



THE

Global Investment Strategy View

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KEY TAKEAWAYS

The Fed cuts, stick to the playbook: The Fed kicked off a new easing cycle in September and we expect three additional cuts by the middle of next year. Thus far, our “Rate Cutting Playbook” is unfolding as expected and we continue to position for a non-recession rate cutting cycle. We remain constructive on stocks, cautious on cash and focused on diversifying against inflation-related risks. Non-U.S. equities offer the benefit of currency diversification vs. the U.S. dollar. Within fixed income, we prefer carry rather than duration. In our view, tight credit spreads do not suggest exuberance in the corporate sector, but rather an incremental risk premium now embedded in government bond markets.

What could go right? Growth and inflation risks should subside: We believe economic growth is bottoming and expect a recovery in 2026. Labor markets look weak, but not recessionary. Profit margins continue to reflect corporate resiliency, and forward-looking indicators such as business sentiment surveys and easing financial conditions support reacceleration. Inflation remains a key risk as price pressures could derail the path of future cuts. However, while tariffs continue to work through the system, we believe inflation expectations are anchored and benign wage pressures will prevent a material increase in services inflation. Still, portfolio diversification remains paramount. Focus on high quality fixed income to help hedge against slower growth and infrastructure and real assets to help counter inflation risks.

AI bubble trouble? We don’t see it, but we’re watching closely: Artificial intelligence (AI) and the related capital expenditure (capex) boom are reverberating across markets and the economy. Some investors are questioning whether a new tech bubble is building. While it is prudent to monitor key metrics such as AI adoption, capex growth, balance sheet health and valuations, our “AI bubble watch” reflects more enthusiasm than overexuberance. These are early days for the AI story. We recommend a barbell investment approach across public and private markets.

OUR HIGH-CONVICTION INVESTMENT IDEAS INCLUDE:

EQUITIES

U.S. Tech, Financials and Utilities. We expect these three sectors to continue to lead the rally.

Global Security & Defense. Geopolitical risk necessitates sovereign investment in security.

Diversified private equity exposure. The dealmaking and exit environment is improving.

FIXED INCOME

Investment Grade credit. An easing Fed means lower cash yields. Focus on intermediate part of the curve.

Long-Dated Municipal Bonds. A steep municipal curve offers value for U.S. taxpayers to lock in yield.

Preferreds and Hybrids. Favorable supply dynamics and attractive yields should drive outperformance.

REAL ASSETS AND STRATEGIES

Structured Notes. We expect high single-digit coupons with lower volatility than outright equity exposure.

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

Gold. Central bank demand and inflation risk should support the asset class.

OPPORTUNISTIC TRENDS

Artificial Intelligence. The AI spending boom is underway, and investment is starting to drive revenues.

Dollar Downside. An easing Fed should catalyze more dollar downside, and ex-U.S. equities could benefit.

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.

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

October 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.

THE VIEW

In line with expectations, the Fed began what we expect to be a series of cuts. Ahead of that, we rolled out our Fed cutting “playbook” detailing how historical cutting cycles impacted markets. While no two cycles are the same, it influences how we like to be positioned across assets and regions, namely by:

- Preparing for a shallow decline in cash rates; embrace carry in fixed income.
- Positioning for risk asset outperformance.
- Diversifying internationally.
- Safeguarding against the unknowns through alternatives.

This month, we explore **three key questions** that will determine how this cycle plays out:

- 1) **Recession or no recession? Inflation resurgence or moderation?**
- 2) **Are there signs of an AI bubble?**
- 3) **Will long-end sovereign bond yields and elevated government debt burdens spoil the party?**

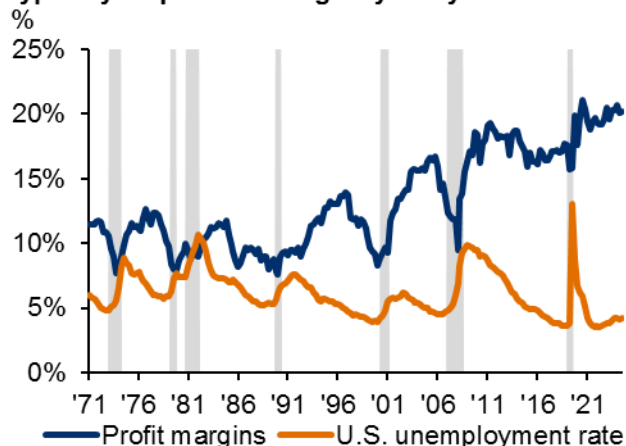
Ultimately, we expect the U.S. to avoid a recession, inflation expectations to remain contained, the AI theme to continue, and believe rising risk premia in fixed income markets is limited to sovereigns, leaving opportunity in corporate credits and gold.

1) Recession or no recession? Inflation resurgence or moderation?

According to the rate cutting playbook, the optimal investment strategy is substantially different if the Fed is cutting amidst a recession or not. Thus, a key question for investors at the moment is whether the economy slides further into weakness or bounces back in 2026.¹ Here is why we expect the latter, and what we'll be watching going forward:

- **A weak but not recessionary labor market.** Labor demand is undoubtedly weak. The three-month average pace of payroll gains is just 29k compared to 168k on average last year. However, further deterioration (i.e. layoffs) is unlikely without major declines in companies' profits and associated margin compression. Currently, margins are near their highest of the cycle while mentions of “job cuts” in corporate communications are falling (Figures 1 and 2). While upcoming data will likely show tariffs making a dent in corporate margins, the impact is likely not enough to spark a rise in layoffs.

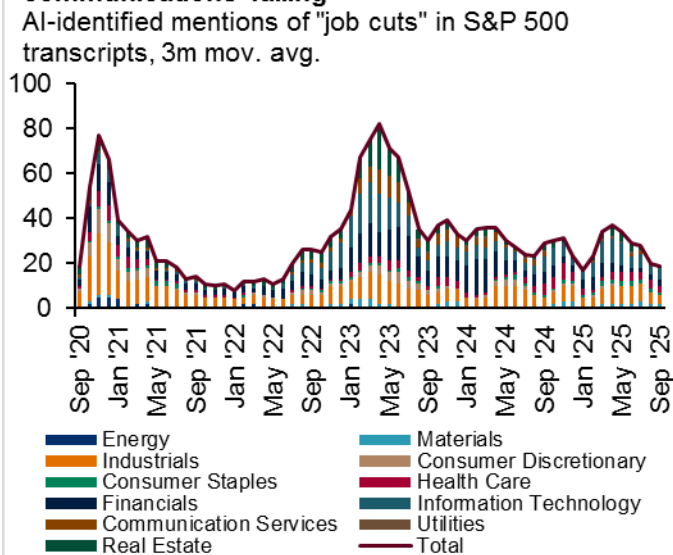
Figure 1: Deterioration in corporate profits typically required for large layoff cycles



Note: Profit margins are for U.S. domestic industries, calculated as after tax profits (adjusted for inventory valuation and capital consumption) as a percentage of sum of employee compensation and net operating surplus. Source: Haver Analytics. Data as of June 30, 2025.

¹ As of writing, the U.S. is on track for a partial government shutdown after September 30. A government shutdown has no bearing on Treasury debt or principal repayment at maturity. However, a prolonged shutdown could briefly weigh on economic activity; for example, a month-long shutdown is typically estimated to reduce quarterly GDP growth by about 0.1–0.2 percentage points, with most losses recouped once the government reopens. Source: Congressional Budget Office, “The Effects of the Partial Shutdown Ending in January 2019,” Published: January 2019.

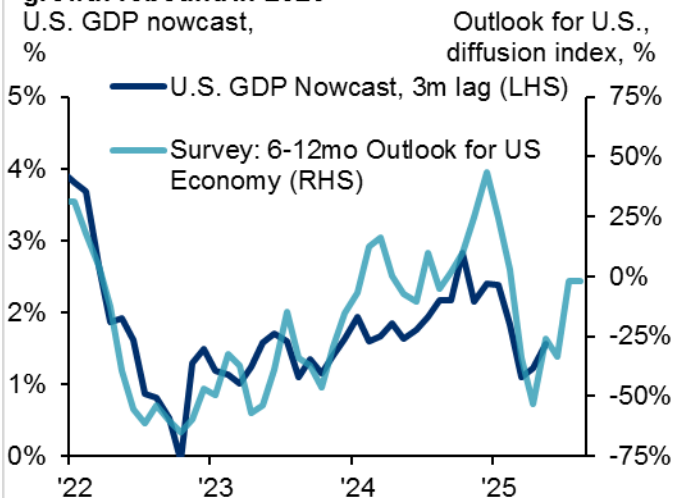
Figure 2: Mentions of “job cuts” in corporate communications falling
AI-identified mentions of “job cuts” in S&P 500 transcripts, 3m mov. avg.



Source: Bloomberg Finance L.P. Data as of September 23, 2025.

- **Improving forward-looking business expectations.** Economic growth closely tracks businesses' 6–12-month outlook for the U.S. economy with a two- to four-quarter lag (Figure 3). With business sentiment improving incrementally as trade policy uncertainty declines, the pace of GDP growth looks likely to accelerate from current levels in 2026.

Figure 3: Improving business sentiment points to growth rebound in 2026
U.S. GDP nowcast, % Outlook for U.S., diffusion index, %



Sources: Bloomberg Finance L.P. J.P.Morgan; Chicago Fed. Data as of August 31, 2025. U.S. GDP Nowcast is the J.P. Morgan Smoothed Quarterly Nowcast.

- **A growth boost from financial conditions.** The real economy is impacted by financial markets via broad “financial conditions” rather than any individual interest rate. Measures of financial conditions take into account short- and long-dated borrowing costs, credit spreads, equity prices, and the value of the dollar, among other variables. According to a Federal Reserve model, financial conditions, which have eased considerably over the past year, are estimated to boost real GDP growth by half a percentage point over the next twelve months, all else equal (Figure 4).

Figure 4: Coming growth boost from easier financial conditions
Implied growth impulse from U.S. financial conditions over the next year, %

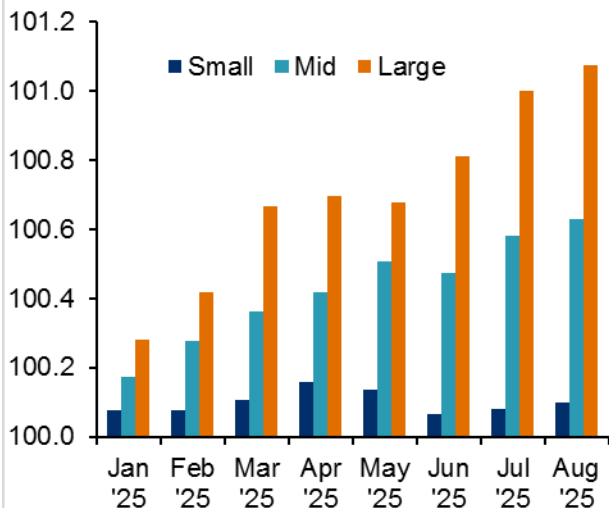


Sources: Federal Reserve; Chicago Fed; Haver Analytics. Data as of August 31, 2025.

- **Green shoots for small business.** Less diversified supply chains and a limited ability to pass on costs to consumers has seen tariffs weigh disproportionately on small businesses (Figure 5). However, green shoots are emerging. Trade uncertainty has receded, and business optimism has rebounded. Cash rates are moving lower, steepening the yield curve, which should help bank lending activity and boost U.S. small businesses' access to credit (Figure 6). All in, this should help to stabilize a key sector of the economy that has been weighing on growth in 2025.²

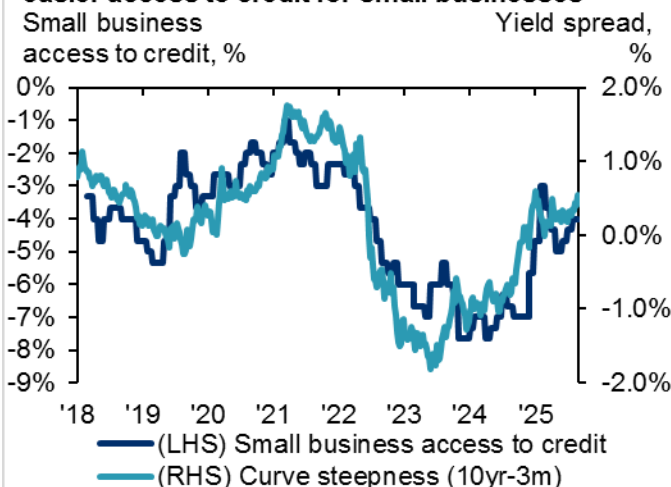
² With typically 500 employees or less, these business account for very little of S&P 500 market cap, but contribute 40-50% of U.S. economic activity. Source: U.S. Chamber of Commerce. Published June 6th 2025. Data as of 2023.

Figure 5: Small firm employment has lagged
ADP employment level, indexed where December 2024 = 100



Source: ADP, Haver Analytics. Data as of August 31, 2025.

Figure 6: A steeper yield curve coincides with easier access to credit for small businesses



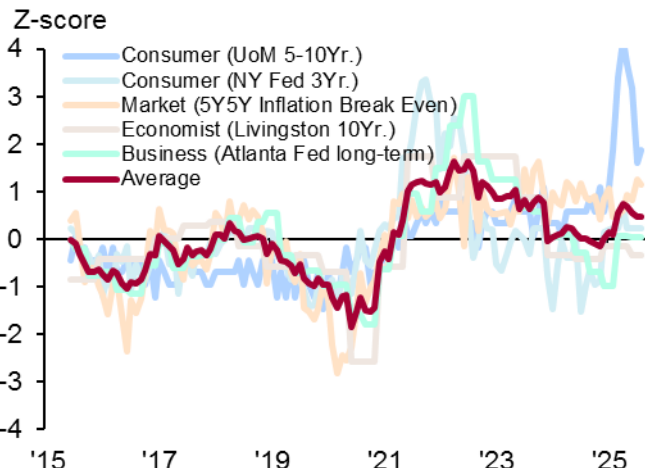
Note: Yields taken via swap market 3m forward. NFIB Survey for access to credit. Source: Bloomberg Finance L.P. Data as of September 26, 2025.

Inflation is a key risk to watch; if price pressures emerge it could derail the Fed's plans to lower rates. Although tariff-related price pressures are expected to push overall inflation above 3% by year-end, crucially we think overall inflation will remain contained. Why? Services inflation and inflation expectations are more important factors than goods, and so far both remain subdued -- long-term inflation expectations are not moving higher, and we see little risk that tariff-related goods inflation bleeds into the larger services sector given ongoing labor market loosening. Furthermore, any rise in goods prices is expected to be a one-off price level shift.

- **Inflation expectations.** After showing some upward pressure early in the year, our measure of long-term inflation expectations remains stable (Figure 7).
- **Wage-driven services inflation.** Meanwhile, with the labor market loose and wage growth benign, it is unlikely that tariff-related inflation results in sustained, underlying price pressures in the larger, more wage-sensitive services sector (Figure 8).

Nevertheless, this is a crucial risk we will be monitoring closely. Given the high degree of uncertainty around the inflation outlook we continue to recommend allocations to alternatives like gold, infrastructure and hedge funds as a way to help hedge against the tail risk of an unexpected inflation surge.

Figure 7: Inflation expectations continue to remain anchored

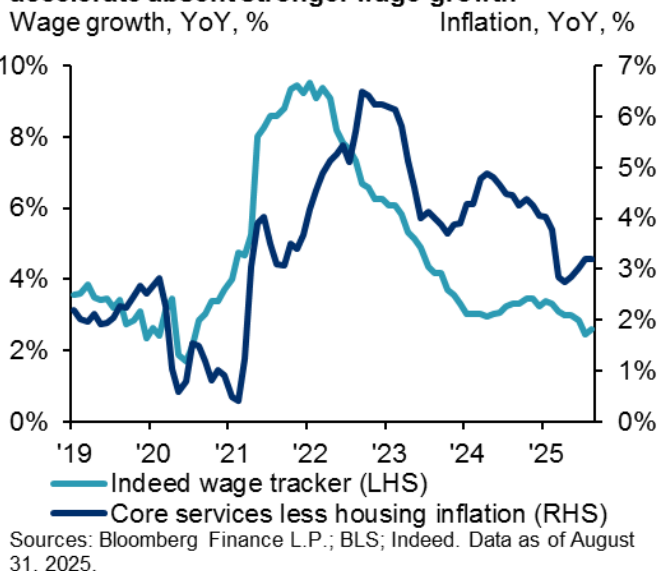


Note: Average is equally weighted across consumer, market, economist and business expectations. Sources: University of Michigan; Atlanta Fed; Philadelphia Fed; NY Fed; Bloomberg Finance L.P. Data as of August 31, 2025.

Bottom line: We believe U.S. economic growth is in the process of troughing and will see incremental improvement over the course of 2026. We continue to monitor inflation developments for any sign that underlying inflationary pressures are building that might challenge the Fed's current trajectory; we do not see them materializing as of now. This keeps us constructive on risk assets raising the probability of reaching our S&P 500 bull case. The next catalyst for U.S. equities is the 3Q earnings season starting next month, where we expect companies to again exceed consensus (+8% growth), as they did in 1Q (+13% delivered against an expectation of +7%) and 2Q (+12% delivered against an expectation of +5%).

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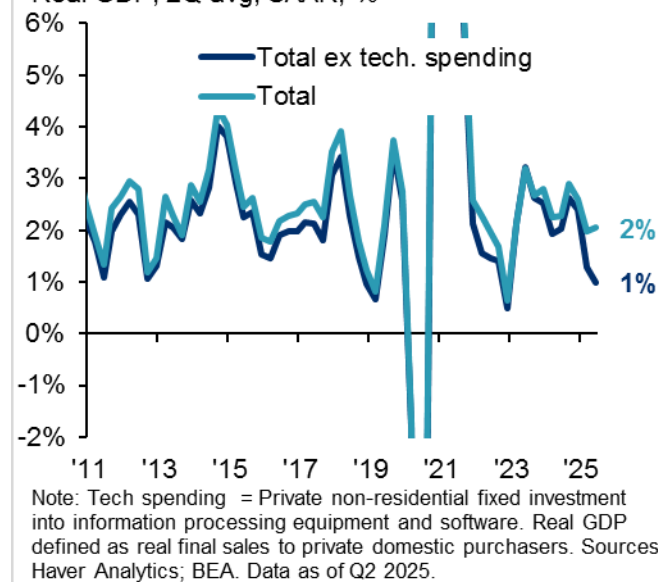
Figure 8: Difficult to see services inflation accelerate absent stronger wage growth



2) Are there signs of exuberance in the AI theme?

Artificial intelligence is the primary driver of the U.S. equity market – and, increasingly – the U.S. economy. Technology stocks now make up ~50% of the S&P 500 index and account for 60% of the broader U.S. market's performance year-to-date.³ Meanwhile, real U.S. economic growth for the first half of 2025 would be half of its reported pace if capital expenditures on software and IT equipment were excluded (Figure 9).

Figure 9: Tech's large contribution to U.S. growth
Real GDP, 2Q avg, SAAR, %



The CEO of Meta recently highlighted the two sided nature of the AI race: on the one hand companies could misspend hundreds of billions of dollars; on the other hand they could achieve “super intelligence”.⁴ For now, all signs still point to robust capital expenditure in the space. Here's what we're monitoring for signs of overinvestment or exuberance:

- **AI adoption** in the U.S. has grown 60% over the last year, but with only 9.1% of companies reporting active use of the technology to produce a good or service, leaving substantial room for continued growth (Figure 10).

³ Information technology sector plus Alphabet; Amazon; Meta and Tesla make up ~50% of the weight and ~60% of the total return of the S&P 500 index. Source: Bloomberg Finance L.P. Data as of September 23, 2025.

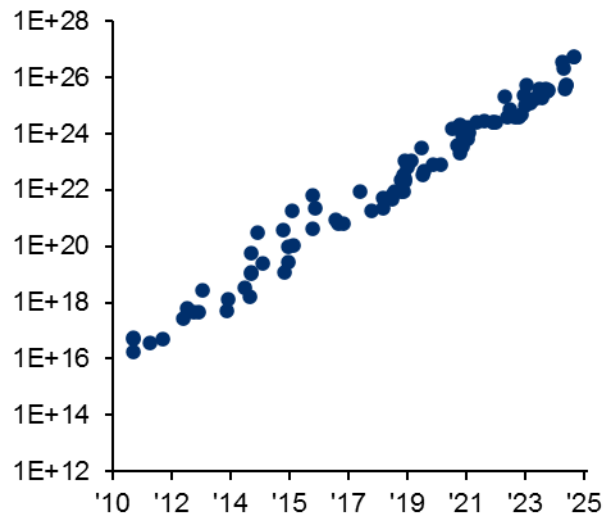
⁴ Mark Zuckerberg was on Alex Heath's new podcast where he emphasized the importance of AI spend. 'If we end up misspending a couple hundred billion dollars, that would be very unfortunate obviously, but I actually think the risk is higher on the other side'.

Figure 10: AI adoption in the U.S.
% of firms using AI



Question used: Have you used Artificial Intelligence to produce a good or service. Sample size: ~164,500 firms. Sources: Haver Analytics; Census Bureau. Data as of September 07, 2025.

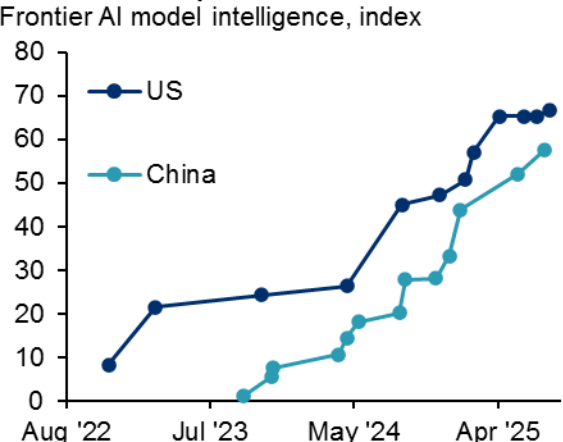
Figure 11: Frontier AI model training compute power continues to rise
Training compute (FLOP)



Source: EPOCH AI. Data as of September 17, 2025.

- Power and performance of AI.** It would be a headwind for the infrastructure buildout if the newest AI models were 1) not performing any better than their predecessors and/or 2) required less computing power to achieve incremental improvement (similar to the drawdown post-DeepSeek). However, the amount of computer processing power needed to train frontier AI models continues to increase at an exponential rate (Figure 11) and the performance of the leading models out of both the U.S. and China continue to show improvement (Figure 12). That said, new innovations that require less power to achieve incremental improvement could be a positive for broader AI adoption and long-term productivity gains, but could result in market volatility given the importance of the infrastructure buildout to current market leaders.

Figure 12: Frontier AI model performance continues to improve
Frontier AI model intelligence, index



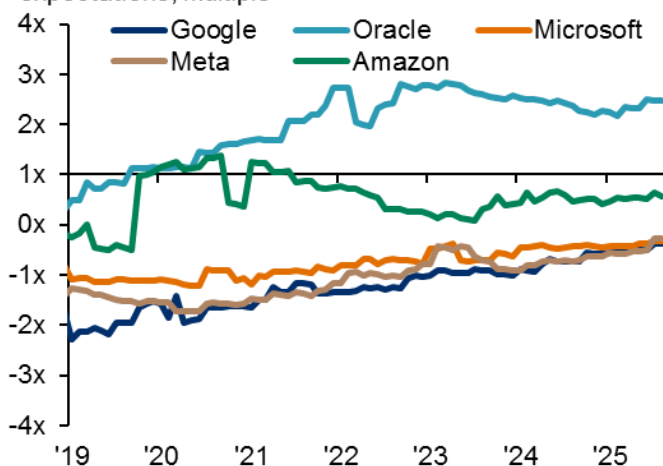
Note: Artificial Analysis Intelligence Index v3.0 incorporates 10 evaluations: MMLU-Pro, GPQA Diamond, Humanity's Last Exam, LiveCodeBench, SciCode, AIME 2025, IFBench, AA-LCR, Terminal-Bench Hard, τ^2 -Bench Telecom. Source: Artificial analysis. Data as of September 18, 2025.

- Capital runway.** Investments remain sustainable if there is sufficient capital and no signs of overinvestment. Except Oracle, the companies building the data infrastructure needed to scale AI (i.e. the hyperscalers) have less debt on their balance sheets than they generate in profit, and 3 of the 5 have surplus cash (Figure 13).⁵ Meanwhile, the actual amount of capex deployed remains lower than prior capital overbuilds such as telecoms ahead of the

⁵ For more on OpenAI, Oracle and the tech capital cycle, see Michael Cembalest's Eye on the Market [here](#).

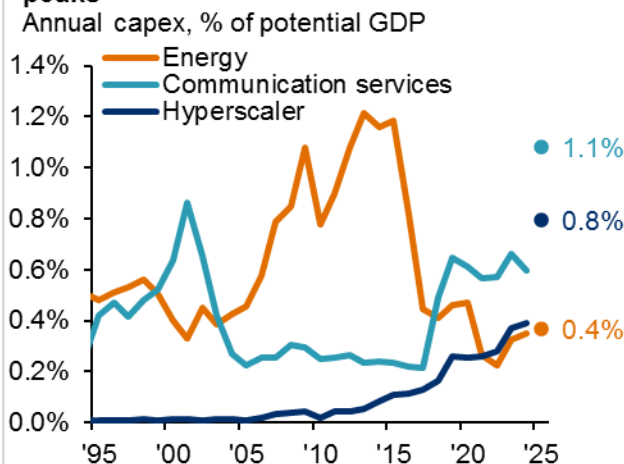
dotcom crash and energy during the shale/fracking boom (Figure 14).

Figure 13: Balance sheet health of hyperscalers
Net Debt/EBITDA, 12m forward consensus expectations, multiple



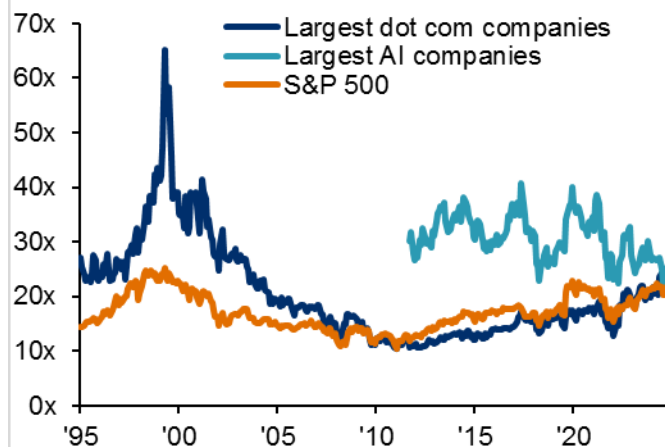
Hyperscalers are Google; Oracle; Microsoft; Meta; Amazon.
Source: Bloomberg Finance L.P. Data as of August 29, 2025.

Figure 14: AI capex below prior "bubble" capex peaks
Annual capex, % of potential GDP



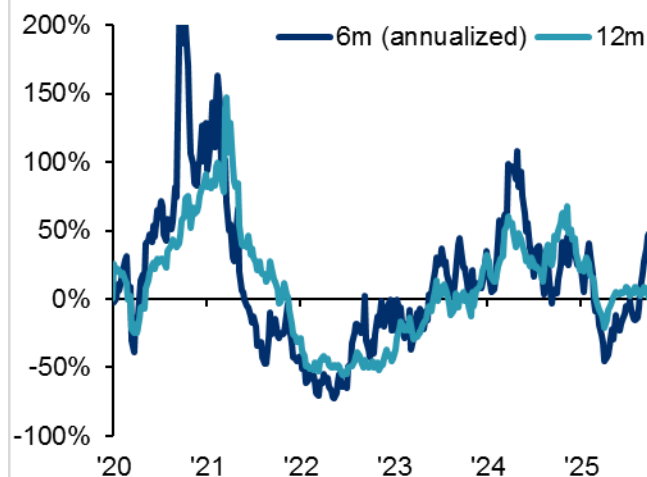
Note: Uses S&P 500 index sectors for energy and telecoms.
Hyperscalers are Google; Oracle; Microsoft; Meta; Amazon. 2025 uses consensus expectations. Sources: Haver Analytics; Bloomberg Finance L.P. Data as of September 30, 2025.

Figure 15: AI multiples falling... in contrast to dot com 'bubble'
PE multiple, 12m forward



Note: Dot com leaders are MSFT; IBM; QCOM; INTC; CSCO. AI leaders are MSFT; GOOGL; AMZN; NVDA; META. Source: Bloomberg Finance L.P. Data as of August 29, 2025.

Figure 16: US IPO performance proxy
Proxied performance of recent IPO's, %



Note: Basket rebalanced monthly by J.P.Morgan Investment Bank to capture recent US IPOs. Sources: J.P.Morgan; Bloomberg Finance L.P. Data as of September 26, 2025.

- **Signs of exuberance.** As earnings have realized, the multiple on the largest AI companies has *fallen* relative to the market and previous bubbles (Figure 15). Even the returns from recent IPOs, which has historically coincided with peak enthusiasm, are yet to see a meaningful pick-up (Figure 16).

Bottom line: We believe the AI theme and buildout remains durable. We remain cognizant that historically the market has run ahead of technological advancements and this, one day, might be no exception. However, we don't think we are there yet. We recommend a barbell approach across public and private markets. Whilst public markets (e.g., hyperscalers, utilities, semiconductors) have captured the majority of the value in the infrastructure buildout, both public and private markets (including [VC/Growth](#)) are likely to capture a meaningful share of value in the platform technology/application layers.

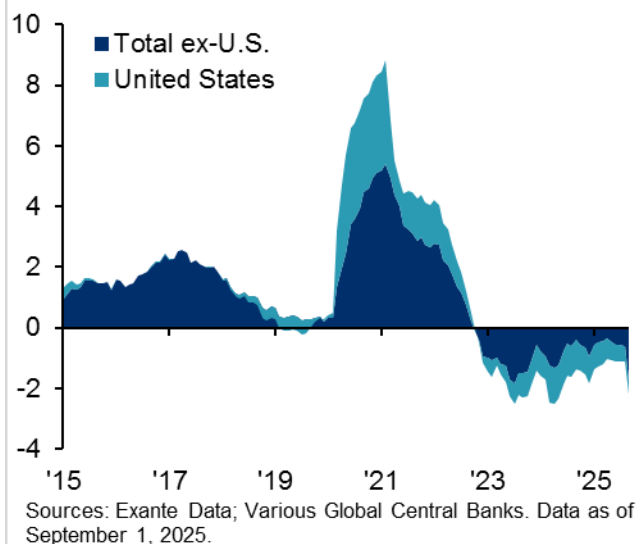
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3) Will long-end sovereign bond yields and elevated government debt burdens spoil the party?

Looking across the global fixed income landscape, we believe we are in a period of large and persistent developed market government debt burdens, at the same time central banks are stepping back from sovereign bond markets. This is creating a supply and demand headwind; as debt burdens continue to grow central banks are not absorbing as much of the associated bond issuance. The result: higher yields as evidenced by increased risk premia in sovereign bonds *relative to corporates*, higher gold prices, and greater demand for tax-exempt investments. Here's how we got there:

- Governments issuing more debt, central banks buying less of it...** Developed market governments are running persistently high deficits, resulting in elevated debt issuance. Since 2023, economists have revised downward their forecasts for government budget balances across developed markets (Figure 17). At the same time, central banks—historically the largest, least price-sensitive buyers—are reducing their balance sheets as part of quantitative tightening plans to normalize policy post-COVID. Over the past 12 months, G10 central banks have reduced their assets by \$2.2 trillion, shifting the incremental buyer of sovereign debt from central banks to price-sensitive corporates and households (Figure 18).

Figure 18: Central banks reducing their ownership of sovereign bonds
12m change in G10 central bank assets, \$tr



- ...resulting in elevated long-dated yields relative to pre-COVID period.** This supply-demand headwind is a key reason we expect a period of elevated long-dated government bond yields, a theme we have highlighted in previous publications. The impact is most pronounced in the 10-30 year sector of sovereign yield curves, which are less anchored by near-term central bank policy and more exposed to supply-demand dynamics along with fiscal and political risk (Figure 19).

Figure 17: Forecasted budget balance for 2026
Cumulative change, Bloomberg consensus forecast, % of GDP

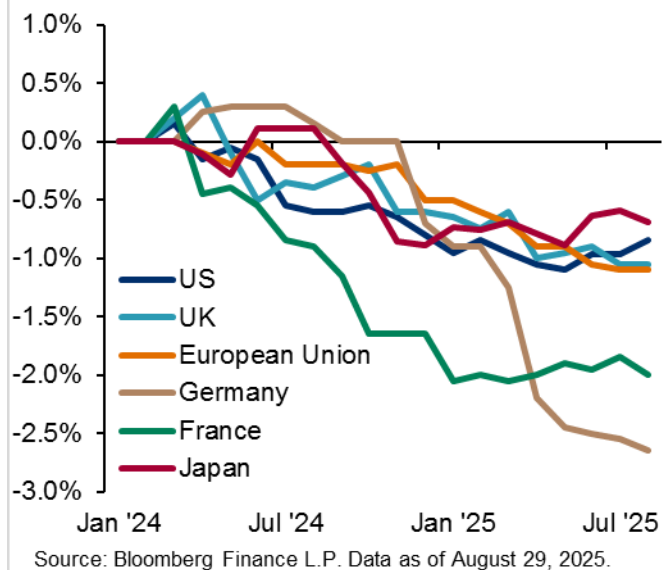
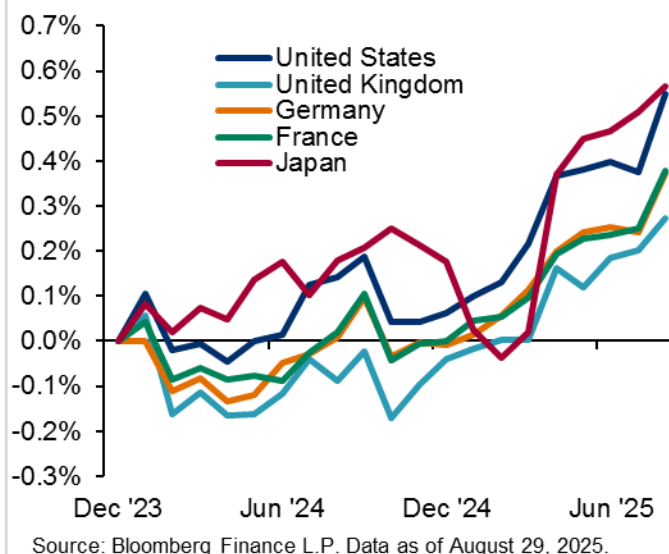


Figure 19: Increase in long dated sovereign yields... a global phenomenon
Sovereign 10s30s yield spread, %



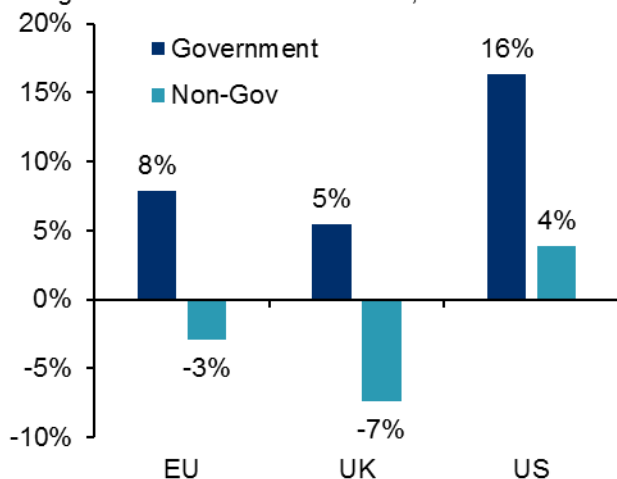
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- **A sovereign, not corporate, phenomenon.**

Importantly, these challenges are largely confined to sovereign debt. In major developed markets, government debt as a percentage of GDP has been rising, while corporate sector debt has been declining or increasing only marginally (Figure 20). Corporate balance sheets remain healthy, and credit metrics are stable or improving. As a result, the higher risk premiums being embedded in global sovereign yield curves, especially at longer maturities, are not being reflected in corporate credit curves (Figure 21). For these reasons, last month we argued that credit spreads are not as tight as they appear at first glance. Another case in point: France—currently facing political upheaval over budget negotiations—is seeing several corporate bonds trade at lower yields than equivalent-maturity government bonds, reflecting increased fiscal and political risk in the sovereign sector, separate from the corporate sector.

Figure 20: Governments issuing more debt relative to the rest of the economy

Change in debt to GDP since 2022, % of GDP



Source: Haver Analytics; Fed; Eurostat; ONS. Data as of March 31, 2025.

Figure 21: Sovereign curves show elevated risk premiums; corporates do not
U.S. 10s30s, spread, bps



Note: JULI index used for corporate credit spreads. Source: Bloomberg Finance L.P. Data as of September 23, 2025.

Bottom Line: Given the relative strength of corporate fundamentals across major economies, we expect credit spreads to remain contained, and slightly narrow our outlook for credit spreads for mid-year 2026. We see benchmark investment grade and high yield credit returning 4-6% through mid-2026 in our base case. Meanwhile, we continue to view gold as the most effective hedge against rising fiscal risks and sovereign volatility (Figure 22).

Figure 22: Gold price increasing along with steeper long-end sovereign curves



Source: Bloomberg Finance L.P. Data as of September 26, 2025.

Here's a summary of Wall Street views for 2026.

Street Outlook 2026					
	Fed Funds*	Real GDP	Core PCE	10Y	SPX \$**
	Q2 '26	Q4 '26	Q4 '26	Q2 '26	Q2'26
JPM WM	3.50	1.75	2.40	4.10	6700
JPM IB	3.50	1.60	2.60	4.30	7000
Bank of America	3.75	1.70	2.60	4.10	6600
Morgan Stanley	3.25	1.30	2.50	3.45	6500
Goldman Sachs	3.25	1.82	2.61	4.20	7100
Wells Fargo	3.25	2.00	2.50	4.00	7200
UBS	3.50	1.63	3.05	3.65	6800
Average (ex-JPM WM)	3.42	1.68	2.64	4.05	6,867
FOMC (median)	3.50	1.8	2.60	-	-

Note: *Forecasts are upper bound of target range. FOMC forecast is for end '26. **Q2 '26 or longest dated forecast available. Sources: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of September 26, 2025.

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2025 YEAR-END & MID-2026 OUTLOOK NUMBERS

October 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	80-110	90-120	80-110	90-120
S&P 500	2025 YE	Old 2025 YE	2026 Mid-Year	Old 2026 Mid-Year	JPM U.S. High Yield	325-375	350-400	325-375	350-400
Price	6,350-6,450		6,650-6,750		Europe				
P/E forward multiple	22x		21.8x		ECB Deposit rate	1.75%		1.75%	
Stoxx Europe 50					5-year German Yield	2.10%		2.15%	
Price	5,450-5,550		5,650-5,750		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		2900-2950		EUR IG	75-105	80-110	75-105	80-110
P/E forward multiple	14.5x		14.5x		EUR HY	275-325	300-350	275-325	300-350
MSCI Asia ex-Japan					EM				
Price	855-885	755-785	890-925	785-815	EM Sovereign Index (EMBI)	265-315	275-325	265-315	275-325
P/E forward multiple	14.25x	12.8x	14.25x	12.8x	EM Corporate Index (CEMBI)	185-235	215-265	185-235	215-265
MSCI China					JPM Asia IG (JACI IG)	60-90	75-105	60-90	75-105
Price	81-85		85-89		JPM Asia HY (JACI HY)	495-545	540-590	495-545	540-590
P/E forward multiple	12.0x		12.0x		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		\$3.50-\$4.50	
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

US macro data has come in mixed for the month of August. On the one hand the labor market continues to show weakness. Employment figures were particularly weak, with only 22k jobs created on the month and the U-3 unemployment rate ticking up to 4.3%. Furthermore, labor slack continues to build, with the U-6 unemployment rate continuing to rise faster than the conventional U3 rate. On the other hand, retail sales came in stronger than expected, showing that the consumer remains resilient in the face of tariffs. Additionally, forward looking indicators have recently improved, namely better business sentiment and easing financial conditions. We remain of the view that Fed cuts should be able to stabilize weak labor market demand, setting the stage for better hiring conditions and a rebound in growth in 2026.

The main risk we are watching is that layoffs start to ramp up, but so far, the data remains unthreatening. A spike in initial claims during the week of September 6th was due to faulty Texas data, and layoff figures from JOLTS and CPS met expectations. While layoffs have increased in energy and tech, these appear to be isolated, not widespread, issues.

What we're watching: Layoffs and claims, financial conditions, business sentiment, signs of over-investment in AI.

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



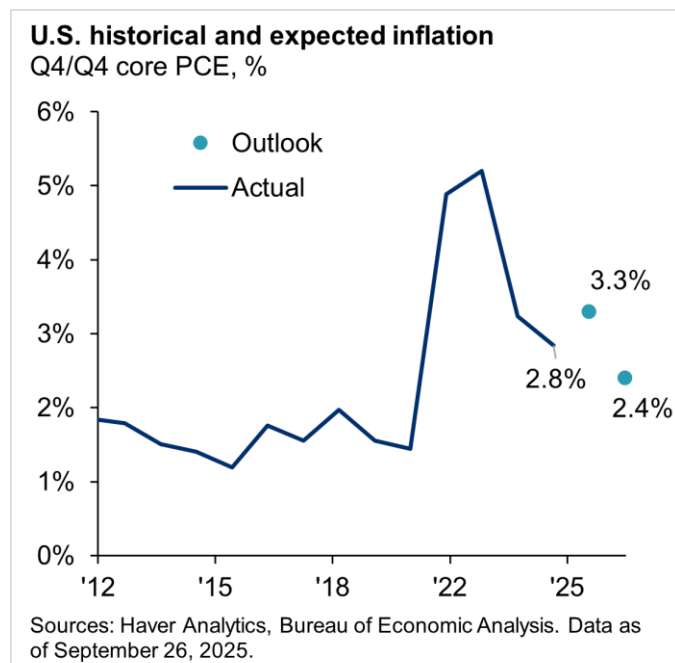
U.S. Inflation

Inflation has picked up in line with our forecasts (in August core CPI rose by 35 bps to 3.11% YoY), but we continue to be of the view that the breadth of the inflation rise is of utmost importance. Thus far, the rise remains concentrated in tariff-related imported goods with no spill over to services. As long as this remains the case (and overall inflation expectations continue to show stability with longer term expectations anchored to 2%) the Fed will likely look through the inflation rise and continue to pursue insurance rate cuts to stabilize widening slack in the labor markets. A more micro issue we see is rising household electricity prices related to AI-power needs with household electricity inflation jumping to 8% YoY in the latest CPI data. However, despite this rise, the overall energy component of inflation has been flat over the last year due to deflationary trends in energy commodities. Additionally, many states are beginning to institute restrictions on data center developers to help shield consumers on a go forward basis, so there are limits to how high electricity inflation can likely rise.

Our view remains that the current bout of inflation is very different than what occurred back in 2021 and 2022, such that the risk of the Fed having to prioritize inflation over labor market weakness remains low.

What we're watching: Tariff announcements, goods and services inflation, wage growth, inflation expectations, energy inflation.

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 gaining steam, showing resilience despite trade headwinds. September marked the fastest business activity growth in 16 months, driven by services. Still, risks linger.

Upside: The US-EU trade deal cleared a key hurdle. Growth is also getting a lift from earlier ECB rate cuts, Germany's fiscal pivot, rising defense budgets, and a potentially quicker rollout of unused NextGenEU funds in peripheral countries.

Downside: Higher US tariffs (~16% effective rate) and a stronger euro stand to weigh on exports. Germany still faces structural challenges—especially in manufacturing—while France faces a tough, multi-year fiscal adjustment amid political uncertainty.

Bottom line: With momentum stronger year-to-date, we're nudging up our 2025 EU GDP growth outlook to 0.5–1.0%. For 2026, we still see growth firming to 1.0–1.5% as fiscal support builds, even as trade remains a drag.

The UK is under more pressure. Q2 growth got a boost from delayed fiscal stimulus, but stubborn inflation, possible fiscal tightening, and weak job growth threaten demand. The Autumn Budget in November will be key, while the BoE is now on hold amid mixed labor and inflation signals.

What we're watching: US-EU trade deal impact, fiscal risks (rising sovereign bond yields), regional disparities, inflation, and central bank signals.

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



Eurozone Inflation

Euro area inflation continues to cool, with headline prices now in line with the ECB's 2% target. Core inflation is at its lowest since early 2022 and likely to soften further, especially if stubborn wage growth eases—crucial for services inflation. Disinflationary forces may also come from a stronger euro lowering import costs, US tariffs hitting American consumers more than Europe, and China possibly exporting excess capacity at lower prices. We expect the disinflation trend to hold, but risks remain: persistent wage pressures, energy shocks, Germany's fiscal expansion, or renewed tariff disputes could spark short-term price spikes. In the UK, inflation is the highest in the G7. Core inflation is still above 3% and well above the BoE's target. Softer wage growth and more labor market slack should help, but temporary pressures from travel, airfares, council tax hikes, and energy caps may linger.

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



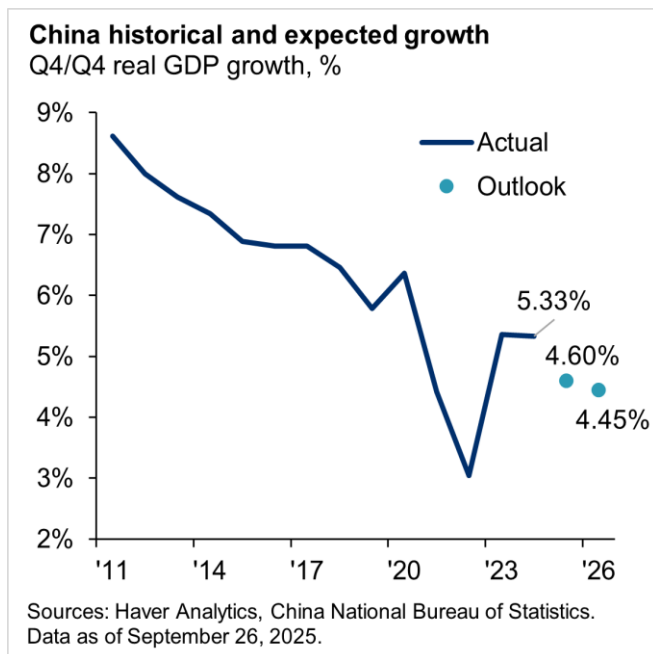
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China Growth

China's economic activity slowed noticeably in July and August, with the trend expected to continue into September. While demand-side indicators such as fixed asset investment and retail sales weakened, supply-side measures like industrial production and services remain relatively robust, keeping in line with trend of supply-led growth driving excess capacity. The export slowdown was less severe than anticipated, and a stock market rally boosted financial sector output and overall sentiment. However, the outlook remains cautious due to persistent headwinds: new austerity measures, payback effects from consumer programs, the anti-involution campaign (stated goals of reducing excess competition), rising global trade barriers, and a sustained property sector decline. Policy support is needed, but Beijing faces a dilemma as further stimulus could fuel a stock market bubble. September data previews suggest manufacturing and non-manufacturing PMIs will remain soft, industrial production and retail sales growth will slow, and property investment will continue to contract. Looking ahead, we're watching for signs of demand recovery, the timing of policy action, and whether supply-side resilience can continue to offset weak consumption and investment.

What we're watching: Fiscal policy, domestic demand, export frontloading payback

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



China Inflation

Headline CPI inflation in China was softer than expected in August, falling 0.4% y-o-y, mainly due to a sharp drop in food prices. Core CPI edged up to 0.9% y-o-y, supported by modest gains in services and strong jewelry prices. Despite increased policy support for consumption, food price weakness and subdued consumer sentiment mean headline CPI is likely to remain near zero in the coming months. While producer price deflation narrowed, broad-based reflation is unlikely soon, as supply-demand imbalances persist. Overall, China's deflationary pressures remain entrenched, with only tentative signs of stabilization.

What we're watching: Domestic demand, policies addressing overcapacity

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

EQUITY VIEWS

U.S. Equities

Up and to the right. The S&P 500 has gone well over 100 days without even a 2% decline, making all “buy the dip” calls useless as there has been no dip. The lack of volatility at the index level has been truly remarkable as it incorporates two earnings seasons, policy changes, tariff increases and decreases and changing Fed views. This is just the fifth time we have exceeded 100 days without a 2% dip in the last 10 years. There have been two broad drivers of the last 100+ days, AI and the Fed easing cycle. The AI investment cycle is driving earnings growth with high visibility and certainty. The Fed cycle is raising hopes for an improvement in growth from rate-sensitive industries. We enter Q3 earnings where we expect a 4th consecutive quarter of double-digit earnings growth (street estimates currently +7.7%, per FactSet).

Earnings are one part of the story. Market valuations are stretched and high relative to history. We remind investors that P/E multiples can compress from prices falling but also from earnings rising. Given the Fed cutting against a backdrop of broadening and accelerating profits, it is not hard to argue for a bump in EPS growth over the coming months. Our three market targets embed different combinations of earnings and valuation. During 2025, our expectations for both factors have increased.

We maintain our 2025 and 2026 S&P 500 bull, base and bear targets and reiterate the odds of the bull case as higher than the bear case scenario given investment themes that remain in the “early innings”, achievable earnings expectations and the underappreciated ability of corporate America to remain flexible during periods of change and uncertainty. We also maintain our preference for larger companies over smaller ones over the next year.

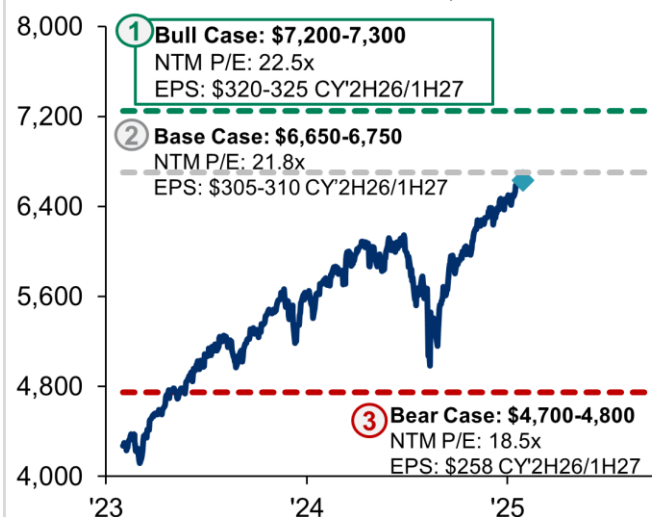
Where to invest now. The Technology sector is poised to benefit from AI investments, capex and the One Big Beautiful Bill Act (OBBA) depreciation incentives. Utilities were sluggish in Q3 but remain among the top performing sectors of the S&P 500 year-to-date. We expect further gains due to rising growth rates, high dividend yields, policy support and still modest relative valuations. Financials have also performed well, and we see positive earnings momentum and favorable revisions, which should accelerate capital returns to shareholders.

What we're watching: AI capex is clearly a focus. Guidance into Q4 should reflect a deceleration in year-over-year growth due to tough comparisons and lower cost inventory that have cycled through since tariffs were implemented. The next Fed meeting at the end of October.

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

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. Data as of September 24, 2025.

Strong and broadening EPS growth expected through 2024-2027

Earnings Growth (%)

Earnings Growth (%)	Annual			
Years	2024	2025	2026	2027
S&P 500	10.4%	10.1%	13.5%	13.0%
Magnificent 7	39.6%	21.3%	16.5%	15.3%
Remaining 493	4.1%	6.9%	12.5%	12.2%

Source: FactSet. Data as of September 24, 2025.

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Europe Equities

We are leaving our European targets unchanged for this month. In our base case, the 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 Euro Stoxx 50 has experienced negative earnings revisions since April this year due to tariff and FX risks. We believe we are in the final stages of the earnings downgrade cycle, and that peak FX and tariff risk is now behind us. The German fiscal stimulus should also serve as a tailwind for earnings starting next year. As a result, we expect earnings growth to improve from slightly negative this year to mid to high single-digit growth in 2026. The Fed's rate-cutting cycle is another positive for global markets, including Europe. We expect valuations to remain above historical averages and are keeping our multiple unchanged at 15x the next 12 months' price-to-earnings ratio. Currently, the market is trading at 15.3x.

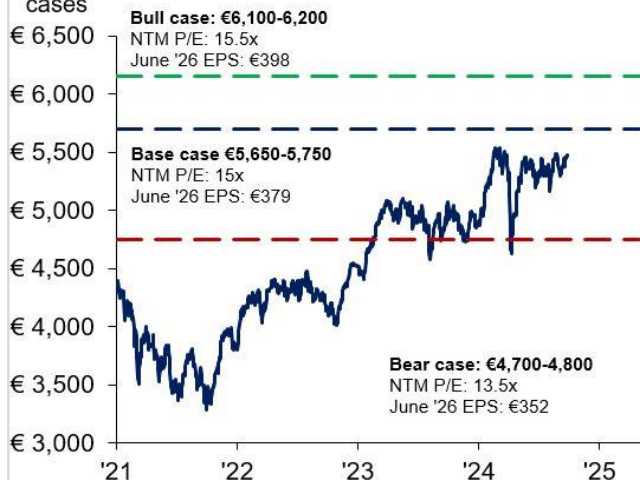
Our highest conviction idea remains European Industrials. Momentum in AI investments remains high, and many European industrial names are benefiting from it. In addition, the German fiscal stimulus should further support industrial companies. Despite strong year-to-date performance, we continue to recommend European defense companies. At the NATO summit in June, European members made strong commitments to increase defense spending in the coming decade to 5% of GDP (3.5% for core defense requirements and 1.5% for infrastructure). Tensions in Eastern Europe remain high. We expect increased defense orders from Germany in Q4, following the recent government change. Other areas to consider for investment include companies with exposure to AI (semiconductors and software), financials (including banks, private markets, and reinsurance), as well as luxury goods.

What we're watching: We continue to monitor political developments in Eastern Europe and how the German fiscal spending is unfolding, with the impact on earnings anticipated in 2026. The upcoming earnings season should provide greater clarity on the trajectory of earnings.

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

We see the Euro Stoxx 50 reaching €5,650-5,750 by mid-2026

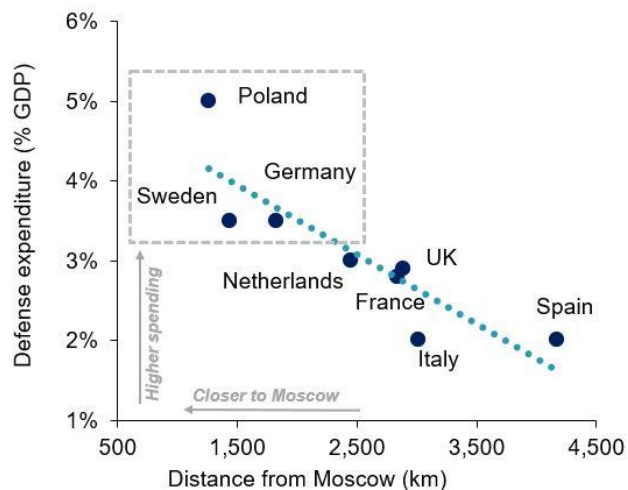
Euro Stoxx 50 vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of 24th September, 2025

European countries with greater proximity to Moscow show higher defense spending

Relationship between defense expenditure (% GDP, 2030E) and distance from Moscow (using capitals as a proxy)



Source: J.P. Morgan Corporate and Investment Bank research. Data as of June 2025.

Asia Equities

Asia ex. Japan equities had a very strong month on positive AI demand related newsflow that supported sizable moves in AI supply chain beneficiaries including index heavyweights with exposure to leading-edge foundry and memory end markets. In addition, rising expectations of a renewed Fed rate cutting cycle and weaker USD were supportive for risk assets in Asia. We remain positive towards Taiwan and South Korea that stand to benefit from heavy AI capex commitments where future investments continue to be biased to the upside. **We raise our MSCI Asia ex. Japan YE 2025/June 2026 targets to 855-885 / 890-925**, and expect some market consolidation after strong gains in September. **India is a notable laggard and we are buyers at current levels.** We expect the positive effects from monetary easing, income tax cuts, and reductions in GST rates to boost consumer spending and drive earnings re-acceleration over the next six months. Forward P/E valuation between MSCI India and S&P500 now stand one-standard deviation below 10-year averages, an attractive entry level historically. Any moderation in geopolitical tensions between US/India would be a bonus.

Chinese equities had another strong month as thawing of tensions between US/China continued amidst a framework agreement for the Tiktok asset, and AI adoption showed signs of acceleration in China. However, the broad Chinese domestic economy remains tepid with signs that growth is again moderating, aside from resilient exports. Consequently, earnings revisions remain negative and imply that broad market returns have almost entirely been driven by multiple expansion. We expect government policy to remain supportive via incremental fiscal stimulus, implementation of anti-involution policies, and aid for key industries such as chip localization, AI, and robotics. Divergence between the equity market and the broader economy is starting to become apparent. With little upside to our base case targets and valuations stretched, we remain neutral Chinese equities and would turn more constructive on 7-10% market pullbacks. Thematically, we remain positive towards our China Tech Innovators Basket.

USDJPY remains stronger than expected and has led to 2-3% positive earnings revisions for the TOPIX over the past month. Fed rate cuts alongside no US recession have led investors to start pricing in a potential rebound in US economic growth sometime in 2026. P/E multiples are expanding in anticipation of potential earnings upside risk, and are now elevated. This outcome would be more akin to our June 2026 Topix bull case scenario at 3,200-3,300. Domestically, a current LDP leadership race between Takaichi and Koizumi Jr. could offer clarity in the next month. We expect the Topix to trade between our base case

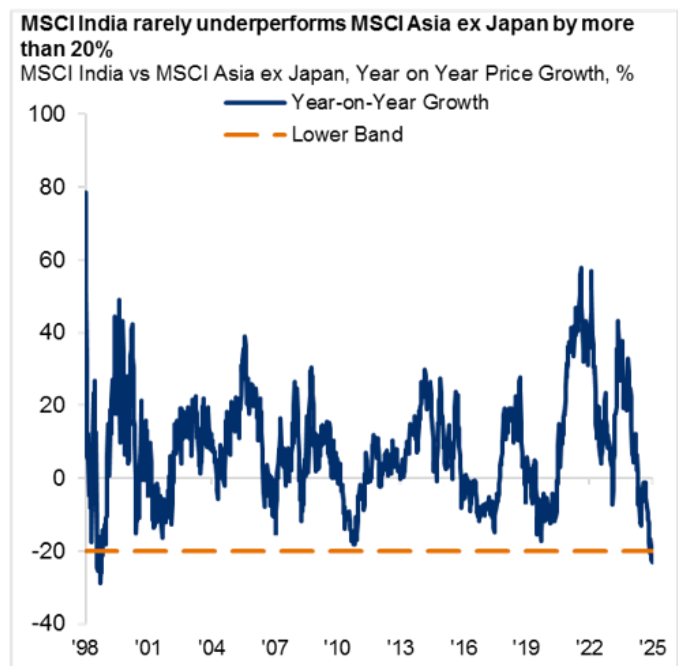
(2,900-2,950) and bull case (3,200-3,300) through June 2026. **With limited upside to these near term targets, we remain neutral and prefer alpha over the broader market.** We prefer select opportunities in financial, industrial, consumer discretionary, and technology sectors.

What we're watching: Political change in Japan, AI adoption and progress in China, China government policy announcements, India trade deal news.

Our view: Year-end 2025: MSCI AxJ: 855-885 Topix: 2,800-2,850 MSCI China: 81-85

CSI 300: 4,200-4,400 MSCI India: 2,950-3,025 MSCI ASEAN: 685-705

Mid-year 2026: MSCI AxJ: 890-925 Topix: 2,900-2,950 MSCI China: 85-89 CSI 300: 4,400-4,600 MSCI India: 3,130-3,225 MSCI ASEAN: 710-730



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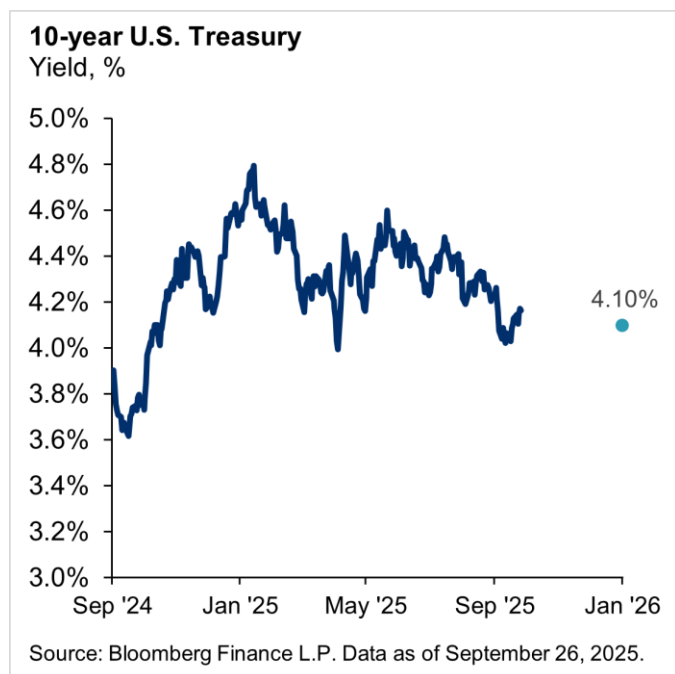
RATES VIEW

U.S. Rates

We have consistently expected multiple Fed cuts by the end of the year as the economy slowed. In September, they arrived. We continue to expect 75bps of additional cuts by the middle of next year. In the event of a more material growth slowdown we see the Fed cutting closer to 2.0-2.5%. While Treasury bonds continue to provide the best option in a recessionary drawdown (we would focus on the 5-7 year part of the curve), we prefer making up for declining cash rates in credit rather than extending duration along the Treasury curve. We expect 10-year yields will remain buoyant above 4.0% through the end of the year and into next 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 on pause, holding steady at a 2% policy rate—now within its “neutral” range of 1.75–2.25%.

The Governing Council remains data-dependent. With inflation cooling and growth risks lingering, we expect one more 25bps cut to 1.75%, though timing is uncertain; further cuts beyond that would likely require greater economic weakness.

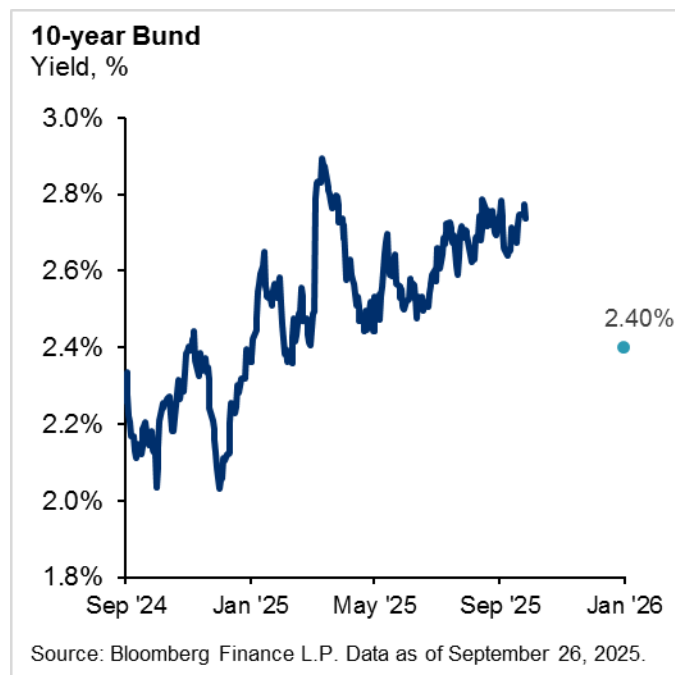
Our 10-year Bund outlook stays at 2.4% through mid-2026, but upside risks could emerge if Germany accelerates fiscal spending or concerns over debt dynamics elsewhere in the euro area spill over.

The Bank of England also paused in September, holding rates at 4% amid persistent inflation. But with labor market softness and the MPC’s focus on employment, we still expect more cuts ahead. With the Autumn Budget in November likely to provide more direction on the outlook, we are keeping our terminal rate outlook unchanged for now, at 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

All eyes were on the Fed in September, and spreads continued their grind tighter leading into the meeting. We expect demand to remain supported over the coming months, with Fed rate cuts inspiring continued appetite for yield. Fixed income ETFs across the risk spectrum registered their best week of flows (through September 24th) since at least 2020, adding to another month of solid ETF and mutual fund demand. The market easily digested the 2nd largest corporate bond deal of the year (Oracle), with healthy indications across the book especially for longer end tenors. Against a strong technical back-drop, we brought in our corporate spread forecast ranges marginally, with the lower bound in line with recent trading ranges.

Risks to our base case still remain, and our outlook calls for growth to slow into year-end. We believe fundamentals are in a decent position to weather a period of slow growth however, and that 1H 2026 will bring in an environment that is supportive for the credit asset class.

Munis: Munis are on pace for one their best September performances since 2009 (3.59% full month return) with the MTD return currently at 2.57%, amid strong inflows and slower new issue volume. Prior to September the municipal market was seeing record new issuance, particularly on the long-end, which caused long duration munis to underperform. Since the start of September, long-dated issuance has slowed considerably. With more rates cuts expected, long-duration munis have outperformed MTD by a wide margin. For example, the Bloomberg Long Bond (22+) Index is +4.23% in September (+0.49% YTD) while the 3 Year (2-4) Index is +0.56% (+3.12% YTD).

Investment Grade: JULI spreads again touched an all-time tight of 83bps during the month, but the yield story remains intact. This has been a key support for demand. Issuance should slow into October with earnings black-outs and net supply is likely to remain negative into year-end. The combination of sound fundamentals, high yields, strong demand, and lower net supply has kept spreads supported. M&A activity has picked up, and we continue to watch how M&A related issuance may impact technicals.

Preferreds and Hybrids: Hybrid capital continues to offer strong risk-adjusted value in our view, with a return profile similar to high yield with lower loss rates during stress periods. YTD, preferreds and USD hybrids have returned 6.6% and 7.7% respectively (not tax adjusted). Hybrid issuers continued to access the primary markets in September, with solid demand for high quality names. We

continued to see new entrants into the market, supporting continued diversification of the asset class.

We continue to see long term structural positives, including better index representation, increased liquidity, and increased investor demand.

High Yield: Q2 issuer metrics for the space highlighted slight increases in leverage, but overall balance sheets are still healthy. Default rates at 1.5% are still lower than the 25-year average of approximately 3%, supported by overall strong balance sheets, an improved index quality (with 51% BB-rated securities compared to the historical average of 41%), and few near-term maturities. Although high yield valuations are nearing historically tight levels, we see value in diversifying sources of yield and continue to prefer a tilt toward higher quality high yield credits.

What we're watching: Core Fixed Income: Munis and Corporates over Treasuries, Extended Credit: Favor hybrid capital for attractive risk-adjusted returns, Duration: Prefer 10 years and in for IG given, but find value in Municipals especially in the long end

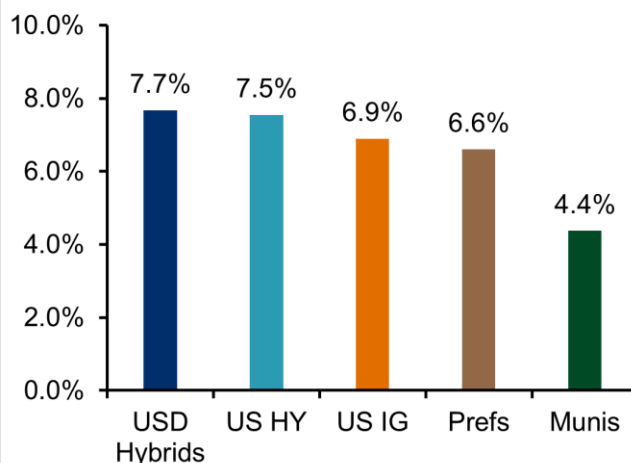
Our view: Year-end 2025: US IG (Spread): Base 95bps (+/-15bps)

US HY (Spread): Base 350bps (+/-25bps) Preferreds: Base 215bps (+/-25bps)

Mid-year 2026: US IG (Spread): Base 95bps (+/-15bps)

US HY (Spread): Base 350bps (+/-25bps) Preferreds: Base 215bps (+/-25bps)

YTD Total Returns Across Fixed Income



Source: Bloomberg Finance L.P. Data as of September 25, 2025. Muni Returns on TEY (tax equivalent yield) basis using 37% tax bracket. Dividends on securities that are QDI eligible are taxed at a maximum of cap gains + Medicare surcharge tax. Total returns displayed don't incorporate tax treatment on dividend income.

Europe Credit

European Credit Markets continued delivering beyond carry-like returns in September, bringing YTD returns to +2.6% in EUR Investment Grade and +4.7% in EUR High Yield. EUR IG index spread is now ~25bps tighter vs. the start of the year, currently trading sub-80 bps – just a couple bps away from record tightness post-GFC. **EUR HY index is tighter by 55bps in credit spread YTD –ourperforming US HY and EM indices**, led by BB-s.

European HY spreads are in sub-4th percentile over the past 25 years of data – i.e. tighter than >96% of the trading days in this time range.

European credit spreads have been underpinned by **healthy European issuers' fundamentals**, as we saw proof of in Q2'25 earnings results, and 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. Most of € HY issuance YTD has been for refinancing purposes, and given modest refinancing needs for 2026-27 (unless European M&A activity picks up significantly), we expect limited supply to be yet another supportive factor for € HY spreads.

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 **the best risk-reward in adding to 7-9 years to maturity part of the curve** – combining our view on optimal rate duration exposure and taking advantage of the relative steepness of the credit spreads' curve up to ~9-10y to maturity, vs. beyond.

We find these parts of European Credit Markets particularly attractive:

1. 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 ~100-115 bps of spread pick-up to issuers' respective senior curves, while HY-rated hybrids from issuers whose senior papers fall into IG, can offer a spread

pick-up closer to 140-150 bps above their own senior curves.

2. Subordinated European Insurance:

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**. Over 75% of European Insurers' Junior Subordinated notes are rated Investment Grade – we particularly favor single-A rated part of this market.

3. European Banks:

European Banks' earnings continuously demonstrate 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. While we might see political uncertainty around budgets of several European states dampen regional growth outlooks, there could be some pressure on the lending volumes growth and subsequently banks' earnings growth – we would use any potential credit spreads widening in the space as opportunity to add to national champions at attractive levels.

4. European Automanufacturers:

We continue monitoring the developments for the sector 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. While markets welcomed clarity on the final US tariff rate (15% for EU automanufacturers, 10% for the UK ones up to 100,000 vehicles), we continue to favour **select Investment Grade/ Upper-Tier High Yield national champions that operate with negative net leverage** given large amounts of liquidity held on their balance sheets.

What we're watching: We continue to prefer exposure to higher credit quality issuers both across Senior and Subordinated in Financials and Corporates alike.

Our view: Year-end 2025: EUR IG (spread): 90bps (+/- 15bps) EUR HY (spread): 300bps (+/- 25bps)

Mid-year 2026: EUR IG (spread): 90bps (+/- 15bps) EUR HY (spread): 300bps (+/- 25bps)

EM Credit

Emerging Markets (EM) Credit: Once again, EM credit continues to outperform developed market credit, outperforming both US and European credit spreads. We saw good spread performance over the month, with EM sovereign spreads 11bps lower and EM corporate spreads 12bps lower. EM corporates have now set a new post-crisis low of 177bps. Returns were evenly split between spread performance and UST performance. EM sovereigns delivered returns of +1.65% in IG and +1.51% in HY, while EM corporates delivered returns of +1.01% in EM IG and +1.10% in EM HY. Looking ahead to the rest of the year, we expect EM to deliver carry-like returns, given attractive all-in yields of 6.85% in EM sovereigns and 5.85% in EM corporates. Current spread levels reflect a Goldilocks scenario, which leads us to think spreads could be vulnerable to a move wider on any negative developments and weaker data. We do expect to see wider spreads by year-end, although only marginally.

EM remains attractive from an all-in yield perspective, with yields between 5.85% and 6.85%. This compares favorably to US credit, with US IG yields at 5.15% and US HY yields at 6.80%. EM is a blended universe, i.e., it has both IG and HY constituents. The most recent data shows that IG-rated issuers make up 55% of the EM market and HY-rated issuers make up 45%. If we apply these weights to US IG and US HY, we get a blended yield of 5.9%, highlighting EM's greater carry appeal. Further, we remain comfortable with EM exposure given a better fundamental starting point versus DM. For example, many EM economies are seeing improvements in their fiscal outlooks, while the opposite is the case in DM. Further, EM corporates have lower leverage than DM counterparts in both IG and HY constituents. EM IG net leverage is 1.0x, significantly lower than DM net leverage of 2.8x, and EM HY net leverage of 2.9x is also lower than DM net leverage of 3.6–4.9x.

Although we remain comfortable with EM, it is worth highlighting the potential for greater volatility at the country level. Argentina offered a timely reminder of that. Following the local elections in the province of Buenos Aires, in which Milei's party, LLA, suffered a larger-than-expected defeat, we saw Argentina's curve drop ~20pts. The curve has since recovered, but it highlights one of our key themes through the year, which is to have an up-in-quality bias and to remain very selective at the issuer level.

Overall, we maintain a neutral stance on the complex and a preference for up-in-quality trades, driven by the strong retracement in spreads since April. EM has the potential to keep outperforming DM asset classes given higher carry

and longer duration versus extended credit asset classes; thus, there continues to be a home for EM within portfolios.

Some of our key areas of focus include:

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 that exhibit consistent positive free cash flow, providing flexibility to deal with macroeconomic uncertainty.

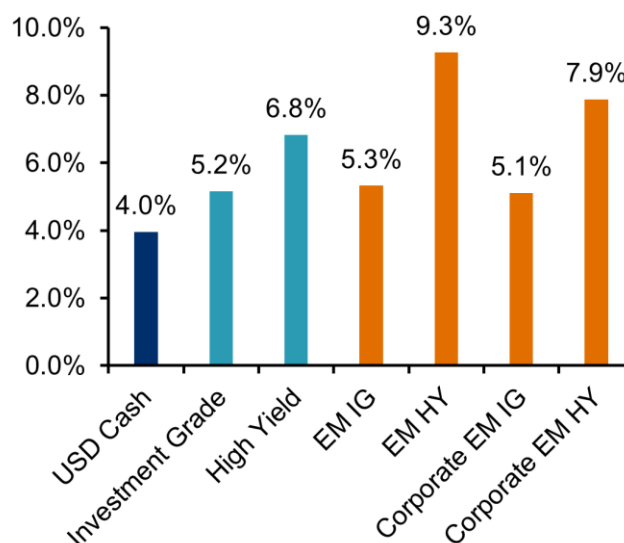
What we're watching: Corporate Hybrids, Contrarian trades, and Resilient credits

Our view: Year-end 2025: EMBI (Spread): Base 290bps, +/- 25bps by 12/30/2025.

CEMBI (Spread): Base 205bps, +/- 25bps by 12/30/2025.

Mid-year 2026: EMBI (Spread): Base 290bps, +/- 25bps by mid-2026. CEMBI (Spread): Base 205bps, +/- 25bps by mid-2026.

Yields Across Sub-Asset Classes



Source: Bloomberg Finance L.P. Data as of September 25, 2025

Asia Credit

Asia credit had another good month with IG returned +0.8% and HY returned +1.8%, respectively. Our preference is Investment Grade (IG) over High Yield (HY) due to emerging defaults and restructuring.

Asia IG: Asia IG offers stable carry with a yield of 5.02% and duration of 4.66. Our top picks in Asia IG include Japanese life insurers and Asia Global Systemically Important Banks (G-SIBs). We maintain a neutral stance on Hong Kong, India, and Indonesia credits due to balanced risk-reward dynamics. We view valuations for Chinese 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 high yield due to their long-term growth potential, and Macau gaming given its stable credit profile. We are cautious in Hong Kong and China real estate sector given ongoing weakness in fundamental.

What we're watching: • Japan lifers: Like the sector - yield of 5%+ in A rated names. • HK Real Estate: (Cautious view) Welcome move, prefer signs of stabilization before stepping back in.

• China High Yield: Making comeback given search for yield behavior, selection bias.

Our view: Year-end 2025: Asia IG (Spread): Base 75bps (+/- 15bps), Asia HY (Spread): Base 520bps (+/- 25bps),

Mid-year 2026: Asia IG (Spread): Base 75bps (+/- 15bps), Asia HY (Spread): Base 520bps (+/- 25bps).

FX VIEWS

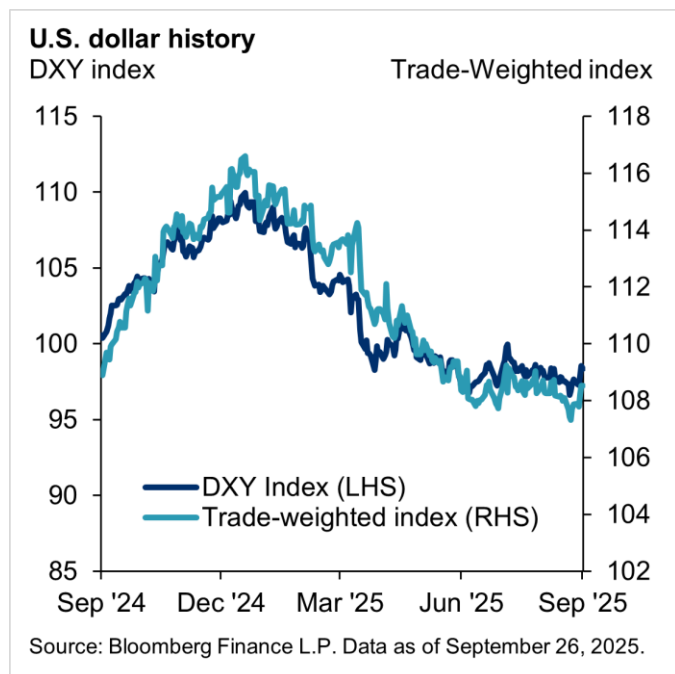
U.S. Dollar

Our bearish view on the dollar is predicated on: 1) moderation in U.S. growth outperformance, and 2) rebalancing of U.S. dollar overweights and low FX-hedge ratios. Those pillars are in the process of playing out, with clear signs of weakness in payrolls. We expect that slowing U.S. growth, coupled with improving prospects in Europe and Asia, will lead to continued dollar weakness, albeit at a more moderate pace than observed in the first half of 2025. Additionally, we will monitor changes in behavior within the institutional investing community, as some quick movers in Europe have begun to act since Q2. That said, the trend slowed since summer with overall adjustments to U.S. holdings and hedge ratios remain limited.

The key beneficiaries in this environment are likely to be alternate reserve currencies like EUR, CHF, 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 remain constructive on the euro due to a significant shift in Europe's economic prospects following Germany's historic fiscal package. Details of the German 2025 Budget suggest a more front-loaded fiscal boost than previously expected. Additionally, ECB rates are no longer restrictive for economic activity, and the recent US-EU trade deal, while not necessarily favorable for Europe, eliminates some tail risks for European growth. This, combined with some softening in U.S. data, is narrowing relative growth expectations and boosting prospects for EURUSD.

The ECB stayed put in its September meeting as expected, with market pricing in less than one cut over next 12 months. Our models indicate that cyclical factors alone could gradually move EURUSD towards the 1.20 level. Furthermore, the potential for continued rotation into domestic assets and increased currency hedging by European asset managers could support more substantial upside over the medium term. Long EURUSD remains our preferred expression of the bearish dollar view, and we recommend that EUR-based assets constitute around 20% of global investment portfolios.

What we're watching: Eurozone vs. U.S. growth momentum. Fiscal Policy, French politics

Our view: Year-end 2025: 1.18 (1.16-1.20) , **Mid-year 2026:** 1.20 (1.18-1.22)



British Pound

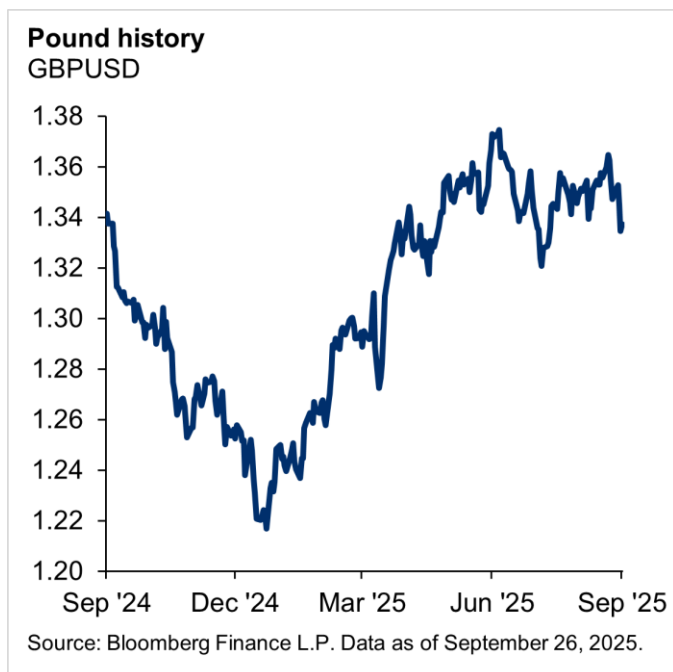
Cable has been range-bound around the 1.34 level since May. Our fair value model suggests a largely neutral outlook for sterling over the next 12 months, in contrast to a more optimistic view on other alternative reserve currencies.

Three key developments limit the potential for further GBP gains: 1) recent economic data, particularly concerning the labor market, indicates a faster slowdown in UK growth and inflation; 2) the Bank of England (BOE) stayed put in September but seems increasingly sensitive to growth risks, and we find the current market pricing of the rate cut trajectory overly hawkish; and 3) fiscal constraints on government spending remain a significant concern.

Therefore, while broad dollar weakness supports 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

Despite that CHF has been a major beneficiary of global investors diversify way from the dollar, EURCHF has been stable since May. The SNB held rates at 0% at its September meeting, halting for the first time since it began in March 2024, without a return to negative rates.

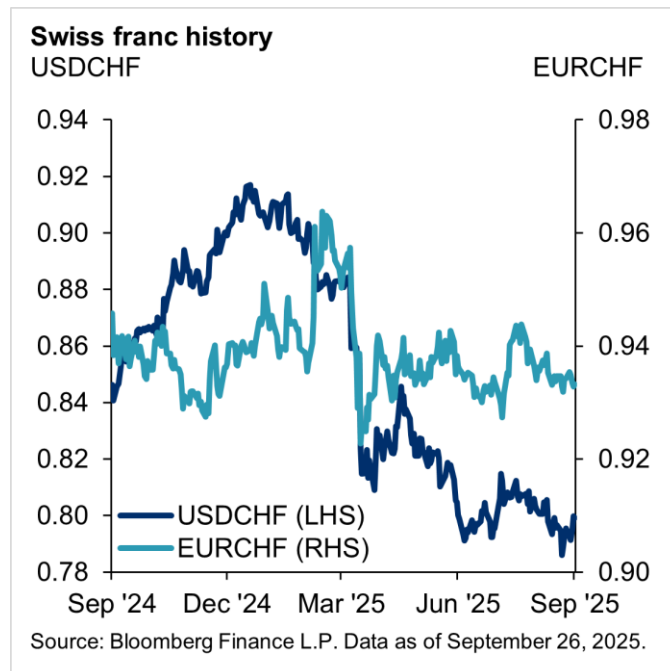
The Swiss economy is slowing on contracting exports and muted consumption. Higher-than-expected US tariffs on Switzerland (39%) and uncertainty around trade talks may continue to weigh on the outlook. Headline CPI has been hovering around 0%. Should deflationary pressure sustain, the central bank may either adopt a small negative rate, or exercise FX intervention i.e. weakening the currency – though this would require currency strength against the EUR rather than USD in our view.

We expect EURCHF to remain stable around 0.93 for the remainder of this year,. 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, trade talks

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)

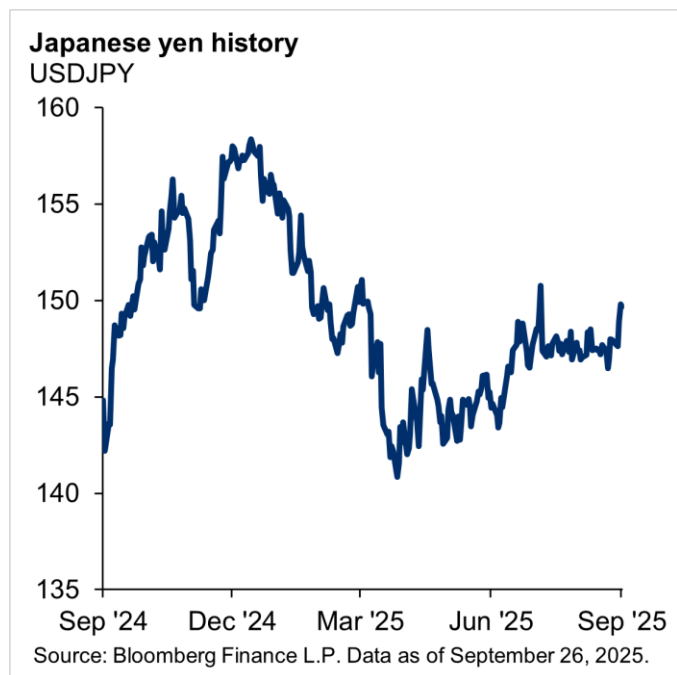


Japanese Yen

We remain bullish on JPY over the medium term. Long-end JGB yields have risen significantly to a 15-year high. This upward trend began in 2022 when the BOJ incrementally lifted YCC measures, but it has meaningfully accelerated year-to-date, with the 30-year yield rising over 100bps. We expect further increases in long-end yields as part of the interest rate normalization process—currently, the 30-year yield at 3.1% barely aligns with inflation, and the fiscal risk premium could become increasingly explicit. Given recent domestic political and fiscal developments, we only expect more sustained strength in JPY in 2026 after more substantial Fed rate cuts. Negative carry remains punitive for short USDJPY trades, and the BOJ will likely be patient with further hikes. While we advise caution on speculative bets for JPY appreciation, a long JPY position could be considered as a hedge against risk-off macro outcomes. We are also comfortable investing in Japan equities without an FX hedge as a means 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)



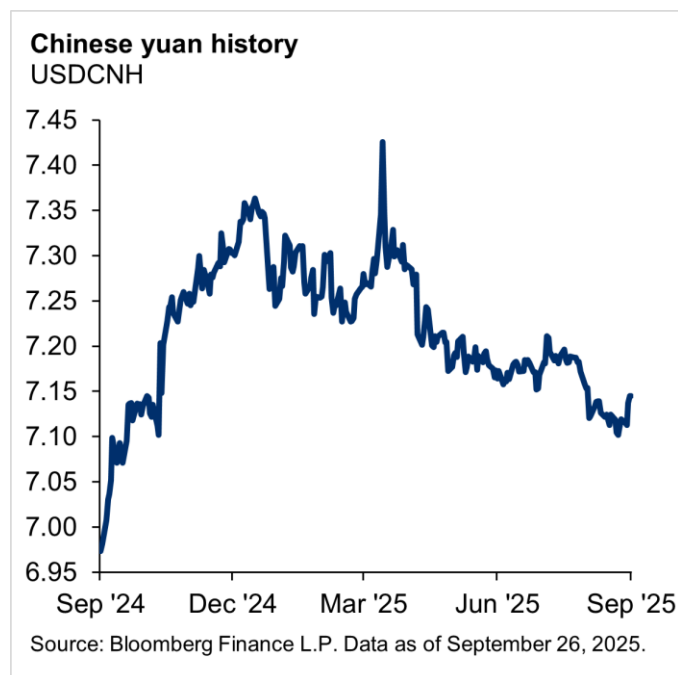
Chinese Yuan

CNH has maintained low volatility against the USD year-to-date, despite significant USD weakness, which resulted in notable underperformance against non-USD major currencies. Since August, alongside improved sentiment in Chinese equities, the PBOC's fixing rate for USDCNY declined meaningfully, guiding offshore USDCNH rates toward the 7.10 levels before stabilizing in September. Looking ahead, USDCNH may continue to leak lower due to a weaker dollar. However, a much stronger yuan (i.e., below 7) is not our base case, as we expect the PBOC to maintain its FX stabilization policy to mitigate potential tariff impacts on exports.

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, but the risk-reward profile is deteriorating with impending US interest rate cuts and increased FX downside risks. Investors without a need to FX hedge their China exposure may consider reducing currency mismatches in their liabilities.

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 traded with divergence in September, with AUD strengthened while the NZD and CAD weakened, in line with our preference. The overall outlook remains constructive, supported by a benign outlook on risk sentiment and broad dollar weakness.

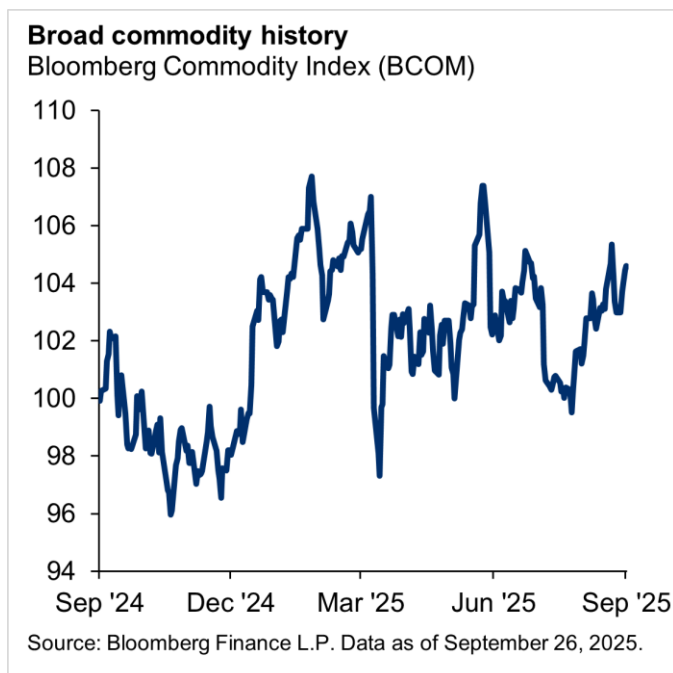
CAD: Neutral. Near-term caution due to trade uncertainties and spillover effects from weaker U.S. growth. With further BoC cuts likely, we believe CAD can serve as a lower carry proxy for tactical USD shorts. More constructive medium-term outlook supported by fiscal measures and ongoing FX hedging.

AUD: Bullish. We expect a shallow RBA easing trajectory, with the terminal rate being among the highest in the G10. Support will also come from benign global risk sentiment and a robust domestic fiscal impulse.

NZD: Neutral. Near-term underperformance is expected due to continued labor market weakness and a slow cyclical recovery. More constructive medium-term outlook as RBNZ being an early mover (250bps cut delivered).

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: 0.62 (0.60-0.64)*



Scandi FX

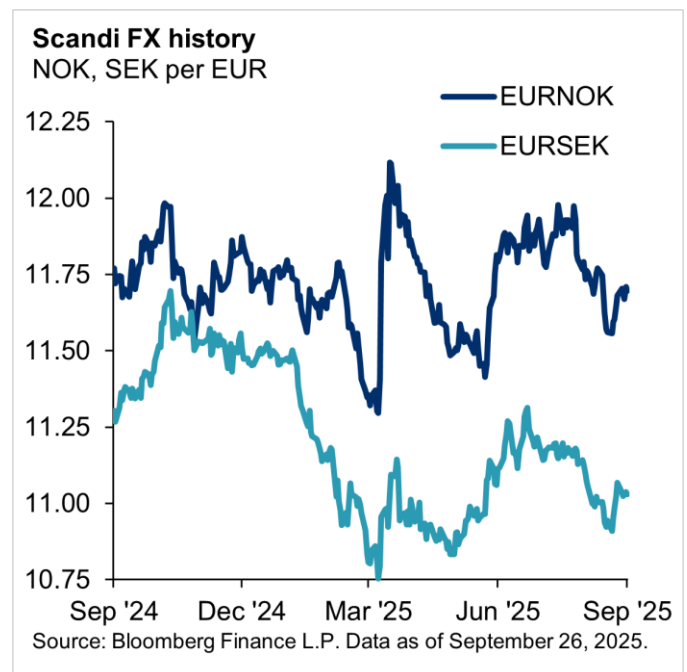
Scandis have generally benefited from risk-on sentiment year-to-date. We think that continued strength in global risk assets, partnered with more favorable domestic growth and fiscal dynamics, provide a strong backdrop for the bloc going forward.

NOK: Bullish. Norges Bank delivered a cut in September, and market is pricing in no more cut till year end. Economic resilience to global trade uncertainty and ample fiscal space should benefit NOK – especially as stagflation concerns grow for other higher carry currencies like GBP.

SEK: Neutral. Recent softness in growth is a headwind. Repatriation flows slowed over recent months. That said we expect SEK to be a major beneficiary of a potential Russia-Ukraine ceasefire.

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

Our view*: Year-end 2025: EURNOK: 11.20 (11.00–11.40) EURSEK: 10.60 (10.40–10.80), **Mid-year 2026:** EURNOK: 10.80 (10.60–11.00) EURSEK: 10.20 (10.00–10.40)



*JPM Investment Bank Outlook

Emerging Market FX

EM FX performance may diverge in 2H on trade outcomes, repatriation potentials as well as local political and growth risks.

Latam: Neutral, await clarity on trade deals. **BRL:** Bilateral trade talks still ongoing. 50% tariffs are high but extensive carve-outs could temper the impact. Fiscal overhang remains. **MXN:** Carry advantage remains with positive structural story on supply chain reshuffling, but caution on uncertainty over USMCA negotiations and strong year-to-date performance.

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: Downgrade to neutral. 50% tariffs came in as a surprise - despite low trade dependency, direct foreign financing flows could decline. **TWD:** Neutral following the sharp rally in May. Hedging activities are expected to continue but CBC may take actions to smoothen the moves.

SGD: USDSGD trading at a 10-year low. Limited downside from here as MAS ramps up easing.

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

Our view*: Mid-year 2026: BRL: 5.60 (5.40 – 5.80) MXN: 18.50 (18.30–18.70) ILS: 3.15 (3.05–3.25) INR: 88.20 (86.20 – 90.20) TWD: 29.30 (28.30–30.30) SGD: 1.25 (1.23–1.27)

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of September 26, 2025.

*JPM Investment Bank Outlook

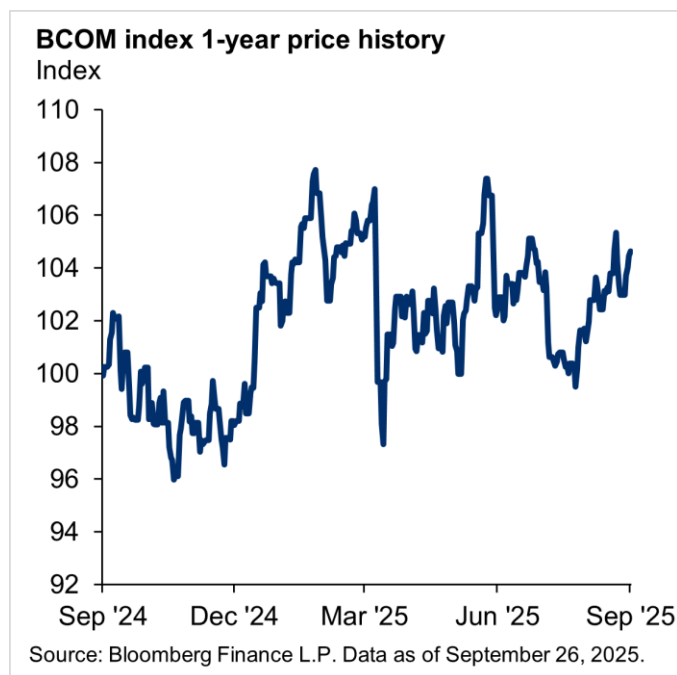
COMMODITY VIEWS

BCOM Index

Commodities posted gains in September, rising +1.75% on the back of the widely anticipated interest rate cut from the Federal Reserve. Generally easing cycles are constructive for commodities with similar cycles resulting in double-digit gains after just 9 months. Recessionary cutting cycles on the other hand, are generally bad for commodities. Although we only assign a 30% risk of recession at this stage, this potential risk needs to be watched carefully. Best performers on the month were Silver +13.4%, Gold +8.8% and Corn +6.85%. Losers this month were Gasoline -8.5%, Coffee -4.2% and Cattle -4.1%.

What we're watching: More non-recessionary cuts will be constructive for the Index. The tariff risk seems to be in the rearview mirror. Keep an eye on inflation.

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



Gold

Gold soared in September, jumping +8.8% to new all time highs. We wrote last month, that we would need to watch to see how the market would react to the first cut, and the response has been overwhelmingly positive. At this point the price looks to be a little overbought, and it might make sense to pause buying for now. On the other hand, it is always difficult to stop a runaway train. We will be shifting our focus next month to look at expectations for the next calendar year. Historical data suggests gold will continue to appreciate, but in our view the historical averages are interesting, but likely too conservative. Central Bank buying continues and ETF retail activity has had a material pickup. Often the emergence of retail buying is a cautionary signal, but holdings are still over 13% below the highs seen in 2020.

What we're watching: We look for further interest rate cuts from the Fed and will keep an eye out for signs of stretched positioning in retail.

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



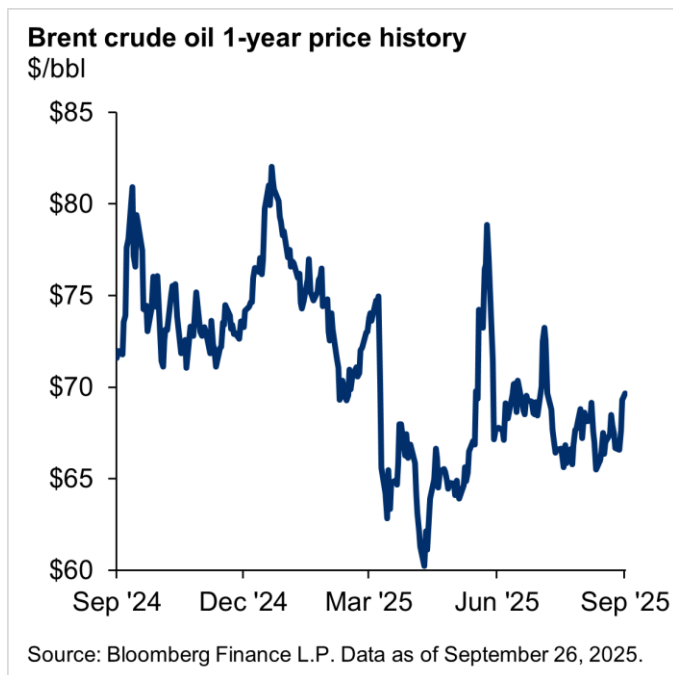
All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to "Definition of Indices 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.

Crude Oil

Crude oil finally halted the downtrend, rising +1.75% over the month across the two benchmarks. Oil benefitted from the more bullish trend in commodities, but only rose in line with the wider index. The White House continued its campaign to stop Chinese and Indian buying of Russian oil and has also increased pressure on Europe to halt the small amount of Russian crude and product imports, however to little effect. India remains committed to its buying programme and China generally ignores US protests. Of more interest was the news that China has purchased over 150 million barrels of crude more than they would need in a calendar year. This stockpiling has caught the interest of some forecasters, who see sinister implications. The reality is that China is acutely aware that it can be vulnerable to energy shipping chokepoints, but our view is that the buying is to avoid the risk of increased sanctions in a widening trade war. China are astute traders of commodities and this could simply be a desire to build stocks at lower prices.

What we're watching: The market remains oversupplied, and if Chinese buying slows, we expect a slide into the \$50's for Y/E.

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 the recent losing streak, dropping 3.25% in September. Production remains strong and the bigger surprise seemed to be a larger than anticipated share of power generation from renewables. Solar especially has performed very well in 2025, increasing its share by almost 50% over 2024 levels. Solar is now entering its seasonal lows and this along with a larger anticipated demand from LNG feedstocks in October, should help to support prices next month. Obviously, as is always the case with NG, weather temperatures will be a major factor as we head towards winter. Longer term forecasts point to increased demand for NG, but supply chain concerns around the availability of gas turbines could be a negative going forward.

What we're watching: LNG demand in October and the longer term reality of constrained gas turbine supply.

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



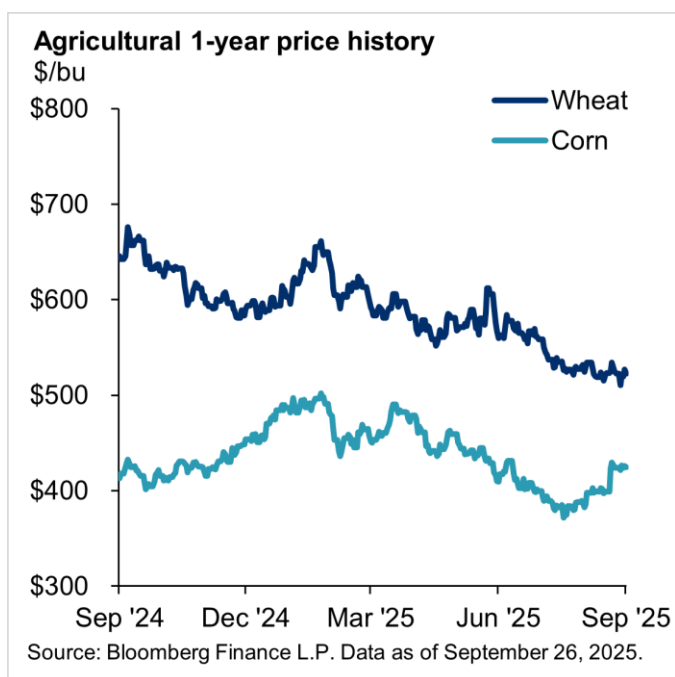
Agricultural Commodities

Corn and wheat gained on the month, with wheat +1% and corn +6.7%. Corn in particular rose on investor short covering after data showed yields to be lower than the market had been anticipating in September. Agriculture tends to be more nuanced in rate cutting cycles and although gains will likely be seen, they often take some months to materialize. Upward revisions in global growth expectations would be positive for consumption, but patience is required.

What we're watching: China has been buying soybeans from Brazil instead of the US as the trade war continues.

Our view: Year-end 2025: Corn: 425-525 Wheat: 550-650

Mid-year 2026: Corn: 450-550 Wheat: 575 – 675



Copper

Copper rose +3% in September. The big news has been a force majeure declaration from Freeport at their Grasberg mine in Indonesia. Although the closure of one mine might seem immaterial, the Grasberg mine is one of the largest mines on earth supplying 2% of global copper. There are 250km of tunnels and every year the mine expands. The mudslide that hit the mine will take many months to clear, if not years. The only reason markets are not significantly higher is that global copper stocks are currently very high. However as the market starts to work through these stocks, copper prices will be pushed higher. We anticipate revising prices higher next month. For now we look to Freeport for guidance on a reopening of the mine.

What we're watching: We look for clarity on the reopening of the Freeport mine and will see how Chinese consumers react to higher prices.

Our view: Year-end 2025: \$9100 - \$9200 , **Mid-year 2026:** \$9300 - \$9400.



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.⁶
- 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)⁷

- Interest coverage ratios (EBITDA / Net Interest Expense): 2.1x vs 4.0x ; private vs public
- Leverage (Debt / EBITDA): 5.7x vs. 4.6x
- EBITDA margins: 14.7% vs. 16.9%.

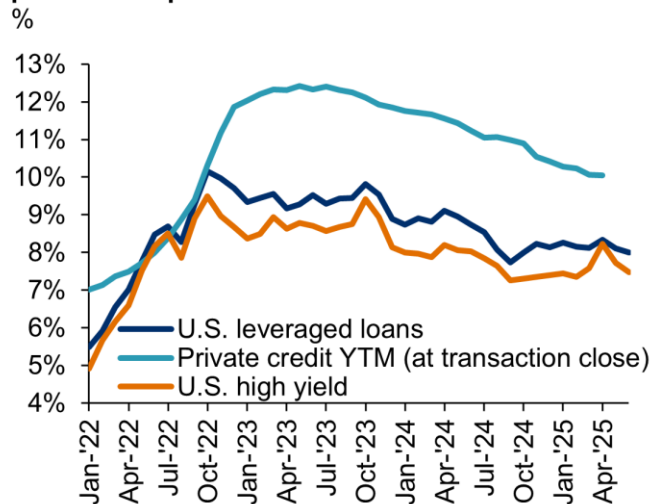
While investors have been compensated for this incremental risk through higher yields, an economic downturn would likely lead to stress at the company and manager level. Additionally, as base rates move lower, we believe yields will normalize to historical levels. Therefore, it is critical for private 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.

⁶ "Private Debt: A Game Changer", Empirical Research Partners, April 2025.

⁷ 2Q25 Leveraged Loan Credit Fundamentals, JP Morgan Investment Bank North America Credit Research, September 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.

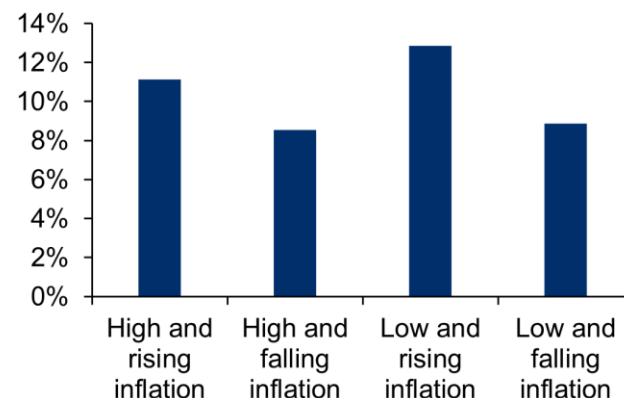
The past couple of years have also showcased in real-time the role that energy plays in influencing the geopolitical landscape. Securing reliable sources of energy / power — not only for essential services but also to power AI - has become a matter of national security. For investors, it means that investment 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 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 ~8% growth in NOI. This created a unique gap between fundamentals and returns which we think could create opportunity for long-term investors. 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. 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.

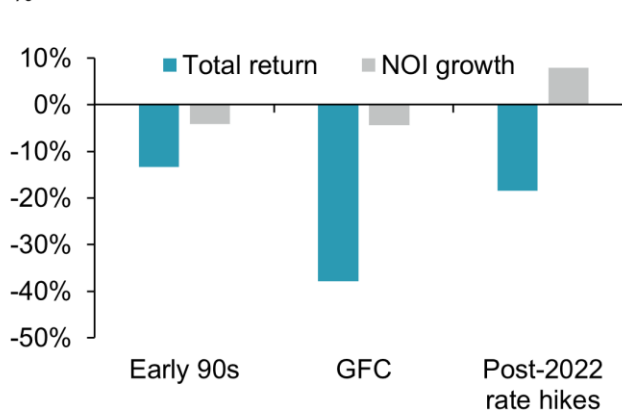
The meaningful decline in housing affordability we have seen over the past few years will likely be one of the most important trends to watch in US real estate markets going forward – increasing not only the potential for individuals and families to turn to renting (vs. owning), but also shift where 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 \$~2,300 vs. the monthly cost to own ~\$3,400
- 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.

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 averaged ~9%
- **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 percentage 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 average⁸. While IPO activity has been concentrated in the AI ecosystem, this uptick reflects progress towards a healthier exit environment.
 - Exit activity: Medium-term, our expectations for a decline in interest rates, regulatory easing, and convergence of bid-ask spread will likely support additional exits.
 - Historically, easier financial conditions increase both M&A and IPO deal value and count — we believe easier financial conditions in the current environment will set the stage for more deals ahead

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.

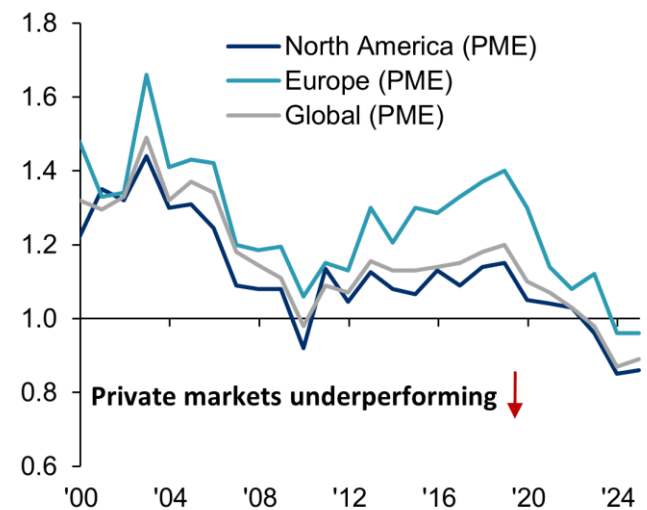
Within private equity, regionally, we remain constructive on the U.S. and are increasingly optimistic on Europe. Tech

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 still believe there is opportunity in private equity given the differentiated opportunity set private markets can provide (e.g., we expect more value in this tech cycle to accrue to private markets – from VC to buyout – than in prior cycles, companies are staying private for longer and larger across sectors). We are also seeing green shoots in dealmaking activity (e.g., improvement in global M&A & IPO volumes after a post-Liberation day pause, recovery in PE/VC distributions). Prudent manager selection will 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.

⁸ Bloomberg Finance L.P., July 2025.

VOLATILITY VIEWS

Equity Vol

In September, as the Federal Reserve's cutting cycle reconvened, we observed notable dispersion in stock performance across sectors. Investors assessed potential winners and losers, leading to significant price changes in single stocks compared to muted sector-level movements. This divergence in realized volatility reached levels not seen in nearly three years, particularly in pockets of Technology.

Interestingly, the market exhibited an unusual dynamic where equity prices rose alongside implied volatility. Typically, as prices increase, implied volatility tends to decline. However, recent behavior suggests that investors may be entering positions at higher prices amid cautious sentiment. Consequently, the market is pricing in a higher expected volatility floor for the S&P 500, with the VIX not closing below \$14 year-to-date—only seen in 2021 and 2022 over the last decade.

The macro environment remains complex. Historically, asset class performance during Fed cutting cycles has supported risk assets. However, signs of a weakening labor market and expectations of an economic slowdown may keep investors on the sidelines. Continue to use structured notes as an investment tool to stay committed to long-term goals.























What we're watching: Record levels of cash balances amid resumption of a rate cutting cycle

Macro Vol

Gold continues to be the standout asset for expressing a dollar diversification view. The metal reached multiple new highs this month, accompanied by strong demand for leveraged upside exposure in derivatives as the Fed cutting cycle resumed.

In the U.S. rates market, implied volatility on swaptions across various maturities and tenors declined over the month. The resumption of the Fed's cutting cycle has renewed focus on liability management, with some investors opting to fix out a portion of their floating rate liabilities.

What we're watching: Push-pull of labor and inflation prints for a data dependent Fed

Cross Asset Volatility Monitor						
Underlier	1 Month			1 Year		
	Vol	MoM Change	Historical	Vol	MoM Change	Historical
Equities - 100% Strike Implied Volatility						
S&P 500 Index	13.63	1.82		15.70	0.20	
EURO STOXX 50 Index	12.69	-0.31		15.69	0.17	
Tokyo SE (TOPIX) Index	18.13	1.40		18.23	0.28	
Rates - SOFR Swaptions ATM Strike Implied Volatility (BP, Annualized)						
1Y	66.15	-15.64		82.42	-5.43	
5Y	75.38	-4.64		82.76	-2.76	
10Y	73.14	-1.92		81.57	-2.60	
Commodities - ATM Strike Implied Volatility						
Oil (Brent)	25.55	-0.90		27.45	0.44	
Gold	16.36	2.81		16.92	1.02	
Currencies - ATM Strike Implied Volatility						
EUR/USD	6.50	-0.73		7.00	-0.29	
USD/JPY	8.49	-0.43		9.25	-0.27	
USD/CNH	2.49	-0.56		4.20	-0.50	

- 1) Source: J.P. Morgan. Data as of September 24, 2025
- 2) ATMF refers to "At the Money Forward"
- 3) The illustration references the historical implied volatility over the last year. Green dot denotes high, red dot low, and blue dot current
- 4) Historical 1 year window observed for the range

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

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.

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

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.

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.

The **Chicago Board Options Exchange Volatility Index (VIX)** is a financial benchmark designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, quote prices of The Standard and Poor's 500 Index call & put options. On a global basis, it is one of the most recognized measures of volatility, widely referenced by financial media and closely followed by a variety of market participants as a daily market indicator. A higher VIX value indicates higher expected volatility and increased investor uncertainty.

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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