BELVALOR
Vermögensbetreuung

Financial Markets 2026: Between Hope and Reality

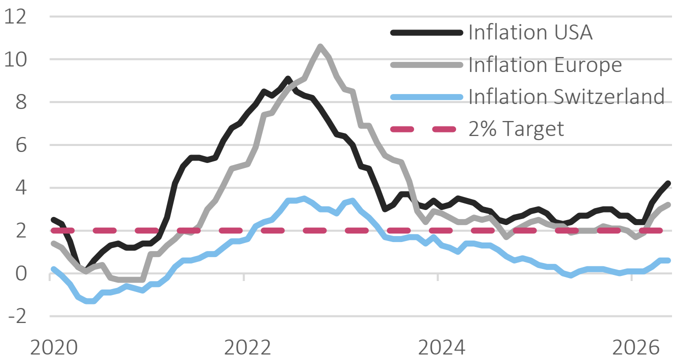
Inflationary pressure fuels rates uncertainty

The first half of 2026 was dominated by the conflict in the Middle East and the associated geopolitical tensions. The agreement signed in mid-June, together with the gradual reopening of the Strait of Hormuz, has pushed the oil price back from above USD 120 to below USD 80 per barrel. **Lower energy prices are a welcome precondition for a decline in the elevated rate of inflation.**

Inflationary pressure, however, is unlikely to disappear even once the conflict has been settled. In the United States, consumer price inflation recently climbed above 4%, its highest level in three years. Accordingly, the market is already pricing in rate hikes, rather than cuts. Several central banks, among them the European Central Bank, have already implemented their first increases in recent weeks.

Additional uncertainty stems from the leadership transition at the U.S. Federal Reserve. The new chairman, Kevin Warsh, has placed a clear emphasis on price stability. The task forces he has established are expected to drive further change, including a more restrained communication policy.

Graph 1: Inflation in the USA, Europe and Switzerland



Source: Bloomberg, Belvalor; headline inflation in %, 01.01.2020 - 31.05.2026

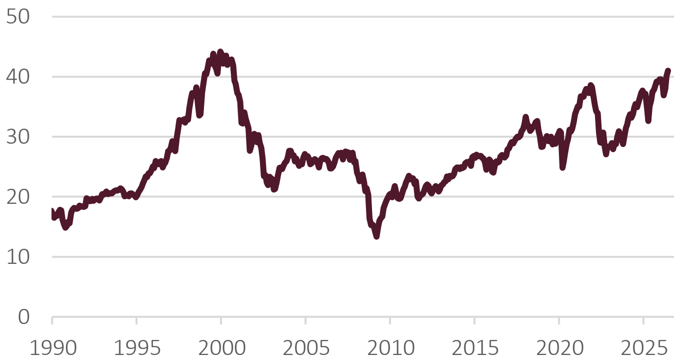
Swiss interest rates, meanwhile, are likely to stay low, as subdued inflation and a strong Swiss franc leave the National Bank little room to manoeuvre.

Against this backdrop, we reaffirm our preference for high quality Swiss equities. In our view, cyclical stocks also offer catch-up potential, should the economic recovery continue once the conflict has been settled.

Artificial intelligence lifts U.S. equity market

Despite the prevailing economic uncertainty, the major equity indices are trading at or close to their record highs. This rally has been driven above all by stocks along the memory chip value chain, which are benefiting from the enormous capital spending of the large technology groups. As a result, valuations have reached elevated levels, particularly in the U.S. The cyclically adjusted price earnings ratio stands at more than 40, close to its dotcom bubble peak and twice its long-term average. **While this does not allow us to predict an imminent correction, such levels have historically always gone hand in hand with below average returns in the years that followed.**

Graph 2: Cyclically adjusted PE-ratio of the U.S. market



Source: www.shillerdata.com, Belvalor, 01.01.1990 - 30.06.2026

Whether the enormous capital expenditures will ever pay off remains doubtful. The fact that only a handful of equities are carrying these record highs is, moreover, a well-known warning sign and has often preceded corrections. **We therefore remain cautious on the U.S. market and see signs of exuberance, for instance in the initial public offering of SpaceX. More on this on the next page.**

Conclusion and investment strategy

The Iran shock was followed by a strong recovery, which confirms the confidence we expressed in March. The record highs, particularly in the U.S. equity market, nonetheless rest heavily on hopes surrounding AI. The uncertain outlook for earnings is currently receiving little attention from the market, which calls for caution.

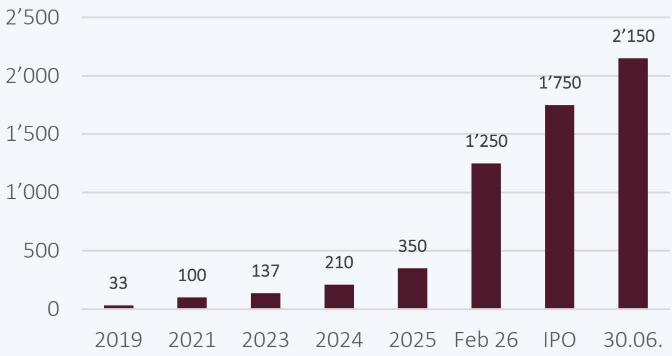
We have continued to actively reduce our exposure to U.S. equities and are concentrating our investments on quality companies in our Swiss home market.

The SpaceX IPO: A Valuation That Defies Gravity

The initial public offering (IPO) of SpaceX has ushered in a new wave of public listings in the U.S. equity market. Shares of the company, founded in 2002, began trading on 12 June 2026. From the outset, SpaceX pursued the ambitious goal of developing reusable rockets and remains the only company worldwide to have successfully achieved this at scale. Through its subsidiary Starlink, SpaceX also operates a satellite-based communications network that provides broadband internet access and connectivity to virtually every corner of the globe. More recently, the company integrated xAI, a business specialising in data centres, large language models (LLMs) and artificial intelligence technologies. In 2025, SpaceX generated revenues of USD 18.7 billion. However, despite strong top-line growth, the company reported a net loss of USD 4.9 billion.

The chart below illustrates SpaceX's valuation development over recent years.

Graph 3: SpaceX valuation development over time



Source: Bloomberg, Belvalor; figures in USD bn

The biggest gains went to the earliest investors, while IPO investors now hold a stock with an exceptionally demanding valuation. How is this justified? **Future prospects are being assessed very optimistically by investors. Following the IPO, SpaceX is trading at more than 100 times annual revenue.** By comparison, the average company in Switzerland's benchmark index SMI trades at approximately two times revenue.

A look at the prospectus is equally revealing. The company's expanded mission statement reads: *«To build the systems and technologies necessary to make life multiplanetary, to understand the true nature of the universe, and to extend the light of consciousness to the stars.»*

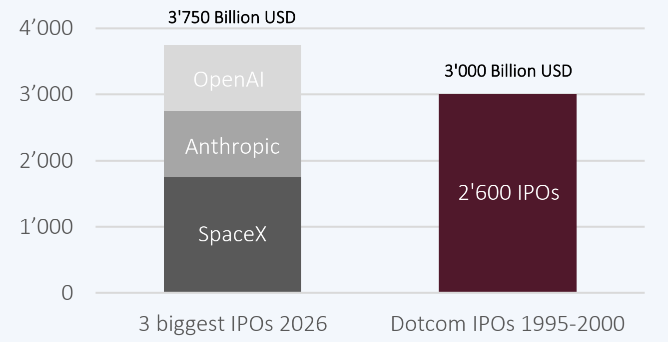
The wording bears a striking resemblance to the famous promotion of the South Sea Company in 1720: *«An undertaking of great advantage, but nobody to know what it is.»*

At the IPO, only around 5% of SpaceX's outstanding shares were offered to the public, raising approximately USD 86 billion for existing shareholders. Over the coming months, additional shares held by early investors will gradually become eligible for sale: around 60% by year-end and, following the expiry of Elon Musk's lock-up period in one year's time, ultimately 100% of the outstanding shares.

Index-tracking investors are likely to be among the principal buyers, as they are purchasing constituents irrespective of valuation. SpaceX has already become one of the five largest listed companies in the world. The gradual easing of index inclusion requirements has further supported this development. For example, Nasdaq approved an accelerated "fast-track" process for the company's inclusion in its indices.

The following chart illustrates the extraordinary scale of the upcoming IPO pipeline. **Combined, SpaceX, OpenAI and Anthropic are expected to reach a market value of around USD 3.75 trillion – exceeding the combined value of the approximately 2'600 dotcom IPOs between 1995 and 2000.**

Graph 4: Expected IPO valuations 2026 vs. Dotcom IPOs*



*Source: www.paulkedrosky.com, Belvalor; *expected IPO valuation of SpaceX, Anthropic, OpenAI vs. all dotcom U.S.-IPOs (1995 – 2000), in USD bn*

Conclusion

We remain cautious on these developments and do not participate in such IPOs, as valuations are exceptionally high and driven largely by optimistic growth expectations in the distant future. **Historically, periods of elevated IPO activity have often preceded major market peaks.**

Instead, we continue to favour high-quality companies at attractive valuations. We currently see compelling opportunities in Swiss equities and selected international stocks, while maintaining a preference for real assets such as equities, commodities and precious metals in an increasingly inflationary environment.