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BBVA
Corporate &
Investment Banking

London, 3 February 2026

QIS Thematics

Visit our BBVA QIS website for more information

Cyclical upswing

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Head of QIS Research

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QIS Publication Monitor

Risk Premia Strategies

- QIS Risk Premia: Credit Focus – 15 January 2026
- QIS Risk Premia Outlook – 6 November 2025
- QIS Risk Premia Outlook: Carry on! – 11 September 2025
- Risk Premia: Keep calm and carry on! – 10 June 2025
- Risk Premia: After Liberation Day – 23 April 2025
- Risk Premia Outlook – 11 March 2025

QIS Thematics

- QIS Thematics: Small things matter – 18 Sept 2025
- QIS Thematics: Sell in May? – 8 May 2025
- QIS Thematics: Greed and fear – 18 March 2025

Macro Tactical Ideas

- QIS Tactical: De-dollarisation – 13 May 2025
- QIS Tactical: European Exceptionalism – 31 March 2025

Deep Dives

- GM House View 2026: Navigating the growth plateau – 04 December 2025
- Introducing BBVA FCI – 16 September 2025

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BBVA QIS Trade Tracker

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BBVA QIS TRADE TRACKER

Source: Bloomberg and BBVA Global Markets Strategy

Title	Publication		Performance 1-month	3-month	6-month	year-to-date	1-year	Since Launch	Launch date	Close Date	Comments
BBVA Credit Trend	QIS Risk Premia Outlook	BBCITRUS	0.3	0.9	1.9	0.3	-1.8	0.1	15 Jan 26		We like Credit Trend to increase allocation into the trend risk premia bucket as macro volatility subsides
BBVA EM vs. DM FX carry*	QIS Tactical	BBXTEDLU	1.5	2.3	5.9	0.8	5.0	2.9	07 Oct 25		FX carry currently remains our highest conviction idea
BBVA Small Cap Index*	QIS Thematics	RUTF40V	12.7	12.6	39.6	16.4	9.0	16.1	18 Sep 25		We expect small caps to outperform as the Fed continues its rate-cutting cycle and US growth remains resilient
BBVA De-Dollarisation Index	QIS Tactical	BBXTDDLU	1.5	1.7	0.7	1.7	9.2	3.0	13 May 25		The BBVA FX strategy team continues to believe in a structurally weak USD
BBVA FX Latam Carry*	QIS Risk Premia Outlook	BBFXLCRU	2.3	3.1	7.5	2.0	10.0	12.4	23 Apr 25		FX carry currently remains our highest conviction idea
BBVA FX Global Carry*	QIS Risk Premia Outlook	BBFXGCRU	1.3	1.9	5.6	1.0	5.9	9.3	23 Apr 25		FX carry currently remains our highest conviction idea
BBVA Long Europe vs. US Equity	QIS Tactical	BBXTEUSU	1.6	2.0	1.8	1.0	0.6	-3.8	31 Mar 25		European equities are starting to look undervalued and underowned again despite the significant fiscal spending announced last year
BBVA Long Europe vs. US FX	QIS Tactical	BBXTEFLU	2.7	3.2	3.6	2.8	14.4	9.0	31 Mar 25		The BBVA FX strategy team continues to believe in a structurally weak USD
BBVA Global Infrastucture	QIS Thematics	SBVGINUN	4.2	5.9	6.2	4.3	19.5	14.0	18 Mar 25		Global fiscal spending has helped this theme, which we expect to continue this year
BBVA Cybersecurity Index*	QIS Thematics	SBVCYBEN	6.0	0.0	15.5	5.9	15.3	18.4	31 Dec 24		Cybersecurity is no longer optional; it's fundamental to business continuity
BBVA AI and VR Index	QIS Thematics	SBVAVREN	-5.9	-16.0	-8.3	-4.7	-13.5	-9.7	31 Dec 24		Rising concerns regarding valuations around AI stocks is a cause of concern. This theme now looks attractive after recent underperformance.
BBVA Long Europe vs. US Credit	QIS Tactical	BBXTUICU	0.0	-0.5	-1.1	0.2	-1.5	-0.1	31 Mar 25	07 Oct 25	Closed
BBVA Credit Trend	QIS Risk Premia Outlook	BBCITRUS	0.3	0.9	1.9	0.3	-1.8	-2.4	11 Mar 25	23 Apr 25	Closed

**High conviction ideas*
Table as of 28 January 2026

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1. Summary

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Cyclical upswing

- **US growth is at its softest since 1Q25:** US economic sentiment has softened recently. That said, Bloomberg consensus for US growth in 2026 is still at 2.4% despite expectations that consumer spending will slow from 3.5% last year to just 2.1% this year. Early evidence from the 4Q corporate earnings season is positive with signs of earnings growth being posted by a broader selection of US stocks rather than just the Mag-7, as was the case in the last three years.
- **Equity dispersion supports thematic investing:** the current environment of low macro volatility and stable growth supports our view of a mid-cycle environment in the US economy. Equity dispersion typically tends to rise in mid-cycle environments as the key driver of returns becomes earnings rather than valuations. We believe 2026 will be dominated by earnings-driven equity performance and rise of dispersion. We believe investing in thematic strategies with potential long-term upside could be beneficial in such environments.
- **US earnings picking up breath:** the US equity earnings growth for the past three years was predominantly driven by the tech sectors and Mag-7 stocks. This year, we are finally seeing signs of a broadening in earnings growth. The US small-cap stocks were in earnings recession for the last three years on the back of higher rates. As the Fed normalises rates back to neutral, we see small-cap stocks as having the best exposure to the widely expected cyclical upswing in the US economy this year.
- **Small things matter:** we expect a combination of a recovery in US economic growth, loose financial conditions and supportive fiscal policy to help US small-cap stocks outperform. The Russell 2000 index underperformed the MSCI US equity index last year (by c.5%) on the back of tech leadership and softening US growth given the tariff uncertainty since the start of the year. Looking back at 40 years of history, the "soft-landing" scenario in terms of Fed cuts tends to lead to an outperformance in small caps.
- **Implementation:** given the stars are aligning for small caps to outperform, we see the Russell 2000 high vol index (40% volatility based on exponentially weighted moving average) as a better instrument to implement our bullish small-cap view. Episodes of Russell 2000 outperformance of the SPX have seen the Russell 2000 HV index deliver outperformance over the Russell 2000 index due to higher leverage. We saw this during 2016-18, in late 2019, 2021, 2024 and **more recently since April, as the US economy rebounded from a soft 1Q and the Liberation Day-driven sell-off.**
- **We also like exposure to our BBVA Solactive Small Cap Index:** we believe that positioning in technology and AI beneficiaries is still the core of most investor portfolios. At the same time, positioning towards more cyclical parts of the economy like financials, industrials and small caps remains muted, as evidenced by the record valuation gap between small and large-cap stocks. **The Solactive BBVA US Small Caps Select Index picks the largest highly liquid small-cap companies by sector in the US with a focus on balance sheet quality and profitability.**

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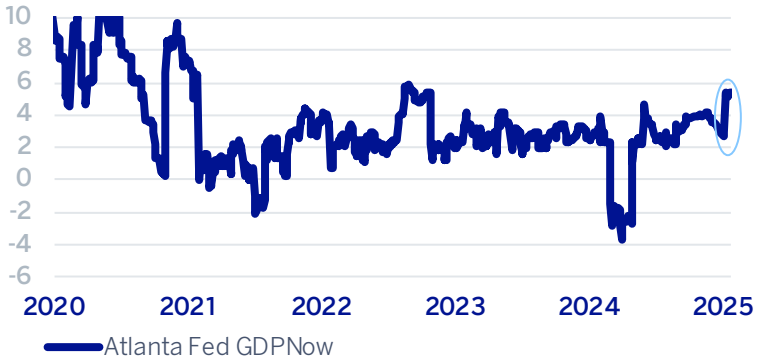
US growth momentum is steadying

US growth is at its softest since 1Q25: US economic sentiment has softened recently with concerning jobs data reported towards the end of last year. Further evidence comes from the Atlanta Fed's GDPNow indicator falling to a six-month low (before rebounding in January) and US composite PMIs falling to their lowest since April of last year. That said, Bloomberg consensus for US growth in 2026 is still at 2.4% despite expectations that consumer spending will slow from 3.5% last year to just 2.1% this year. We expect US growth to remain stable over the course of the year given the supportive liquidity environment and prevalence of corporate and government spending over consumer demand. The growth environment could be characterised as mid-cycle, in our view, with stable liquidity, credit and labour market conditions. Despite concerns of the US economy entering a late-cycle phase, we do not believe we are there yet. The ongoing earnings season will shed further light on the state of the US economy and the double-digit earnings growth expected for US equities this year. Early evidence from the 4Q corporate earnings season is nonetheless positive with signs of earnings growth coming from a broader selection of US stocks rather than just the Mag-7, as has been the case in the last three years.

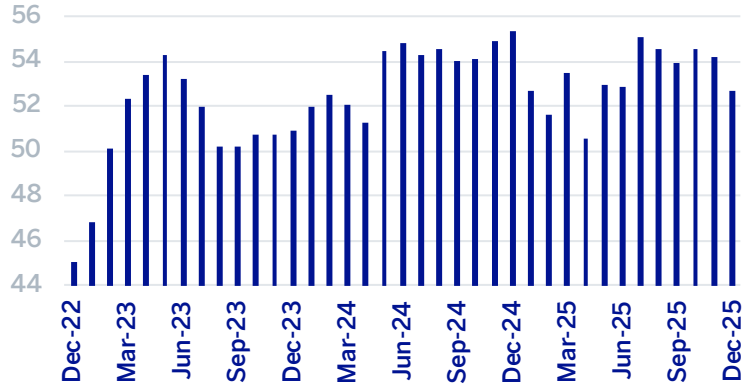
US GROWTH MOMENTUM HAS BEEN STEADYING RECENTLY

Source: Bloomberg and BBVA Global Markets Strategy



US COMPOSITE PMI AT 8-MONTH LOWS

Source: Bloomberg and BBVA Global Markets Strategy



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BBVA FCI falling after a spike in 4Q25

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BBVA FCI falling after a spike in 4Q25: We saw our BBVA Financial Conditions Index (FCI) pick up towards the end of last year on the back of higher equity volatility just after the US shutdown and concerns about the US labour market. A rise in our BBVA FCI is typically an early warning sign, as it was in 4Q24, although we suggested then that investors sell equity volatility given that growth and earnings data remained resilient. Our expectation that equity volatility would converge lower vs. rates and FX volatility proved to be accurate with the VIX making new lows for the year in December. The BBVA FCI is currently sitting at -0.46x, up from the low of -0.56x in September of last year. Macro volatility has been on a downtrend ever since the volatility spike observed in equity and credit markets in 4Q25. The volatility in FX and credit, in particular, is near the lows seen over the last two decades. Low volatility and divergence away from US large-cap stocks remains one of our highest conviction plays for 2026. We have already observed this play out with US large-cap equity underperforming the rest of the world since the start of the year. US small-cap performance has been the one to notice with small caps returning >7x the returns of large-cap stocks (at the time of writing). We highlighted this as one of our high conviction thematic views for 2026. We see fiscal spending in the US and the normalisation of interest rates as the key catalysts for the continuation of small-cap outperformance.

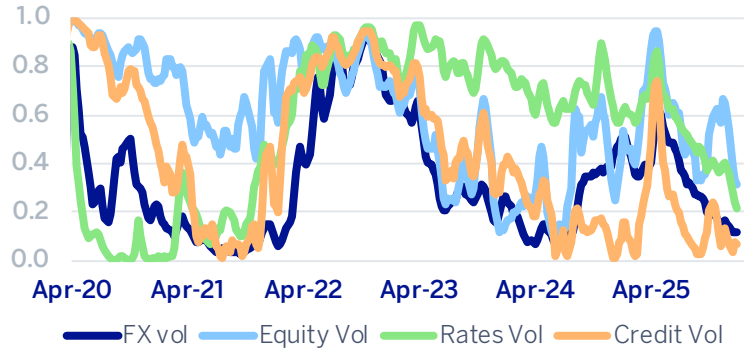
BBVA US FINANCIAL CONDITIONS INDEX

(BBRIFCUS)

Source: Bloomberg and BBVA Global Markets Strategy

MACRO VOLATILITY ON A DOWNTREND

Source: Bloomberg and BBVA Global Markets Strategy



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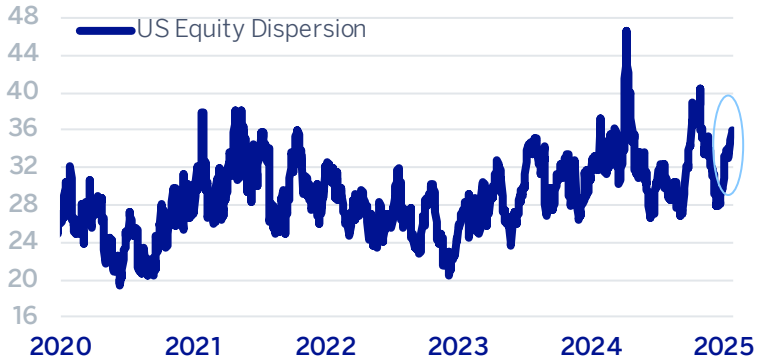
Equity dispersion supports thematic investing

Equity dispersion supports thematic investing: The current environment of low macro volatility and stable growth supports our view of a mid-cycle environment in the US economy. Equity dispersion typically tends to rise in a mid-cycle environment, as the key driver of returns becomes earnings rather than valuations. We believe 2026 will be dominated by earnings-driven equity performance. We have seen significant dispersion in equity earnings revisions across different sectors over the last three months. This has led to an increase in equity dispersion in the same time frame, according to the CBOE US Dispersion Index. We expect the markets this year to be driven by fundamentals, which tends to benefit stock pickers over macro traders. We believe investing in thematic strategies with potential long-term upside could be beneficial in such environments. With equity, credit, rates and FX volatility falling to near all-time lows since the start of the year, we believe markets are pricing in less macro volatility this year. Index-level returns during mid-cycle environments historically tend to converge with long-term equity returns, which tend to be in the mid-single digits. Currently selecting forward-looking themes that are priced reasonably could result in outperformance vs. the benchmarks.

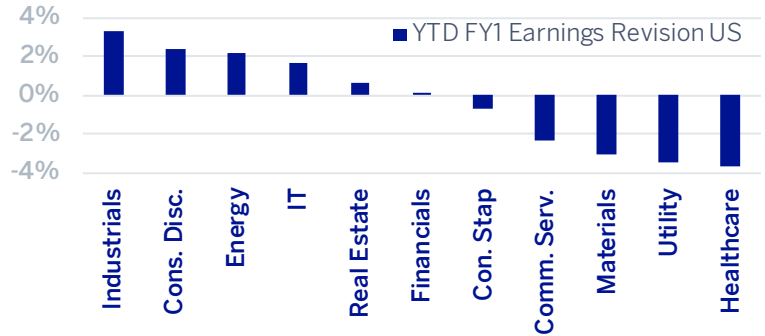
US EQUITY DISPERSION ON THE RISE

Source: CBOE, Bloomberg and BBVA Global Markets Strategy



US EQUITY DISPERSION DRIVEN BY EARNINGS REVISIONS

Source: Bloomberg and BBVA Global Markets Strategy

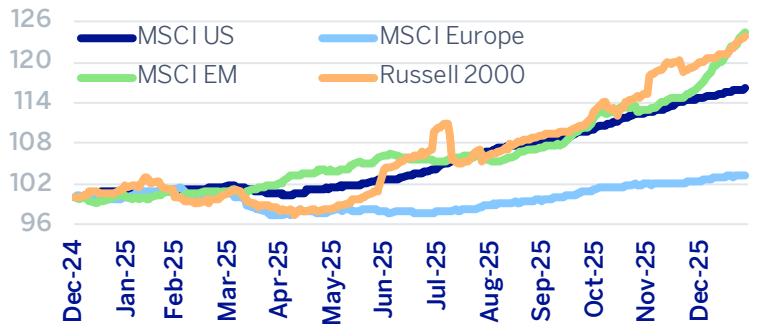


Earnings Dashboard

- **Earnings–the one true barometer:** against a backdrop of macro uncertainty driven by trade wars and geopolitics, along with benign macro volatility with record-low cross-asset volatility, we see earnings as the one true barometer of fundamental performance in the equity markets. The charts below show earnings revisions in the key regions of global equity markets. While we are still very early into the 4Q earnings season, it's rare to have positive earnings revisions at this time of the year. The start of the year is typically characterised by negative earnings revisions followed by positive surprises over the course of the year. We have seen FY2026 being revised higher so far this year, despite high analyst expectations of double-digit earnings growth during the year. This suggests that the weak US labour market data is not backed up by weak earnings and corporate fundamentals remain healthy.
- **US earnings are picking up breath:** the US equity earnings growth over the last three years was predominantly driven by the tech sectors and Mag-7 stocks. We are finally seeing signs of a broadening in earnings growth this year. US small-cap stocks were in an earnings recession for the past three years on the back of higher rates. As the Fed normalises rates back to neutral and we see US fiscal spending pick up this year, US small-cap stocks should deliver the best earnings growth over the next three years. Small-cap stocks have the best exposure to the cyclical upswing expected in the US economy this year.

POSITIVE US EARNINGS REVISIONS IN EM AND SMALL CAP STOCKS

Source: Bloomberg and BBVA Global Markets Strategy



SMALL-CAP EARNINGS REBOUNDING FROM TROUGH

Source: Bloomberg and BBVA Global Markets Strategy

	MSCI US	MSCI Europe	MSCI EM	US Tech	Russell 2000
2022	58.5%	87.1%	41.3%	35.3%	342.1%
2023	5.9%	15.1%	-12.8%	-0.5%	-12.0%
2024	2.0%	-1.0%	-10.9%	6.5%	-6.6%
2025	8.4%	5.5%	6.0%	21.9%	-16.2%
2026	14.9%	-1.8%	18.2%	36.1%	20.2%
2027	16.7%	9.8%	25.8%	39.1%	75.3%
2028	14.8%	10.3%	14.8%	17.0%	30.1%
2029	11.8%	8.6%	14.4%	14.6%	6.3%

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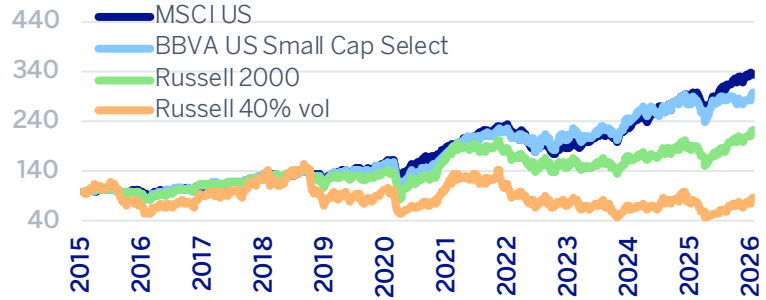
Trade of the month: small things matter

- **Small things matter:** we expect a combination of a recovery in US economic growth, loose financial conditions and supportive fiscal policy to help US small-cap stocks to outperform. The Russell 2000 index underperformed the MSCI US equity index last year (by c.5%) on the back of tech leadership and softening US growth given the tariff uncertainty since the start of the year. Looking back at 40 years of history, the "soft-landing" scenario of Fed cuts tends to lead to an outperformance in small caps. The markets are currently pricing in two further rate cuts of 25bp this year after three cuts late last year. With the Atlanta Fed GDPNow pointing to > 5% growth, suggesting that the Fed cuts are "soft-landing," we believe the outperformance of small caps has more room to run.
- **Implementation:** given the stars are aligning for small caps to outperform, we see the Russell 2000 high vol index (40% volatility based on exponentially weighted moving average) as a better instrument to implement our bullish small-cap view. Episodes of Russell 2000 outperformance of the SPX have seen the Russell 2000 HV index deliver outperformance over the Russell 2000 index due to higher leverage. We saw this during 2016-18, in late 2019, 2021, 2024 and **more recently since April as the US economy rebounded from a soft 1Q and the Liberation Day-driven sell-off.**

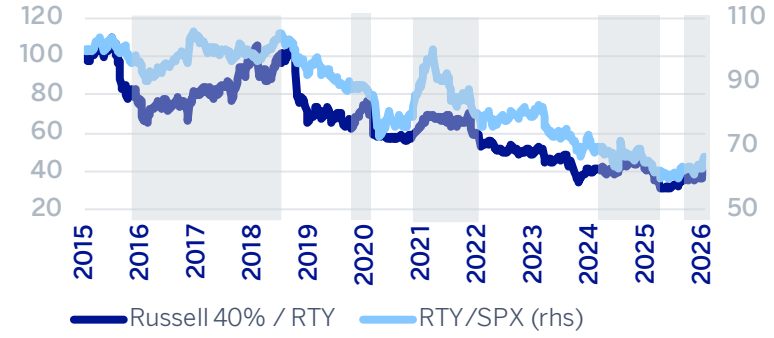
COMPARING INDICES TO IMPLEMENT SMALL-CAP VIEW

Source: Bloomberg and BBVA Global Markets Strategy



RTY HIGH VOL OUTPERFORMS WHEN RTY OUTPERFORMS

Source: Bloomberg and BBVA Global Markets Strategy



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2. Trade of the month: Small things matter

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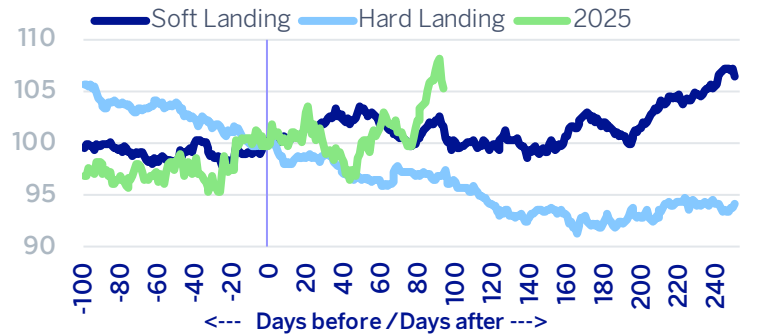
Fed easing 2.0

- **A "soft-landing" rate cuts scenario should lead to an outperformance in small caps.** Looking back at history, the Fed doesn't necessarily need a recession to cut rates, as it has a dual mandate of stabilising inflation and maintaining a stable job market. The latest data from the US Labor Department suggests that the US job market has continued to slow over the past year. The first negative NFP print since 2020 occurred in 4Q, underscoring the backdrop behind the Fed cutting rates three times in late 2025.
- We have looked back at 40 years of Fed policy to analyse differing market reactions during rate hikes and cuts, as well as during periods of economic growth and contraction. The Figure below highlights the relative performance of US small vs. large caps before and after rate cuts during soft-landing and hard-landing periods. Our study suggests that soft-landing rate cuts offer the best periods for small caps to outperform. The markets are currently pricing in two further rate cuts of 25bp this year after three cuts late last year. With the Atlanta Fed GDPNow pointing to > 5% growth, suggesting that the Fed cuts are "soft-landing," we believe that small-cap outperformance has more room to run.

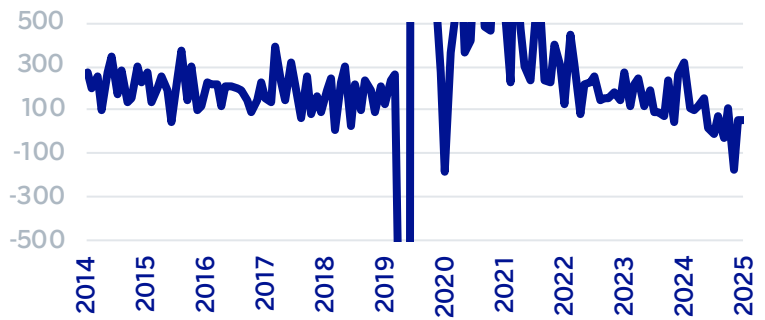
RTY/US EQUITIES AROUND FED CUTS SUGGESTS SOFT LANDING RALLY

Source: Bloomberg and BBVA Global Markets Strategy



US NFP NEGATIVE FOR THE FIRST TIME SINCE 2020

Source: Bloomberg and BBVA Global Markets Strategy



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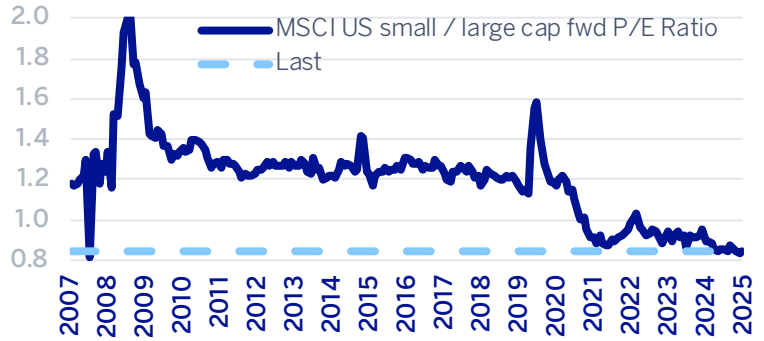
Valuations remain a driver

Valuations matter: the small-cap indices historically trade at higher valuations to large caps due to a higher growth outlook than their established large-cap peers due to a higher earnings growth potential. Post-COVID, the valuation gap narrowed significantly due to higher interest rates and a weak growth outlook. This valuation gap is still the narrowest compared to a normal growth cycle for the decade preceding COVID. We expect valuations to normalise in favour of small caps in the months ahead. The valuation discount of small-cap stocks could be largely explained by earnings recession as a result of higher interest rates. In addition, some areas of the US economy have been in rolling recession on the back of tight monetary policy. We see a cyclical upswing in the US economy as the Fed cuts rates, which should drive an earnings recovery for smaller companies. Current analyst expectations are for small-cap stocks' earnings to nearly treble from last year's levels in the next four years.

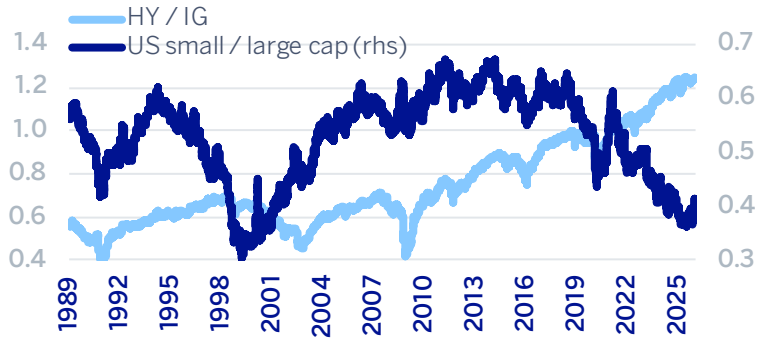
SMALL VS. LARGE-CAP VALUATION DISCOUNT NEAR LOWS

Source: Bloomberg and BBVA Global Markets Strategy



SMALL CAPS HAVE UNDERPERFORMED DESPITE US HY RALLY

Source: Bloomberg and BBVA Global Markets Strategy



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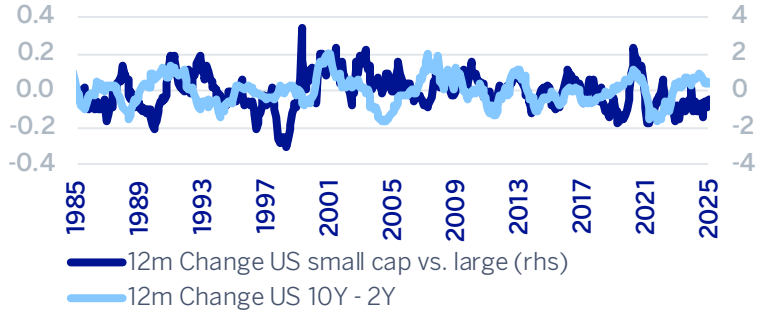
Macro drivers for small-cap outperformance

- **Growth matters for small caps:** we find that small-cap performance tends to correlate significantly with the change in the OECD's leading economic indicator. However, our study finds that this relationship has broken down since 2023. The US economy has maintained very strong momentum, while US small caps have underperformed. We believe this could mainly be attributed to investors waiting for a recession and US large-cap tech outperformance on the back of the dominating AI investment theme. We also believe that positioning in technology and AI beneficiaries is now crowded. At the same time, positioning towards more cyclical parts of the economy like financials, industrials and small caps remains muted suggesting there is room to recover.
- **US rates curve points to stronger economic outlook:** we find that small-cap performance tends to correlate significantly with the change in the shape of the US yield curve 2s10s, which tends to be a proxy for future economic growth. We expect the yield curve to maintain a steepening bias as the Fed normalises policy rates. Historically, such an environment has tended to drive a continuation of small-cap outperformance on the back of fiscal spending and a reflationary regime. Small-cap stocks have room to catch up to the movement in rates curve since this time last year.

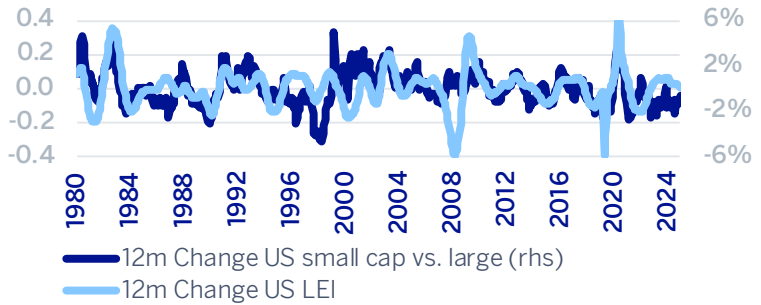
CURVE STEEPNESS LEADS TO SMALL-CAP OUTPERFORMANCE

Source: Bloomberg and BBVA Global Markets Strategy



POSITIVE LEI SUGGESTS SMALL-CAP OUTPERFORMANCE

Source: Bloomberg and BBVA Global Markets Strategy



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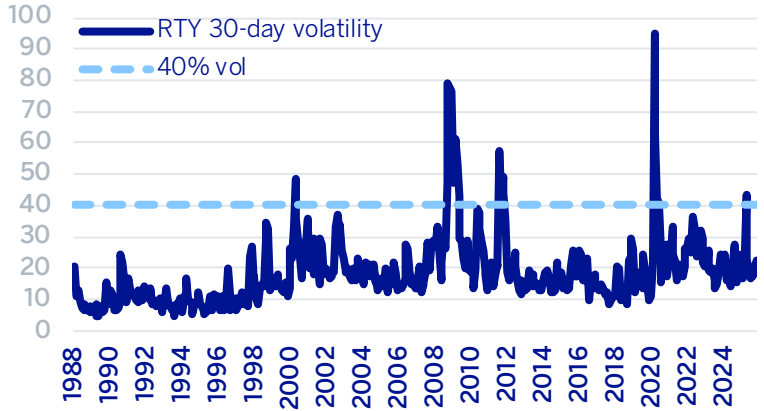
Trade of the month: small things matter

- **Implementation:** given the stars are aligning for small caps to outperform, we see the Russell 2000 high vol index (40% volatility based on exponentially weighted moving average) as a better instrument to implement our bullish small-cap view. Episodes of Russell 2000 outperformance of SPX have seen the Russell 2000 HV index deliver outperformance over the Russell 2000 index due to higher leverage. We saw this during 2016-18, in late 2019, 2021, 2024 and more recently since April as the US economy rebounded from a soft 1Q and the Liberation Day-driven sell-off.
- **Description:** the Russell 2000 Futures 40% ATV Volatility Index targets a realised volatility of 40%, by dynamically changing exposure to the underlying reference futures index. To remain close to the specified target vol level, Russell volatility indices leverage (de-leverage), i.e., increase (decrease), allocation to the underlying, based on a realised vol estimate.

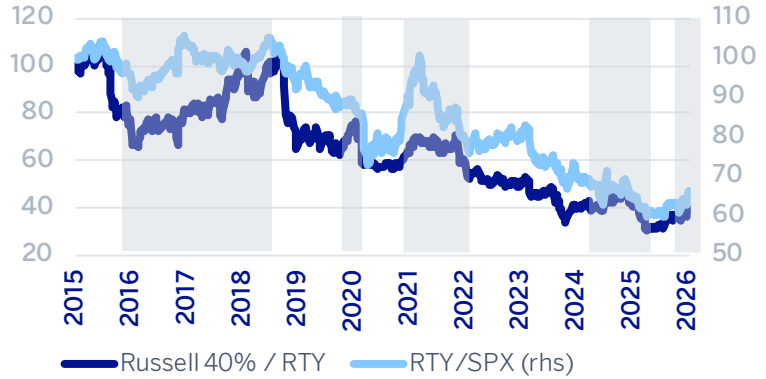
RUSSELL 2000 REALISED VOLATILITY

Source: Bloomberg and BBVA Global Markets Strategy



RTY HIGH VOL OUTPERFORMS WHEN RTY OUTPERFORMS

Source: Bloomberg and BBVA Global Markets Strategy



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US Small Caps Select

We also like exposure to our BBVA Solactive small cap index. We believe that positioning in technology and AI beneficiaries is still the core of most investor portfolios. While we still believe these themes should continue to show outperformance, the positioning and valuation in the space make them vulnerable.

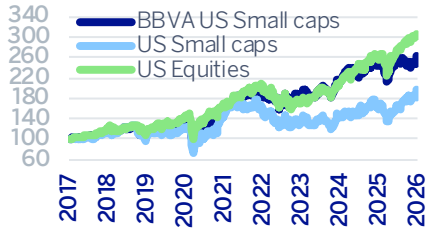
At the same time, positioning towards more cyclical parts of the economy like financials, industrials and small caps remains muted, as evidenced by the record valuation gap between small and large-cap stocks. This suggests to us that positioning remains underweight cyclical stocks. The current record level of cash balances in short-term money market funds could see outflows, particularly given that the Fed is likely to continue its rate-cutting trajectory this year. We expect cyclical equities to benefit and small caps to benefit the most.

Small-cap stocks tend to outperform large caps over time given their ability to grow more rapidly than larger companies. Moreover, most academic research finds small high-quality companies tend to significantly outperform their large-cap equivalents in a variety of economic conditions and over different time periods.

The Solactive BBVA US Small Caps Select Index picks the largest highly liquid small-cap companies by sector in the US with a focus on balance sheet quality and profitability.

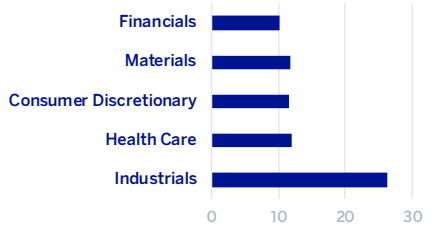
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	BBVA US Small caps	US Small caps	US Equities
Price chg (1M)	3.7	5.3	0.8
Price chg (3M)	2.3	6.2	1.8
Price chg (YtD)	7.1	21.3	20.2
12m FWD PE	16.0	25.4	22.2
EV / EBITDA	8.9	13.2	15.1
12m RoE (%)	15.9	4.7	20.0
Net debt/ EBITDA	1.7	3.1	1.1
1Y fwd Earnings Growth	11%	69%	16%
2Y fwd Earnings Growth	13%	28%	14%
Earnings Mo 1M (%)	-0.7	0.8	0.2
Earnings Mo 3M (%)	-1.3	2.0	2.5

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3. BBVA Fundamental Framework

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BBVA Fundamental Framework: Key highlights

Key takeaways:

- **Cybersecurity: growth accelerated by AI:** Our BBVA Cybersecurity Index is currently ranked at the top of our thematic multi-factor ranking as highlighted on the next slide. Earnings momentum and quality are the key drivers of the high score of this index. On both these metrics the Cybersecurity Index is ranked as the best thematic out of our universe. The global cybersecurity market is set for substantial expansion as organisations across sectors confront an escalating threat environment. According to market estimates, cybersecurity spending was valued at approximately USD245.62bn in 2024 and is projected to reach USD500.70bn by 2030, implying a compound annual growth rate (CAGR) of around 12.9% from 2025-2030. Cybersecurity stocks outperformed both US equities and US technology sectors last year. This strong price momentum has continued into the start of this year. These stocks currently trade at a 30% discount to the broader US equity market and a 40% discount to the technology sector based on 12-month forward PE ratios. In addition, we see a similarly high valuation discount on an EV/EBITDA basis. Our BBVA Cybersecurity Index has been generating a high ROE of 24% vs. just 20% for the broader US equity market, although the profitability of this theme is lower than that of the tech sector dominated by a handful of stocks. That said, the 1-year forward earnings growth of the Cybersecurity Index is higher than that of the US tech sector and twice as much as the broader US equity market. We see the cybersecurity theme as a way to access similar earnings growth as the tech sector with a much lower valuation. Exposure: the BBVA Cybersecurity Index has 75% exposure to US equities and 70% exposure to the technology sector. While cybersecurity is a global theme, US tech stocks still seem to dominate the solution to the problem.
- **Small things matter:** our small-cap theme ranking has worsened since our last publication. As US economic growth remains robust, we see a better outlook for US small-cap stocks, which are typically more linked to domestic economic growth. Small-cap stocks have suffered from higher-for-longer interest rates. As the Fed restarts its cutting cycle, we would expect corporate lending conditions to improve, helping to boost earnings for small-cap stocks. Looking back at 40 years of history, the "soft-landing" Fed cuts tend to lead to an outperformance of small caps.
- **Eurozone miners:** the start of 2026 has seen the European basic resources sector overtake eurozone banks as the best-ranking sector in our fundamental sector screen. This has mainly been driven by strong earnings momentum and price technicals. Metal prices have soared since the start of the year, and this has driven strong earnings and price momentum in the sector. There may well be a shortfall of many critical minerals in the years to come on the back of trade tensions with China and, as a result, mining exposure should be back in focus again this year, in our view.

BBVA thematics: multi-factor ranking

BBVA THEMATICS SCORECARD

Source: Bloomberg and BBVA Global Markets Strategy

	Performance (USD)				Factor Score						
Theme	1M	3M	YtD	1Y	Price Mo.	Valuation	Quality	Growth	Earnings Mo.	Technicals	Composite Factor Score
Cybersecurity	8.7	4.0	9.0	35.3	0.9	0.2	2.5	-0.6	2.9	0.7	1.1
Energy Transition SIC	13.6	13.1	13.9	35.3	2.0	1.2	-0.7	-0.4	-0.4	1.5	0.5
Resource Scarcity	8.8	11.1	9.2	21.6	0.9	0.7	-0.1	0.7	-0.2	1.0	0.5
Next Generation Networks	6.4	0.4	6.0	30.5	0.3	-0.2	0.6	0.8	1.6	-0.2	0.5
ixG Global Gover. & Board Diversity	5.5	7.3	6.1	22.6	0.3	0.8	-0.5	-0.0	0.1	0.1	0.1
US Small Caps Select	3.7	2.3	5.5	2.2	-0.5	1.2	-0.4	0.7	-0.4	0.1	0.1
ixESG Global Leaders	6.9	6.7	8.2	23.7	0.6	0.0	-0.4	0.2	-0.1	0.3	0.1
Top Trends SIC	6.6	7.9	7.1	19.2	0.4	0.4	0.3	-0.2	-0.9	-0.2	-0.0
Climate Action CTB Europe	3.6	3.1	3.3	19.9	-0.2	0.5	-0.3	-0.7	-0.3	0.2	-0.1
Climate Action PAB Europe	3.2	2.9	2.9	19.6	-0.3	0.4	-0.2	-0.7	-0.3	0.1	-0.2
Global Infrastructure	4.4	5.8	4.5	18.9	0.0	0.7	-1.5	-1.5	-0.2	1.3	-0.2
ixS Global Inclusive Growth	3.9	1.8	4.4	10.9	-0.4	-1.5	-0.1	0.8	-0.2	-0.5	-0.3
Health and Wellness	1.6	4.5	2.2	3.8	-0.7	-0.8	0.7	-0.4	-0.9	-1.3	-0.6
AI and VirtualReality	-3.9	-12.9	-2.4	2.4	-2.3	-1.9	1.3	2.5	-0.5	-2.6	-0.6
US REITs	2.1	-2.4	2.4	-0.2	-1.1	-1.5	-1.2	-1.2	-0.2	-0.3	-0.9

BBVA sector: multi-factor ranking

BBVA SECTOR SCORECARD

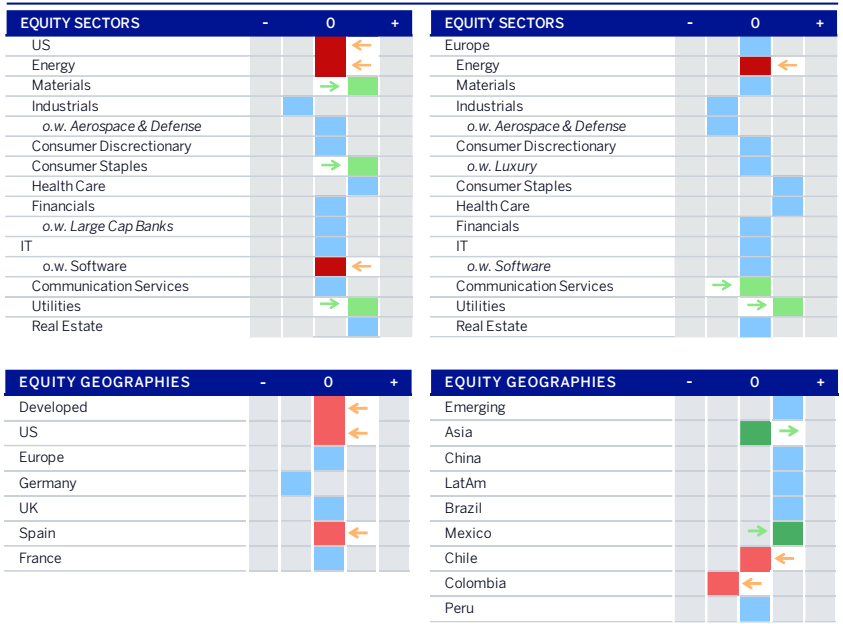
Source: Bloomberg and BBVA Global Markets Strategy

	Performance (LOC)				Factor Score						Composite Factor Score
Theme	1M	3M	YtD	1Y	Price Mo.	Valuation	Quality	Growth	Earnings Mo.	Technicals	
Europe Basic Resources	18.3	33.3	53.7	50.2	1.8	0.6	-0.5	-0.3	1.7	1.5	0.8
Euro Banks	4.7	20.9	96.4	78.6	1.6	0.9	1.2	-0.9	0.4	0.5	0.6
US Technology	0.2	-2.6	26.4	30.0	-0.4	-1.6	2.2	1.9	1.4	-0.3	0.5
US Industrials	4.7	6.1	30.4	24.4	-0.0	-1.2	-0.6	0.4	0.1	0.3	-0.2
Europe Automotives	-4.5	-0.9	-4.5	-8.1	-1.3	1.3	0.3	1.5	-0.9	-1.9	-0.1
Europe Energy	7.2	7.7	22.3	18.4	-0.0	0.9	-0.6	-1.1	-0.7	0.5	-0.2
US Energy	12.7	13.1	18.3	12.6	0.2	0.5	-0.9	-0.6	-1.3	0.9	-0.2
US Healthcare	-1.1	6.6	13.8	6.3	-0.6	-0.4	-0.5	0.1	-0.6	-0.5	-0.4
Europe Health Care	2.5	6.9	10.1	4.3	-0.5	-1.0	-0.2	-0.5	-0.6	0.2	-0.4
US Financials	-4.6	-0.2	11.9	5.2	-0.9	-0.0	-0.5	-0.6	0.4	-1.1	-0.5

BBVA equity strategy views

SECTOR ALLOCATION (base-case scenario)

Source: BBVA Global Markets Strategy



BBVA GM Weekly Equity Views – 26/01/2026

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BBVA Fundamental Framework: ranking methodology

BBVA Fundamental Framework: in this publication, we update our framework to analyse BBVA thematic indices and BBVA European and US sector indices based on fundamental, price and technical factors. We use a blend of price momentum, valuations, quality, growth, earnings momentum and technical factors to rank various BBVA thematic strategies. The final ranking on the previous slide is the average of the individual factor score. We take the simple average in an attempt to not overfit the results.

Composite factor score: the average of price momentum, valuations, quality, growth, earnings momentum and technical factor scores.

- **Price momentum score:** we calculate the price momentum score based on the one-month, three-month, year-to-date and one-year returns of each thematic.
- **Valuation score:** we calculate the valuation score based on the 12m forward P/E, price-to-book, PEG and EV/EBITDA ratios.
- **Quality score:** we calculate the quality score based on 12m forward ROE, profit margin, net debt/EBITDA and net debt to equity book value.
- **Growth score:** we calculate the growth score based on long-term growth estimates and earnings growth one year, two years and three years ahead.
- **Earnings momentum score:** we calculate the earnings momentum score based on the one-month, three-month and six-month change in EPS estimate for each thematic.
- **Technical score:** this is based on 14-day RSI, price vs. 50-day moving average and price vs. 52-week highs.

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4. Thematic monitor

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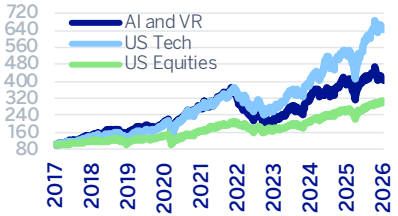
AI & Virtual Reality

Artificial intelligence is emerging as the next evolutionary leap. This refers to the exponential expansion of the predictive, problem-solving and interactive capacities of information processors built on massive data analysis capabilities. These interactions are furthered by the parallel development of virtual reality and augmented reality environments and devices, through which users can experience highly reactive cyber domains offering endless social and commercial possibilities.

The Solactive BBVA Artificial Intelligence and Virtual Reality Index selects companies shaping the traits of this new generation of digital systems, creating the core infrastructure and components, enhancing their accessibility and design, and ensuring their suitability for data management.

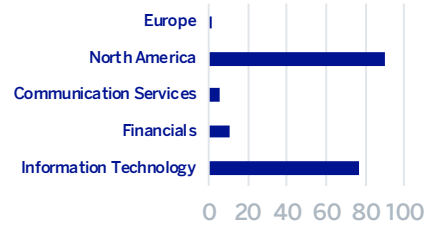
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	AI and VR	US Tech	US Equities
Price chg (1M)	-3.9	-0.8	0.8
Price chg (3M)	-12.9	-3.2	1.8
Price chg (YtD)	4.9	24.5	20.2
12m FWD PE	25.8	25.6	22.2
EV / EBITDA	16.7	18.3	15.1
12m RoE (%)	15.3	34.9	20.0
Net debt/ EBITDA	0.3	-0.2	1.1
1Y fwd Earnings Growth	30%	37%	16%
2Y fwd Earnings Growth	20%	17%	14%
Earnings Mo 1M (%)	-1.7	1.0	0.2
Earnings Mo 3M (%)	-3.0	10.3	2.5

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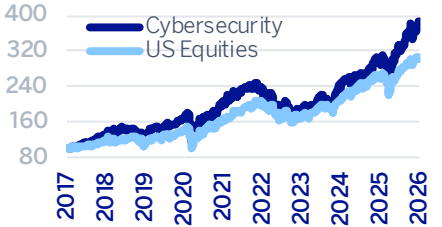
Cybersecurity

The global cybersecurity market is projected to achieve a 12.9% CAGR in 2024-30e, growing from USD245.6bn in 2024 to USD500.7bn in 2030.

The fastest-growing market subsegment is **cloud security** (estimated 25.9% CAGR) due to the growing popularity of using non-PC devices to interact with core business processes.

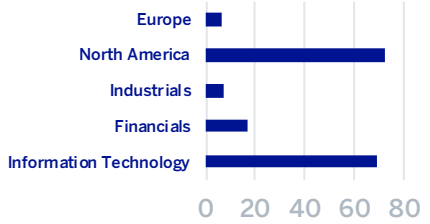
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



The Solactive BBVA Cybersecurity Index selects companies on the front lines of digital security, providing data protection and cyber-risk insurance, creating secure online transaction platforms and heeding the call for cyber defence, thanks to the low-latency network infrastructure and components.

FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Cybersecurity	US Equities	US Tech
Price chg (1M)	8.7	0.8	-0.8
Price chg (3M)	4.0	1.8	-3.2
Price chg (YtD)	38.3	20.2	24.5
12m FWD PE	15.5	22.2	25.6
EV / EBITDA	11.5	15.1	18.3
12m RoE (%)	23.9	20.0	34.9
Net debt/ EBITDA	0.2	1.1	-0.2
1Y fwd Earnings Growth	41%	16%	37%
2Y fwd Earnings Growth	6%	14%	17%
Earnings Mo 1M (%)	5.8	0.2	1.0
Earnings Mo 3M (%)	26.2	2.5	10.3

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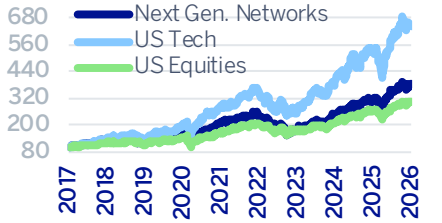
Next Generation Networks

The true potential of 5G lies in the increased densification of the network that will service millions of intelligent devices for the Internet of Things (IoT), in addition to the installation of new fibreoptic sections that enable the speed and response characteristics of the new network. This should promote new business models in several industries.

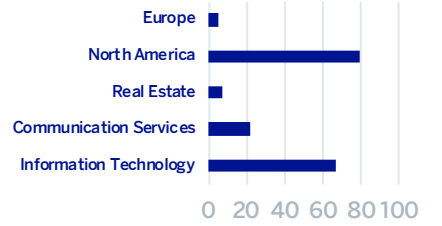
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



The Solactive BBVA Next Generation Networks Index selects the leading global companies in the deployment of the 5th (and subsequent) generation of telecommunications networks.

FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Next Gen. Networks	US Tech	US Equities
Price chg (1M)	6.4	-0.8	0.8
Price chg (3M)	0.4	-3.2	1.8
Price chg (YtD)	30.9	24.5	20.2
12m FWD PE	18.9	25.6	22.2
EV / EBITDA	11.0	18.3	15.1
12m RoE (%)	21.0	34.9	20.0
Net debt/ EBITDA	1.5	-0.2	1.1
1Y fwd Earnings Growth	35%	37%	16%
2Y fwd Earnings Growth	16%	17%	14%
Earnings Mo 1M (%)	5.8	1.0	0.2
Earnings Mo 3M (%)	12.9	10.3	2.5

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Top Trends

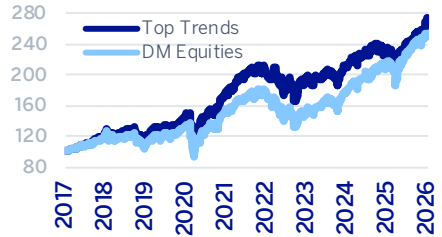
Megatrends are transformative movements and drivers that will change societies and economies in the upcoming years.

The Solactive BBVA Top Trends Index selects the leading global companies from the most relevant revolutions:

- ESG revolution
- Energy transition revolution
- Technological breakthrough revolution
- Future health care revolution
- Urbanisation revolution

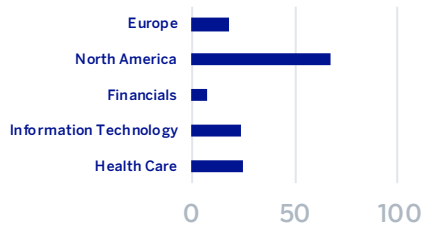
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Top Trends	DM Equities
Price chg (1M)	6.6	2.0
Price chg (3M)	7.9	3.5
Price chg (YtD)	23.7	25.3
12m FWD PE	18.2	20.3
EV / EBITDA	10.6	13.7
12m RoE (%)	14.9	16.5
Net debt/ EBITDA	1.2	1.4
1Y fwd Earnings Growth	11%	14%
2Y fwd Earnings Growth	13%	12%
Earnings Mo 1M (%)	-3.7	0.4
Earnings Mo 3M (%)	-4.0	2.1

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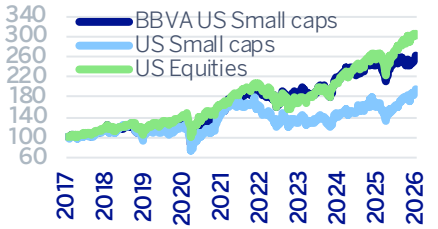
US Small Caps Select

Small-cap stocks tend to outperform large caps over time given their ability to grow more rapidly than larger companies. Moreover, most academic research finds small high-quality companies tend to significantly outperform their large-cap equivalents in a variety of economic conditions and over different time periods.

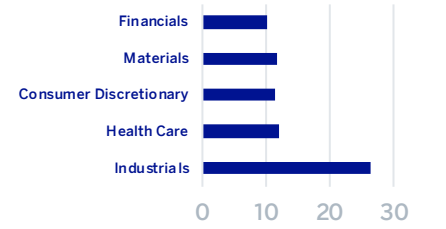
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



The Solactive BBVA US Small Caps Select Index picks the largest highly liquid small-cap companies by sector in the US with a focus on balance sheet quality and profitability.

FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	BBVA US Small caps	US Small caps	US Equities
Price chg (1M)	3.7	5.3	0.8
Price chg (3M)	2.3	6.2	1.8
Price chg (YtD)	7.1	21.3	20.2
12m FWD PE	16.0	25.4	22.2
EV / EBITDA	8.9	13.2	15.1
12m RoE (%)	15.9	4.7	20.0
Net debt/ EBITDA	1.7	3.1	1.1
1Y fwd Earnings Growth	11%	69%	16%
2Y fwd Earnings Growth	13%	28%	14%
Earnings Mo 1M (%)	-0.7	0.8	0.2
Earnings Mo 3M (%)	-1.3	2.0	2.5

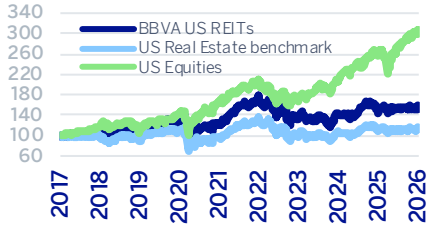
Property of BBVA 03-Feb-26

US REITs

Real estate investment trusts present an opportunity to gain exposure to the real estate sector through a liquid, diversified and tax-efficient vehicle. US REITs tend to behave particularly well in periods of high inflation, acting as a safe haven, as rental fees tend to be CPI-linked.

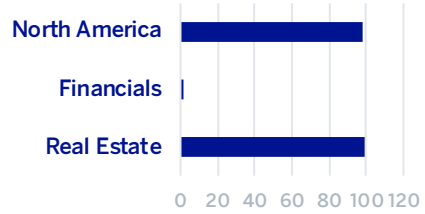
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



The Solactive BBVA US REITs Index selects the best-positioned US REITs that offer a recurrent dividend income source, avoid excessive financial leverage in their undertakings and provide a critical hedge against rising inflation.

FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	BBVA US REITs	US Real Estate	US Equities
Price chg (1M)	2.1	1.5	0.8
Price chg (3M)	-2.4	-1.3	1.8
Price chg (YtD)	2.0	5.2	20.2
12m FWD PE	31.8	36.6	22.2
EV / EBITDA	16.2	16.7	15.1
12m RoE (%)	7.8	5.4	20.0
Net debt/ EBITDA	4.9	5.0	1.1
1Y fwd Earnings Growth	4%	4%	16%
2Y fwd Earnings Growth	9%	10%	14%
Earnings Mo 1M (%)	-0.2	0.0	0.2
Earnings Mo 3M (%)	-0.5	-0.7	2.5

Property of BBVA 03-Feb-26

Health & Wellness

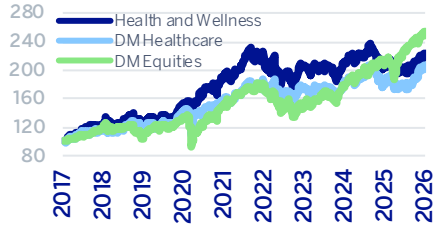
The COVID-19 pandemic impacted people's lives in every way, although it mainly prompted **global awareness about the importance of health.**

In a society long concerned with aging and health care affordability, renewed interest in disease "prevention" over "treatment" is growing rapidly, paving the way for innovative therapies and major advancements in biopharmaceuticals, medical technology and consumer care products and services.

The Solactive BBVA Health & Wellness Index selects companies with human health at their core, leading the fight against infectious and chronic diseases, serving the needs of the elderly, refining health care management and favouring healthy lifestyles and well-being.

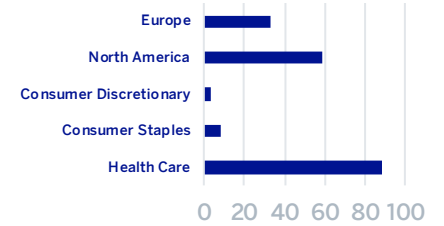
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Health and Wellness	DM Healthcare	DM Equities
Price chg (1M)	1.6	1.4	2.0
Price chg (3M)	4.5	7.7	3.5
Price chg (YtD)	10.2	17.9	25.3
12m FWD PE	17.5	18.5	20.3
EV / EBITDA	12.2	13.3	13.7
12m RoE (%)	18.4	19.1	16.5
Net debt/ EBITDA	1.0	1.0	1.4
1Y fwd Earnings Growth	5%	10%	14%
2Y fwd Earnings Growth	14%	12%	12%
Earnings Mo 1M (%)	-3.1	-1.0	0.4
Earnings Mo 3M (%)	-4.9	-2.8	2.1

Property of BBVA 03-Feb-26

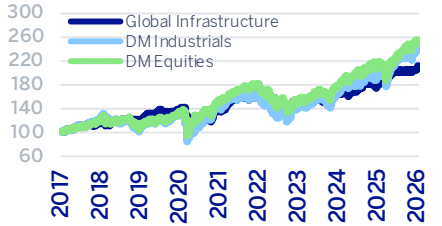
Global Infrastructure

Infrastructure companies have proven to be stable and predictable cash generators, even during economic recessions, when countries have resisted by relying on networks managed by experienced operators. These companies have been able to cover society's main sanitation, commerce and communication needs, while consolidating the cash flow obtained from their fundamental services.

The Solactive BBVA Infrastructure Index selects companies that ensure the proper functioning of nations' infrastructure, optimising water and waste management, and facilitating transport flow and connectivity.

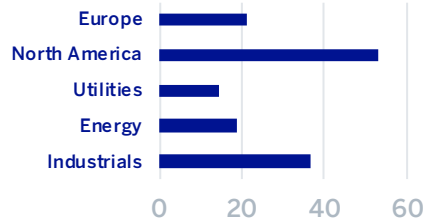
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Global Infrastructure	DM Industrials	DM Equities
Price chg (1M)	4.4	6.5	2.0
Price chg (3M)	5.8	7.0	3.5
Price chg (YtD)	20.4	34.7	25.3
12m FWD PE	18.9	23.9	20.3
EV / EBITDA	10.6	14.6	13.7
12m RoE (%)	11.0	17.2	16.5
Net debt/ EBITDA	3.5	1.4	1.4
1Y fwd Earnings Growth	11%	12%	14%
2Y fwd Earnings Growth	6%	13%	12%
Earnings Mo 1M (%)	-0.4	0.4	0.4
Earnings Mo 3M (%)	0.2	-0.2	2.1

Property of BBVA 03-Feb-26

Resource Scarcity

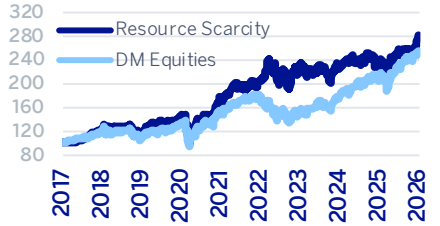
The unmatched level of human development and prosperity achieved in the last few decades has run parallel with the overuse and erosion of natural resources. These valuable resources now appear more critical than ever to the needs of a global society increasingly concerned with the effects of rapid population growth and climate change.

In this context, some firms are actively gearing their businesses to ensure the flow of these natural assets and promote maximum efficiency in their usage.

The Solactive BBVA Resource Scarcity Index selects the companies harnessing nature's most unscattered riches, easing water and food supply, improving forestry and mineral harvesting, managing urban physical space and providing the energy of tomorrow.

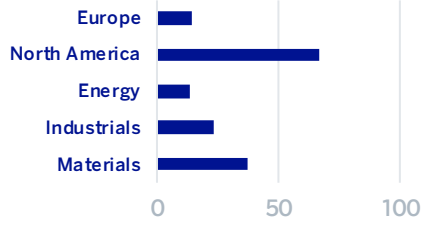
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Resource Scarcity	DM Equities
Price chg (1M)	8.8	2.0
Price chg (3M)	11.1	3.5
Price chg (YtD)	25.7	25.3
12m FWD PE	21.5	20.3
EV / EBITDA	10.0	13.7
12m RoE (%)	10.9	16.5
Net debt/ EBITDA	1.4	1.4
1Y fwd Earnings Growth	15%	14%
2Y fwd Earnings Growth	12%	12%
Earnings Mo 1M (%)	-0.1	0.4
Earnings Mo 3M (%)	0.2	2.1

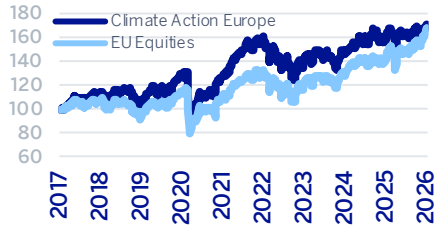
Property of BBVA 03-Feb-26

Europe Climate Action

The Solactive BBVA Climate Action PAB Europe Index is a Paris-aligned benchmark (PAB) that invests in companies at the forefront of the climate transition based on the EU Climate Benchmarks. Complying with the minimum requirements set by the EU, our strategy goes much further. Our goal is to leverage transitional opportunities, avoiding environmental risks, and targeting an average temperature increase well below 2ºC, which is the most demanding scenario.

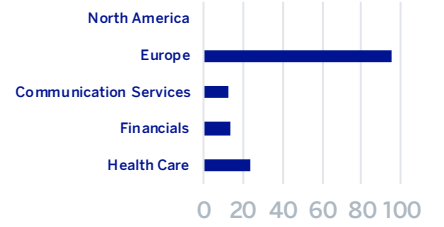
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Climate Action Europe	EU Equities	US Equities
Price chg (1M)	1.9	3.5	-1.0
Price chg (3M)	0.2	6.0	-1.1
Price chg (YtD)	8.1	24.2	3.9
12m FWD PE	16.4	15.5	22.2
EV / EBITDA	9.7	10.6	15.1
12m RoE (%)	12.9	13.4	20.0
Net debt/ EBITDA	1.6	2.5	1.1
1Y fwd Earnings Growth	11%	10%	16%
2Y fwd Earnings Growth	10%	10%	14%
Earnings Mo 1M (%)	-0.1	-0.1	0.2
Earnings Mo 3M (%)	-0.6	0.0	2.5

Property of BBVA 03-Feb-26

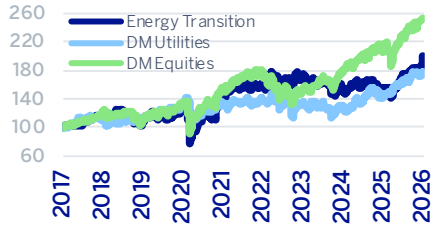
Energy Transition

The path to net-zero emissions and the growing concern about energy security are triggering a transformation in the energy system worldwide.

The cumulative investment in the energy transition and related sectors over the next three decades is expected to exceed USD190trn, with a projected +80% capex increase from 2022 to 2050 (BNEF).

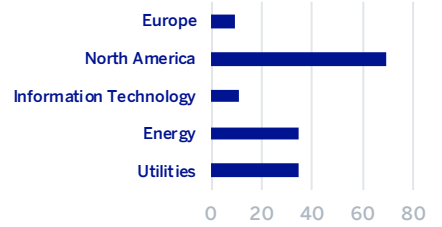
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



The Solactive BBVA Energy Transition Index selects companies on the front lines of energy resources, energy generation, its distribution and storage, and enabling efficiency along the entire value chain from production to consumption.

FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Energy Transition	DM Utilities	DM Equities
Price chg (1M)	13.6	4.0	2.0
Price chg (3M)	13.1	1.8	3.5
Price chg (YtD)	38.2	31.2	25.3
12m FWD PE	20.0	16.7	20.3
EV / EBITDA	9.9	10.8	13.7
12m RoE (%)	12.1	11.2	16.5
Net debt/ EBITDA	2.3	4.6	1.4
1Y fwd Earnings Growth	15%	11%	14%
2Y fwd Earnings Growth	13%	8%	12%
Earnings Mo 1M (%)	-1.4	0.6	0.4
Earnings Mo 3M (%)	0.6	1.0	2.1

Property of BBVA 03-Feb-26

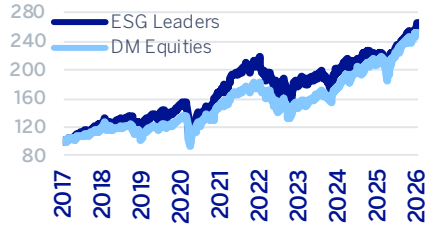
ixESG Global Leaders

The Solactive BBVA ixESG Global Leaders Index offers **investors the opportunity to achieve their ESG investment goals by selecting the leading companies in ESG according to their Sustainalytics ESG rating, and includes two innovative features:**

- **Innovative dynamic exclusion of controversial activities:** thresholds for activity exclusions decrease over time (in particular for nuclear and thermal coal power generation) to 0% by 2035.
- **Fast exit rule:** a monthly review removes companies that lose their ESG quality.

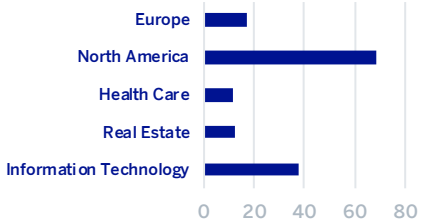
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	ESG Leaders	DM Equities
Price chg (1M)	6.9	2.0
Price chg (3M)	6.7	3.5
Price chg (YtD)	29.0	25.3
12m FWD PE	18.8	20.3
EV / EBITDA	13.9	13.7
12m RoE (%)	14.1	16.5
Net debt/ EBITDA	2.1	1.4
1Y fwd Earnings Growth	17%	14%
2Y fwd Earnings Growth	12%	12%
Earnings Mo 1M (%)	0.4	0.4
Earnings Mo 3M (%)	0.2	2.1

Property of BBVA 03-Feb-26

ixG Global Governance & Board Diversity

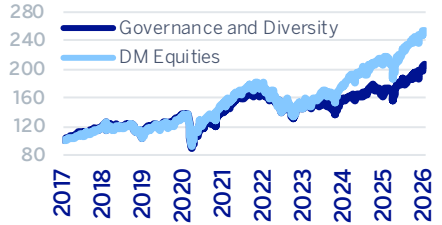
The Solactive BBVA ixG Global Governance & Board Diversity Index selects the global leaders in corporate governance, according to their Sustainalytics G rating. Moreover, it overweights companies with a better diversity board score.

The components are selected according to the best Sustainalytics G rating, preserving the sectoral and country weight of its parent index.

The thresholds for activity exclusions decrease over time (in particular for nuclear and thermal coal power generation) to 0% by 2035. Companies that lose their G quality are excluded during a monthly review.

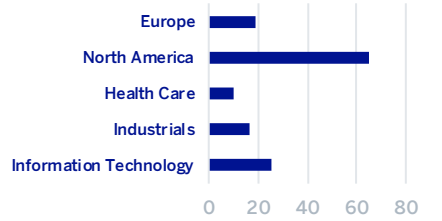
PERFORMANCE VS. BENCHMARK (S)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Governance and Diversity	DM Equities
Price chg (1M)	5.5	2.0
Price chg (3M)	7.3	3.5
Price chg (YtD)	28.0	25.3
12m FWD PE	17.3	20.3
EV / EBITDA	10.9	13.7
12m RoE (%)	13.9	16.5
Net debt/ EBITDA	2.1	1.4
1Y fwd Earnings Growth	11%	14%
2Y fwd Earnings Growth	11%	12%
Earnings Mo 1M (%)	0.5	0.4
Earnings Mo 3M (%)	2.2	2.1

Property of BBVA 03-Feb-26

ixS Global Inclusive Growth

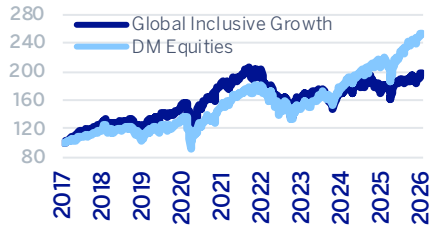
The Solactive BBVA ixS Global Inclusive Growth Index offers investors the opportunity to invest in leading growth companies at a reasonable price, together with a social focus according to the UN Sustainable Development Goals with a global scope.

The index seeks firms poised for sustained, above-average earnings growth, not yet fully reflected in the stock's price, based on PEG, EV/EBITDA to EBITDA growth metrics. We emphasise companies that secure future growth through the investment cycle.

The social tilt is included in both the exclusion and weighting processes. Social UN SDGs are considered as per the ICMA Social Bond Principles Mapping (1 - 11).

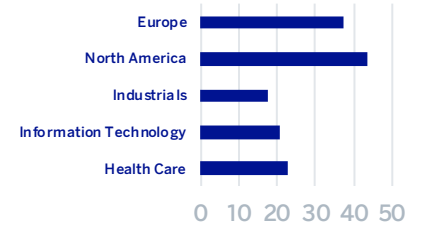
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Global Inclusive Growth	DM Equities
Price chg (1M)	3.9	2.0
Price chg (3M)	1.8	3.5
Price chg (YtD)	14.7	25.3
12m FWD PE	25.0	20.3
EV / EBITDA	15.2	13.7
12m RoE (%)	14.2	16.5
Net debt/ EBITDA	2.1	1.4
1Y fwd Earnings Growth	19%	14%
2Y fwd Earnings Growth	16%	12%
Earnings Mo 1M (%)	-0.5	0.4
Earnings Mo 3M (%)	0.5	2.1

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5. Sector monitor

PLEASE SEE IMPORTANT DISCLOSURES ON THE LAST THREE PAGES OF THIS REPORT.

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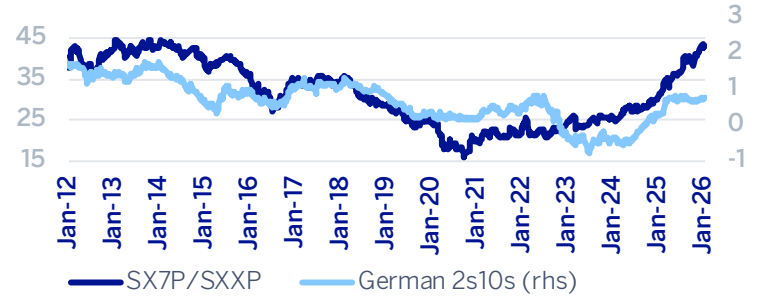
Eurozone Banks

Higher-for-longer rates support the outperformance of banks: since the global financial crisis (GFC), eurozone banks have consistently underperformed European equities as Japanisation risks in the eurozone drove long-term rates lower and the yield curve flatter (until 2020). A deflationary environment tends to make it difficult for banks to generate double-digit returns on equity (ROE), as we saw in Japan previously, and in Europe post the European sovereign crisis. Since the COVID-19 crisis and the return of inflation, banks have been generating double-digit ROEs again, which have recently continued to rise above 12%. This is the first time in 15 years that banks have managed to sustain a double-digit ROE. Despite the ECB's rate cuts, we believe the era of NIRP (negative interest rate policy) is behind us. A positive rate environment is supportive for banks generating a healthy ROE and trade at a price-to-book above 1x sustainably. European growth has remained weak over the last three years, despite banks having managed to generate healthy profits. We believe the normalisation of European growth on the back of new fiscal spending announced in Europe should see banks continue to re-rate. As Europe enters into a reflationary regime, European banks have recuperated most of the European equity underperformance of the past decade. The continued earnings momentum and lofty shareholder remuneration could drive the sector to remain in contention for the best-performing sector for the third consecutive year.

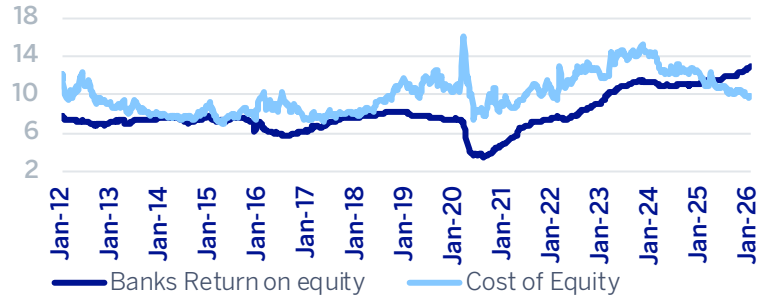
BANKS' OUTPERFORMANCE LINKED TO STEEPER YIELD CURVE

Source: Bloomberg and BBVA Global Markets Strategy



BANKS ROE HIGHER THAN COE AND LIKELY TO REMAIN

Source: Bloomberg and BBVA Global Markets Strategy



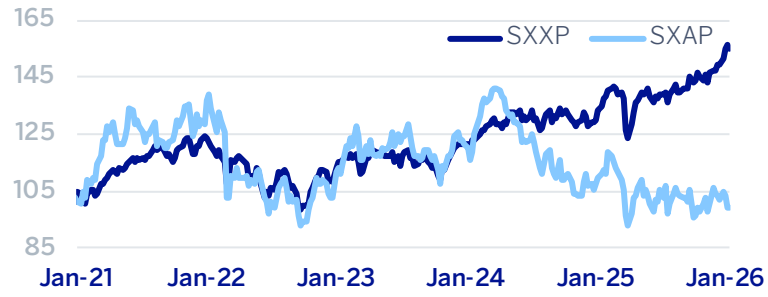
Property of BBVA 03-Feb-26

European Autos

European autos struggling from tariff threat and Chinese competition: the European autos sector continued to underperform for the past two years mainly due to losing ground to Chinese EV producers, tariff risks and a higher EURUSD. The sector has seen its 12-month forward EPS expectations halve over the last two years. With EPS expectations already near decade lows, the valuations have now normalised. We believe the sector's discounted valuation was already reflecting some of its structural earnings risks. Since the past six-month season, EPS expectations have now started to rebound gradually. The sector is expected to see a double-digit earnings growth this year after undergoing an EPS reset over the past two years. The fiscally supportive environment in Germany should translate into further positive EPS revisions in the medium term. In addition, the stabilisation of Chinese growth expectations should provide an additional boost for the automotive sector, which continues to generate a significant portion of revenue from the region. Finally, BBVA's FX strategy team sees EURUSD at 1.19 as a central scenario, which suggests that the bulk of FX-related headwinds could be behind us. The auto sector in Europe has the highest sensitivity to FX moves given the global nature of the supply chain. The sector has seen margin compression on the back of a higher EURUSD, the bulk of which should be behind us if EURUSD remains below 1.20.

THE EUROPEAN AUTO SECTOR HAS LAGGED MARKETS

Source: Bloomberg and BBVA Global Markets Strategy



THE EUROPEAN AUTO SECTOR IS RE-RATING AFTER WEAK EARNINGS

Source: Bloomberg and BBVA Global Markets Strategy

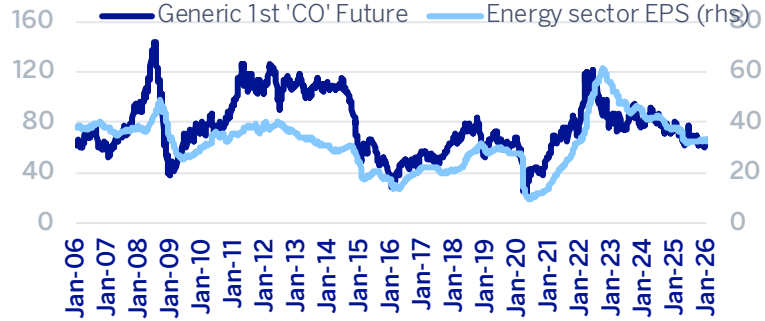
Property of BBVA 03-Feb-26

European Energy

This unloved sector could drive right tail risks: EPS in the energy sector have been under pressure for the past three years on the back of the correction in oil prices. Energy sector earnings tend to track oil prices closely, for obvious reasons, and these then drive the relative performance of the sector vs. the market. Despite continued downward revisions in earnings, the sector has outperformed broader European equities this year on the back of geopolitical risks coming from Venezuela and Iran tensions. This suggests that the initial discounted valuation was already pricing in an oil price reset. The sector's relative valuation is still near the average of its 20-year history. That said, valuations are hardly a compelling argument for the sector unless we see a rebound in energy prices. The global growth outlook is particularly important for oil demand. Our US macro indicator suggests that the US economic growth remains robust. This, combined with fiscal spending in Europe and a potential growth rebound in emerging markets stemming from a weak USD, should drive a demand recovery in the energy sector. The rise in geopolitical tensions related to Venezuela and Iran has kept oil prices supported despite rising supply. The positioning towards the sector remains under-owned, which makes it vulnerable to right tail risks.

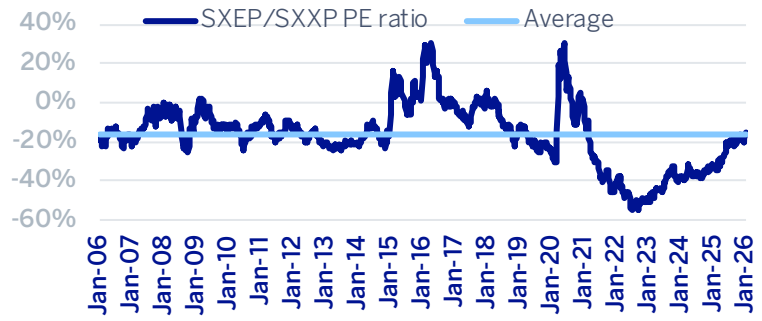
ENERGY SECTOR EARNINGS HAVE BEEN UNDER PRESSURE

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT A DISCOUNT VS. EUROPEAN EQUITIES

Source: Bloomberg and BBVA Global Markets Strategy

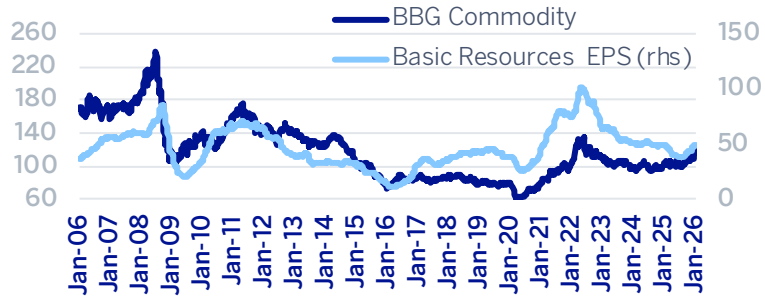


European Miners

An EPS reset leaves room for recovery: the European basic resources sector has seen a phenomenal 62% drop in EPS expectations since it peaked in 2022. The valuations gap with European equities has now normalised on the back an EPS reset, which suggests that the discounted valuations were already pricing in this reset, which now could be behind us. The sector is now the best performing sector in Europe this year on the back of a phenomenal rally in metal prices. The start of 2026 has seen the European basic resources sector overtake eurozone banks as the best-ranking sector in our fundamental sector screen. This has mainly been driven by strong earnings momentum and price technicals. Metal prices have soared since the start of the year and this has driven strong earnings and price momentum in the sector. On the back of trade tensions with China, many of the critical minerals are likely to be at a shortfall for the years to come, and as a result, mining exposure should be back in focus again this year, in our view. With the EPS reset behind us, the sector is expected to see earnings grow again for the next two years. The global growth outlook is particularly important for the sector outlook. Our US macro indicator suggests that US economic growth remains robust. This, combined with fiscal spending in Europe and a potential growth rebound in emerging markets stemming from a weak USD, should drive a demand recovery. The positioning towards the sector remains under-owned, which makes it vulnerable to right tail risks.

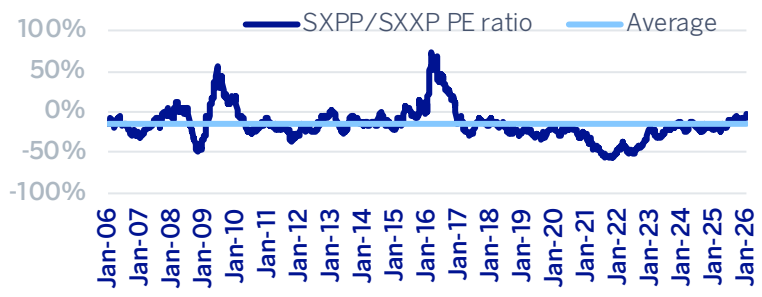
BASIC RESOURCES' EPS HAVE BEEN UNDER PRESSURE

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT A SMALL DISCOUNT VS. EUROPEAN EQUITIES

Source: Bloomberg and BBVA Global Markets Strategy



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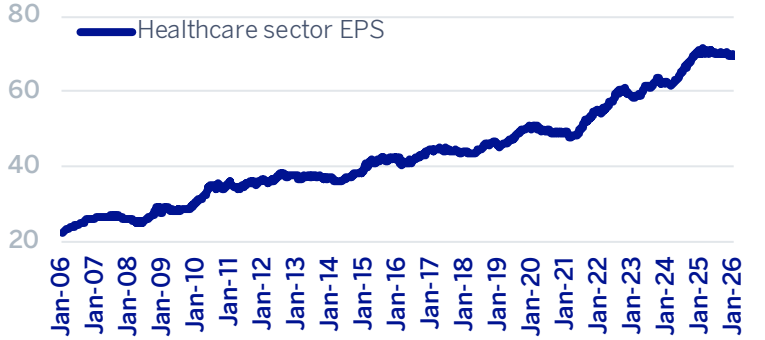
European Health Care

Quality defensive growth: the European health care sector provides stable earnings growth over long periods. The sector has historically always traded at an average valuation premium of c.20% to broader European equities on the back of its defensive earnings growth potential. The valuation premium of the sector vs. broader European equities has recently rebounded from its historic low levels. During 2025, a stronger USD weighed on profit margins in the sector. Furthermore, tariff risks and drug pricing risks associated with the new US administration have led to a de-rating in the sector over the past year. This is one of the sectors where our Equity Strategy team has an overweight view, both in Europe and the US. The relative valuation of the sector suggests that a lot of the political uncertainty has already been embedded into the price. Given that we expect the bearish momentum in the USD to slow compared to 1H this year, we believe margin risks stemming from FX should subside. The sector remains one of the key beneficiaries of aging demographics, particularly in Europe. Recent regulatory concerns have weighed on valuations, but high margins in this sector are necessary to fund innovation for the years to come. The sector is expected to resume earnings growth next year and, given the attractive valuations, we believe the health care sector could be one of the leading sectors in 2026.

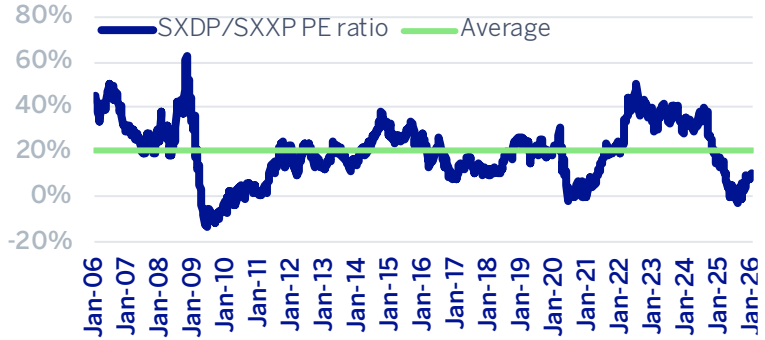
THE HEALTH CARE SECTOR DELIVERS STABLE EPS GROWTH

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT ITS LOWEST RELATIVE VALUATION

Source: Bloomberg and BBVA Global Markets Strategy



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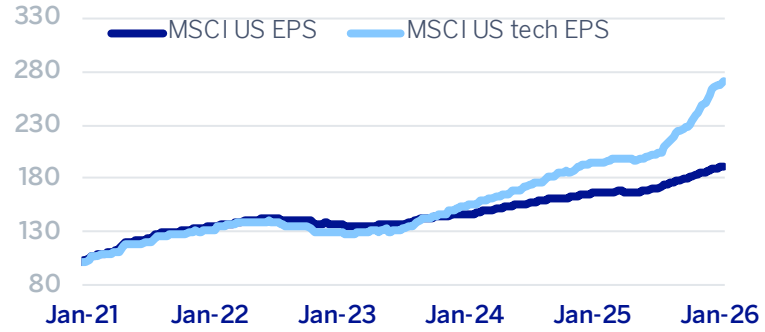
US Technology

Winner of AI boom: the US tech sector has more than trebled its EPS since the end of 2019, which is 2x the earnings growth in MSCI US equity. With the sector weighting currently at 33%, it has been responsible for two-thirds of the US equity earnings growth since the end of 2021. The start of AI momentum has led the sector to become the main beneficiary of the theme. These stocks are trading near all-time-highs with current valuations driving comparison with the late '90s tech bubble. That said, the relative valuation of the sector seems to have already started to normalise over the past year on the back of much stronger earnings growth. The key difference between now and the tech bubble of the late '90s is that all the main beneficiaries are profitable and that actual tech spending continues to grow. While we expect the tech momentum to continue, the positioning and valuation in the space make them susceptible to a higher beta to the downside during equity market corrections. The top spenders on AI capex, such as Microsoft, Meta and Amazon, all suggest AI capex is likely to continue in the years to come. Given lofty valuations and over-crowded positioning, the sector remains susceptible to a correction; that said, the fundamentals remain strong and the growth outlook remains robust for the sector. Missing lofty earnings growth expectations is a key risk, but so far, the sector has delivered and even outperformed these high investor expectations.

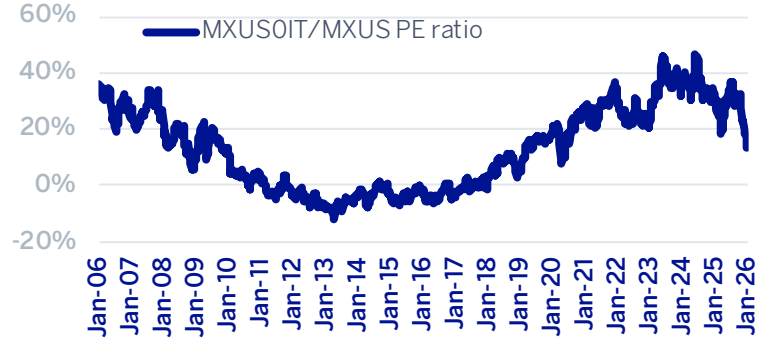
THE US TECH SECTOR HAS DELIVERED 2X US EQUITY EPS GROWTH

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR'S LOFTY VALUATIONS HAVE NORMALISED

Source: Bloomberg and BBVA Global Markets Strategy



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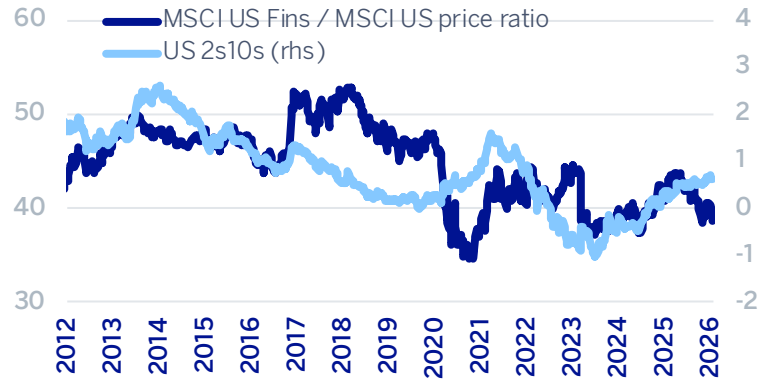
US Financials

Steeper curve helps financials: US financials have underperformed despite a steeper US yield curve on the back of Fed cuts. The steepness of the yield curve tends to be a leading indicator for financial sector outperformance. We see US curves remaining steep, and getting even steeper as the Fed continues on its rate cut journey. The BBVA US Macro Indicator is highlighting that US economic growth remains robust, and in addition, our FCI indicator suggests that financial conditions remain loose. Combining both these factors, the environment is suited for an improvement in US credit growth, which in turn tends to be a healthy environment for profit growth in the banking sector. Lastly, the new US government has taken a favourable approach to banking sector regulation. For example, US Treasury Secretary Scott Bessent has emphasised that the US large-cap banks are over-regulated, which is driving a rise in private-credit markets. A supportive regulatory environment helps US financials to compete globally and generate higher profitability over the long run. The recent sector underperformance could be attributed to higher default risks, although absent economic shocks we believe US credit markets should remain healthy in 2026.

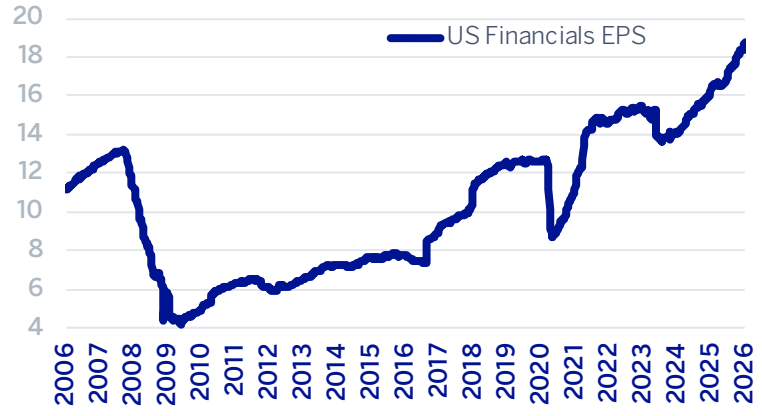
US FINANCIALS HAVE UNDERPERFORMED RECENTLY

Source: Bloomberg and BBVA Global Markets Strategy



A RALLY DRIVEN BY EARNINGS

Source: Bloomberg and BBVA Global Markets Strategy



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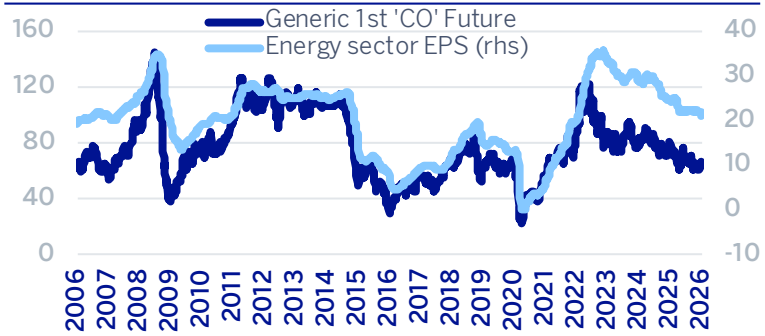
US Energy

An unloved sector could drive right tail risks: similar to their European counterparts, US energy sector EPS have been under pressure over the last three years due to the correction in oil prices. Energy sector earnings tend to track oil prices closely, for obvious reasons, and these then drive the relative performance of the sector vs. the market. The sector has outperformed broader US equities this year on the back of geopolitical risks coming from Venezuela and Iran. The sector relative valuations remain near two-decade lows, although more driven by the re-rating of the Mag-7, which have been the main driver of US equity returns over the last three years. Valuations are hardly a compelling argument for the sector unless we see a rebound in energy prices. The global growth outlook is particularly important for energy demand. Our US macro indicator suggests that US economic growth remains robust. This, combined with fiscal spending in Europe and a potential growth rebound in emerging markets stemming from a weak USD should drive a demand recovery in the energy sector. The rise in geopolitical tensions related to Venezuela and Iran has kept oil prices supported despite rising supply. The positioning towards the sector remains underowned, which makes it vulnerable to right tail risks.

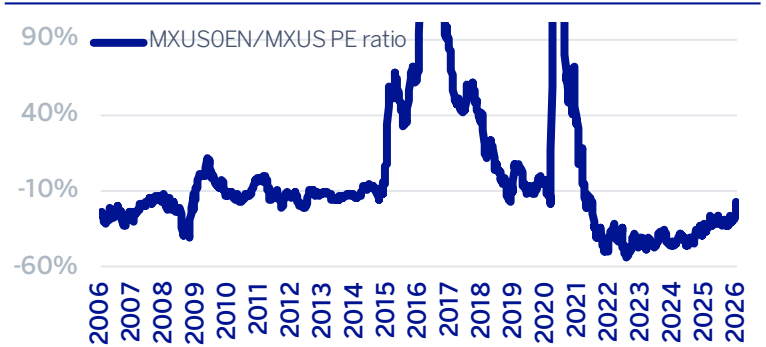
ENERGY SECTOR EARNINGS HAVE BEEN UNDER PRESSURE

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT A DISCOUNT VS. US EQUITIES

Source: Bloomberg and BBVA Global Markets Strategy



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US Health Care

Quality defensive growth: similar to its European counterparts, the US health care sector provides stable earnings growth over long periods. The sector offers almost recession-proof earnings exposure, as health care needs are relatively immune to economic cycles. The valuation premium of the sector vs. broader US equities has recently rebounded from its historic low levels. During 2025, the tariff risks and drug pricing risks associated with the new US administration have led to a de-rating in the sector. This is one of the sectors where our Equity Strategy team has an overweight view, both in Europe and the US. The relative valuation of the sector suggests that a lot of political uncertainty has already been embedded into the price. The sector remains one of the main beneficiaries of aging demographics. Recent regulatory concerns have weighed on valuations, but high margins in this sector are necessary to fund innovation in the years to come. The sector is expected to resume earnings growth next year and, given the attractive valuations, we believe the health care sector could be one of the leading sectors in 2026.

THE HEALTH CARE SECTOR DELIVERS STABLE EPS GROWTH

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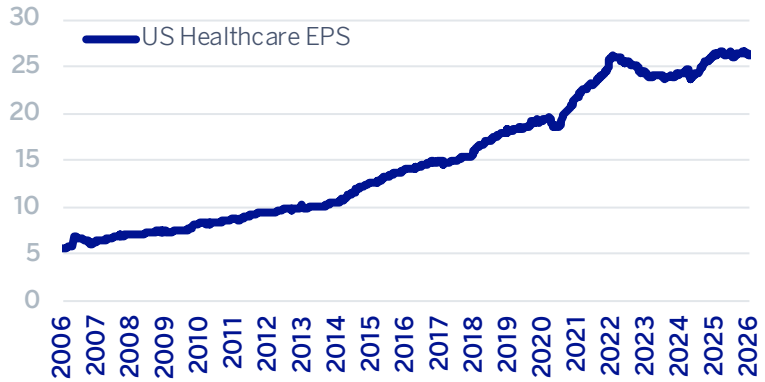
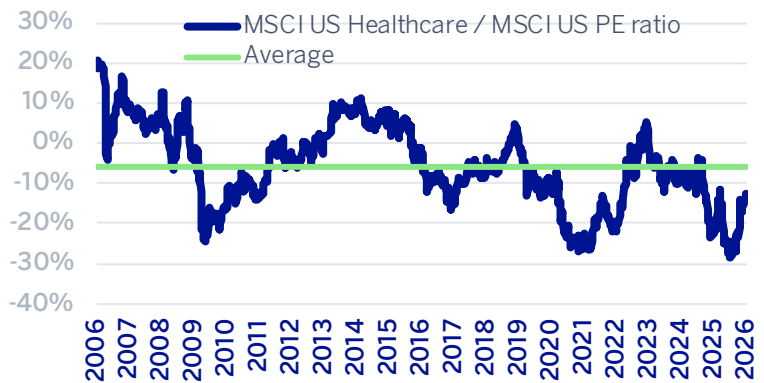


THE SECTOR IS TRADING AT ITS LOWEST RELATIVE VALUATION

Source: Bloomberg and BBVA Global Markets Strategy



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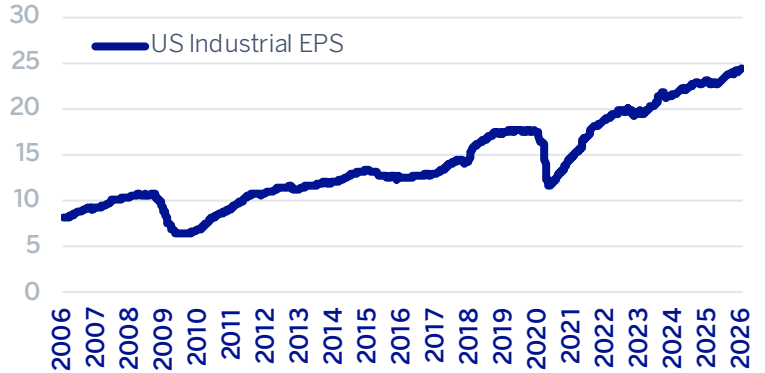
US Industrial

Cyclical exposure suited for the prevailing US macro outlook: the BBVA US Macro Indicator is highlighting that US economic growth remains robust. Furthermore, our FCI indicator suggests that financial conditions remain loose. Combining both these factors, the environment is suited for a higher cyclical exposure to US equities. Our model suggests a high allocation to technology and the industrial sector in the current environment. The valuation premium of the industrial sector vs. broader US equities jumped recently to a 15-year high. That said, earnings momentum in the sector is still strong, which suggests that the rally in the sector has likely been driven by fundamental earnings. Finally, the US government's focus on bringing manufacturing back into the US should drive higher capex spending in the country, which could be another positive catalyst for the sector. The higher-for-longer tariff scenario could lead to corporate America focusing on manufacturing locally, which could also help boost industrial sector earnings.

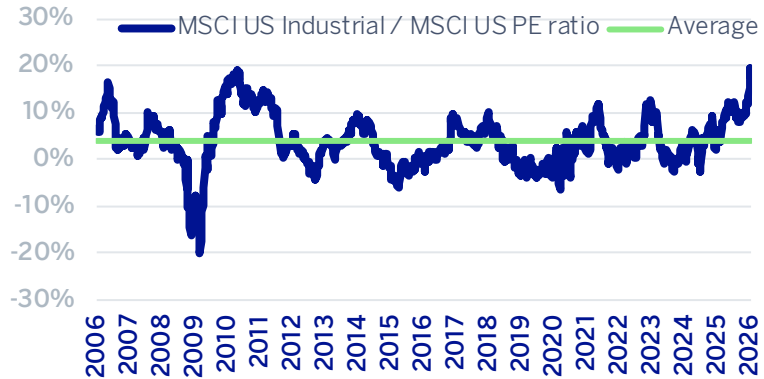
THE INDUSTRIAL SECTOR DELIVERS CYCLICAL EPS GROWTH

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT HISTORICALLY HIGH VALUATION PREMIUM

Source: Bloomberg and BBVA Global Markets Strategy



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