# Strong performance amid rising long-term interest rates

24 août 2026

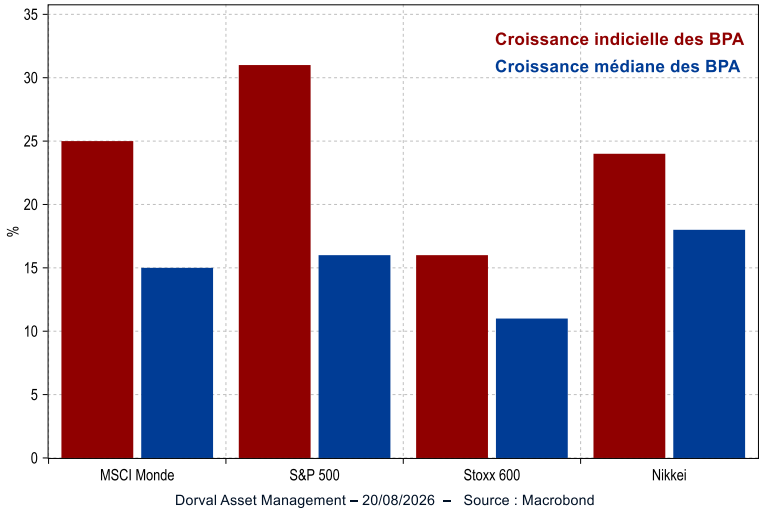
Global stock markets are being buoyed by very strong earnings from listed companies, even more so because the good news is not confined to AI-related sectors alone. This stands in contrast to signs of financial jitters (the yen, long-term bond yields) and a renewed bout of pressure on energy prices.

The earnings season now ending has added considerable fuel to stock-market optimism. Barring unpleasant surprises in the second half of the year, earnings per share for the MSCI World are expected to rise by 25% in 2026. Sectors tied to the boom in AI investment — including semiconductors — account for a substantial share of that increase, particularly in the United States. Profits have also been lifted by the energy sector, owing of course to the crisis in Iran. Lastly, European and Japanese bank stocks — which carry significant weight in the indices for those two regions — continue to improve their profitability.

Yet even beyond these specific sectors, earnings growth is impressively strong in most cases. Median EPS growth is therefore expected to reach 15% in 2026 across the MSCI World universe of 1,500 companies, which is a very substantial figure indeed (Chart 1). These strong median earnings figures illustrate the resilience of the global economy to the Iranian shock, a resilience further confirmed by the very strong August PMI business surveys across the developed world (Chart 2).

**An exceptional year for listed-company earnings**

*2026 EPS growth expected by the Bloomberg consensus*

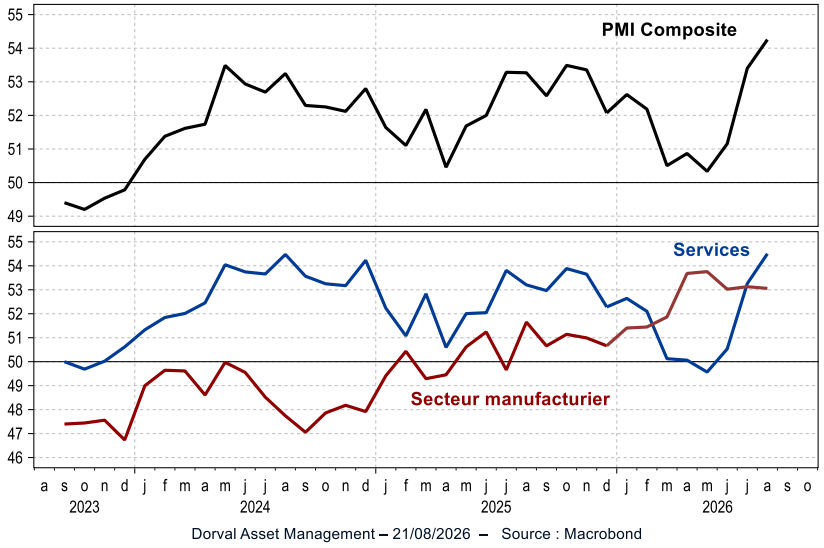



*Index-level EPS growth / Median EPS growth*

These strong median earnings figures illustrate the resilience of the global economy to the Iranian shock, a resilience further confirmed by the very strong August PMI business surveys across the developed world (Chart 2).

**Global business conditions improved further in August**

*Preliminary PMI surveys — weighted average of the US, euro area, Japan, the UK and Australia*



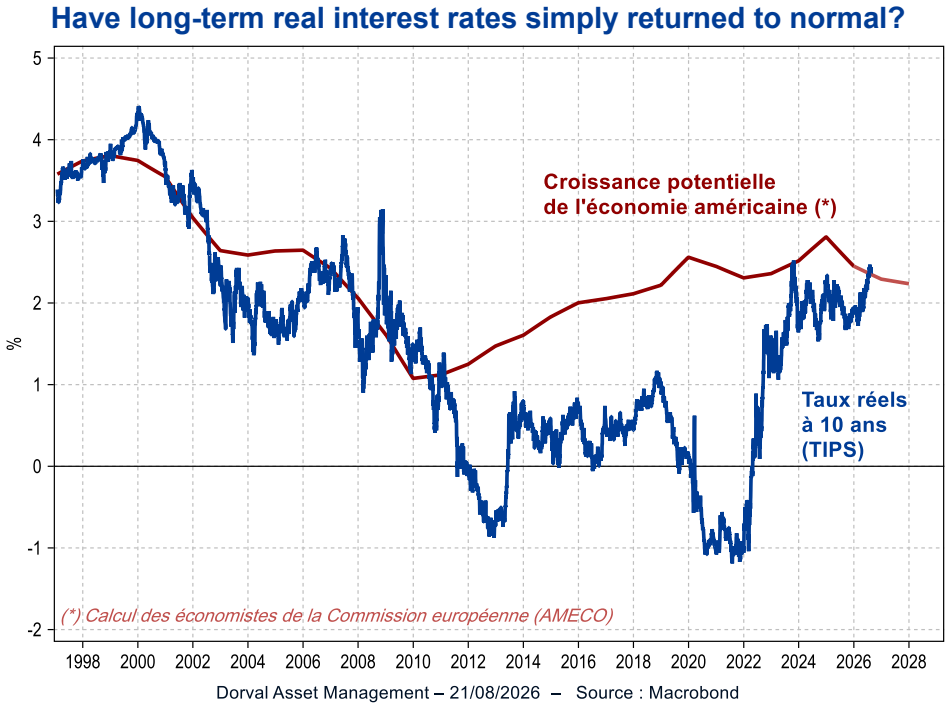

*Composite PMI / Services / Manufacturing sector*

The rise in profitability also reflects firms' firm grip on labour costs. On this point, Goldman Sachs analysts have found that never have so few listed US companies mentioned labour costs as a cause for concern (Chart 3). That is a striking finding in a world still characterised by relatively low unemployment. These estimates are borne out by macroeconomic data showing a decline in unit labour costs in the United States, made possible by rising productivity and wage restraint.

**Listed US companies appear increasingly relaxed about labour costs**

*Share of Russell 3000 companies concerned about labour costs (Goldman Sachs calculations)*

In such a growth environment, there is little reason to be unduly surprised by the level of long-term interest rates. Based on demographic trends and estimates of US productivity, economists at the European Commission, for example, put potential growth at above 2%. In the markets, the 10-year real yield on inflation-linked US Treasuries stood at 2.3% as of 21 August, which appears consistent with those estimates of potential growth (Chart 4).



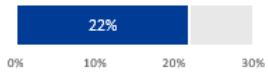
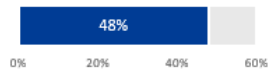
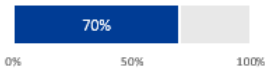
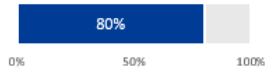

*Potential growth of the US economy (estimate by European Commission economists, AMECO) / 10-year real yields (TIPS)*

After a long period of very low rates, driven first by substantial economic slack and then by Covid, what we have seen since 2023 is essentially a straightforward normalisation of long-term US interest rates — a normalisation that now appears largely complete. Even so, market nervousness remains high, owing to a record structural budget deficit, the boom in AI-related bond financing, inflationary geopolitical tensions, a degree of mistrust towards the dollar, and fresh questions over Fed policy.

Clearly uneasy, Treasury Secretary Scott Bessent is therefore trying to ease selling pressure on the long and ultra-long end of the yield curve. Having already intervened to push the yen higher — perhaps out of concern that the Japanese might sell their Treasuries to support their currency — he has now announced a doubling of long-term bond buybacks by the Treasury. These buy-backs will be financed through the issuance of short-term bills.

Such stopgap measures cannot, however, substitute for greater clarity on fiscal policy, monetary policy — Kevin Warsh is due to speak at Jackson Hole on 28 August — and on oil and gas flows through the Persian Gulf. With the corporate earnings season now behind us, these sources of uncertainty will be watched very closely by investors.

Our exposure rates are as follows:

| Fonds | Net equity exposure* | Breakdown of main investment themes | Hedging and Safe haven basket |
|---|---|---|---|
| Dorval Global Conservative |  | - Core basket : 81%<br>- long Eurostoxx banks / short Eurostoxx : 19% | - Government bonds : 34%<br>- 2-8 years EU countries<br>- 10-30y German and 10y british and japanese government bonds futures<br>- Money-market instruments. |
| Dorval Global Allocation |  | - Core basket : 80%<br>- AI infrastructure : 10%<br>- EU & japanese banks: 10% | - Nasdaq futures<br>- Government bonds : 30%<br>- 2-8 years EU countries<br>- 10-30y German and 10y british and japanese government bonds futures<br>- Money-market instruments. |
| Dorval Global Vision | | - Core basket : 82%<br>- AI infrastructure : 7%<br>- Europe/Japan Financials : 7% | |
| Dorval Convictions |  | - Core basket : 69%<br>- Banks : 23%<br>- Energy transition : 5%<br>- Small and Mid caps : 4% | - Euro Stoxx 50 futures and options<br>- Money-market instruments. |
| Dorval Convictions PEA |  | - Core basket : 69%<br>- Banks: 22%<br>- Energy transition : 6%<br>- Small and Mid Caps : 5% | - Euro Stoxx 50 futures<br>- Money-market instruments. |

* including options' delta

*All funds presented are exposed to the following specific risks: discretionary management risk, **capital loss risk**, equity risk, market capitalisation risk, currency risk, interest rate risk, credit risk, derivative risk, sustainability risk. The capital invested is not guaranteed.*

**Dorval Asset Management**
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