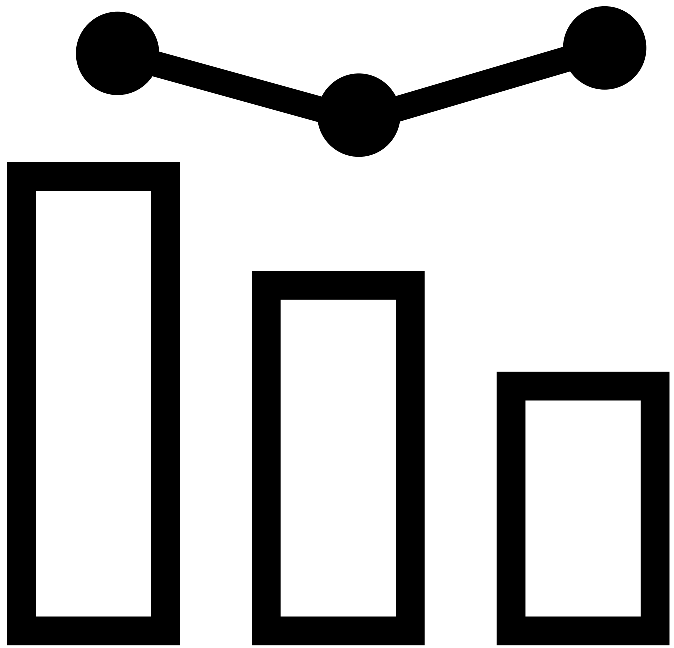


Market update

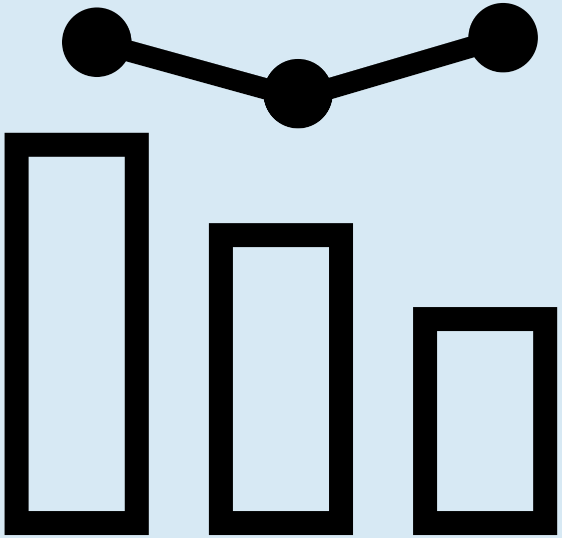
June 2026

June 2026: positive investment climate continues

June 2026 was a positive month for both equity and bond investors. Investors in Asian equities and emerging markets in particular achieved high returns in the first six months of 2026. There was less demand for bonds and listed real estate during this period.

Investors in shares generally had a good month in June, with the MSCI World index achieving a monthly return of +1.4%. At regional level, monthly returns ranged from +0.8% for emerging markets shares to +3% for European stocks. US and Asian stock markets performed reasonably well with monthly returns of 1.3% and +1.1% respectively, but significantly lagged European stocks. .

On balance, the differences in returns between the equity regions were relatively limited, but there were a number of notable movements. For example, the price gains for US equities in June were mainly due to the appreciation of the US dollar against the euro. In dollar terms, US stocks actually lost around 1% in value. It was also notable that the Dow Jones index, in which mainly 'traditional' US stocks are represented, rose by nearly 5% (in euros), while the Nasdaq, which comprises mainly technology companies, declined in value. This relatively weak performance from technology stocks was also a significant reason for the underperformance of emerging markets shares in June.



The lower return here was mainly due to South Korea, where the market is dominated by chip producers and other technology companies (such as SK Hynix and Samsung). In Europe, the positive sentiment was driven mainly by stock markets in Spain, Italy and the Netherlands. The German DAX index on the other hand declined in value in June.

Asian and emerging markets shares slightly underperformed Europe and the US in June, but were still the best performers over the first half of 2026, with returns since the start of the year of 22.1% and 24.7% respectively. The most notable performances came from the Japanese market, with a return of more than 20% since the start of the year, and Taiwan and South Korea, with returns of around 60% to even 90% over the past six months. European and US stocks generated relatively modest performances, but still produced above-average returns of more than 10% on a 6-month basis. Demand for listed real estate and bonds (both government and corporate) was significantly lower, with flat to very slightly positive returns, both in June and over the first half of 2026.

The returns on the various asset classes were as follows:

Rendementen (total return, in euro's)	juni	Q2	2026	12 mnd
Bloomberg Barclays Eurozone Staatsobligaties	0,4%	1,9%	1,2%	1,3%
Bloomberg Barclays Euro Bedrijfsobligaties	0,4%	2,3%	1,3%	2,6%
Bloomberg Barclays Euro High Yield Bedrijfsobligaties	0,6%	3,4%	1,8%	4,3%
FTSE/EPRA Europe Onroerend Goed	0,5%	5,4%	-0,2%	-4,0%
MSCI Europe Aandelen	3,0%	11,8%	10,7%	21,8%
MSCI North America Aandelen	1,3%	15,3%	13,0%	25,1%
MSCI Asia Pacific Aandelen	1,1%	22,1%	25,1%	41,1%
MSCI World Developed Markets Aandelen	1,4%	13,9%	12,1%	23,2%
MSCI Emerging Markets Aandelen	0,8%	24,7%	27,5%	47,6%
EUR/USD	-2,2%	-0,5%	-2,9%	-2,8%

Bron: Bloomberg

Is the European economy in recession?

There were two major themes that dominated the global economy in the past period. Firstly, high business investment in artificial intelligence (AI) provided a strong boost to economic growth, with the prospect of further growth from higher labour productivity over time. On the other hand, geopolitical developments, with the war in the Middle East being the most recent example, hampered economic growth and generated increasing inflationary pressure, mainly in the form of higher food and energy prices. For the time being, the European economy would appear to be the most affected by this combination of factors, with its relatively high dependence on 'foreign' energy while at the same time enjoying less benefit from the AI boom than the US economy, for example.

After a decent start to the year, the macroeconomic figures for the eurozone have thus visibly deteriorated since the start of the US/Israeli attack on Iran at the end of February. Ultimately, economic growth in the eurozone over the first quarter of 2026 came to -0.2%. Most of the recently published figures do not suggest there has been much improvement in economic growth in the second quarter either. Business confidence in Europe declined to an 18-month low in May, and consumer confidence fell to its lowest level in the last 3 years. There is therefore a real possibility that the European economy is in recession. This would be the first instance of a recession since the downturn following the coronavirus pandemic in the first half of 2020.

No sign of a strong recovery in Europe as yet

One ray of light for the European economy is that the most recent economic figures in the eurozone have shown some improvement since the memorandum of understanding concluded between the US and Iran in mid-June, which led to a gradual and partial opening of the Strait of Hormuz and a sharp fall in the oil price in recent weeks (-40% since the high at the end of April). A potential advantage for the European economy could also emerge if the AI boom turns out to be an AI bubble, in which case the eurozone would be less exposed to an AI bust than the US, South Korea or Taiwan, for example.

Unfortunately, these are no more than glimmers of hope, with little other prospect of favourable developments for the European economy. As already mentioned, business and consumer confidence in Europe is not holding up, internationally oriented companies are still hindered by both inconsistent US trade policy and competition from China, and structural reforms, for instance as recommended in the Draghi report, have not been adequately implemented. On balance, the consensus forecast for economic growth in the eurozone in 2026 has fallen from 1.2% in March to 0.5% today. A recovery to growth of more than 1% is not expected to occur until 2027.

US consumers continue to spend, but are no longer saving

The US economy is clearly in better shape compared to the eurozone, although it has its own issues. According to initial calculations, US economic growth in the first quarter of 2026 came to a disappointing 2.0% (q-o-q annualised), and subsequently was revised down to 1.6%. Following the third calculation, growth was revised up again to 2.1%. The volatility in these calculations could be due to the excessive cuts at the institutions concerned by the former 'Mr DOGE' Elon Musk, but this actually looks more like an indication of uncertainty regarding the economic policy of the Trump administration. For the first quarter, it looked as though a strong recovery was on the cards, following the government shutdown in the last quarter of 2025 and based on expectations of a sharp increase in spending as a result of the One Big Beautiful Bill Act. Most of the tax cuts that fattened the wallets of US households arrived in the first quarter, so this was expected to boost consumer spending. The positive effect of this was however partially reversed by the sharp increase in fuel prices following the US/Israeli attack on Iran, so US consumers were left with less money for other expenditure.

Partly due to the still historically low level of unemployment at 4.2%, consumer spending held up reasonably well, albeit at the cost of a decline in US household savings. Over the last 80 years, the savings rate in the US has been lower than the current 3% of disposable income on only 3 occasions: during the dotcom crisis in 2001, in the lead-up to the credit crisis in 2005–2007 and in the aftermath of the coronavirus crisis in 2022. This shows that the potential for additional consumer spending in the near future is, to put it mildly, somewhat limited. US consumers are still benefiting from the wealth effect of much higher share prices: the exposure of US households to equities today is at its highest-ever level since the Second World War. However, this also means that consumers will be vulnerable in the event of a turn in sentiment in the stock market.

US growth outlook is fair, but uncertain

Apart from consumer spending, US economic growth is currently driven mainly by government spending, which has led to a historically (and unsustainably) high budget deficit of 6%, and business investment mainly in AI-related activities. Finally, the international trade position of the US in the first quarter as usual made a negative contribution to economic growth. In other words, the US imported more than it exported. This contribution to growth was highly volatile last year, due to the erratic policy of the Trump administration on trade tariffs. In February, the Supreme Court ruled that the previously announced tariffs were unlawful, but this did not stop the Trump administration from intervening in US trade policy. In any case, this has so far failed to achieve the desired structural improvement in the trade balance and has mainly led to uncertainty for US and international businesses, and therefore the global economy as well.

On balance, the consensus forecast for the US economy is currently that growth will amount to around 2% in both 2026 and 2027, similar to the growth rate in 2025 but significantly lower than the average in 2021–2024. This forecast is moreover subject to a greater-than-usual degree of uncertainty. The potential for higher consumer spending is limited, given the already low savings rate and the high dependency on developments in oil and stock prices. There is also limited potential for higher government spending, in view of the high budget deficit and the strong possibility of a divided government after the mid-term elections in November, which in any case are likely to give the Democrats a majority in the House of Representatives. Finally, the trade policy of the Trump administration is also likely to cause uncertainty, and concerns about a potential AI bubble, with the possibility of a sharp decline in business investment, have recently increased.

AI and the Middle East are also the determining factors for emerging markets

The themes of AI and geopolitics, and especially the war in the Middle East, are important not only for Europe and the US – they will also heavily influence economic development in the Asian economies and emerging markets. With regard to the war in the Middle East, the sharp increase in oil prices has negatively affected mainly Europe and the US, but the effects have so far been manageable and will hopefully prove temporary. However, the effects for a number of Asian and emerging markets have been more existential in nature. In several Asian countries, the closure of the Strait of Hormuz has led to energy shortages, and this could over time also cause food shortages in many emerging markets, as the Middle East is also a major supplier of fertilisers. Even if the recent truce between the US and Iran is maintained for the time being, the consequences of this will be noticeable until well after the next harvest.

The effects of the situation regarding AI will be various. South Korea and Taiwan are major producers of chips and other high-value technology that are essential for the development of AI, and are thus benefiting hugely from the recent wave of investment in AI. Many other emerging economies are less technologically developed and are at risk of falling further behind as a result of the development of AI. On balance, the IMF is forecasting a relatively significant decline in economic growth in emerging markets to below 4% in 2026.

The IMF is predicting strong growth recovery in 2027, especially in Latin America, on the assumption however that the war in the Middle East does not escalate again. In China, the IMF foresees a moderate decline in growth to around 4% in 2027, while in India, it expects growth of 6.5% in both 2026 and 2027. For the global economy as a whole, the IMF assumes that growth of 3% will still be achievable in both 2026 and 2027, but it recognises there are downside risks from geopolitical developments and/or AI setbacks.

Inflation still above 2%, mainly due to war in the Middle East

At the start of 2026, the central banks in the US and the eurozone appeared to be well on the way to finally achieving their goal of price stability again and being able to cut interest rates further. Inflation in the US had fallen to 2.5% year-on-year (from a peak of more than 9% in the summer of 2022), and in the eurozone it had actually declined to 1.7% (from a peak of more than 10% in the autumn of 2022). However, the outlook for inflation changed dramatically in early March, with the US/Israeli attack on Iran. The rapid increase in the oil price (from around USD 70 per barrel at the beginning of March to almost USD 120 by the end of the month) caused a similarly rapid increase in inflation. Inflation rose to 3.2% in the eurozone and 4.2% in the US in May.

With the truce signed between the US and Iran, the oil price has receded to its level in early March, so inflationary pressure is also likely to subside in the near future, subject of course to the assumption that hostilities in the Middle East do not escalate again and that the Strait of Hormuz remains open. In any case, inflation in the eurozone eased to 2.8% in June, so that is a positive development. Apart from the risk that food and energy prices will rise again if there is escalation in the Middle East, underlying inflationary pressure is also a cause for concern for the central banks. Core inflation (excluding volatile food and energy prices) In the eurozone eased slightly to 2.4% in June, but is still above 2%. The last time this measure was at 2% was in October 2021. The declining trend in core inflation has also been reversed in the US. In February it was still 'only' 2.5%, but core inflation in the US has now risen again to 2.9%.

Central banks: no rate cuts for now

The uncertainty regarding the development of inflation makes it difficult for the central banks to pursue an appropriate interest-rate policy. Before the US/Israeli attack on Iran, the interest-rate markets were forecasting that the ECB would probably leave its European base rate unchanged at 2% in 2026, and that the Fed could even have room to cut the US base rate from 3.75% to 3%. In the ECB's case, this expectation was not realised, as it raised its rate in June to 2.25%, and a further rate hike later this year certainly cannot be ruled out. The expectations for the Fed have also been revised. Although the Fed has so far not taken action, the interest-rate markets now see a rate hike to 4% towards the end of the year as the most likely scenario. The direction of US monetary policy will partly depend on the new Fed Chair Kevin Warsh, although his influence on interest-rate policy should not be exaggerated. The Fed takes decisions in committee, and its independence has been reconfirmed in a recent Supreme Court ruling, so the risk of political interference in monetary policy remains limited.

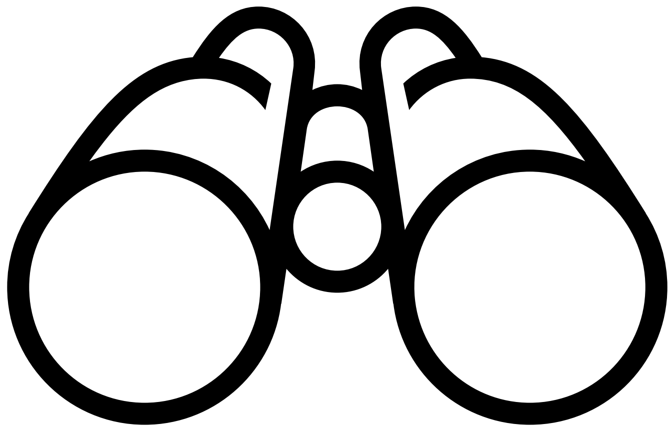
In this context, the future development of interest-rate policy in Japan is more interesting. In economic terms, Japan has emerged from years of stagnation and deflation into a more 'normal' economy, with strong economic growth of 2.7% year-on-year in the first quarter and core inflation that has increased towards 2%. The 10-year yield in Japan has steadily increased in recent years, from 0% to 2.8% today, and the country's stock market has seen a rally of more than 40% over the past 12 months. Due in part to the fact that yen has depreciated by more than 10% against the dollar, the question is whether the Bank of Japan needs to take urgent action by raising interest rates. There has been a gradual increase in the Japanese base rate since the spring of 2024, from -0.1% to 1% (its highest level in more than 30 years!), but that still appears low in the light of the current state of the economy. Nonetheless, the interest-rate markets are still predicting only a single rate hike at most by the end of this year. Especially if the war in the Middle East were to escalate again, with higher energy prices and inflationary pressure as a result, there could be increased pressure on the Bank of Japan to raise rates faster than currently expected.

Financial markets: past performance is no guarantee...

Stock markets have shown a strong recovery in recent months after a brief (in retrospect) decline in the weeks following the US/Israeli attack on Iran at the end of February. At the same time, capital market rates did not react significantly to the deteriorating outlook for inflation during the second quarter, and both corporate bonds and listed real estate had a fairly decent quarter. The temporary truce between the US and Iran signed in mid-June seems to have removed a significant source of geopolitical uncertainty, and the risk of a stagflation scenario that would be disastrous for the economy and the financial markets has thus receded.

However, we remain cautious with regard to the outlook for the financial markets in the months to come. For stocks, earnings expectations are currently historically high, so there is plenty of potential for disappointments. Additionally, there are a number of mega IPOs involving AI companies scheduled to follow the launch of SpaceX in June, so there is the question of how the market will absorb them. For government bonds, large budget deficits and levels of government debt in the US, the UK and France are cause for concern, and a smaller decline in inflationary pressure than currently estimated is a risk factor, certainly if the conflict in the Middle East were to escalate again.

Any rise in capital market interest rates would also hurt listed real estate and corporate bonds, which are also exposed to contagion risk from the rather shaky private credit sector (especially in the US). Finally, the traditional lack of liquidity in the financial markets could lead to higher volatility during the summer, especially if unexpected events occur.



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