GLOBAL EQUITY PERSPECTIVES

26 MAY 2026

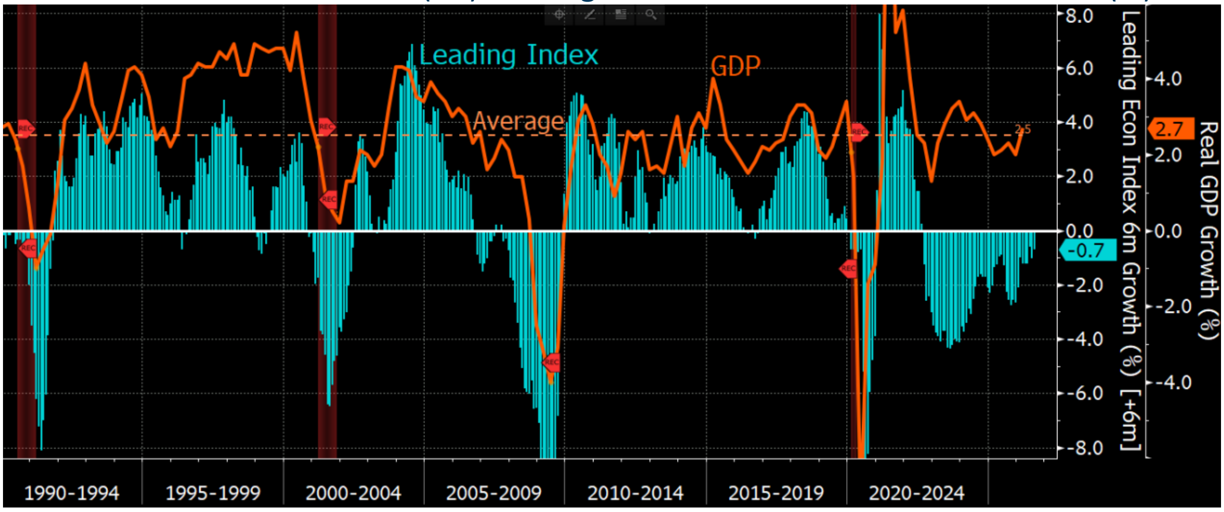
"The best vision is insight."

Steve Forbes

1. US ECONOMIC OUTLOOK

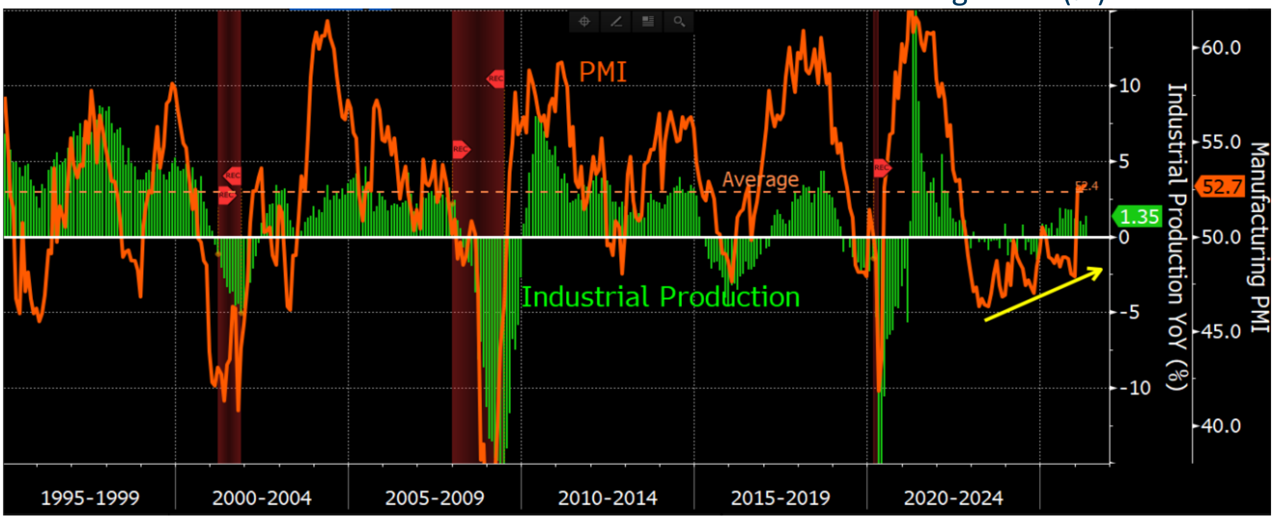
We assess the probability of the US economy to stay on track.

US – Conference Board (CB) Leading Economic Index 6m Growth vs GDP (%)



The above Leading Economic Index consists of ten components and presents a balanced view of the outlook. Moving the Index six months forward provides a clear correlation with GDP growth. Whilst it has, since the Pandemic, remained in negative territory, its trend has been positive. As the US economy is currently growing close to average, this Index leaves a marginally constructive impression.

US – Industrial Production Growth vs PMI Manufacturing Index (%)

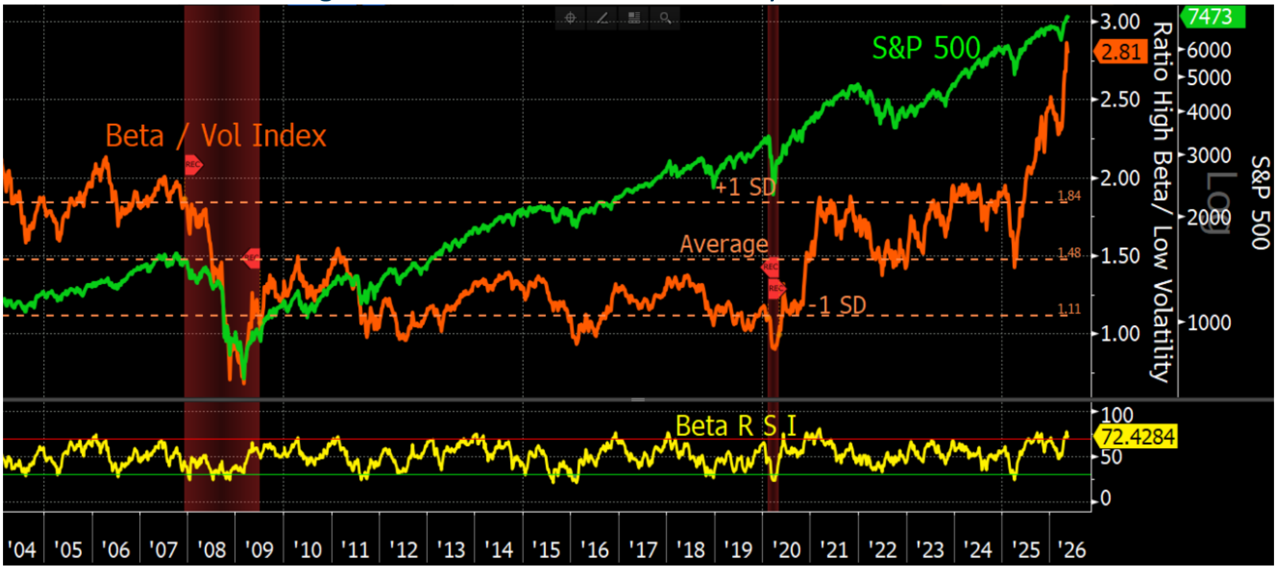


US consumption growth at +5.7% continues performing above average. Whilst this is the foundation of the US economy, Industrial Production acts as quite a swing factor. As reflected in the above chart, it has struggled to grow consistently since the Pandemic. The last six months' data (the green bars) are more constructive. With the Manufacturing PMI Index (the orange line) also recently moving into constructive territory, it seems that Industrial Production can grow on a more stable basis and smooth the US economy.

2. MARKET SENTIMENTS

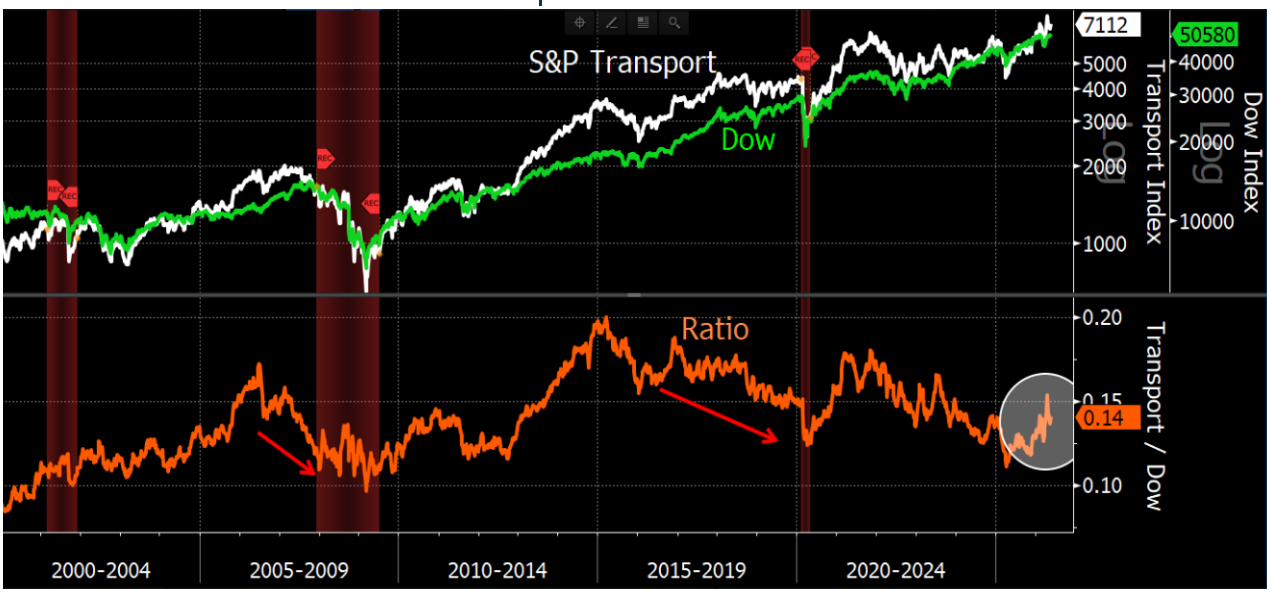
Along with the Technology and AI boom, we take note of certain current stock market performances:

S&P 500 High Beta Relative to Low Volatility Index vs S&P 500 Index



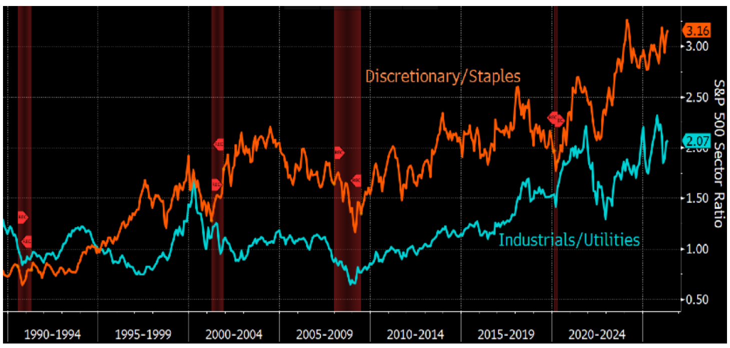
The orange line reflects the ratio of High Beta stocks' performance against Low Volatility stocks. It is currently running at a steep positive angle, now at a +3 standard deviation away from a 25-year average. This reflects a high-risk appetite environment.

S&P Transport Index vs Dow Index



The S&P Transport Index reached a new high earlier this year. This reflects confidence in the US economy. Whilst this is also true for the Dow Index (which reflects the wider US economy without Technology), the Transport Index is this year outperforming the Dow Index (the orange line).

S&P Discretionary/Staples and Industrials/Utilities Indices



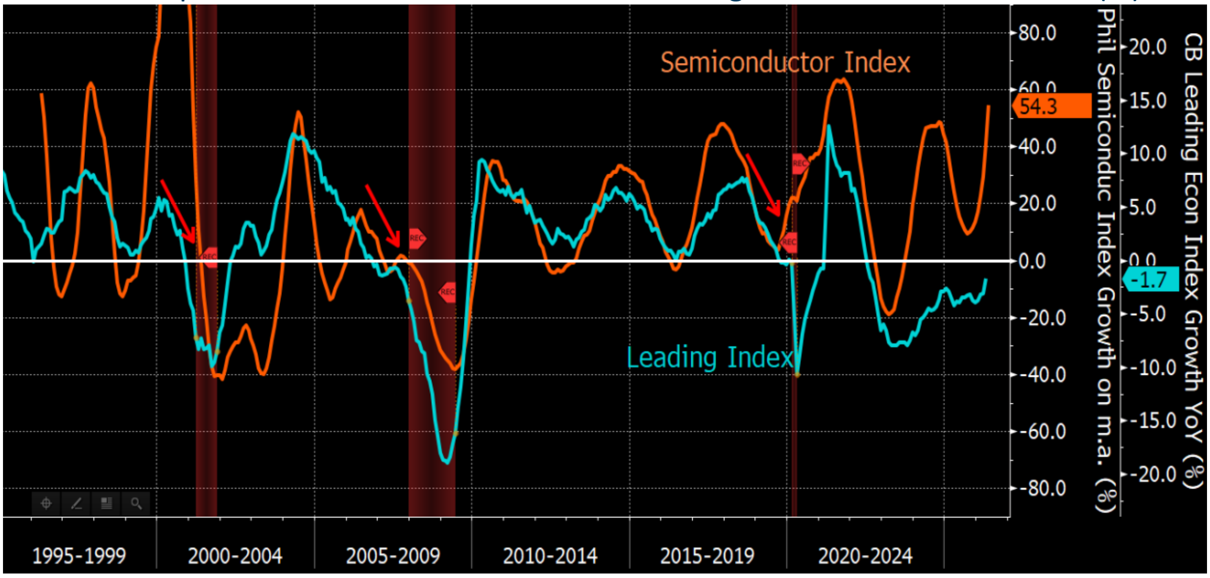
The orange line on the right reflects Discretionary vs Staples and the blue line Industrials vs Utilities indices. Both these relative charts have similar trends as touched on above.

All these reflect growing investor confidence and willingness to accept risk.

3. SEMICONDUCTORS

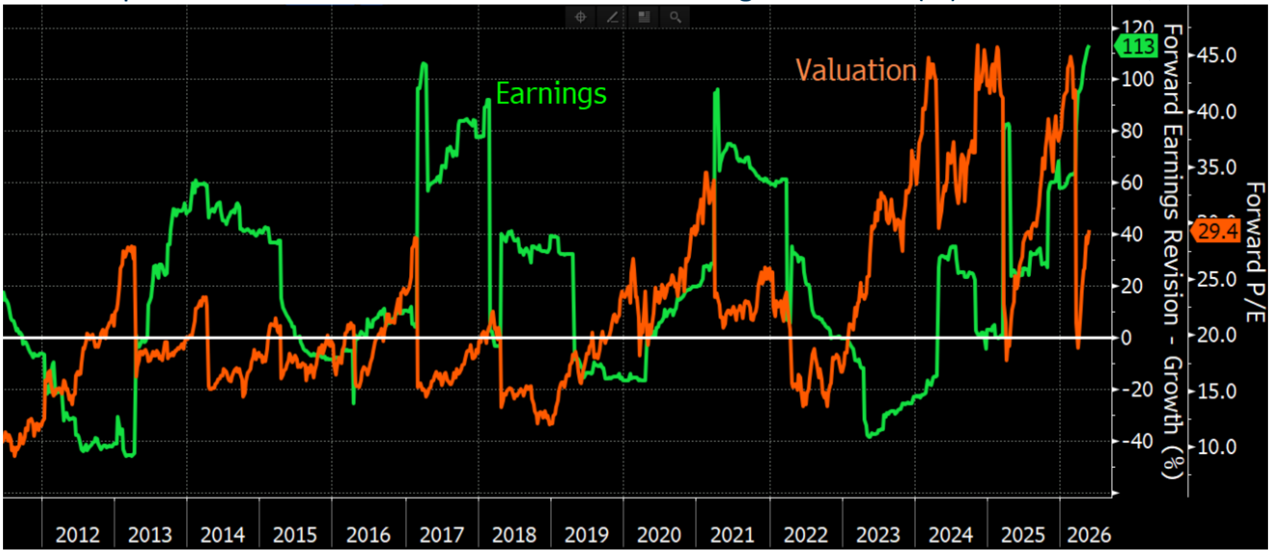
With the semiconductor industry in investor focus because of its exposure to the AI boom, the following charts provide some perspectives in this context:

Philadelphia Semiconductor Index vs CB Leading Economic Index Growth (%)



The above Semiconductor Index has historically been a strong leading economic indicator. This reflects in the clear correlation with the CB Leading Economic Index (the blue line). Looking at recent data, an argument can be made that it is, in fact, a stronger economic indicator than the Leading Index. Irrespectively, it is currently growing strongly at +54% (on 12-month moving average data; +156% on monthly data). Whilst it is not at a historic peak level, it is at an elevated one and, considering the current fundamental backdrop, in our opinion, of the strongest it has been.

Philadelphia Semiconductor Index – Forward Earnings Revisions (%) vs Forward P/E Ratio



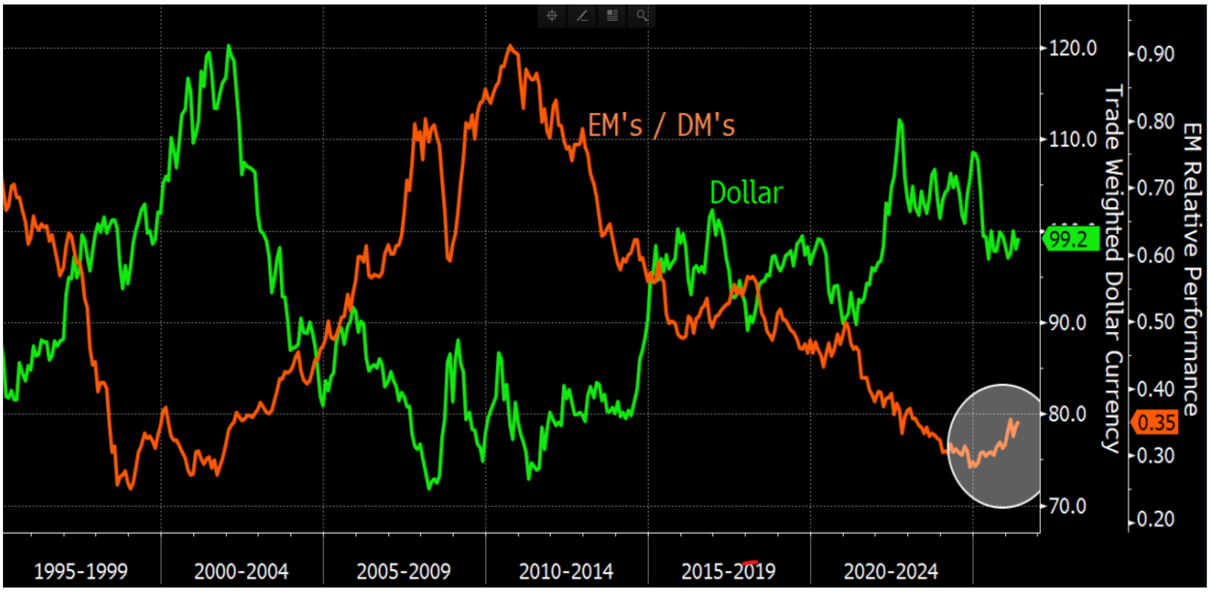
The sector is known for its volatile and relatively short earnings cycles, as the green line in the above chart reflects. Nevertheless, with its strong current fundamental backdrop, we believe this AI-driven cycle still has some time to run and that the current high earnings revision level may not be close to over yet.

Valuation levels (the orange line) are also volatile from a combination of volatile earnings and share price performances. The recent sharp drop relates to a strong increase in earnings revisions (not in falling share prices). We therefore believe the current valuation level, in the current market environment, can attract more investors and that its vulnerability is dependent on hyperscalers' capital expenditure programmes.

4. EMERGING MARKETS

Whilst most global businesses offer good emerging market exposure (25% in the case of our strategy), it is worth following its capital market developments.

Dollar Currency vs Ratio of MSCI Emerging Market / Developed Market Index



Emerging Markets tend to outperform Developed Markets during periods where the Dollar is weaker. This follows from their Dollar-based indebtedness (i.e. debt becomes cheaper) and their exports that are predominantly priced in Dollars (their exports becoming more affordable to their non-US clients). Their exports, in fact, started growing from 2023 (not shown).

The Dollar peaked more recently in 2022, but Emerging Markets only started outperforming from last year (the highlighted circle in the chart). On this basis, it seems that there is scope for Emerging Markets to enjoy further outperformance.

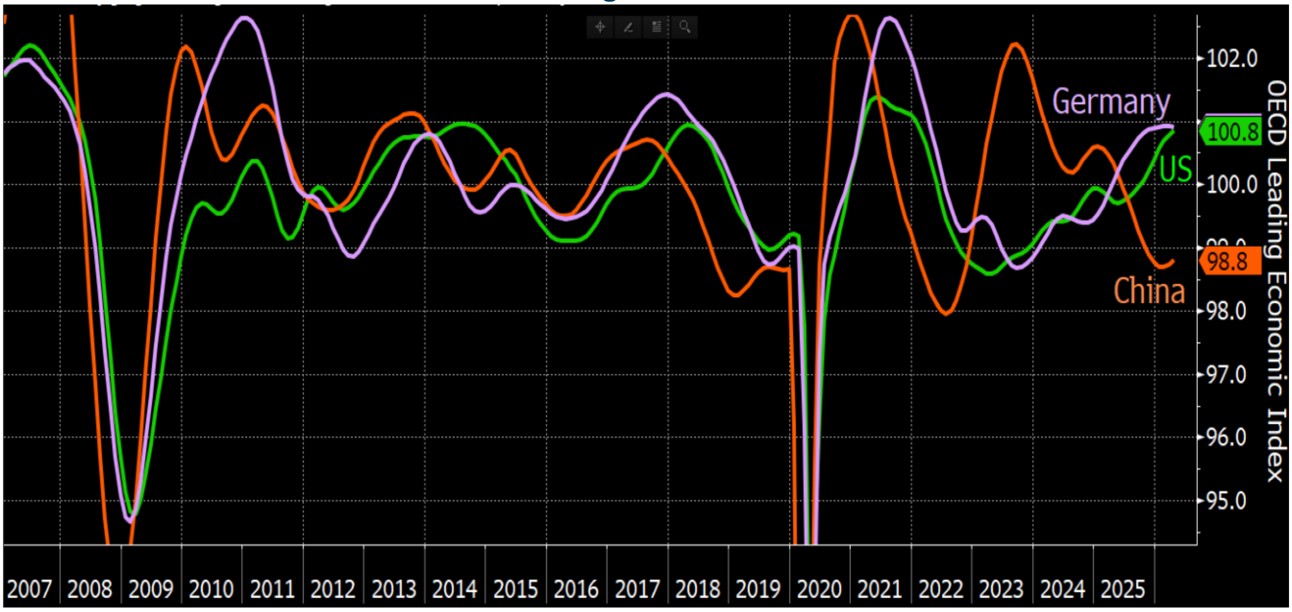
Forward P/E Ratio – MSCI Emerging Markets vs Developed Markets

Emerging Market valuations (the orange line) recently fell along with the Developed Markets valuations (the blue line) to slightly below average levels. On a relative basis (the green line), it fell to historically low levels of less than two-thirds. On this basis, Emerging Markets seem attractively valued.

5. CHINA

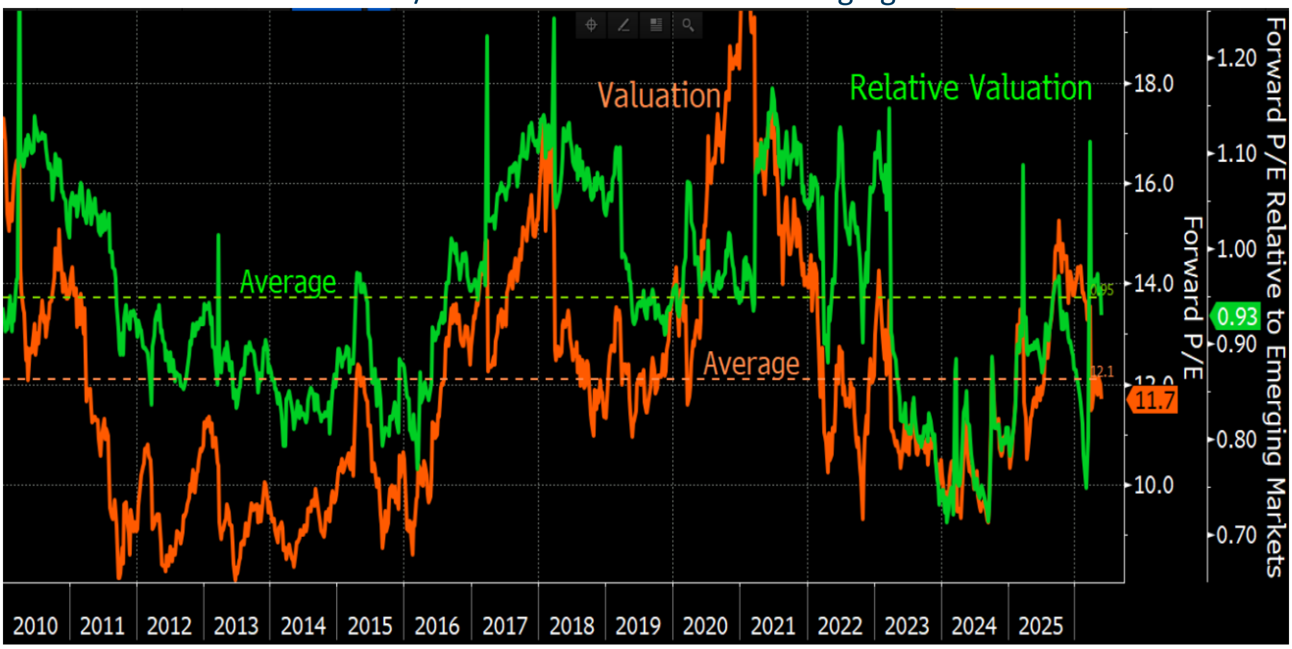
China has, since the Pandemic, struggled to boost their economic growth. They are a huge force in world trade, both in exports and imports, with a +6% trade surplus.

OECD Leading Economic Indices



Whilst their economy continued growing at +5%, both China's Manufacturing and Non-Manufacturing PMI Indices are currently close to neutral levels. According to the OECD, the US economy is in process of accelerating, Germany stagnating and China bottoming out following two years of underperformance.

Forward P/E Ratio – MSCI China vs Emerging Markets

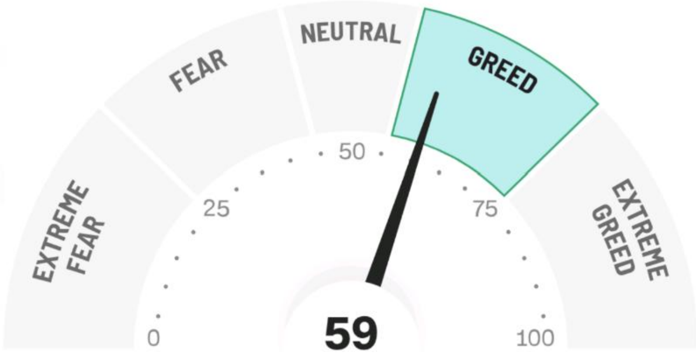


China's stock market valuation level is currently marginally below average (the orange line). This is also the case for their valuation relative to Emerging Markets. Whilst this may leave a neutral impression on their market, it also reflects realistic absolute and relative valuations with many quality businesses to consider should the OECD be correct in their assessment.

6. TECHNICAL PICTURE

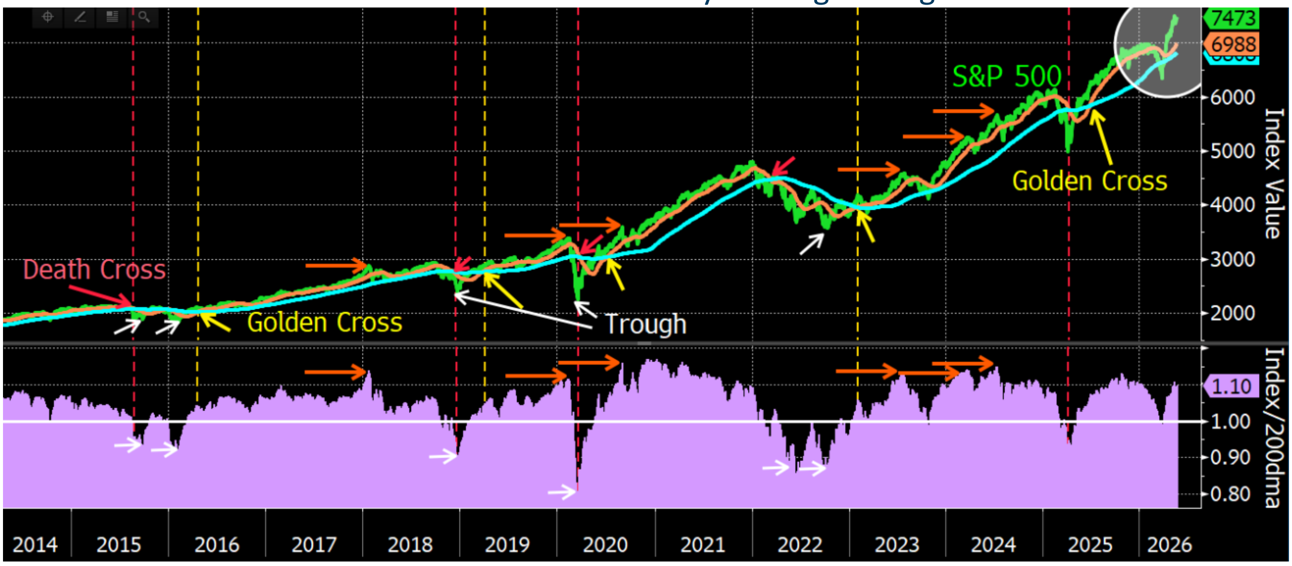
The Fear & Greed Index (a compilation of seven different equally weighted technical indicators that each measure specific aspects of stock market behaviour) has, since April, dropped marginally from a score of 66 to 59 (remaining in a Greed category). This reflects marginally positive sentiments with little exuberance.

CNN Fear & Greed Index



The current readings for the number of S&P stocks that are above their respective Bollinger High levels, their 70 RSI-readings or their respective 52-week highs, are all close to average levels. This reflects a comfortable technical position.

S&P 500 vs 50- and 200-day Moving Averages



The S&P 500 is technically still in a positive post Golden Cross environment. Both its 200-day moving average remains in a rising trend, whilst its 50-day moving average has also turned into a rising trend. This is a strong technical position. Against that, its current level is 10% above its 200-day moving average, which is getting into extended territory (see the purple bars at the bottom).

All said, technically the stock market seems in a healthy condition - with fundamentals on a positive course.

Gerrit Smit

Partner – Chairman, Global Equity Management and Investment Committee
Stonehage Fleming Investment Management Limited

6 St James's Square
London
SW1Y 4JU

T +44 20 7087 0000
Email gerrit.smit@stonehagefleming.com
www.globalbestideas.com

RISK DISCLOSURE

Unless otherwise stated, the charts and data used in this document are sourced from Bloomberg, May 2026.

This communication has been prepared for information only and is not intended for onward distribution. It is neither an offer to sell, nor a solicitation to buy, any investments or services. This communication does not constitute a personal recommendation and does not take into account the individual financial circumstances, needs or objectives of the recipients.

Opinions expressed here are as of the date of publication and subject to change without notice. Stonehage Fleming Investment Management shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses or opinions contained herein or their use, which do not constitute investment advice, are provided as of the date written, are provided solely for informational purposes and therefore are not an offer to buy or sell a security.

Any information which could be construed as investment research has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

All investments risk the loss of capital.

The value of investments may go down as well as up and, you may not receive back the full value of your initial investment.

Past performance should not be used as a guide to future performance.

Changes in the rates of exchange between currencies may cause the value of investments to go up or down in the reporting currency.

Issued by Stonehage Fleming Investment Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority (FRN No.: 194382) and registered with the Financial Sector Conduct Authority (South Africa) as a Financial Services Provider ("FSP") under the Financial Advisory and Intermediary Services Act, No 37 of 2002 (FSP No: 46194).