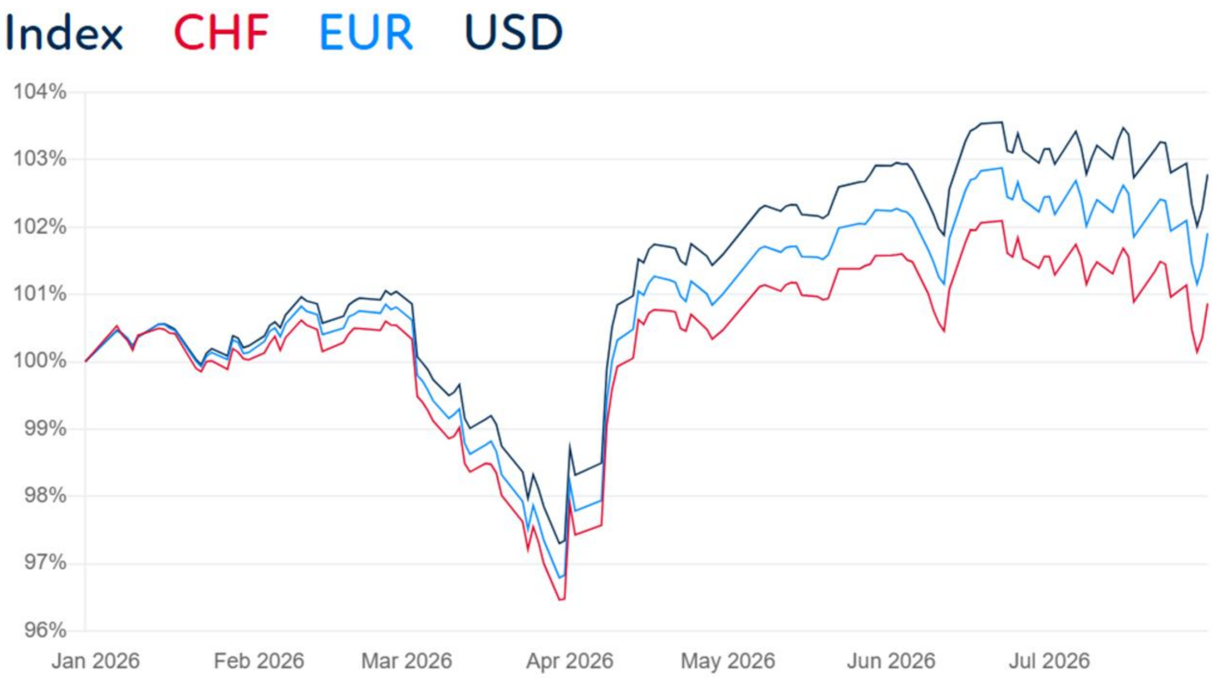
SSPA Benchmark Index - Monthly Update

Hot July, nervous markets



July brought not only meteorological extremes, there was no real summer lull in capital markets either. In the US, volatility and losses among semiconductor and AI-related stocks dominated market activity. At times, euphoria over further increases in investment prevailed. At others, concerns took over that valuations and earnings expectations were already discounting too much of the future. While this also put Japanese equities under pressure, European markets ultimately finished with gains.

Several factors weighed on sentiment at the same time. In the Middle East, hopes for a peace deal alternated with renewed fears of escalation. The result was a sharp rise in oil prices. Crude oil became around 20 percent more expensive overall in July, marking its strongest monthly increase since March. This brought inflation and interest-rate risks back into sharper focus. Although both the Fed and the ECB left their key interest rates unchanged at their latest monetary policy meetings, markets are now pricing in rate hikes in both the US and the euro area for September. The reporting season, by contrast, provided support. After around 300 S&P 500 companies had reported their results by the end of July, the index is on track, according to LSEG data, to deliver second-quarter earnings growth of 29.3 percent year on year. Previously, the estimate had still stood at 27 percent.

Impact on Structured Products and the SSPA Benchmark Index

For the SSPA Benchmark Index, this resulted in a mixed environment. The index is based on standardised worst-of Barrier Reverse Convertibles linked to the S&P 500, EURO STOXX 50 and Nikkei 225, thereby representing a rules-based yield enhancement portfolio in the CHF, EUR and USD currencies. The more resilient European equity markets had a stabilising effect, while weakness in US technology stocks and increased nervousness brought the risk of barrier events back into sharper focus. In July, the index initially still showed stability and at times climbed slightly above the 100 percent mark. Thereafter, however, volatility increased. Towards the end of the month in particular, all three currency tranches came under visible pressure. In July they all recorded negative performance, with USD continuing to perform best, followed by EUR and CHF.

At the same time, higher volatility has a twofold effect on Barrier Reverse Convertibles: it can increase short term valuation pressure and the risk of barrier events, while supporting more attractive coupon terms for newly issued products. This was also reflected in the latest monthly rollover. At the end of July, newly issued Barrier Reverse Convertibles entered the index with coupon levels of 12.16 percent in USD, 10.46 percent in EUR and 7.91 percent in CHF, compared with 11.88 percent, 10.03 percent and 7.54 percent respectively at the end of June. Coupon levels therefore increased again across all three currency tranches.

Looking ahead to August, corporate earnings, monetary policy, geopolitical developments and AI-related market dynamics are likely to remain key drivers of equity markets, volatility and structured product pricing.

Ref. No.	Index	ISIN	Reuters Instrument Code (RIC)	Bloomberg Ticker	Year-to-Date Performance as of 31.07.26	Year-on-Year Performance as of 31.07.26	Absolute Index levels since inception (31.07.24) as of 31.07.26
1	SSPA MBRC CHF – Global Indices	DE000SL0RJT9	.SPBRCCHF	SPBRCCHF Index	**0.9%**	**2.6%**	**107.4**
2	SSPA MBRC EUR – Global Indices	DE000SL0RE17	.SPBRCEUR	SPBRCEUR Index	**1.9%**	**4.4%**	**111.6**
3	SSPA MBRC USD – Global Indices	DE000SL0RE09	.SPBRCUSD	SPBRCUSD Index	**2.8%**	**6.5%**	**115.6**

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