



THE

Global Investment Strategy View

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KEY TAKEAWAYS

New highs ahead: Equity markets continue to push higher on the back of strong earnings. Technology leads the way as the impact of artificial intelligence (AI) both broadens and deepens across markets. We are upgrading our year-end and 12 month S&P 500 targets given stronger earnings and valuation support from decreasing macro tail risks. We are also narrowing our target ranges for a number of global equity markets. Going forward, we expect earnings growth to be the primary driver of returns. We maintain our preference for technology and financials, and also see long-term tailwinds for global defense and power generation.

Near-term pain, long-term gain in our macro outlook: Slower growth is likely to persist in the second half, but we don't expect a recession. Tariff headwinds persist, but the economy remains resilient, as costs have been shared by exporters, importers and consumers. We expect investors will largely look through near-term weakness and focus on a 2026 recovery. Tariff-sensitive goods are pushing inflation higher, but we expect a more limited impact in services, allowing the Federal Reserve to cut rates in the second half. As policy rates fall, reinvestment risk increases. Consider diversifying large cash positions.

Trade policy: More “tariff-ying” for some than others: Investors across markets are clearly differentiating between the companies most impacted by tariffs and those more insulated. Small-cap companies and consumer names have borne the brunt of trade policy given their supply chain inflexibility and higher goods prices. Earnings downgrades have led to underperformance of more trade-sensitive parts of the market. Larger companies and sectors with secular tailwinds, such as financials and technology have proven more resilient. We continue to prefer large cap over small cap, and investment grade credit over high yield.

OUR HIGH-CONVICTION TACTICAL INVESTMENT IDEAS INCLUDE:

EQUITIES

U.S. tech, financials and utilities. We see high single-digit total returns in the S&P 500 over the next 12 months, driven by earnings growth, particularly in the tech sector.

Close ex-U.S. developed market underweights. Recent dollar strength offers an opportunity to diversify FX exposure.

Diversified private equity exposure, with a focus on secondaries.

FIXED INCOME, CURRENCIES & COMMODITIES

Gold. Our preferred diversifier for geopolitical tensions and U.S. deficit concerns.

Core fixed income. Intermediate maturities — or shorter — in investment grade. For those looking for long-duration, municipal bonds may offer the best relative value.

Diversified liquidity solutions. These address reinvestment risk for large cash positions, given the potential for lower policy rates.

BUILDING RESILIENT PORTFOLIOS

Structured notes, to either get invested or stay invested, in light of the recent market rally.

Hedge funds and infrastructure. Uncorrelated strategies can offer portfolio diversification and risk mitigation.

OPPORTUNISTIC TRENDS

Artificial intelligence. Dollar diversification. Dealmaking/regulatory relief. Powerful forces will likely drive potential returns over short-term and long-term investment horizons.

Global security and defense to access structural growth opportunities following decades of underinvestment and rising political uncertainty.

Our Global Investment Strategy View integrates the knowledge and analysis of our economists, investment strategists and asset class strategists. The View takes shape at a monthly Forum where the team debates and hones its views and outlooks.

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to “Definition of Indices and Terms” for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

THIS DOCUMENT

We explore the outlook for economies and markets and provide year-ahead views across asset classes.

OUR MISSION

The Global Investment Strategy Group provides industry-leading insights and investment advice to help our clients achieve their long-term goals. They draw on the extensive knowledge and experience of the Group's economists, investment strategists and asset-class strategists to provide a unique perspective across the global financial markets.

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THE GIS SNAPSHOT

A summary of high conviction views

August 2025



Note: MoM = Month over month

*This snapshot summarizes conviction across key GIS views. It is not meant to constitute portfolio management or to be used as a portfolio construction tool.

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THE VIEW

U.S. growth slowed in the first half of the year, averaging 1.2% versus 2.5% in 2024. We expect that trend to continue, with growth slowing modestly to near 1% by year-end before recovering in 2026.

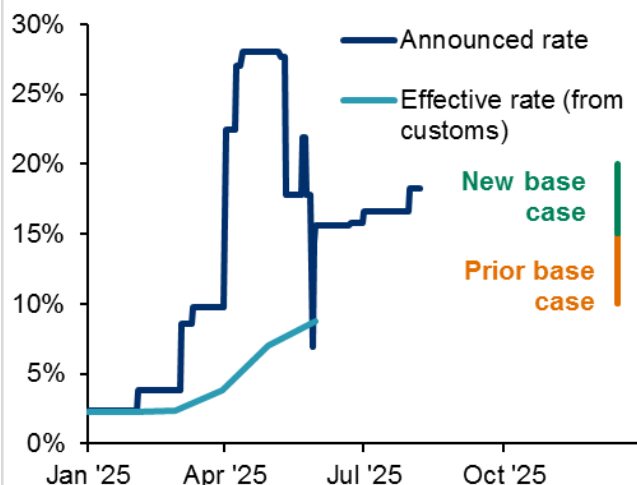
Trade deals reached over the past month with most of the U.S.'s largest trading partners are likely to have offsetting impacts on the economy, leaving the overall trend intact:

- 1) Negatively, tariff rates are now likely to settle in a range of 15-20%, higher than initially expected, representing a larger "tax" impact on the U.S. economy (Figure 1).
- 2) Positively, however, the resolution of trade tensions with many large trading partners reduces uncertainty¹ and could provide a boost to business sentiment.

Additionally, the **impact of higher duties on consumption has been smaller** than anticipated thus far. Tariffs are being "paid for" across the supply chain with exporters, importers, and the consumer sharing the burden. Through June, we estimate that just 40% of the cost of tariffs has been passed on to US consumers, materially lower than in the 2018-2019 trade war and lower than business's own expectations for the ultimate degree of passthrough (Figure 2).

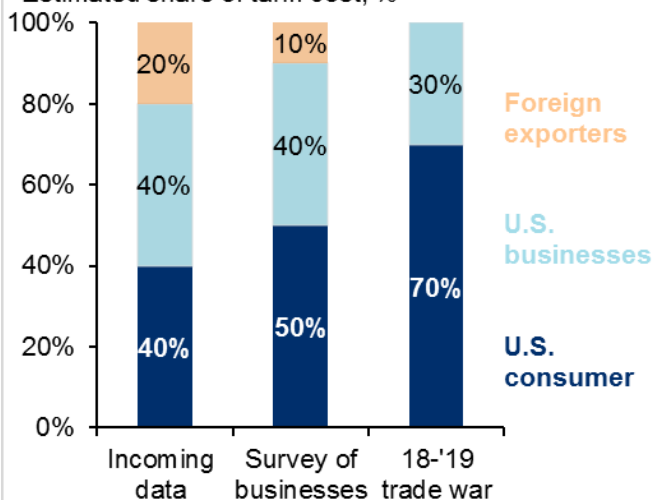
A key reason for the limited pass through to the consumer is the inventory accumulation that took place by U.S. importers ahead of the tariffs from December to March.² As these excess inventories deplete, the consumer passthrough could rise, to about two-thirds by the fall. This is in part why we expect growth to continue moderating to near 1% by year end.

Figure 1: U.S. tariff rate assumptions
U.S. tariff rate, %



Note: Announced rate is pre-substitution. Sources: Yale Budget Lab; Census Bureau; J.P.Morgan Wealth Management. Data as of July 28, 2025.

Figure 2: Lower consumer pass-through so far
Estimated share of tariff cost, %



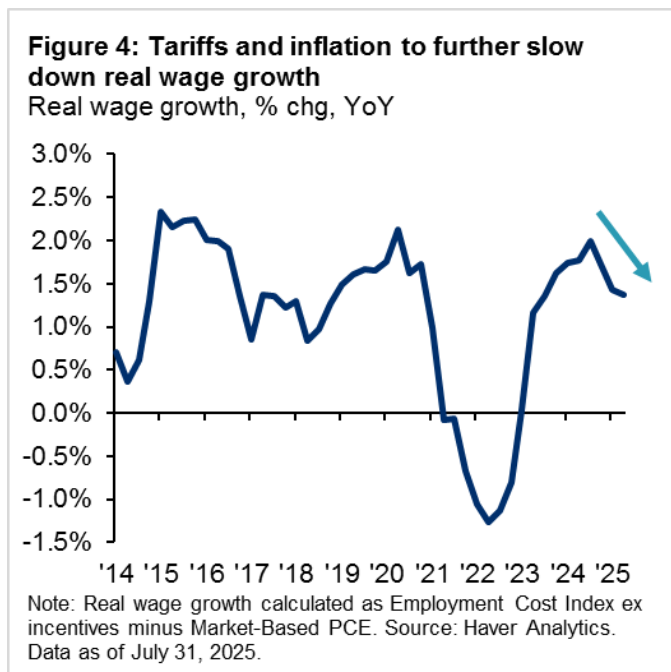
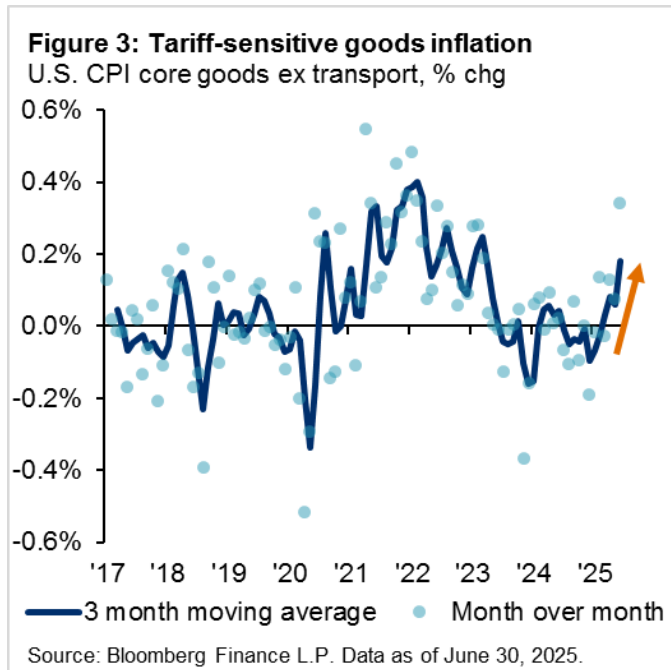
Note: Survey of businesses from regional Feds. 2018-19 trade war GS estimate. Sources: J.P.Morgan Private Bank; GS; Federal Reserve regional surveys. Data as of June 2025.

¹ U.S. and Global economic policy uncertainty have decreased 30-40% since their peaks in April. Source: Bloomberg Finance L.P.; Baker Bloom and Davis. Data as August 1, 2025.

² We estimate that as of June importers had about 3.5 months of "excess inventories" on hand.

We expect tariff-related price pressures in goods to push overall inflation above 3% by year-end, but to fade following the one-off tariff level shift. In June, tariff-sensitive U.S. core goods prices rose 34bps month-over-month, a more than 4% annualized pace and the largest increase since February 2022 (Figure 3).

We expect limited price pressures in the larger, more wage-sensitive services sector, given ongoing weakening in consumer demand and loosening in the labor market (Figure 4). As these dynamics continue, we expect the unemployment rate to gradually rise toward 4.5%.



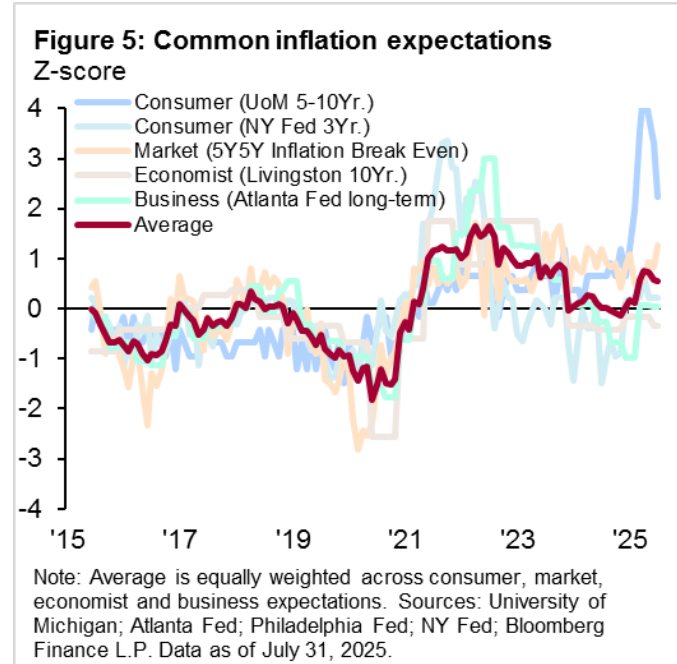
Despite headline inflation rising towards the end of the year, we pencil in 50bps of Fed rate cuts over the remainder of 2025 and an additional 50bps in 2026, posing reinvestment risk for investors with large cash allocations.

There are **two main risks** to our view that the Fed will resume normalizing policy rates later this year:

- 1) A de-anchoring of inflation expectations away from the Fed's 2% target, and
- 2) A re-tightening of the labor market brought on by a sharp decline in immigration.

At the moment, we **see no signs of either**. After showing some upward pressure early in the year, our measure of long-term inflation expectations has stabilized (Figure 5). While Immigration and Customs Enforcement (ICE) detainments have soared to near a 400k annualized pace, and Southwest border apprehensions are near the lowest level going back at least 10 years, labor demand and wage growth in immigration-sensitive sectors are showing no signs of upward pressure (Figure 6).

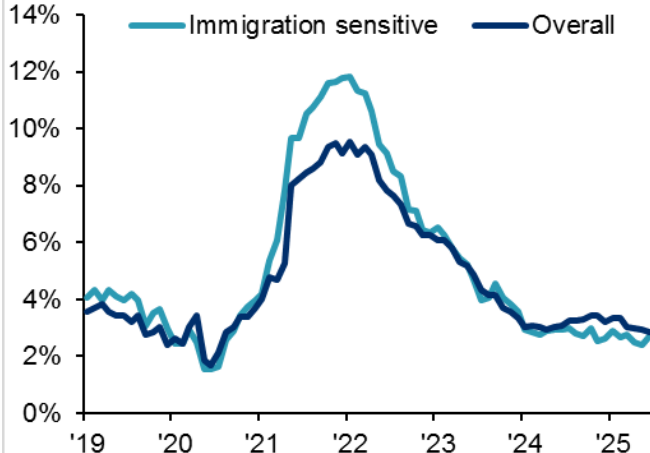
Relatedly, the U.S. dollar has strengthened in recent weeks amid signs of economic resilience in the U.S. and a reduction in the amount of Fed easing priced in by markets. The greenback is unlikely to resume its weakening trend until Fed cuts come clearer into view, as interest rate differentials have reasserted themselves as the main driver of currencies (Figure 7). Our view remains that cuts occur by the end of the year, and we continue to expect the U.S. dollar to weaken 3-5% over the next 6-12 months in our base case.



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Figure 6: Lack of wage pressure from lower immigration

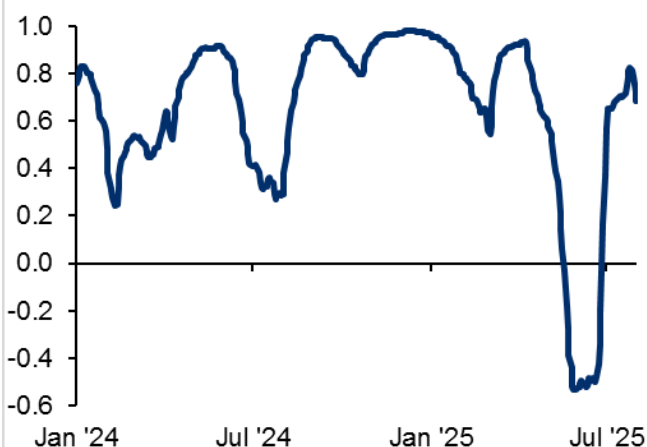
Wage growth, % chg, YoY



Note: Simple avg. across immigration sensitive job titles: Childcare; cleaning; construction; food preparation and serv.; home health; retail. Source: Indeed. Data as of June 30, 2025.

Figure 7: Rate differentials once again the key driver of currencies

Correlation



Note: 60 day rolling correlation using DXY index and 5-year DXY weighted rate differential. Source: Bloomberg Finance L.P. Data as of August 1, 2025.

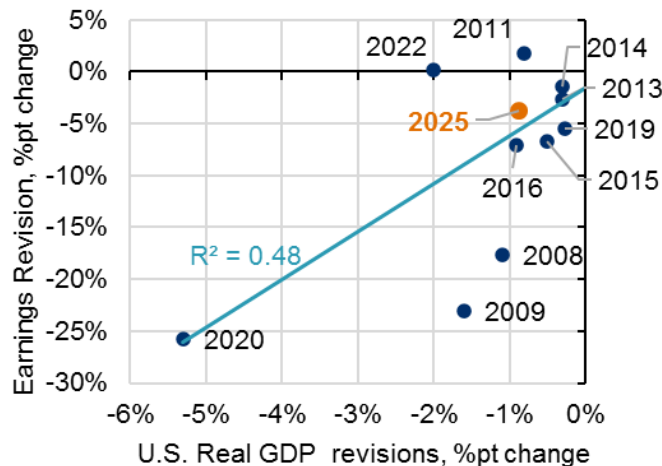
With equities at all-time highs, many argue the market is failing to adequately reflect the risks of the economic slowdown we anticipate. We disagree and are comfortable with a full allocation to risk assets.

The stock market is not being complacent; in fact it's already incorporating the growth slowdown we expect. Since February, consensus GDP growth for Q4 2025 has been revised down ~1%pt, similar to our own

changes post-'Liberation Day'³. Based on data going back to 2008, that magnitude decline in consensus GDP expectations has been associated with a ~6%pt revision to current year earnings expectations for the equal weight S&P 500, almost exactly the revision we have seen for 2025 (Figure 8).

Below the surface, the market is differentiating between tariff "losers" and those more insulated. The negative effects of tariffs are largely being felt by consumer-facing and smaller businesses, which have fewer international trading relationships, challenging their ability to avoid higher import costs (Figure 9). With typically 500 employees or less, these businesses account for very little of S&P 500 market cap although they contribute 40-50% of U.S. economic activity⁴. Within the equity market, consumer discretionary and small cap companies have seen the largest negative earnings revisions, while larger sectors with secular tailwinds like financials and the broader tech universe show stability in earnings expectations or even an inflection higher in recent months (Figure 10).

Figure 8: S&P 500 earnings revisions in line with downgraded U.S. economic outlook



Note: Looks at negative GDP revisions for the U.S. economy since the start of the calendar year. Revisions use consensus forecasts. Sources: Dynamic Multi-Asset Strategy (DMAS); Factset; Bloomberg Finance L.P. Data as of July 29, 2025.

³ 'Liberation Day' was April 2nd, 2025.

⁴ Source: U.S. Chamber of Commerce. Published June 6th 2025. Data as of 2023.

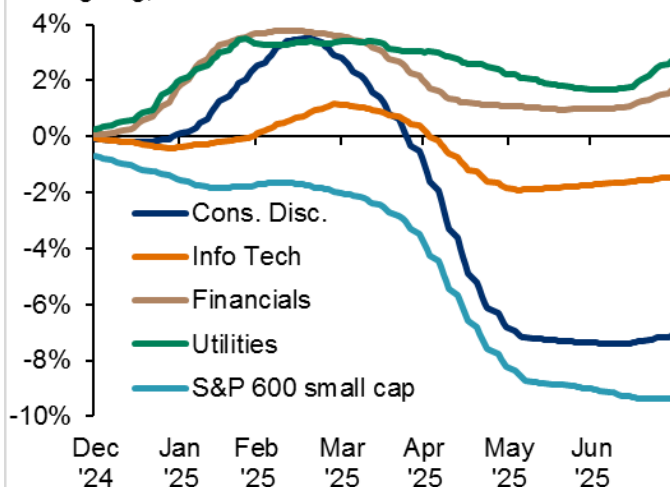
Figure 9: Smaller U.S. companies rely on China with fewer alternatives



Source: Census Bureau. Published April 5, 2022.

Figure 10: Differentiation in earnings revisions by sector and size

2025 consensus EPS revisions for Q4 2025, 30-day rolling avg, %

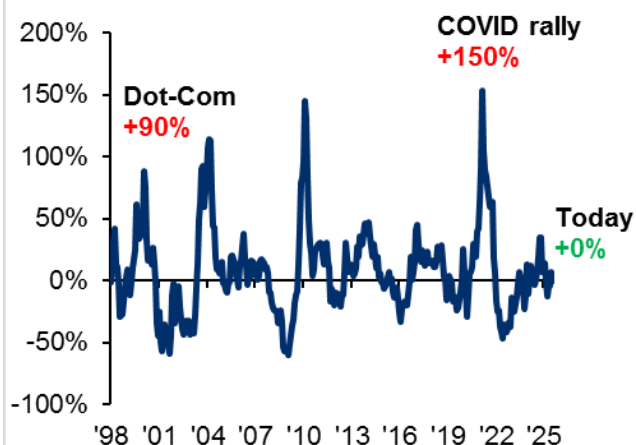


Source: Factset. Data as of July 30, 2025.

Encouragingly, we see limited signs of over-exuberance. Unlike previous “bubbles”, unprofitable companies are yet to meaningfully participate in the ongoing rally (Figure 11), and the options market is pricing cautiously, with implied volatility for the S&P 500 in the 80th percentile of observations over the past year⁵.

All told, we have grown more confident that the largest companies will be resilient in the face of the economic slowdown we expect, and are comfortable with a full allocation to risk assets. This month, we raise our S&P 500 outlook and reduce the amount of spread widening we expect in the credit space.

Figure 11: Unprofitable companies are yet to participate in this rally
12m trailing performance, %



Note: Unprofitable Russell 3000 companies, equal weighted performance. Source: Bloomberg Finance L.P. Data as of August 1, 2025.

Within the equity market, we advocate for global exposure, a preference for large-cap over small-cap and sectors with secular tailwinds and earnings momentum. Last month we highlighted technology and financials. This month we highlight our conviction in two additional themes: global defense and power demand.

Defense: Despite a more than 600% rise in European defense stocks and a 50% increase in the U.S. since Ukraine’s invasion, we still see upside potential. Go deeper on our investment thesis [here](#).

Power: The energy shortfall required to support AI technology persists, presenting opportunities across public and private markets. AI adoption among U.S. companies doubled in the first 6-months of the year⁶. As a result, after growing just 0.1% from 2005-2020⁷, U.S. power demand growth in 2025 has outstripped growth in real economic activity (Figure 12).

⁵ Source: Bloomberg Finance L.P. Data as of August 1, 2025.

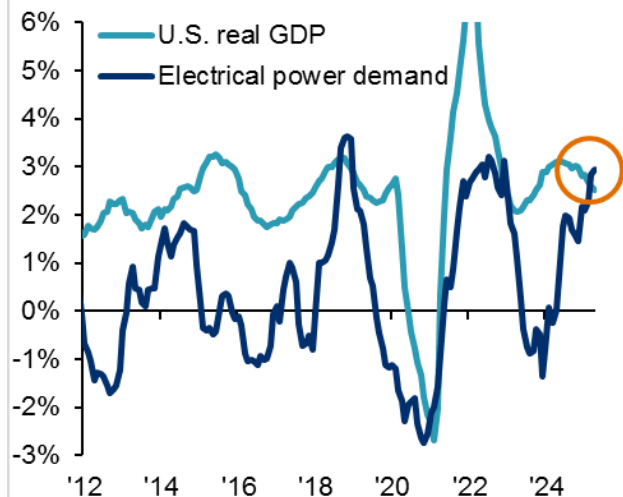
⁶ Source: BTOS Survey – Census Bureau. Question: Have you used AI to produce a good or services in the last 2-weeks. Data as of July 2025.

⁷ Source: EIA. May 2025.

At the same time, power capacity remains challenged, putting significant pressure on prices⁸. PJM is an electrical grid operator that facilitates a power auction each year between power suppliers and consumers. PJM is the largest power grid operator in the U.S. and includes Northern Virginia, home to data center alley and more than 40% of all U.S. data centers. After rising 833% last year, PJM-auctioned power prices for '26/'27 grew 22% YoY, and didn't rise more only because prices reached their regulatory cap. PJM estimates prices would have registered a 44% YoY increase otherwise (Figure 13).

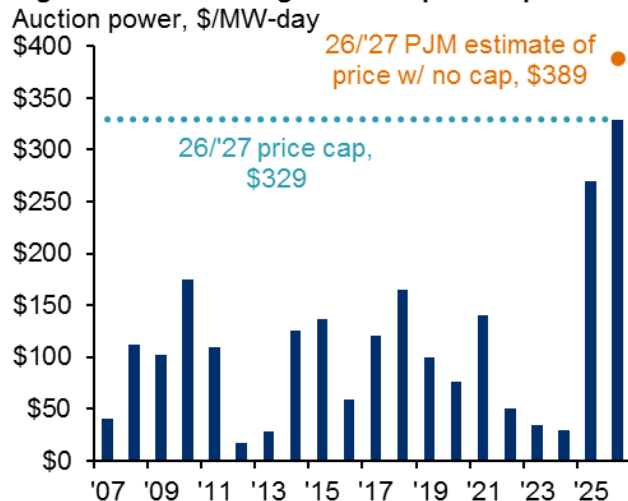
Bottom line: we reiterate global security and power demand as opportunistic trends, and highlight our positive view on the public market utilities sector and private infrastructure funds, particularly given power is now their largest exposure (Figure 14).

Figure 12: U.S. power growth outstrips GDP
YoY change, 12m avg, %



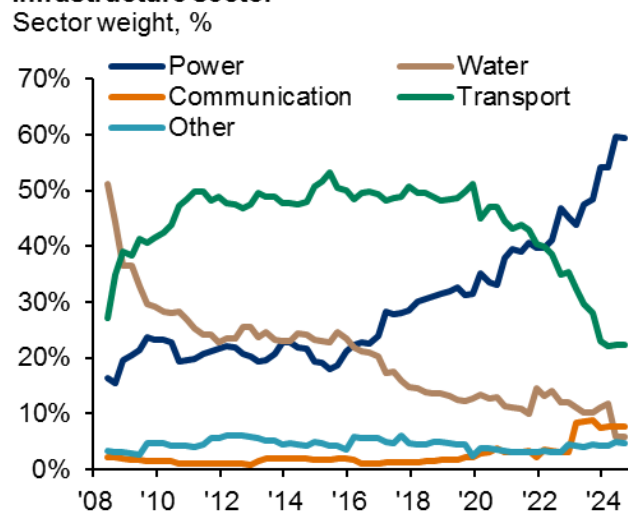
Source: EIA; Haver Analytics; S&P Global Market Intelligence. Data as April 30, 2025.

Figure 13: Power surge reaches price cap



Note: PJM covers ~20% of the US population and Northern Virginia for data center alley covered by Dominion Energy. Source: PJM Interconnection LLC. Data as of July 22, 2025.

Figure 14: Power is now the largest private infrastructure sector
Sector weight, %



Source: MSCI. Data latest available as of June 2025. Weights are based on enterprise value. Data rounded and may not add to 100.

⁸ In the PJM auction supply fell by ~500MW from the prior auction as fossil fuels continues to be retired and the mix shift of energy moves towards renewables, a trend we have seen for the broader U.S. economy. Additionally, corporates are undergoing changing government incentives given the tightening of tax credit access under OBBBA which in part contributed to the cancellation of the Grain Belt Express transmission line being built. Sources: Bloomberg NEF; EIA; PJM. Data as of July 22, 2025.

As inflation picks up through the end of the year, we expect long-term Treasury yields to remain elevated and volatile, challenging the role of long-duration sovereign bonds as the sole diversifier in multi-asset portfolios (Figure 15).

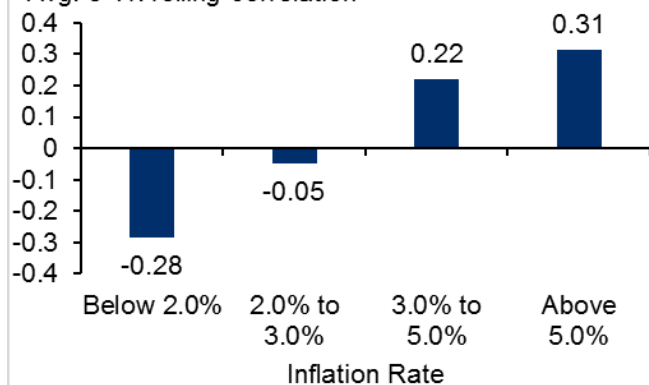
We expect higher long-dated bond volatility through the end of the year given uncertainty over the path of inflation and global bond supply and demand dynamics. The passage of the “One Big Beautiful Bill” assures 6%+ annual total budget deficits for the foreseeable future (Figure 16), at the same time foreign investors are showing nascent signs of shifting their Treasury holdings away from longer maturities (Figure 17).

Elevated U.S. rates volatility is typically associated with a more positive correlation between equities and Treasuries (Figure 18). Against that backdrop, long-duration Treasury bonds have a less attractive risk/reward compared to a broader array of income-generating assets through year-end, in our view (Figure 19).

In sum, despite expectations for 100bps of Fed rate cuts over the next twelve months, we see long-dated Treasury yields remaining near current levels with elevated volatility. Focus on intermediate-dated Treasuries, investment grade credit and municipal bonds for the right mix of income and diversification in the liquid fixed income space. Complement fixed income allocations with income-generating, uncorrelated alternatives like infrastructure, real estate and hedge funds.

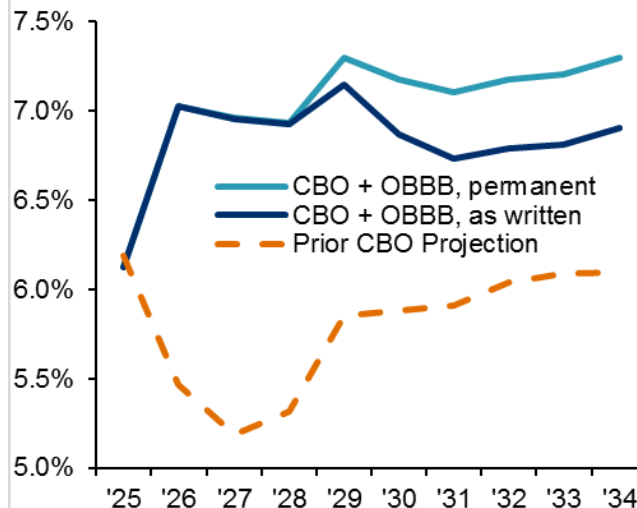
Figure 15: Higher levels of inflation challenge stock-bond correlation

Avg. 3 Yr. rolling correlation



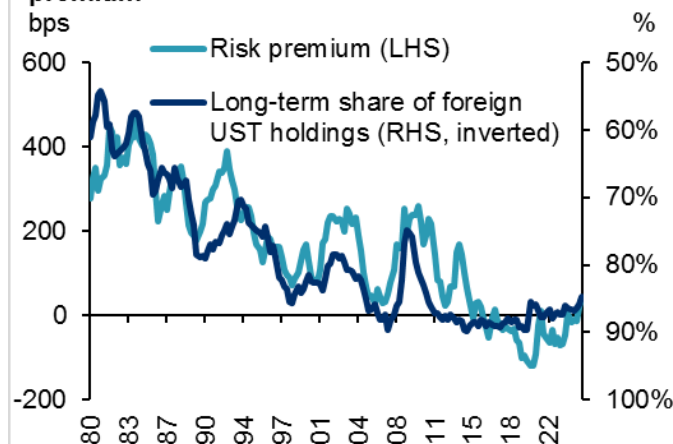
Source: Correlation uses monthly returns. Analyzed from February 1967 and uses headline CPI for inflation, annualized over rolling 3 year periods; S&P500 for equities; IA SBBI U.S. IT Govt TR USD for bonds for periods 1930-1972, Bloomberg U.S. Treasury TR USD for periods 1973 - present. Sources: Bloomberg Finance L.P., Morningstar Direct. Data as of July 31, 2025.

Figure 16: One Big Beautiful Bill Act (OBBBA) enshrines higher annual deficits
U.S. total deficit, % of GDP



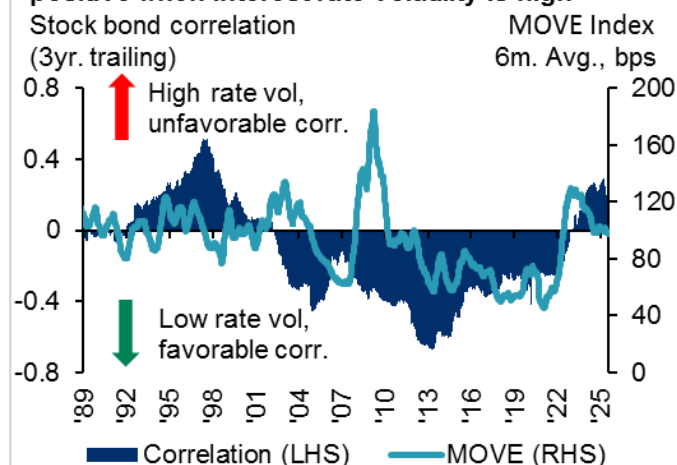
Source: Yale budget lab. Data as of July 17, 2025.

Figure 17: Lower foreign investor allocation to long term Treasuries associated with higher risk premium



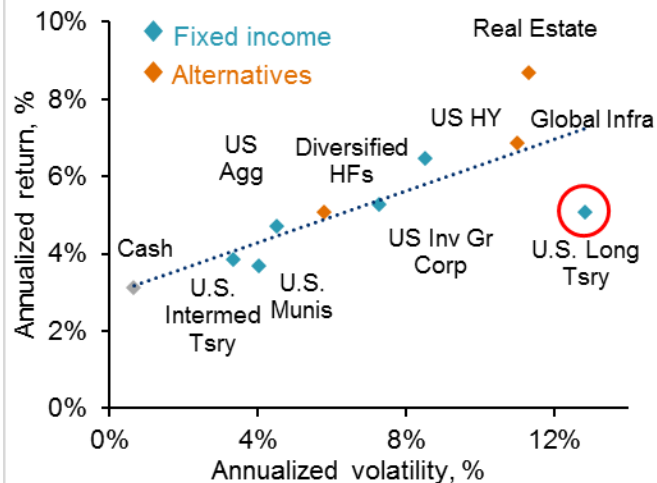
Note: ACM 10Y term premium used as proxy for risk premium, which is the extra compensation investors demand for holding U.S. Treasuries. Source: Treasury International Capital, Deutsche Bank calculations. Data as of March, 2025.

Figure 18: Stock-bond correlation tends to be positive when interest rate volatility is high



Note: Correlation based on the weekly total return for the indices for the past 3 years. Bonds uses the LUATTRUU Index and Equities uses the S&P500 Index. Source: Bloomberg Finance L.P. Data as of August 01, 2025.

Figure 19: Long-term Treasury bonds expected to have lower risk adjusted returns vs. alternatives



Note: Forecasts over the next 10-15 years. Source: JPMAM Long Term Capital Market Assumptions. Data as of October 28, 2024.

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Here's a summary of Wall Street views for 2025.

Street Outlook Year-End 2025					
	Fed Funds	Real GDP	Core PCE	10Y	SPX \$
	Q4 '25	Q4 '25	Q4 '25	Q4 '25	YE 2025
JPM WM	4.00	1.0	3.30	4.10	6,400
JPM IB	4.25	1.5	3.40	4.35	6,000
Bank of America	4.50	1.6	2.90	4.50	6,300
Morgan Stanley	4.50	1.5	3.00	4.00	6,500
Goldman Sachs	3.75	1.7	3.00	4.20	6,600
Wells Fargo	3.75	1.4	2.90	4.26	6,500
UBS	3.50	1.5	3.40	3.80	6,200
Average (ex-JPM WM)	4.04	1.53	3.10	4.19	6,350
FOMC	3.9	1.4	3.10	-	-

Sources: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of July 31, 2025.

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2025 YEAR-END & MID-2026 OUTLOOK NUMBERS

August 2025

Macro^					Rates & Credit Spreads				
Inflation	2025 YE	Old 2025 YE	2026 YE	Old 2026 YE	U.S.	2025 YE	Old 2025 YE	2026 Mid-Year	Old 2026 Mid-Year
U.S.	3.20-3.40%		2.30-2.50%		Eff. Fed Funds rate	3.75-4.00%		3.25-3.50%	
Eurozone	2.10-2.30%		1.80-2.00%		ON SOFR	3.83%		3.33%	
China	0.50-0.70%		1.30-1.50%		2-year UST	3.50%		3.55%	
Real GDP Growth					5-year UST	3.80%		3.75%	
U.S.	0.50-1.00%		1.50-2.00%		10-year UST	4.10%		4.10%	
Eurozone	0.00-0.50%		1.00-1.50%		30-year UST	4.55%		4.55%	
China	4.35-4.85%		4.20-4.70%		2s/10s spread	0.60%		0.55%	
Equities					JPM U.S. Investment Grade	105	110	105	110
S&P 500	2025 YE	Old 2025 YE	2026 Mid-Year	Old 2026 Mid-Year	JPM U.S. High Yield	375	460	375	460
Price	6,350-6,450	5,700-6,200	6,650-6,750	5,900-6,300	Europe				
P/E forward multiple	22x	20.75x	21.8x	20.5x	ECB Deposit rate	1.75%		1.75%	
Stoxx Europe 50					5-year German Yield	2.10%		2.15%	
Price	5,450-5,550	5,300-5,800	5,650-5,750	5,400-6,000	10-year German Yield	2.40%		2.40%	
P/E forward multiple	15x		15x		BoE Bank Rate	3.50%		3.00%	
TOPIX					10-year UK Gilt	4.25%		4.15%	
Price	2800-2850	2650-2850	2900-2950	2750-2950	EUR IG	95	105	95	105
P/E forward multiple	14.5x	14x	14.5x	14x	EUR HY	325	360	325	360
MSCI Asia ex-Japan					EM				
Price	735-765		760-795		EM Sovereign Index (EMBI)	330		330	
P/E forward multiple	12.5x		12.5x		EM Corporate Index (CEMBI)	240		240	
MSCI China					JPM Asia IG (JACI IG)	90	105	90	105
Price	74-77	71-77	77-81	75-81	JPM Asia HY (JACI HY)	565	650	565	650
P/E forward multiple	11x	10.7x	11x	10.7x	Commodities				
Currencies						2025 YE	Old 2025 YE	2026 Mid-Year	Old 2026 Mid-Year
U.S. Dollar Index (DXY)	96 (94-98)		95 (93-97)		Gold (\$ / oz)	\$3,600-\$3,700		\$4,050-\$4,150	
EUR/USD	1.18 (1.16-1.20)		1.20 (1.18-1.22)		Brent (\$ / barrel)	\$63-\$68		\$55-\$60	
USD/JPY	139 (137-141)		135 (133-137)		Commodity Index (BCOM)	107-108		110-112	
GBP/USD	1.35 (1.33 - 1.37)		1.36 (1.34 - 1.38)		Natural gas (\$/MMBtu)	\$4.00-\$5.00	\$4.75-\$6.75	\$3.50-\$4.50	\$3.75-\$4.75
USD/CNY	7.20 (7.10 - 7.30)		7.15 (7.05 - 7.25)						

^GDP and core inflation estimates represent Q4 year over year growth rates. Core inflation in the US is core PCE.

Indices are not investment products and may not be considered for investments.

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MACRO VIEWS

U.S. Growth

The US effective tariff rate is now expected to settle in a 15-20% range, up from 10-15%. Despite this, we are keeping our baseline outlook for the US economy unchanged, rather than lowering growth projections or our estimated raising recession odds. This decision is based on two factors: the negative impact of trade policy uncertainty on growth has been less severe than feared, as shown by resilient jobs data through June and stable business investment figures, such as recent durable goods orders. Additionally, the pass-through from tariffs to consumer prices is occurring more gradually than expected, likely due to an import surge and inventory accumulation before Liberation Day.

The combination of negative tariff news and resilient data leaves our macro projections unchanged. We still anticipate a slowdown in growth and a rise in the unemployment rate to the 4.5-5% range, driven by weaker real income growth and consumer spending. However, we expect the tariff-related impact on growth to fade in 2026, with growth bouncing back towards its long-run trend. Recent supports to growth include AI-related business investment and the OBBBA providing tax certainty for businesses. We expect these trends to continue to support growth in 2026.

What we're watching: Tariff passthrough to real wages, high frequency data on the consumer, data on business investment including durable goods orders and the PMIs.

Our view: 0.50-1.00% (Q4 YoY) in 2025, 1.50-2.00% (Q4 YoY) in 2026



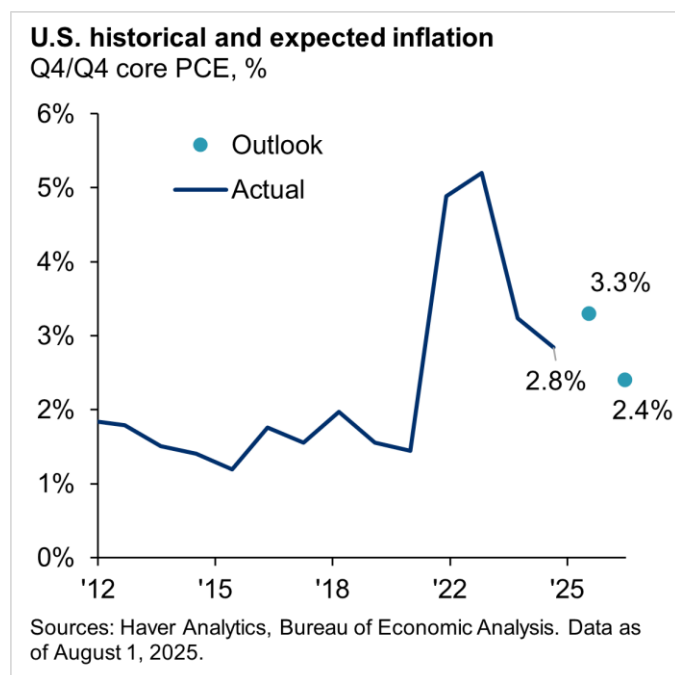
U.S. Inflation

June brought more evidence of tariffs having an impact on US inflation, although not large enough to move aggregate US inflation higher. Core goods, ex autos, jumped to a 3.9% annualized pace, compared to an average monthly pace of near 0% in 2024. Meanwhile, overall core US inflation has moved lower in 2025 on a YoY basis, from 3.2% in December to 2.9% in June. Although tariffs have had an impact, the disinflationary effect from weaker services inflation (esp. shelter inflation) has more than offset.

Yet we continue to believe the tariff impact on inflation will intensify in coming months. We estimate that as of June slightly over 40% of the cost of tariffs has been passed on to US consumers, lower than the the 2018-2019 tariff episode. A key reason for the lower passthrough has been the inventory accumulation that took place by US importers ahead of the tariffs from December to March. We estimate that as of June importers had about 3.5 months of "excess inventories" on hand. As these excess inventories decline, we ultimately expect the consumer passthrough from tariffs to rise, to about two-thirds by the fall. At that point, overall US core inflation should be higher, in line with our range projection for Q4/Q4 core PCE (of 3.2-3.4%).

What we're watching: Goods inflation, wage growth, JOLTS data, tariff changes from the Trump Administration, commodity prices, home prices, inflation expectations.

Our view: 3.20-3.40% (Q4 YoY) in 2025, 2.30-2.50% (Q4 YoY) in 2026



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Eurozone Growth

The eurozone economy is slowly improving. Manufacturing is pulling out of recession, and the services sector accelerated in July. A fresh US-EU trade deal clears a major hurdle, though key risks still linger.

Upside: The 15% U.S. tariff on EU goods is well below earlier threats of 20–50%. This reduces uncertainty for businesses and consumers, potentially unlocking delayed investment. Add in Germany's ramped-up spending and the ECB's more accommodative policy stance, and these forces should add an anchor growth into 2026.

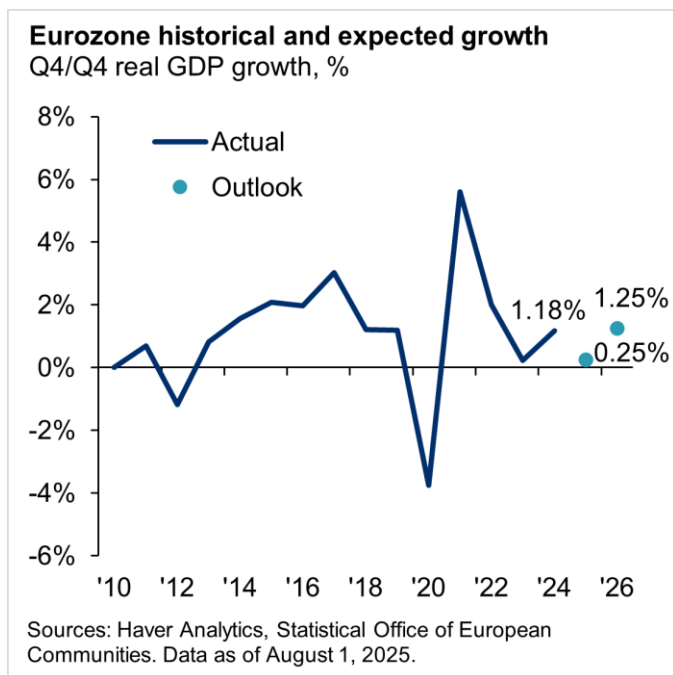
Downside: Higher tariffs and a stronger common currency remain a drag—especially for Europe's export-heavy economy and Germany's shifting auto industry.

On balance: Trade-related headwinds will likely limit growth for now, but the medium-term picture is more promising. We continue to see EU GDP growth at 0.0–0.5% in 2025, picking up to 1.0–1.5% in 2026 as fiscal support kicks in.

Meanwhile, we remain cautious on the UK growth outlook. Fiscal headwinds, weak job growth, and stubborn inflation paint a tough picture. But a faster rate-cut path from the Bank of England could soften the blow.

What we're watching: US-EU trade deal implementation, wage growth and inflation dynamics.

Our view: 0.00-0.50% (Q4 YoY) in 2025, 1.00-1.50% (Q4 YoY) in 2026



Eurozone Inflation

Euro area inflation has notably cooled. Headline inflation is back in line with the ECB's 2% target, driven by slowing services inflation and lower energy prices.

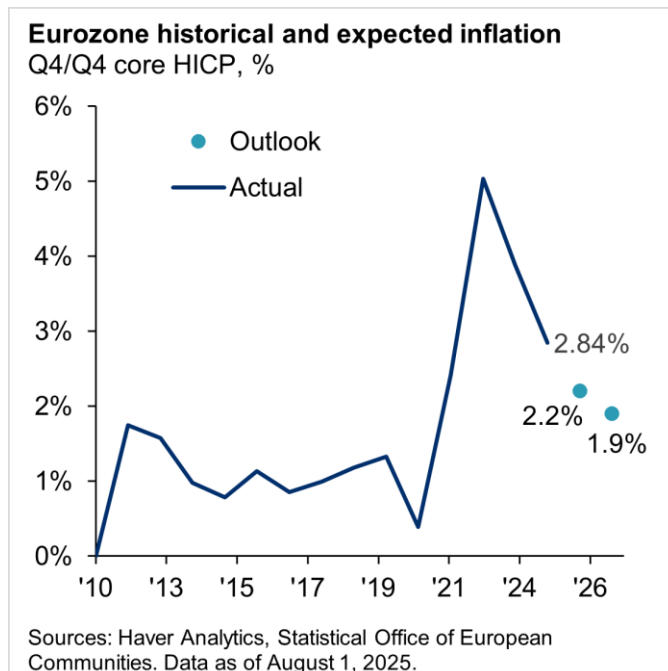
Core inflation is set for more progress. Wage dynamics point to further cooling, with the ECB's latest wage tracker signaling a sharp slowdown this year. And the Euro's strength could make imports cheaper, US tariffs might impact US consumers more than in the region, and China might export excess capacity at lower prices.

But while we expect the disinflation story to remain intact, risks to that view could come from unexpected geopolitical tensions and increasing oil prices, Germany's fiscal expansion, or if trade tensions re-escalate into a tariff tit-for-tat scenario, leading to short-term price hikes.

UK inflation surprised on the upside in June, fueled by stronger services, with core inflation at 3.6% year-over-year. Looking ahead, a softening labor market might ease wage pressures, but stubborn services inflation could test the Bank of England's cautious rate cuts.

What we're watching: US-EU trade deal impact, wage and services inflation, energy prices, business surveys.

Our view: 2.10-2.30% (Q4 YoY) in 2025, 1.80-2.00% (Q4 YoY) in 2026



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China Growth

China's economy continues to highlight the push and pull of emerging green shoots and structural challenges. In Q2, real GDP growth moderated to 5.2% year-on-year, slightly surpassing expectations, while nominal GDP growth eased to 3.9%. This reflects some entrenched deflationary pressures policymakers will need to address.

Industrial production has been a positive story, climbing to 6.8% year-on-year in June, driven by robust performance in manufacturing and mining. However, the industrial capacity utilization rate has dipped, suggesting continued overcapacity concerns. Retail sales faced headwinds, declining to 4.8% year-on-year in June, likely dipping following a boost from subsidy programs in prior months. Fixed asset investment (FAI) growth has also slowed, with the property sector continuing to face challenges. Yet, the sector is getting closer to the bottom and the drag from a slowing housing market is lessening over time, which could pave the way for more sustainable growth in the long term. Exports provided a boost to industrial production, and while trade tensions and tariffs pose risks, there is potential for continued resilience in this area. The labor market remains stable, with unemployment at 5.0%, though youth unemployment remains a concern.

Looking forward, China's economic outlook is a mix of challenges and opportunities. Addressing overcapacity, sector-specific deflation, and private sector sentiment will be key. Policymakers are expected to implement targeted measures to support the property sector and ease labor market pressures, rather than broad-based stimulus. The People's Bank of China's recent liquidity operations are a step towards maintaining financial stability. As we move into the second half of 2025, growth is expected to slow from the current pace. The focus will be on managing the property sector's evolution, supporting consumption, and navigating external trade dynamics, all while ensuring a stable financial environment.

What we're watching: Tariff talks, policy response, tariff impact on employment.

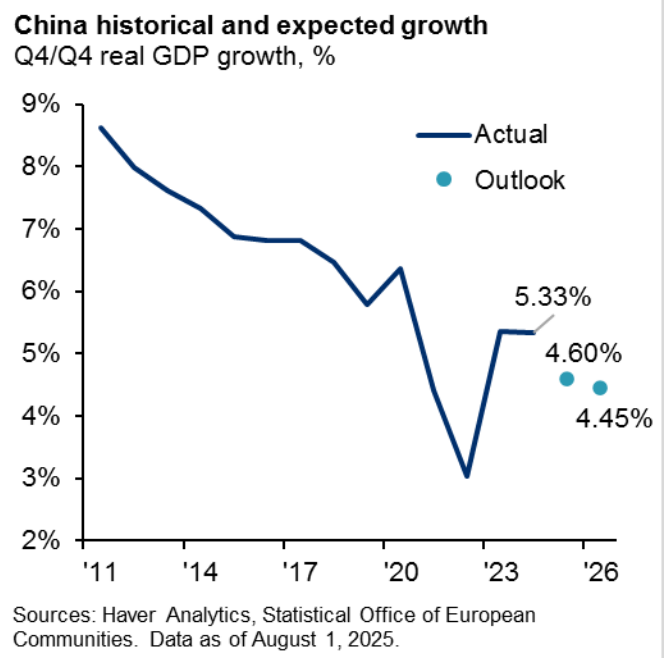
Our view: 4.35-4.85% (Q4 YoY) in 2025, 4.20-4.70% (Q4 YoY) in 2026

China Inflation

China's pricing environment remains challenging, with persistent PPI deflation and a slight rise in CPI inflation in June. Headline CPI increased by 0.2% month-on-month; core CPI inflation rose to 0.7% year-on-year. PPI deflation widened to -3.6% year-on-year, reflecting weaker demand. The imbalance between strong exports and weaker domestic activity has led to deflationary pressures. The government is focusing on "anti-involution" efforts, aiming to cut excess capacity and avoid disorderly price cuts. While no major stimulus is expected soon, the implementation of consumption support measures will be crucial. Looking ahead, low CPI inflation and PPI deflation are expected to persist, with the GDP deflator remaining negative.

What we're watching: Domestic demand, trade tensions.

Our view: 0.50 - 0.70% (Q4 YoY) in 2025, 1.30 - 1.50% (Q4 YoY) in 2026



EQUITY VIEWS

U.S. Equities

Back to where we started 2025. We are raising our 2025 and 2026 S&P 500 targets through a combination of higher earnings and valuations. The negative impact on earnings from increased tariffs and elevated trade policy uncertainty has proved less severe than feared. The longer runway for tariff implementation has given companies more time to alter supply chains, adjust pricing policies and accumulate inventory to help mitigate the effects.

The combination of accelerated AI-related growth and weaker dollar has positively impacted our earnings view. The impact of the OBBBA may have a greater impact on the market than the economy as incentives for capital equipment could accelerate purchasing that supports active themes like AI, automation and re-shoring. As the effective tariff rate has increased year-to-date, 3 of the 4 largest S&P sectors, representing ~57% of index weight, have witnessed higher margins (Tech, Financials and Communication Services). It is our current assumption that as tariff rates move higher in 2H, these same sectors are unlikely to feel direct margin pain. We now expect 8% index EPS growth in 2025, and ~10% growth in 2026 and 2027.

The current U.S. earnings environment is different between market caps. Large caps grew double-digit during 1H'25, with our estimate calling for ~7% growth in 2H'25. Smaller firms look more like the economy, with a greater exposure to consumption and cyclical, depressing profitability that is trending negative year-to-date.

Valuation for the S&P 500 is currently toward the high end of its historical range. Improved financial conditions, increased profitability, greater returns of cash to shareholders and higher earnings growth are the primary cause for the re-rating. In our new base case targets, we include valuation compression from current levels.

Our new end of year base case S&P 500 target is \$6,350-\$6,450 and our 1-year target is \$6,650-\$6,750. Our bull cases sustain current P/Es with higher earnings growth made possible by greater margin expansion and revenue growth.

Where to invest now. The Technology sector is poised to benefit from AI investments, capex and the OBBBA. Utilities are among the top performing sectors of the S&P 500 year-to-date, but we expect further gains due to rising growth rates, low cyclical, high dividend yields, policy support and still modest relative valuations. Financials have also performed well, and we see positive earnings momentum and favorable revisions, that should accelerate capital returns to shareholders. Active management and structured

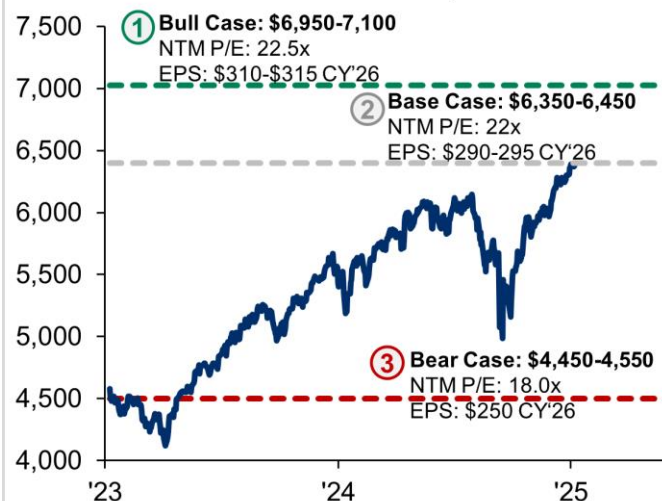
notes should be considered to take advantage of these opportunities.

What we're watching: Earnings, trade policy details, thematic drivers, cyclical data that will impact the Federal Reserve.

Our view: Year-end 2025: \$6,350-6,450 Mid-year 2026: \$6,650-6,750

Our S&P 500 outlook ranges from \$6,350-\$6,450 by YE 2025

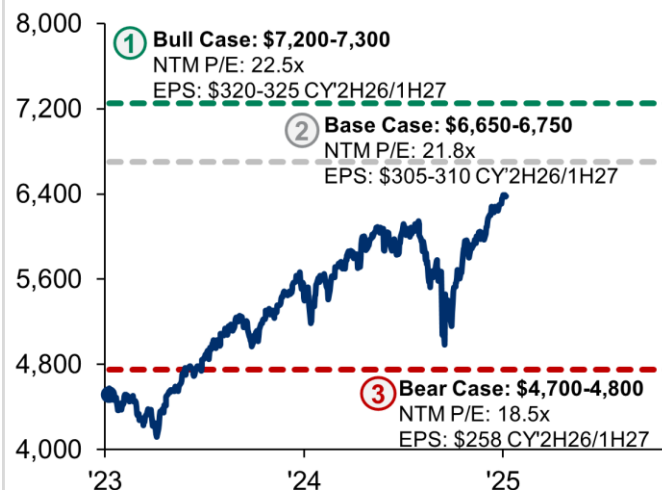
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of July 30, 2025.

Our S&P 500 outlook ranges from \$6,650-\$6,750 by mid-year 2026

S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of July 30, 2025.

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Europe Equities

We are narrowing down the European equities range for this month as we have clarity on tariffs. In our base case, the new year-end target is in the range of €5,450-5,550 (€5,500 mid-point), and the mid-2026 Euro Stoxx 50 target is €5,650-5,750 (€5,700 mid-point). The EU and US have agreed on a 15% tariff for most EU products. Although the tariff rate is higher than before, it is lower than the earlier threats of 20%, 50%, and 30%. Additionally, there is now clarity on tariffs, allowing the market to simply "move on." While we are keeping our multiple unchanged at 15x next 12 months' price to earnings, we are narrowing the earnings numbers. Our earnings expectations for 2025 are moving from -4% to +3% to -1%. A strong Euro continues to be an issue for European exporters and is the reason why we are not more bullish on earnings growth in 2025. For 2026 and 2027, we see mid to high single-digit earnings growth.

We are in the middle of the earnings season, and the earnings growth is weak, coming in closer to -7%. FX has been an issue for European exporters (Euro up 9% in the 2Q). Companies are mentioning how they are handling tariffs, including modest price increases and increasing production in the US. The stand-outs this season have been industrial companies with exposures to data centers and banks, including those with strong trading activity in the 2Q. While 2025 earnings are impacted by tariffs and FX, we have a lot to look forward to from 2026 onwards in Europe.

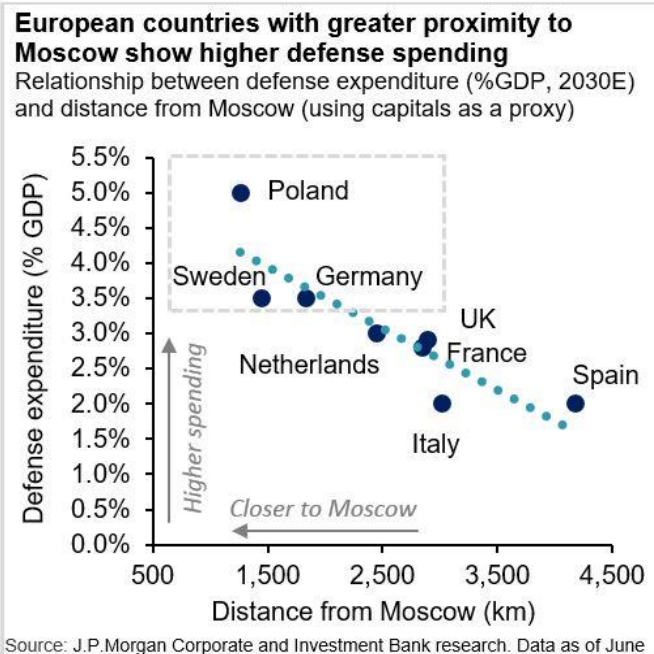
We expect the German stimulus to have a positive impact on European earnings starting next year. Germany has recently announced €500 billion in investments, with an additional €631 billion in investments from German corporates discussed in the media recently under the "Made for Germany" plan. We have European defence spending on top of that. At the NATO summit (24-25 June), its European members made strong commitments to increase defense spending in the coming decade to 5% (3.5% core defense requirements and 1.5% on infrastructure). Importantly, we think European valuation can stay at the current 15x next 12 months' price-to-earnings ratio versus the long-term average of 14x, given all the tailwinds the European market is facing.

We have been recently focusing on domestically oriented companies that are more insulated from tariffs, have less FX risk, and are more exposed to the improving domestic story. This is a slightly different narrative compared to the last few years, where European multinational companies were more preferred. Domestically oriented companies can be found in the financial, industrials, materials, and utilities sectors. We continue to believe European Industrials, in particular, are well-placed given the secular themes.

European defense spending should continue to rise, addressing years of underspending. The German infrastructure stimulus adds another positive driver for the sector. Other reasons to be positive on Industrials include their exposure to electrification and data center spending.

What we're watching: Earnings, fiscal stimulus and FX

Our view: Year-end 2025: €5,450-5,550
Mid-year 2026: €5,650-5,750



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Asia Equities

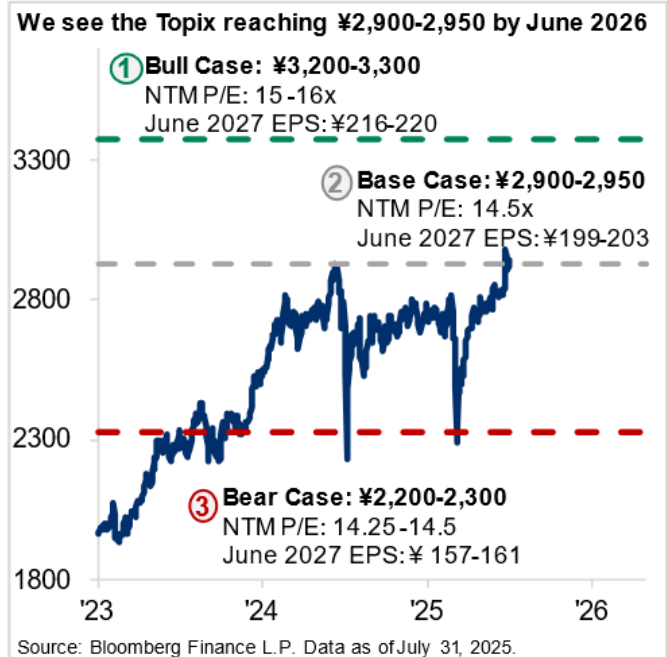
US/China relations continue to surprise investors to the upside. In addition to a likely three-month extension of lowered US tariff rates, there was also the resumption of H2O AI chip exports to China, and an increasingly likely summit between President Xi and President Trump. While the relationship can abruptly change, the pendulum is currently on the side of a thawing in relations. With valuations for MSCI China at three-year highs, and above five-year averages, we see limited upside at current levels. In fact, we see negative earnings revisions concentrated in the large eCommerce sector due to an aggressive price war between the three leading players that caps near-term upside. We remain neutral towards Chinese equities. Speculation over potential government policies to address broad over-capacity in China is increasingly a thematic focus of investors.

The US/Japan 15% tariff rate agreement came faster than the market anticipated, and while better-than-feared, was largely in-line with expectations. Clarity over US tariffs enables us to tighten our 2025/June 2026 TOPIX target to 2,800-2,850/2,900-2,950, representing the high end of our prior range. **Limited upside to our near-term targets keep us tactically neutral towards Japan.** Greater visibility towards a meaningful pick up in capital investment in the US would drive upside towards our June 2026 bull case 3,200-3,300, but we are not there yet. Our medium-term constructive view on Japan due to reflation, corporate governance reform, and increasing interest in currency diversification by international investors remains unchanged. Over the next month, we are increasingly likely to see a change in Prime Minister by a candidate preferred by the markets. Fiscal policy is likely to turn incrementally expansive, while tariff certainty means the BoJ can consider conditions for potential rate hikes.

Positive tariff deals have been a moderate near-term headwind for less trade sensitive markets such as India. With close to 50% of Indian companies having reported, earnings are tracking up 13% YoY (vs 7% in March quarter) on easing comps. While earnings are currently 2% below expectations, this is heavily concentrated in consumer oriented sectors where **management is forward guiding for a pick-up in consumption demand ahead of the festive season starting in late August.** Earnings estimates have stabilized and we expect earnings growth rates to accelerate in 2H25. With valuations back to five-year averages, **we are buyers at current levels.**

What we're watching: Political changes in Japan, Asia earnings season, China government policy announcements, India trade deal news.

Our view: Year-end 2025: MSCI AxJ: 735-765 Topix: 2,800-2,850 MSCI China: 74-77 CSI 300: 3,800-3,920 MSCI INDIA: 2,950-3,025 MSCI ASEAN: 685-705 Mid-year 2026: MSCI AxJ: 760-795 Topix: 2,900-2,950 MSCI China: 77-81 CSI 300: 4,000-4,120 MSCI INDIA: 3,130-3,225 MSCI ASEAN: 710-730



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RATES VIEWS

U.S. Rates

The Fed is likely to wait for concrete signs of economic weakness before resuming rate cuts. Moving too early risks long-dated inflation expectations shifting higher and threatening progress already made toward the 2% inflation objective. Faced with an unemployment rate rising toward 4.5% later in the year as we expect, the Fed is likely to take action. We pencil in 100bps of rate cuts over the next 12 months. In the event of a more material growth slowdown we see the Fed cutting closer to 2.0-2.5%; but we see less risk of that occurring compared to earlier in the year. We recommend focusing fixed income exposure in 5- to 7-year maturities – or shorter. We expect 10-year yields will remain buoyant above 4.0% through the end of the year as end-users demand more compensation to own long-duration Treasuries given macroeconomic uncertainty, a potential reduction in global investor allocations to U.S. assets and persistent U.S. fiscal deficits.

What we're watching: Fiscal and trade policy, labor market indicators, inflation expectations.

Our view: Year-end 2025: 4.10% Mid-year 2026: 4.10%

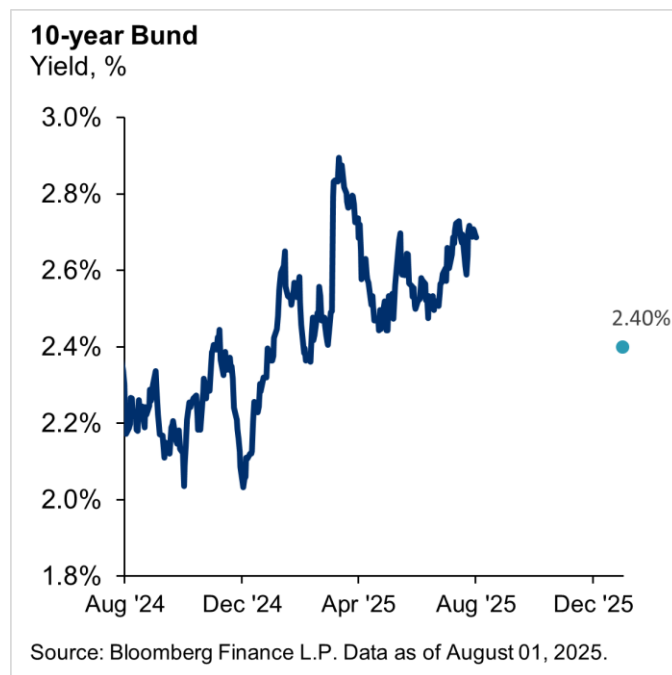


Europe Rates

After eight rate cuts over the past year, the ECB is nearing the end of its cutting cycle. At 2%, ECB policy has shifted from restrictive territory to the ECB's estimated "neutral" range of 1.75%-2.25%. We see just one further 25bps rate cut, bringing the deposit rate to 1.75%, though the timing is subject to debate. Further cuts would likely require more economic weakness beyond our base case. Overall, this puts our 10-year Bund forecast at 2.4% through mid-2026, but Germany's front-loading of infrastructure spending (including a €19bn increase in issuance in Q3 alone) poses some upside risks. Meanwhile, the Bank of England has stuck to a quarterly pace of cuts so far. Despite ongoing inflation pressures, the MPC seems to be growing more sensitive to signs of labor market weakness. We expect more cuts to be delivered than is priced by the market, with a terminal rate between 3.0-3.5%.

What we're watching: U.S. trade policy, energy prices, activity surveys, fiscal stimulus, and UK budget plans.

Our view: Year-end 2025: ECB Deposit Rate: 1.75%; 10Y Bund: 2.40%; BoE Bank Rate: 3.50%; 10Y Gilt: 4.25%
Mid-year 2026: ECB Deposit Rate: 1.75%; 10Y Bund: 2.40%; BoE Bank Rate: 3.00%; 10Y Gilt: 4.15%



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CREDIT VIEWS

U.S. Credit

We continue to have an up-in-quality bias, given tight valuations and our view for slower growth in the second half of the year. We prefer a maturity of 10Y-and-in within corporates but recommend long duration within munis as you are compensated for going out the curve.

MUNIS: Munis have lagged IG and HY credit YTD due to elevated supply (\$353 bn; 80% of the 10Y annual issuance average of \$430bn, despite being 60% through the year). This gives investors the opportunity to buy a high-quality asset class with yields ~70bps above the 45Y average and ~150bps above the 10Y average. Supply is elevated as municipalities rushed to issue bonds before potentially losing tax-exempt status in the One Big Beautiful Bill Act. This fear of a tax change didn't come to fruition, although municipalities already went through the gymnastics of getting debt issuance approved. Accordingly, long-end issuance has persisted in the typically slow summer months, and demand has been tepid. Long-end munis are down 5.2% YTD while the Bloomberg Muni Index is down 1%. We see value in the long end as the yield difference between the 10Y and Long Bond (22+) Index is ~130bps steep (~225 on a tax-equivalent basis), relative to treasuries at ~50bps and corporates at ~60bps.

CREDIT: Within credit, the up-in-quality bias has served investors well this year, with attractive returns in IG (+4.6% YTD) which has exhibited less volatility compared to HY (+5.4% YTD). Within HY, higher quality credit has outperformed with BBs (+5.6% YTD) outperforming CCCs (+2.5% YTD). We think this trend should continue into the second half of the year as we expect below-average growth to lead to modestly wider spreads. Nevertheless, we brought in our HY spread target by 75bps to 375bps given the macro-economic view for a lower impact of tariffs as trade deals have removed some uncertainty and companies have had time to adjust supply chains. We still expect some widening given the overall negative impact of tariffs on growth, a key driver of HY spreads.

High Yield: Today's spreads of ~330bps imply <1% default, relative to 1.3% realized in the last 12 months. We expect default rates to increase to ~1.75%, implying a spread of ~375bps. This slight deterioration is driven by our expectation for below-trend GDP growth and persistently elevated financing rates. We still think defaults remain below the 25-year average of 3.4% given (1) fundamentals are starting from a strong base with leverage of 4.1x below the 4.3x historical average, (2) a strong index composition with BBs accounting for 51% of the HY index vs 41%

historically, and (3) the significant refinancing wave last year.

Preferreds and Hybrids: Preferreds and hybrids remain our top picks within the extended credit space as we like getting yields comparable to BBs by going lower in the capital structure in IG credits.

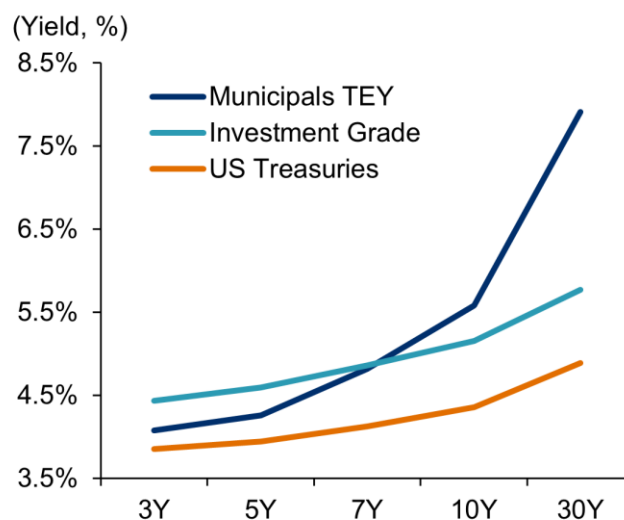
Investment Grade: We expect IG spreads to be inside of historical averages driven by good fundamentals and strong technicals. Specifically, elevated all-in yields continue to attract IG buyers and net issuance (issuance - maturities) is expected to be lower vs history. This is due to lower supply expectations after heavy issuance last year, lower bank issuance needs on regulatory reform, lower M&A issuance needs, and elevated maturities as 5-year bonds issued around COVID are coming due.

What we're watching: Core Fixed Income: We favor Investment Grade and Municipal bonds in the credit space. Extended Credit: Preference is for hybrids and preferreds over high yield. Duration: We prefer shorter/intermediate duration (3-7 years) in IG given a flat spread curve

Our view: Year-end 2025: U.S. IG (Spread): 105bps US HY (Spread): 375bps Municipal 10YR Index: 3.40% Preferreds: 230bps

Mid-year 2026: U.S. IG (Spread): 105bps US HY (Spread): 375bps Municipal 10YR Index: 3.39% Preferreds: 230bps

Yield Curve across Munis and IG vs US Treasuries



Source: Bloomberg Finance L.P., Data as of July 30, 2025
TEY = Tax equivalent yield

Europe Credit

European Credit Markets have delivered beyond carry-like returns YTD: +2.4% in EUR Investment Grade and +3.8% in EUR High Yield. EUR IG index spread is now >20bps tighter vs. the start of the year, currently trading sub-80bps – just couple bps away from record tightness post-GFC. EUR HY index is tighter by >30bps in credit spread YTD – outperforming US HY and EM indices. Markets have welcomed clarity on the final US import tariff rate endgame: European exporters, including Auto Manufacturers, will be subject to 15% US import tariff.

We do acknowledge current tight credit spreads levels and believe they will remain broadly supported – with some potential for periods of decompression, we would be keen to add to credit markets further on such occasions of spread volatility. European credit spreads have been underpinned by **healthy European issuers' fundamentals**, as we continue to see in Q2'25 earnings results, that we expect to be supported further by the eventual **read-through from the infrastructure spend**. Interest Coverage ratios, albeit lower vs. recent history peaks, remain high at >12x for IG and >7x for € BB-s, Net Leverage remains below historical medians.

Yield-based demand remains an important technical in historically starved-for-yields EUR credit markets, we also expect a certain degree of recalibration of investors' appetite/ overweights in USD assets to remain a supportive factor for EUR credit markets, particularly with current starting yields at 3%+.

We continue to see **best risk-reward in adding to ~8 years to maturity part of the curve** – combining our view on optimal duration exposure and taking advantage of the steepness of the credit spreads' curve up to ~8y to maturity.

European Corporate Hybrids: BB-like Yields from Investment Grade Issuers

We remain selective, focusing on robust credit metrics and strong operating results. Over 60% of outstanding € notional of Corporate Hybrids come from non-cyclical issuers: utilities, telecommunications, consumer non-cyclicals, we like the defensive nature of these sectors when undertaking the subordination risks. IG-rated hybrids (~60% of € notional outstanding) tend to provide ~110-120bps of spread pick-up to issuers' respective senior curves, while HY-rated hybrids from issuers whose senior papers fall into IG, tend to offer a spread pick-up closer to 150-160bps above their own senior curves.

Subordinated European Insurance: very high credit quality even at Tier-2

Solvency metrics remain strong as the losses from LA wildfires (20-40% of FY'25 catastrophe budgets for European Reinsurers, according to Fitch) remain in the rearview window – **driven by effective underwriting and increased investment income**. We particularly favor AA-rated at Senior level Insurers, whose Tier-2 papers fall within single-A credit quality segment and trade ~70-80bps wider to A-rated non-financials.

European Banks: we remain comfortable across the capital structure

Q2'25 European Banks' earnings demonstrated continuous solid operational performance – strong commissions & fees performance, robust Capital Ratios with ample buffers, low Cost of Risk and improving health of the loan books with declining Non-Performing Loans ratios. We remain comfortable with European Banks across the capital structure, within Junior Subordinated papers we broadly favour structures with lower extension risk.

What we're watching: European Automotives in light of increased Chinese competition, impacts of 50% US steel and aluminium tariffs on the supply chains and other structural challenges, such as lower demand, pricing pressures and high fixed costs.

Our view: Year-end 2025: EUR IG (spread): 95bps EUR HY (spread): 325bps

Mid-year 2026: EUR IG (spread): 95bps EUR HY (spread): 325bps

EM Credit

EM Credit continued to perform well in July, and in general, the month has been a strong month for spread product globally. EM spreads tightened by 18bps, delivering returns of 0.4% in EM IG and 0.9% in EM HY. This has outperformed US IG by 0.6% and US HY by 0.3%, over the month. Looking ahead to the rest of the summer, we expect EM to deliver carry like returns, given attractive all-in yields of 5.6% in EM IG and 8.6% in EM HY. Current spread levels reflect a goldilocks scenario, which leaves us thinking spreads could be vulnerable to a move wider on any negative developments and weaker data and we do expect to see wider spreads by year end, although only marginally.

We still think there are reasons to be more positive in EM. As previously mentioned, **fundamentals are strong** and we see no signs of that changing over next few months. Oil prices were a potential area for concern but they have settled at mid-to-high \$60s. Historically, oil prices at/or above \$60 is neutral-to-positive for EM growth, EM fiscal dynamics and EM corporate fundamentals. This is because fiscal and balance sheet breakeven prices are on average \$50 or below. There are exceptions to this level and that tends to be from the higher rated Middle East sovereigns that have large government expenditure programs. We continue to monitor the outlook for oil prices as a sustained drop below \$60 would be a cause for concern.

As we enter a period of potential lower growth, it is worth re-highlighting the strength of EM Corporate fundamentals. 1Q25 results were on a whole positive and we expect that to continue in 2Q and 3Q earnings. Positive earnings momentum combined with **EM IG leverage of 1.0x and EM HY leverage of 3.3x give us little reason to be concerned about the health of the EM asset class.**

This should support low default rates, currently sitting at 1.8%. Taken together, the above presents a compelling argument for resilience in EM credit spreads during the second half of 2025. However, EM credit spreads are now trading near where they started the year. EM IG spreads trade at +133bps, which is +7bps wider on the year. When we look at EM HY, the picture is even more resilient. EM HY spreads trade at +425bps, which is -2bps tighter on the year. This is quite striking given we are still in the middle of tariff negotiations. There have been positive headlines regarding negotiations e.g. China, but we still have avenues for surprises e.g. Brazil. Further, we expect growth to slow into the end of the year and the recent flare up in geopolitical tensions in the Middle East remind us that unforeseen risks do remain. Thus, even though we expect spreads to remain resilient, we would not be surprised to see an increase in volatility from here.

Overall, we maintain a neutral stance on the complex, with a **preference for up in quality trades**. While we have seen an easing of rhetoric on several fronts, namely US tariff policy, and a cooling off of geopolitical tensions in the Middle East, we remain comfortable with the growth potential within EM. These themes are also highlighting one of the strongest arguments for EM i.e., broader diversification. We believe select EM economies can stand to benefit from the current trade negotiations e.g., Latin America and India. We also think that renewed geopolitical tensions can strengthen the investment case for the remaining EM regions.

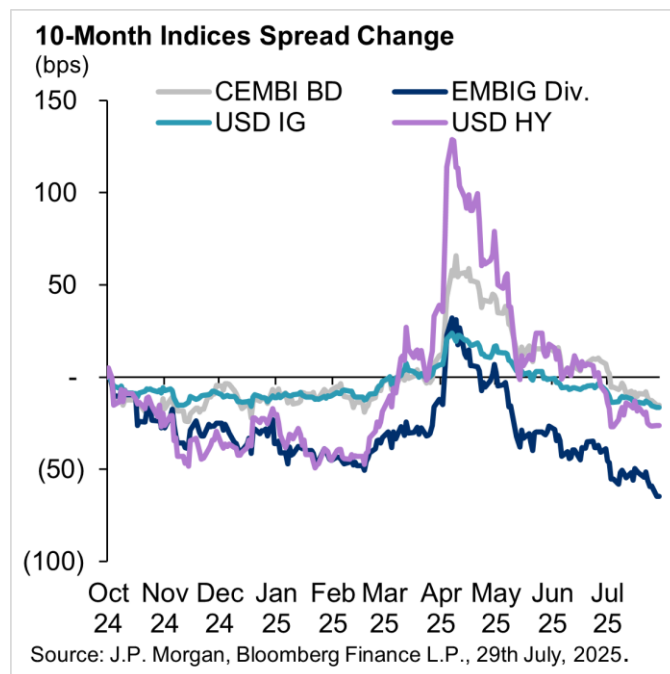
Corporate hybrids: As with the developed world, some of the corporate hybrids in EM from investment-grade issuers offer HY-like yields with less cyclical fundamental risk and solid balance sheets.

Contrarian trades: Sometimes buying the best house in a bad neighborhood gives above-expected returns. We see opportunities in certain Turkish corporates that might offer outsized returns for the quality of the business and strength of the balance sheets.

Resilient credits: Issuer's that have stable to improving fundamental stories and exhibit consistent positive free cash flow, providing flexibility to deal with macroeconomic uncertainty.

What we're watching: Macroeconomic developments, trade negotiations, select developing credit stories.

Our view: Year-end 2025: EMBI (Spread): 330bps CEMBI (Spread): Base 240bps Mid-year 2026: EMBI (Spread): 330bps CEMBI (Spread): Base 240bps



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Asia Credit

Asia credit continued to grind tighter in July, with spreads tightening by 11bps in Investment Grade (IG) and 27bps in High Yield (HY). Year-to-date (YTD) returns for IG and HY have already achieved +3.99% and +5.28%, respectively. It is important to note that defaults/restructuring are emerging again. As a result, we have a preference for Asia IG over Asia HY and focus on higher quality bonds after the recent rebound.

Asia IG: We expect Asia IG to continue offering stable carry for investors. Our top picks in Asia IG include Japanese life insurers, Asia Global Systemically Important Banks (G-SIBs), and China TMT. We maintain a neutral stance on Hong Kong, India, and Indonesia credits due to balanced risk-reward dynamics. We view valuations for Chinese State-Owned Enterprises (SOEs) and Korean credits as tight.

Asia High Yield (HY): Credit selection in Asia HY is important, especially after the record defaults in recent years. Our top picks in Asia HY include Indian non-bank financial and renewables sectors due to their long-term growth potential, and Macau gaming given its stable credit profile. In contrast, we expect credit headlines may pick up in Hong Kong's real estate sector, driven by elevated spreads and ongoing headlines. For China property, defaults are happening again as defaulted/restructured bonds fail to make coupon payments and developers are requesting to extend bank loans. This is a negative surprise as we were expecting a bottoming process instead of further deterioration. We stay cautious in China real estate.

What we're watching: Japan Lifers Hybrids: A-rated, ~6% yield, attractive, low volatility, strong call history. G-SIBs in Asia: Solid IG credit, minimal US real estate exposure, diverse options. India Growth: Long-term prospects, supportive policy, strong technical support.

Our view: Asia IG (Spread): Base 90bps Asia HY (Spread): Base 565bps

Mid-year 2026: EMBI (Spread): 330bps CEMBI (Spread): Base 240bps

FX VIEWS

U.S. Dollar

Our bearish view on the dollar is predicated on: 1) moderation in U.S. growth outperformance, and 2) re-balancing of U.S. dollar overweights and low FX-hedge ratios. Those pillars are in the process of playing out, though optimism around trade deals has led to some consolidations in July. We expect slowing U.S. growth alongside improving prospects in Europe and China to drive further dollar weakness going forward, albeit at a more moderate pace than the first half of 2025. We will also be watching for signs of changing behavior within the institutional investing community (some quick movers in Europe has started to act while overall adjustments to U.S. holdings and hedge ratios have so far been limited), which could indicate the potential for a longer-term downtrend. The key beneficiaries in this environment are likely to be alternate reserve currencies like EUR, JPY, and Gold. However, we think that investors broadly should consider ways to either hedge against (non-USD based investors) or enhance returns from (USD-based investors) a more persistent USD weakening.

What we're watching: U.S. growth momentum vs. rest of world, Fed policy expectations, risk sentiment.

Our view: Year-end 2025: 96 (94-98)

Mid-year 2026: 95 (93-97)



Euro

We turned constructive on the euro in March due to a significant shift in Europe's economic prospects following Germany's historic fiscal package. Since then, the details of the German 2025 Budget over the last month have suggested a more front-loaded fiscal boost than previously expected. ECB rates are also no longer restrictive for activity, and the recent US-EU trade deal (while not necessarily a “good” deal for Europe) eliminates some of the tail risks for European growth. That, along with some softening in U.S. data, is leading to a narrowing in relative growth expectations, boosting the prospects for EURUSD. These cyclical factors alone should lead to a gradual move towards our EURUSD target of 1.20. However, the potential for a continued rotation into domestic assets and increased currency hedging from European asset managers could further support more material upside over the medium term. Long EURUSD remains our preferred expression of the bearish dollar view, and we recommend EUR-based assets make up around 20% of global investment portfolios.

What we're watching: Eurozone vs. U.S. growth momentum. Fiscal Policy, Trade tensions, Geopolitics.

Our view: Year-end 2025: 1.18 (1.16-1.20)

Mid-year 2026: 1.20 (1.18-1.22)



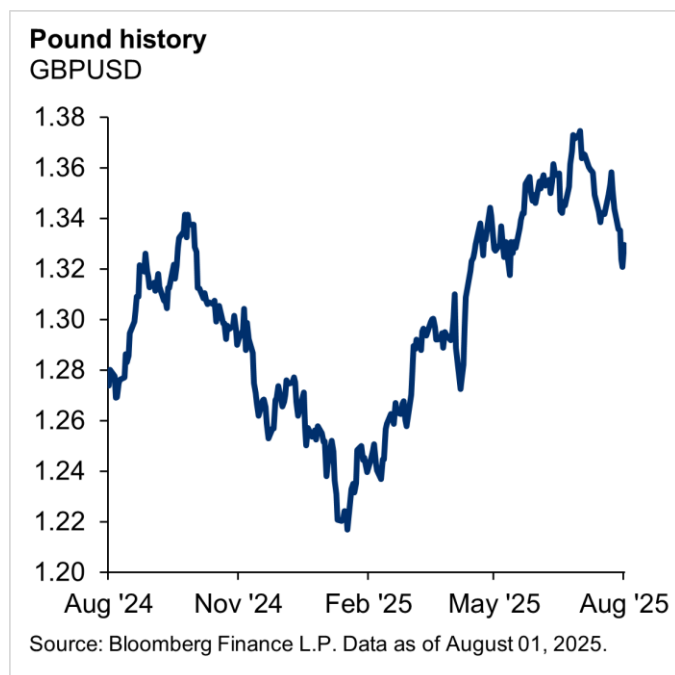
British Pound

The pound was among one of the worst performing G10 currencies in July after reaching its strongest level against USD since 2021. After the move, GBPUSD is now trading around 2% cheap relative to our fair value model. While implies that there could be upside for the pair towards our 1.36 target, there are several forces that are keeping us more cautious on the outlook for GBP relative to other reserve currencies like EUR, JPY, and CHF. Three key developments limit the extent of further GBP gains in our view: 1) recent economic data – especially on the labor market – has been pointing to a faster slowdown in growth and inflation in the UK; 2) the Bank of England appears to be becoming more sensitive to growth risks, and we think GBP's carry advantage could soon diminish; and 3) fiscal constraints on government spending remain a big overhang for the UK economy and markets. Therefore, while broad dollar weakness keeps us in the camp of buying dips in GBPUSD, we expect the pound to underperform most other G10 currencies.

What we're watching: BOE trajectory, global risk sentiment, Gilt yields, fiscal concerns.

Our view: Year-end 2025: 1.35 (1.33-1.37)

Mid-year 2026: 1.36 (1.34-1.38)



Swiss Franc

CHF is among the major beneficiaries of global investors diversifying away from the USD. However, deeply negative carry and European growth improvement may restrain its strength relative to EUR. The Franc officially became zero-yielding in June. Should deflationary pressure sustain, the central bank may either adopt negative interest rate policy, or exercise FX intervention i.e. weakening the currency – though this would require currency strength against the EUR rather than USD in our view. In addition, EURCHF is usually positively correlated with European growth momentum. Therefore, we expect CHF to moderately weaken against the Euro. That said in a weak dollar backdrop, CHF could remain on the strong end against the USD. This outlook supports using CHF as a funder for EUR-based clients, while USD-based clients should consider reducing positions during windows of USD rebound.

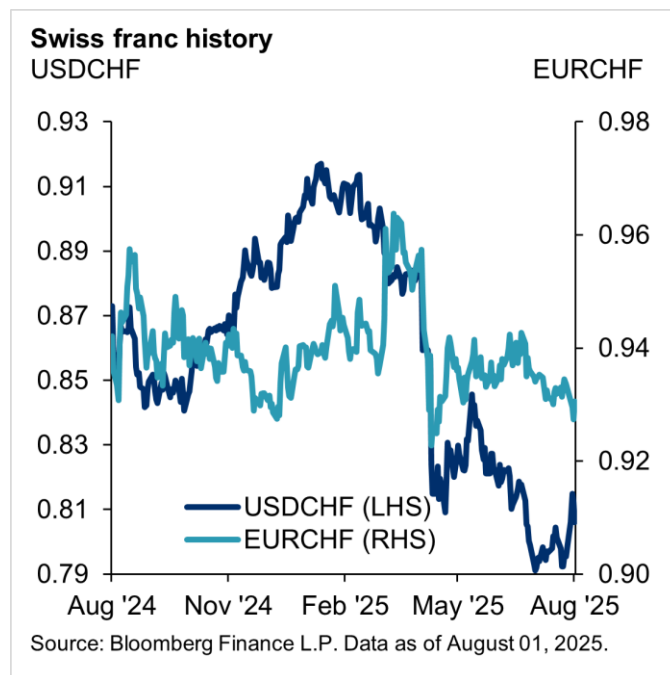
What we're watching: European growth, broader risk sentiment, Fed policy expectations.

Our view: Year-end 2025: USDCHF: 0.81 (0.79-0.83)

EURCHF: 0.96 (0.94-0.98)

Mid-year 2026: USDCHF: 0.80 (0.78 - 0.82) EURCHF:

0.96 (0.94-0.98)



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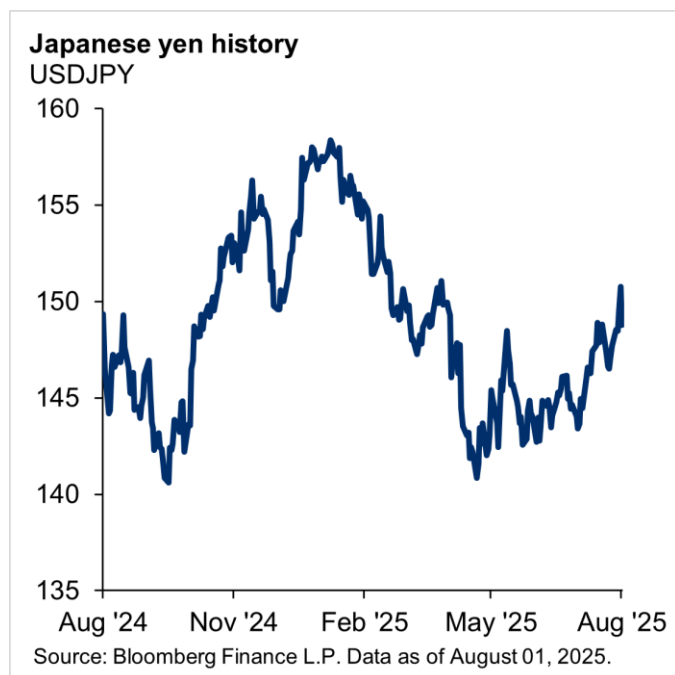
Japanese Yen

We remain bullish on the yen over the medium-term. Long-end JGB yields have risen significantly, reaching a 15-year high. This upward trend began in 2022 when the BOJ incrementally lifted yield curve control measures, but it has meaningfully accelerated in recent months. We expect further increases in long-end yields as part of the interest rate normalization process—currently, the 30-year yield at 3% barely aligns with inflation. The global implication is that fixed income repatriation could increasingly become a bigger theme. Against that backdrop, we expect more sustained strength in yen only after U.S. interest rates begin to meaningfully decline from current levels. The BOJ will likely be patient with further hiking as they delivered a dovish tone on the July meeting. While we advise caution on speculative bets on yen appreciation due to still punitive carry, a long JPY position could be considered as a hedge against risk-off macro outcomes. We are also comfortable with investing in Japan equities without an FX hedge as a way of USD diversification.

What we're watching: USD yields, Japan inflation, BoJ policy guidance.

Our view: Year-end 2025: 139 (137-141)

Mid-year 2026: 135 (133-137)



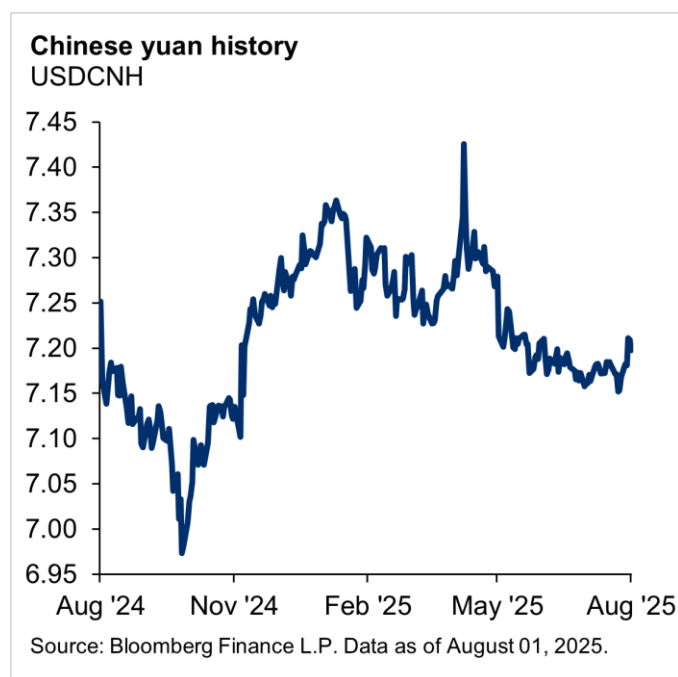
Chinese Yuan

CNH significantly underperformed this year, with the trade weighted index declining by 7%. The PBOC continues to uphold its FX stabilization policy against the USD, only allowing the onshore USDCNH fixing rate to modestly decline. We expect USDCNH to trade within a range of 7.1 to 7.3, while CNH against a basket of currencies is expected to weaken. While trade negotiation with the U.S. has made progress, China will likely end up with meaningfully higher tariffs than other major economies. To address the potential impact on exports, the PBOC may not welcome a significant decline in USDCNH. Therefore for investors seeking USD diversification, RMB assets may not be the most effective - we'd prefer Euro and Yen denominated assets. As a funder, CNH still offers low FX volatility and attractive funding costs. However, FX risk is worth watching given the overall weak dollar backdrop. Investors sensitive to short-term FX volatility may consider switching into HKD loans.

What we're watching: U.S.-China trade tensions, China policy moves, capital flows.

Our view: Year-end 2025: 7.20 (7.10-7.30)

Mid-year 2026: 7.15 (7.05 - 7.25)



G10 Commodity FX

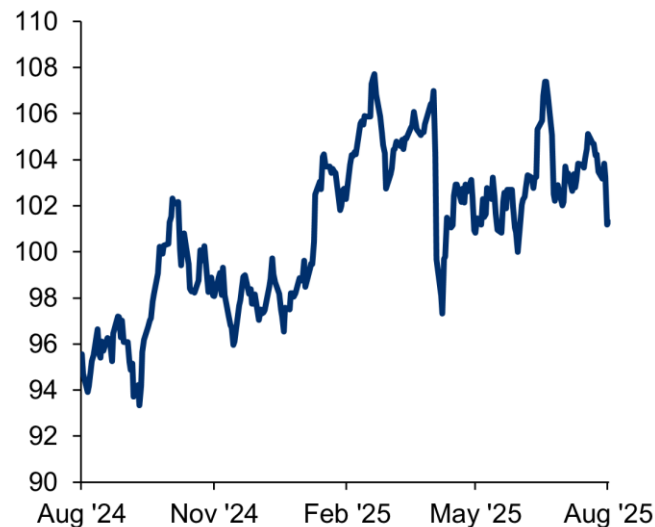
The commodity bloc has been a laggard within G10 this year. Positive risk sentiment has driven some catch up since May before retreating in late July amid a USD rebound. CAD : Neutral. Lingering trade uncertainties and potential spillover from weaker U.S. growth may restrain CAD strength. Given that further BoC cuts are likely in store, we think that CAD can act as a lower carry proxy for tactical USD shorts. AUD: Bullish. RBA skipped a rate cut in July and signaled only gradual easing ahead. We expect terminal rate to be one of the highest in G10. Benign global risk sentiment and healthy domestic fiscal impulse will also lend support NZD: Neutral. The NZD may underperform AUD given weakness in domestic economy. The NZD has shown resilience amid trade tensions, and the RBNZ's dovish stance is largely priced in.

What we're watching: Commodity prices, global growth outlook, central bank divergence

Our view: Mid-year 2026: CAD: 1.32 (1.30-1.34) AUD: 0.68 (0.66-0.70) NZD: 0.63 (0.61–0.65)

Broad commodity history

Bloomberg Commodity Index (BCOM)



Source: Bloomberg Finance L.P. Data as of August 01, 2025.

Scandi FX

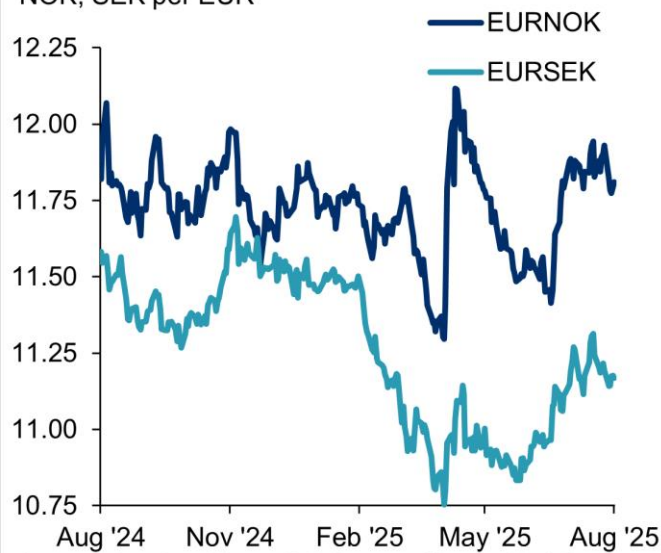
Among the best performing currencies this year, Scandis have benefited from risk-on sentiment and improving European growth prospects. Despite trading weaker against the dollar in July, Scandis have traded flat against the euro. We think that continued strength in global risk assets, partnered with more favorable domestic growth and fiscal dynamics, provide a strong backdrop for the bloc going forward. NOK : Bullish. A surprise Norges Bank cut in June led to some weakness. However, economic resiliency to global trade uncertainty and ample fiscal space into the September election should benefit NOK – especially as stagflation concerns grow for other higher carry currencies like GBP. SEK : Neutral. Although economic data has been falling short of expectations recently, Riksbank's earlier and deeper cutting cycle should benefit SEK via the growth channel. That, along with an improving balance of payments due to shifting equity allocations, leaves us generally positive going forward.

What we're watching: European growth, domestic growth, commodity prices, and central bank developments.

Our view: Mid-year 2026: EURNOK: 11.10 (10.90–11.30) EURSEK: 10.40 (10.20–10.60)

Scandi FX history

NOK, SEK per EUR



Source: Bloomberg Finance L.P. Data as of August 01, 2025.

Emerging Market FX

EM FX performance may diverge on repatriation potentials as well as local political and growth risks. Latam: Pressure could be prolonged as tariff and political risks flare up in the region causing a high degree of volatility. BRL: The sharp devaluation due to fiscal concerns partially reversed. We remain cautious until we see clarity over commitment to fiscal remedy. MXN : Cautious for now given tariff risks and domestic political turmoil. Volatility will likely remain elevated until we see further clarity on trade. EMEA: We are neutral on this part of the complex. ILS : The apparent easing in tensions between Iran and Israel has opened the door for USDILS to retest 3.30. Provided that geopolitical tensions remain somewhat muted, we expect the next leg lower for USDILS to be driven by institutional investment flows. Israeli institutional money managers are among the most exposed to USD risks globally, and we anticipate higher FX hedge ratios to support ILS strength. Asia : We see FX of economies with larger USD holdings via portfolio allocation and exporter deposits outperform. INR : Constructive from current levels. While RBI has started cutting rates, its carry advantage, healthy growth outlook and isolated tariff risks still lend support. TWD: Neutral following the sharp rally in May. Hedging activities will continue but CBC may take actions to smoothen the moves. SGD: Likely trade on the lower end of the USDUSD long term range as USD weakens. The MAS may ramp up easing as inflation stabilizes.

What we're watching: Overall risk sentiment, global trade outlook, central bank divergence.

Our view: Mid-year 2026:

BRL: 5.75 (5.55 – 5.95)

MXN: 19.40 (19.20–19.60)

ILS: 3.25 (3.15–3.35)

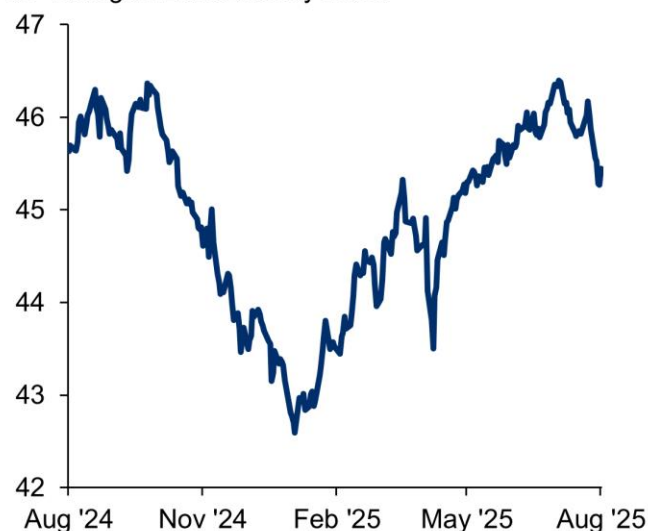
INR: 82.50 (81.50 – 83.50)

TWD: 30.20 (29.20–31.20)

SGD: 1.26 (1.24–1.28)

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of August 01, 2025.

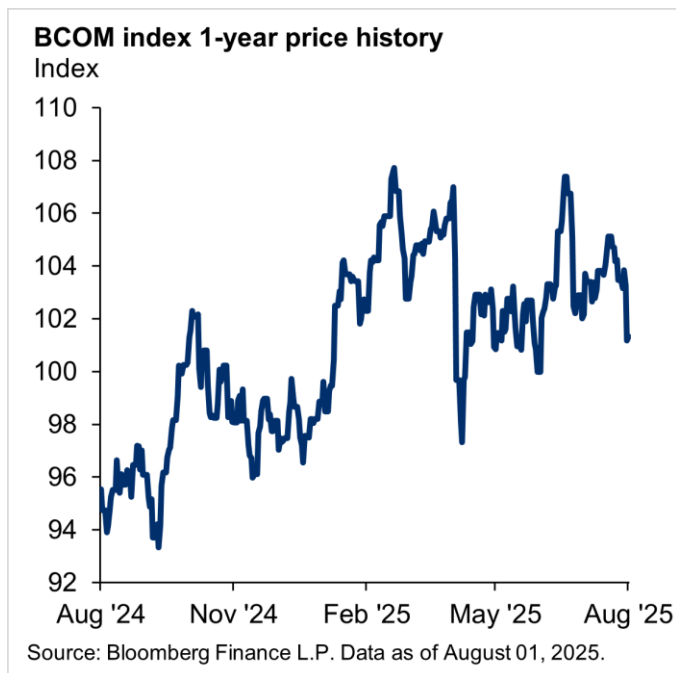
COMMODITY VIEWS

BCOM Index

Commodities had another volatile month, losing -0.77%. At one point the index was +3%, so the reversal was sharp. Tariffs were certainly a big factor this month, but USD volatility was also a factor after we saw a rapid reversal in the USD trend after mid-month. Commodities, generally do better when the USD trades lower, although the correlation often fades. The biggest loser was Natural Gas which lost -12.5%, Corn -7.3% and Soybeans -5.9%. On the winning side, the best performers were Gasoline +7.8%, Crude oil +7% and Sugar +6.9%.

What we're watching: Tariff uncertainty should fade as the August deadline passes, but plenty of factors could still move Commodity markets. Our focus shifts to the Ukraine conflict and potentially wider sanctions on Russia.

Our view: Year-end 2025: 107-108 Mid-year 2026: 110-112



Gold

Gold was unchanged in July and has spent two months locked in a tight range. We wrote last month that we expected sideways price action and this has proven to be accurate, although we are growing somewhat concerned after yet another failure to break above \$3440. Technically, this does not look constructive and the market may well trade lower in a downside test. The low on the month was almost exactly at the 100 day moving average, sitting at \$3262. A break below this level would likely lead to a run towards \$3000. Fundamentally, not a lot has changed other than the reversal of the USD trend. We expect dollar weakness to re-emerge and for the Federal reserve to cut interest rates by 50bps before year-end. Both of these drivers should enable gold to trade higher, although we acknowledge that time is running out to achieve our YE25 target. Economics of collars are improving and we urge clients to take advantage and protect positions. World Gold Council data this month has observed a moderation in Q2 Central Bank buying, although their demand outlook remains healthy and we expect to see buyers on dips.

What we're watching: The dollar holds the key for now, as Central Banks remain cautious about buying at or near the all time highs.

Our view: Year-end 2025: \$3600-\$3700 Mid-year 2026: \$4050 - \$4150



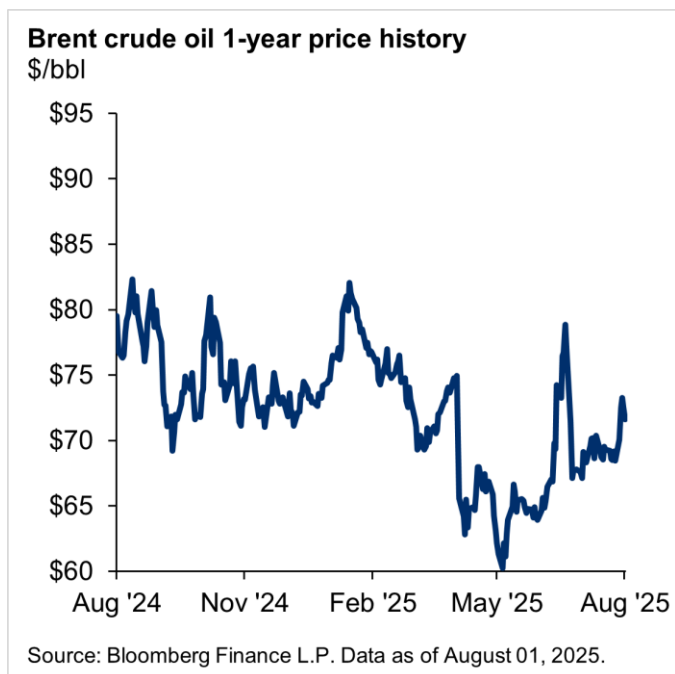
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Crude Oil

Crude oil gained ground in July after trading on the back foot for most of this year. Traders appreciated the rally and calmer markets, after the extreme volatility seen in June around the Israel/Iran/US conflict. Prices are higher on the back of increased sanction threats made by President Trump towards Russia. In theory, price caps and sanctions on Russia should be shutting in oil exports, but of course the reality is that discounted Russian oil is finding ready buyers, especially in India. The White House rolled out a 25% tariff on India along with unspecified penalties to take effect August 1st, in a reaction to continued Indian oil purchases. We do not expect this rally to be sustainable as more production will flow to markets in the coming months and we still anticipate a global surplus of up to 2mbd by year-end. We would be inclined to sell rallies.

What we're watching: With Iran sidelined for now, we need to see what President Trump intends to do if Russia refuses to negotiate a settlement with Ukraine. Prices have already moved higher and the risk is they quickly reverse.

Our view: Year-end 2025: WTI: \$59-\$64 Brent: \$63-\$68
Mid-year 2026: WTI: \$52-\$57 Brent: \$55-\$60

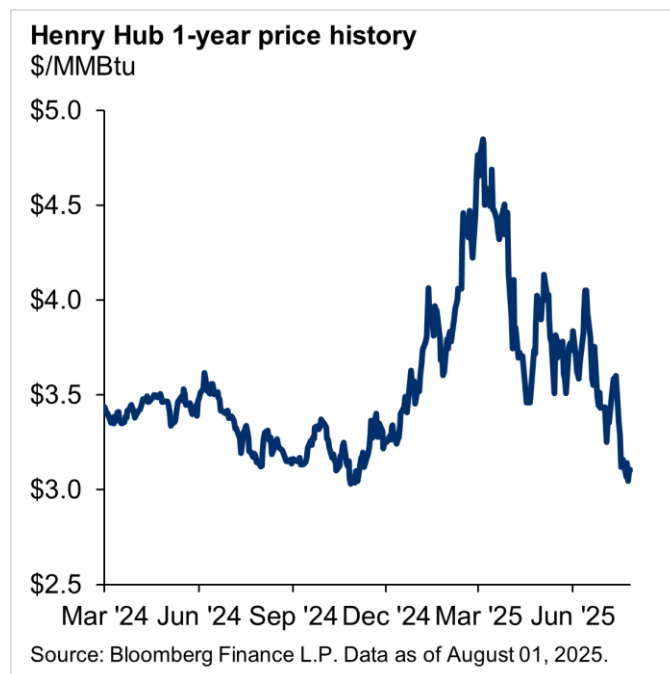


Natural Gas

Nat Gas continues to be very volatile, losing -12.7% in July. Production growth has emerged and storage inventories look healthy, against a backdrop of strong renewable penetration. Power burns are lower yoy as nationwide temperatures are slightly above 10 year averages. Data is showing that solar generation is strengthening this summer, effectively reducing gas demand by 1.5Bcf per day. Additionally coal generation remains sticky, which surprised the market given expectations coal-to-gas switching would increase with lower pricing. The healthy level of inventories reduces the need to draw on supply any further as injection season begins to drawdown. Atlantic Hurricane season is now in full swing and the NOAA is predicting higher than normal activity. However, we would point out that according to ChatGpt, these forecasts have been only reasonably accurate, at best. Storms should be watched carefully as they have the potential to impact LNG demand and industrial activity. Bigger picture the dips look enticing as we await the ramp up in US data center demand. EIA announced they expect 2.5% growth in annual electricity demand over the next decade, slightly lower than the JPM forecast of 3 to 3.5% growth. We are reducing our targets slightly, now \$4 - \$5 YE25 and \$3.50-\$4.50 mid year 26.

What we're watching: The EU announced their intention to buy more US energy and we look for signs this will increase LNG demand. Weather as always will be a big factor.

Our view: Year-end 2025: \$4.00 - \$5.00 Mid-year 2026: \$3.50 - \$4.50



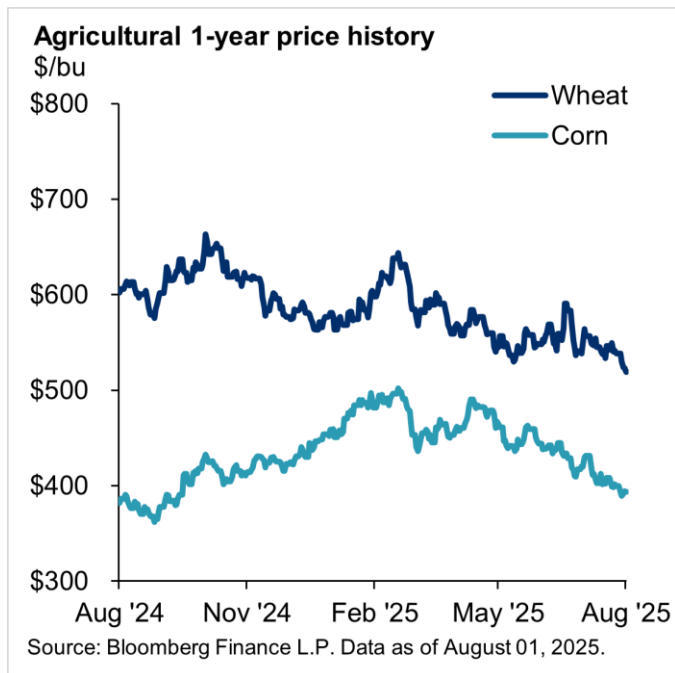
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Agricultural Commodities

Corn and Wheat both had a difficult month with Corn losing -6.5% and Wheat declining -1.25%. These losses are almost exactly the same as we saw in June. For this month the primary drivers appear to be better growing conditions in the US market with no heat stress and normal rainfall conditions.

What we're watching: Ukraine peace negotiations and China demand into 2H 2025.

Our view: Year-end 2025: Corn: 425-525 Wheat: 550-650
Mid-year 2026: Corn: 450-550 Wheat: 575 – 675



Copper

Copper lost -2.6% in July, although this reflects LME pricing, our benchmark. The month was absurdly volatile if we look at COMEX pricing, where metal for US delivery has been buffeted by tariff fears. Finally at month-end the White House announced that refined copper would not be subject to tariffs, only finished products. The market had resigned itself to the expected imposition of a 50 % tariff and had built a significant premium into COMEX prices above LME prices. The announcement wiped out the premium and at one point COMEX copper dropped a historic -22% in one day. At this point, the US copper industry appears to have purchased an entire years worth of demand in the first six months of 2025, and will not need to buy again for the balance of this year. We therefore expect prices to drift lower towards our target levels, barring any further announcements. The tariff risk has not gone completely away, as the WH announced it would review the market again in June 2026 with a view to possibly imposing a tariff in Jan 2027. We would advise caution when considering potential investments.

What we're watching: We look for US import demand to wane over the second half and watch to see if tariff news re-emerges.

Our view: Year-end 2025: \$9100 - \$9200

Mid-year 2026: \$9300 - \$9400.



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ALTERNATIVES VIEWS

Private Credit

In today's complex environment, concerns about a potential 'private credit crisis' have emerged due to several factors: the possibility of a significant economic slowdown, the impact of 'higher for longer' interest rates, persistent inflation, and the influx of capital into private credit impacting industry fundamentals. These factors have led to questions about the durability of the characteristics that have made private credit popular, such as consistent returns, healthy yields, and low volatility.

First - we believe fears of a systemic crisis in private credit are overstated.

- Growth of the private credit industry has been meaningful (+14.5% CAGR over past decade), but, in our view, not large enough to pose systemic risk to the economy. Private credit AUM is ~\$1.2T, representing about 9% of all corporate borrowing.⁹
- Our base case is that economic growth moderates, but avoids a recession this year. If we enter a meaningful economic slowdown, senior direct lending returns should remain resilient due to high yield starting levels, seniority in the capital structure, and underlying portfolio diversification.

All that said, the industry is not immune to a potential economic slowdown. The broad private credit industry exhibits lower quality fundamentals vs. public market (whether high yield or the leveraged loan market). This is in part due to post-GFC banking regulations which shifted lending to the middle market to the private markets. Below is a snapshot of comparison of the leveraged loan market (private vs. public).¹⁰

- Interest coverage ratios (EBITDA / Net Interest Expense): 2.1x vs 3.9x ; private vs public
- Leverage (Debt / EBITDA): 5.6x vs. 4.6x
- EBITDA margins: 14.9% vs. 16.4%.

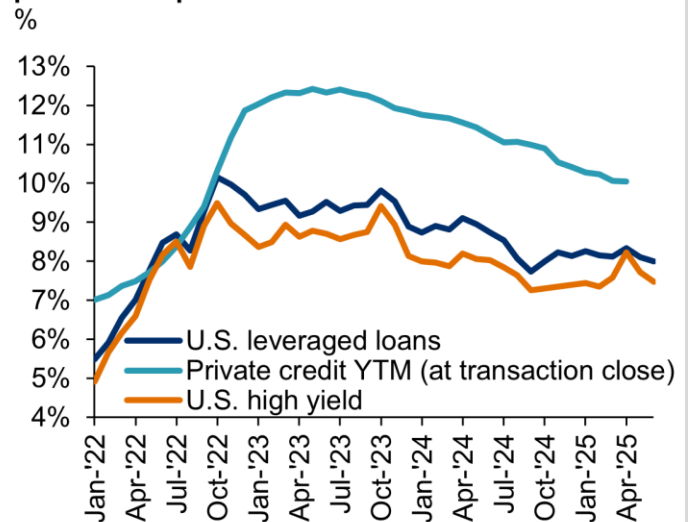
While investors have been compensated for this incremental risk through higher yields, an economic downturn would likely lead to stress at the company and manager level. Additionally, as base rates likely move lower, we believe yields will normalize to historical levels. Therefore, it is critical for private credit portfolios to be diversified across managers and sectors outside of just senior direct lending / corporate credit (i.e. opportunistic credit, asset-backed credit, GP/LP solutions). While we do

not expect a macro distress cycle, pockets of dislocation may emerge as growth moderates, creating opportunity for specialized lenders.

Bottom line: Senior direct lending can still be an income ballast in a client portfolio, but manager selection is key. We believe private credit portfolios should be diversified across managers and sectors outside of just senior direct lending / corporate credit (i.e., opportunistic credit, asset-backed credit, GP/LP solutions).

What we're watching: Rise in AUM and potential impact on returns/volatility, default risk, path of base rates, yields vs. public credit.

Recent direct loan deals yield maintain healthy premium vs public markets



Source: J.P. Morgan. Data latest available as of June 30, 2025.
Note: YTM includes OID.

⁹ "Private Debt: A Game Changer", Empirical Research Partners, April 2025.

¹⁰ 1Q25 Leveraged Loan Credit Fundamentals, JP Morgan Investment Bank North America Credit Research, June 23, 2025.

Private Infrastructure

Infrastructure provides two key characteristics to investors: stable returns (supported by long-term, inflation-resilient, contractual cash flows) and exposure to secular growth backed by multi-year trends (acceleration in demand for power, revitalization of U.S. infrastructure). These characteristics have become more relevant given our expectation for higher for longer rates and inflation.

Since 2Q08, core infrastructure has annualized high single digit to low double digit returns across various inflationary regimes. Let's double click into the multi-year trends supporting these consistent returns.

- **Acceleration in demand for power:** ~40% of demand driven from industrialization (reshoring, resurgence of U.S. manufacturing), ~40% from Data Centers (driven by growth in AI), ~20% from Electrification (building electrification, EV growth & charging infrastructure)
- **Revitalization of U.S. infrastructure:** ASCE estimates the US needs ~\$9.1T in investment over the next decade to get U.S. infrastructure to reach a state of good repair, resulting in a \$3.7T funding gap based on current spending levels. Why? Aging U.S. infrastructure (e.g., ~70% of grid is over 25 years old and was built for a different energy mix, ~40% of major roads are in poor condition) and resulting vulnerability to extreme weather events (US experienced two times more weather-related outages during the last 10 years (2014– 2023) than during the prior 10 years (2000– 2009)).

Moreover, investors have historically had low allocations to infrastructure. The JPM Private Bank Family Office Report found that infrastructure represented less than 1% of assets under supervision in 2024 . As the need for consistent, inflation-resilient income becomes a top priority in this cycle, we believe investor allocations to infrastructure can (and should) shift higher.

Over the past couple of years, the infrastructure sector has garnered substantial attention as the need for more power has become more widely recognized. Integral to this transformation are infrastructure assets across the power spectrum – from power users (data centers) to power generation (renewables and traditional energy) to power distribution and storage (utilities, midstream assets, transportation, and battery storage). Indeed, power now represents ~60% of the global private infrastructure index.

Investments in AI and data centers are being driven by large, profitable companies with substantial free cash flow, ensuring that these projects are well-funded and sustainable. This influx of capital is expected to accelerate

the modernization of power infrastructure including traditional and renewable energy sources, fiber optic cables and cell towers.

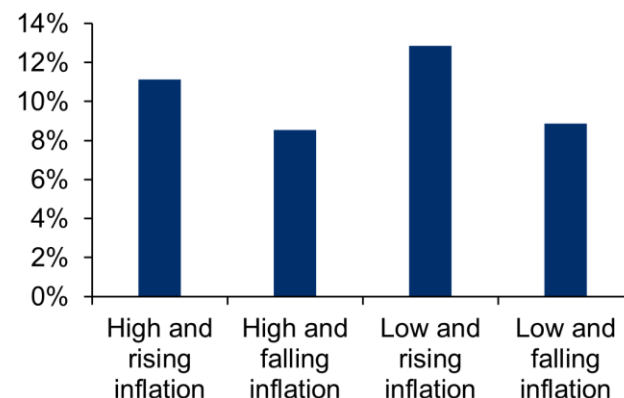
The past couple of years have also showcased in real-time the role that energy plays in influencing the geopolitical landscape. Securing reliable sources of energy / power - not only for essential services but also to power AI - has become a matter of national security. For investors, it means that investment in energy and power infrastructure will be supported by long-term secular forces, and that investing in globally diversified infrastructure is key as the type of asset (and therefore growth) you are getting exposure to will vary by region.

Bottom line, for private investors, infrastructure presents a unique opportunity to get access to both the potential for consistent returns (backed by contractual, inflation-resilient cash flows) and multi-year secular trends (power, revitalization of U.S. infrastructure)

What we're watching: Impact of tariffs, signs of a macro slowdown, any signs of overinvestment in datacenters.

Infrastructure returns stable across different inflation regimes

Annual return, %



Sources: MSCI, Bloomberg Finance L.P. Data based on availability as of June 2025. High inflation defined as year-over-year headline US CPI reading above historical median (2.1% in timeframe used: 2Q08 – 3Q24). Returns shown are annualized and based on global core infrastructure average quarterly returns.

Private Real Estate

In the timeframe post the 2022 rate hikes (3Q22 to 3Q24), Commercial Real Estate saw a -18.5% decline in total returns, despite an ~8% growth in NOI. This created a unique gap between fundamentals and returns. We believe we are in the early innings of a recovery.

The U.S. real estate market started 2025 with positive momentum, as shown by the ODCE's positive total returns for the third consecutive quarter since Q4 2022. Even the office sector has shown improvement. While stabilizing cap rates have been pivotal in this recovery, the underlying fundamentals remain robust.

We are constructive on rentals and industrial real estate.

- The current state of housing affordability has created a significant opportunity in single family rental as more individuals and families turn to renting as costs to own become more prohibitive.
- The next multi-generational trend in real estate that we are constructive on is US re-industrialization. As the United States undergoes a significant re-industrialization, industrial real estate presents a compelling investment opportunity, driven by increased demand for manufacturing facilities, distribution centers, and logistics hubs.

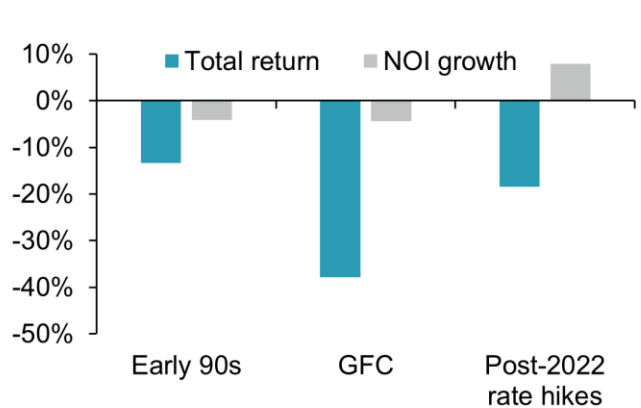
The meaningful decline in housing affordability we have seen over the past few years will likely be one of the most important trends to watch in US real estate markets going forward – increasing not only the potential for individuals and families to turn to renting (vs. owning), but also shift where they look for housing.

- Housing affordability is at a multi-year low; the median age of a first-time home buyer is now ~38 years old (vs. 33 around five years ago, and 28 in the early '90s)
- The monthly cost of single-family rentals is \$2,305 vs. the monthly cost to own at \$3,405
- Falling supply may also allow owners to continue to push rents higher. The national housing shortage is expected to deepen through the end of the decade.

Bottom line, we believe that real estate offers durable returns supported by stable, inflation-resilient cash flows. We believe we are in the early stages of a recovery in commercial real estate and remain focused on property sectors with strong fundamentals backed by multi-year secular trends. We believe rentals and industrial real estate are two of those sectors. The shift towards renting (vs. owning) and U.S. re-industrialization will continue to transform real estate for multiple years.

What we're watching: Signs of a macro slowdown, impact of tariffs on input costs, signals of impact of immigration policy on labor and therefore supply.

Post 2022 CRE drawdown: disconnect between price and fundamentals



Source: JPMAM Real Estate Americas. Data as of December 31, 2024. Cumulative Total Returns & NOI Growth for the ODCE Index from the first quarter of depreciation for the index until valuations turn positive again. Early 90s (3Q90-2Q93), GFC (2Q08-4Q09), Covid (3Q22-3Q24).

Housing affordability near multi-year low



Sources: Bloomberg Finance L.P., National Association of Realtors. Data as of May 2025. When the index measures 100, a family earning the median income has the exact amount needed to purchase a median-price resale home.

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Private Equity

It is no secret that the past few years have been challenging for private equity (PE). The median PE manager has underperformed public markets across regions since end of 2022, in part due to the AI-fueled rally in mega cap tech that propelled public markets to new highs. This has come at a time of high levels of dry powder and low distributions, leading to a rising chorus of frustration with the industry and a slowdown in fundraising.

With this backdrop, we take a look at what the fundamentals are telling us.

- **EBITDA growth:** Over the past 10 years, median 1-yr EBITDA growth for a buyout company has averaged ~9%; the 75th percentile averaged ~35%
- **Valuations:** Median EBITDA multiples have been on an upward trend over the last 10 years (12.3x vs. 8.9x in 2014) .
- **Capital market activity.** Near record amounts of dry powder while distributions as a % of NAV are at the lowest levels seen since GFC.
- **Green shoots emerging.**
 - Dealmaking activity: After a post-“Liberation Day” pause, we saw signs of recovery in May and June. In May and June, global M&A and IPO volumes were both higher than the long-term monthly average¹¹. While IPO activity has been concentrated in the AI ecosystem, this uptick reflects progress towards a healthier exit environment.
 - Exit activity: In the US, 1Q25 was the strongest period of exit activity since the end of 2021¹². Medium-term, our expectations for a decline in interest rates, regulatory easing, and convergence of bid-ask spread will likely support additional exits.

Putting this mosaic together, alongside our expectations for rates and inflation to remain at higher levels than the post-GFC timeframe, the formula for buyout total return generation has changed. ~50% of buyout returns post-GFC were driven by multiple expansion and leverage, we believe that contribution will decline moving forward. We also expect greater manager dispersion moving forward.

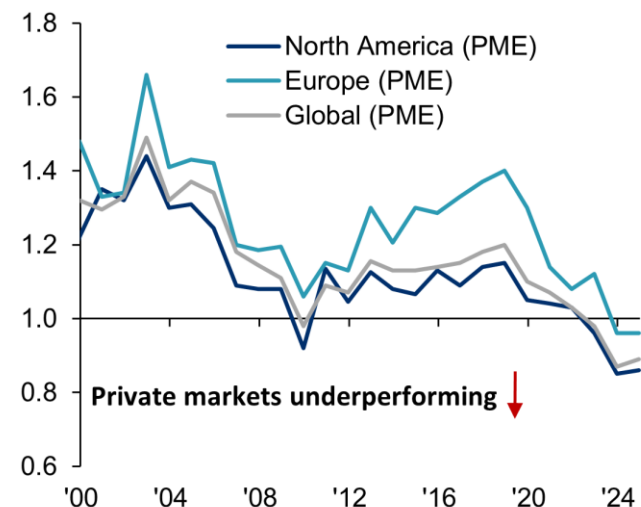
Within private equity, regionally, we remain constructive on the U.S. and are increasingly optimistic on Europe. Tech

remains an area of interest, though elevated valuations and rising risk to established players on the back of AI disruption call for discipline. In VC and Growth Equity, the rapid pace of company formation and disruption warrants a measured approach. We are focused on multi-year, secular trends including: re-industrialization of the US and pockets of the AI ecosystem (i.e., 'services as a software', data platforms, emerging agentic-AI).

Overall, we believe that high-quality PE managers, especially in Europe, are well-positioned to provide differentiated and robust returns over the long-run. That being said, prudent manager selection in PE is going to be increasingly important – not only in relation to who can drive returns through operational improvements, but also who can get deals done in uncertain environments. Finally, secondary private equity investment should continue to see above-average activity, as the industry continues to work through a multi-year liquidity backlog.

What we're watching: Capital market activity (dealmaking, exit activity, dry powder, fundraising levels), valuations.

Median PE funds have recently underperformed public markets, breaking trend of outperformance
Public Market Equivalent



Source: Burgiss. Data latest available as of June 2025.

¹¹ Bloomberg Finance, July 2025.

¹² Pitchbook, Apollo, March 2025.

VOLATILITY VIEWS

Equities Vol

This summer US equity markets have been characterized by a persistent divergence between implied and realized volatility. As the S&P 500 has steadily climbed higher over the past month, implied volatility has remained relatively elevated, signaling the market's anticipation of potential future fluctuations despite benign price action. To put this into perspective, the S&P 500 has not experienced a daily move of 1% in either direction since late June, however the VIX at \$16 implies such movements should be a near daily occurrence. Implied volatility tends to follow trends in realized volatility, however this relationship has broken down in the current market.

The current market dynamic can be influenced by several factors, including option positioning. Option market maker's need to re-hedge exposure based on positions in their book, particularly on call options with the S&P 500 making new all-time highs, has likely contributed to suppressed price movements at the index level. The absence of any major macro surprises this summer has allowed this trend to have an outsized influence on price action and market trajectory.

Our focus: Investors should focus on building portfolio resilience through strategic overlays and structured investments that capitalize on current market conditions. For those looking to add hedges on the rally, consider using spread strategies (i.e put spreads, appearing put spreads, lookback put spreads, or resettable put spreads) as these may hold their value better than outright long option structures in a low realized environment. Additionally, hedging high beta portfolios with index protection may be less effective as idiosyncratic moves are not necessarily reflected in broad market changes. Consider taking advantage of the strong rally off the April lows in many single names to revisit solutions for managing concentrated stock positions.

What we're watching: Crowding in high beta stocks on the back of a resurgence in speculative trading in riskier pockets of the equity market.

Macro Vol

Many of the drivers of macro volatility across interest rates, foreign exchange (FX), and commodities (ex-copper) diminished over the last month. Delayed tariffs, easing geopolitical conflict, and resilient economic data have caused the market's expectation for volatility on macro assets to melt lower. Notably, implied volatility in rates has moved to the lowest end of the range relative to the last year

and is near multi-year lows across certain tenors and maturities.

What we're watching: Inflation prints, labor market data, and crowded positioning in short USD trades as potential catalysts for macro volatility resurgence.

Cross Asset Volatility Monitor			
Underlier	Vol	MoM Change	1 Year Range
Equities – 3 Month 100% Strike Implied Volatility			
S&P 500 Index	15.35	-3.66	
EURO STOXX 50 Index	15.43	-2.08	
Tokyo SE (TOPIX) Index	17.04	-0.57	
Rates – SOFR Swaptions ATM Strike Implied Volatility (BP, Annualized)			
1Y Expiry Into 1Y Swap	92.76	-9.12	
1Y Expiry Into 5Y Swap	93.99	-5.48	
3M Expiry Into 10Y Swap	83.66	-7.37	
Commodities – 3 Month ATM Strike Implied Volatility			
Oil (Brent)	30.90	0.65	
Gold	14.92	-0.47	
Currencies - 3 Month ATM Strike Implied Volatility			
EUR/USD	7.09	-1.27	
USD/JPY	9.81	-0.87	
USD/CNH	3.66	-0.60	

- 1) Source: J.P. Morgan. Data as of July 31, 2025
- 2) ATM Strike refers to "At the Money Forward"
- 3) In the illustration, the red X signifies current levels & the green line represents the median for the time period
- 4) Historical 1 year window observed for the range

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DEFINITIONS OF INDICIES AND TERMS

Currencies and Central Banks

- USD – US dollar
- DXY – U.S. Dollar Index indicates the general initial value of the USD. The index measures this by averaging the exchange rates between the USD and major world currencies.
- EUR – Euro
- JPY – Japanese yen
- GBP – British pound
- CHF – Swiss franc
- CAD – Canadian dollar
- AUD – Australian dollar
- NOK – Norwegian krone
- MXN – Mexican peso
- BRL – Brazilian real
- CNH – Offshore deliverable renminbi
- CNY – Onshore non-deliverable renminbi
- RMB – Chinese renminbi
- KRW – Korean won
- INR – Indian rupee
- SGD – Singapore dollar
- SEK – Swedish krona
- XAU – Gold
- RUB – Russian ruble
- TRY – Turkish lira
- BCB – Central Bank of Brazil
- BoC – Bank of Canada
- BoE – Bank of England
- BOJ – Bank of Japan
- CBR – Central Bank of Russia
- CBRT – Central Bank of the Republic of Turkey
- CBRA – Central Bank of the Republic of Argentina
- ECB – European Central Bank
- Fed – Federal Reserve
- SNB – Swiss National Bank

Additional abbreviations

- Bbl – Barrel
- Bps – Basis points
- Bcf – Billion cubic feet
- BoP – Balance of Payments
- BTP – Italian government bonds
- Bund – German government bonds
- CFTC – Commodity Futures Trading Commission
- COVID-19 – Coronavirus disease 2019
- DM – Developed Markets
- EM – Emerging Markets
- EMEA – Europe, Middle East and Africa
- FDI – Foreign Direct Investment
- FX – Foreign Exchange
- G10 – The Group of Ten is made up of 11 industrial countries that consult and cooperate on economic, monetary and financial matters
- GDP – Gross Domestic Product
- HY – High yield
- IG – Investment grade
- JGB – Japan government bond
- LATAM – Latin America
- OPEC – Organisation of the Petroleum Exporting Countries
- Oz. – Ounce
- REER – Real Effective Exchange Rate
- SPX – S&P 500
- UK – United Kingdom
- UST – U.S. Treasury note
- WTI – Western Texas Intermediate
- YTD – Year-to-date

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Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool.

All indices denominated in U.S. dollars unless noted otherwise.

All data sourced from Bloomberg Finance L.P. as of May 09, 2025, unless noted otherwise.

The **Bloomberg Commodity Index (BCOM)** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

The **Bloomberg US Agg Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The **JPM Corporate Emerging Market Bond Index (CEMBI)** series was launched in 2007 and was the first comprehensive USD corporate emerging markets bond index. There are two root versions of the CEMBI with a Diversified overlay for each version: the CEMBI and the CEMBI Broad. The CEMBI Broad Diversified version is the most popular among the four versions largely due to its issuer coverage and diversification weighting scheme.

The **CSI 300 Index** is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. Index has a base level of 1000 on 12/31/2004. * Due to our agreement with CSI, shares in the index are restricted, please visit [SSIS<go>](#) for more information and access. This ticker holds prices fed from Shenzhen Stock Exchange.

The Citi **Economic Surprise Indices** measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

The **Emerging Market Bond Index Global (EMBI Global)** was the first comprehensive EM sovereign index in the market, after the EMBI+. It provides full coverage of the EM asset class with representative countries, investable instruments (sovereign and quasi-sovereign), and transparent rules. The EMBI Global includes only USD-denominated emerging markets sovereign bonds and uses

a traditional, market capitalization weighted method for country allocation.

The **J.P. Morgan Asia Credit Index (JACI)** aids in evaluating investment opportunities in fixed rate USD denominated bonds issued in Asia ex Japan region. It follows a traditional market capitalization technique similar to the EMBI and the CEMBI Index series.

The **MSCI All World Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1987. MXWD includes both emerging and developed world markets.

The **MSCI AC Asia ex Japan Index** captures large and mid-cap representation across two of three Developed Markets countries (excluding Japan) and eight Emerging Markets countries in Asia. With 609 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the index include: Hong Kong and Singapore. Emerging Markets countries include: China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

The **MSCI China Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1992. This index is priced in HKD. Please refer to M3CN Index for USD.

MSCI AC ASEAN Index (former: MSCI South East Asia Index) captures large and mid-cap representation across 4 Emerging Markets countries and 1 Developed Market country.

The **MSCI India Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31 1992.

The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index consists of 23 developed market country indexes.

The **Nikkei-225 Stock Average** is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225. *We are using official divisor for this index

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The **Russell 2000 Index** is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990. See MDY US Equity <GO> for the tradeable equivalent.

The **Standard and Poor's 500 Index** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941–43 base period.

The **EURO STOXX 50 Index**, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the region. The index covers 50 stocks from 11 Eurozone countries. The index is licensed to financial institutions to serve as an underlying for a wide range of investment products such as exchange-traded funds (ETFs), futures, options and structured products.

The **STOXX Europe 600 Index (SXXP Index)**: An index tracking 600 publicly traded companies based in one of 18 EU countries. The index includes small cap, medium cap, and large cap companies. The countries represented in the index are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Iceland, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange.

KEY RISKS

- Small capitalization companies typically carry more risk than well-established "blue-chip" companies since smaller companies can carry a higher degree of market volatility than most large cap and/or blue-chip companies.
- Investments in commodities may have greater volatility than investments in traditional securities. The value of commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in commodities creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.
- Investing in alternative assets involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.
- The price of equity securities may rise or fall due to the changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.
- Investing in fixed income products is subject to certain risks, including interest rate, credit, inflation, call, prepayment and reinvestment risk. Any fixed income security sold or redeemed prior to maturity may be subject to substantial gain or loss.
- Preferred securities are typically long dated securities with call protection that fall in between debt and equity in the capital structure. Preferred securities carry various risks and considerations which include: concentration risk; interest rate risk; lower credit ratings than individual bonds; a lower claim to assets than a firm's individual bonds; higher yields due to these risk characteristics; and "callable" implications meaning the issuing company may redeem the stock at a certain price after a certain date.
- Investors should understand the potential tax liabilities surrounding a municipal bond purchase. Certain municipal bonds are federally taxed if the holder is subject to alternative minimum tax. Capital gains, if any, are federally taxable. The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax (AMT).
- Holders of foreign securities can be subject to foreign exchange risk, exchange-rate risk and currency risk, as exchange rates fluctuate between an investment's foreign currency and the investment holder's domestic currency. Conversely, it is possible to benefit from favorable foreign exchange fluctuations.
- International investments may not be suitable for all investors. International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations. International investing can be more volatile.
- Investments in emerging markets may not be suitable for all investors. Emerging markets involve a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations. Investments in emerging markets can be more volatile.
- Not all option strategies are suitable for all investors. Certain strategies may expose investors to significant potential risks and losses. For additional risk information, please request a copy of "Characteristics and Risks of Standardized Options." We advise investors to consult their tax advisors and legal counsel about the tax implications of these strategies. Investors are urged to carefully consider whether options or option-related products or strategies are suitable for their needs. In discussion of options and other strategies, results and risks are based solely on hypothetical examples cited; actual results and risks will vary depending on specific circumstances. Investors

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are urged to consider carefully whether option or option-related products in general, as well as the products or strategies discussed herein are suitable to their needs. In actual transactions, the client's counterparty for OTC derivatives applications is JPMorgan Chase Bank, N.A. and its affiliates. For a copy of the "Characteristics and Risks of Standardized Options" booklet, please contact your J.P. Morgan Advisor.

- Structured products involve derivatives and risks that may not be suitable for all investors. The most common risks include, but are not limited to, risk of adverse or unanticipated market developments, issuer credit quality risk, risk of lack of uniform standard pricing, risk of adverse events involving any underlying reference obligations, risk of high volatility, risk of illiquidity/little to no secondary market, and conflicts of interest. Before investing in a structured product, investors should review the accompanying offering document, prospectus or prospectus supplement to understand the actual terms and key risks associated with each individual structured product. Any payments on a structured product are subject to the credit risk of the issuer and/or guarantor. Investors may lose their entire investment, i.e., incur an unlimited loss. The risks listed above are not complete. For a more comprehensive list of the risks involved with this particular product, please speak to your J.P. Morgan team. If you are in any doubt about the risks involved in the product, you may clarify with the intermediary or seek independent professional advice.
- Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.
- High Yield Bonds - High Yield Bonds (with ratings at or below BB+/Ba1) carry higher risk since they are rated below investment grade, or could be unrated, which implies a higher risk of Issuer default. Further, the risk of rating downgrades is higher for High Yield Bonds in comparison to investment grade bonds.
- The risks listed above are not complete. For a more comprehensive list of the risks involved with this particular product, please speak to your J.P. Morgan team.

All companies referenced are shown for illustrative purposes only, and are not intended as a recommendation or endorsement by J.P. Morgan in this context.

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