J.P.Morgan

Global Markets Strategy
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Equity Strategy

The maturing stage of AI/momentum unwind; Inflation rates rolling; Earnings to offer a support

Equity Strategy

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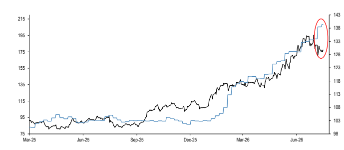
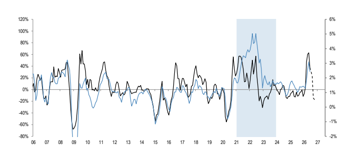
- In the past few weeks various AI groups had a challenging spell of performance. From last month's high, Korea is down 25%, SOX 20%, stocks such as Samsung, Micron and others anywhere between 20 and 50%. Mag-7 price relative is stabilizing of late, but it is still lagging the market on the year. AI at risk baskets continue underperforming by 20%+ ytd. **We are proponents of rotation**, and of broadening in 2H - see our market update report from mid June, we maintain medium term concerns over the monetization of extreme hyperscalers' capex surge, and stay fundamentally bearish on Software, Business services and Media - AI cannibalization groups - see our Year Ahead. Rotations and momentum factor unwinds have in their initial stages tended to lead to increased overall market volatility.
- **Having said that, we do not expect prolonged market weakness on the back of these rotations.** It is encouraging that despite 20%+ drawdowns among many heavyweights, as per above, MXWO is so far holding within 1-2% of its all-time highs. Momentum factor has already lost a chunk of ytd performance, with technical positioning becoming less problematic. We think that various AI groups should not be falling in absolute terms for long, given likely continued strong earnings uplift, and increasing valuation support. In particular, **Semiconductors should soon start to find a bid**.
- The top chart shows an increasing gap that is opening between Semis price relative and earnings relative. Our view is that **fundamentals will likely remain constructive**, as meaningful supply additions are not due before 2028, so it would be too early at present to price in an inflection. As RSIs on Semis are fast approaching oversold territory, momentum factor excess has been to a good extent unwound, and if hyperscalers capex guidance remains strong, then **we think that investors should step back into the space over summer**.
- Separately, **inflation rates have started to peak out in latest prints**, as we looked for. This in turn could lead to lower bond yields, less pressure on central banks to be hawkish, and even to lower USD, all facilitating the broadening in market leadership. Inflation remains sensitive to Brent direction and to the Iran developments. We have been arguing consistently since 2H of March to use geopolitics driven dips to add into, and continue to do so. Volatility likely remains, but we do not see de-anchoring in inflation expectations, inflation forwards are staying well behaved, and differences to 2022 remain stark, in particular with respect to labour market dynamics, wage growth and sentiment.
- Finally, the early Q2 results are coming in strong. **It might not feel like it, given some notable fades**, mostly in Tech space, **but aggregate stock price reactions to beats are positive so far**, in both the US and in Europe - bottom chart. The hurdle rate was rising into results, which is unusual - see our Q2 preview - but we thought the reporting season would end up reassuring for the overall market. In our preview from last week, we highlighted **Semis and Banks in particular as likely to deliver strong results, which should provide a floor for Semis, and is already pushing Banks higher**.
- Regionally, we note that **Eurozone EPS revisions have been accelerating for 15 weeks** now, and have in fact fully closed the gap with the US, for the first time since Jan '25. Unless the Iran conflict keeps re-escalating in 2H, we believe **Eurozone earnings are likely to remain on an uptrend**.

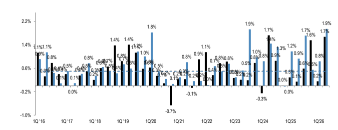
Our call is for market rotation... having said that, we think that Semis will find a floor soon on continued strong earnings delivery...



...we remain of the view that inflation rolls over, which will in turn ease interest rate pressures...



...Q2 results so far are coming out strong... there are some notable fades, in Tech space in particular, but overall stock price reaction to beats is positive



Source: J.P. Morgan, Bloomberg Finance L.P., Datastream

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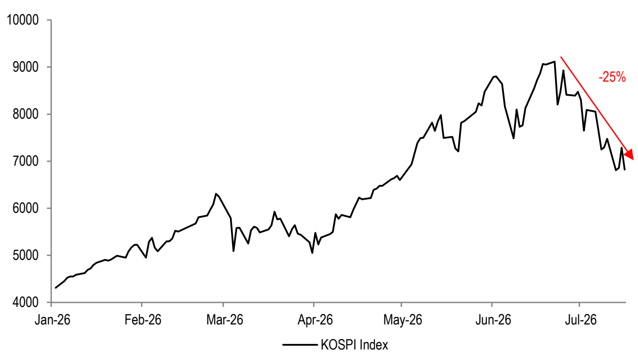
The maturing stage of AI/ momentum unwind; Inflation rates rolling; Earnings to offer a support

AI-linked equities have struggled in the past few weeks...

Figure 1: KOSPI ytd

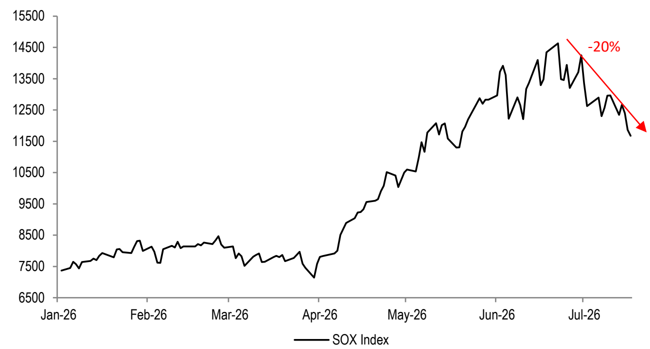


Source: Bloomberg Finance L.P.

Various AI-linked equities have seen a sharp pull-back over the past few weeks. Kospi index, driven primarily by major memory players, is down 25% since the recent highs.The dramatic moves in the index triggered the sidecar, a program trading curb that pauses certain automated trades when futures move beyond preset thresholds. Other memory stocks like Micron are also down by 30%.

The correction in Tech stocks was likely driven by a number of reasons. News that Meta may be looking to sell access to its compute resources and models was seen as an indication of the company's intent to monetize its infrastructure and preserve flexibility around utilization. This led to concerns about over-build risk, questioning future hyperscaler capital spending and the timing of when additional demand for AI chips and memory might materialize. In addition, reports that Apple has been weighing the possibility of buying memory from Chinese vendors added to fears around the possible threat to the pricing power and margins of established Korean players should Chinese capacity ramp up.

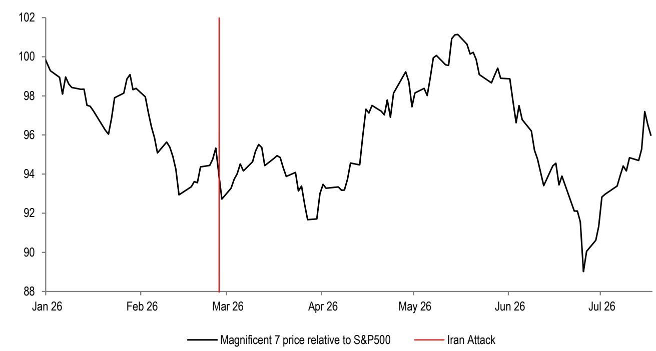
Figure 2: SOX Index ytd



Source: Bloomberg Finance L.P.

SOX is also down 20% since the highs.

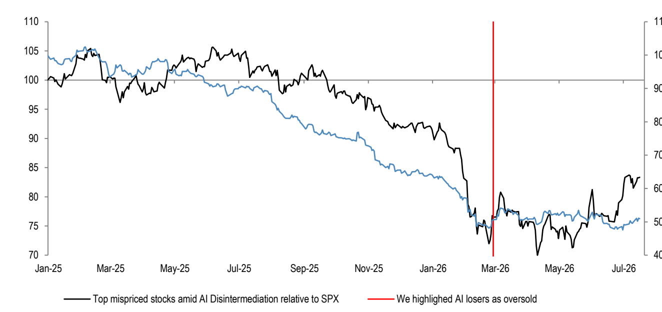
Figure 3: Mag7 relative to S&P500 ytd



Source: Bloomberg Finance L.P.

Mag-7 price relative has been stabilizing, but it is still lagging the market on the year.

Figure 4: US and European AI at risk basket relative to market since Jan '25



Source: Bloomberg Finance L.P.

AI at risk baskets continue to lose 20%+ relative ytd. We remain fundamentally bearish on AI cannibalisation groups, including Software, Business Services and Media.

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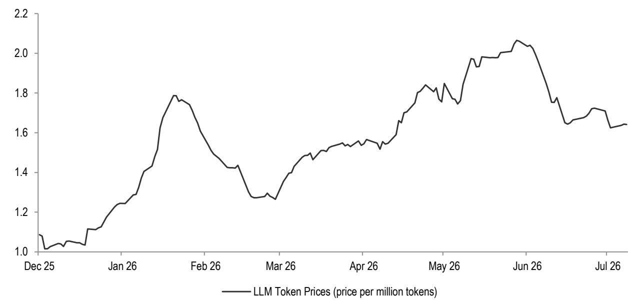
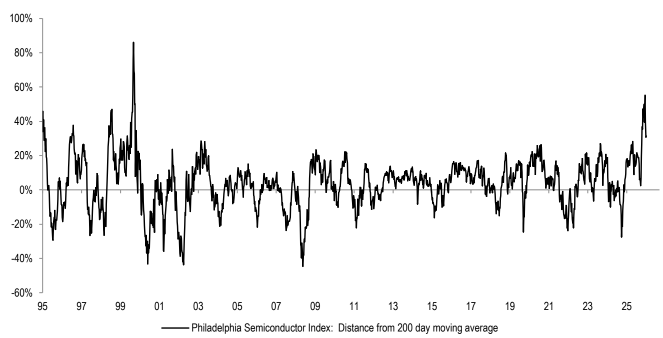
Figure 5: LLM Token Prices



Source: Bloomberg Finance L.P.

Worries about an increasing focus on token efficiency has also likely weighed on these names, as well as newsflow around Chinese AI labs like Moonshot closing the Technology gap with the US.

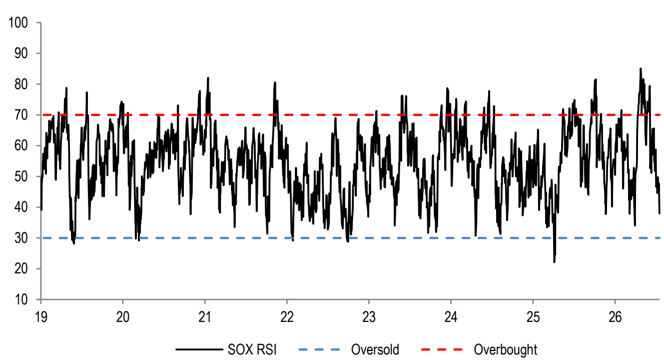
Figure 6: Philadelphia Semiconductor Index: Distance from 200-day moving average



Source: Bloomberg Finance L.P.

While some shift in fundamentals was also in play, the bulk of the drawdown was likely driven by technicals. Until last week, the surge in chip stocks had pushed positioning indicators to the highest level since '99-'00.

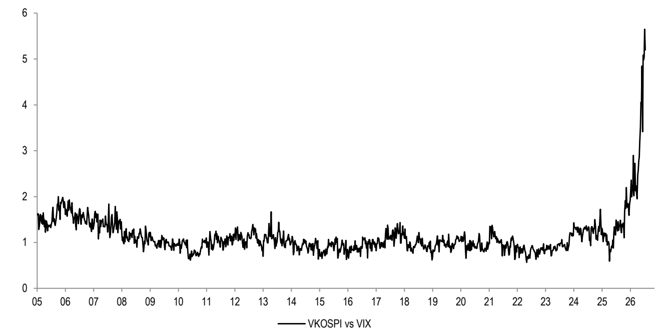
Figure 7: SOX RSI



Source: Bloomberg Finance L.P.

SOX RSI is approaching the "Oversold" threshold.

Figure 8: VKOSPI vs VIX

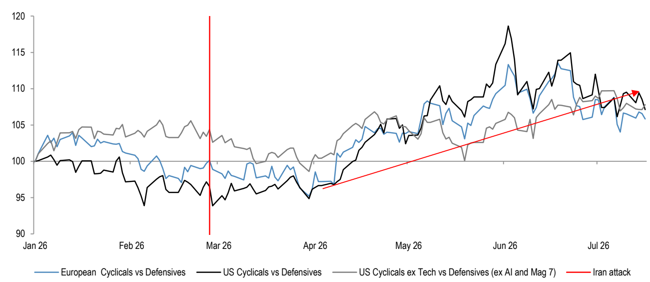


Source: Bloomberg Finance L.P.

In addition, the rapid growth in leveraged ETFs, particularly with the launch of single-stock leveraged ETFs, has contributed to the dramatic rise in volatility in Korean equities.

...we are proponents of the rotation trade...

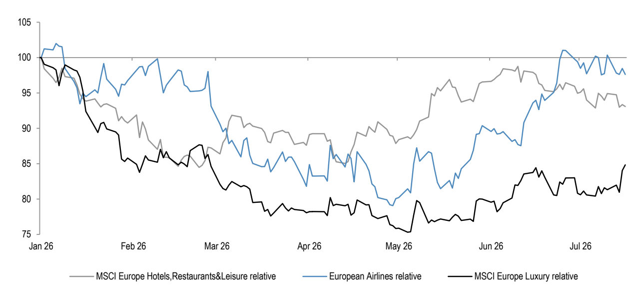
Figure 9: European and US Cyclicals vs Defensives ytd performance



Source: Datastream, Bloomberg Finance L.P.

Cyclical sectors are outperforming Defensives, ahead by 5% ytd in Europe, and 7% in US. We believe this will continue through 2H, underpinned by healthy earnings delivery and a constructive macro backdrop.

Figure 10: MSCI Europe consumer sub-sectors relative performance ytd



Source: Datastream

Within the Cyclical group, Consumer sectors were the one space to lag meaningfully, but have shown signs of participating in the rally more recently. A number of consumer sub-sectors have been trading off their lows over the past few months.

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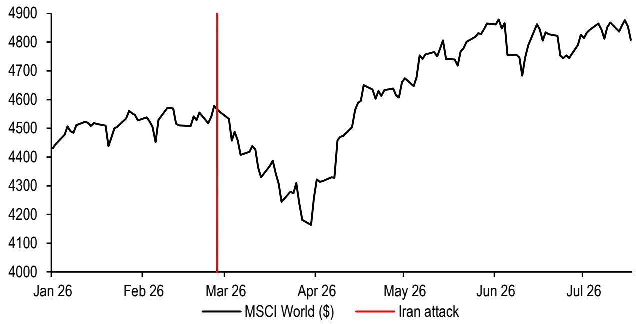
... still, we do not expect prolonged market weakness on the back of these rotations...positioning unwind appears to have been worked through...

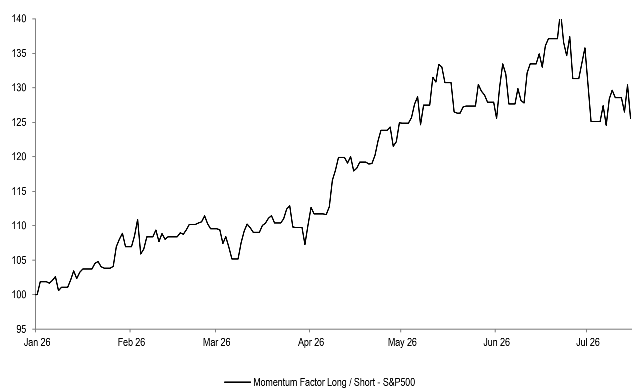
Figure 11: MSCI World ytd



Source: Bloomberg Finance L.P.

It is encouraging that, despite major drawdowns among many heavyweights, the MXWO index is still near all-time highs.

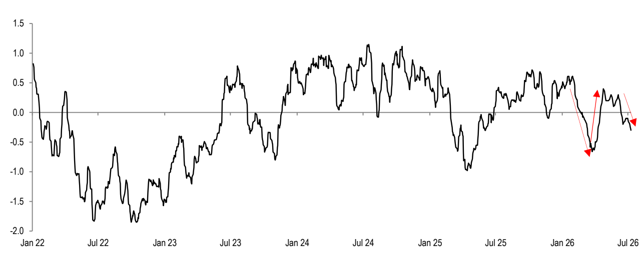
Figure 12: S&P500 Momentum factor Long-Short



Source: Bloomberg Finance L.P.

Momentum factor, which saw a strong run until June of this year, has now unwound a large part of its ytd gains.

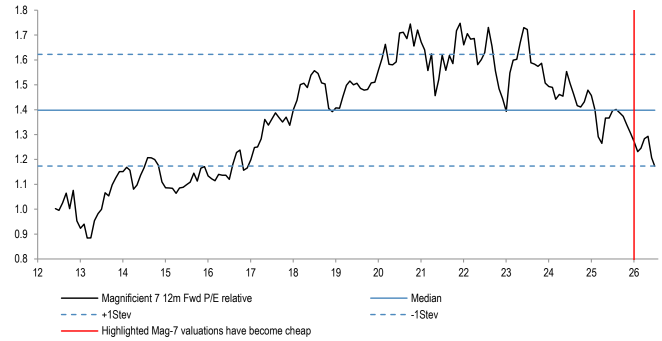
Figure 13: US Tactical Positioning Monitor (TPM): Level of Positioning



Source: J.P. Morgan Positioning Intelligence

At the same time, technical positioning has become less stretched.

Figure 14: Mag 7 PE relative

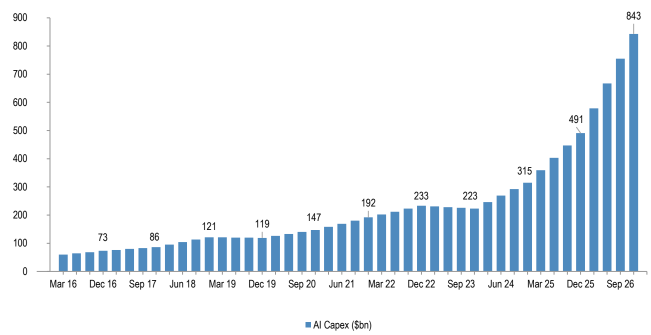


Source: IBES

The Mag7 group is now trading at 1 standard deviation cheap on the relative P/E metric.

… many of the key fundamental drivers are still in play

Figure 15: AI Capex - LTM



Source: J.P. Morgan. Equity Strategy & Quantitative Research

Our Tech analysts maintain their [bullish view](#) on the sector, driven by (1) the crucial role semis play in the tech value chain, (2) increasing content tailwind opportunities in all applications, and (3) structural profitability/FCF improvements, all of which remain intact. Importantly, secular growth in semiconductor industry revenue is being amplified by strong tailwinds from accelerated growth in data center capex. They expect this wave of spending to be sustained beyond 2026, benefitting the entire Semis value chain.

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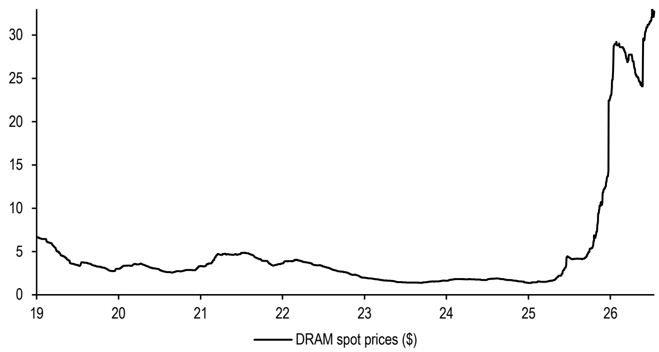
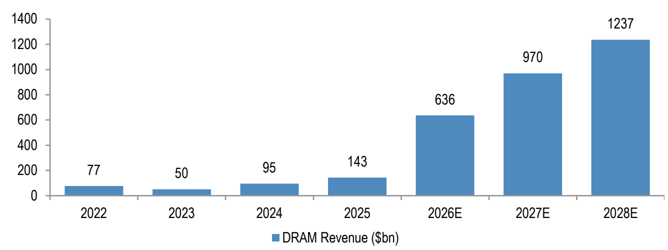
Figure 16: DRAM prices



Source: Bloomberg Finance L.P.

Despite the faltering conviction in Memory names recently, we note that DRAM prices have stayed elevated. Our global Tech team point to structural DRAM/NAND supply-demand tightness now extending through 2028, aligning with Micron's recently revised expectation of S/D tightness beyond 2027, as surging AI/server-driven demand and HBM prioritization keep conventional DRAM and NAND supply tight.

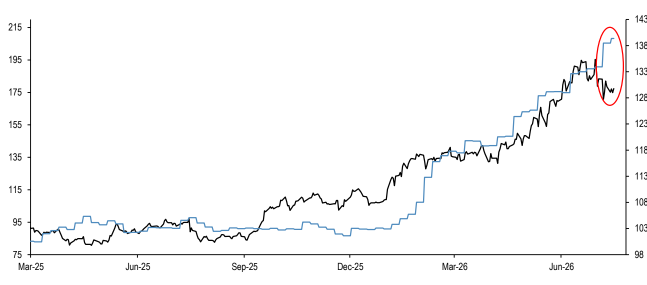
Figure 17: DRAM Revenue



Source: J.P. Morgan.

The team expects this supply/demand tightness to result in healthy DRAM and NAND revenue growth over the next 3 years.

Figure 18: MSCI Europe Semis relative - Price and 12m Fwd EPS

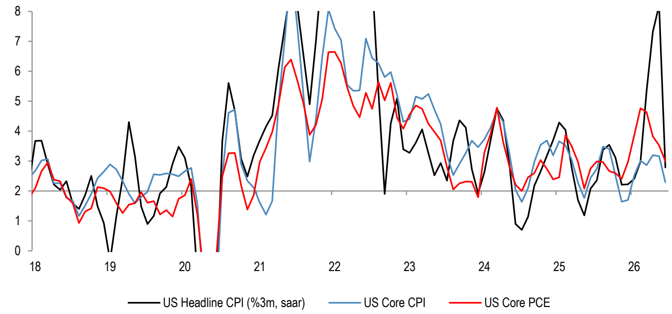


Source: IBES, Datastream

Interestingly, an increasing gap is opening between Semis price relative and earnings relative, where Semis stocks have rolled over despite continued earnings resilience. With fundamentals staying strong, we think that investors should add to the space over the summer.

Inflation peaking facilitates the broadening trade

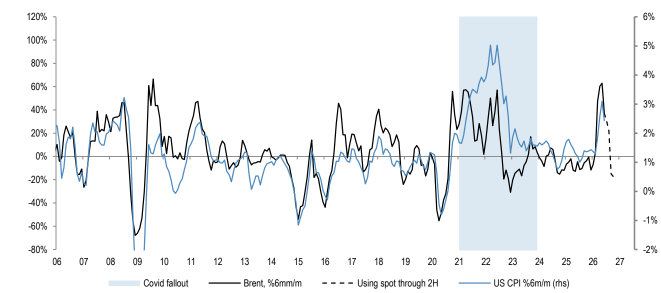
Figure 19: US Inflation



Source: J.P. Morgan.

Inflation rates have started to peak out in the latest prints, as we had anticipated. US headline CPI on a 3-month seasonally adjusted annualised basis has moved from 8.2% in May to 2.8% in the June reading, while Eurozone sequential inflation has similarly decelerated.

Figure 20: Brent vs CPI



Source: J.P. Morgan, Bloomberg Finance L.P.

This is helped by the mechanical consequence of Brent being down approximately 25% quarter-on-quarter, with the pass-through to headline CPI now becoming visible in the data.

If oil prices stay at current levels, the base effects from the Q1/Q2 energy shock will mechanically push headline CPI lower through the second half. This matters enormously for the broadening trade as it should help real disposable incomes, reduce the upward pressure on bond yields, and diminish the case for central banks to keep tightening.

Table 1: Pre Iran Conflict vs 2022

Category	Pre - Iran Conflict	2022
US CPI	Deaccelerating (3.5% currently)	Elevated and accelerating (9.1% at the peak in June '22)
US Core CPI	Deaccelerating (2.6% currently)	Elevated and accelerating (6.6% at the peak in June '22)
Wage Growth	Deaccelerating	Elevated and accelerating
ISM Manufacturing	53.3 (3 Year High, Improving)	57.4 (Falling)
Eurozone Gas Prices move at peak	108%	389%
Strategic Reserve Response	400 million barrel	182.7 million barrel
ECB Policy Rate	Started hiking from 2% to 2.25%	Start hiking from -0.5%
Fed Policy Rate	Hold at 3.75%	Start hiking from 0.25%

Source: J.P. Morgan, Bloomberg Finance L.P.

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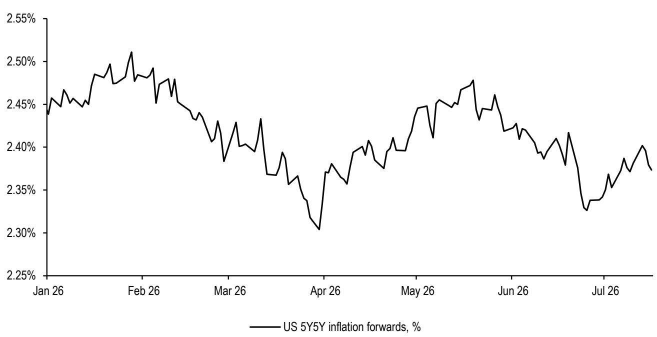
We see big differences from the 2022 template. Wage growth is moving lower this time around, corporates are unlikely to exhibit sustained pricing power, and inflation expectations remain well-anchored.

Figure 21: Inflation expectations

Source: Bloomberg Finance L.P., NY Fed

Long-term inflation expectations have remained well-behaved throughout the conflict-driven energy shock.

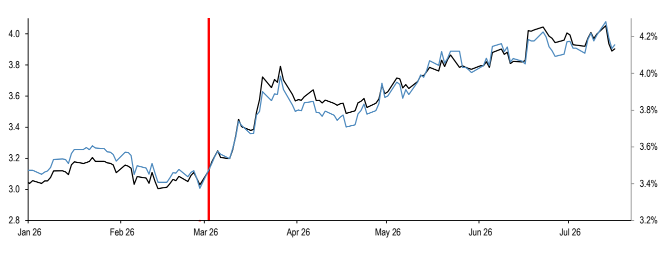
Figure 22: US 5Y 5Y Inflation forwards



Source: Bloomberg Finance L.P.

US 5Y5Y inflation forwards have stayed within a 25bp range, never breaching 2.60%. This is a critical distinction from 2022, when inflation expectations showed signs of de-anchoring. We believe this gives central banks the flexibility to be less hawkish than what is currently priced, which in turn supports equity multiples and facilitates the rotation into lagging cyclical areas.

Figure 23: Fed funds futures and US 2Y bond yield

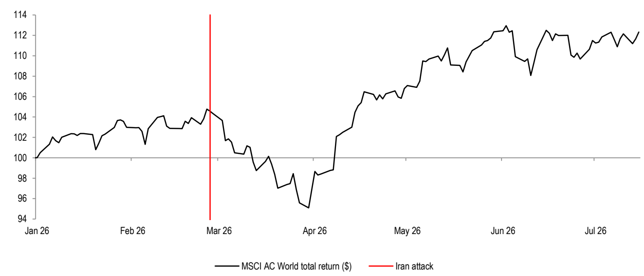


Source: Bloomberg Finance L.P.

The peaking in inflation should in turn lead to lower bond yields, less pressure on central banks to be hawkish, and potentially to a lower USD. We note that the US 2-year yield has already started to edge lower from its recent highs, and believe the hawkish repricing that occurred in June may prove to be the high watermark for this cycle. Markets are still pricing approximately 90bp of Fed tightening since the conflict escalated, which we believe to be excessive and will be gradually unwound.

We continue to use geopolitics driven dips to add

Figure 24: MSCI AC World ytd



Source: Datastream

We have been arguing consistently since the second half of March to use geopolitics-driven dips to add into equity exposure, and we continue to do so. The Iran conflict remains volatile with renewed escalation in the last few days. Even so, we think markets are increasingly adept at treating geopolitical risk as transitory, particularly as there remain strong incentives on both sides to de-escalate. Volatility likely remains, but we do not see this as a reason to reduce overall equity exposure.

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Table 2: US-Iran war key timeline

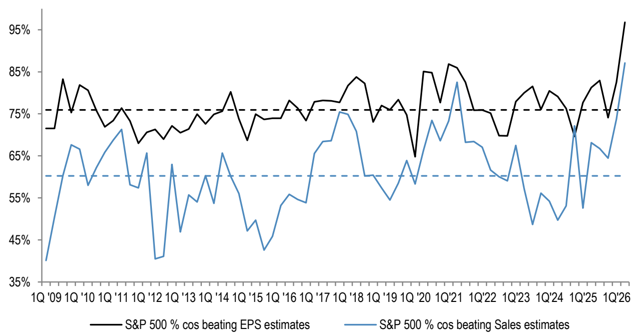
Date	Event	MSCI AC World +1w move	MSCI AC World +1m move
28-Feb	The United States and Israel launched coordinated joint strikes against strategic military and leadership targets across Iran, killing Supreme Leader Ayatollah Ali Khamenei.	-3.7%	-8.6%
01-Mar	Iran retaliated with widespread missile and drone strikes on US bases and Gulf infrastructure, prompting a major spike in global oil prices.	-3.7%	-5.7%
08-Apr	A fragile two-week ceasefire was initially agreed upon to allow for humanitarian corridors and reopen regional shipping lanes.	2.9%	7.2%
22-Apr	Trump extends the ceasefire with Iran indefinitely	-0.4%	3.8%
03-Jun	The temporary truce broke down, leading to severe escalations including Iranian strikes on Kuwait International Airport.	-3.8%	-0.6%
15-Jun	Following intensive diplomatic efforts brokered by Pakistan, President Donald Trump announced an agreement with Iran to permanently terminate military operations on all fronts.	-0.5%	-0.3%
17-Jun	President Trump and Iranian President Masoud Pezeshkian officially signed the memorandum of understanding to end the war, establishing a 60-day window to settle nuclear and sanction terms.	-1.5%	0.6%
07-Jul	Iran is accused of striking three ships in the strait. The US responds by striking dozens of targets and reinstating sanctions on Iran's oil sales	0.0%	-
08-Jul	Trump declares ceasefire is over but negotiations can continue	1.3%	-
12-Jul	The US military says it hits over 140 targets in Iran, after an Iranian strike on a container ship in the strait left a crew member missing.	-	-

Source: Bloomberg Finance L.P., J.P. Morgan

Each successive geopolitical shock has produced a smaller drawdown followed by a relatively quick recovery, consistent with the idea that the risk is transitory. We believe the latest episode will follow the same pattern.

Early Q2 results are coming in strong

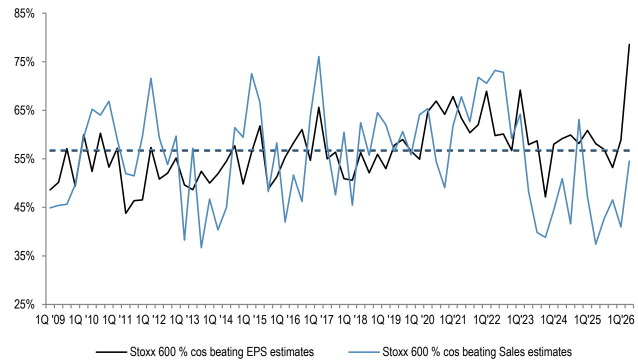
Figure 25: S&P500 companies beating EPS and sales estimates



Source: Bloomberg Finance L.P.

The early Q2 results are coming in strong, with supportive stock price reactions. Of the companies that have reported so far, the beat rate is running at approximately 97%, modestly above the long-term average of 76%.

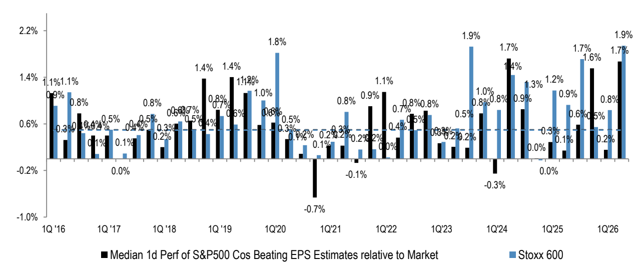
Figure 26: Stoxx600 companies beating EPS and sales estimates



Source: Bloomberg Finance L.P.

Even in Europe, earnings beats are tracking well above the historical average.

Figure 27: Median 1-day performance of S&P500 and Stoxx600 companies beating EPS estimates



Source: Bloomberg Finance L.P.

Encouragingly, stock price reaction to earnings beats is strongly positive.

Table 3: S&P500 companies performance on the day of earnings

Company Name	Company Ticker	Date	Surprise	Perf, %	Rel to S&P500
General Mills Inc	GIS US	01-Jul	19.0%	8.5%	8.7%
FactSet Research Systems Inc	FDS US	01-Jul	2.2%	6.7%	6.9%
PepsiCo Inc	PEP US	09-Jul	0.1%	-3.3%	-4.1%
Delta Air Lines Inc	DAL US	10-Jul	3.6%	-1.8%	-2.2%
Wells Fargo & Co	WFC US	14-Jul	17.0%	-2.7%	-3.1%
JPMorgan Chase & Co	JPM US	14-Jul	34.4%	2.5%	2.1%
Bank of America Corp	BAC US	14-Jul	7.3%	1.9%	1.5%
Fastenal Co	FAST US	14-Jul	0.6%	-2.8%	-3.2%
Goldman Sachs Group Inc/The	GS US	14-Jul	44.8%	9.0%	8.6%
Citigroup Inc	C US	14-Jul	15.1%	-5.3%	-5.7%
M&T Bank Corp	MTB US	15-Jul	14.8%	2.8%	2.4%
Elevance Health Inc	ELV US	15-Jul	20.6%	-8.5%	-8.9%
Blackrock Inc	BLK US	15-Jul	9.9%	6.6%	6.2%
Johnson & Johnson	JNJ US	15-Jul	1.2%	-2.7%	-3.1%
Bank of New York Mellon Corp/T	BNY US	15-Jul	10.4%	5.1%	4.7%
PNC Financial Services Group I	PNC US	15-Jul	6.1%	0.9%	0.5%
United Airlines Holdings Inc	UAL US	15-Jul	7.5%	0.5%	0.1%
Morgan Stanley	MS US	15-Jul	18.3%	0.4%	0.0%
Progressive Corp/The	PGR US	15-Jul	0.1%	-9.4%	-9.8%
Cintas Corp	CTAS US	15-Jul	1.5%	4.4%	4.0%
JB Hunt Transport Services Inc	JBHT US	15-Jul	10.1%	8.0%	8.5%
UnitedHealth Group Inc	UNH US	16-Jul	30.4%	1.2%	1.7%
Citizens Financial Group Inc	CFG US	16-Jul	4.3%	4.6%	5.1%
General Electric Co	GE US	16-Jul	8.4%	-4.1%	-3.5%
US Bancorp	USB US	16-Jul	5.7%	1.6%	2.1%
Intuitive Surgical Inc	ISRG US	16-Jul	11.9%	3.4%	3.9%
Abbott Laboratories	ABT US	16-Jul	2.7%	10.7%	11.2%
State Street Corp	STT US	16-Jul	9.4%	-0.5%	0.0%
Median 1d Perf of Cos Beating EPS Estimates				1.6%	1.7%
Median 1d Perf of Cos Missing EPS Estimates				-	-
Average 1d Perf of Cos Beating EPS Estimates				1.5%	1.4%
Average 1d Perf of Cos Missing EPS Estimates				-	-

Source: J.P. Morgan, Bloomberg Finance L.P.

In our preview from last week, we highlighted Semis and Banks in particular as likely to deliver strong results, helping equities performance. The early prints confirm this view. TSMC's results showed continued order momentum and positive commentary on 2027 capacity plans, while Banks are reporting resilient net interest income and strong investment banking revenues. We expect this pattern to continue as the bulk of reporting occurs over the coming weeks.

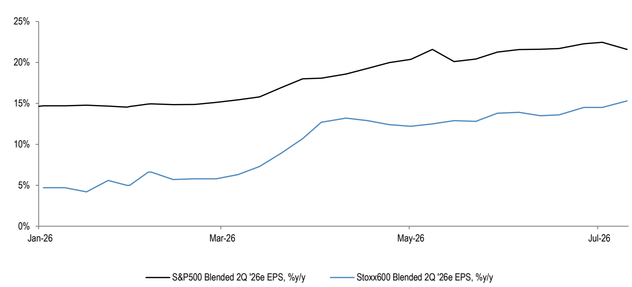
Table 4: Stoxx600 companies performance on the day of earnings

Company Name	Company Ticker	Date	Surprise	Perf, %	Rel to Stoxx 600
WIHLBORGS FASTIG	WIHL SS	06-Jul	1.0%	3.5%	3.9%
TRYG A/S	TRYG DC	10-Jul	-11.6%	0.3%	0.2%
GJENSIDIGE FORSI	GJF NO	13-Jul	5.9%	2.1%	2.1%
KONGSBERG GRUPP	KOG NO	13-Jul	8.7%	-6.8%	-6.8%
SAGAX AB-B	SAGAA SS	13-Jul	20.8%	2.2%	2.2%
ADDTECH AB-B SH	ADDTB SS	14-Jul	2.7%	1.2%	1.0%
MYCRONIC AB	MYCR SS	14-Jul	20.0%	15.3%	15.1%
DNB BANK ASA	DNB NO	14-Jul	0.6%	-0.8%	-1.0%
FASTIGHETS-B SHS	BALDB SS	14-Jul	-10.9%	-1.7%	-1.8%
AVANZA BANK HOLD	AZA SS	14-Jul	3.9%	4.0%	3.9%
ERICSSON LM-B	ERICB SS	14-Jul	-9.4%	-12.6%	-12.8%
LIFCO AB-B	LIFCOB SS	14-Jul	2.7%	3.0%	2.8%
AKER BP ASA	AKRBP NO	15-Jul	-8.4%	-0.6%	-0.7%
AXFOOD AB	AXFO SS	15-Jul	-3.2%	-14.9%	-15.0%
ELISA OYJ	ELISA FH	15-Jul	0.5%	-5.4%	-5.5%
ASML HOLDING NV	ASML NA	15-Jul	10.8%	-0.4%	-0.5%
CASTELLUM AB	CAST SS	15-Jul	5.6%	2.0%	1.9%
STOREBRAND ASA	STB NO	15-Jul	20.4%	5.4%	5.3%
SEB AB-A	SEBA SS	15-Jul	11.7%	4.0%	3.9%
SVENSKA HAN-A	SHBA SS	15-Jul	-5.2%	-3.5%	-3.6%
SWEDISH ORPHAN B	SOBI SS	16-Jul	9.2%	2.1%	2.0%
INDUTRADE AB	INDT SS	16-Jul	9.7%	17.1%	16.9%
ESSITY AKTIEBO-B	ESSITYA SS	16-Jul	6.8%	-2.3%	-2.5%
PUBLICIS GROUPE	PUB FP	16-Jul	-2.5%	3.1%	2.9%
TELENOR ASA	TEL NO	16-Jul	-4.0%	-11.6%	-11.8%
ATLAS COPCO-A	ATCOA SS	16-Jul	2.2%	4.4%	4.3%
TELE2 AB-B SHS	TEL2B SS	16-Jul	-8.3%	-4.6%	-4.7%
TRELLEBORG-B	TRELB SS	16-Jul	3.7%	0.8%	0.6%
NORDEA BANK ABP	NDA FH	16-Jul	3.4%	0.8%	0.6%
Median 1d Perf of Cos Beating EPS Estimates				2.1%	1.9%
Median 1d Perf of Cos Missing EPS Estimates				-2.6%	-2.7%
Average 1d Perf of Cos Beating EPS Estimates				2.4%	2.3%
Average 1d Perf of Cos Missing EPS Estimates				-4.3%	-4.5%

Source: J.P. Morgan., Bloomberg Finance L.P.

This is true in Europe too.

Figure 28: S&P500 and Stoxx 600 Blended 2Q '26e EPS



Source: Thomson Reuters

The hurdle rate was rising all the way into the results, something which does not typically happen. Despite this elevated bar, our view was that that the reporting season would end up reassuring for the overall market, given the supportive macro backdrop and the breadth of fundamental improvement.

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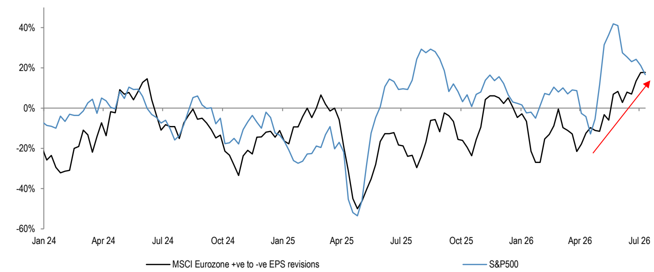
Eurozone EPS revisions have fully closed the gap with the US

Figure 29: Eurozone and US weekly EPS revisions



Source: IBES

Eurozone EPS revisions have gathered notable momentum in recent weeks, with the revisions ratio now fully converging with the US. We view this as a significant development. That said, we see the current backdrop as increasingly supportive of a European earnings catch-up, underpinned by improved operating leverage as revenues recover, fiscal impulse flowing through to Industrials and Defence, and a softer EUR providing a tailwind for export-oriented corporates.

Table 5: MSCI Eurozone L1 sectors EPS revisions - Current vs Jan '26

EPS Revisions	Current	Jan '26	Change
MSCI Eurozone	**18%**	**-5%**	**22%**
Energy	38%	14%	**23%**
Materials	0%	-83%	**83%**
Industrials	18%	-2%	**20%**
Discretionary	-35%	-46%	**11%**
Staples	35%	-56%	**91%**
Healthcare	-21%	-11%	**-11%**
Financials	44%	44%	**0%**
IT	33%	9%	**24%**
Telecoms	0%	0%	**0%**
Utilities	56%	12%	**44%**
Real Estate	-20%	0%	**-20%**

Source: IBES

The breadth of the improvement is notable. Seven of the Level 1 sectors have seen positive revisions momentum over the past six weeks, with the improvement broad-based across Cyclicals and even extending to some Defensive areas. Energy and IT lead in absolute terms, but the acceleration is also evident in Materials, Industrials and Communication Services i.e. sectors tied to the fiscal impulse and global trade recovery.

We remain constructive on equities at the overall market level, and believe the current rotation is healthy rather than threatening. The combination of peaking inflation, strong earnings delivery, lighter positioning post-correction, and the broadening in market leadership all argue for further upside in 2H. Within this framework, we favour Cyclicals over Defensives, Eurozone over the US on a relative basis, and see Semiconductors as a compelling tactical opportunity following the recent correction. We continue to avoid the AI cannibalisation groups (Software, Business Services, Media) and Energy equities.

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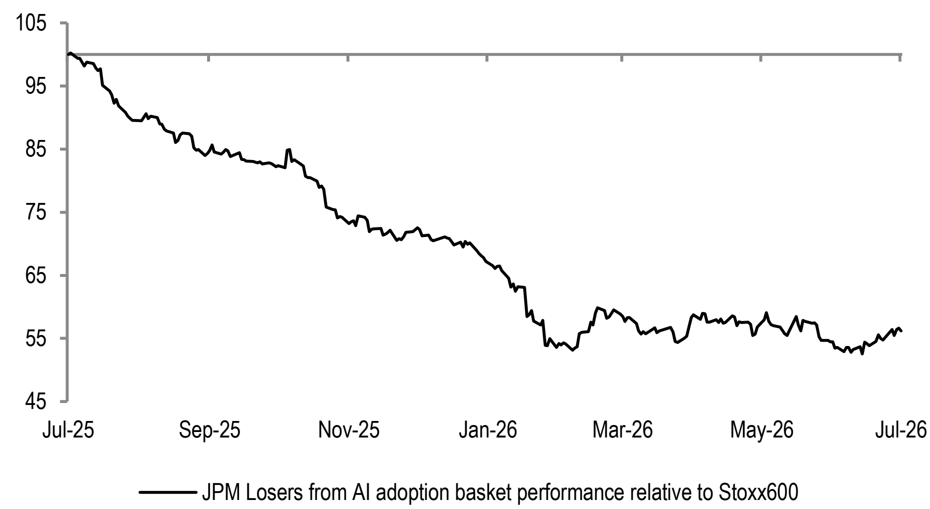
Appendix

Table 6: JPM Losers from AI adoption - JPEUAIL

Name	Ticker	Sector	JPM Rating	Price (LC)	Analyst Name
Adecco Group AG	ADEN SW	Industrials	UW	19.3	Karin So
Autotrader Group PLC	AUTO LN	Comm. Srvcs	UW	516.4	Lara Simpson
Capgemini SE	CAP FP	IT	N	91.2	Toby Ogg
Dassault Systemes SE	DSY FP	IT	N	18.3	Toby Ogg
Experian PLC	EXPN LN	Industrials	OW	2681.0	Jane Sparrow
Nemetschek SE	NEM GR	IT	OW	56.1	Joseph George
Pearson PLC	PSON LN	Discretionary	N	1250.0	Daniel Kerven
Publicis Groupe SA	PUB FP	Comm. Srvcs	OW	91.4	Daniel Kerven
Randstad NV	RAND NA	Industrials	N	32.5	Jane Sparrow
RELX PLC	REL LN	Industrials	OW	2502.0	Daniel Kerven
Rightmove PLC	RMV LN	Comm. Srvcs	UW	455.7	Marcus Diebel
Sage Group PLC/The	SGE LN	IT	OW	850.0	Toby Ogg
SAP SE	SAP GR	IT	N	140.7	Toby Ogg
Scout24 SE	G24 GR	Comm. Srvcs	OW	74.0	Marcus Diebel
St James's Place PLC	STJ LN	Financials	NR	1110.0	Enrico Bolzoni
Teleperformance SE	TEP FP	Industrials	UW	54.3	Victoria Chang
Universal Music Group NV	UMG NA	Comm. Srvcs	OW	18.5	Daniel Kerven
Vend Marketplaces ASA	VEND NO	Comm. Srvcs	UW	252.0	Marcus Diebel
Wolters Kluwer NV	WKL NA	Industrials	OW	62.7	Daniel Kerven
WPP PLC	WPP LN	Comm. Srvcs	N	288.8	Daniel Kerven
Zalando SE	ZAL GR	Discretionary	N	27.8	Georgina Johanan

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket. This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research (marked "NC") and should not be viewed as a recommendation with respect to these companies. Prices as of COB 16th Jul 2026.

Figure 30: JPM Losers from AI adoption basket 12m performance relative to Stoxx600



Source: Bloomberg Finance L.P.

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Table 7: US Tech stocks performance from ytd peak to recent trough

Company	BBG Ticker	Current price	Market Cap (in $bn)	Ytd peak	Ytd peak date	Move since peak	Trough in last month	Trough date	Move since trough	Move from Peak to trough
SUPER MICRO COMPUTER	SMCI US	25	16	50	02 Jun	-51%	25	16 Jul	0%	-51%
ORACLE	ORCL US	124	358	248	01 Jun	-50%	124	16 Jul	0%	-50%
FABRINET	FN US	460	16	746	14 May	-38%	460	16 Jul	0%	-38%
COHERENT	COHR US	277	54	427	02 Jun	-35%	277	16 Jul	0%	-35%
FTAI AVIATION	FTAI US	204	21	310	26 Feb	-34%	204	16 Jul	0%	-34%
LUMENTUM HOLDINGS	LITE US	706	55	1053	11 May	-33%	699	07 Jul	1%	-34%
CONSTELLATION ENERGY	CEG US	252	90	366	02 Jan	-31%	237	01 Jul	6%	-35%
MICRON TECHNOLOGY	MU US	853	964	1214	25 Jun	-30%	853	16 Jul	0%	-30%
NRG ENERGY	NRG US	133	28	184	24 Feb	-28%	132	16 Jun	0%	-28%
MODINE MANUFACTURING	MOD US	226	12	307	02 Jun	-26%	226	16 Jul	0%	-26%
PALANTIR TECHNOLOGIES A	PLTR US	134	309	182	07 Jan	-26%	107	25 Jun	25%	-41%
BROADCOM	AVGO US	374	1781	482	02 Jun	-22%	360	02 Jul	4%	-25%
VERTIV HOLDINGS A	VRT US	294	113	376	14 May	-22%	294	16 Jul	0%	-22%
MICROSOFT	MSFT US	401	2980	484	31 Dec	-17%	353	25 Jun	14%	-27%
DELL TECHNOLOGIES C	DELL US	391	127	466	01 Jun	-16%	391	16 Jul	0%	-16%
TALEN ENERGY	TLN US	368	17	438	22 Jun	-16%	361	01 Jul	2%	-18%
VISTRA	VST US	153	51	180	15 Jan	-15%	151	02 Jul	1%	-16%
ADVANCED MICRO DEVICES	AMD US	501	817	581	30 Jun	-14%	501	16 Jul	0%	-14%
TESLA	TSLA US	391	1469	452	05 Jan	-13%	375	25 Jun	4%	-17%
AMPHENOL 'A'	APH US	153	188	176	30 Jun	-13%	153	16 Jul	0%	-13%
NVIDIA	NVDA US	207	5019	236	14 May	-12%	193	26 Jun	8%	-18%
ALPHABET 'A'	GOOGL US	354	2075	403	13 May	-12%	337	26 Jun	5%	-16%
GE VERNOVA	GEV US	1036	278	1175	30 Jun	-12%	982	16 Jun	5%	-
META PLATFORMS A	META US	665	1459	738	29 Jan	-10%	543	25 Jun	22%	-26%
ARISTA NETWORKS	ANET US	169	212	187	10 Jul	-10%	158	26 Jun	7%	-
AMAZON.COM	AMZN US	250	2688	275	06 May	-9%	227	25 Jun	10%	-17%
EATON	ETN US	396	154	436	22 Jun	-9%	396	07 Jul	0%	-9%
APPLE	AAPL US	333	4895	333	16 Jul	0%	275	25 Jun	21%	-

Source: Bloomberg Finance L.P.

Table 8: Asia high weighted Tech cos performance from ytd peak to recent trough

Company	BBG Ticker	Current price	Market Cap (in $bn)	Ytd peak	Ytd peak date	Move since peak	Trough in last month	Trough date	Move since trough	Move from Peak to trough
SAMSUNG ELTO.MECHANICS	009150 KS	1277000	64	2270000	19 Jun	-44%	1260000	14 Jul	1%	-44%
KIOXIA HOLDINGS	285A JP	62110	209	108700	22 Jun	-43%	62110	16 Jul	0%	-43%
FUJIKURA	5803 JP	4761	52	7855	13 May	-39%	4461	18 Jun	7%	-43%
NINTENDO	7974 JP	7080	56	10855	06 Jan	-35%	6589	26 Jun	7%	-39%
ALIBABA GROUP HOLDING	BABA US	117	286	174	28 Jan	-33%	90	26 Jun	31%	-48%
SAMSUNG ELECTRONICS	005930 KS	255000	1007	362500	18 Jun	-30%	254500	13 Jul	0%	-30%
DELTA ELECTRONICS	2308 TT	1905	153	2520	27 May	-24%	1810	26 Jun	5%	-28%
TENCENT HOLDINGS	700 HK	484	561	633	14 Jan	-24%	412	26 Jun	18%	-35%
HON HAI PRECN.IND.	2317 TT	243	105	309	03 Jun	-22%	236	14 Jul	3%	-24%
MEDIATEK	2454 TT	3700	184	4640	27 May	-20%	3660	14 Jul	1%	-21%
DISCO	6146 JP	70590	47	88480	22 Jun	-20%	68230	08 Jul	3%	-23%
UNIMICRON TECHNOLOGY	3037 TT	882	43	1085	26 May	-19%	840	07 Jul	5%	-23%
ADVANTEST	6857 JP	29640	134	35900	25 Jun	-17%	27545	08 Jul	8%	-23%
SONY GROUP	6758 JP	3438	126	4111	06 Jan	-16%	3140	19 Jun	9%	-24%
UNITED MICRO ELTN.	2303 TT	160	62	179	25 Jun	-10%	140	17 Jun	14%	-
JD COM 'A'	JD US	117	43	130	14 May	-10%	96	26 Jun	22%	-26%
TOKYO ELECTRON	8035 JP	70890	206	78800	01 Jul	-10%	67350	08 Jul	5%	-15%
ASE TECHNOLOGY HOLDING	3711 TT	682	94	727	02 Jul	-6%	592	16 Jun	15%	-
TAIWAN SEMICON.MNFG.	2330 TT	2470	1984	2510	22 Jun	-2%	2340	26 Jun	6%	-7%

Source: Bloomberg Finance L.P.

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Equity Strategy Key Calls and Drivers

We have consistently argued since the second half of March to use the equity weakness brought on by the Iran conflict to buy into. In March, we also highlighted that Mag-7 has started to trade at its cheapest in 10 years, and that the AI-at-risk group of stocks has already crashed, becoming record cheap. While we do not necessarily expect a repeat of 2025, when the equity rally was almost exclusive to Mag-7 for most of the 2H, we believe there is more upside for Mag-7 over the next few months, as earnings are more than compensating for the stocks' rebound. We also find the EM memory trade has legs, as meaningful supply additions are not coming before the start of 2028. Stay OW EM equities. With MXWO and MXEF at fresh highs, having more than V-shaped, is the downside risk greater than the upside one from here? We think further upside is likely as investor positioning is lighter currently than pre-conflict, P/Es are lower; we remain very bullish on the broad earnings outlook, with lead indicators pointing to continued acceleration. Further, equities are not all that complacent beneath the surface – current market breadth is very narrow – we think this is a good sign this time around, as the rally to date was more driven by AI, an orthogonal trade to geopolitics, and nearly all consumer plays are still at lows. This can change, with broadening in participation in 2H. We do not expect bond yields to rise in 2H, we see big differences from the 2022 template, and do not see stagflation as the most likely outcome for 2H. Wage growth is moving lower this time around, and corporates are unlikely to exhibit sustained pricing power, with AI anxiety an overhang on sentiment in labour markets, as well. While some hikes could happen, we think the magnitude that the market is already pricing in is likely to reduce.

Table 9: J.P. Morgan Equity Strategy — Factors driving our medium-term views

Driver	Impact	Our Core Working Assumptions	Recent Developments
Global Growth	Neutral	Hard labour market data has been a bright spot, but that can change quickly	Global composite PMI is at 52.0
European Growth	Positive	Fiscal policy changes and energy inflation to drive GDP revisions	Eurozone Manufacturing PMI is at 51.4
Monetary Policy	Neutral	Fed on pause	
Currency	Neutral	Longer term bearish dollar view intact	
Earnings	Positive	Eurozone earnings set to improve in 2026	2026 EPS projections are improving
Valuations	Negative	At 21x, U.S. forward P/E is still stretched, especially vs real yield	MSCI Europe on 14.8 Fwd P/E
Technicals	Neutral	Sentiment indicators appear close to oversold now, though positioning is still stretched	Households' equity weight as a share of total assets is at record high

Source: J.P. Morgan estimates

Table 10: Base Case and Risks

Scenario	Assumption
Upside scenario	Fed on pause while inflation remains in check and growth is stronger
Base-case scenario	Economic growth, inflation remains sustainable and Fed policy rate on hold, geopolitical uncertainty subsides
Downside scenario	Fed hikes rates with inflation picking up. Geopolitical uncertainty escalates further

Source: J.P. Morgan estimates.

Table 11: Index targets

	Dec '26 Target	Current	% upside
MSCI EUROZONE	420	384	9%
FTSE 100	11,000	10,516	5%
MSCI EUROPE	2,750	2,551	8%
EURO STOXX 50	6,800	6,266	9%
STOXX 600 E	680	643	6%

Source: J.P. Morgan

Table 12: Key sector calls

Overweight	Neutral	Underweight
Mining	Utilities	Energy
Capital Goods	Healthcare	Media
Semis	Autos	Staples
Construction Materials	Telecoms	Insurance
Luxury	Real Estate	
	Chemicals	
	Banks	
	Technology Hardware	

Source: J.P. Morgan.

Table 13: J.P. Morgan Equity Strategy — Key sector calls*

Sector	Recommendations	Key Drivers
Metals & Mining	Overweight	Preferred on a constructive China impulse and bearish USD backdrop (with "spot gap" now tighter), with China activity the key wildcard.
Cap Goods	Overweight	Supported by a constructive capex/electrification outlook, favoring parts of Industrials tied to investment spend.
Semis	Overweight	Expected to stabilize/benefit as the China/EM upswing helps previously China-exposed cyclicals and underperformers recover.
Media	Underweight	Likely to keep struggling regardless of near-term activity resilience, given ongoing AI-related disruption (though tactical bounces are possible after derating).
Software	Underweight	Similarly pressured by the AI threat and likely to remain a laggard structurally, even if oversold conditions drive intermittent rallies.

Source: J.P. Morgan estimates. * Please see the last page for the full list of our calls and sector allocation.

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Table 14: J.P. Morgan Equity Strategy — Key regional calls

Region	Recommendations	J.P. Morgan Views
EM	Overweight	EM are underowned, valuations are cheap, seeing accelerating inflows, reduced China trade headwinds, China policy support
DM	Underweight	
US	Neutral	Crowded positioning, full valuations and AI commoditization risk, may not be regional outperformer
Japan	Neutral	Fundamentals remain solid, reforms/buybacks/wage gains help, but had big rally, fuller valuations
Eurozone	Overweight	Improving credit impulse and expected earnings rebound (if conflict doesn't extend in 2H)
UK	Neutral	Structurally cheap with high dividends and lower AI/trade sensitivity - useful in risk-off - but lacks near-term growth catalysts

Source: J.P. Morgan estimates.

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Top Picks

Table 15: J.P. Morgan European Strategy: Top European picks

					Market Cap	EPS Growth			Dividend Yield	12m Fwd P/E			Performance	
Name	Ticker	Sector	Price	Currency	(€ Bn)	25	26e	27e	26e	Current	10Y Median	% Premium	-3m	-12m
AEGON LTD	AGN NA	Financials	8	E	12.5	-18%	60%	4%	4.4%	8.3	6.8	22%	16%	31%
AIB GROUP PLC	AIBG ID	Financials	11	E	22.0	0%	-7%	10%	3.4%	11.6	10.9	6%	7%	54%
ALSTOM	ALO FP	Industrials	16	E	7.2	958%	9%	49%	1.5%	8.2	16.4	-50%	-31%	-22%
ANHEUSER-BUSCH INBEV SA/NV	ABI BB	Staples	70	E	140.7	6%	17%	10%	1.3%	17.3	17.9	-3%	9%	21%
ARGENX SE	ARGX BB	Health Care	751	E	47.0	3977%	36%	38%	0.0%	27.6	-23.2	-	6%	56%
ASML HOLDING NV	ASML NA	IT	1549	E	601.4	28%	31%	39%	0.4%	40.0	29.3	36%	26%	119%
ASTRAZENECA PLC	AZN LN	Health Care	12566	£	230.1	12%	11%	13%	1.8%	15.7	18.1	-13%	-15%	20%
BABCOCK INTL GROUP PLC	BAB LN	Industrials	1020	£	5.9	64%	-21%	67%	0.5%	15.2	8.9	70%	-19%	-6%
BARCLAYS PLC	BARC LN	Financials	525	£	83.6	27%	8%	22%	1.6%	8.9	7.3	21%	19%	53%
BAYERISCHE MOTOREN WERKE AG	BMW GR	Discretionary	59	E	36.2	-	-40%	34%	7.3%	7.1	7.1	0%	-29%	-31%
BT GROUP PLC	BT/A LN	Telecoms	194	£	22.9	1%	-2%	4%	4.1%	10.5	8.3	26%	-11%	0%
CIE FINANCIERE RICHEMO-A REG	CFR SW	Discretionary	196	SF	125.2	-1%	-3%	15%	1.3%	29.2	22.2	31%	28%	32%
CONTINENTAL AG	CON GR	Discretionary	72	E	14.4	1%	-16%	10%	3.5%	10.3	9.8	4%	12%	25%
DANONE	BN FP	Staples	72	E	49.1	5%	4%	8%	3.0%	17.5	16.9	3%	6%	6%
DSV A/S	DSV DC	Industrials	1691	DK	54.4	-1%	30%	32%	0.4%	22.1	22.9	-3%	2%	10%
FERROVIAL NV	FER SM	Industrials	56	E	40.8	-72%	-20%	18%	1.4%	51.6	49.4	4%	-7%	26%
FRAPORT AG FRANKFURT AIRPORT	FRA GR	Industrials	67	E	6.3	-4%	-24%	8%	0.0%	18.7	15.2	22%	-10%	5%
FRESENIUS SE & CO KGAA	FRE GR	Health Care	42	E	23.4	13%	0%	8%	2.4%	11.3	11.9	-5%	-6%	2%
FRESNILLO PLC	FRES LN	Materials	2515	£	21.9	465%	48%	3%	0.8%	11.0	19.8	-44%	-30%	71%
INDUSTRIA DE DISENO TEXTIL	ITX SM	Discretionary	54	E	168.5	9%	6%	9%	2.8%	24.5	22.8	7%	2%	29%
JERONIMO MARTINS	JMT PL	Staples	16	E	10.2	8%	12%	14%	3.6%	13.3	19.9	-33%	-23%	-28%
LEONARDO SPA	LDO IM	Industrials	50	E	29.1	15%	51%	19%	1.0%	19.6	9.8	101%	-13%	5%
MARKS & SPENCER GROUP PLC	MKS LN	Staples	373	£	9.2	31%	-25%	42%	0.8%	11.1	11.2	-1%	4%	13%
NEMETSCHEK SE	NEM GR	IT	57	E	6.7	41%	20%	20%	1.0%	20.4	48.7	-58%	-2%	-55%
NOKIA OYJ	NOKIA FH	IT	10	E	56.2	-26%	15%	20%	1.4%	26.6	14.6	82%	15%	137%
NOVONESIS (NOVOZYMES) B	NSISB DC	Materials	425	DK	26.6	16%	36%	10%	1.0%	26.7	28.7	-7%	12%	-5%
ORANGE	ORA FP	Telecoms	16	E	43.4	5%	16%	11%	4.4%	15.6	10.4	50%	-8%	25%
PRUDENTIAL PLC	PRU LN	Financials	1072	£	31.7	13%	17%	21%	1.6%	11.2	10.8	3%	-4%	16%
RWE AG	RWE GR	Utilities	57	E	44.0	-21%	10%	18%	1.8%	19.1	14.5	32%	-4%	55%
SAIPEM SPA	SPM IM	Energy	4	E	8.6	0%	51%	35%	3.8%	16.4	16.7	-2%	4%	82%
SHELL PLC	SHEL LN	Energy	3130	£	205.8	-17%	59%	-9%	3.3%	9.0	9.9	-10%	-6%	19%
SIEMENS AG-REG	SIE GR	Industrials	270	E	213.3	17%	-11%	15%	1.9%	22.6	15.1	50%	14%	23%
SIEMENS ENERGY AG	ENR GR	Industrials	153	E	132.3	-	168%	38%	0.0%	27.0	30.4	-11%	-10%	64%
SSE PLC	SSE LN	Utilities	2468	£	35.3	13%	-5%	19%	2.4%	13.0	12.2	6%	-9%	35%
STANDARD CHARTERED PLC	STAN LN	Financials	2135	£	55.2	36%	0%	21%	1.3%	11.7	9.1	29%	20%	62%
TECHNIP ENERGIES NV	TE FP	Energy	33	E	5.9	-6%	14%	36%	2.6%	12.0	10.4	16%	-17%	-10%
UBS GROUP AG-REG	UBSG SW	Financials	44	SF	157.0	55%	49%	22%	1.6%	13.8	10.5	32%	31%	56%
UNILEVER PLC	ULVR LN	Staples	4559	£	115.9	-8%	4%	7%	3.7%	16.3	18.4	-11%	7%	-5%
UNIVERSAL MUSIC GROUP NV	UMG NA	Telecoms	18	E	33.8	7%	0%	11%	2.8%	17.0	24.6	-31%	-9%	-31%

Source: Datastream, MSCI, IBES, J.P. Morgan, Prices and Valuations as of COB 15th Jul, 2026. Past performance is not indicative of future returns.

Please see the most recent company-specific research published by J.P. Morgan for an analysis of valuation methodology and risks on companies recommended in this report. Research is available at http://

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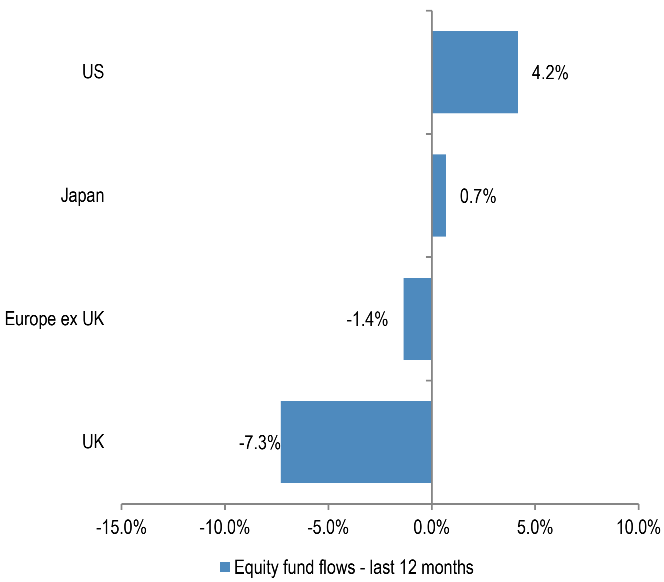
Equity Flows Snapshot

Table 16: DM Equity Fund Flows Summary

	Regional equity fund flows									
	$mn					% AUM				
	1w	1m	3m	YTD	12m	1w	1m	3m	YTD	12m
Europe ex UK	-287	-3,759	-11,806	-11,254	-5,476	-0.1%	-0.8%	-2.6%	-2.5%	-1.4%
UK	-81	-734	-2,389	-6,666	-21,552	0.0%	-0.2%	-0.7%	-2.1%	-7.3%
US	-17,207	110,784	257,854	315,462	538,938	-0.1%	0.7%	1.8%	2.2%	4.2%
Japan	1,855	4,280	-5,307	14,659	6,030	0.2%	0.3%	-0.5%	1.4%	0.7%

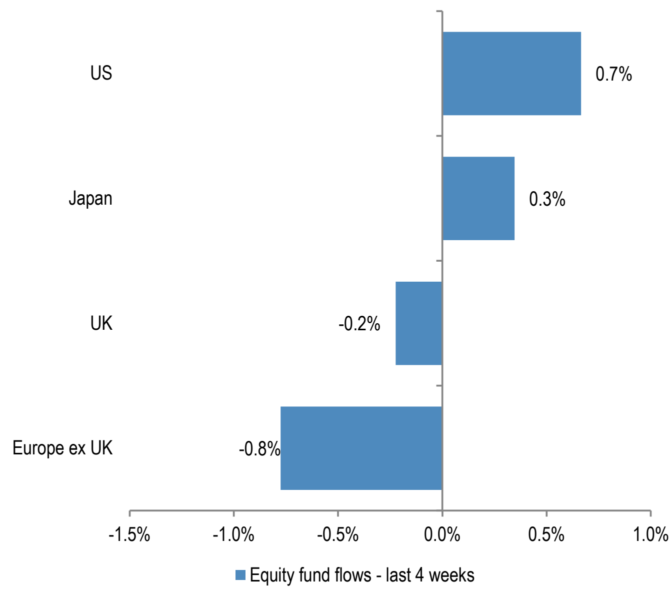
Source: EPFR, as of 1st Jul, 2026

Figure 31: DM Equity Fund flows – last 12 month



Source: EPFR, Japan includes BoJ purchases.

Figure 32: DM Equity Fund flows – last month



Source: EPFR, Japan includes BoJ purchases.

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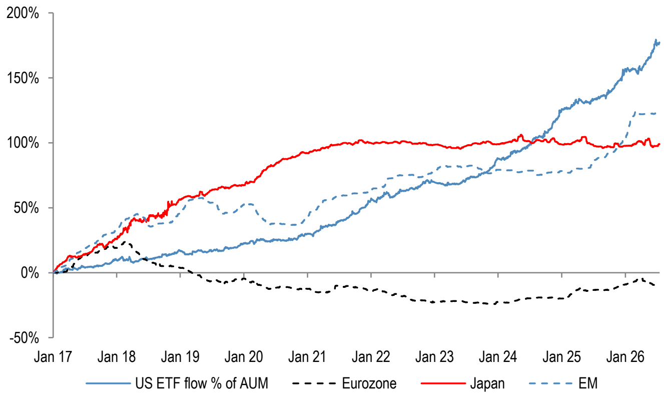
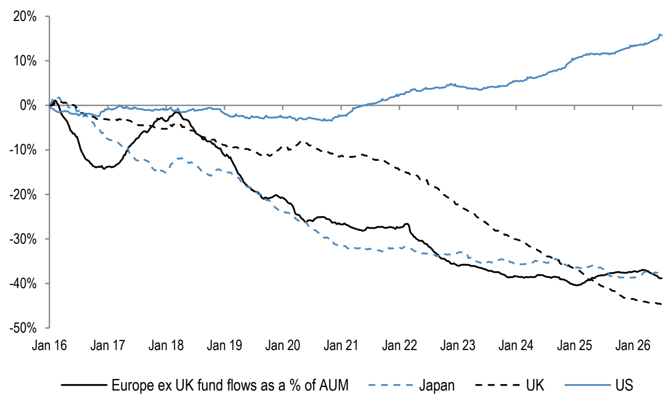
Figure 33: Cumulative fund flows into regional equity ETFs as a percentage of AUM



Source: Bloomberg Finance L.P. *Based on the 25 biggest ETF's with a mandate to invest in that particular region. Japan includes BoJ purchases.

Figure 34: Cumulative fund flows into regional funds as % of AUM



Source: EPFR, as of 1st Jul, 2026. Japan includes Non-ETF purchases only.

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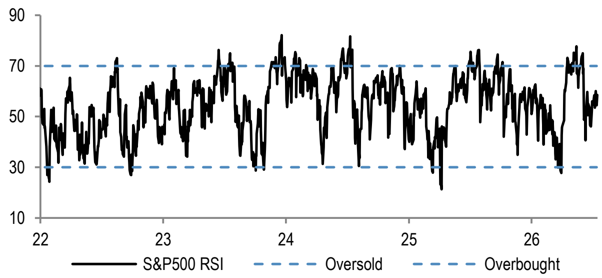
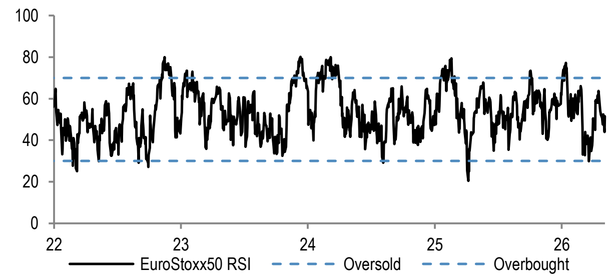
Technical Indicators

Figure 35: S&P500 RSI



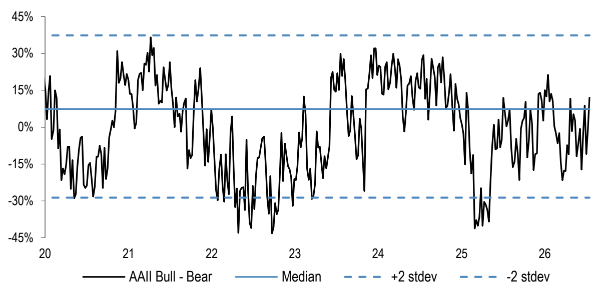
Source: Bloomberg Finance L.P.

Figure 36: EuroStoxx50 RSI



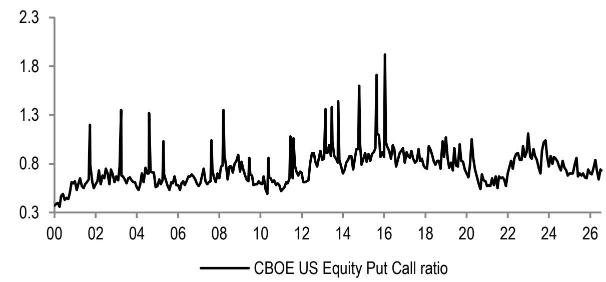
Source: Bloomberg Finance L.P.

Figure 37: AAII Bull-Bear



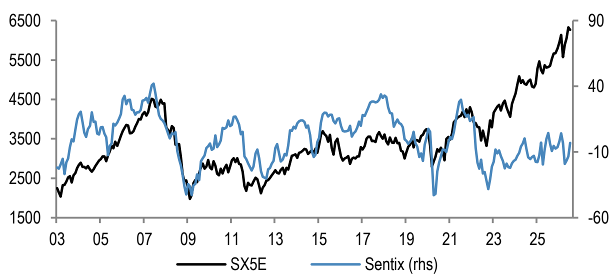
Source: Bloomberg Finance L.P

Figure 38: Put-call ratio



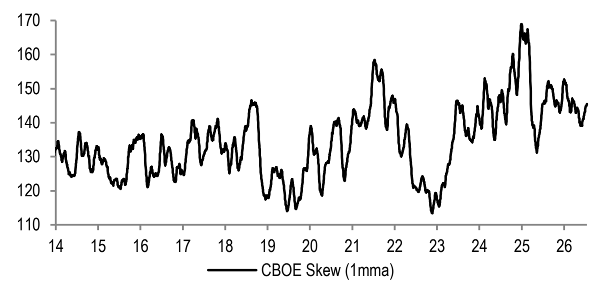
Source: Bloomberg Finance L.P.

Figure 39: Sentix Sentiment Index vs SX5E



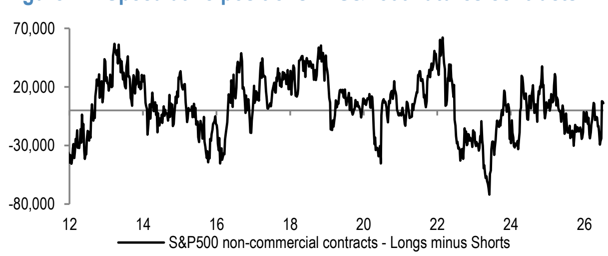
Source: Bloomberg Finance L.P.

Figure 40: Equity Skew



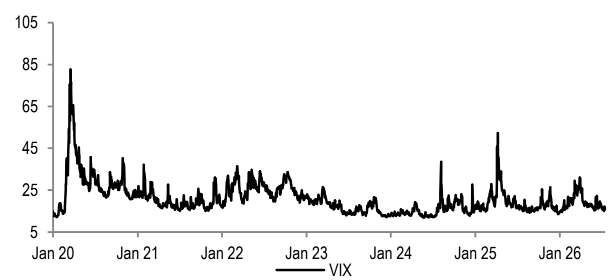
Source: Bloomberg Finance L.P.

Figure 41: Speculative positions in S&P500 futures contracts



Source: Bloomberg Finance L.P.

Figure 42: VIX



Source: Bloomberg Finance L.P.

Performance

Table 17: Sector Index Performances — MSCI Europe

(%change)		Local currency		
Industry Group		**4week**	**12m**	**YTD**
Europe		**0.2**	**17.2**	**7.9**
Energy		**1.6**	**30.6**	**23.2**
Materials		**(4.3)**	**19.1**	**10.4**
	Chemicals	3.8	1.5	12.8
	Construction Materials	(4.6)	1.4	(10.4)
	Metals & Mining	(11.9)	64.7	16.5
Industrials		**(1.4)**	**13.3**	**7.7**
	Capital Goods	(2.4)	17.5	9.3
	Transport	6.3	23.8	11.2
	Business Svs	3.5	(27.0)	(11.7)
Consumer Discretionary		**(0.1)**	**(3.0)**	**(9.5)**
	Automobile	(2.0)	(17.8)	(17.1)
	Consumer Durables	1.4	2.7	(9.3)
	Media	3.2	(27.0)	(13.3)
	Retailing	0.8	6.1	(8.9)
	Hotels,Restaurants&Leisure	(3.4)	(6.6)	(0.1)
Consumer Staples		**3.4**	**3.5**	**1.8**
	Food & Drug Retailing	2.3	8.9	4.9
	Food Beverage & Tobacco	3.7	5.0	4.1
	Household Products	3.3	(1.6)	(4.6)
Healthcare		**1.8**	**11.0**	**(0.9)**
Financials		**3.6**	**30.2**	**10.6**
	Banks	2.5	49.5	15.7
	Diversified Financials	5.5	8.2	5.2
	Insurance	5.0	11.5	3.2
Real Estate		**4.9**	**17.9**	**9.2**
Information Technology		**(8.5)**	**39.7**	**33.8**
	Software and Services	(7.8)	(38.3)	(24.2)
	Technology Hardware	(12.6)	44.5	20.5
	Semicon & Semicon Equip	(8.0)	110.5	73.3
Telecommunications Services		**(0.5)**	**(10.2)**	**(1.8)**
Utilities		**2.6**	**28.9**	**15.8**

Source: MSCI, Datastream, As at COB 15th Jul, 2026

Table 18: Country and Region Index Performances

(%change)		Local Currency			US$		
Country	**Index**	**4week**	**12m**	**YTD**	**4week**	**12m**	**YTD**
Austria	ATX	(1.5)	45.1	21.5	(2.8)	42.9	18.3
Belgium	BEL 20	(1.6)	24.8	10.5	(2.9)	22.8	7.6
Denmark	KFX	10.3	(3.3)	4.3	8.9	(5.0)	1.5
Finland	HEX 20	(4.4)	24.1	7.0	(5.7)	22.2	4.2
France	CAC 40	(0.6)	7.9	2.9	(1.9)	6.2	0.2
Germany	DAX	0.3	3.9	2.1	(1.1)	2.3	(0.6)
Greece	ASE General	0.0	26.8	17.2	(1.3)	24.8	14.1
Ireland	ISEQ	1.0	23.2	5.9	(0.4)	21.2	3.1
Italy	FTSE MIB	(0.3)	31.3	16.6	(1.7)	29.2	13.6
Japan	Topix	1.9	44.7	19.9	0.7	32.8	15.9
Netherlands	AEX	1.4	18.9	15.4	0.1	17.1	12.4
Norway	OBX	0.0	17.8	15.1	(1.7)	24.3	19.9
Portugal	BVL GEN	0.5	17.2	10.5	(0.8)	15.3	7.6
Spain	IBEX 35	(0.8)	38.9	11.4	(2.1)	36.8	8.5
Sweden	OMX	(0.3)	24.4	9.3	(2.7)	25.3	4.6
Switzerland	SMI	3.6	20.2	7.8	1.7	19.2	5.8
United States	S&P 500	2.1	21.3	10.6	2.1	21.3	10.6
United States	NASDAQ	1.0	27.0	13.0	1.0	27.0	13.0
United Kingdom	FTSE 100	0.1	17.6	5.9	0.7	18.4	6.1
EMU	MSCI EMU	(1.0)	18.3	9.2	(2.3)	16.4	6.4
Europe	**MSCI Europe**	**0.2**	**17.2**	**7.9**	**(0.8)**	**16.2**	**5.9**
Global	MSCI AC World	1.7	21.6	10.6	1.5	21.0	10.1

Source: MSCI, Datastream, As at COB 15th Jul, 2026

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Earnings

Table 19: IBES Consensus EPS Sector Forecasts — MSCI Europe

	EPS Growth (%yoy)			
	2025E	2026E	2027E	2028E
Europe	**(0.4)**	**17.3**	**10.5**	**10.3**
Energy	**(13.7)**	**66.8**	**(13.8)**	**(0.6)**
Materials	**(9.4)**	**33.2**	**10.8**	**5.8**
Chemicals	(6.7)	11.9	6.3	9.9
Construction Materials	(22.3)	9.4	13.4	10.9
Metals & Mining	(6.0)	61.4	12.3	2.0
Industrials	**8.9**	**11.6**	**14.6**	**13.5**
Capital Goods	11.2	12.9	15.6	13.9
Transport	(3.1)	2.7	9.7	13.4
Business Svs	5.9	10.5	11.0	10.2
Discretionary	**(62.9)**	**145.8**	**20.3**	**15.3**
Automobile	(130.5)	-	30.3	18.7
Consumer Durables	(7.2)	9.6	14.5	13.4
Media	20.6	8.9	14.7	13.1
Retailing	15.8	12.5	14.0	11.7
Hotels,Restaurants&Leisure	10.7	6.4	15.3	14.6
Staples	**(1.9)**	**3.1**	**7.6**	**7.3**
Food & Drug Retailing	1.0	9.5	8.8	7.8
Food Beverage & Tobacco	(1.6)	2.4	7.5	7.7
Household Products	(4.1)	2.2	7.3	5.9
Healthcare	**9.2**	**3.4**	**9.8**	**10.7**
Financials	**10.0**	**10.1**	**12.9**	**11.1**
Banks	12.9	8.6	13.7	11.6
Diversified Financials	(8.1)	23.5	17.5	15.3
Insurance	14.3	6.9	7.8	7.1
Real Estate	**11.8**	**(0.4)**	**4.5**	**2.4**
IT	**12.1**	**17.1**	**28.6**	**19.1**
Software and Services	24.6	11.9	15.2	16.4
Technology Hardware	4.4	(9.2)	13.0	11.6
Semicon & Semicon Equip	7.4	33.3	42.2	22.5
Telecoms	**9.1**	**7.5**	**14.8**	**10.0**
Utilities	**1.2**	**6.7**	**7.4**	**7.0**

Source: IBES, MSCI, Datastream. As at COB 15th Jul, 2026

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Table 20: IBES Consensus EPS Country Forecasts

		EPS growth (%change)			
Country	**Index**	**2025E**	**2026E**	**2027E**	**2028E**
Austria	ATX	9.7	23.5	10.5	8.2
Belgium	BEL 20	18.1	11.1	15.0	12.3
Denmark	Denmark KFX	(1.2)	(1.5)	4.9	10.6
Finland	MSCI Finland	4.5	17.4	11.4	10.2
France	CAC 40	(22.8)	44.3	9.5	9.8
Germany	DAX	4.9	7.4	15.8	14.2
Greece	MSCI Greece	(10.0)	12.1	13.9	10.2
Ireland	MSCI Ireland	2.9	(1.8)	12.2	13.0
Italy	MSCI Italy	(37.3)	83.9	10.9	10.5
Netherlands	AEX	(20.5)	34.1	11.0	11.2
Norway	MSCI Norway	(11.3)	52.3	(8.6)	2.7
Portugal	MSCI Portugal	23.6	19.2	2.8	5.4
Spain	IBEX 35	5.7	10.6	11.8	9.9
Sweden	OMX	(3.3)	4.4	9.3	8.4
Switzerland	SMI	6.7	7.6	10.1	9.4
United Kingdom	FTSE 100	6.8	17.6	8.2	8.5
EMU	MSCI EMU	(4.4)	20.2	12.5	11.7
Europe ex UK	MSCI Europe ex UK	(2.6)	16.9	11.5	11.1
Europe	MSCI Europe	(0.4)	17.3	10.5	10.3
United States	S&P 500	13.6	25.1	19.5	14.8
Japan	Topix	11.4	14.6	11.6	10.5
Emerging Market	MSCI EM	10.3	64.2	24.0	10.5
Global	MSCI AC World	10.2	28.0	17.8	12.7

Source: IBES, MSCI, Datastream. As at COB 15th Jul, 2026**Japan refers to the period from March in the year stated to March in the following year— EPS post-goodwill

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Valuations

Table 21: IBES Consensus European Sector Valuations

	P/E			Dividend Yield			EV/EBITDA			Price to Book		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Europe	**15.8**	**14.3**	**13.0**	**3.1%**	**3.3%**	**3.6%**	**9.1**	**8.5**	**7.9**	**2.4**	**2.2**	**2.0**
Energy	**8.0**	**9.3**	**9.4**	**4.6%**	**4.8%**	**5.0%**	**3.2**	**3.6**	**3.8**	**1.4**	**1.3**	**1.3**
Materials	**16.6**	**15.0**	**14.2**	**3.0%**	**3.2%**	**3.4%**	**7.8**	**7.2**	**6.7**	**2.0**	**1.9**	**1.8**
Chemicals	22.1	20.8	18.9	2.7%	2.8%	2.9%	11.2	10.7	9.8	2.4	2.3	2.2
Construction Materials	16.6	14.6	13.2	2.3%	2.5%	2.8%	9.0	8.0	7.3	1.8	1.7	1.5
Metals & Mining	13.1	11.6	11.4	3.3%	3.7%	3.8%	6.1	5.5	5.3	1.9	1.8	1.7
Industrials	**22.9**	**20.0**	**17.6**	**2.0%**	**2.3%**	**2.5%**	**11.9**	**10.8**	**9.7**	**4.1**	**3.7**	**3.3**
Capital Goods	24.1	20.8	18.3	1.9%	2.1%	2.4%	13.3	11.6	10.4	4.6	4.2	3.6
Transport	18.1	16.5	14.5	2.7%	2.8%	2.9%	7.7	7.8	7.3	2.1	2.0	1.9
Business Svs	17.5	15.8	14.3	2.9%	3.2%	3.4%	10.9	10.0	9.2	5.7	5.3	5.1
Discretionary	**16.8**	**14.0**	**12.1**	**2.5%**	**2.9%**	**3.2%**	**7.1**	**5.9**	**5.2**	**2.1**	**1.8**	**1.7**
Automobile	9.2	7.0	5.9	4.1%	5.0%	5.7%	1.8	1.5	1.1	0.6	0.6	0.5
Consumer Durables	25.8	22.5	19.8	2.0%	2.2%	2.4%	14.4	11.6	10.7	4.2	3.8	3.5
Media & Entertainment	20.3	17.7	15.6	1.6%	1.7%	1.9%	13.6	11.9	9.8	4.7	4.1	3.6
Retailing	15.6	13.7	12.3	2.3%	2.6%	2.9%	14.0	12.8	11.1	5.5	3.4	2.9
Hotels,Restaurants&Leisure	20.6	17.9	15.6	2.4%	2.7%	3.0%	10.8	10.1	9.0	5.5	5.0	4.5
Staples	**16.8**	**15.6**	**14.5**	**3.3%**	**3.5%**	**3.7%**	**10.4**	**9.6**	**9.1**	**3.0**	**2.8**	**2.7**
Food & Drug Retailing	13.4	12.3	11.4	3.7%	4.0%	4.3%	6.5	6.0	5.6	2.0	1.9	1.8
Food Beverage & Tobacco	16.8	15.6	14.5	3.4%	3.7%	3.9%	10.7	10.0	9.4	2.8	2.6	2.5
Household Products	18.5	17.3	16.3	2.8%	2.9%	3.1%	12.4	11.2	10.6	4.2	3.9	3.6
Healthcare	**16.3**	**14.8**	**13.4**	**2.5%**	**2.7%**	**2.9%**	**12.3**	**11.0**	**10.1**	**3.3**	**3.0**	**2.7**
Financials	**11.9**	**10.6**	**9.5**	**4.3%**	**4.8%**	**5.2%**	**-**	**-**	**-**	**1.6**	**1.5**	**1.5**
Banks	11.3	9.9	8.9	4.7%	5.2%	5.8%	-	-	-	1.5	1.4	1.3
Diversified Financials	13.7	11.7	10.1	2.7%	2.9%	3.2%	-	-	-	1.7	1.6	1.5
Insurance	12.6	11.7	10.9	4.9%	5.2%	5.6%	-	-	-	2.1	2.0	1.9
Real Estate	**13.8**	**13.9**	**13.3**	**4.9%**	**5.1%**	**5.2%**	**-**	**-**	**-**	**0.8**	**0.7**	**0.7**
IT	**34.4**	**26.7**	**22.4**	**1.0%**	**1.1%**	**1.2%**	**20.7**	**16.0**	**13.0**	**6.3**	**5.7**	**4.9**
Software and Services	20.6	17.9	15.4	1.7%	1.9%	2.1%	13.3	10.4	8.2	3.3	3.1	2.8
Technology Hardware	22.2	19.6	17.6	1.9%	1.9%	2.0%	12.2	11.7	10.6	2.9	2.7	2.6
Semicon & Semicon Equip	47.1	33.1	27.1	0.6%	0.7%	0.8%	30.6	21.9	18.0	12.6	10.6	8.4
Communication Services	**16.5**	**14.4**	**13.1**	**3.5%**	**3.8%**	**4.1%**	**6.7**	**6.3**	**5.9**	**2.1**	**2.1**	**2.0**
Utilities	**16.3**	**15.2**	**14.2**	**3.9%**	**4.1%**	**4.3%**	**9.8**	**9.5**	**9.2**	**2.1**	**2.0**	**1.9**

Source: IBES, MSCI, Datastream. As at COB 15th Jul, 2026.

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Table 22: IBES Consensus P/E and 12-Month Forward Dividend Yields — Country Forecasts

Country	Index	P/E 12mth Fwd	P/E 2026E	P/E 2027E	P/E 2028E	Dividend Yield 12mth Fwd
Austria	ATX	11.2	11.8	10.7	9.9	3.9%
Denmark	Denmark KFX	16.3	16.8	16.0	14.5	2.9%
Finland	MSCI Finland	19.3	20.6	18.5	16.7	3.0%
France	CAC 40	13.9	14.7	13.5	12.3	3.4%
Germany	DAX	14.4	15.9	13.7	12.0	3.0%
Greece	MSCI Greece	19.1	20.5	18.2	16.4	2.7%
Ireland	MSCI Ireland	12.7	13.6	12.0	10.6	3.4%
Italy	MSCI Italy	12.6	13.4	12.1	11.0	4.7%
Netherlands	AEX	17.0	18.0	16.2	14.6	2.2%
Norway	MSCI Norway	11.0	10.4	11.4	11.2	5.7%
Portugal	MSCI Portugal	13.6	13.8	13.5	12.7	3.9%
Spain	IBEX 35	13.9	14.8	13.2	12.1	3.7%
Sweden	OMX	17.2	18.1	16.6	15.3	3.2%
Switzerland	SMI	17.8	18.9	17.1	15.6	3.0%
United Kingdom	FTSE 100	12.3	12.9	11.9	11.0	3.5%
EMU	MSCI EMU	14.9	16.0	14.2	12.7	3.1%
Europe ex UK	MSCI Europe ex UK	15.7	16.7	15.0	13.5	3.1%
Europe	**MSCI Europe**	**14.8**	15.7	14.2	12.9	**3.3%**
United States	S&P 500	20.0	22.7	19.0	16.6	1.2%
Japan	Topix	16.3	16.9	15.2	13.7	2.2%
Emerging Market	MSCI EM	11.2	12.7	10.0	9.3	2.3%
Global	MSCI AC World	17.3	19.3	16.3	14.6	1.8%

Source: IBES, MSCI, Datastream. As at COB 16th Jul, 2026; **Japan refers to the period from March in the year stated to March in the following year-P/E post goodwill.

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Economic, Interest Rate and Exchange Rate Outlook

Table 23: Economic Outlook in Summary

	Real GDP % oya			Real GDP						Consumer prices % oya			
	2025	2026E	2027E	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	4Q25	2Q26	4Q26	2Q27
United States	2.1	2.1	2.0	2.1	2.3	1.5	1.7	2.3	2.3	2.7	3.8	3.4	1.8
Eurozone	1.5	0.4	1.3	-0.9	0.5	1.0	1.5	1.5	1.5	2.1	3.0	3.0	2.0
United Kingdom	1.3	1.1	1.2	2.5	1.0	0.8	1.0	1.6	1.2	3.4	2.8	3.0	2.7
Japan	1.1	0.8	1.0	1.8	1.3	1.0	1.3	1.0	0.7	2.7	1.5	3.1	3.5
Emerging markets	7.5	7.6	6.7	4.7	3.1	3.3	3.5	3.9	3.8	2.8	3.5	3.6	3.0
Global	2.8	2.5	2.5	2.6	2.2	2.1	2.4	2.7	2.7	2.7	3.4	3.4	2.5

Source: J.P. Morgan Economic Research estimates, as of 15th Jul, 2026

Table 24: Official Rates Outlook

					Forecast for			
	Official interest rate	Current	Last change (bp)	Forecast next change (bp)	Sep 26	Dec 26	Mar 27	Jun 27
United States	Federal funds rate	3.75	10 Dec 25 (-25bp)	Sep 27 (+25bp)	3.75	3.75	3.75	3.75
Eurozone	Depo rate	2.25	11 Jun 26 (+25bp)	Sep 26 (+25bp)	2.50	2.50	2.50	2.50
United Kingdom	Bank Rate	3.75	18 Dec 25 (-25bp)	Nov 26 (+25bp)	3.75	4.00	4.00	4.00
Japan	Pol rate IOER	1.00	16 Jun 26 (+25bp)	Oct 26 (+25bp)	1.00	1.25	1.25	1.25

Source: J.P. Morgan estimates, Datastream, as of 15th Jul, 2026

Table 25: 10-Year Government Bond Yield Forecasts

10 Yr Govt BY		Forecast for end of			
	16-Jul-26	Sep 26	Dec 26	Mar 27	Jun 27
US	4.56	4.65	4.70	4.75	4.75
Euro Area	3.12	2.95	2.90	2.85	2.80
United Kingdom	4.94	2.80	2.80	4.75	4.70
Japan	2.71	2.95	2.95	2.95	3.05

Source: J.P. Morgan estimates, Datastream, forecasts as of 15th Jul, 2026

Table 26: FX forecasts

Exchange rates vs US$		Forecast for end of			
	15-Jul-26	Sep 26	Dec 26	Mar 27	Jun 27
EUR	1.14	1.14	1.13	1.12	1.10
GBP	1.35	1.31	1.28	1.29	1.28
CHF	0.81	0.81	0.81	0.82	0.84
JPY	162	160	164	164	164
DXY	100.5	101.0	102.2	102.8	104.0

Source: J.P. Morgan estimates, Datastream, forecasts as of 15th Jul, 2026

Sector, Regional and Asset Class Allocations

Table 27: J.P. Morgan Equity Strategy — European Sector Allocation

		MSCI Europe Weights	Allocation	Deviation	Recommendation
Energy		**4.7%**	4.0%	-0.7%	**UW**
Materials		**5.3%**	8.0%	2.7%	**OW**
	Chemicals				N
	Construction Materials				OW
	Metals & Mining				OW
Industrials		**18.7%**	21.0%	2.3%	**OW**
	Capital Goods				OW
	Transport				N
	Business Services				N
Consumer Discretionary		**5.2%**	8.0%	2.8%	**OW**
	Automobile				N
	Consumer Durables				OW
	Consumer Srvcs				N
	Speciality Retail				N
	Internet Retail				N
Consumer Staples		**8.6%**	7.0%	-1.6%	**UW**
	Food & Drug Retailing				UW
	Beverages				UW
	Food & Tobacco				UW
	Household Products				UW
Healthcare		**12.9%**	12.0%	-0.9%	**N**
Financials		**25.2%**	22.0%	-3.2%	**N**
	Banks				N
	Insurance				UW
Real Estate		**0.6%**	1.0%	0.4%	**N**
Information Technology		**9.2%**	7.0%	-2.2%	**N**
	Software and Services				UW
	Technology Hardware				N
	Semicon & Semicon Equip				OW
Communication Services		**4.5%**	4.0%	-0.5%	**N**
	Telecommunication Services				N
	Media				UW
Utilities		**5.0%**	6.0%	1.0%	**N**
		100.0%	**100.0%**	**0.0%**	**Balanced**

Source: MSCI, Datastream, J.P. Morgan.

Table 28: J.P. Morgan Equity Strategy — Global Regional Allocation

	MSCI Weight	Allocation	Deviation	Recommendation
EM	12.2%	14.0%	1.8%	Overweight
DM	87.8%	86.0%	-1.8%	Underweight
US	73.3%	73.0%	-0.3%	Neutral
Japan	5.7%	6.0%	0.3%	Neutral
Eurozone	8.7%	11.0%	2.3%	Overweight
UK	3.6%	3.0%	-0.6%	Neutral
Others*	8.8%	7.0%	-1.8%	Underweight
	100.0%	**100.0%**	**0.0%**	**Balanced**

Source: MSCI, J.P. Morgan *Other includes Denmark, Switzerland, Australia, Canada, Hong Kong SAR, Sweden, Singapore, New Zealand, Israel and Norway

Table 29: J.P. Morgan Equity Strategy — European Regional Allocation

	MSCI Weight	Allocation	Deviation	Recommendation
Eurozone	54.1%	58.0%	3.9%	Overweight
United Kingdom	22.2%	21.0%	-1.2%	Neutral
Others**	23.6%	21.0%	-2.6%	Underweight
	100.0%			**Balanced**

Source: MSCI, J.P. Morgan **Other includes Denmark, Switzerland, Sweden and Norway

Table 30: J.P. Morgan Equity Strategy — Asset Class Allocation

	Benchmark weighting	Allocation	Deviation	Recommendation
Equities	60%	65%	5%	Overweight
Bonds	30%	30%	0%	Neutral
Cash	10%	5%	-5%	Underweight
	100%	**100%**	0%	**Balanced**

Source: MSCI, J.P. Morgan

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