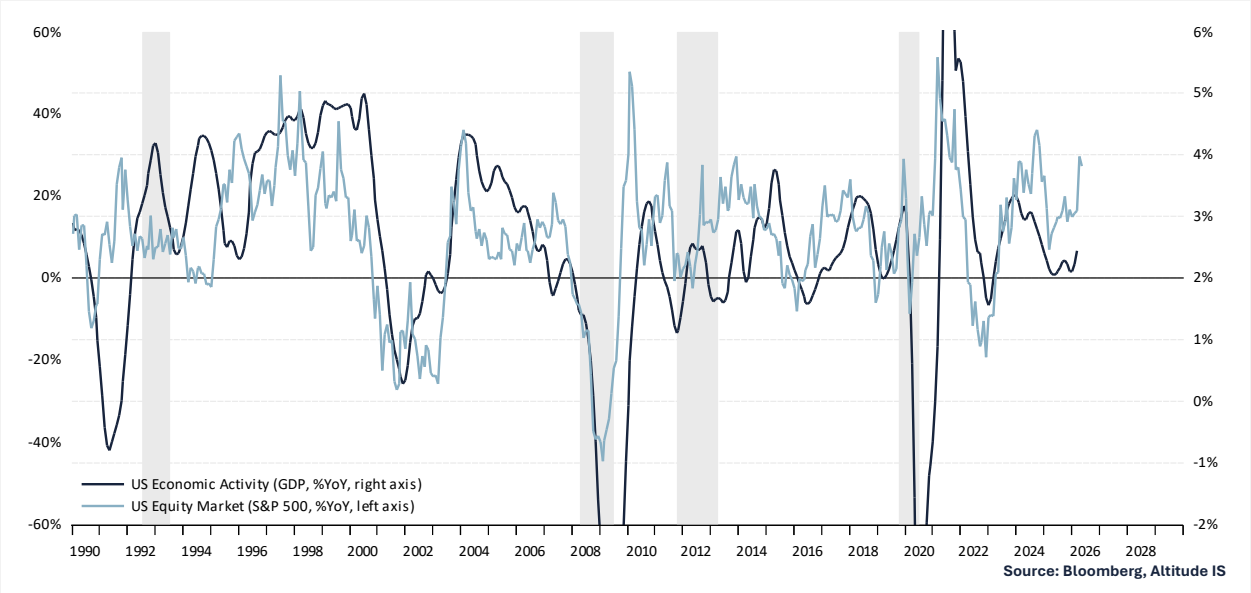
The flexiweekly that reaches new heights - published on 1 June 2026

"THE GREAT ANAESTHESIA OF VOLATILITY"

- Economic growth now relies exclusively on productivity gains
- However, without employment momentum, the cycle becomes less predictable
- Paradoxically, investors are very optimistic and the markets are very stable
- The rise of option strategies partly explains this distortion

CHART OF THE WEEK: "The equity market is decoupling from economic activity"



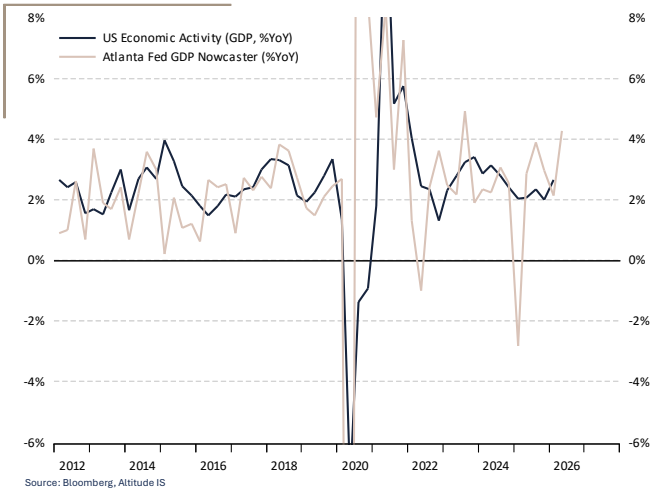
Source: Bloomberg, Altitude IS

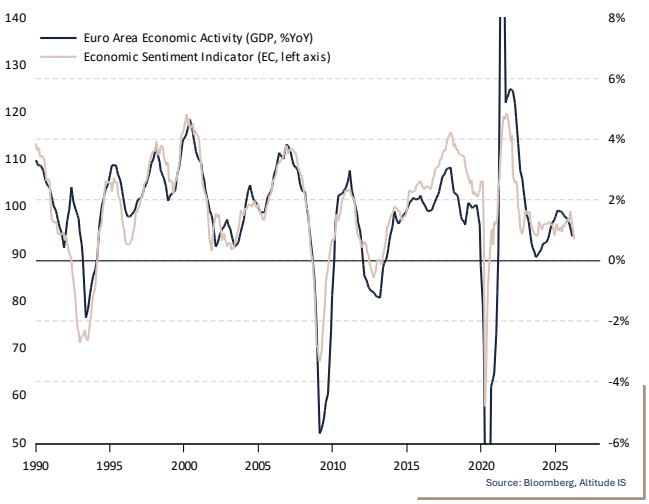
FINANCIAL MARKETS ANALYSIS

The debate rages on regarding the economic cycle in the United States and the Eurozone. Some economists believe that the two major developed economies are in a recovery phase following the recent slowdown. Others, including ourselves, believe that the slowdown is continuing but is more difficult to detect. Finally, a third group believes that the technological revolution brought about by artificial intelligence has disrupted the cycle, rendering macroeconomic analysis less relevant, if not useless (see Chart of the Week). **Yet this uncertainty is having no impact on the stock markets, which continue their upward climb with disconcerting calm. What sedative is keeping the markets at arm's length from reality?**

In the United States, annual growth in Gross Domestic Product (GDP) is strong. It has stood at 2.7%, above the median for the past fifteen years (2.4%). The momentum is positive, as growth has hovered at around 2% over the previous four quarters. Among economists, **the debate centres on leading indicators,** such as the ISM Composite or the Atlanta Fed's nowcaster, whose levels are reassuring (see Fig. 2). They suggest that annual growth is accelerating for the current quarter.

Figs. 2 & 3 – Economic growth and leading indicators, in the US and the Eurozone



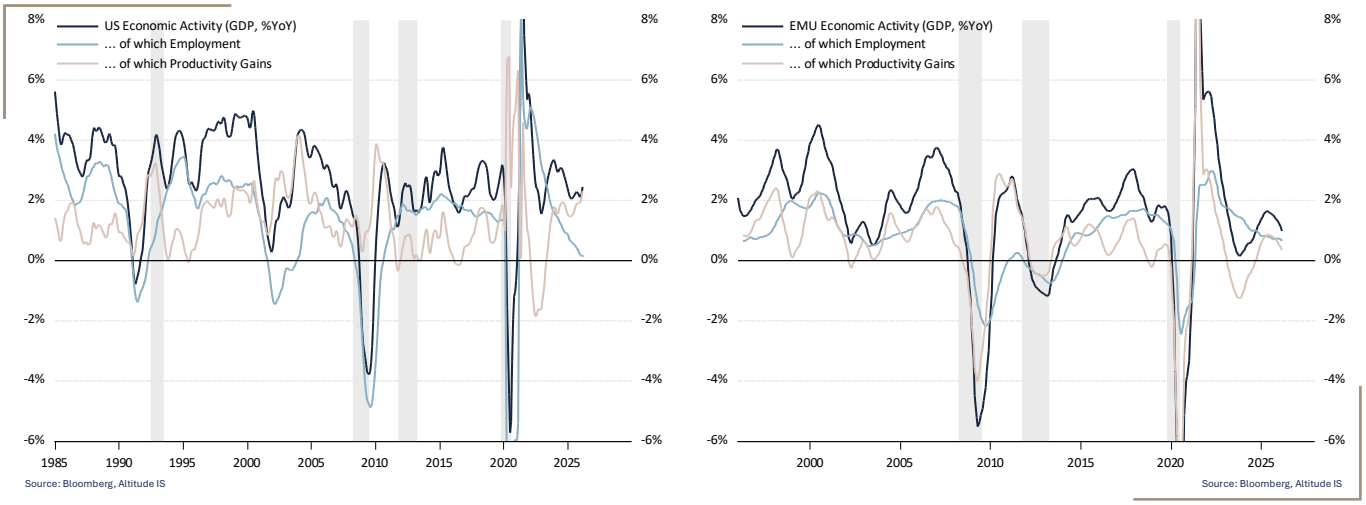


In the Eurozone, pessimism is gradually becoming the consensus as annual GDP growth has fallen from 1.6% to 0.8% and leading indicators are clearly declining. This is particularly the case for the economic sentiment index compiled by the European Commission (see Fig. 3). It tracks confidence in industry (40%), services (30%), retail trade (5%), construction (5%), and household confidence (20%). After a *dead cat bounce*, European sentiment has just fallen to its lowest level since the pandemic. The index is consistent with annual GDP growth of 0.5%.

To understand the origins of this geographical difference, we need to look at the accounting equation for Gross Domestic Product (GDP). **Growth is driven by two factors: job creation and productivity gains. The first driver, often the most powerful, is stable and predictable. It exhibits a degree of inertia.** Indeed, companies rarely hire staff only to conduct layoffs a few months later. As for the new wages paid out, they directly fund household consumption, which in turn fuels further investment and further wages. The economy's virtuous circle is self-sustaining. **Conversely, productivity has no memory. This engine can stall at the slightest hiccup.** Optimising a manufacturing process or adopting new technology can generate significant profits, but these will not necessarily be reproducible, nor can they be used to fund further productivity gains. The latter are therefore much more unpredictable. **Thus, when economic growth depends on its unstable component, its trajectory becomes more volatile, even if its pace remains strong.**

In both the United States and the Eurozone, economic growth now relies almost exclusively on productivity gains and very little on job creation. **As the roll-out of AI is taking place more rapidly and efficiently across the Atlantic, growth is higher in the United States.** Conversely, in Europe, without massive productivity gains to mask the deceleration in employment, growth momentum is deteriorating (see Figs. 4 & 5). Note, however, that this does not necessarily mean that growth is more robust in the United States.

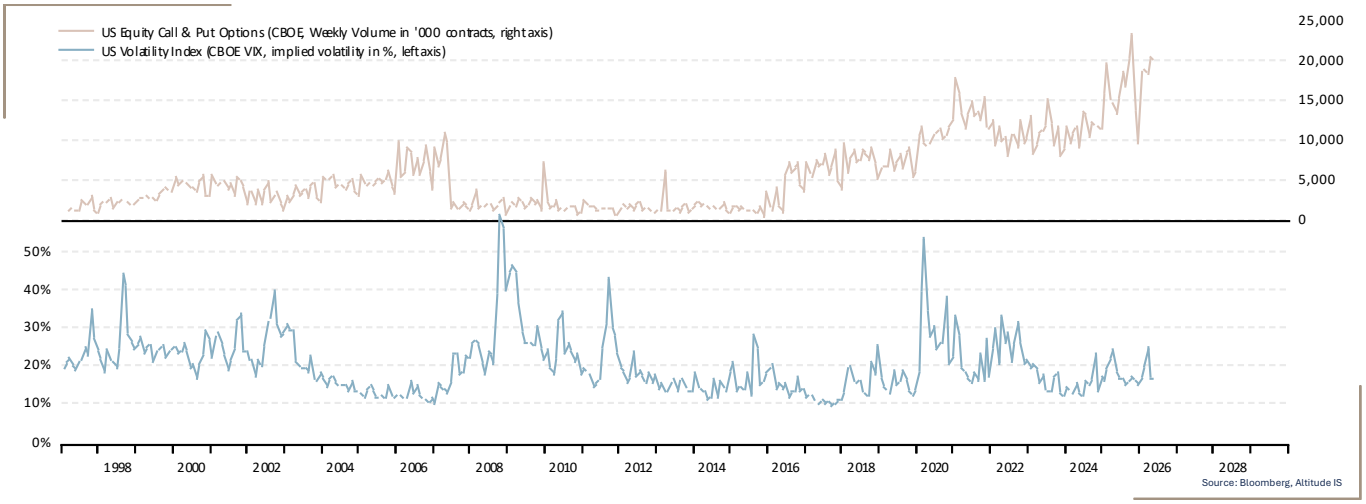
Figs. 4 & 5 – Breakdown of growth, between employment and productivity, in the US and the Eurozone



So that is the macroeconomic backdrop: a struggling Europe and a US economy whose engine is no longer a jet engine but a propeller. **This situation could have altered investors' perception of risk. Yet this has not been the case. Even as the macroeconomy becomes increasingly volatile, the equity market manages to remain calm**. The S&P 500's benchmark volatility index, the VIX, is trading at the lower end of its historical range (see Fig. 6). Since the reason is not fundamental in nature, it lies elsewhere, notably in capital flows. Indeed, the volume of options traded has risen so much that it has managed to tame volatility.

Investors use options for two main and distinct reasons. On the one hand, they enable investors to receive high conditional premiums (coupons on structured products), often ranging from 5% to 12% per year. On the other hand, they can offer partial protection against market downturns. Investors in the first group are volatility sellers, often on individual securities, whilst those in the second group are volatility buyers, often on indices. It is the former who are of particular interest to us in this analysis (see Fig. 6). The mechanism behind selling put options (or selling covered call options) has a complex name, but the way it works can be summarised quite simply. A shareholder may decide to "rent out" their shares to receive a premium. In return for the rent they receive, they agree to cap their gains if the share price soars.

Fig. 6 – Equity market volatility vs. call & put option volume



Over the past five years, the growth of options-backed ETFs has reinforced this trend. These funds were virtually unknown before 2020. Their global assets under management have risen from around ten billion dollars at the time to 100 billion in 2024, 160 billion in 2025, and 270 billion in April 2026 – a more than twenty-fold increase in six years. The segment is driven by the major US asset management firms, including JP Morgan (32%), First Trust (14%), Innovator (12%), Neos (9%) and Global X (5%). Inflows are concentrated in S&P 500 options (56%) and Nasdaq 100 options (26%). Calamos has recently listed Europe's first UCITS-compliant "autocallable" ETF, a sub-class launched in the United States in 2025 with the CAIE (S&P 500), CAIQ (Nasdaq 100) and CAGE (growth stocks) funds, which already have combined assets under management in excess of $1 billion there. This massive and continuous use of options has a direct effect on market makers. They find themselves in a *long-gamma* position, which mathematically forces them to act against the market trend to hedge their own risks. **They buy when share prices fall and sell when they rise. These back-and-forth movements act as a sort of automatic stabiliser for the equity market, dampening investor behaviour.**

The buffer becomes more effective as the volume of options traded by ETFs increases, but this process has its limits. **If a very severe exogenous shock were to occur,** the stabilising mechanism would cease to function. It could even act as an amplifier. Call options sold by income ETFs would find themselves deeply out of the money. With their delta falling to zero, market makers would no longer be forced to buy on the downside to hedge. In this scenario, **at the very moment it is most needed, the force that calms the stock markets could vanish.** Worse still, buffer ETFs, which buy put options to protect their holders, could then push market makers into a short-gamma position, forcing them this time to sell with the market rather than against it, thereby amplifying the fall. This reversal was observed in August 2024, during a rapid decline of nearly 10% in the S&P 500. This is the very paradox of this mechanism. The more powerful the buffer, the greater the dip it could cause in the event of a sharp correction.

Conclusion:

The gap between the macroeconomic volatility that is taking hold and the market volatility that is fading should give pause for thought. When investors sell volatility en masse and continuously, their behaviour becomes less and less vigilant. The awakening from this anaesthesia could be unpleasant.

RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2026 Year-to-Date (%)	2025 (%)	2024 (%)
Equities							
World (MSCI)	1 130.8	73.28	1.7%	5.2%	12.4%	22.9%	18.0%
USA (S&P 500)	7 580	73.53	1.4%	5.3%	11.2%	17.9%	25.0%
USA (Dow Jones)	51 032	68.20	0.9%	2.9%	6.9%	14.9%	15.0%
USA (Nasdaq)	26 973	73.92	2.4%	8.4%	16.3%	21.2%	29.6%
Euro Area (DJ EuroStoxx)	649.3	58.79	0.7%	4.2%	8.4%	21.2%	10.2%
UK (FTSE 100)	10 409	51.36	-0.4%	0.7%	6.6%	25.7%	9.6%
Switzerland (SMI)	13 543	62.35	0.3%	3.4%	5.1%	18.0%	7.5%
Japan (Nikkei)	66 828	70.87	4.7%	11.9%	32.8%	28.7%	21.3%
Emerging (MSCI)	1 752	66.88	4.0%	9.7%	25.7%	34.3%	8.0%
Brasil (IBOVESPA)	173 787	33.25	-1.4%	-7.2%	7.9%	34.0%	-10.4%
Mexico (IPC)	68 588	48.21	1.1%	2.1%	8.4%	35.1%	-11.0%
India (SENSEX)	74 811	41.08	-0.7%	-2.5%	-11.9%	10.5%	9.6%
China (CSI)	4 881	55.52	1.0%	1.9%	6.2%	21.0%	18.2%
Com. Services (MSCI World)	172.5	52.39	0.0%	-0.3%	5.6%	33.0%	31.9%
Cons. Discretionary (MSCI World)	456.2	61.35	1.6%	2.8%	0.2%	9.8%	20.7%
Cons. Staples (MSCI World)	299.1	39.32	-2.3%	-2.1%	4.5%	9.3%	4.7%
Energy (MSCI World)	324.8	37.14	-4.5%	-5.9%	24.5%	14.8%	2.9%
Financials (MSCI World)	224.8	53.58	-0.1%	0.4%	0.9%	29.5%	25.1%
Health Care (MSCI World)	380.2	56.32	-0.1%	1.8%	-2.7%	15.3%	1.5%
Industrials (MSCI World)	523.5	54.44	1.0%	0.2%	13.0%	26.2%	12.8%
Info. Tech. (MSCI World)	1 268.4	80.06	5.4%	17.9%	31.6%	26.6%	31.9%
Materials (MSCI World)	446.6	55.06	2.8%	2.6%	14.3%	32.5%	-7.6%
Real Estate (MSCI World)	1 041	44.39	-0.8%	-1.9%	5.7%	3.6%	-0.4%
Utilities (MSCI World)	204.9	38.78	-1.4%	-4.8%	7.3%	24.7%	13.0%
Bonds (Bloomberg)							
World (Aggregate)	3.76%	59.30	1.0%	0.3%	0.5%	8.2%	-1.7%
USA (Sovereign)	4.29%	56.29	0.8%	0.1%	0.0%	6.3%	0.6%
Euro Area (Sovereign)	3.12%	63.16	0.8%	1.2%	0.8%	0.6%	1.9%
Germany (Sovereign)	2.80%	62.39	0.7%	0.8%	0.5%	-1.6%	0.6%
UK (Sovereign)	4.76%	63.05	0.8%	1.9%	-0.1%	6.1%	-3.0%
Switzerland (Sovereign)	0.60%	58.48	1.3%	0.1%	-0.1%	0.3%	5.4%
Japan (Sovereign)	2.29%	49.69	0.8%	-0.3%	-2.2%	-4.6%	-2.1%
Emerging (Sovereign)	6.08%	64.50	1.4%	0.7%	1.5%	13.1%	7.0%
USA (IG Corp.)	5.13%	60.96	1.0%	0.6%	0.7%	7.8%	2.1%
Euro Area (IG Corp.)	3.48%	66.37	0.2%	0.9%	0.9%	3.0%	4.7%
Emerging (IG Corp.)	6.28%	67.52	0.7%	0.4%	1.5%	8.1%	7.0%
USA (HY Corp.)	6.96%	64.85	0.6%	0.4%	1.7%	8.6%	8.2%
Euro Area (HY Corp.)	5.81%	76.30	0.4%	1.0%	1.3%	5.2%	8.2%
Emerging (HY Corp.)	7.42%	67.70	1.2%	0.9%	3.1%	13.9%	14.9%
World (Convertibles)	642.2	69.19	2.1%	6.2%	19.2%	22.4%	9.4%
USA (Convertibles)	852.9	68.15	2.3%	7.0%	21.9%	16.9%	10.1%
Euro Area (Convertibles)	309.9	63.22	0.8%	1.2%	6.6%	24.8%	14.7%
Switzerland (Convertibles)	295.4	59.31	0.4%	0.5%	4.4%	17.5%	-10.5%
Japan (Convertibles)	332.9	81.96	5.4%	13.9%	29.0%	13.8%	6.4%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 878	77.70	n.a.	3.5%	n.a.	3.8%	11.1%
Macro	1 550	73.98	n.a.	2.4%	n.a.	5.6%	7.4%
Equity Long Only	2 488	64.29	n.a.	4.8%	n.a.	0.6%	12.0%
Equity Long/Short	2 063	76.67	n.a.	5.2%	n.a.	4.7%	14.0%
Event Driven	1 979	76.02	n.a.	2.6%	n.a.	3.1%	8.7%
Fundamental Equity Mkt Neutral	1 959	86.49	n.a.	1.5%	n.a.	4.6%	12.4%
Quantitative Equity Mkt Neutral	1 842	77.20	n.a.	2.3%	n.a.	1.8%	9.8%
Credit	1 753	90.65	n.a.	1.5%	n.a.	2.0%	8.5%
Credit Long/Short	1 788	95.60	n.a.	1.5%	n.a.	3.1%	10.0%
Commodity	2 089	81.40	n.a.	1.5%	n.a.	4.4%	14.7%
Commodity Trading Advisors	1 568	70.10	n.a.	2.5%	n.a.	10.4%	7.9%
Volatility							
VIX	15.32	35.38	-8.3%	-9.3%	2.5%	-13.8%	39.4%
VSTOXX	19.32	37.78	-8.6%	-14.6%	31.3%	-13.5%	25.3%
Commodities							
Commodities (CRB)	565.3	n.a.	1.0%	2.4%	4.7%	0.6%	5.1%
Gold (Troy Ounce)	4 517	n.a.	-1.2%	-2.1%	4.6%	64.6%	27.2%
Silver (Troy Ounce)	75.67	n.a.	-3.1%	0.4%	5.6%	148.0%	21.5%
Oil (WTI, Barrel)	87.36	n.a.	-13.4%	-18.3%	52.1%	-19.9%	0.1%
Oil (Brent, Barrel)	93.37	n.a.	-12.9%	-24.3%	49.5%	-15.7%	-4.6%
Currencies (vs USD)							
USD (Dollar Index)	99.00	52.82	-0.2%	0.9%	0.7%	-9.4%	7.1%
EUR	1.1651	47.77	0.1%	-0.6%	-0.8%	13.4%	-6.2%
JPY	159.46	42.35	-0.3%	-1.5%	-1.7%	0.3%	-10.3%
GBP	1.3462	49.54	-0.3%	-0.9%	-0.1%	7.7%	-1.7%
AUD	0.7187	53.62	0.2%	-0.2%	7.7%	7.8%	-9.2%
CAD	1.3809	40.26	0.0%	-1.6%	-0.6%	4.8%	-7.9%
CHF	0.7828	52.41	0.0%	-0.1%	1.3%	14.5%	-7.3%
CNY	6.7671	68.20	0.2%	0.9%	3.3%	4.5%	-2.7%
MXN	17.339	50.35	-0.4%	0.7%	3.9%	15.7%	-18.5%
EM (Emerging Index)	1 874.1	57.60	0.6%	0.5%	1.2%	7.2%	-0.7%
XBT	73 306	n.a.	-2.4%	-5.9%	-16.4%	-6.5%	120.5%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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