

Commentary on the Financial Markets

05/26

Stock markets are back at all-time highs

In April 2026, the US stock index S&P 500 recorded strong growth of 13.6%, its best monthly performance in six years. The more diversified global MSCI World index also rose by a significant 12.1%. At the same time, stock market volatility, as measured by the VIX index, fell below the long-term average to 17 points, reflecting the calming in financial markets.

The main driver of growth was the better-than-expected results of companies for the first quarter of 2026. The temporary ceasefire between the US and Iran, which mitigated geopolitical risks, also contributed to the positive sentiment.

The strongest growth was recorded in the Technology (+25.1%), Durable Goods (+12.0%) and Industrials (+11.5%) sectors. On the other hand, the energy sector fell by 3.7% and the health care sector grew only slightly by 1.5%. As part of the current earnings season, 63% of companies in the S&P 500 index have already published their results, with 84% of them exceeding market expectations (source: FactSet, 01/05/2026). Successful ones include large banking houses from Wall Street, Amazon and Alphabet. Other key technology companies, such as AMD and Nvidia, will announce their results in the coming days.

The Federal Reserve (FED) has so far left the key interest rate at 3.75% p.a., with another cut unlikely during June. Kevin Warsh should become the new chairman of the Fed. However, higher oil prices increase uncertainty about the possibility of rate cuts during the year. The European Central Bank (ECB) maintains the deposit rate at 2.0% p.a., similar to the Czech National Bank (CNB), which has a repo rate set at 3.50% p.a. The ECB is expected to raise rates this year, while the CNB is likely to leave interest rates unchanged.

The yield on the ten-year German government bond exceeded 3.0% p.a., the Czech ten-year bond traded at a yield of around 4.8% p.a. and the US treasury rose above 4.4% p.a. This increase in yields is primarily driven by high Brent and WTI crude oil prices and related concerns about rising inflation.

In the period ahead, we do not rule out higher volatility in the stock and bond markets, especially with regard to the ongoing conflict in the Middle East and possible higher inflation and thus higher interest rates. On the other hand, better-than-expected results of companies may further support the stock markets.

Transactions in RIS funds

During April, the assets of RIS funds were continuously adjusted in connection with market developments. In the context of strong equity growth, the risky parts of the portfolios of selected funds were strengthened by strategic purchases of broader US indices and stocks of companies from emerging countries. High volatility persisted in selected sectors throughout the month, which was also used for shorter-term trading. More than sixty trades were executed in this way, most of which took place through the exchange-traded fund VanEck Gold Miners, which buys shares of global gold miners. On the bond side, activity was also high. Bond prices first rose to take profits in the second half of the month. These movements were used to sell short Czech government bonds and to buy bonds with maturities of 2030 and 2033. The decline in euro bond prices towards the end of the month was an impetus for purchases of Romanian government bonds with a maturity of four and five years. Selected funds also participated in the initial issue of four-year bonds of the Polish bank PKO.

Investment Strategy

We remain overweighted on the stocks versus bonds. Regionally, we weigh North America, the Pacific and Emerging Markets, we underweigh Europe. In sectors, we overweight growth sectors such as technology, communications, industry and finance. In bond strategies, we maintain a longer duration for koruna and dollar bonds, while we slightly underweight the duration for euro bonds.

We wish you a lot of success in the next period!

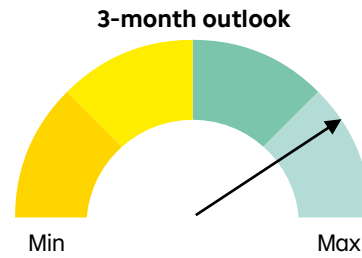
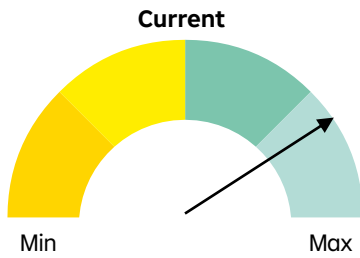


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Investment Strategy Summary

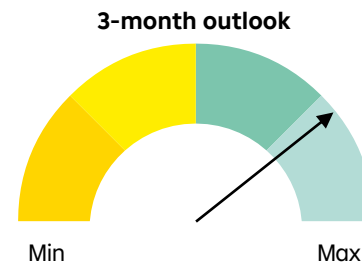
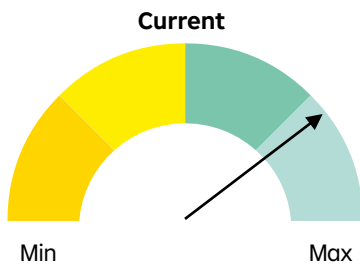
Tactical Allocation

Overweighting of stocks in portfolios



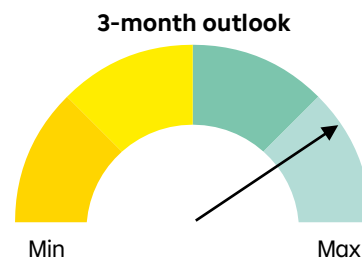
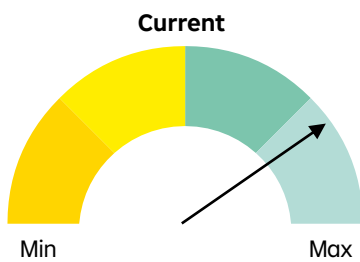
Interest Rate Risk

Average duration of bonds



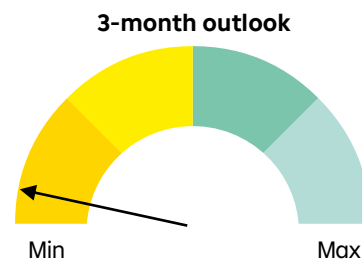
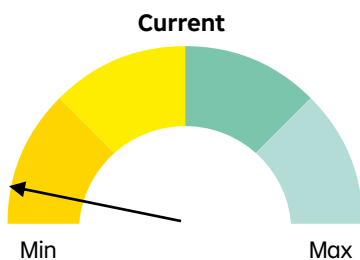
Credit Risk

Share of corporate bonds



Currency Risk

Unhedged positions in foreign currency



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