Amplia's monthly investor letter

Snake Eyes

In the American casino game craps, a roll in which both dice show one results in an immediate loss for a player betting on the shooter to win. The combination is known as snake eyes, because the two solitary dots on the dice resemble a pair of ominously staring eyes. The probability of this unfortunate outcome is 1/36, or just under 2.8%. In the assumed distribution of stock market returns, this corresponds to the probability of a monthly return of less than minus nine percent.

Interestingly, although each roll of the dice is independent of previous rolls, the probability of encountering snake eyes sooner or later increases with the number of rolls. Over 25 rolls, the probability is approximately 50%, rising to around 64% over 36 rolls. Dice, however, have no memory. Even after 36 rolls without snake eyes, the probability remains exactly the same over the next 25 rolls.

In some respects, the stock market resembles a game of dice. According to the efficient market hypothesis, prices reflect all available information, making future price movements difficult to predict from historical returns. The market's equivalent of snake eyes can therefore occur at any time, and the probability of experiencing a sharp decline sooner or later increases with the investment horizon.

But this is where the similarities end. Unlike dice, markets have both memory and emotions. Investors' reactions to a negative surprise can amplify the surprise itself. Disappointment leads to selling, falling prices generate further anxiety, and financing conditions deteriorate. In the worst case, this feedback loop spreads from financial markets to the real economy, where it generates further negative surprises.

Performance

Equity markets delivered modest returns in October.

30.10.2026 Equities	Currency	Return mtd (eur)	Return ytd (eur)	Return 12m (eur)
World	USD	0,7 %	16,7 %	16,4 %
Emerging Markets	USD	-6,6 %	19,4 %	17,3 %
US	USD	0,6 %	17,3 %	16,1 %
EU	EUR	2,0 %	11,7 %	15,3 %
UK	GBP	3,8 %	16,1 %	19,7 %
Japan	JPY	-3,8 %	33,2 %	26,7 %
South-Korea	KRW	-10,6 %	77,2 %	82,8 %
China	USD	-6,3 %	-3,1 %	-4,4 %
Finland	EUR	-3,7 %	8,5 %	12,0 %
Sweden	SEK	3,5 %	11,9 %	17,1 %

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

Source: Amplia, Bloomberg

Bond markets were supported by declining long-term interest rates, despite widening credit spreads.

Macro

November begins with the US midterm elections, which will determine control of Congress. The outcome could have significant implications for President Trump's political room for manoeuvre, particularly regarding budget negotiations, the debt ceiling and legislation. For equity markets, however, the direct impact of midterm elections has generally been limited. Over time, economic developments and corporate earnings tend to matter more than the political composition of Congress.

The bigger question concerns political developments after the election. A highly polarised result could create new conflicts over fiscal policy and American institutions. Geopolitics also remains difficult to assess, not least because the White House's foreign policy priorities may shift after the election.

Meanwhile, energy markets have become an increasingly important source of uncertainty. Oil prices have risen sharply following disruptions in the Persian Gulf and attacks on tankers near the Strait of Hormuz. European natural gas prices have exceeded €100 per megawatt-hour, while gas storage facilities are only around 75% full ahead of winter. According to Abu Dhabi's national oil company, almost one billion barrels of oil have been drawn from global inventories since the Hormuz crisis began.

This is not merely a question of more expensive petrol and heating. High energy prices feed through into transportation costs, service prices and corporate margins. If the price shock persists long enough, it risks pushing inflation expectations higher while eroding household purchasing power. For central banks, this is a particularly uncomfortable combination, as weaker growth would normally justify lower interest rates, while rising inflation argues for the opposite.

On the other side of the equation are AI investments, which continue to provide substantial support to the US economy. Investments in data centres, semiconductors and energy infrastructure have become an increasingly important engine of growth. However, the sheer scale of these investments also means that ever-greater expectations are being built into the future.

Financial markets have begun to show signs of nervousness. Credit risk premiums for several AI-related companies have risen, and Meta's five-year CDS spread has increased from below 50 to around 125 basis points over the past year. Investment plans continue to expand for now, but rising financing costs raise questions about how long this expansion can continue at its current pace.

The truly problematic scenario would be one in which deteriorating financing conditions lead to cuts in AI investment. This could weaken suppliers' revenues, further undermine financing conditions and create a self-reinforcing cycle of financial tightening.

The global economy is therefore balancing between two opposing forces: the positive growth impulse from AI investment and the negative impact of the energy crisis on inflation, purchasing power and corporate costs. In an adverse scenario, an AI-driven investment slowdown could coincide with an energy-driven inflation shock. The result could be stagflation, with weakening economic growth and persistently elevated inflation.

Our base case, however, remains that AI investment will continue to support growth and that the effects of the energy crisis will remain manageable. Nevertheless, both the economy and financial markets have become more sensitive to new disruptions.

Valuation

Corporate earnings currently paint a considerably brighter picture than market nervousness might suggest. The ongoing US earnings season continues to show very strong profit growth. By 30 October, approximately 60% of S&P 500 companies had reported their third-quarter results. Of these, 82% had exceeded analysts' earnings expectations, while aggregate earnings growth amounted to more than 30% year-on-year.

There is, however, an interesting crack in this otherwise impressive picture. Although an unusually high proportion of companies are beating expectations, the magnitude of these positive surprises is considerably smaller than usual. Earnings exceed forecasts by only 1.9%, compared with a five-year average of 7.5%. Companies are delivering strong results, but market expectations have simultaneously become increasingly demanding.

Earnings forecasts have also continued to be revised upwards, contrary to the usual pattern in which analysts gradually lower their estimates as the quarter progresses. Fourth-quarter earnings growth is expected to reach approximately 28%. The strong earnings cycle provides fundamental support for equity markets, but also leaves less room for disappointment.

The valuation picture is also more nuanced than the headlines might suggest. The S&P 500 is trading at around 18.7 times expected earnings over the next twelve months, slightly below both its five- and ten-year averages. Valuations are therefore not exceptionally high relative to current earnings forecasts. The more important question is how robust those forecasts will prove if AI investment slows or energy prices begin to squeeze corporate margins.

The market's vulnerability may therefore lie not so much in the price paid for today's earnings, but in its dependence on tomorrow's earnings continuing to grow at the expected pace.

Sentiment

Market nervousness increased during October. On Friday, 30 October, the VIX index rose to 23.95 intraday but closed at 19.44. Our internal threshold for reassessing market sentiment is a closing level above 24, which has therefore not yet been breached.

The fact that volatility rose so sharply during the day before retreating demonstrates that markets are still capable of absorbing uncertainty. At the same time, the large intraday movements suggest that investors have become more hesitant and less steadfast in their convictions. Markets are reacting increasingly strongly to new information, even when its fundamental significance is limited.

The S&P 500 has broken below its 100-day moving average, while the Euro Stoxx 50 is fluctuating around its 200-day moving average. These levels have no magical significance in themselves, but they can influence investor behaviour when many market participants follow the same technical signals.

Markets appear undecided about the appropriate risk premium. A positive surprise could trigger a sharp rebound as bearish positions are unwound. A negative development, on the other hand, could set off a chain reaction in which selling generates further selling.

The more market sentiment reacts to changes in sentiment itself, the greater the risk that anxiety takes on a life of its own. This is precisely where financial markets differ from a game of dice. One snake eyes can alter the conditions for the next roll.

Allocation

We are maintaining the neutral equity weighting we adopted at the end of September. Our base case remains that the optimism and investment boom surrounding AI will prevail over the negative forces, supporting stronger economic growth, rising corporate earnings and ultimately higher equity prices.

At the same time, we see storm clouds gathering on the horizon. The combination of high energy prices, increasing financing risks and more fragile market sentiment means that a single negative surprise could have greater consequences than usual. The risk lies not only in the event itself, but also in the reactions it triggers.

Our investment philosophy is based on maintaining substantial equity exposure over time, thereby participating in the long-term growth of capital markets. However, we want to apply the brakes when there are concrete reasons to suspect that the risk environment is changing. Our current neutral equity weighting should therefore be viewed as defensive positioning rather than an expression of pessimism.

For the time being, we prefer to wait and observe, while remaining prepared to act in either direction. If the probability of a stagflation scenario increases, or if financing problems begin to threaten AI investment on a broad scale, we are prepared to reduce our equity weighting by a further ten percentage points. Conversely, if the storm clouds begin to dissipate and positive fundamental forces regain the upper hand, we can quickly increase our equity weighting by a corresponding amount.

Should we find it necessary to reduce risk, our next task will be to identify when to restore that exposure. This requires distinguishing between changes in the economy's fundamental conditions and changes in investor emotions. A self-reinforcing negative spiral in the real economy may justify continued caution, whereas an overreaction in financial markets may create attractive valuations and reduce future risk.

Dice have no memory, but markets do. One snake eyes can increase the probability of another unfortunate outcome by setting off a chain reaction. Yet it can also create the conditions for the next favourable roll, when fear pushes prices further below what fundamentals justify.

Our task is not to fear the dice, but to recognise when the odds of the game are changing.

1 October 2026

Kind regards,

Mikael Simonsen