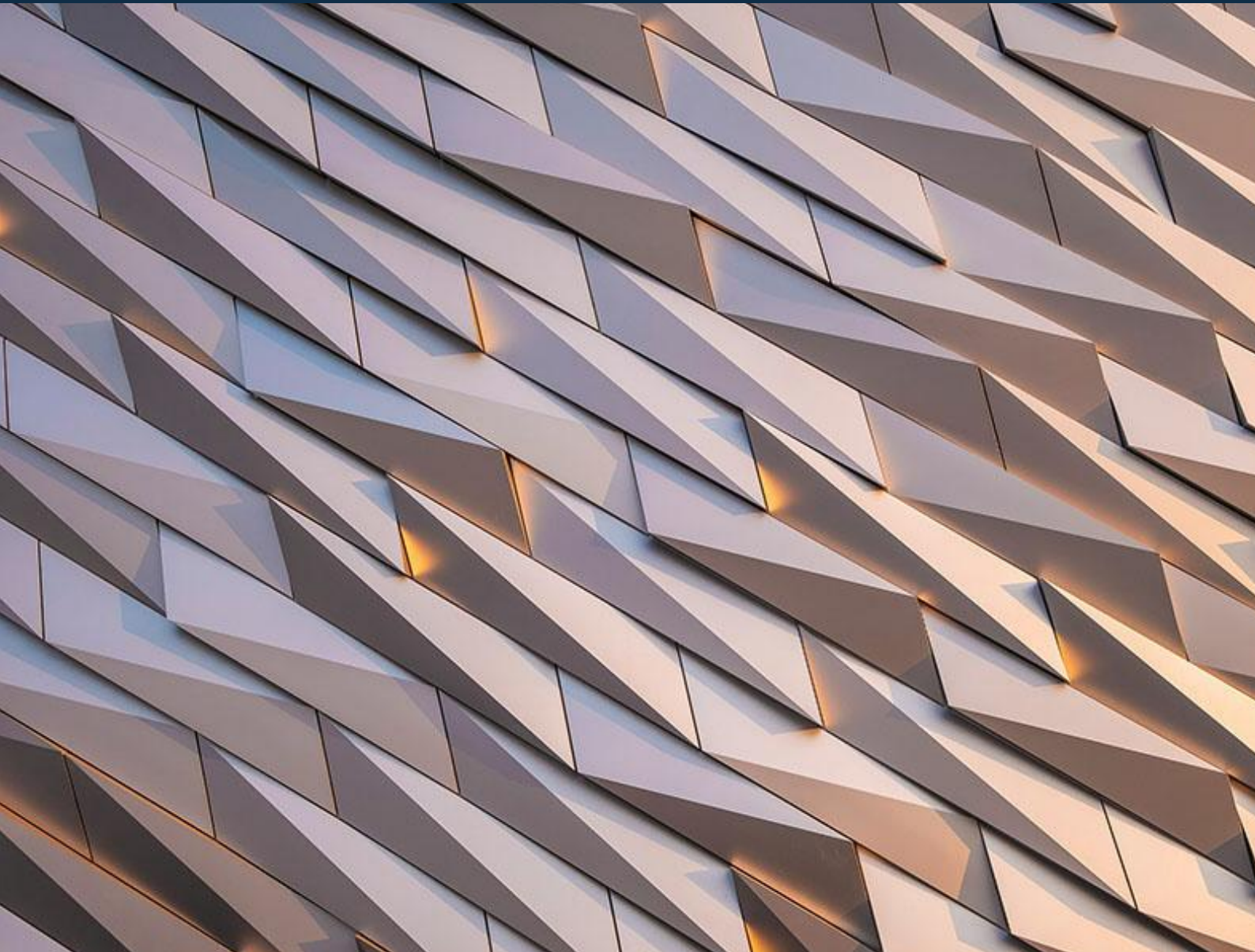


EVLI

Atlas Monthly Equity Navigator

OCTOBER 2026



Climbing the Wall of Yields

September and early October tested investors' nerves from several directions at once. The Federal Reserve raised rates for the first time since 2023, the US 10-year Treasury yield pushed above 5% for the first time since 2007, oil stayed above USD 100 per barrel as the war around the Strait of Hormuz dragged on, and France sent a fresh shiver through European bond markets. Yet global equities kept climbing. The reason is simple: the economy and corporate earnings continue to deliver.

The macro backdrop remains robust. Purchasing managers' surveys reached a five-year high in the US and a three-year high in the eurozone, jobless claims stayed low and third-quarter US growth is tracking well above trend. That strength is also what pushed yields higher: markets moved quickly to price in further tightening from the Fed, the ECB and the Bank of Japan. Historically, the start of a hiking cycle has more often confirmed a strong economy than signalled the end of a bull market, and inflation expectations have so far stayed anchored.

Beneath the surface, leadership was clear. The AI infrastructure trade regained its footing as memory and chip companies reported blowout numbers, while Europe lagged on energy costs and French fiscal worries. With the third-quarter earnings season starting in mid-October, expectations rising rather than falling and the fourth quarter historically the strongest stretch of the year, we maintain a positive view on global equities. That said, the market is far from moving as one. Leadership is rotating sharply between regions, sectors and themes, as the gap between AI infrastructure and European equities this month shows. Investors should therefore pay close attention to where they allocate their equity portfolios, both through the fourth quarter and into 2027.

1. Robust Growth, Rising Yields

- **Strong economy:** Business surveys strengthened on both sides of the Atlantic, with the US composite PMI at a five-year high and the eurozone at a three-year high. A weak September payrolls figure was the exception rather than the rule, and it mainly served to cool expectations of further near-term rate hikes.
- **Higher yields:** The Fed lifted its policy range to 3.75–4.00% and signalled more to come, joining the ECB and the Bank of Japan in tightening. The US 10-year yield briefly rose above 5.2%, and the German 10-year yield reached its highest level since 2009. After the weak jobs report, however, the odds of an October Fed hike fell sharply.

2. Oil and the War Premium

- US–Iran talks on the sidelines of the UN General Assembly produced no breakthrough, and in early October Iran stepped up attacks on tankers around the Strait of Hormuz, where flows remain well below pre-war levels. Brent crude has held above USD 100 per barrel, keeping an inflation premium in bond markets and weighing on energy-importing regions, Europe in particular.

3. AI Infrastructure Back in Charge

- Semiconductor companies delivered the most encouraging messages of the period. Micron reported record quarterly revenue of USD 54 billion and guided well above expectations, while Samsung's preliminary third-quarter operating profit topped KRW 100 trillion for the first time, roughly nine times the level a year ago. Both point to an AI-driven memory shortage that customers are locking in through multi-year contracts.

4. Europe Under Pressure

- France's 2027 budget proposal triggered the largest weekly widening in the French–German 10-year spread in more than three decades, to around 140bp, and the stress spread to Italian bonds, the euro and European high yield. Combined with high energy prices, this left European equities, and the Nordics in particular, trailing the US, Japan and emerging markets.

Global Equity Performance

United States

- US equities rose 2.1% in euro terms, shrugging off the Fed's first hike in three years and a 10-year yield above 5%. Cyclical led with a 2.6% gain, helped by AI-linked technology and capital goods, while Defensives were flat.

Financials were the clear laggard, falling 4.9% as wider high-yield credit spreads and bond-market volatility weighed on the sector. Expectations going into the third-quarter earnings season are rising: consensus now looks for S&P 500 earnings growth of close to 30%, up from about 27% at the start of the quarter, and a record share of companies has issued positive guidance.

Europe

- European equities fell 2.2% and the Nordic markets 3.9%, making Europe the weakest major region. Oil above USD 100 per barrel squeezed an energy-importing economy, and the French budget turmoil pushed sovereign spreads and corporate credit spreads wider. Financials, the region's strongest performers earlier in the year, dropped 3.2%, while Cyclical fell 2.2% and Defensives held up somewhat better at -1.4%. The underlying economy is in better shape than market performance suggests, with eurozone PMIs at a three-year high, but energy and politics will need to calm down before Europe can close the gap.

Emerging Markets

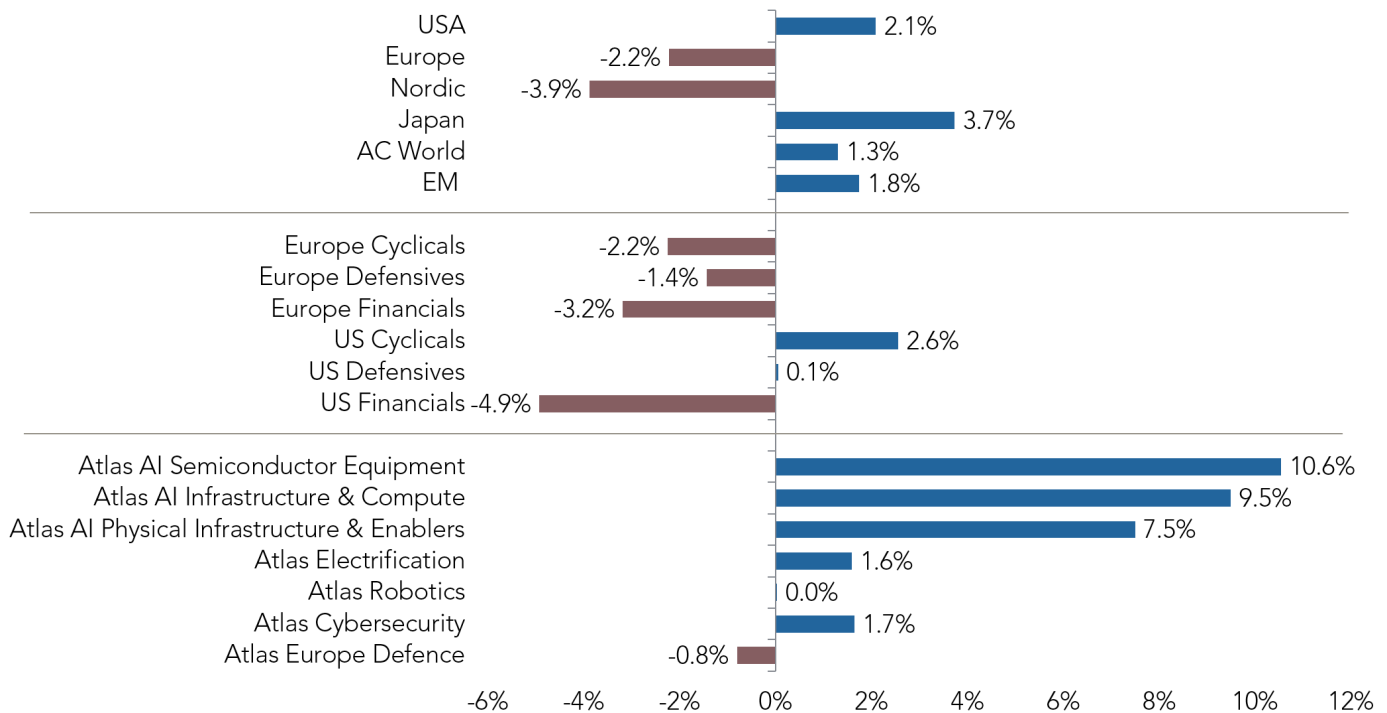
- Emerging markets gained 1.8% and Japan 3.7%, with Asia once again tied closely to the AI hardware cycle. Korea and Taiwan benefited from the surge in memory and chip earnings, while Japanese equities held up well despite the Bank of Japan raising its policy rate to the highest level since 1995. A firmer US dollar was a modest headwind, but strong earnings momentum and lower valuations than in the US continue to support our overweight in emerging markets.

Themes & Styles

The spread between thematic winners and losers widened again. AI infrastructure strategies posted strong gains as semiconductor and memory companies confirmed that demand still exceeds supply, while themes more exposed to Europe and to rate-sensitive financing lagged. Sentiment has cooled during the rise in yields, yet investor positioning is not stretched, which leaves room for the leaders to extend their run if earnings deliver.

- **Thematic opportunities:**
 - **AI Semiconductor Equipment:** The month's best performer, up 10.6%. Record memory profits and multi-year supply contracts mean chipmakers must keep expanding capacity, which flows directly to equipment suppliers.
 - **AI Infrastructure & Compute:** Up 9.5%, as the computing, networking and storage layer of the AI build-out benefited from strong results and upbeat guidance across the chip supply chain.
 - **AI Physical Infrastructure & Enablers:** Up 7.5%. Data centres need power, cooling, cabling and construction, and these physical bottlenecks remain one of the most durable ways to gain exposure to AI capital spending.
 - **Electrification and Cybersecurity:** Steady gains of 1.6% and 1.7%. High energy prices strengthen the long-term case for grid investment and energy security, while cybersecurity spending remains resilient through the cycle.
 - **Europe Defence and Robotics:** Consolidating, at -0.8% and 0.0% respectively. Defence budgets continue to rise, but the theme suffered from broader European weakness; we see the pause as a digestion phase rather than a change in trend.

Atlas Equity Chart of the Month: Equity market, sector and Atlas thematic returns, euro returns, September 2026



Source: Evli Atlas Portfolio Technologies; Total returns in euros.

Key Risks & Considerations

Bond Yields: A US 10-year yield beyond 5% is the main headwind for equity valuations, particularly for long-duration growth companies. The bond sell-off looks stretched and inflation expectations remain anchored, but a further leg higher in yields would put renewed pressure on multiples.

Central Banks: Markets already price in several more rate hikes, and the weak September jobs report has cooled near-term expectations. A hot inflation print, however, could quickly revive hike pricing at both the Fed and the ECB and unsettle both bond and equity markets.

Geopolitics and Oil: Further escalation around the Strait of Hormuz would keep Brent above USD 100 per barrel, feed inflation and hit energy-importing Europe hardest. Conversely, a credible diplomatic breakthrough would be a meaningful positive surprise, particularly for European equities.

Hiccups in the AI Boom: AI infrastructure companies account for a large share of expected earnings growth, so market leadership is concentrated. Samsung had a record quarter, but the operating profit and revenue came in below expectations and its shares slipped, a reminder of how demanding expectations have become. Any disappointment in capital spending plans or memory pricing would hit the market's leaders.

Final Thoughts

The past month showed that equity markets can climb a wall of worry when growth and earnings do the heavy lifting. Rising yields, a new Fed hiking cycle, oil above USD 100 and French fiscal stress would each have been enough to derail a weaker market. Instead, global equities moved higher, led by the companies building the physical backbone of AI.

The coming weeks will put that resilience to the test. The third-quarter earnings season starts on 13 October with estimates rising rather than falling, which is unusual, and the fourth quarter has historically been the strongest stretch of the year for equities. With short-term sentiment cautious, the bar for positive surprises is not high.

We remain positive on the equity market outlook in Q4. Thematically, we keep our conviction in AI infrastructure across semiconductor equipment, compute and physical enablers, complemented by electrification as a structural response to high energy prices. At the same time, we stay vigilant on the key risks: bond yields, central bank surprises, geopolitics and any hiccup in the AI boom.

Higher yields are a sign of a strong economy as much as a threat to it. As long as earnings keep delivering, we expect equities to keep climbing that wall, though probably with more volatility along the way.

What is Atlas?

Atlas is an intelligent platform empowering investors to build and manage highly personalized equity portfolios. Leveraging data and AI, we craft strategies aligned with your precise investment style, objectives, and sustainability goals—from classic value to emerging themes like AI.

- **True Personalization:** Go beyond generic models. Our AI helps craft strategies that perfectly reflect your vision.
- **Unprecedented Flexibility:** Don't get locked in. Shift from value to growth, or adjust thematic tilts, as your outlook evolves.
- **Powered Customization:** If our expert-designed, ready-made portfolios don't fit, our Atlas team of seasoned portfolio managers with the help of our proprietary AI engine will build a unique strategy for you.

Invest intelligently. Adapt instantly. That's Atlas.

Find out more about Atlas on <https://www.evli.com/en/atlas> or contact us at Atlas@evli.com.



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