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# Equity Weekly



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Syz Equity Research – week from 19 to 26 June 2026

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## The Chart of the Week

### Fading hype (rs calers) for bottlenecks



Source: Bloomberg, Sherwood

## What happened last week?

### Global markets

From Friday 19 to Friday 26 June 2026, global equity markets endured a sharp but differentiated sell-off, driven by a sudden reassessment of AI-related valuations against a backdrop of a hawkish Federal Reserve pivot. The MSCI ACWI retreated 2.2%, with damage concentrated almost entirely in growth and technology. The week was defined less by what broke than by what held: healthcare, financials, consumer staples, and small-cap stocks all delivered positive or near-flat returns, pointing to a broadening of the market even as its most celebrated sub-sector came under pressure.

The trigger was a loss of confidence in the sustainability of AI capex at current valuations. High-profile talent departures from Alphabet raised uncomfortable questions about competitive

moats within Big Tech, while the structural concern was broader: combined hyperscaler capex now exceeds \$450 billion in 2026, yet investors find it increasingly difficult to identify a proportionate return. This fed directly into rate anxiety — the Fed had already shifted its tone at its June meeting, signalling a possible rate increase by year-end, and May PCE data offered no comfort, with core at 3.4% YoY and headline at 4.1%.

## US

The divergence within US equities was stark. The Nasdaq 100 fell 4.2% and the S&P 500 declined 1.9%, but the Russell 2000 rose 1.0% and the equal-weighted S&P gained 1.6%. The S&P 500 Value index was essentially flat while Growth shed 3.7%, underscoring the sharpest style divergence of the year so far — a configuration rarely seen outside genuine regime shifts. The technology sector dropped 5.1%, semiconductors shed 7.7%, and the Magnificent Seven fell 5.9%. The beneficiaries were strikingly defensive: healthcare surged 7.9%, insurance rose 5.3%, regional banks gained 4.9%, and consumer staples added 2.5%. The anticipated delay to OpenAI's public debut reinforced concerns about the market's ability to absorb lofty AI valuations, making capital-light defensive businesses relatively more attractive. Micron's blowout fiscal third-quarter earnings provided a partial counternarrative late in the week, but were insufficient to reverse the trend for the semiconductor complex.

## Europe

European equities were not spared, though the continent's more defensive index composition cushioned the blow. The STOXX Europe 600 declined 0.9% in local currency terms, with the DAX off 1.9% and the CAC 40 losing 1.1%; the FTSE MIB underperformed with a fall of 3.3%. The UK ended the period in positive territory. European semiconductor names — STMicroelectronics, Infineon, ASML, and ASML — all suffered significant declines as the chip sell-off rippled through the region, while defence stocks also reversed sharply amid renewed uncertainty around the Middle East ceasefire. The outperformers mirrored the US rotation: staples gained 6.0% and healthcare added 5.8%. The ECB's latest consumer survey, which showed eurozone inflation expectations falling to 3.5% for the year ahead, offered a supportive backdrop for domestically oriented names, and Swiss equities rose 2.0% on the strength of their defensive weighting.

## Rest of the world

Asia was the epicentre of the week's volatility. The MSCI EM index fell 4.6%, driven by the region's heavy concentration in semiconductors and technology. The South Korean KOSPI lost over 6% as AI and memory-linked shares reversed sharply; SK Hynix briefly overtook Samsung Electronics as the country's largest company by market capitalisation before both came under heavy selling pressure later in the week, with leveraged single-stock ETFs amplifying intraday moves to the point of triggering trading halts. The TAIEX fell 5.1% on Taiwan's deep semiconductor exposure, while the TOPIX declined 3.6% and MSCI China dropped 5.9%, the latter reflecting a combination of the global tech sell-off and domestic headwinds. Brazil rose 2.5%, its commodity-heavy composition proving advantageous in a week that rewarded defensives and resources. The AI trade remains structurally intact — Micron's results confirmed as much — but the market is no longer willing to grant it unconditional valuation support.

# Our view on equities

## Equity asset class

We maintain equity exposure at the upper end of our neutral allocation range.

## Earnings

After a strong Q1 earnings season and upward guidance revisions, 2026 earnings expectations have been revised higher across all major regions and are now running at double-digit growth rates. Operating margins have reached all-time highs and continue to accelerate.

## Valuation

Although equity prices have reached new record highs, forward P/E multiples have edged lower because EPS growth has outpaced share price gains. Valuations remain above historical averages in the S&P 500 and Nikkei, while the STOXX Europe 600 and Asia ex-Japan look relatively more attractive.

## Risks

The main risk to this constructive view is a renewed rise in rates and inflation expectations, which could compress multiples and pressure valuations.

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