PICTET
1805

HOUSE VIEW – SEPTEMBER 2026

Promises, promises

Editorial

Return of the debasement trade

CÉSAR PÉREZ RUIZ
Head of Investments & CIO

CONTEXT

The US dollar is under pressure again, as investors take a hard look at **America's fiscal and monetary stewardship**.

Today, the **US national debt exceeds USD 40 trillion,** and the fiscal deficit is stuck near 6.3% of GDP. **US growth remains solid,** due to an extraordinary level of spending on **artificial intelligence** (AI) infrastructure.

But **the US consumer is being squeezed** by high gas prices, steep mortgage rates and fading fiscal support from the One Big Beautiful Bill. We expect **core PCE inflation** to end the year around 3%, which remains above the Federal Reserve's 2% target**. This could impact the outcome of the US mid-term elections in November.**

The combination of resilient growth and sticky inflation will test the Fed's credibility. **We expect the Fed to hold rates steady through year-end.** We observe that US consumer spending has deteriorated and we will **closely monitor inflation and jobs data** in the months ahead.

The global bond market sold off this summer, and yields reached multi-decade highs. Bond investors are now demanding greater compensation, as doubts grow about **US fiscal sustainability**. In addition, **record long-dated issuance of AI debt** has added fuel to the fire, and is crowding the long end of the yield curve.

The US Treasury Department tried to tame rising yields with bond buy-backs and a Japanese yen intervention. But these policy moves did **little to reduce bond volatility**.

In **Europe**, earnings have held up **but higher energy costs** and tighter credit conditions remain clear headwinds. **Headline inflation in the euro area rose sharply** in August due to higher energy prices.

INVESTMENT IMPLICATIONS

We see renewed scope for dollar weakness as concerns over fiscal and monetary credibility revive **the debasement trade**. As a result, **we resumed our underweight stance on the USD** versus other currencies.

Gold is a core beneficiary of the dollar-debasement trade, supported by rising exchange traded fund (ETF) inflows, stronger speculative participation and mounting concerns over the US policy mix. **We maintain our year-end gold target of USD 5,000 per ounce**.

We like global mining companies, especially those exposed to **copper and other industrial metals.** These companies are attractive because they provide the critical inputs that will **fuel both the energy transition and the emerging capital expenditure super cycle.**

We remain neutral on global equities, which are supported by strong earnings and improving breadth. However, **rising capex is squeezing free cash flow**, and the dividend yield advantage over Treasuries has disappeared. In our view, **the margin of safety is too thin to warrant an overweight view** of equities.

We have downgraded emerging-market equities to neutral. This downgrade reflects the fact that the region's **performance has largely been driven by a narrow group** of Taiwanese and South Korean semiconductor firms.

For **fixed income**, we are monitoring the growing supply of long-dated investment-grade bonds, particularly **from AI-linked issuers**. This record issuance is putting upward pressure at the **long end of the yield curve**. Tactically, **we favour quality at shorter maturities** and demand a **higher term premium** before adding duration.

For illustration purpose only. There can be no assurance that these forecasts will be achieved.

Key takeaways

3 Things you need to know

1. Promises, promises

- Donald Trump promised an **economy of threes**:
  - US budget deficit below 3% of GDP
  - 3% real GDP growth
  - Domestic oil output of +3m barrels per day
- This **agenda is now under strain**. Markets are uneasy about America's ballooning debt, inflation remains sticky, and borrowing costs are high.
- **US consumers are feeling the pinch** from high gasoline prices, tariffs, fading fiscal support from the OBBBA and higher mortgage rates. Resistance to AI data centres is also growing.
- If these pressures persist, **Democrats may improve their chances of retaking Congress** in November.

2. More policy uncertainty

- The Federal Reserve faces a mix of persistent inflation and resilient growth. This combination will **test the Fed's credibility** and its dual mandate.
- Meanwhile, stress in US Treasury markets has prompted a **series of government interventions**, including:
  - Japanese yen buying
  - Issuance cuts of longer-dated debt
  - Out of cycle purchases of outstanding long-term bonds.
- Investors see the bond buy-backs as a **temporary fix, not a solution**.

3. Dollar debasement resumes

- All these forces are adding to **downward pressure on the dollar**.
- **Gold should benefit**. We expect it to rise to USD 5,000 per ounce by year-end.
- **Equities are supported** by strong earnings and a capex super cycle that are both driving a broader rally.
- **Emerging market equities** face more challenges given their **high concentration** in Taiwanese and South Korean semiconductor and memory stocks.
- Furthermore, **high memory-chip prices** are beginning to impact demand for semiconductors.
- In **fixed income**, concerns about fiscal sustainability and issuance linked to AI investment are **pushing yield spreads wider**.

> "America's USD 40 trillion national debt is the elephant in the room."
>
> CÉSAR PÉREZ RUIZ
> *Head of Investment & CIO*

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Summary of investment implications

1. Core positioning

We believe our core position is crucial to ensure portfolio resilience over the medium to long term.

- Holding some liquidity as dry powder
- Underweight Fixed Income, with a preference for Euro over US and Japan government bonds
- Neutral on Equities
- USD weakness due to monetary and fiscal concerns
- Positive on precious metals

2. Convictions

Our strong convictions enable investors to generate additional value.

- Tangible assets – metals & mining
- European revival
- Corporate M&A

3. Optionality

Optionality allows for flexibility in accommodating negative surprises.

- Optionality in case of a correction

New
Updated
No change
Closed

"We like miners. They stand to benefit from a broadening capex super cycle and US dollar-debasement."

GÉRALDINE SUNDSTROM
Head of Investment Offering

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Setting the scene

The US economic agenda is under strain as mid-term elections loom

Growth holds up but the administration's policies look harder to deliver

The US administration is falling short of its **"3-3-3" campaign plan**: 3% growth, 3 million more barrels of oil output per day, and a budget deficit reduced to 3% of GDP by 2028.

Instead, the fallout from the Iran conflict is rippling through the economy, pushing up energy and food prices, and driving up borrowing costs on **concerns about sticky, long-term inflation**.

US growth is expected to **remain resilient in H2**, buoyed by capital expenditure, especially related to AI. However, a popular **backlash over data centres** is emerging ahead of the midterms.

The US administration campaigned on a "3-3-3" economic agenda...

DEBT

3%

Target national deficit as percentage of GDP

GROWTH

3%

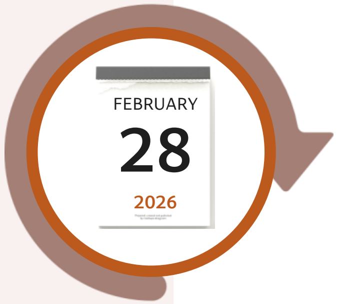
Minimum target real GDP growth

OIL

3

Million-barrels of oil per day increase in domestic production

2024



...but enters the midterms with its core narrative undermined

Higher prices and borrowing costs

Data centre backlash

Record high debt

Today

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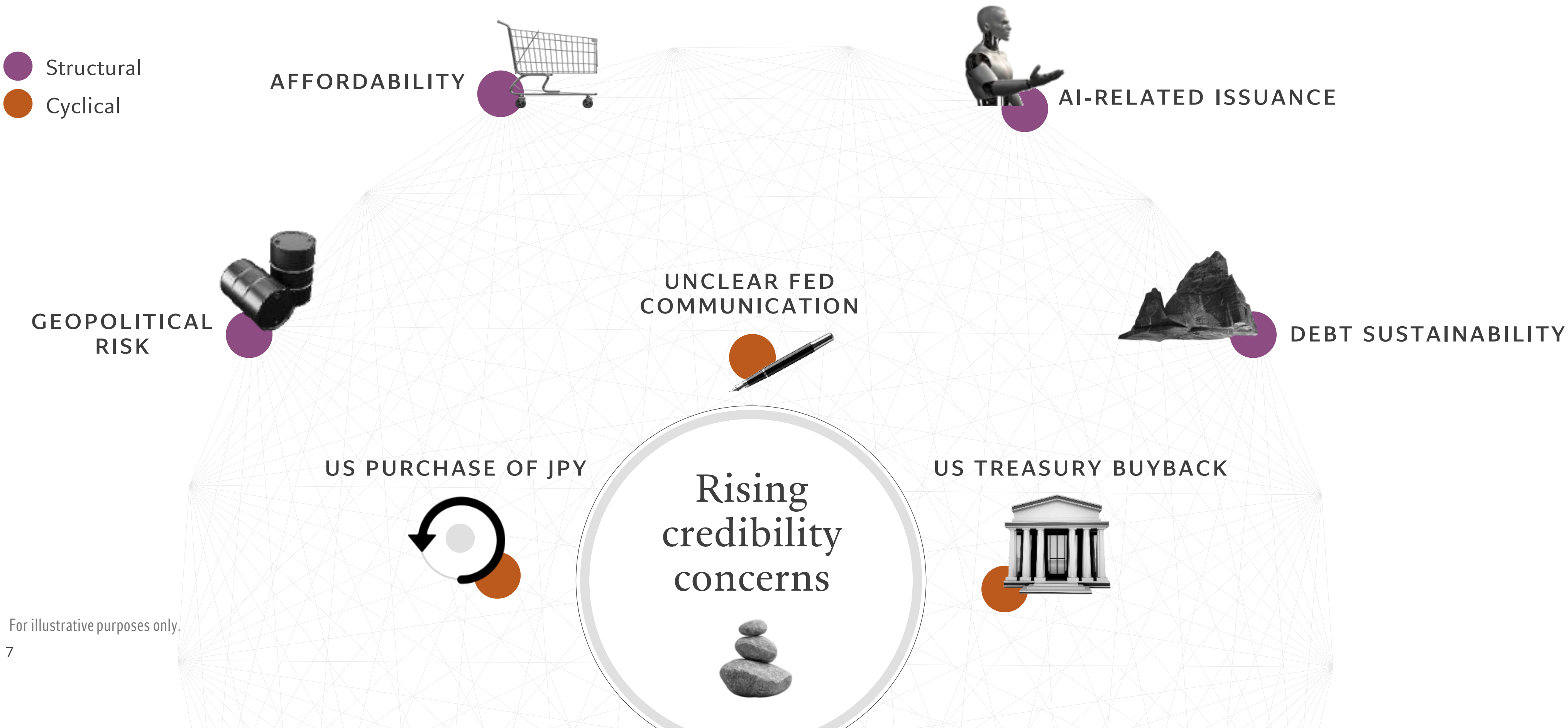
Existing vulnerabilities are being exacerbated by recent policy interventions

Bond buybacks and unclear Federal Reserve communication leave markets unsettled

Recent **US policy interventions** are aggravating existing strains in the bond market. Moves by the administration to try to cap yields on US Treasuries have failed to quell market **concerns about the sustainability of US debt**.

AI-related private sector **debt issuance** is also competing with US and global government debt. **Unclear Fed communication** and geopolitical stress are not helping. **Policy credibility itself is now in question.**



For illustrative purposes only.

Oil: so far, so good. But for how long?

Buffers are thinning, leaving less room for error

Oil prices have been more contained than expected, even with the conflict in the Middle East dragging on. Instead of a sharp spike, a combination of weaker demand, additional supply, and rerouting has kept the market broadly in balance. Global demand and supply are now close to equilibrium.

Strategic reserves in the US and other Western economies are at historically low levels. A **key shock absorber has been China**, whose unofficial reserves are believed to be very large. These stocks could allow it to maintain relatively low oil imports for up to a year. Oil is therefore likely to remain volatile, but somewhat more under control than previously feared.

Our year-end baseline for Brent crude is around USD 75, assuming meaningful volumes continue to move through alternative routes from the Gulf. However, the risk of a more adverse outcome has increased, with prices potentially approaching USD 100 if flows disappoint and shortages deepen.

20

Million barrels of oil per day have been compensated for via the SPR, rerouting, demand destruction and Chinese imports

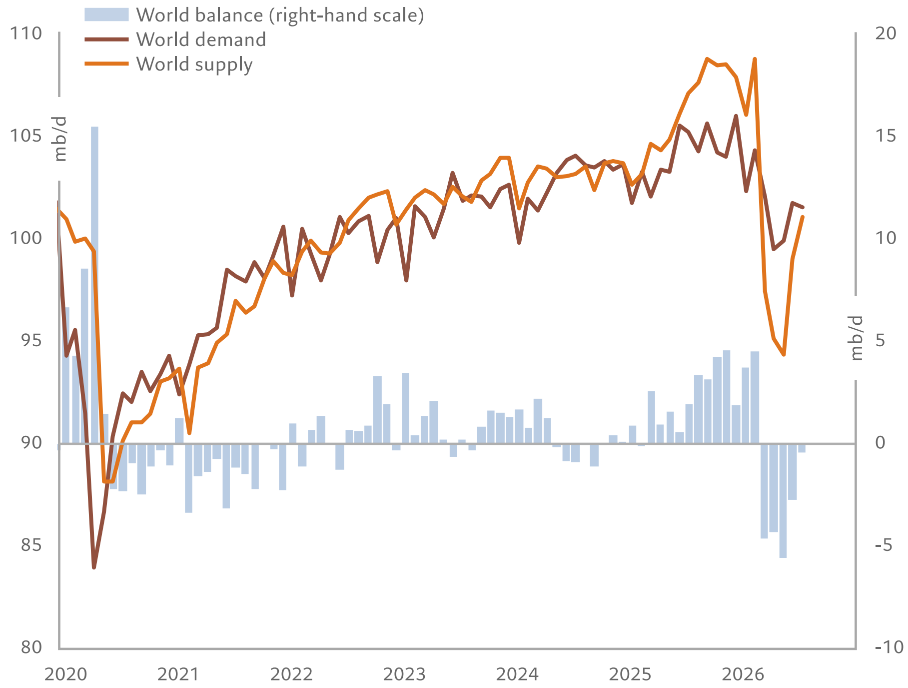
Source: Pictet Wealth Management, expectations based on EIA, IEA, Chinese NBS, as at 31.08.2026

>1 year

for China to reach the minimum operational level thanks to strategic petroleum reserves

Source: Pictet Wealth Management, expectations, as at 31.08.2026

Global oil supply – demand balance



Source: Pictet Wealth Management, US Energy Information Administration, as at 16.06.2026

SPR: strategic petroleum reserve

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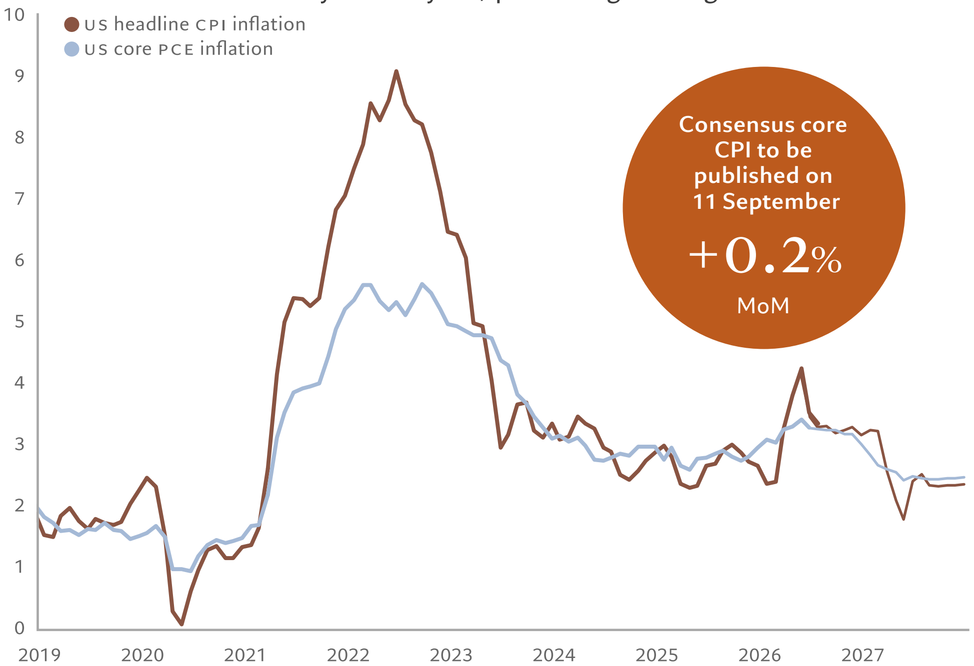
Inflation might have reduced the pressure on the Fed, but gasoline and consumer prices remain a risk

US inflation has moderated enough to reduce immediate pressure on the Fed, but not enough to remove concern. We expect the Fed's preferred inflation measure, core PCE, to end the year around 3%.

This provides the Fed with scope to hold interest rates, especially as core goods inflation is easing. However, the inflation backdrop remains above target, and **the Fed is sensitive to incoming data.**

Affordability remains a political and economic risk. Since the start of Trump's second term, prices have risen for gasoline, electricity, rent, food, in addition to higher 30-year mortgage rates.

US headline and core inflation
year-on-year, percentage change



Source: Pictet Wealth Management, BEA, as at 24.08.2026
CPI: Consumer Price Index. PCE: Personal Consumption Expenditures.

For illustrative purposes only. There can be no assurance that these forecasts will be achieved.

Key price changes since the start of Trump's second term

Petrol (USD/gallon)
+40%
Jan '25-Aug '26

Electricity (cents/kWh)
+13%
Jan '25-May '26

30-year mortgage rates
+0.5%p.
Jan '26-Aug '26*

Monthly rents
+4.7%
Jan '25-Jul '26

Beef
+20%
Jan '25-Jul '26

Milk
+7.9%
Jan '25-Jul '26

Source: US Energy Information Administration, GasBuddy, Zillow. The latest available data is shown for each category. Electricity prices have a two month lag, while home prices reflect last month's trends. Petrol data is a 30-day average of daily prices. *Units: beef (16oz), milk (gallon). Source: Pictet Wealth Management, LSEG, as at 31.08.2026

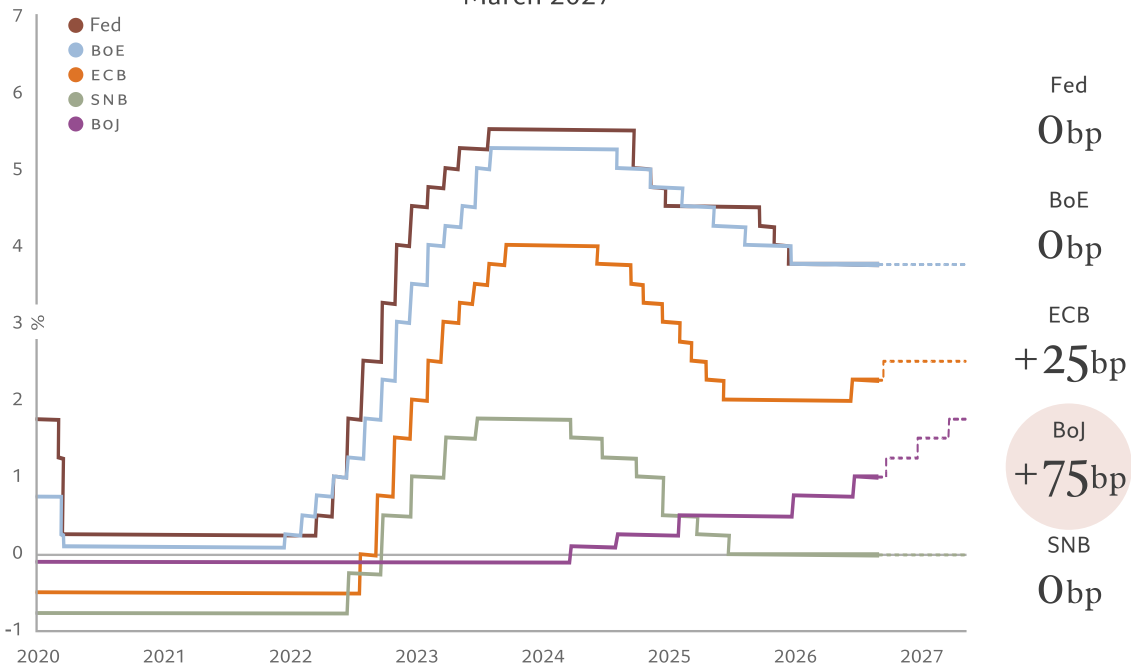
Markets are challenging Federal Reserve Chairman Kevin Warsh

Markets are challenging Federal Reserve Chairman Kevin Warsh due to **doubts about communication**, credibility and the broader policy mix.

Recent moves reflect thin guidance, **renewed pressure at the long end of the yield curve** and concern that the Fed and Treasury are buying time rather than addressing underlying problems.

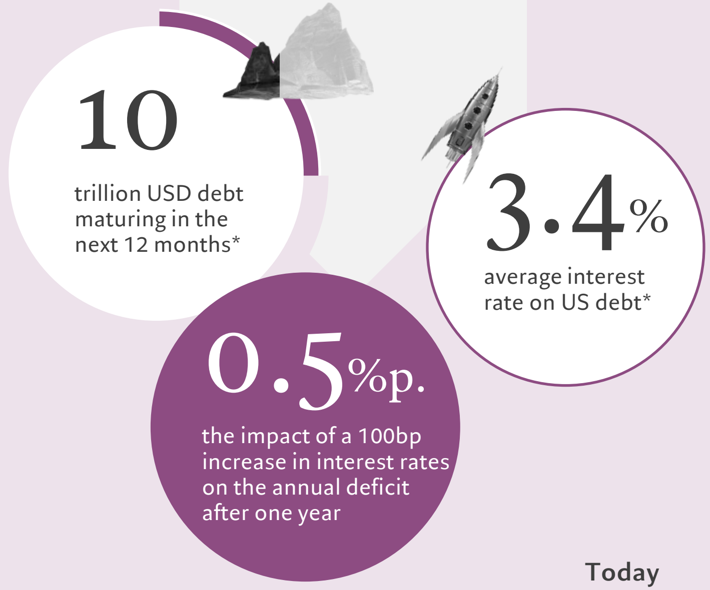
Debt sustainability is key: **US gross debt has passed USD 40 trillion**, the deficit is above 6% of GDP, and heavy, AI-related long-dated issuance is adding to supply.

Pictet Wealth Management forecasts
March 2027



Source: Pictet Wealth Management, as at 25.08.2026

USD 10 trillion rolling over: higher rates impact as % of GDP on the US deficit



US debt to GDP doubled in two decades

Source: Pictet Wealth Management, Congressional Budget Office, US Treasury, as at 31.08.2026

For illustrative purposes only. There can be no assurance that these forecasts will be achieved.

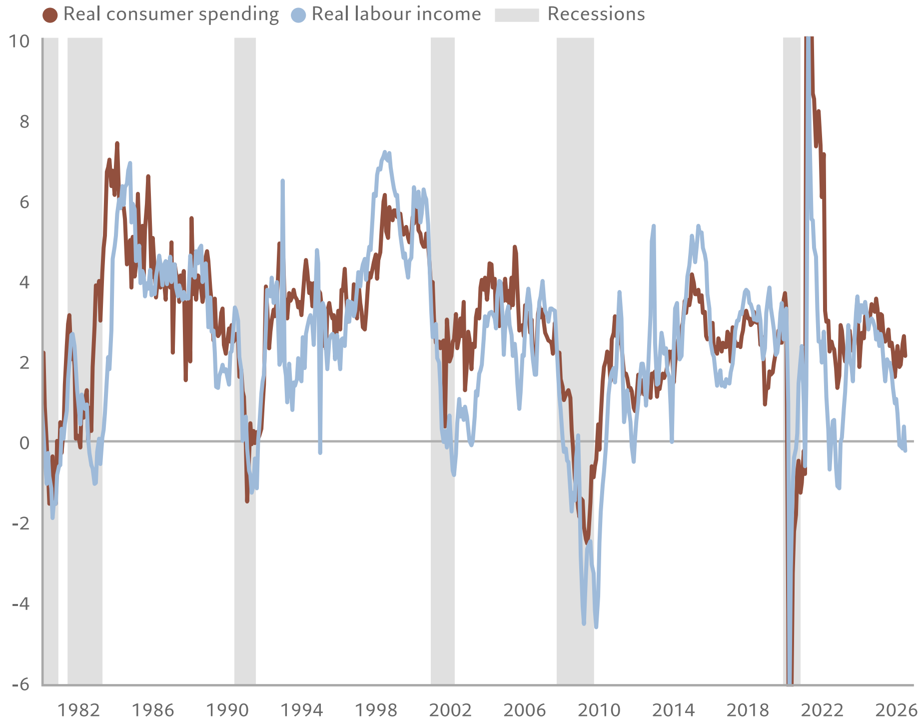
US consumers spending slows as fiscal forces fade in the second half, setting the stage for a patient Fed

Most households are feeling the pinch ahead of the midterm elections

US consumption appears stable, but it is bifurcated into a K-shaped economy, in which wealthy households are doing well while others struggle. **Most of the electorate is feeling the pinch.**

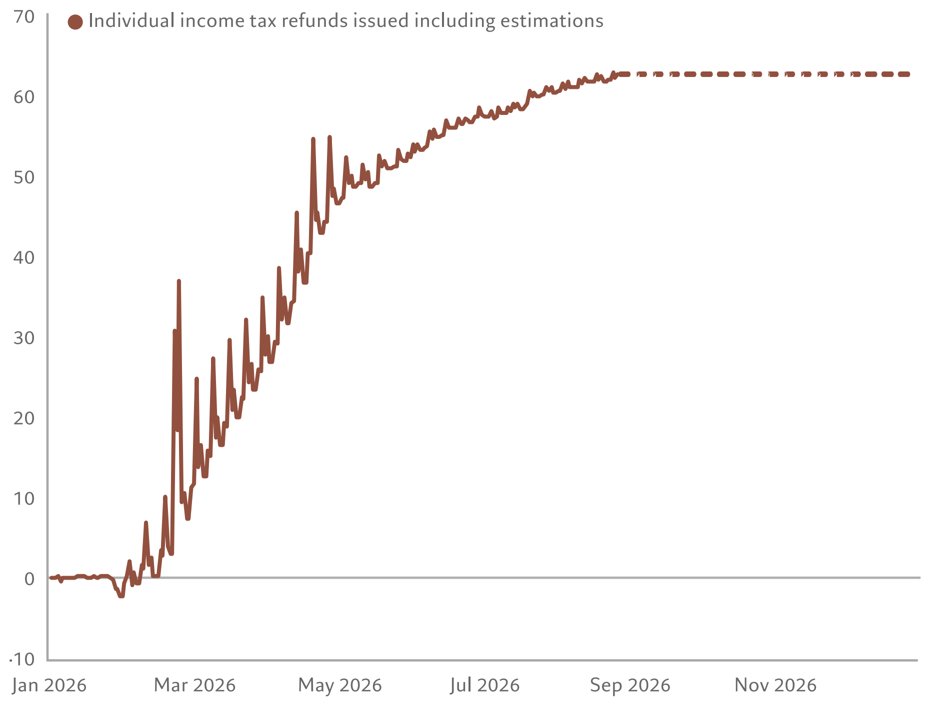
Most households have no growth in real income. The cost of living is a real issue. The One Big Beautiful Bill Act (OBBBA) fiscal package was front-loaded. **In the second half of this year, the impulse is drying up.**

Real consumer spending and labour income
Year-on-year, %



Source: Pictet Wealth Management, BEA, as at 31.08.2026

Fiscal stimulus from household tax refunds fades in H2
Cumulative by year, 2026 versus 2025 difference, USD billion



Source: Pictet Wealth Management, IRS, as at 31.08.2026

For illustrative purposes only. There can be no assurance that these forecasts will be achieved.

The US Treasury Department is reacting to higher long-end yields

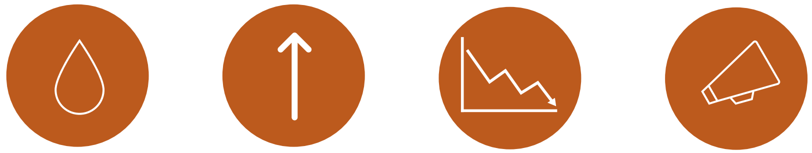
Bond buybacks aim to bolster market liquidity and cap long-term yields

The US Treasury Department unexpectedly boosted **long-end buybacks** outside the normal refunding cycle.

The intervention came against a backdrop of widening US deficits, weak tax receipts and no prospect of near-term fiscal consolidation. The buybacks were designed to support market functioning, reassure investors and lean against further upward pressure at the long end of the curve. Similar actions have previously helped to moderate term premia, even if markets may still test the policy mix.

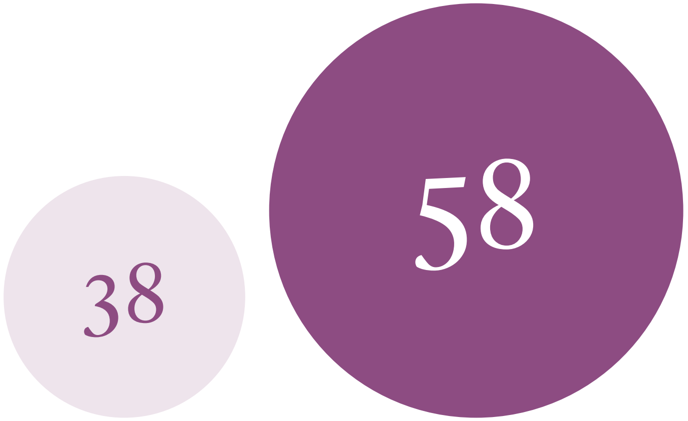
Increasing short-term bill issuance to buy longer-dated debt **risks making the overall US debt stock more sensitive to Federal Reserve policy moves**. With many foreign investors funding US borrowing and demanding a fair yield in real terms, **we remain cautious on the long end**.

OBJECTIVES



Improve market liquidity | **Support the 10-30y sector** | **Push long-term yields lower** | **Signal reassurance to markets**

Total quarterly buyback capacity before and after the Treasury Department announcement
billion USD, it only includes 10-30 year sectors



Source: Pictet Wealth Management, Department of the Treasury, as at 31.08.2026

"We have a big toolkit... and part of it is signalling here – to show that we believe that the yields don't reflect the underlying fundamentals."

SCOTT BESSENT
United States Secretary of the Treasury

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The US Treasury Department is reacting to higher long-end yields

US–Japan 2026 yen rescue: euro-funded FX move to shield the US Treasury market

The US sold euros to purchase Japanese yen and suggested the usage of the foreign and international monetary authorities (FIMA) facility for future interventions, signaling the **Fed could expand its capacity**.

The joint US-Japan was more important for its signal than its size. The US sold euros without advance notice to the ECB, which **added to investor concerns over credibility and effectiveness.**

The intervention also revealed a likely pain threshold for USD/JPY in the 163 to 165 range, suggesting authorities are sensitive to renewed yen weakness beyond those levels.

FIMA is a possible tool for future interventions because it allows foreign official institutions to obtain dollar liquidity against Treasuries without outright selling them. US policymakers likely prefer this route to direct Treasury sales if another currency intervention becomes necessary.

USD/JPY at 165 seems to be the pain threshold

Source: Pictet Wealth Management, Macrobond, Ministry of Finance (MoF), as at 24.08.2026

Note: The FIMA Repo Facility is a program created by the US Federal Reserve to allow foreign central banks to temporarily exchange their US Treasury securities for US dollars thus averting an outright sale of US Treasury

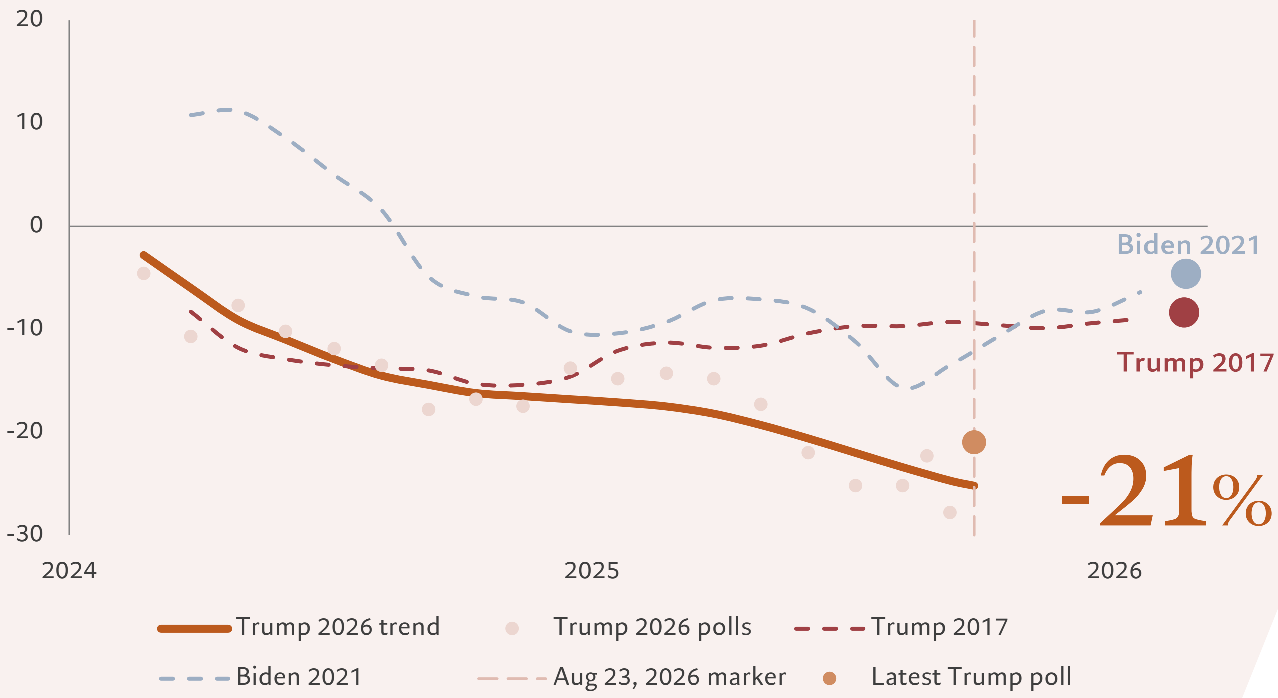
* 87 billion are coming from the Japan's Ministry of Finance and does not include the Treasury intervention.

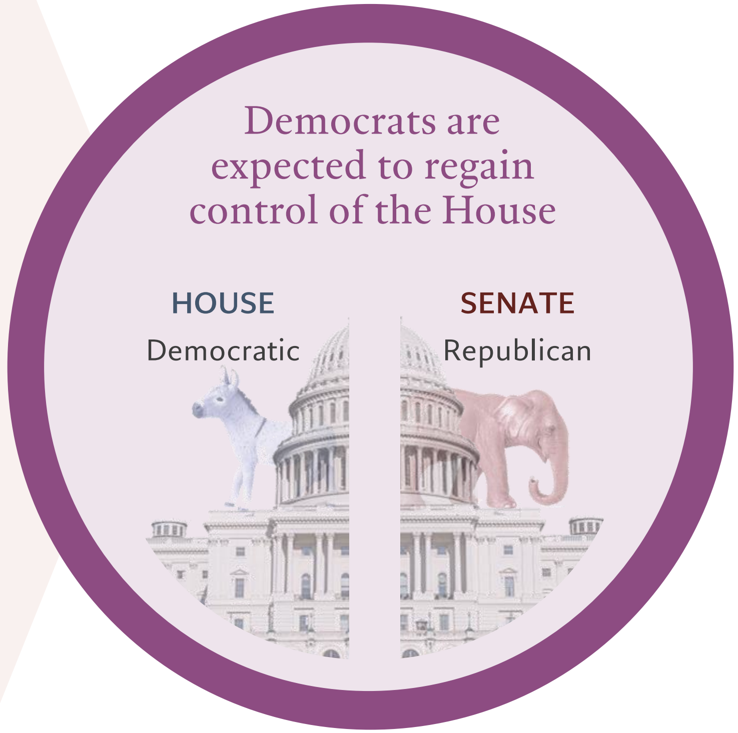
President Trump's approval rating is taking a severe hit
Affordability crunch hurts Republicans ahead of mid-term elections

President **Trump's popularity ahead of the November midterm elections is very low**, hurt by the cost-of-living strain that most American households are feeling.

The expectation is that the **Democrats will take control of the House of Representatives** but will fall short of a sweep of the **Senate, which should remain in Republican control.**

Net approval rating, % points
Compared with Trump 2017 (dotted red) and Biden 2021 (dotted blue)





Source: The Economist/YouGov Poll, Aug 21–24, 2026
For illustrative purposes only. There can be no assurance that these forecasts will be achieved.

Impact on asset classes

Summary of main asset class implications

1. Liquidity
ASSET CLASS STANCE

SUW UW N OW SOW

- Hold **dry powder**

2. Fixed income
ASSET CLASS STANCE

SUW UW N OW SOW

- Increase exposure to the **short-end of the curve**
- Underweight **fixed income**
- Underweight on **US and global HY and IG bonds**
- Underweight on **euro HY bonds** and **neutral on euro IG**

3. Equities
ASSET CLASS STANCE

SUW UW N OW SOW

- NEW Neutral on **EM equites**
- Underweight on **UK**
- Neutral on **equities**

4. Currencies (vs USD)
ASSET CLASS STANCE

SUW UW N OW SOW

- NEW Underweight on **USD**
- NEW Neutral on **GBP**

5. Alternatives
ASSET CLASS STANCE

SUW UW N OW SOW

- Positive on **precious metals**

This asset class variation is provided for illustrative purposes only. In general, asset allocations will differ among investors according, in particular, to their individual circumstances, risk tolerance, return objectives and time horizon. Therefore, the asset allocation in this publication may not be suitable for all investors and should not be used as the basis of an investment decision.

"Concerns over Fed credibility and US Treasury interventions are undermining the USD."

FREDERIK DUCROZET
Head of Strategy & Macroeconomic Research

Equity market performance broadens beyond mega-caps

A broader equities advance is emerging as more stocks participate in gains

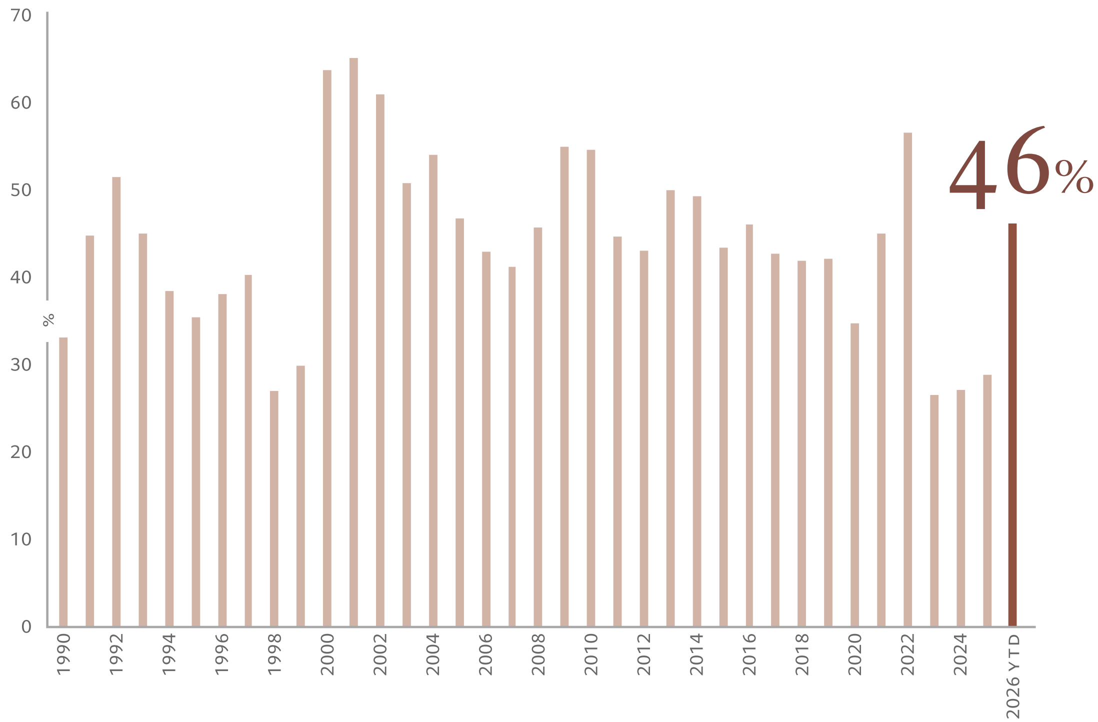
Equity market performance is starting to broaden beyond the largest US technology names, **with a rising share of stocks now outperforming the S&P 500 index.**

This has become a more visible theme over the year, moving from a narrow leadership profile towards wider participation. **This broadening is linked to strong earnings momentum across regions and sectors rather than to a collapse in mega-cap fundamentals.**

Earnings revisions remain positive across most markets and the median stock is still delivering solid earnings growth, including in the US. The S&P Equal Weight index is now around its 12-month average and trades at a 15% valuation discount to the standard S&P 500, suggesting scope for broader participation even if mega-caps continue to post stronger earnings growth.

The bottom line is that the market is becoming less concentrated, while strong earnings outside the largest names are allowing performance to spread more widely.

Percentage of companies outperforming the S&P 500 since 1990



Source: Pictet Wealth Management, FactSet, as at 27.08.2026

For illustrative purposes only. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

Strong earnings have supported equities performance, across regions
Positive revisions across markets are reinforcing a broader equity advance

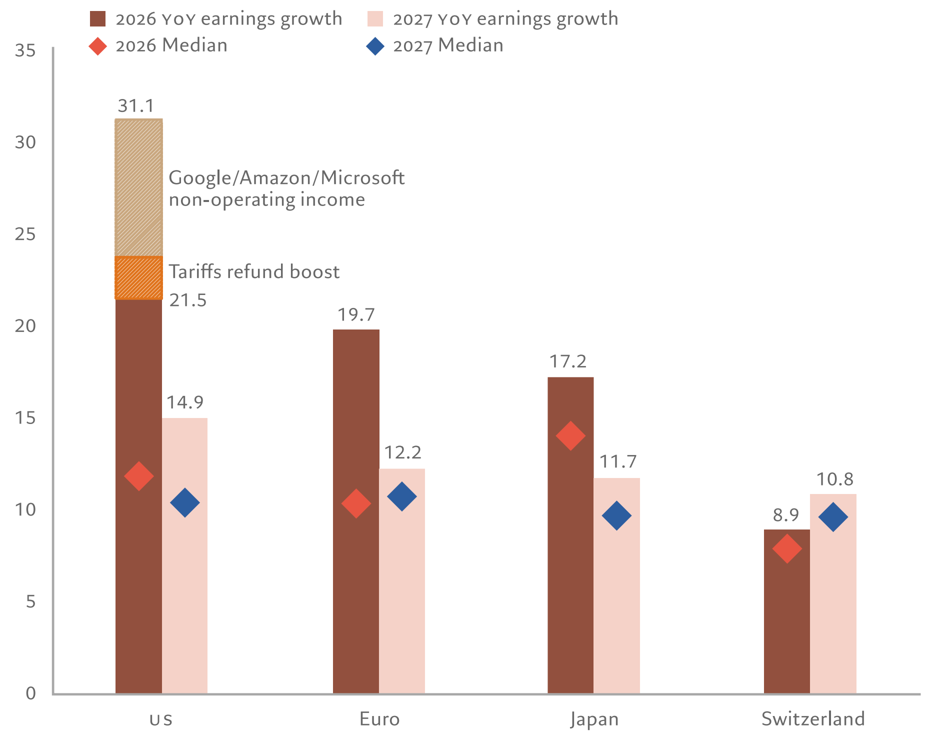
Strong earnings remain the main support for equities across regions. Earnings revisions are positive in most major markets, with trends still constructive in the US, Japan, Europe and emerging economies. The median stock in every region has delivered earnings growth above 10%, and consensus forecasts have risen through successive reporting seasons.

Breadth is favourable, with positive revisions almost everywhere except China, and management guidance is the most supportive in four to five years. **Earnings growth is likely to peak later this year and slow into 2027.**

Global earnings revisions are at a five-year-high

Source: Pictet Wealth Management, Factset, as at 30.08.2026
Earnings revisions = (upgrades minus downgrades) / total estimates

Year over year earnings growth 2026 vs 2027



Source: Pictet Wealth Management, FactSet, as at 31.08.2026

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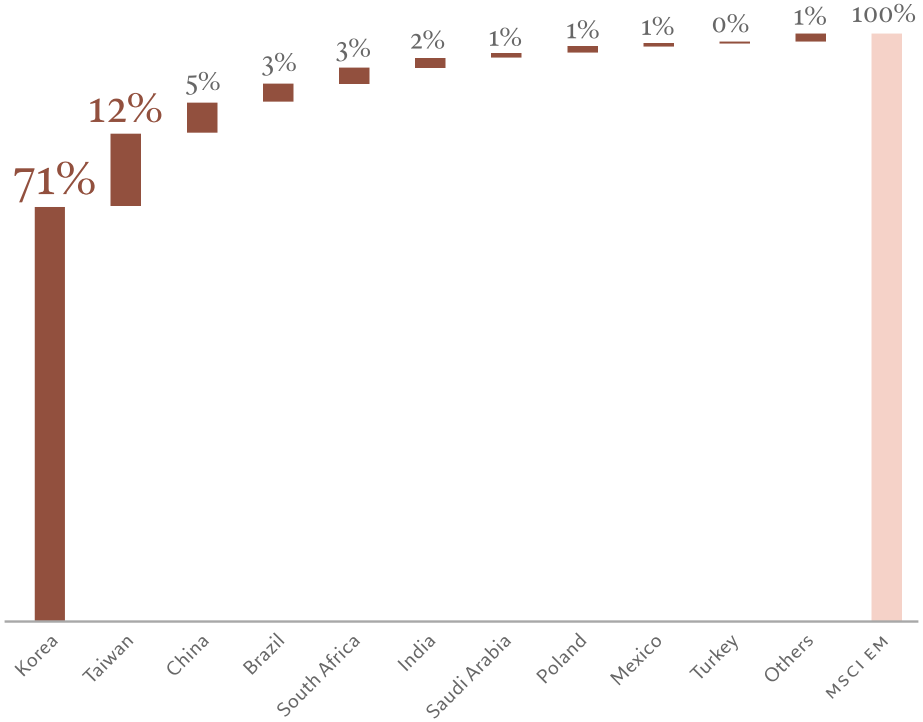
Emerging market equities are challenged by heavy market concentration

Cheap headline valuations mask a narrow and cyclical EM market structure

Emerging market (EM) equities are being challenged less by earnings and more by concentration. Headline results remain strong and valuations can appear appealing, but they mask how concentrated the EM market structure has become.

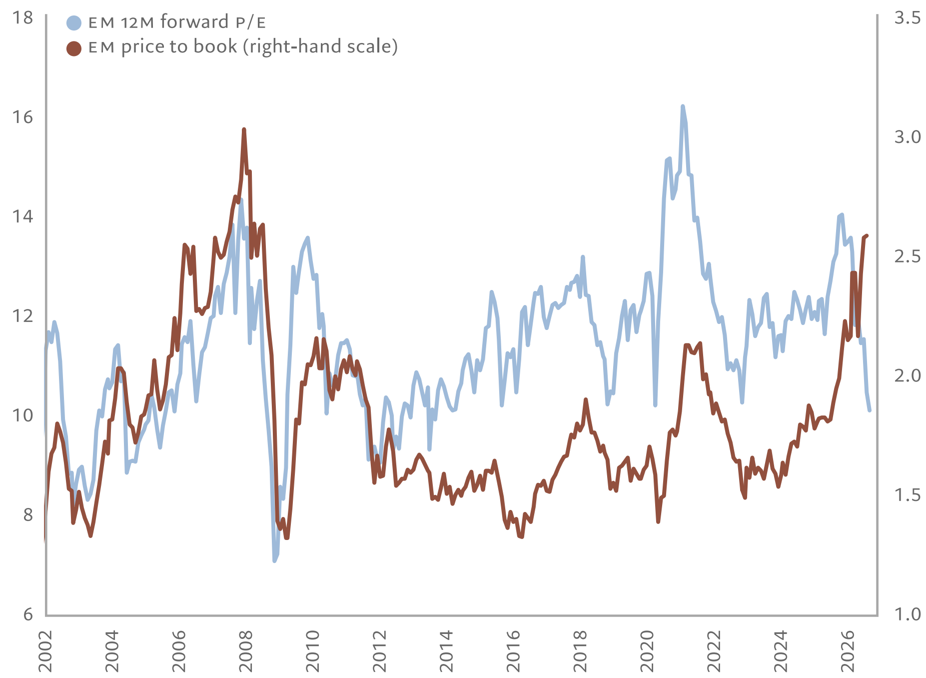
Exposure is now heavily tied to South Korea and Taiwan, with semiconductor and memory companies doing much of the work. Therefore, **owning EM equities is closely tied a handful of technology-linked names.** Earnings-per-share trends remain supportive, but do not offset the risks from excessive concentration.

South Korea and Taiwan account for 83% of EM 2026 EPS growth



Source: Pictet Wealth Management, FactSet, as at 27.08.2026
EPS: Earnings Per Share

EM may look cheap on P/E, but less so on price to book



Source: Pictet Wealth Management, LSEG, as at 27.08.2026
P/E: Price-to-Earnings Ratio

For illustrative purposes only. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

Higher memory prices are likely to impact demand or margins

The price spikes are testing demand resilience across the semiconductor supply chain

Spiking memory prices are becoming harder to sustain because recent earnings strength has been driven more by price than by volume. Shipments have risen only modestly, while industry revenues have grown much faster, implying that pricing has done most of the work.

This creates two risks. First, **high prices are starting to erode affordability for a broad customer base**. Second, elevated profits are likely to fund new capacity, increasing the risk of oversupply. End users may either absorb lower margins or pass on higher costs and curb demand. Either way, **the outlook for downstream buyers is unfavourable.**

Monthly global semiconductor sales

+148%

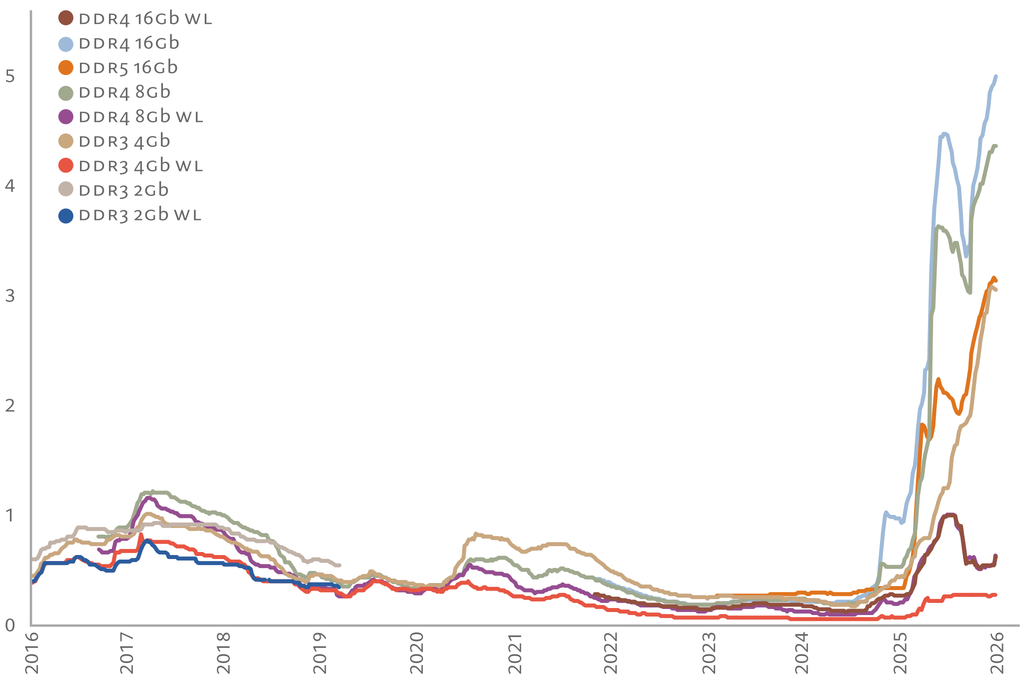
past two-year growth

Silicon wafer shipments (square meters)

+6.9%

past two-year growth

DRAM memory price evolution
August 2016-August 2026 USD/GB



Source: Pictet Wealth Management, Bloomberg Finance L.P., as at 21.08.2026
DRAM: dynamic random-access memory.

For illustrative purposes only.

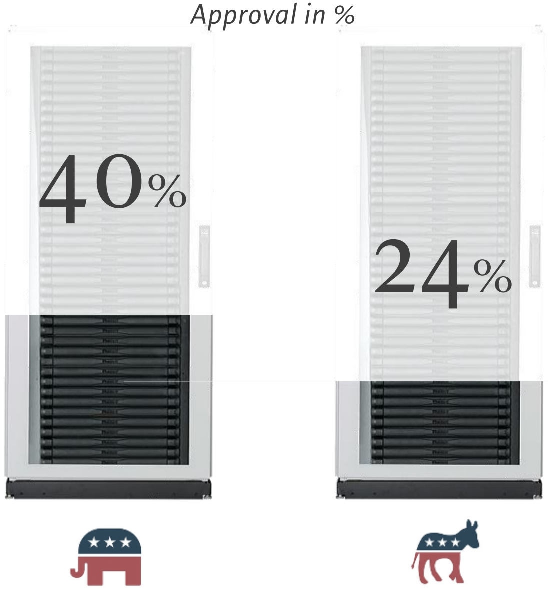
A growing backlash against data centres is raising the political costs
Public resistance to AI infrastructure is becoming a more material risk

The backlash against data centres is becoming a more important political issue as the US mid-term elections near.

Around 70% of US voters oppose building AI data centres in their area, with only 40% of Republicans in favour and just 24% of Democrats.

This matters because **a meaningful share of current US growth is tied to AI infrastructure spending.**

US voter survey on data centres
Would you favor or oppose building of a data centre in your area to support artificial intelligence technology?
Approval in %



Source: Fox News Poll, 17-20 July, 2026

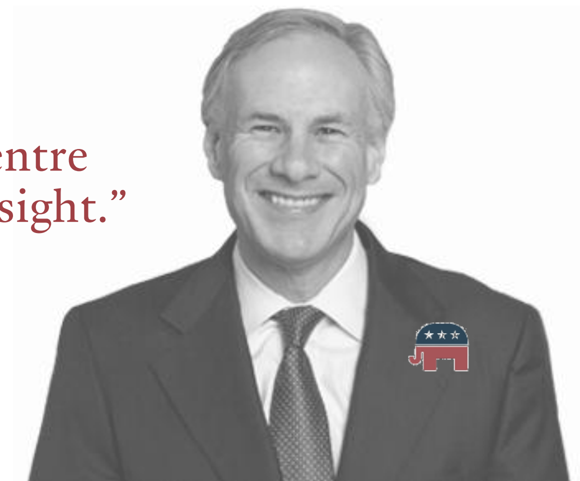
70%

of American voters oppose AI data centre construction

Source: Fox News Poll, 17-20 July, 2026

"The rapid scale of data centre developments requires oversight."

GREG ABBOTT
Texas Governor



For illustrative purposes only.

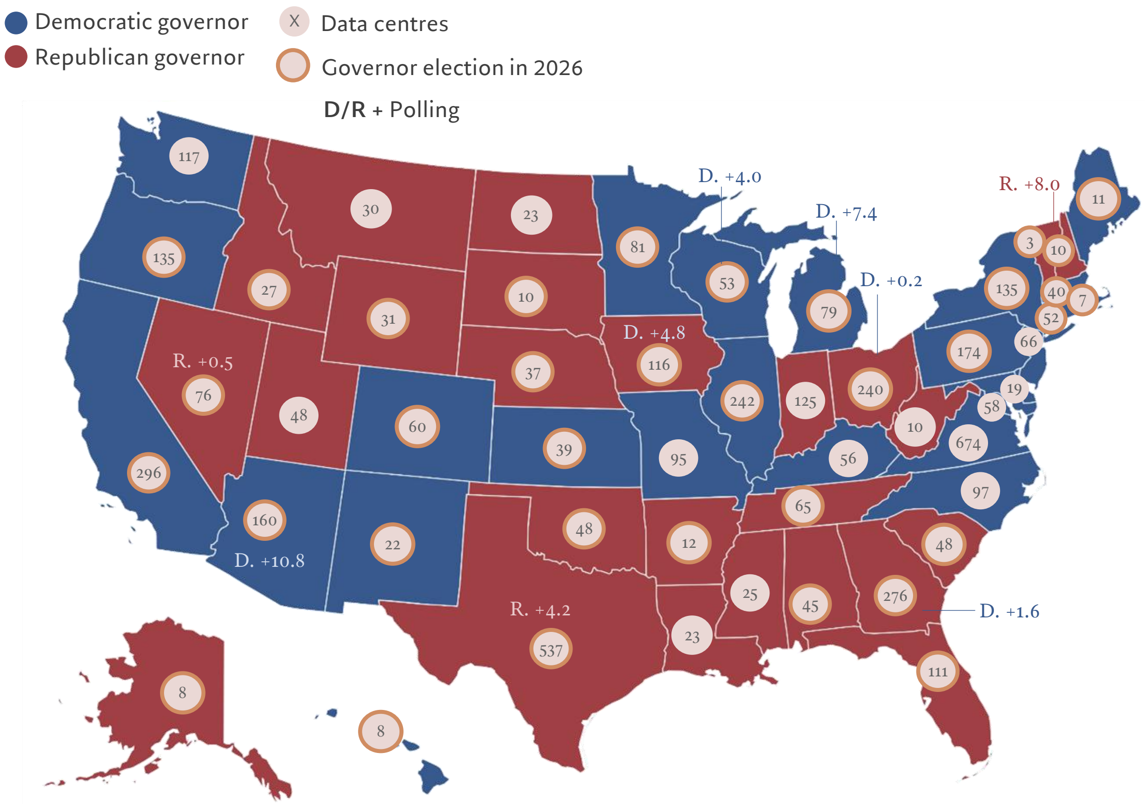
A growing backlash against data centres is raising the political costs

Construction delays and tighter guardrails are emerging at the state level, particularly in Texas, Pennsylvania and New York, where concerns are focused on utility costs, permitting and energy use.

Our base case is that there is little appetite in Washington to halt data centre construction outright, given the strategic importance of remaining competitive with China.

Cumulative state action could **gradually raise the political cost of AI infrastructure**. It is unclear how quickly this backlash would affect overall AI capital expenditure in the US.

US governors: races, polls & data centres by state



Source: RCP, Datacenter map, 270towin

Top 10 US states by data centres planned

STATE	DATA CENTRES PLANNED	GOVERNOR PARTY	UP IN 2026?	POLLING
Virginia	287	D	No	NA
Texas	170	R	Yes	R +4.2
Georgia	141	R	Yes	D +1.6
Illinois	123	D	Yes	NA
Arizona	86	D	Yes	D +10.8
Ohio	57	R	Yes	D +0.2
Indiana	54	R	No	NA
California	54	D	Yes	NA
Pennsylvania	51	D	Yes	NA
Iowa	41	R	Yes	D +4.8

For illustrative purposes only.

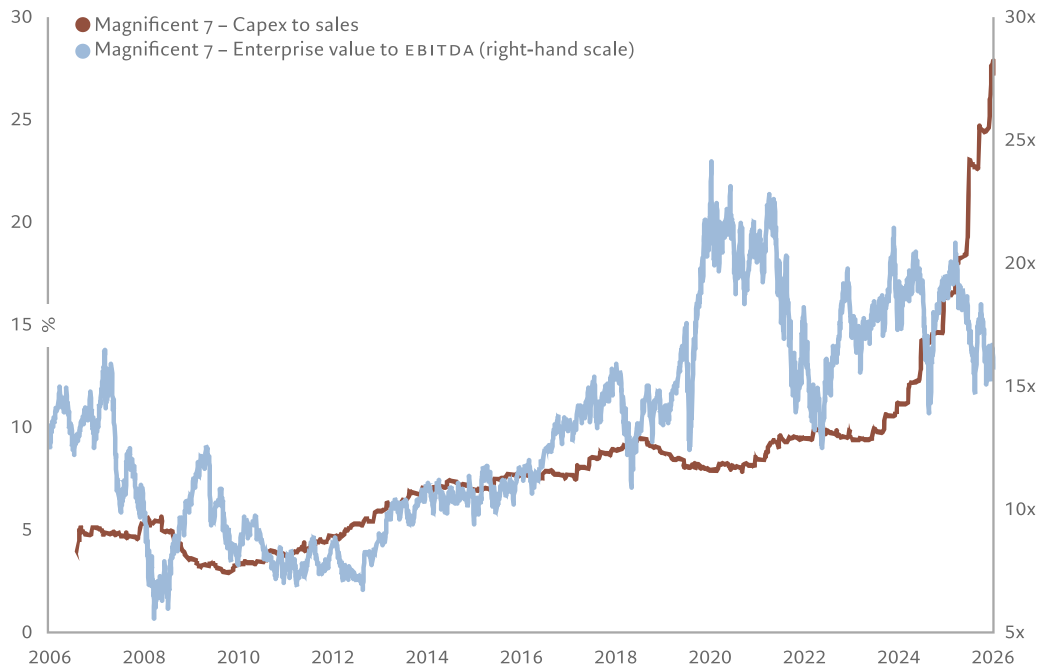
Rising capital intensity is putting a lid on Mag 7 valuations
Higher AI spending is lowering the premium once awarded to capital-light growth

Valuations for the "Magnificent Seven" (Mag 7) US tech giants are falling because these businesses are becoming more capital intensive. These companies, which were once treated as capital-light growth businesses, are now demanding far more infrastructure investment, which should justify lower multiples.

Amazon is the clearest example of this shift, having moved from capital light to capital heavy, while the same pattern was thought likely to apply across the broader Mag 7. The Mag 7 relative P/E premium peaked in 2022 and has been trending lower ever since.

Valuations are lower partly because the market is already discounting a peak-cycle dynamic and **questioning how long the current level of AI-related spending can remain sustainable.**

Mag 7 capital intensity versus EV/EBITDA



Source: Pictet Wealth Management, FactSet, as at 27.08.2026
EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

Dividend yields leave little room for error

US equities look expensive when assessed through the dividend yield lens

Equity income support is now very limited. Approximately 3% of all S&P 500 stocks have dividend yields that are higher than the 10-year Treasury bond. Fundamentals are good, with EPS momentum remaining strong and the S&P 500 trading around 20 times forward earnings rather than at extreme levels on a simple price to earnings (P/E) ratio basis. This helps explain why our broader stance on equities remains neutral rather than outright negative

Strong earnings and apparently reasonable headline valuations are not, by themselves, enough to make US equities look cheap. Higher real and nominal yields reduce the support investors receive from equity income, which weakens the valuation case on a dividend yield basis.

Percentage of S&P 500 stocks with dividend yield above 10-year US Treasury yields

Source: Pictet Wealth Management, LSEG, as at 25.08.2026

For illustrative purposes only. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

Fixed income: the investment-grade market is driving a rebound in issuance

Record IG supply is driving a credit market rebound, especially at the long end of the curve

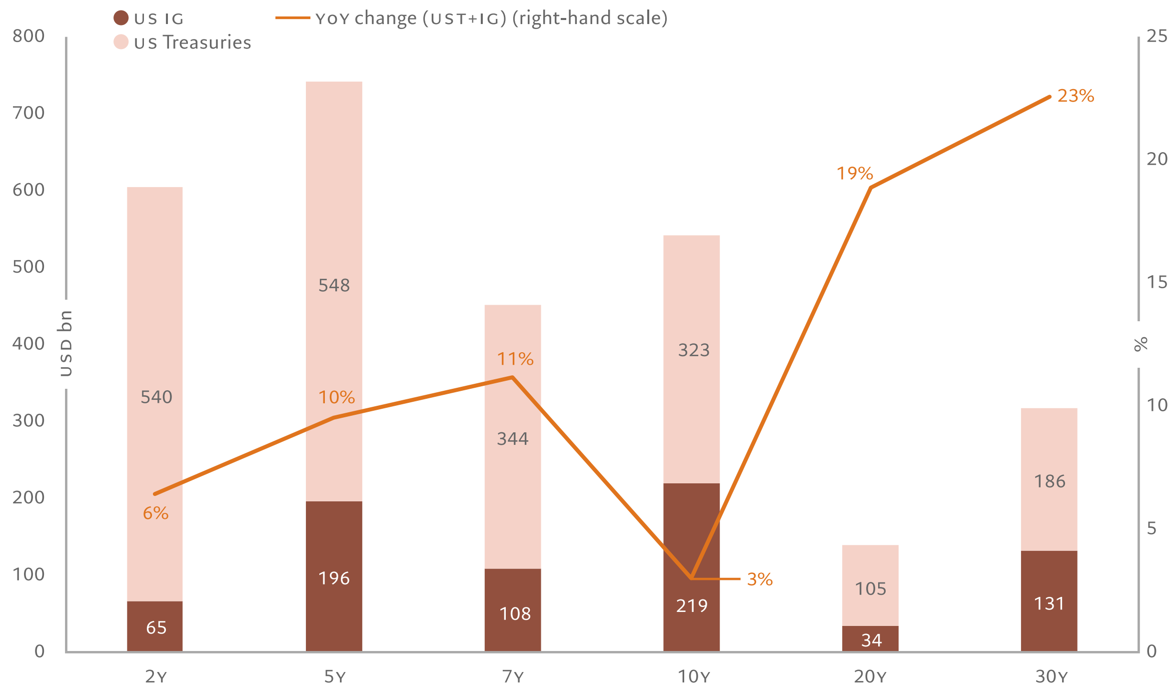
The rebound in credit issuance has been driven primarily by the investment grade (IG) market rather than by Treasuries.

IG issuance has risen sharply year on year, especially at longer maturities. This represents a meaningful shift in market structure rather than a simple rise in overall supply.

At the long end, **IG issuance has increased materially and appears to be competing with Treasuries for investor demand.**

The short end of IG has remained relatively resilient, whereas longer-dated IG has shown clearer signs of supply fatigue and spread widening. Some of this pressure was linked to technology and AI-related financing, which remains concentrated in US IG.

Year-to-date gross issuance of US corporate and government bonds



Source: Pictet Wealth Management, SIFMA, as at 31.07.2026

For illustrative purposes only. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

Massive data centre and chip committments do not appear on corporate balance sheets

Hyperscaler bond issuance has risen sharply since 2025. It is now a meaningful force in long-end investment grade markets. This trend is linked to the broader artificial intelligence capital expenditure cycle. Technology-related issuance is helping to **crowd out demand for Treasuries** at longer maturities. But the visible bond market only tells part of the story.

There has been a large build-up in on- and off-balance-sheet commitments, including uncommenced leases and purchase commitments. Investors now need to read far more deeply into company notes to understand the true scale and timing of obligations.

Select commitments, on- versus off-balance sheet
Alphabet, Amazon, Meta and Microsoft in billion USD

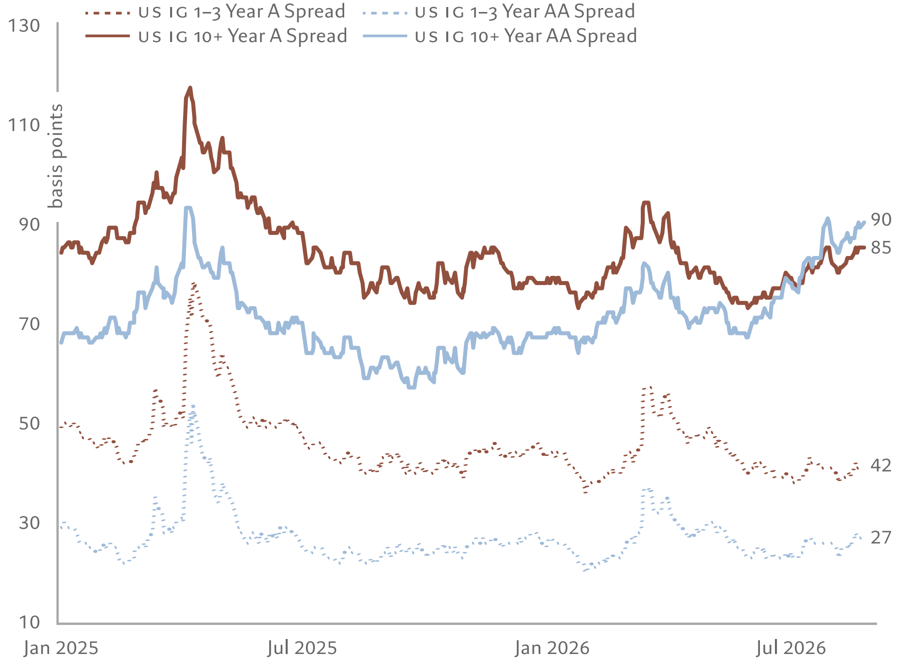
*Undiscounted amount
Source: WSJ analysis of company filings, as at 16.08.2026. **EBITDA**: Earnings Before Interest, Taxes, Depreciation, and Amortization
For illustrative purposes only. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

Fixed income: concerns about the hyperscalers' debt ROI is driving spreads upwards
Shorter-dated IG remains resilient, but the long end is under clear pressure

Market concerns about **the sustainability of hyperscalers' debt issuance are now contributing to wider spreads at the long end** of investment grade credit (IG). Short-dated US IG spreads are broadly stable and relatively immune to supply fatigue.

By contrast, long-dated IG spreads have widened where supply has increased most. Not all hyperscalers should be treated alike, however, as **stronger issuers still appear more insulated than weaker names.**

While short-term IG spreads have remained tight, long-dated ones have widened, flooded by hyperscalers issuance



Source: Pictet Wealth Management, LSEG Datastream, as at 25.08.2026

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USD weakens and gold rebounds as investors grow concerned about the US policy mix

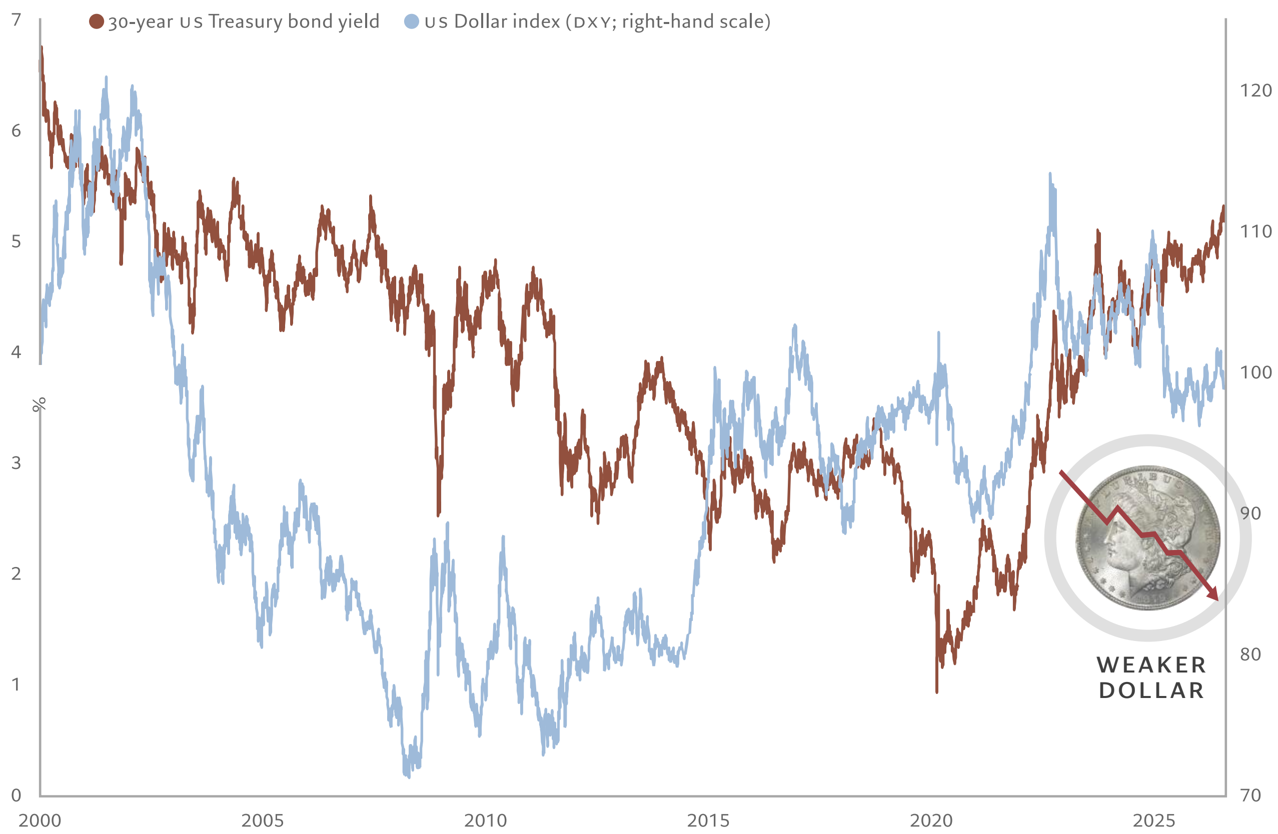
Gold gains from market concerns about US fiscal position and institutional credibility

A weaker US dollar and higher gold prices are both symptoms of growing concern over the US policy mix, rather than isolated market moves. This trend is linked to a combination of fiscal dominance, wider deficits, Treasury intervention and rising doubts about US institutional credibility.

We expect the dollar to retain a weaker bias into year-end. Non-US data have improved relative to the US, while the Fed's opaque communication strategy has revived credibility concerns.

Recent Treasury Department actions, including the buyback announcement and the earlier intervention linked to JPY, have added to the sense that policymakers are reacting to stress rather than removing its cause. **Gold has reemerged as a winner of the broader USD debasement trade.**

US: 30-year US Treasury bond yield and USD index



Source: Pictet Wealth Management, LSEG, as at 21.08.2026

For illustrative purposes only. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

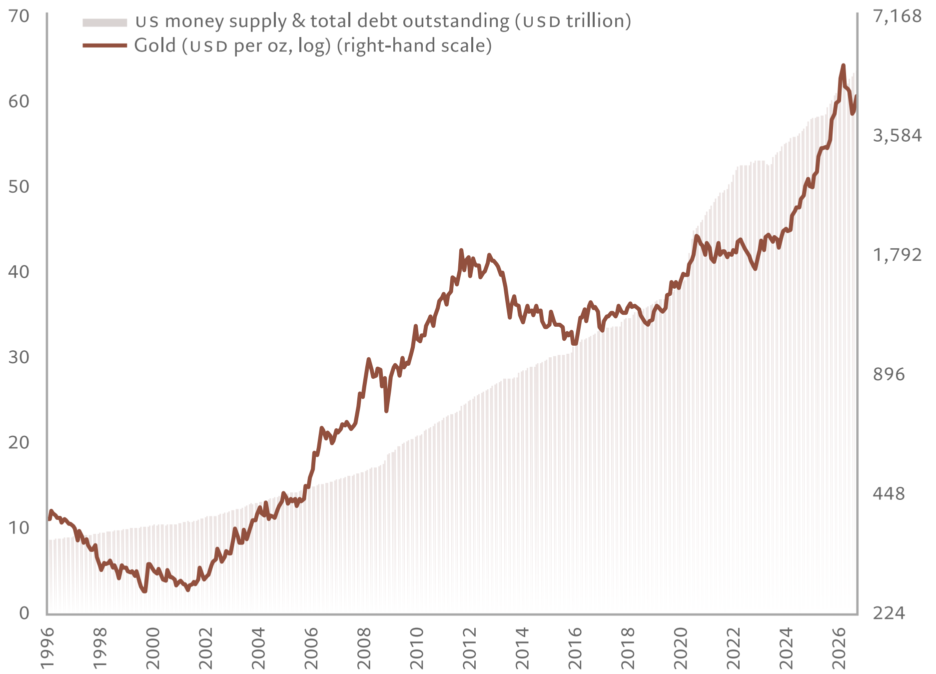
Gold rebounds as US total debt reaches record levels

Renewed investment flows also support gold's rise

Investor concerns over **record US debt, and worries about fiscal sustainability, are driving drive gold's rebound**. The US national debt has moved above USD 40 trillion, while wider deficits and a lack of near-term fiscal consolidation weigh on confidence.

Recent Treasury and policy interventions have cast a shadow over the US dollar, while gold has benefited as investors reassess US institutional credibility. **Gold's rebound is also being supported by renewed investment flows** and a strong return of exchange-traded fund (ETF) inflows.

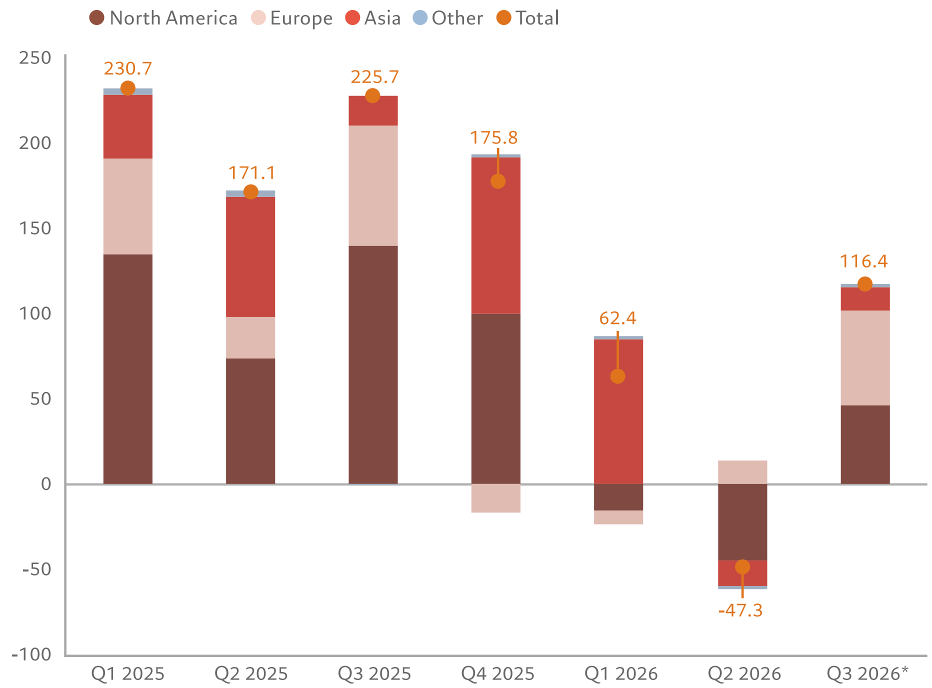
Monetary debasement and debt accumulation remain a structural drivers of gold prices



Source: Pictet Wealth Management, Bloomberg L.P., as at 31.08.2026

Quarterly gold ETFs flow has started to recover

Tonnes



Source: Pictet Wealth Management, world gold council, as at 21.08.2026

For illustrative purposes only. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations.

RBA reserve shift represents another sign of gradual US dollar erosion

The Reserve Bank of Australia's (RBA) move to cut its USD target and increase EUR is a clear signal that confidence in the dollar's "exceptionalism" is weakening.

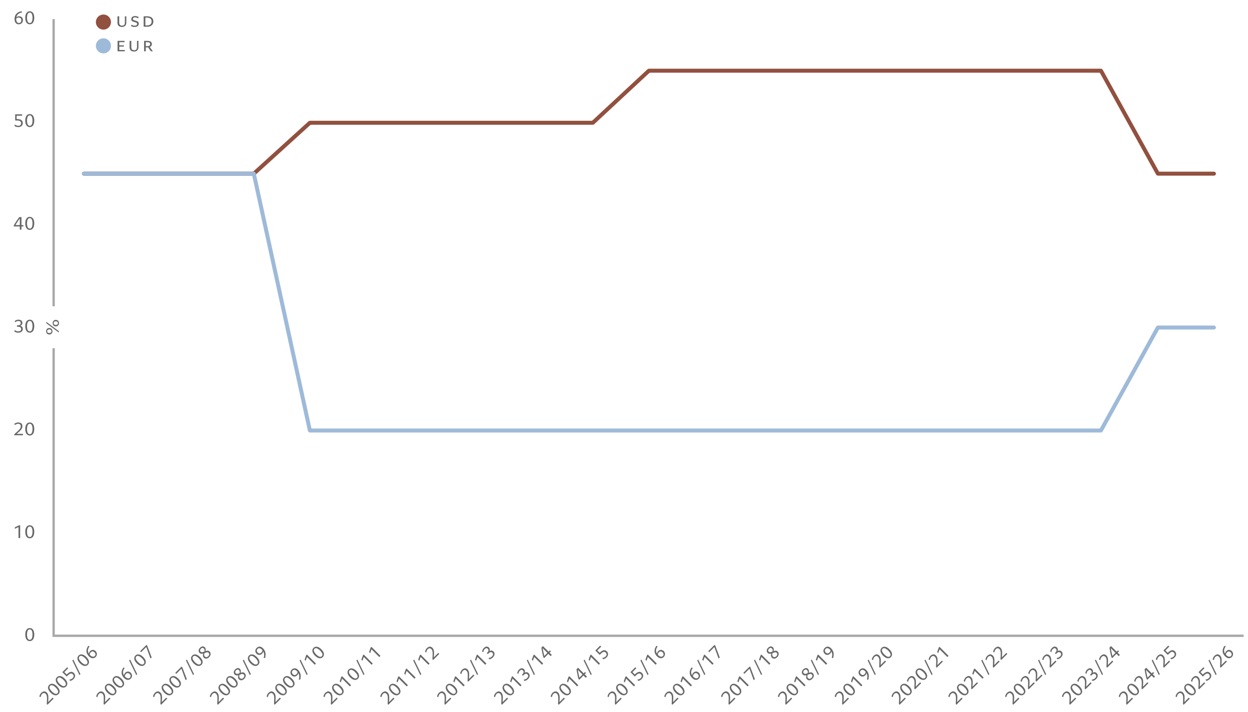
The RBA's shift is another sign of **gradual US dollar erosion** rather than an isolated event. To be sure, Australia is small in reserve terms, and the shift may reflect maturing assets being replaced differently rather than active Treasury liquidation.

Even so, the move is among the first visible signs that **confidence in the US dollar's privileged position is waning at the margin.** This fits with our view of a weakening dollar due to a combination of fiscal dominance, credibility concerns and growing reserve diversification.

45%

USD reserve target previously standing at 55%

USD and EUR target shares of RBA's FX portfolio



Source: Pictet Wealth Management, RBA annual report, as at 31.08.2026
RBA: reserve bank of Australia

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2026 Investment Themes

2026 Investment Themes

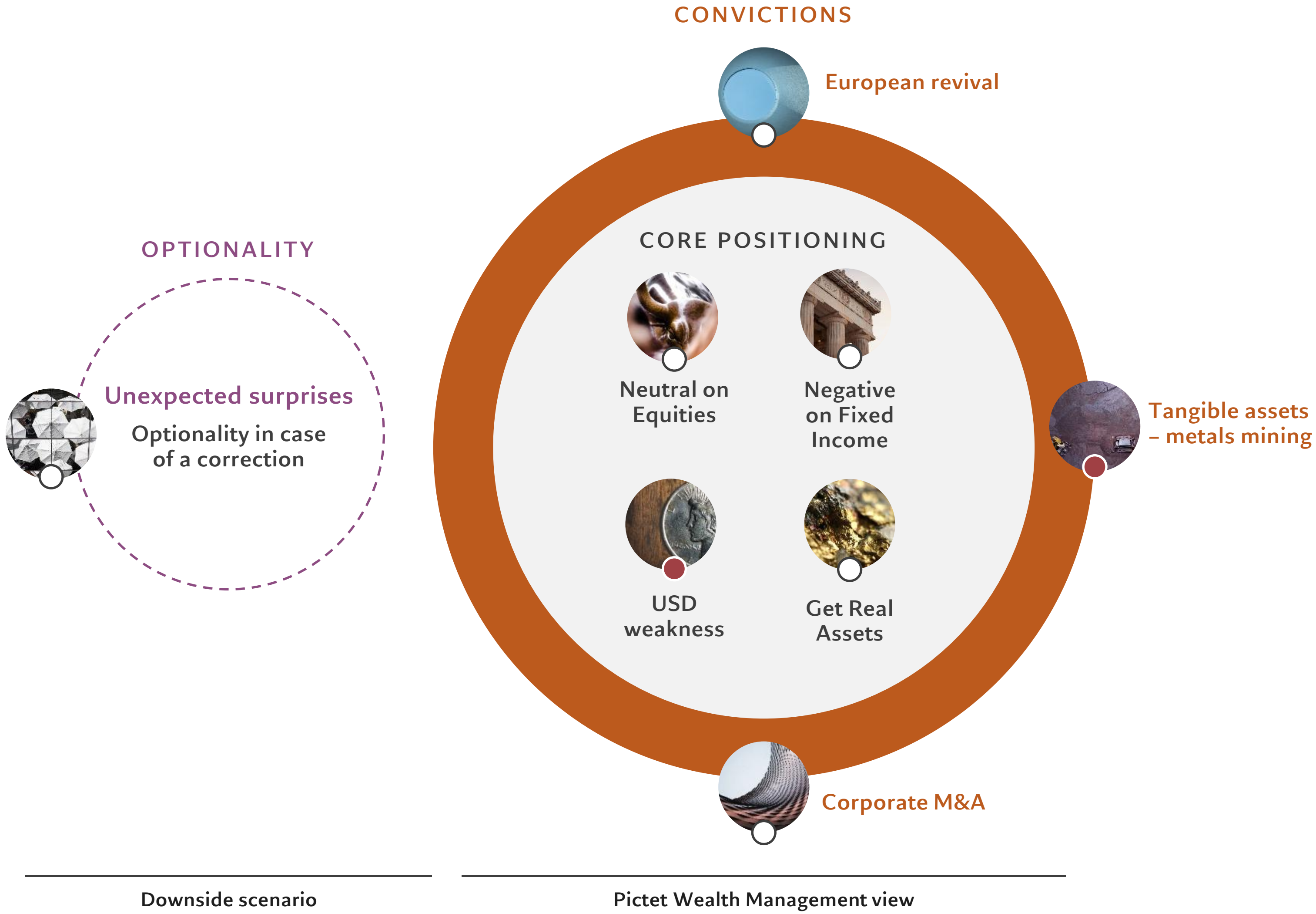
Updated

CORE POSITIONNING

1. USD weakness

CONVICTIONS

1. Tangible assets – metals & mining



- New
- Updated
- No change
- Closed

For illustrative purposes only.

CONVICTIONS

Tangible Assets – metals & mining

“Miners stand to benefit from a broadening capex super cycle and US dollar-debasement.”

A capex super cycle is taking hold.

Miners offer a focused way to benefit from a powerful capex boom and the weakening US dollar. The current upswing is led by the artificial intelligence revolution and reinforced by large public investment in infrastructure as governments reshore supply chains, strengthen defence capabilities and reconfigure energy systems.

The super cycle supports structural demand for industrial metals.

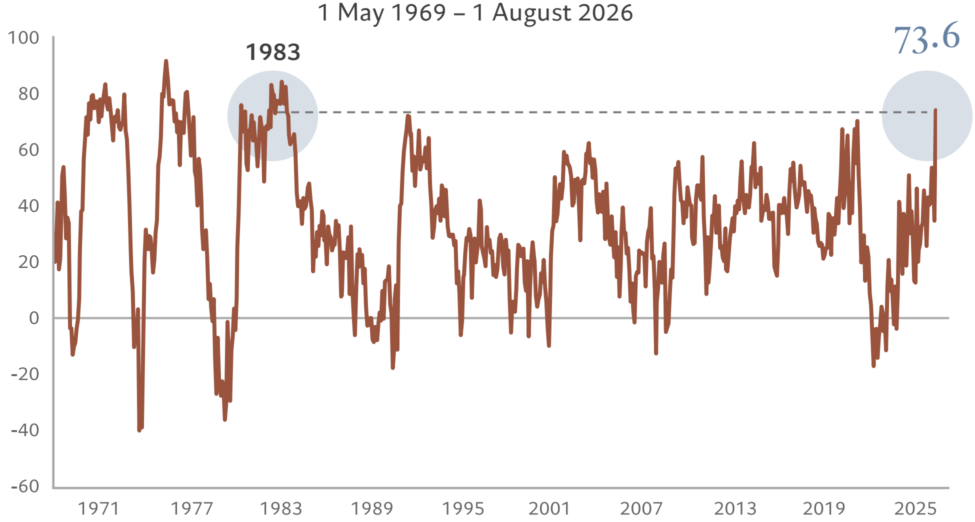
Power grids, electric vehicles and data centres all require substantial quantities of industrial metals such as copper and aluminium. The build-out is still in its early stages, supporting a constructive long-term view on commodities.

At the same time, concerns over the US policy mix are reviving the US dollar debasement trade.

The US national debt has reached about USD 40 trillion, the budget deficit is widening and there is political pressure to prevent long-term yields from rising too far. This backdrop tends to favour hard assets, notably gold and commodity-linked equities such as miners.

Philly Fed manufacturing expectations, diffusion index

1 May 1969 – 1 August 2026



Source: Pictet Wealth Management, FRB Philadelphia, as at 31.08.2026

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Conclusion

Asset class convictions

We remain neutral on equities in our overall asset allocation framework. We are **underweight UK equities** due to rising political and economic uncertainty. **We have downgraded emerging market equities to neutral.** This downgrade reflects the fact that the region's performance has largely been driven by a narrow group of Taiwanese and South Korean semiconductor firms.

We maintain our underweight position in fixed income. We are **increasing our exposure to the front end of the curve,** where rising rates have made short-dated investment grade bonds attractive versus cash.

In FX, we see renewed scope for dollar weakness as concerns over fiscal and monetary credibility revive the debasement trade. As a result, **we have resumed our underweight stance on the USD** versus other currencies. **We are neutral on the GBP.**

We **continue to favour tangible assets** – like precious metals, commodities, real estate, and infrastructure. **We like global mining companies, especially those exposed to copper and other industrial metals.** We favour holding some liquidity as dry powder.

Our tactical asset class convictions*

	Strong underweight	Underweight	Neutral	Overweight	Strong overweight	MONTHLY CHANGE**
LIQUIDITY				■		
FIXED INCOME		■				
Global government		■				
US		■				
Core Euro		■				
Periphery Euro			■			
Switzerland			■			
UK		■				
Japan		■				
China		■				
Global IG		■				
USD Investment Grade		■				
EUR Investment Grade			■			
Global High Yield		■				
USD High Yield		■				
EUR High Yield		■				
Emerging Markets			■			
EM Corporates Hard Curr.			■			
EM Sovereign Local Curr.			■			
EQUITIES			■			
Global Developed			■			
USA			■			
Euro Area			■			
Switzerland			■			
UK		■				
Japan		■				
Global Emerging			■			◄
Asia Emerging			■			
REITS			■			
ALTERNATIVES				■		
Hedge Funds			■			
Private Equity (PE)				■		
PE Real Estate			■			
PRECIOUS METALS				■		
Gold/Silver				■		
CURRENCIES (VS USD)				■		►
EUR				■		►
CHF				■		►
GBP			■			►
JPY				■		►
EM FX			■			

Source: Pictet Wealth Management

*As at 25 August 2026 **Changes from the previous month. One arrow means a one-place move to the left or the right, two arrows mean a move of two places, etc.

For illustration purpose only. Monthly change compared with previous month. One arrow means a one-place move to the left or the right, two arrows means a move of two places, etc. SUW: Strong underweight / UW: Underweight / N: Neutral / OW: Overweight / SOW: Strong overweight. Notice: This asset class conviction table is provided for illustrative purposes only. In general, asset allocations will differ among investors according, in particular, to their individual circumstances, risk tolerance, return objectives and time horizon. Therefore, the asset allocation in this publication may not be suitable for all investors and shall not be used as the basis of an investment decision.

Asset class returns

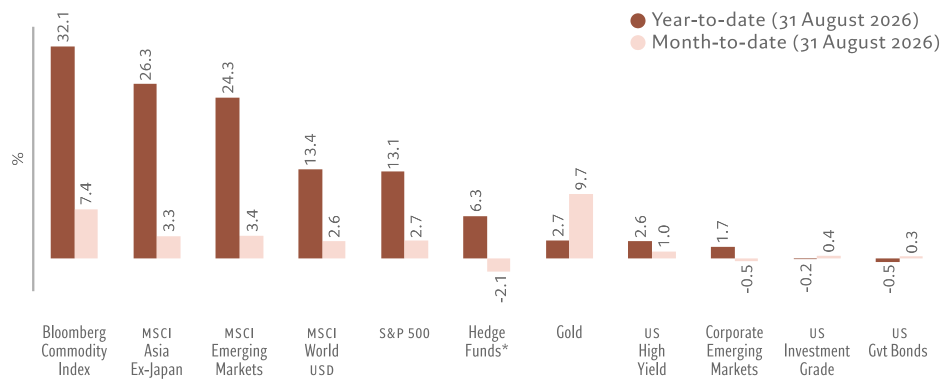
Global equities bounced back in August, with the MSCI All Countries gaining 2.7% as risk appetite returned broadly. The rebound contrasted with July's turbulence and was led by a recovery in both technology and a surge in materials driven by the gold and copper rally. Emerging markets reversed a portion of the prior two months' underperformance. The S&P 500 rose 2.7%. Europe posted more modest gains, with the STOXX 600 gaining 0.5%.

Sovereign bond markets posted negative returns in August as yields moved higher across major markets. Euro-area government bonds underperformed, with French bonds returning -1.33%, Spanish bonds -1.00% and German Bunds -0.96%. Japanese government bonds declined by 1.06%. US Treasuries, UK Gilts and Swiss government bonds proved relatively more resilient. The increase in yields was particularly pronounced in France and Japan due to fiscal concerns.

Credit markets were more resilient than sovereign bonds in August. US investment-grade credit returned 0.40%, while US high yield gained 1% as spreads tightened by 22 bps. In Europe, investment-grade bonds declined by 0.25% whereas euro high yield returned 0.32% as spreads narrowed by 6 bps. Overall, high-yield bonds benefited from spread compression, while investment-grade performance was more constrained by the rise in underlying government bond yields.

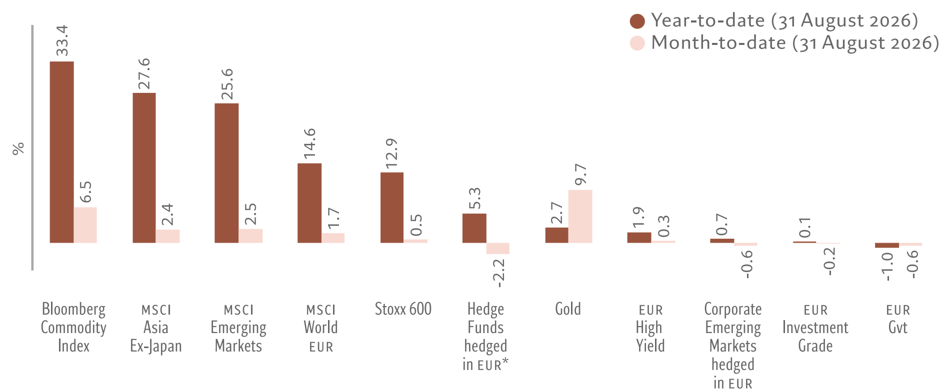
In August, the US dollar lost momentum as weaker US labour, inflation and retail sales data reduced expectations of a September Fed rate hike and pushed front-end yields lower.

USD returns (August 2026)



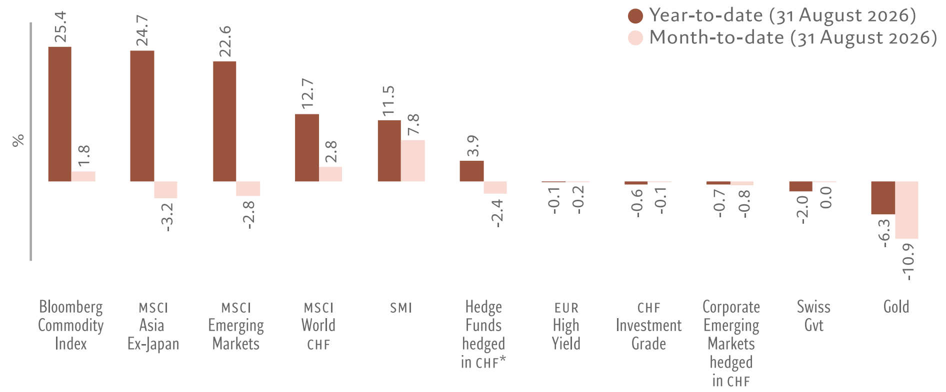
Source: Pictet Wealth Management, Bloomberg L.P., as at 31.08.2026

EUR returns (August 2026)



Source: Pictet Wealth Management, Bloomberg L.P., as at 31.08.2026

CHF returns (August 2026)



Source: Pictet Wealth Management, Bloomberg L.P., as at 31.08.2026

*Hedge Funds: 2026 (to end July) month-to-date (31 July 2026)

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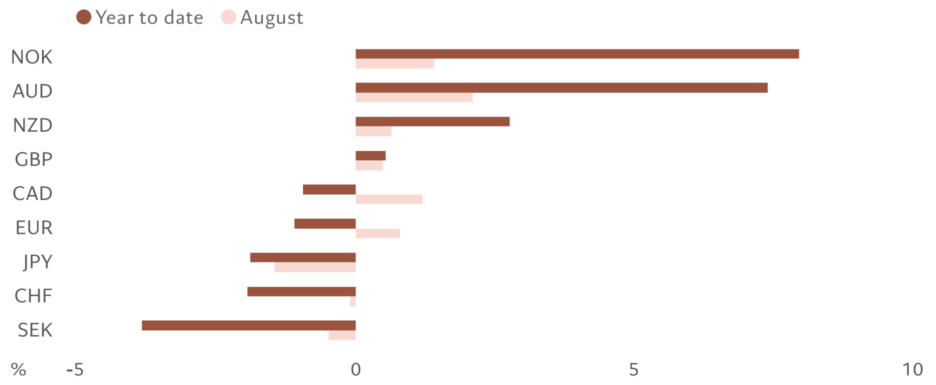
Exchange rate movements

In August, the US dollar lost momentum as weaker US labour, inflation and retail sales data reduced expectations of a September Fed rate hike and pushed front-end yields lower. Although high absolute yields still offered some carry support, they no longer translate into the same confidence in the USD's recovery story, with policy actions such as the Treasury's expanded long-end buyback programme weakening the usual link between higher yields and USD strength.

The euro strengthened against the dollar as Euro area activity has proven more resilient than expected, helping shift the cyclical narrative in Europe in a more constructive direction. Commodity-linked currencies such as the AUD and NOK outperformed, benefitting from improved terms of trade via higher commodity prices and the highest nominal yields across G10 FX. Sterling was well supported, helped by its yield advantage, low volatility, resilient equity markets and data suggesting the UK economy was holding up better than feared.

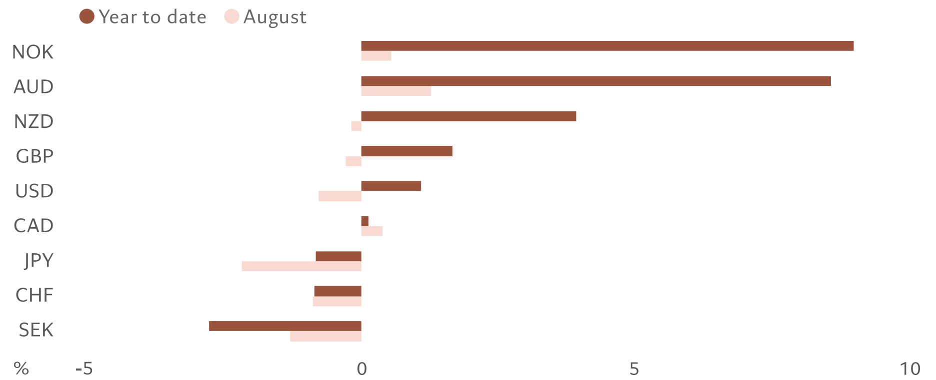
By contrast, the yen and Swiss franc weakened against most major peers. In Japan, the yen remained trapped between persistent intervention risk and the Bank of Japan's exceptionally slow approach to policy normalisation. That combination has left investors cautious and the currency vulnerable. The franc, meanwhile, lost ground as higher-yielding alternatives continued to attract flows.

Performance of currencies against the USD in 2026



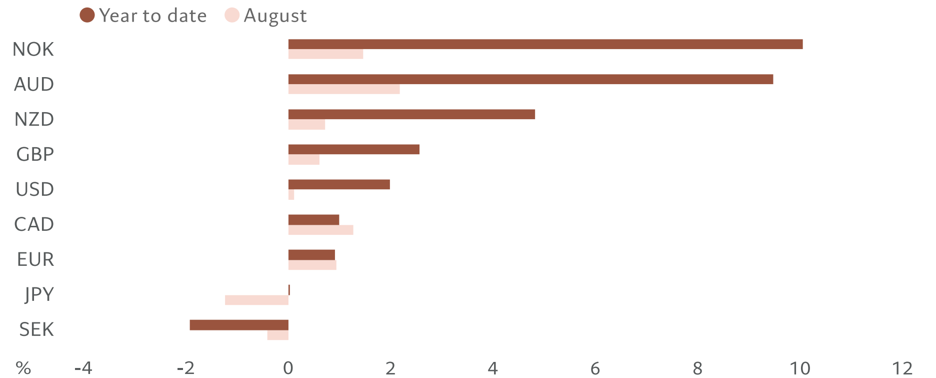
Source: Pictet Wealth Management, Bloomberg L.P., 31.12.2025-31.08.2026

Performance of currencies against the euro in 2026



Source: Pictet Wealth Management, Bloomberg L.P., 31.12.2025-31.08.2026

Performance of currencies against the CHF in 2026



Source: Pictet Wealth Management, Bloomberg L.P., 31.12.2025-31.08.2026

Economic indicators and Pictet Wealth Management estimates (E)
as at 31 August 2026

ASSET CLASS	TIME HORIZON		
EQUITIES INDEXES	31 DEC. 2025	31 AUG. 2026	31 DEC. 2026E
S&P 500	6,846	7,686	8,000
Stoxx 600	592	651	677
MSCI UK	2,832	3,083	3,100
SMI	13,267	14,286	14,800
MSCI EMU	197	219	226
Euro Stoxx	612	676	699
CAC 40	8,150	8,335	8,060
DAX 30	24,490	26,258	26,740
MSCI Italy	117	135	140
MSCI Spain	222	261	268
TOPIX	3,409	4,156	4,200
MSCI EM (USD)	1,404	1,719	1,750
MSCI China (HKD)	83	76	78
MSCI India (INR)	3,075	2,951	2,800
INTEREST RATES (IN %)	31 DEC. 2025	31 AUG. 2026	31 DEC. 2026E
Switzerland – Deposit rate	0.00	0.00	0.00
Swiss Average Rate Overnight (SARON)	-0.08	-0.06	-0.05
Switzerland – 10 year	0.32	0.44	0.40
Euro area – Refi rate	2.15	2.40	2.65
Euro area – Deposit rate	2.00	2.25	2.50
Euro Short-Term Rate (ESTR)	1.92	2.19	2.40
Germany – 10 year	2.86	3.32	3.10
France – 10 year	3.56	4.18	4.10
Italy – 10 year	3.55	4.15	3.95
Spain – 10 year	3.29	3.78	3.60
US – Fed rate (mid range)	3.63	3.63	3.63
Secured Overnight Financing Rate (SOFR)	3.87	3.68	3.68
US – 10 year	4.17	4.75	4.50
UK – Bank rate	3.75	3.75	3.75
Sterling Overnight Index Average (SONIA)	3.73	3.73	3.70
UK – 10 year	4.48	5.06	5.00
Japan – Deposit rate	0.75	1.00	1.50
Japan – 10 year	2.07	2.96	2.70
EM sovereign (local currency)**	5.86	6.32	6.60
CREDIT SPREADS (IN BP)*	31 DEC. 2025	31 AUG. 2026	31 DEC. 2026E
European IG	78	77	90
Itraxx Europe IG CDS***	51	51	64
European HY	270	259	280
Itraxx Europe Xover CDS***	244	248	269
US IG	79	80	90
US CDX IG CDS***	50	50	60
US HY	281	263	300
US CDX HY CDS***	317	301	338
EM Corporates (USD)**	237	210	250

ASSET CLASS	TIME HORIZON		
FOREIGN EXCHANGE	31 DEC. 2025	31 AUG. 2026	31 DEC. 2026E
EUR/USD (1 EUR per USD)	1.17	1.16	1.20
EUR/CHF (1 EUR per CHF)	0.93	0.94	0.94
USD/CHF (1 USD per CHF)	0.79	0.81	0.78
GBP/USD (1 GBP per USD)	1.35	1.35	1.36
USD/JPY (1 USD per JPY)	157	160	155
COMMODITIES	31 DEC. 2025	31 AUG. 2026	31 DEC. 2026E
Gold (USD per troy ounce)	4319	4437	5000
Oil (USD per barrel of Brent)	60	90	75
GDP GROWTH RATES*	2024	2025	2026E
US	2.8%	2.1%	2.1%
Euro area	1.0%	1.3%	0.8%
UK	1.0%	1.3%	1.1%
Switzerland	1.4%	1.4%	1.2%
Japan	-0.2%	1.1%	0.8%
China	5.0%	5.0%	4.6%
World	3.3%	3.4%	2.9%
CONSUMER PRICE INFLATION*	2024	2025	2026E
US (core PCE)	2.9%	2.8%	3.2%
Euro area (headline HICP)	2.4%	2.1%	2.9%
UK (headline CPI)	2.5%	3.4%	3.1%
Switzerland (headline CPI)	1.1%	0.2%	0.5%
Japan (core CPI)	2.5%	3.1%	2.0%
China (headline CPI)	0.2%	0.1%	1.1%
World (headline HICP)	5.8%	4.4%	4.8%

*Yearly average subject to data revisions
**JP Morgan indices
***Markit Indices

Source: Pictet Wealth Management, Bloomberg, FactSet, Eikon

Five-year asset class performance

5 year asset class performance in EUR (%)

Asset class	2021	2022	2023	2024	2025
EUR Gvt	-3.4	-18.2	5.8	2.2	0.7
EUR Investment Grade	-0.2	-11.3	7.4	4.8	3.6
EUR High Yield	3.4	-11.5	12.0	8.6	5.2
Stoxx 600	25.8	-9.9	15.5	9.7	20.7
MSCI Emerging Markets	4.9	-14.7	6.3	15.4	18.5
Bloomberg Commodity Index	36.5	23.4	-10.9	12.7	2.1
Gold	3.9	6.4	10.5	33.8	48.0
MSCI World EUR	31.4	-12.5	19.7	27.5	7.3
MSCI AC Asia Ex-Japan	2.5	-14.3	2.4	20.3	17.3
Hedge Funds hedged in EUR	5.3	-7.1	4.0	7.4	8.2
Corporate Emerging Markets hedged in EUR	0.1	-14.0	6.9	5.9	6.5

5 year asset class performance in USD (%)

Asset class	2021	2022	2023	2024	2025
US Gvt	-2.3	-12.5	3.7	1.0	6.3
US Investment Grade	-0.7	-8.1	7.1	4.7	7.8
US High Yield	5.4	-11.2	13.5	8.2	8.5
S&P 500	28.7	-18.1	26.8	25.7	17.9
MSCI Emerging Markets	-2.3	-19.8	10.3	8.0	34.3
Bloomberg Commodity Index	27.1	16.1	-5.9	5.9	15.8
Gold	-4.3	0.4	14.6	25.5	67.4
MSCI World USD	22.4	-17.7	24.2	19.2	21.6
MSCI AC Asia Ex-Japan	-4.5	-19.4	6.3	12.5	33.0
Hedge Funds	6.2	-5.3	6.1	9.2	10.5
Corporate Emerging Markets	0.9	-12.3	9.1	7.6	8.7

5 year asset class performance in CHF (%)

Asset class	2021	2022	2023	2024	2025
Swiss Gvt	-4.4	-16.7	10.9	4.3	-0.1
CHF Investment Grade	-2.0	-11.9	6.4	5.5	0.0
EUR High Yield	3.3	-11.0	9.6	5.5	2.8
SMI Total Return	23.3	-14.7	4.6	7.2	17.8
MSCI Emerging Markets	0.6	-18.9	0.0	16.8	17.4
Bloomberg Commodity Index	30.9	17.4	-16.2	14.0	1.2
Gold	-0.9	1.4	4.4	35.1	46.3
MSCI World CHF	26.0	-16.8	12.6	29.0	6.3
MSCI AC Asia Ex-Japan	-1.7	-18.5	-3.7	21.7	16.3
Hedge Funds hedged in CHF	5.1	-7.6	1.8	4.7	5.7
Corporate Emerging Markets hedged in CHF	-0.2	-14.4	4.7	3.2	4.0

Source: Pictet Wealth Management, Thomson Reuters

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