Amplia's monthly investor letter

Collective Memory

Some indigenous cultures preserve a collective memory—a living repository of knowledge in which experiences of natural disasters, hunting grounds, property rights, social norms, and the origins of the community are passed down through stories, songs, and rituals. The purpose is not to preserve history for its own sake, but to use it to make better decisions in the future. Collective memory serves both as an early warning system and as a record of the patterns and regularities that generations of experience have taught the community to respect.

Financial markets possess a similar form of collective memory. Every crisis, every bubble, and every unexpected event leaves its mark on investor behaviour and on the prices established by the market. Our personal memory, however, works differently. Events that lack a clear turning point or strong emotional impact tend to fade surprisingly quickly, even when they have been objectively important.

For many of us, the summer holidays began in early July. As we now return to our desks, most equity indices stand roughly where they were when we left. Anyone who only glanced occasionally at the markets could therefore conclude that July was uneventful. Beneath the surface, however, markets experienced a sharp sell-off followed by an almost equally rapid recovery. Precisely for that reason, July risks becoming one of those months that never truly embeds itself in our own market memory.

The question is whether these "forgotten months" matter. If we do not remember the market's movements, do they nevertheless shape our intuitive understanding of risk, valuation, and probabilities? Or do we gradually develop a distorted perception of reality by remembering only the most dramatic episodes? The market itself never forgets.

Performance

Global equity markets delivered a modestly negative return on average during July, although European equities proved more resilient, with the STOXX Europe 600 advancing approximately 1.2%. Emerging markets declined by around 4%, reflecting renewed concerns over energy security and a shift towards higher expected policy rates.

31.07.2026 Equities	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
World	USD	-0,4 %	12,4 %	19,2 %
Emerging Markets	USD	-4,0 %	22,3 %	35,1 %
US	USD	-1,0 %	12,0 %	18,0 %
EU	EUR	1,2 %	11,7 %	21,8 %
UK	GBP	4,4 %	13,7 %	24,1 %
Japan	JPY	-6,0 %	30,5 %	50,7 %
South-Korea	KRW	-18,8 %	77,1 %	131,1 %
China	USD	-7,7 %	6,0 %	21,2 %
Finland	EUR	-0,3 %	9,1 %	28,1 %
Sweden	SEK	2,3 %	11,0 %	28,1 %

Bonds	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
Euro Government	EUR	-1,6 %	-0,4 %	-0,1 %
US government	USD	-2,0 %	1,0 %	1,0 %
Europe IG	EUR	-1,0 %	0,1 %	1,0 %
US IG	USD	-3,1 %	0,3 %	0,9 %
EU HY	EUR	-0,3 %	1,5 %	2,8 %
US HY	EUR	-0,4 %	0,7 %	3,1 %
Emergin Markets HC	EUR	-1,4 %	-0,4 %	3,6 %
Emergin Markets LC	EUR	0,0 %	0,5 %	0,6 %

Source: Amplia, Bloomberg

Fixed income markets also posted negative returns as yields rose, particularly at the long end of the curve. Credit markets proved comparatively resilient, however, as credit spreads remained broadly stable despite rising inflation expectations. As a result, corporate bonds outperformed government bonds on a relative basis.

Macro

July marked a clear shift in the market's macroeconomic focus. For most of the year, discussions had centered on how quickly inflation might decline and how extensive central bank rate cuts would become. During July, however, the narrative changed. Instead, investors increasingly focused on the risk that inflation could re-emerge, driven by higher energy prices and renewed trade tensions.

The result was a meaningful change in monetary policy expectations. The Federal Reserve's new Chair, Kevin Warsh, adopted a distinctly more hawkish stance, emphasizing the fight against inflation over supporting economic growth. At the same time, the Fed signalled a greater willingness to let incoming macroeconomic data guide its decisions, while placing less emphasis on forward guidance. Markets consequently began to price in a greater number of rate hikes, occurring sooner than previously expected.

Global economic activity continues to evolve unevenly. The IMF revised its forecast for global GDP growth down to around 3%, a pace that still points to a slowdown rather than a global recession. The U.S. economy has remained comparatively resilient, while Europe continues to lag behind. Growth in both China and India has also moderated relative to the rates that had become typical over the past few decades.

One important counterbalance to the softer macroeconomic environment is the continued surge in artificial intelligence investment. Capital expenditures remain on an upward trajectory, particularly in the United States, Taiwan, South Korea, and Japan, where spending is concentrated in semiconductors, data centres, electricity grids, and other energy-related infrastructure. The IMF explicitly identifies AI investment as one of the principal factors supporting the resilience of the global economy.

The single largest source of uncertainty remains the energy market. Investors are effectively weighing two competing scenarios. In the first, shipping through the Strait of Hormuz normalises, oil prices retreat, and inflationary pressures ease. In the second, renewed geopolitical escalation pushes oil prices back above USD 100 per barrel, potentially forcing central banks to tighten monetary policy once again.

At the same time, bond markets have increasingly shifted their attention from central bank policy rates towards longer-term market yields. This development is broadly consistent with our assessment earlier this summer. Higher real yields and a rising term premium could gradually increase corporate financing costs and place downward pressure on valuation multiples, even if the underlying economy remains relatively stable.

A more structural development is also unfolding in the background, although it has so far received relatively little attention. The discussion over which currency will dominate future oil trade has regained momentum. Should the petrodollar gradually lose its dominant position, the long-term implications could be significant for the U.S. dollar's international role, U.S. Treasury yields, and the financing costs of the federal government. While this is not our base case in the near term, it is a development that deserves close attention.

Valuation

July's earnings season turned out to be one of the most constructive in several years. After an extended period during which investors questioned whether elevated valuations were still supported by corporate fundamentals, companies generally delivered continued revenue growth, solid profitability, and robust cash flows. As a result, the question that dominated markets during the spring—whether valuation multiples had become detached from earnings—still cannot be answered in the affirmative.

At the same time, investors' perception of AI-related investment has changed fundamentally. During the first phase of the AI boom, simply announcing large capital expenditures was often enough to drive share prices higher. Today, investors are asking far more concrete questions. How quickly will these investments translate into recurring revenues? How much of the growth in Azure, AWS, and other cloud platforms is actually driven by AI? And when will returns on invested capital become visible in reported earnings? The discussion has therefore shifted from vision to monetisation.

We therefore appear to be moving from a market driven by AI hype to one driven by AI accountability. Companies that can already demonstrate that AI contributes to revenues, margins, and cash flows are being rewarded, while those whose valuations still rest primarily on future expectations face increasingly demanding proof requirements. This also explains why performance within the AI sector has become progressively more differentiated. Investors are no longer valuing AI as a single investment theme, but rather each company's ability to convert investment into economic value.

From a valuation perspective, however, the most important change is that investors have gradually shifted their focus from corporate earnings to the discount rate applied to those future earnings. In simplified form, a company's value can be expressed as:

Enterprise Value ≈ Earnings × Valuation Multiple

The earnings season suggests that the earnings component continues to develop relatively well. The greater source of uncertainty lies in the valuation multiple. Should real yields, oil prices, long-term interest rates, and the term premium continue to rise, investors' required rate of return is likely to increase as well, putting downward pressure on valuation multiples—even if corporate earnings continue to exceed expectations. This was precisely the mechanism that dominated markets in 2022.

The key conclusion, therefore, is that today's market is no longer primarily about whether companies are generating profits. Rather, the central question is the discount rate that investors apply to those future earnings. As long as earnings growth remains robust, current valuations retain fundamental support. However, if required returns continue to rise, further multiple expansion is likely to become increasingly difficult.

Sentiment

Investor sentiment remained broadly constructive throughout July, but market behaviour changed in a subtle yet important way. Although the Nasdaq declined during the month, both the S&P 500 and the STOXX 600 finished July largely unchanged. The market action therefore reflected a rotation between sectors and regions rather than a broad-based shift towards lower risk appetite.

From a technical perspective, August began on a relatively stable footing, with the S&P 500 re-establishing itself above its 50-day moving average. Nevertheless, technical signals should be interpreted with some caution during the summer months. Lower trading volumes allow individual flows to exert a greater influence on prices than is normally the case, temporarily reducing the informational value of many technical levels.

Overall, we continue to characterise market sentiment as positive, but also more mature. Investors remain willing to take risk, yet optimism is no longer indiscriminate. Increasingly, expectations must be supported by tangible results, making market performance more selective and increasingly driven by company-specific fundamentals rather than by a broad-based market rally.

Allocation

During July, we gradually increased our equity exposure in several stages. The objective was not to identify the precise market bottom, but rather to reduce the timing risk that often accompanies the summer months, when lower liquidity can amplify the market impact of individual news events. A phased implementation makes portfolio decisions less dependent on any single trading day and more closely aligned with our longer-term market outlook.

At the same time, we increased our allocation to the equal-weighted S&P 500 Index. This broadened our exposure to the U.S. equity market and enabled the portfolios to benefit more fully from the sector rotation that characterised July. By reducing the concentration in the largest technology companies, we also improved portfolio diversification and achieved a more balanced market exposure.

The next logical step is to gradually increase our exposure to AI and technology companies that combine long-term structural growth with a proven ability to convert investment into earnings growth. The Nasdaq's decline during July has improved valuations and created more attractive entry points for a measured, yet strategically important, allocation within equity portfolios.

Conventional market wisdom holds that the period leading up to November is often a challenging one for equities. While such seasonal patterns are, at best, anecdotal, the current market environment offers less room for disappointment than before. Should earnings momentum weaken, energy prices accelerate once again, or geopolitical tensions in the Middle East escalate further, the conditions for a more meaningful market correction would be in place. We therefore continue to monitor developments closely through our scenario framework and remain prepared to adjust portfolio risk should the underlying outlook change.

According to the Efficient Market Hypothesis, today's market prices reflect all publicly available information, including the market's own history. In that sense, the market always carries its collective memory with it. Our task is therefore not to outsmart the market, but to identify situations in which uncertainty changes more rapidly than the underlying long-term risk environment. Ultimately, asset allocation is not about correctly predicting every short-term market move, but about avoiding the major mistakes when the investment landscape changes.

3 August 2026

Kind regards,

Mikael Simonsen