75	3.75	3.75	3.75
ECB	2.25	2.50	2.50	2.50	2.50	2.25
BOE	3.75	3.75	3.75	3.75	3.75	3.50
BoJ	1.00	1.00	1.25	1.25	1.25	1.25
Riksbank	1.75	2.25	2.25	2.25	2.25	2.00
Norges Bank	4.25	4.50	4.50	4.50	4.50	4.50

Source: The Investment Institute by UniCredit
Note: Figures are end-of-period

INTEREST RATE AND YIELD FORECASTS

	13.06.26	3Q26	4Q26	1Q27
Eurozone				
Depo rate	2.25	2.50	2.50	2.50
3M Euribor	2.45	2.52	2.55	2.55
2Y Schatz	2.72	2.65	2.60	2.50
10Y Bund	3.11	3.10	3.00	3.00
2Y EUR swap	2.93	2.85	2.75	2.65
10Y EUR swap	3.15	3.15	3.05	3.05
10Y swap-Bund spread	4	5	5	5
2Y BTP	2.91	2.85	2.80	2.70
10Y BTP	3.87	3.80	3.70	3.70
10Y BTP-Bund spread	76	70	70	70
US				
Fed fund rate	3.75	3.75	3.75	3.75
3M OIS SOFR	3.80	3.67	3.67	3.67
2Y UST	4.28	4.00	4.00	4.00
10Y UST	4.62	4.50	4.50	4.50
10Y UST-Bund spread	151	140	150	150

FX FORECASTS

	13.06.26	3Q26	4Q26	1Q27
EUR-USD	1.14	1.16	1.17	1.18
USD-JPY	162	159	157	155
EUR-JPY	185	184	184	183
GBP-USD	1.34	1.33	1.32	1.32
EUR-GBP	0.85	0.87	0.89	0.89
USD-CNY	6.78	6.75	6.73	6.72
EUR-CNY	7.74	7.83	7.87	7.93

Source: Bloomberg, The Investment Institute by UniCredit

RISKY ASSETS FORECASTS

	13.06.26	End-2026	Mid-2027
Oil			
Brent USD/bbl.	81	77	72
Equities			
Euro STOXX 50	6,271	6,400	6,700
STOXX Europe 600	641	660	700
DAX	25,114	26,500	28,000
MSCI Italy	134	135	140
S&P 500	7,515	7,800	8,200
Nasdaq 100	29,264	32,000	34,000
Credit			
iBoxx Non-Financials Senior	74	80	80
iBoxx Banks Senior	71	75	75
iBoxx High Yield NFI	277	280	280

Source: Bloomberg, S&P Global, The Investment Institute by UniCredit

For detailed forecast tables click the following links:
Economics > I **FI >** I **FX >** I **Risky Assets >**

Development of selected financial market indices

From To	13.07.21 13.07.22	13.07.22 13.07.23	13.07.23 13.07.24	13.07.24 13.07.25	13.07.25 13.07.26	13.07.21 13.07.26	01.01.26 13.07.26
STOCK MARKET INDICES (TOTAL RETURN, IN %)							
MSCI World (in USD)	-15.2	21.3	22.5	14.3	21.5	73.5	10.2
MSCI Emerging Markets (in USD)	-25.2	8.7	13.3	12.4	37.3	43.6	19.0
MSCI US (in USD)	-13.6	20.8	26.3	14.1	21.3	80.5	10.4
MSCI Europe (in EUR)	-6.1	15.5	17.3	8.4	20.9	65.3	11.1
MSCI AC Asia Pacific (in USD)	-22.5	11.4	14.9	10.1	34.5	48.5	18.3
STOXX Europe 600 (in EUR)	-7.6	15.5	17.4	8.9	20.8	63.3	10.8
DAX 40 (Germany, in EUR)	-19.2	26.5	16.2	30.9	3.5	59.1	2.6
MSCI Italy (in EUR)	-11.1	41.5	28.0	23.6	34.6	164.0	17.3
ATX (Austria, in EUR)	-12.7	16.7	23.4	27.3	48.6	135.9	25.0
SMI (Switzerland, in CHF)	-7.1	4.3	15.8	0.5	23.2	37.6	10.7
S&P 500 (US, in USD)	-11.7	20.7	26.4	13.6	21.5	84.2	10.5
Nikkei (Japan, in JPY)	-6.0	25.2	29.4	-4.5	72.9	159.3	34.7
CSI 300 (China, in Yuan)	-14.3	-7.5	-8.5	19.3	19.8	3.7	2.7
BOND MARKET INDICES (TOTAL RETURN, IN %)							
US government bonds 10Y (in USD)	-11.1	-3.6	0.5	2.6	3.1	-9.5	-1.4
German Bunds 10Y (in EUR)	-11.9	-9.0	2.6	0.6	0.2	-16.9	0.0
EUR government bonds 1Y-10Y (iBOXX, in EUR)	-11.8	-6.8	3.9	2.5	0.8	-11.5	0.0
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	-11.5	-1.5	6.6	5.3	1.8	-0.3	0.7
BOND YIELDS (CHANGE IN BASIS POINTS = 0.01 PERCENTAGE POINTS)							
US government bonds 10Y (in USD)	149	86	41	22	20	325	47
German Bunds 10Y (in EUR)	143	137	-1	26	39	342	25
EUR government bonds 1Y-10Y (iBOXX, in EUR)	161	133	-9	8	38	329	27
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	261	118	-54	-35	46	333	31
EURO EXCHANGE RATES (CHANGE, IN %)							
US dollar (EUR-USD)	-15.0	11.1	-2.6	7.6	-2.2	-3.6	-2.8
British pound (EUR-GBP)	-1.3	1.4	-1.8	2.7	-1.4	-0.3	-2.2
Swiss franc (EUR-SFR)	-9.5	-1.9	1.1	-4.5	-0.6	-14.7	-0.7
Japanese yen (EUR-JPY)	5.7	12.2	11.6	-2.0	7.8	41.9	0.6
COMMODITIES (CHANGE, IN %)							
Commodity Index (GSCI, in USD)	-4.7	12.7	22.7	37.3	18.0	113.9	-8.0
Industrial metals (GSCI, in USD)	-12.0	5.0	8.4	-0.1	28.7	28.6	7.1
Gold (in USD per fine ounce)	-3.7	12.3	23.1	39.1	19.3	122.5	-7.2
Crude oil (Brent, in USD per barrel)	30.5	-19.8	7.2	-17.6	18.4	10.7	36.9

Source: Refinitiv Datastream, The Investment Institute by UniCredit (as of 13 July 2026)
Note: Past values and forecasts are not a reliable indicator of future performance. Indices cannot be purchased and therefore do not include costs. When investing in securities, costs are incurred which reduce the performance. The return on investments in foreign currencies may also rise or fall as a result of currency fluctuations. So-called synthetic bonds are calculated to reflect the performance of government bonds in a fixed maturity range. In each case, the most "suitable" real federal bond at the relevant time is used as a reference for the yield opportunity of the synthetic bond. The development of the expected yield to maturity is shown under the following conditions: servicing of interest payments and redemption in accordance with the terms and conditions and holding until maturity. In this respect, it is a yield opportunity. The yield opportunities reflect the different risk assessments of the investors for the respective products or countries (higher yield opportunity=higher risk assessment). The synthetic bonds cannot be purchased and therefore do not include any costs. In the case of currencies and commodities, acquisition and/or custody costs incurred are not included.

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Information and data contained in this document is updated as of 13 July 2026.