



BANQUE
ERIC STURDZA

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1. EDITORIAL

TO INFINITY AND BEYOND

May 2026 has been a month of superlatives, with records being broken one after another and countless new ‘all-time highs’ for stock market indices. This trend is being driven by technology stocks, and the market capitalisation of a just a few companies is striking: 13 companies each now have market caps exceeding \$1 trillion. It was a close call that not all of them were Tech-related stocks: Berkshire Hathaway is the sole non-Tech member of this club led by Nvidia, a club that has just welcomed three new members this month: Samsung, Micron and SK Hynix.

The skyrocketing price increase of Tech-related stocks obviously has a profound effect on index performance: 10 stocks now account for 40% of a US index comprising 500 stocks.

Outside publicly listed markets, the trend is similar: 2026 is set to be a record-breaking year for

IPOs: we are talking about valuations of 1.8 trillion for SpaceX, nearly 1 trillion for OpenAI, and for Anthropic...

Whilst equity investors are relentlessly betting on the same winners and holding minimal cash reserves, fixed Income investors are having less of a party. On May 19th, 30-year US Govvies hit 5.2%; investors would have gladly done without this record, especially as it brings back bad memories: the last time the 30-year US bond reached this level was back in... 2007.

With equity indices making new highs and bonds struggling, the divergence in behaviour between US fixed income and equity performances is quite marked and raises questions about possible excessive optimism among equity investors.

The same pessimists – or simply the cautious – would add that this negative signal coming from bond mar-

G1 : US TREASURY BOND 30 YR



Source: Bloomberg, Banque Eric Sturdza, May 2006 – May 2026

kets is compounded by the one sent by extreme concentrations in equity markets (i.e. over 40%). These are rare but have ended in pain. Some may remember the Nifty Fifties of the 1970s (40% of US market capitalisation at its peak), even more remember the dot-com bubble of the 2000s (41% at its peak), not to mention the case of Japan (44% of global market capitalisation in 1989)...

Now keeping a close eye on bubble indicators seems more appropriate than ever. From our perspective, we are already deep in the red in many cases: OpenAI, with its \$1 trillion market capitalisation, is burning through cash at a stratospheric rate; a few weeks ago, Sam Altman mentioned investment figures exceeding \$1 trillion over the coming years to secure 32 gigawatts...

But before hitting the 'sell' button on your portfolio, bear in mind that the stock market reality for the 13 titans mentioned earlier is often different. Microsoft (x23.8), TSMC (x23.3) and Alphabet (x26) have Forward P/E ratios that are ultimately 'reasonable' given their growth. This is reassuring compared to the internet bubble era levels.

Less favourable, however, is the sector's hyperbolic trajectory in capital expenditure. Indeed OpenAI is not the only one planning investments on a scale never seen before. The big four – Amazon, Microsoft, Alphabet and Meta – will spend over 600 billion by the end of 2026. AI is an ogre that grows ever more insatiable in its consumption of electricity (and push for electrification, a theme already at play in our portfolios) but it is also ferociously burning cash.

This brings us back to the issue of US interest rates: seeing them hit new highs at a time when the US deficit is over 6% of GDP and when the US's flagship industry is in frantic need of capital expenditure, is cause for concern. The highly imperfect but nonetheless likely Iran-US agreement should bring down inflation expectations and potentially long-term rates; this is how we tend to position our investment strategy. Nevertheless, just as much as the bubble indicators, the level of US long-term rates must also remain under scrutiny...

2. FIXED INCOME

THE US 30-YEAR BOND REACHES ITS JUNE 2007 LEVEL

Rate increases and inflation fears

In May, the 30-year yield rose to its June 2007 level. In theory, this would suggest a need to significantly extend portfolio durations. Yet this is not the case, as fixed income managers remain traumatised by the much-discussed end of the ‘fixed income secular bull market’. They also fear that long-term rates may start drifting towards 6% to 8%. We remain convinced that, even if rates may rise a little further, we have already reached attractive buying levels. Could inflation continue to rise? Undoubtedly. But during recent bouts of inflationary fever, did long-term rates actually achieve 6%-8%? The answer is no.

CPI peaked in June 2022 at 9.1%. At that time, the 30-year yield stood at 3.5%, then spiked to 4.4% in October 2022 before rising sharply again during the summer of 2023 and reaching a peak of 5.17% in October of that year. In 2025, the long-term bond reached the 5% level on four occasions, with an annual high of 5.15% in May, yet never exceeding that level. We are therefore seeing levels that were reached exactly one year ago as well as 19 years ago, in mid-2007. This is not about rushing headlong into long duration all at once, but a 30-year bond at 5% (or 2.75% in real terms) presents an opportunity to reconsider these investments. Low duration positioning was an excellent choice for weathering the bond bear market. The main question that could arise over the next 6–9 months: would the markets start talking about a hard landing, or go so far as to scare themselves with the risk of a recession in the US? All the more reason to consider long-term nominal rates at 5%, with a slight preference for real rates (TIPS) at 2.75%. This is what we started to do in our institutional mandates.

The Fed is in a quandary, whilst the ECB remains deaf and blind

As far as Kevin Warsh is concerned, one might have hoped for a better start to his tenure. The Fed is in a tight spot in the short-term. Discussions at the latest FOMC meeting reveal that a rate hike was discussed. The US central bank must absolutely remain as neutral as possible and buy time, hoping that Ormuz will be operational again soon (even partially – the markets love to anticipate) as we approach the mid-term elections in less than six months’ time.

A word on the ECB: are they really that deaf and blind? The risk of recession on the Old Continent is infinitely higher than in the United States. That the Fed might mention a possible monetary tightening if inflation gets out of hand is one thing but the ECB, trapped by its old dogmas, must not react so quickly and strongly to a ‘transitory’ surge in inflation while the risk of recession grows every day.

3. EQUITIES

AN OBSESSIVE OR BIPOLAR MARKET?

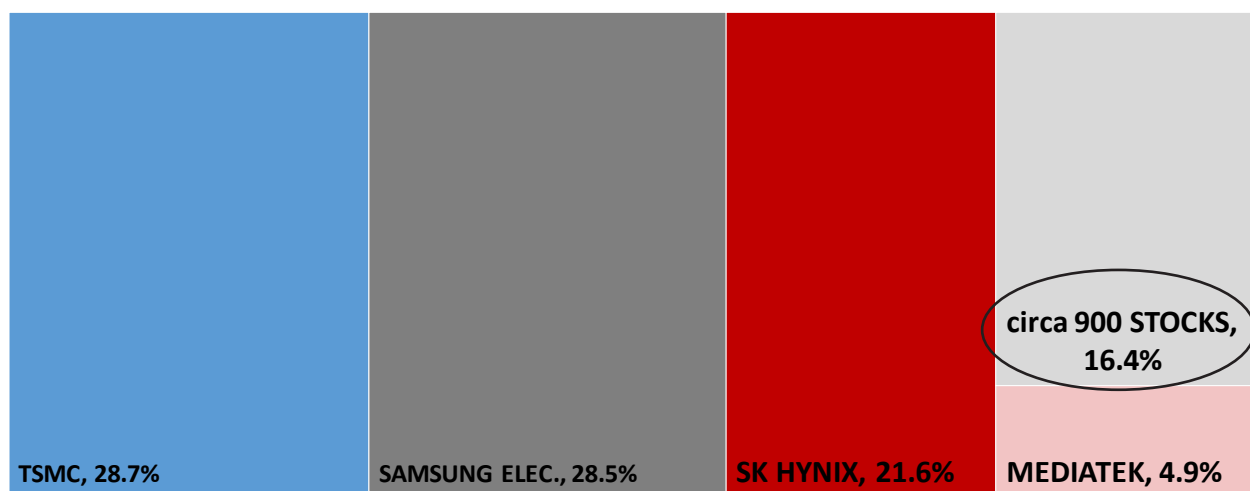
Global equity markets are continuing the rebound that began in April. The flagship global equity index thus gained 4.5% over the month of May. The US market was not to be outdone with a 5% rise, however the prize goes to the Korean market, with the KOSPI index gaining 28% over the month. This rise is nevertheless unusual in that it remains concentrated on a small number of stocks and seems to defy the still uncertain geopolitical and macroeconomic environment.

Indeed, the strength of the equity markets is somewhat surprising, given that the Iran conflict and the blockade of the Strait of Hormuz has been dragging on for a third consecutive month. Oil and its refined products such as gasoline (with the national average now trading above \$4.50 a gallon), remain at high levels, the economy – particularly in Europe – is showing the first signs of deceleration, and inflation is rising again across the board.

The reason for the stock market’s resilience is to be found once again in investors’ enthusiasm for the theme of Artificial Intelligence. While American giants such as Nvidia, Amazon and Alphabet (and, in a not so distant future, SpaceX, OpenAI and Anthropic) spring to mind for investors, it is in Asia that the momentum is strongest, reflecting the upstream integration of Korean and Taiwanese companies into technology value chains. Whilst the pivotal role of the Taiwanese firm TSMC is already well documented, Korean semis and memory suppliers have begun to catch up. Thus, in early May, the market capitalisation of Samsung Electronics (Korea’s largest listed company) crossed the symbolic threshold of \$1 trillion for the first time, driven by skyrocketing demand for chips and memory for AI. SK Hynix, a memory manufacturer, is not to be outdone and crossed the same symbolic threshold a few weeks later.

Behind these figures, however, lies a reality of extreme concentration. TSMC now accounts for nearly half of the Taiwanese market, and the technol-

G2: EQUITY MARKETS – ASIA EX-JAPAN CONTRIBUTORS TO 2026 PERFORMANCE



Source: Bloomberg, Eric Sturdza, biggest Asia ex Japan companies by market cap, YTD as of 26.05.26

ogy sector's share in the Asia ex-Japan region is approaching the 40% mark – a high not seen since at least 2006 and one that is reminiscent of the technology sector's dominance of the US market. The concentration of performance around these stocks is equally striking, with TSMC, Samsung Electronics and SK Hynix alone accounting for nearly 80% of the rise in Asia ex-Japan indices since the start of the year.

AI therefore remains the 'driving force' behind equity markets in Asia and in the US, but other regions, although less exposed, are not entirely left out in the cold, as evidenced by the performances of SoftBank and Tokyo Electron in Japan. Following such stellar performances and with such a narrow lead, the spectre of an AI bubble is re-emerging. Whilst the rise of AI stocks on the stock market is spectacular and reminiscent of the parabolic movements seen during the TMT bubble, today's fundamentals remain very different: the growth in revenue and profits generated by capital expenditure is real, and the astronomical sums spent by Alphabet and Microsoft are consistent with these companies' exceptional profitability.

Concerns seem, however, more justified regarding the new AI players set to go public this year. The IPO process for SpaceX or OpenAI offers a glimpse

into the fundamentals of these new giants and leaves one sceptical. For instance, SpaceX, which plans to raise USD 75 billion in its IPO with a target valuation of USD 1.8 trillion (the largest IPO of all time), generated USD 18 billion last year, mainly thanks to its Starlink network, whilst posting a loss of nearly USD 5 billion (largely due to the integration of X AI). This is a far cry from the hundreds of billions in revenue generated by Alphabet and the tens of billions in profit made by Nvidia, TSMC and Samsung... Sceptics will also recall that stock market euphoria tends to peak with major financial transactions such as M&As and IPOs. Who still remembers the merger of the century between AOL and Time Warner in January 2000, or the AT&T Wireless IPO in April 2000...

History also reminds us as to the importance for investors not to remain completely on the sidelines during a technological revolution. Alan Greenspan's comment on the irrational exuberance of the markets came two years before the bubble burst, and it was from its ruins that champions such as Alphabet and Amazon emerged... Selectivity remains key, and this is the approach we favour in the tech sector and in the recalibration of our Asian allocations.

T1 : FUNDAMENTAL METRICS OF ALPHABET, NVIDIA, SAMSUNG ELEC, TSMC, SK HYNIX

Company	Local Currency	Market Cap (USD bn)	Revenue (USD bn)	Growth YoY	Net Income (USD bn)	Net Margin (%)
Alphabet	USD	4'585.2	422.5	17.5%	119.5	28.30%
Samsung Electronics	KRW	2'049.1	388.3	26.0%	73.2	18.90%
NVIDIA	USD	5'109.5	253.5	70.7%	139.6	55.10%
TSMC	TWD	1'946.6	133.1	37.6%	62.3	47.20%
SK HYNIX	KRW	1'121.0	92.8	81.0%	42.3	45.60%
SpaceX*	USD	1'800.0	18.7	33.6%	(4.9)	-23.50%

Source: Bloomberg, Banque Eric Sturdza, Space X QJ, revenue and profits as of 31st March, except Nvidia 30 April and Space X 31 december

5. PERFORMANCE

EQUITIES	29/05/26	CURRENT	1M	3M	6M	YTD	2025	2024	2023	2022	2021
US	DOW JONES	51 032	2,8%	4,2%	6,9%	6,2%	13,0%	12,9%	16,2%	-6,9%	20,9%
	S&P 500	7 580	5,1%	10,2%	10,7%	10,7%	16,4%	23,3%	26,3%	-18,1%	28,7%
	S&P500 EW	8 442	2,5%	1,8%	9,0%	8,7%	9,3%	10,9%	13,8%	-11,5%	29,6%
	RUSSELL 2000	2 919	4,3%	10,9%	16,8%	17,6%	11,3%	10,0%	16,9%	-20,5%	14,8%
EUROPE	STOXX 600	626	2,4%	-1,2%	8,6%	5,7%	16,7%	6,0%	16,6%	-9,9%	25,8%
	FTSE 100	10 409	0,3%	-4,6%	7,1%	4,8%	21,5%	5,7%	7,7%	4,6%	18,4%
	CAC 40	8 183	0,8%	-4,6%	0,7%	0,4%	10,4%	-2,2%	20,1%	-6,7%	31,9%
	DAX	25 105	3,3%	-0,7%	5,3%	2,5%	23,0%	18,8%	20,3%	-12,3%	15,8%
ASIA	SPI SWISS	19 158	3,3%	-0,5%	8,5%	5,2%	17,8%	6,2%	6,1%	-16,5%	23,4%
	MSCI EM	1 161	11,0%	11,1%	30,4%	27,1%	29,3%	9,8%	3,6%	-21,5%	-6,4%
	TOPIX	3 957	6,2%	0,5%	17,1%	16,1%	22,4%	17,7%	28,3%	-2,5%	12,8%
	HANG SENG	25 182	-2,3%	-5,4%	-2,6%	-1,7%	27,8%	17,7%	-10,5%	-12,6%	-11,8%
CSI 300	4 892	1,8%	3,9%	8,1%	5,7%	17,7%	14,7%	-9,1%	-19,8%	-3,5%	
FX & COMMODITIES	29/05/26	CURRENT	1M	3M	6M	YTD	2025	2024	2023	2022	2021
CURRENCIES	EUR-USD	1,166	-0,6%	-1,3%	0,5%	-0,7%	13,1%	-6,2%	3,1%	-5,9%	-6,9%
	EUR-CHF	0,910	-0,7%	0,2%	-2,3%	-2,2%	-0,9%	1,2%	-6,1%	-4,6%	-4,0%
	USD-CHF	0,781	-0,1%	1,5%	-2,9%	-1,5%	-12,3%	7,8%	-9,0%	1,3%	3,1%
	USD-JPY	159,3	1,7%	2,1%	2,0%	1,6%	0,3%	11,5%	10,5%	13,9%	11,5%
	USD INDEX	98,94	0,9%	1,4%	-0,5%	0,6%	-9,1%	7,1%	-2,1%	8,2%	7,0%
COMMODITIES	Gold	4540,26	-1,7%	-14,0%	7,1%	5,1%	65,3%	27,2%	13,1%	-0,3%	-4,2%
	Silver	75,30	2,1%	-19,7%	33,3%	5,1%	132,4%	21,5%	-0,7%	2,8%	-13,6%
	WTI Crude Oil	87,36	-16,9%	30,3%	49,2%	52,1%	-21,0%	0,1%	-10,7%	6,7%	59,1%
	Natural Gas	3,29	18,9%	15,1%	-32,2%	-10,7%	9,7%	44,5%	-43,8%	20,0%	46,9%
	Copper	13 600	5,3%	2,3%	21,1%	9,2%	37,4%	2,2%	0,9%	-14,1%	25,7%
FIXED INCOME	29/05/26	CURRENT	1M	3M	6M	YTD	2025	2024	2023	2022	2021
RATES	US 10 year gvt	4,44	0,06	0,50	0,42	0,27	-42 bps	69 bps	0 bps	237 bps	60 bps
	German 10 year gvt	2,94	(0,10)	0,30	0,25	0,08	53 bps	34 bps	-54bps	275 bps	39 bps
BONDS	Global Aggregate USD hdg.	613,1	0,6%	-0,9%	0,6%	0,8%	4,6%	3,4%	7,1%	-11,2%	-1,4%
	Global Aggregate EUR hdg.	219,8	0,5%	-1,3%	-0,4%	0,0%	2,5%	1,7%	4,7%	-13,3%	-2,2%
	Global Aggregate CHF hdg.	159,0	0,3%	-1,9%	-1,5%	-0,9%	0,3%	-1,0%	2,5%	-13,7%	-2,5%
	US Treasuries	2434,8	0,1%	-1,7%	-0,3%	0,0%	6,1%	0,6%	4,1%	-12,5%	-2,3%
	US IG Corporates	3568,9	0,8%	-0,8%	0,5%	0,7%	7,5%	2,1%	8,5%	-15,8%	-1,0%
	US High Yield	2963,6	0,5%	1,0%	2,3%	1,7%	8,2%	8,2%	13,4%	-11,2%	5,3%
	Euro Government	246,9	1,1%	-1,2%	0,3%	0,9%	0,3%	2,0%	7,1%	-18,2%	-3,4%
	Euro IG Corporates	268,1	0,9%	-0,4%	0,7%	0,9%	2,8%	4,7%	8,2%	-13,6%	-1,0%
	Euro High Yield	508,9	0,9%	0,4%	1,8%	1,3%	4,6%	9,1%	12,8%	-11,1%	4,2%
	EM USD Aggregate	1407,0	0,7%	-0,1%	1,9%	1,5%	10,9%	6,6%	9,1%	-15,3%	-1,7%

Source: Bloomberg, 29.05.26

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