



THE

Global Investment Strategy View

OUTLOOK EDITION

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

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KEY TAKEAWAYS

Resilient growth. In the United States, we expect resilient growth and contained inflation in the year ahead. The artificial intelligence (AI) capital investment (capex) boom should continue, and we see signs of stabilization in the labor market, supported by favorable financial conditions and a resilient consumer. Inflation will likely remain sticky through the first half of next year. But with services inflation and rental prices easing, we expect the Federal Reserve (Fed) to stay on track with its current easing cycle. Outside the United States, we see limited downside risks to growth and little inflationary pressure.

New highs in equity markets. Equity markets are poised for new highs, as tailwinds from fundamentals are proving stronger than headwinds from valuations. In the United States, we anticipate low double-digit earnings growth, which can translate into high single-digit market returns, even with some valuation compression. Technology and AI will remain key drivers of equity market upside. Investors should also look for compelling opportunities in themes such as power, security, defense and healthcare. Indeed, we have upgraded our view on the healthcare sector as well as industrials heading into 2026. Turning to the monetary policy backdrop, the Fed will likely ease further in the first half of the year, but markets may be too aggressive in their expectations for the number of cuts. This should keep rates range-bound, the dollar more stable than in 2025 and credit markets well supported.

What could go wrong...or right? Potential risks and surprises for 2026 include concerns about Fed independence, disappointment in AI and changes in tariff policy. With a new Fed Chair on the horizon and the Supreme Court set to rule on the removal of Fed Governor Lisa Cook, perceived risks to Fed independence could result in steeper yield curves and a weakening dollar. Gold, which we are already constructive on, is our preferred hedge for such an outcome. While AI fundamentals remain strong and the growth outlook is robust, any signs of slowing in hyperscaler capital spending could pressure markets, especially given tech's strong performance and full valuations. Investors should prepare for volatility and remain opportunistic. Finally, if the Supreme Court rules against widespread U.S. tariffs, we may see lower tariff rates, enacted at a slower pace. This could potentially benefit the corporate sector, which has shown resilience amid trade uncertainty.

TOP TRADE IDEAS FOR 2026:

Upside in the AI infrastructure buildout: After decades of stagnant growth in power demand, we've reached an inflection point. The massive buildout of data centers to support the AI boom is spurring greater demand for electricity, but supply is struggling to keep pace. In a world of increasing global fragmentation, underinvestment in power must be addressed. Reliable infrastructure is critical to both AI and national security. We see compelling opportunities across utilities, industrials and infrastructure investments.

Also consider: Technology (public and private), security and defense.

Corporate hybrids for yield with quality: Global rate cuts have investors searching for yield. We continue to prefer opportunities in credit versus extending for duration. By moving down the capital structure rather than reaching lower in issuer quality, corporate hybrids and U.S. bank preferreds offer compelling yields and can reduce vulnerability during periods of credit stress. Along with attractive valuations, structural changes in hybrid markets are leading to greater index representation, better liquidity and increased investor focus.

Also consider: Investment grade credit, long-duration municipal bonds.

Diversifying the diversifiers: Hedge funds and gold serve as buffers against a variety of risks. Traditional fixed income remains the best diversifier against recession risks, but portfolios must also be insulated against inflation and policy uncertainty. Macro hedge funds have traditionally performed well in volatile markets, especially during periods of higher inflation and technology drawdowns. Despite a sharp rally, we see further upside in gold as investors look to diversify dollar exposure, hedge geopolitical risk and guard against inflation surprises.

Also consider: Infrastructure, real assets.

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

THIS DOCUMENT

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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 our high conviction views

November 2025



Note: MoM = Month over month

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

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THE VIEW

In this edition of the GIS View we lay out our expectations for 2026 across major economies and markets. We then address three of the key questions that will shape the investment landscape over the next year, including:

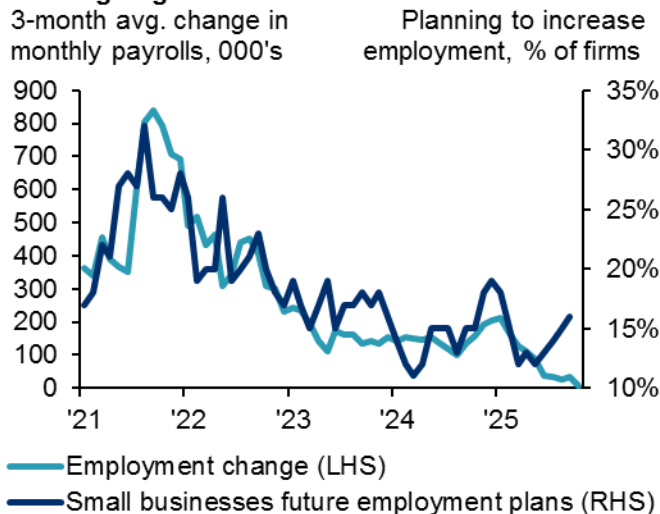
1. What makes us confident inflation isn't roaring back? A meaningful and persistent reacceleration of U.S. inflation is a key risk to our macroeconomic outlook for 2026.
2. It's become a consensus view that the dollar is going to continue depreciating, but are there truly signs of global investors shying away from U.S. markets? Will the U.S. dollar be on firmer footing in 2026?
3. What could go wrong...or right? Our top three surprises for 2026 and how to position for them.

First, our key views and convictions for 2026:

Growth: Despite recent U.S. data presenting an unbalanced picture, we think growth improves through 2026. 2025 was marked by a soft labor market set against a historic AI investment boom. Our view is that the AI buildout continues, and, after the current soft patch, the U.S. labor market stabilizes and improves through 2026. Here's why:

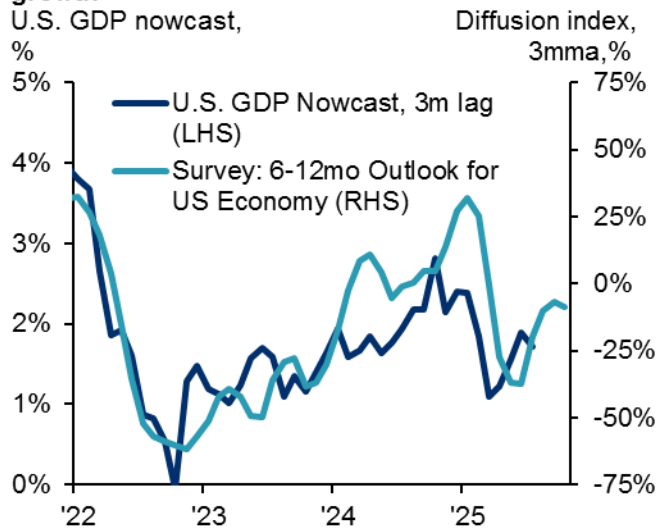
- **The labor market is likely bottoming.** Labor demand is undoubtedly weak; however, further deterioration is unlikely without major declines in companies' profits and associated margin compression. Currently, margins are near their historic high, mentions of 'job cuts' in corporate communications remain contained, and hiring intentions among small businesses are showing signs of improvement (Figure 1).
- **Surveys point to a trend-like growth outlook.** Realized economic growth closely tracks business' 6-12-month outlook for the U.S. economy with a two- to four-quarter lag (Figure 2). With business sentiment improving as trade policy uncertainty declines, GDP growth looks likely to land at a trend-like pace in 2026.
- **Financial conditions are supportive.** While the Fed has only just resumed rate cuts, broader financial conditions have eased considerably over the past six months. According to a Federal Reserve model, financial conditions are estimated to boost real GDP growth by over half a percentage point over the next twelve months, all else equal.

Figure 1: Labor market weakness showing signs of troughing



Note: 3-month average across ADP and NFP for private employment growth. Sources: ADP, BLS, NFIB. Data as of October 31, 2025.

Figure 2: Business optimism points to resilient growth



Sources: Bloomberg Finance L.P. J.P.Morgan; Chicago Fed. Data as October 31, 2025.

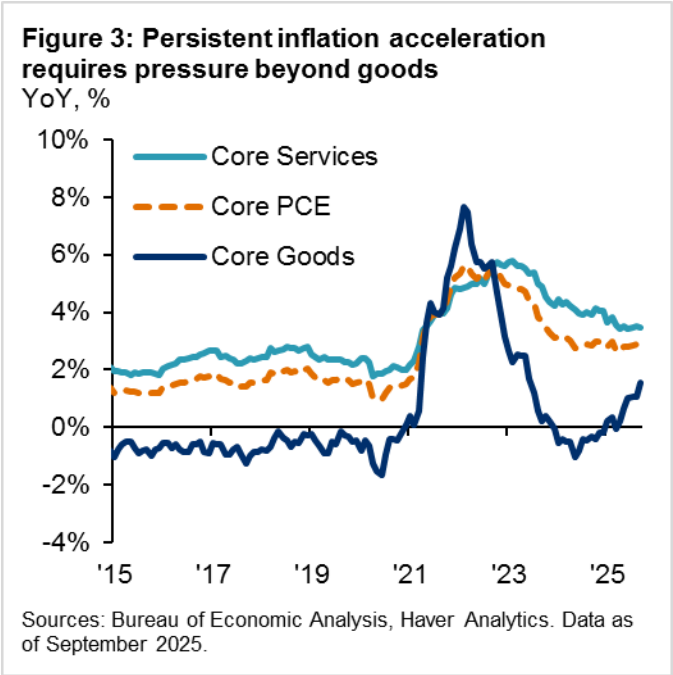
- **The U.S. consumer remains resilient.** We expect the U.S. consumer to remain resilient, as it has in 2025. As laid out in our recent [deep dive](#), healthy consumer balance sheets and continued positive real wage growth are the key reasons we expect the U.S. consumer to bend – but not break – in the face of tariffs and the current weak spell in the labor market.

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Downside risks to global growth look similarly contained. China’s economy is facing a historically uneven growth path; supercharged exports have kept growth stable despite weak housing and overall investment. This trend is likely to continue, as we see the economy continuing to “muddle through” rather than markedly improve. China’s recently released Five Year Plan calls for boosting consumption. While the messaging is positive, more concrete stimulus is needed to revive domestic demand.

Meanwhile, European growth looks set to accelerate as the Eurozone begins to feel the combined effects of Germany’s historic fiscal stimulus and the region’s broader defense push. We see Eurozone growth accelerating from its current sub-1% annualized pace to 1.0-1.5% in 2026.

Inflation: We expect U.S. core inflation to remain above 3% through the first half of next year. Thereafter, underlying inflation should resume its downward trend (toward ~2.5% by year-end) as the one-off effects of tariffs wane (Figure 3). The key variables we are watching, namely services inflation and rental prices, both appear to be cooling amid weaker demand. Overall, we have high conviction that inflation pressures will not derail the Fed’s rate cutting trajectory. For more, see breakout section: “Inflation: Why we see low risk of a sustained rebound”.



We see comparatively less inflation pressure in most of the world outside of the U.S., given the absence of higher import tariffs. We see core prices in the euro area growing at a 2% rate – or less – by the end of next year. China has been facing entrenched deflation, and policy responses have so far been ineffective at turning the tide. The latest

attempt to escape downward price pressures is China’s “anti-involution” campaign meant to curb excess supply. However, in our view, this is unlikely to have an effect beyond the short-term. More is needed to revive demand, rather than cut supply, and so far most measures of consumption and investment remain weak.

Rates & Foreign Exchange: We expect the Fed to complete its effort to bring the Fed Funds rate back to “neutral” in 2026. Specifically, we see the Fed cutting another 50bps, bringing the Fed funds target range to 3.25-3.50% in our base case. We have high conviction that, unless the U.S. economy ends up weaker than we expect, the Fed is very unlikely to cut below 3%.

Although the Fed is cutting, we expect longer-dated rates to remain elevated with the 10-year Treasury yield ending the year in a roughly 4.00-4.50% range. Should the U.S. labor market start to see an increasing number of layoffs and the economy flirt with recession, we see the 10-year yield dropping to 3.5%. On the other side, we find it difficult for the 10-year Treasury yield to trade materially north of 4.50-4.75%, even if the Fed refrains from any further easing in 2026 amid sticky inflation and a recovering labor market (Figure 4).

Figure 4: 12-month forward Treasury yield assumptions for different macro scenarios, %

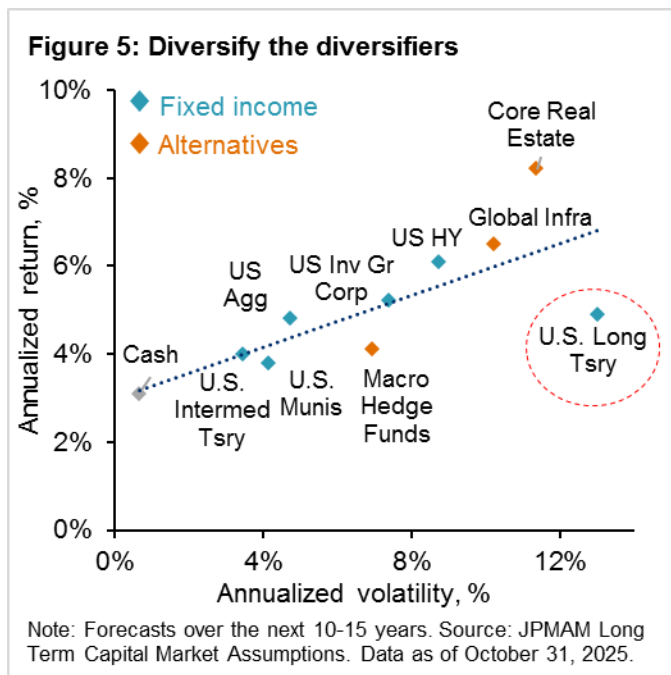
U.S. macro scenario	2Yr. yield	5Yr. yield	10Yr. yield
Higher for longer	4.30	4.50	4.80
Base case	3.60	3.85	4.30
Current market pricing	3.55	3.68	4.09
Growth downturn	2.70	3.00	3.50

Source: J.P. Morgan Wealth Management, Bloomberg Finance L.P. Data as of November 5, 2025.

We see other major developed market sovereign yield curves remaining steeper than in recent years. Large government debt burdens globally, less central bank buying, and more two-sided inflation risks require elevated compensation for investors to own long-duration sovereign debt. As a result, rather than materially extending the duration of portfolios, we prefer to make up

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for low or declining risk-free rates through the corporate credit market and/or income-generating alternatives (Figure 5).



In currencies, we do not see a shift away from the U.S. dollar or measurable concerns around fiat currency “debasement”. Instead, with U.S. growth remaining resilient through 2026, we see the U.S. dollar on firmer footing next year after its nearly 10% depreciation in 2025. For more, see breakout section: “U.S. dollar: On firmer footing in 2026”.

Equities: We see S&P 500 returns nearing double-digits again for 2026. Underpinning that view is an expectation for 10-12% earnings growth, which should support slight multiple compression from current levels of 23x to around 22-22.5x. The 2025 rally year-to-date has been narrow; the market cap weighted S&P 500’s 2025 outperformance vs. the equal-weighted index is in the top 2% of observations going back 25+ years (Figure 6). We see a wider range of opportunities next year and go into 2026 recommending five sectors. We maintain conviction in tech, utilities and financials, with our highest conviction theme the continuation of the AI/infrastructure build out.

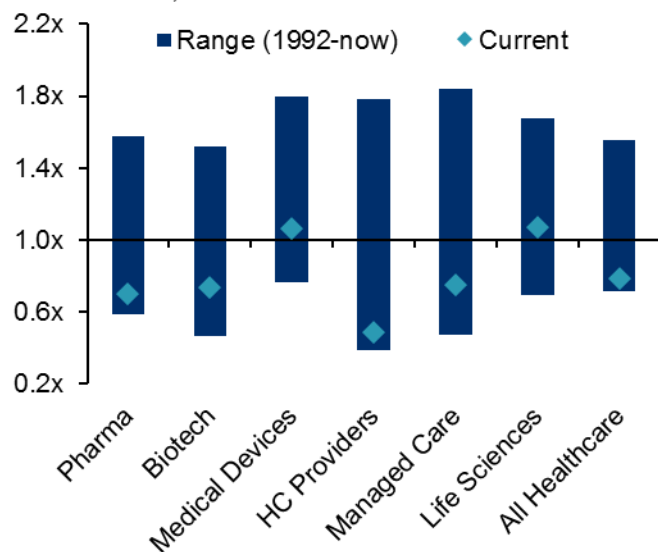
We also see improved return potential from industrials and healthcare. Healthcare, specifically, stands out as a market given its historically inexpensive valuations despite a broadening in earnings growth relative to the S&P 500 (Figure 7). Meanwhile, industrials, particularly defense, benefit from global fragmentation, and higher government spending on defense.

Figure 6: Narrow rally leading the S&P 500
12m S&P 500 excess return, market cap vs. equal weight, %



Source: Bloomberg Finance L.P. Data as of October 31, 2025.

Figure 7: Healthcare sector historically inexpensive
Next 12m P/E, Healthcare relative to S&P 500



Source: Bloomberg Finance L.P. Data as of November 03, 2025.

Outside of the U.S., we have high conviction in India, European industrials and China AI-related names. For India, we believe that region is poised to witness accelerating earnings growth after a below normal 2025. European earnings growth in 2025 was impacted by a strong Euro and tariffs, though both headwinds are expected to ease next year. Increased defense spending and German fiscal spending should provide additional support. As a result, we anticipate accelerating earnings growth in 2026. The global technology ecosystem and China’s Tech innovation cycle are now supported by central policy. After a significant rally in early 2025, that

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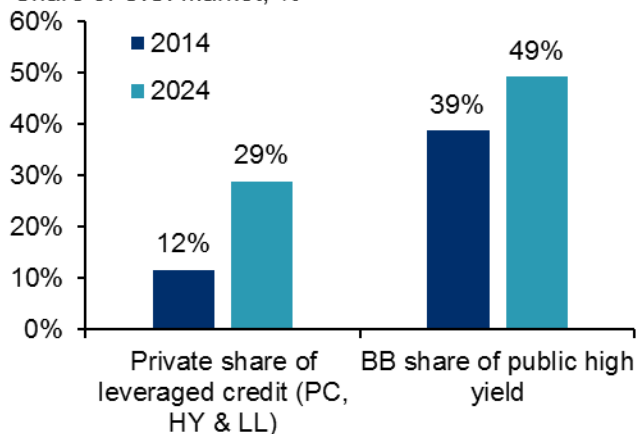
segment has witnessed consolidation that provides opportunity.

Credit: While some areas of the corporate credit market screen rich at first glance, we see current valuations as justified and likely to persist absent a recession. Investment grade remains our favored way of moving out of cash to pick up yield, along with long-duration municipal bonds for U.S. taxpayers.

We have argued in recent months that investment grade credit spreads are less “expensive” than they appear when using alternative valuation methods that exclude sovereign risk. We see similar dynamics in the extended credit market that makes us believe historically tight spreads should persist. The public U.S. high yield market has never been of such high ratings quality with such low duration (Figure 8).¹

Figure 8: Public HY credit quality improving as private credit takes market share

Share of U.S. market, %

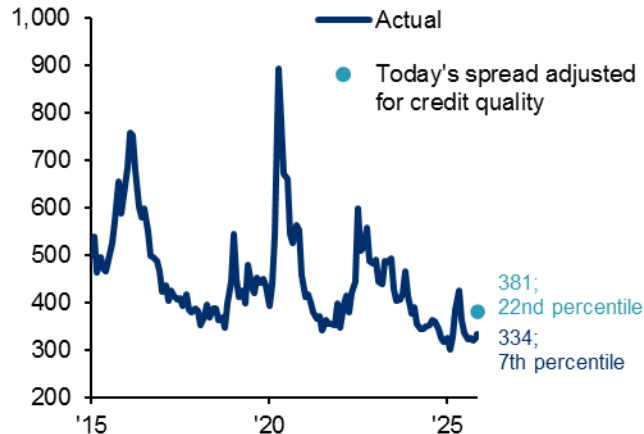


Note: Includes invested capital of private debt funds and collateral pledged by BDCs. Private credit only available until Q2 2024. HY is high yield; LL is leveraged loans. Sources: J.P.Morgan; Federal Reserve; Preqin; LSEG. Data as of December 31, 2024.

Below we show that while spreads in the U.S. high yield market are near historic tight, once you adjust for the higher quality of today's market, spreads are more consistent with being in their 22nd percentile rather than their 7th – still tight but less so (Figure 9). When spreads are in their second quintile, historically total returns have averaged cash plus 2% over the next 12 months.

Figure 9: HY spreads less tight when adjusted for improved credit quality

Credit spread, bps



Note: Percentiles since December 31, 1999. Adjustment based on credit rating of current index composition relative to the historical average. Source: J.P.Morgan; Bloomberg Finance L.P. Data as of November 3, 2025.

In extended credit, our top choice for 2026 is hybrid capital globally, including corporate hybrids and U.S. bank preferreds, as a way to earn high-yield like returns with investment grade issuer quality. Additionally, against a relatively resilient global growth backdrop, we turn more constructive on emerging market hard currency debt and see it as another attractive avenue in the rotation out of declining cash yields into investments. Pockets of Emerging Market Debt (EMD) offer >1% yield pick-up vs. U.S. BB-rated bonds, and often with better leverage metrics.

Alternatives: We see alternatives playing a crucial role in portfolios for 2026, and beyond. Many global investors remain highly concentrated in U.S. assets and maintain large U.S. dollar exposures. Particularly U.S. technology companies which now make up ~50% of the U.S. equity market (Figure 10). While we continue to have conviction in the AI investment theme and see the U.S. dollar on firmer footing in 2026, diversification is key to maximizing risk-adjusted returns.

¹ Since 2000, the public U.S. high yield corporate market has seen a 24% increase in the weight of BB-rated bonds and a 22% decrease in B/CCC-rated bonds. Meanwhile, the duration-to-worst of the public High Yield index has fallen from 4.6 years to 3.0 years in the past two years alone.

Figure 10: U.S. equity concentration in tech
Technology share of S&P 500 %



Our preferred sources of diversification across the space are less correlated macro hedge funds, gold and infrastructure.

- Macro hedge funds have had a negative correlation to U.S. technology companies and have historically provided positive returns in drawdowns of >15% (Figure 11). At the same time, a wider range of potential inflation outcomes raises the opportunity set for alpha generation in the space (Figure 12).
- Secular demand for gold from central banks has maintained a bid on the asset since 2022. Recent increases in retail participation could make near-term price swings more volatile. However, rising geopolitical concerns, sustained 6-7% U.S. budget deficits, and lingering concerns around Fed independence in early 2026 create multiple risk factors that strengthen gold's role in portfolio diversification heading into next year. We see gold prices rising above \$5000/oz by the end of 2026.
- Yields across core infrastructure managers average around 6%, ~2% above the 10-year U.S. Treasury index². Additionally with 55% of private infrastructure

in power assets, with returns linked either directly or indirectly to power price inflation which is outpacing consumer prices.

Figure 11: Finding diversification from U.S. tech

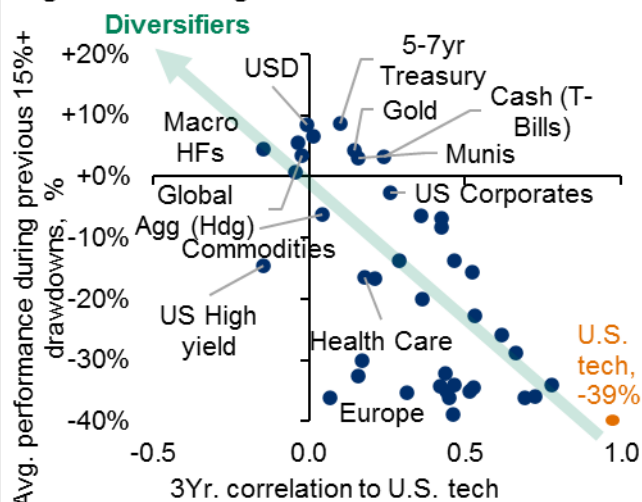


Figure 12: Wider range of potential inflation outcomes post COVID
Range of inflation expectations next 12m, 25 to 75th percentile, %



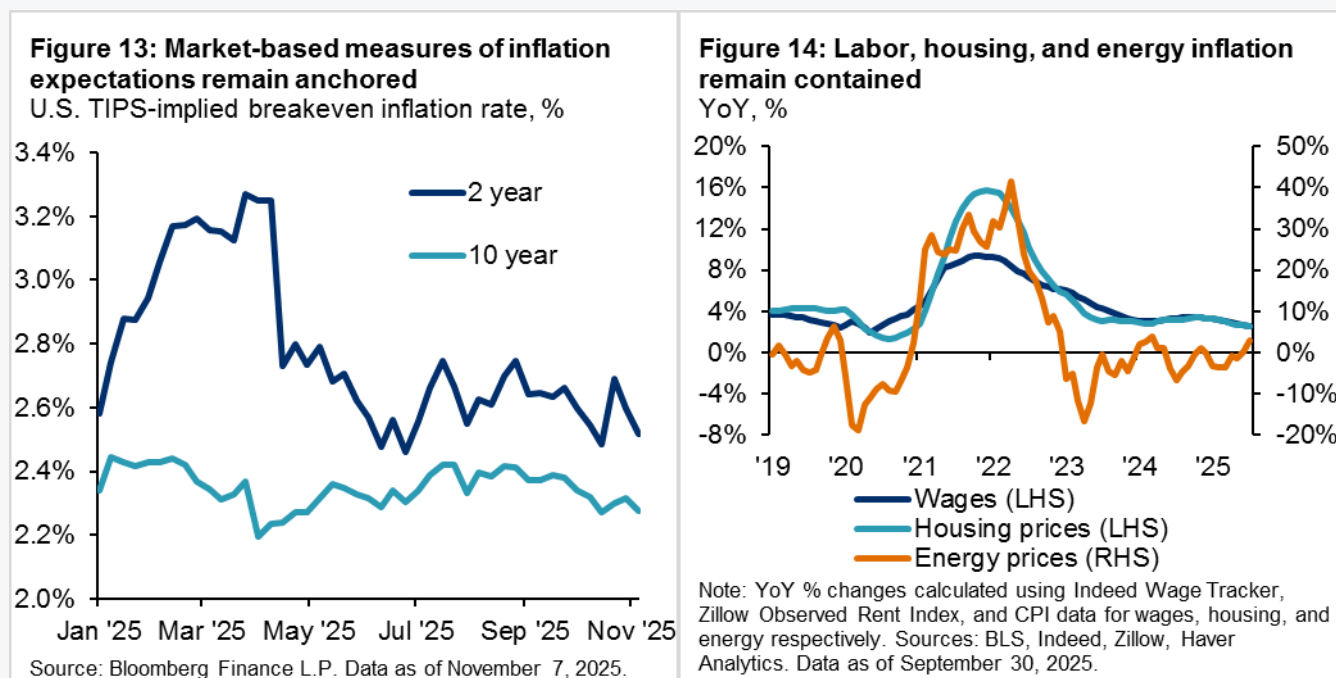
²Note: Core private infrastructure funds. Sources: Bloomberg Finance L.P.; average across 6 fund reports. Data for infrastructure as of latest available, varies from 2025 Q3 to 2024 annual. U.S. 10Yr. yield as of November 5, 2025.

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INFLATION: WHY WE SEE LOW RISK OF A SUSTAINED REBOUND

Inflation still “feels” problematic to US consumers, with year-to-date acceleration in several categories; however, will we see a broad-based acceleration that could force the Fed to alter its cutting path? This is a common question we get from investors and for good reason, given high asset valuations, such a pivot would likely be disruptive to markets. Below we explore how we’re evaluating this risk and why we don’t think it’s likely to upset our view. U.S. consumers are undoubtedly seeing and feeling inflation in certain parts of the economy: food is up to 3.1% YoY (from 2.3% in 2024); electricity is up to 5.6% (from 3.5% in 2024); and core consumer goods are up to 1.4% (from -1% in 2024)

What stands out is that the increases in these categories are mainly tariff-driven and/or due to higher AI-related capital spending; in other words, idiosyncratic rather than broad-based... We believe the Fed is most attentive to inflationary pressures when broad-based and accelerating across market expectations and the economy (labor, housing, and energy); these areas have remained tame in 2025, and we expect this to continue in 2026 (Figure 13 & 14).



Labor Market

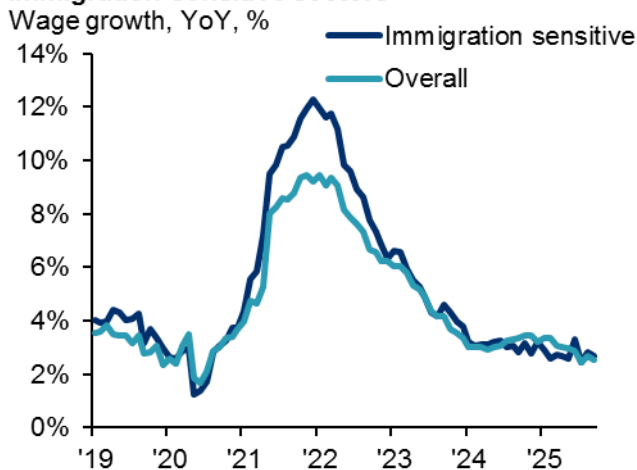
Labor is most important, making up about 70% of corporate value added and 58% of core PCE inflation³. A tight labor market is defined by high job switching and outsized wage gains for switchers⁴. Recently, both the quits rate and the wage premium for switchers have collapsed. On the back of a loose labor market and monetary policy shifting to neutral, we expect the labor market to stabilize and modestly improve in 2026, but not rebound enough for aggressive wage growth. While AI isn’t yet broadly impacting jobs, its perceived threat will likely dampen wage expectations. Reduced immigration could push up wages, but there’s little evidence of this so far (Figure 15).

³ In the PCE data, labor-driven inflation is proxied by core services ex-housing.

⁴Source: NBER - https://www.nber.org/system/files/working_papers/w31010/w31010.pdf

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Figure 15: Lack of wage pressure even in immigration-sensitive sectors

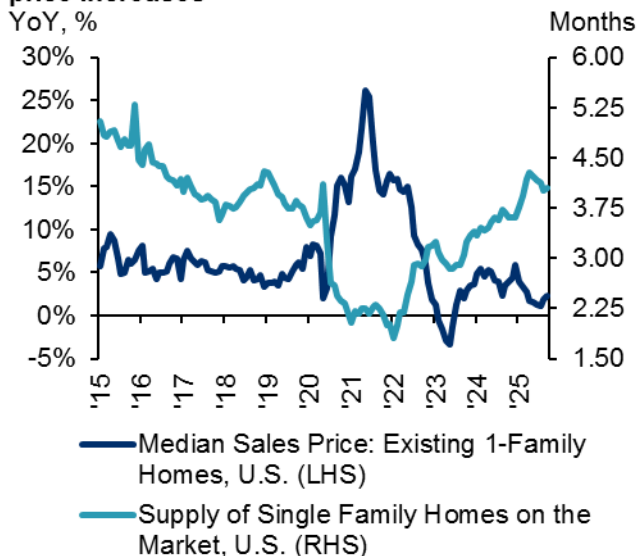


Note: Simple avg. across immigration sensitive job titles: Childcare; cleaning; construction; food preparation and serv.; home health; retail. Source: Indeed. Data as of September 30, 2025.

Housing

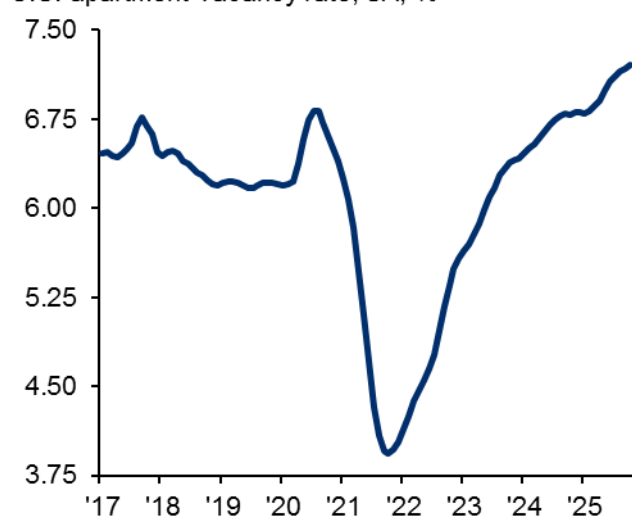
Housing is 17.7% of core PCE inflation. While home prices are high and affordability is low, housing inflation (including rents) is currently subdued. The supply of single-family homes for sale has normalized, slowing home price growth (Figure 16). Depressed affordability, in part due to elevated mortgage rates, will likely keep homebuying demand and price inflation low. Apartment markets are even less inflationary, with vacancy rates above 2019 levels and still rising due to the recent construction boom, which has now ended (Figure 17). This slack should continue to suppress housing-related inflation in 2026.

Figure 16: Home supply stabilizing, tempering price increases



Sources: NAR, Haver Analytics. Data as of September 30, 2025.

Figure 17: Apartment supply abundant

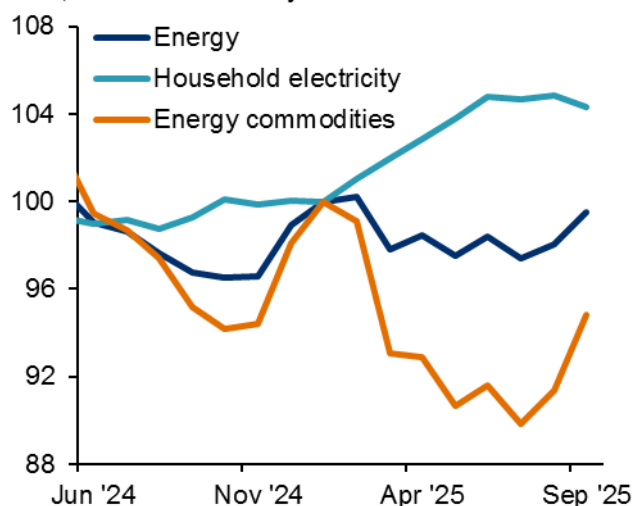


Sources: Apartment List, Haver Analytics. Data as of October 31, 2025.

Energy

Energy has a low 3.5% weight in PCE but is volatile and thereby can be a swing factor. Electricity inflation rose in 2025, but deflation in oil and gas offset this, leaving total energy inflation flat for the year (Figure 18). Global oil markets remain oversupplied, and we expect the Brent price to fall below \$60/barrel in 2026. Furthermore, 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. Thus, a material rise in energy inflation is unlikely, barring major supply shocks, with pressures currently well contained (Figure 19).

Figure 18: Energy inflation flat year-over-year
Level, indexed to January '25



Note: All measures are SA and use CPI-U data. Sources: BLS, Haver Analytics. Data as of September 30, 2025.

Figure 19: Global supply chain pressure index
Standard deviation, points



Sources: NYFEDLSE, Haver Analytics. Data as of October 31, 2025.

All told, we expect capital markets to look through near-term inflationary pressures, as was the case for the most part in 2025 (sans the volatility surrounding Liberation Day). Against this backdrop, the risk of inflationary pressures prematurely halting the Fed's rate-cutting campaign – or reversing it – remains low. We enter 2026 constructive on risk assets and with contained inflation believe fixed income will deliver the yield written on the tin. Still, given how disruptive such a scenario would be to markets, ensuring portfolios are properly hedged for this tail risk is appropriate.

U.S. DOLLAR: ON FIRMER FOOTING IN 2026

In March, we turned bearish on the U.S. dollar and felt that years of prolonged overvaluation finally had a catalyst to unwind. Our bearish USD thesis was built on two main pillars:

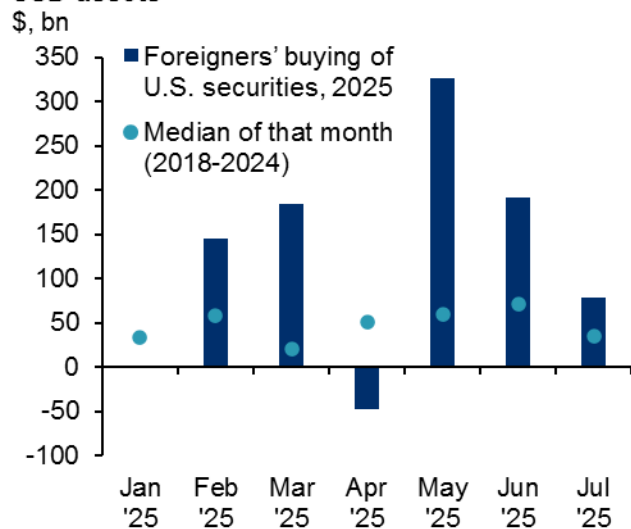
- 1) **Reallocation / FX hedging flows.** Elevated risk that global investors, which have become heavily overweight U.S. dollar assets, would look to reduce that exposure, either outright or through increased currency hedging.
- 2) **Cyclical convergence.** Expectations that U.S. growth and interest rates would converge towards those in the rest of the world.

With an eye on 2026, below we check in on how these pillars have evolved and whether they have further to run next year. **Our conclusion is no, and we see a less compelling case for further dollar weakness over the next 12 months.**

Global asset reallocation

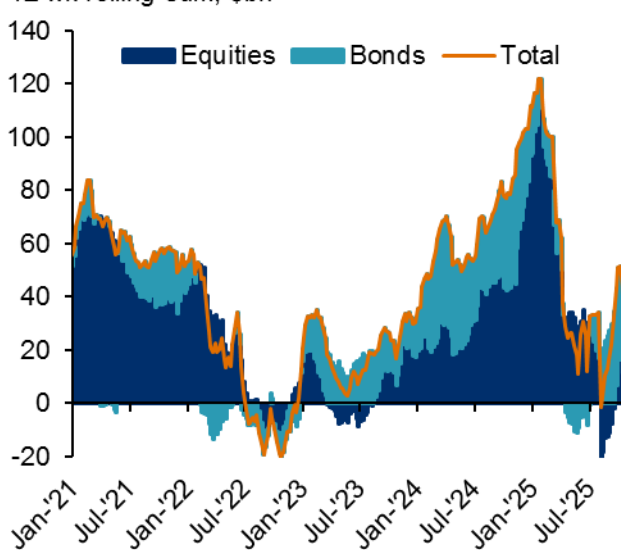
Many argue that the USD's weakness this year is a sign of global investors souring on the U.S. as a destination for capital. However, we see no signs of sustained outflows or repatriation of assets. U.S. Treasury Department data (TIC), which provides the most comprehensive view of cross-border portfolio flows, shows strong and continued inflows after a brief period of outflows immediately surrounding 'Liberation Day' in April (Figure 20). Higher-frequency mutual fund and ETF flow data, a subset of TIC, confirms this trend: while there were small outflows in April, foreign appetite for U.S. assets has persisted (Figure 21).

Figure 20: No signs of foreigners repatriating USD assets



Source: U.S. Treasury, Haver Analytics. Data as of July 31, 2025.

Figure 21: Foreign fund flows into U.S. continue
12 wk rolling sum, \$bn



Source: Exante Data, EPFR. Data as of November 3, 2025.

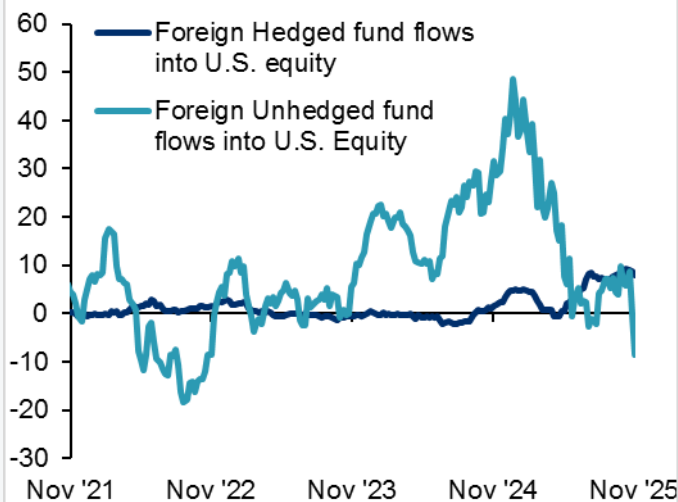
FX hedging

Whilst foreign investors may not be selling their dollar assets, they could be currency hedging their U.S. dollar exposure. We see weak evidence to support this thesis. Figure 22 shows an uptick in inflows to mutual funds and ETFs that invest in U.S. assets on an FX-hedged basis.

However, the more material data comes from institutional investors like pension and insurance funds. Whilst harder to come by, there is transparency regarding currency hedging activity among some of the larger pensions and insurance companies in Europe. The institutional data unlike the fund flow data, shows the hedging of U.S. assets increased sharply in Q2, but has been stable – or even waned slightly – in the months since (Figure 23).

Figure 22: Uptick in demand for FX-hedged U.S. equity exposure

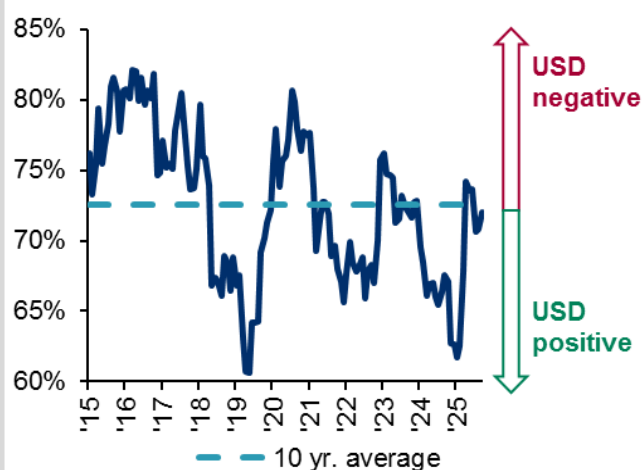
12 wk rolling sum, \$bn



Source: Exante data, Flowpro. Data as of November 3, 2025.

Figure 23: Q2 increase in European institutions' FX hedge ratios has waned

USD hedge ratio, %



Source: Exante Data, Macrobond, Danmarks Nationalbank. Data as of September 1, 2025.

Meanwhile, looking ahead, we see less impetus for these funds to increase currency hedging activity going forward, with the negative correlation between the dollar and U.S. equities reasserting itself (Figure 24).

Figure 24: USD once again negatively correlated with U.S. risk assets

3m rolling correlation, Dollar vs S&P 500



Note: Correlation uses daily returns. DXY and SPX index used for dollar and S&P 500 respectively. Source: Bloomberg Finance L.P. Data as of November 3, 2025.

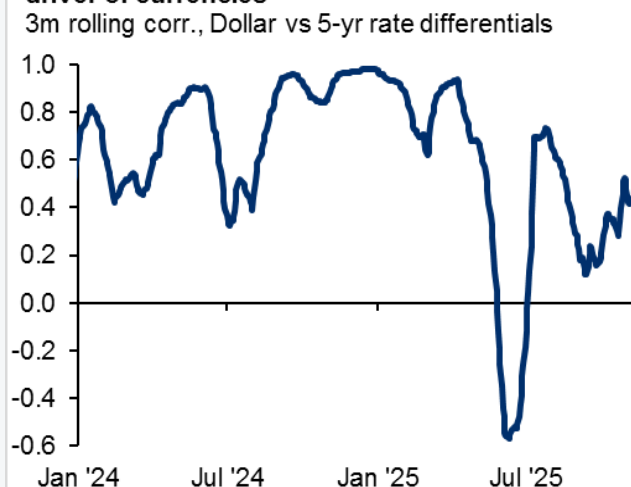
Cyclical convergence

This has been the major driver of the U.S. dollar's weakness in 2025, in our view. Except for a brief period in Q2 where cross-border flows away from the U.S. drove performance, there has continued to be a very strong correlation between the U.S. dollar and interest rate differentials, which serve as the best proxy of relative growth and monetary policy dynamics between the U.S. and major peers (Figure 25). The true story of 2025's U.S. dollar weakness was thus therefore: U.S. growth was revised lower by a larger magnitude than global growth, which relatedly, saw the

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difference between 5-year interest rates in the U.S. and those in major peers compress, and thus drove the dollar weaker (Figure 26).

Figure 25: Interest rate differentials remain the key driver of currencies
3m rolling corr., Dollar vs 5-yr rate differentials



Note: Correlation using DXY index and 5-year DXY weighted rate differential. Source: Bloomberg Finance L.P. Data as of November 7, 2025.

Figure 26: Decline in U.S. rates vs. RoW explains USD's weakness in 2025
DXY-wtd. interest rate differential, %



Source: Bloomberg Finance L.P. Data as of November 07, 2025.

Looking forward, we see less room for further cyclical convergence given our expectation for U.S. growth to remain resilient and the Fed to fail to cut rates by more than the market already expects. As a result, while our outlook for U.S. vs. RoW growth and rates points to the potential for 3-5% further weakness in the USD in coming months, we are increasingly skeptical of more material weakness unless either a) the U.S. economy turns out weaker than we expect; or b) something new happens that restarts the global re-allocation theme.

WHAT COULD GO WRONG...OR RIGHT?

In our final section we explore some potential surprises, both good and bad, that while not our base case remain plausible. These scenarios reflect the most frequently asked questions we get from global investors. The purpose below is to understand what these could look like if they played out and how to think about the market implications.

Scenario #1: Fed loses its independence

How it could play out: The incoming Fed Chair, due to be announced in coming months, is viewed as insufficiently independent from the White House. Meanwhile, the Supreme Court rules in the administration's favor on replacing Fed Governor Lisa Cook, raising the odds of more FOMC members being replaced with more "dovish" viewpoints.

Potential market reaction: This results in higher risk premia across markets and/or higher inflation expectations. The U.S. yield curve steepens and the value of the U.S. dollar falls – particularly against gold and real assets. The equity reaction is less clear, though it's likely equities initially sell off on concerns around institutional erosion. That said equities tend to hold their value in the face of inflation, especially relative to fixed income, so in an environment of structurally higher inflation (as long as growth continues and it's not a stagflationary backdrop) equities could continue to do well.

How to position for it: Own gold and other real assets funded from longer dated (10 year +) U.S. treasuries.

Scenario #2: AI hyperscaler slashes capital expenditures

How it could play out: One of the artificial intelligence hyperscalers announces it is significantly reducing capex on AI-related infrastructure and technology. There are a number of things that could cause this, and the reason is important. We see four potential constraints that could drive the big AI players to cut back on building new data centers: 1) Power constraints – electricity demands outstrip electricity generation forcing hyperscalers to pull back capex plans. 2) Reduced perceptions of returns on AI-related investment – concerns that the hundreds of billions of dollars in data centers will not generate profitable returns drives companies to scale back ambitions. 3) Politics – rising localized electricity costs and lack of local economic gains drives many areas to push back against data-center buildouts 4) Another Deepseek moment – innovation occurs that lowers the power or capital intensity of AI queries, thus requiring less new data-center build-out.

Potential market reaction: The first three would have a similar reaction, the last catalyst would create a mixed impact. In all catalysts, power-related and semiconductor names suffer. Additionally, hyperscalers would have reduced growth expectations and thus a lower multiple. Counterintuitively, because hyperscalers are spending out of existing cash flow (versus debt) there is the possibility that reduced capex (especially if it's deemed inefficient) and returning that to shareholders through buybacks could actually increase the price or at least reduce the downside. In the last catalyst (Deepseek-like innovation) it would be bad for companies affiliated with data centers such as semiconductors and cooling, but if innovation leads to a version of AI that is less energy or chip-intensive that would be broadly favorable for the economy and market, albeit after a period of disruption.

How to position for it: Own short- or medium-term U.S. treasuries (10 years and in) funded from U.S. information technology equities.

Scenario #3: U.S. tariff rate falls below 10%

How it could play out: The Supreme Court rules against the use of IEEPA authorities to implement tariffs. The administration responds using other existing legal authorities such as Section 232 and 301, but these processes take time and only allow for more targeted tariffs, short of Congressional action. This brings the average tariff rate below 10% and significantly eases uncertainty around the use of IEEPA to implement or threaten large or sweeping tariffs.

Potential Market reaction: Similar to tax cuts this would be growth positive and a boost to equities. The interest rate picture is less clear cut, while the move would likely put downward pressure on inflation, the loss of government

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revenues and potential of having to pay back a significant refund would raise concerns around the deficit and debt sustainability. This could have the effect of pushing yields higher or keep them elevated, particularly at the long end.

How to position for it: Own U.S. small and mid-cap equities funded from longer dated (10 years+) U.S. treasuries.

2026 YEAR-END OUTLOOK NUMBERS

November 2025

Macro [^]		Rates & Credit Spreads	
Inflation	2026 YE	U.S.	2026 YE
U.S.	2.30-2.50%	Eff. Fed Funds rate	3.25-3.50%
Eurozone	1.80-2.00%	ON SOFR	3.33%
China*	0.65-0.85%	2-year UST	3.60%
Real GDP Growth		5-year UST	3.85%
U.S.	1.50-2.00%	10-year UST	4.30%
Eurozone	1.00-1.50%	30-year UST	4.75%
China	4.10-4.60%	2s/10s spread	0.70%
Equities		JPM U.S. Investment Grade	70-100
S&P 500	2026 YE	JPM U.S. High Yield	325-375
Price	7,200-7,400	Europe	2026 YE
P/E forward multiple	22.25x	ECB Deposit rate	2.00%
Stoxx Europe 50		5-year German Yield	2.30%
Price	6,000-6,100	10-year German Yield	2.70%
P/E forward multiple	15.5x	BoE Bank Rate	3.25%
TOPIX		10-year UK Gilt	4.60%
Price	3,350-3,400	EUR IG	75-105
P/E forward multiple	15.5x	EUR HY	275-325
MSCI Asia ex-Japan		EM	2026 YE
Price	955-1,000	EM Sovereign Index (EMBI)	265-315
P/E forward multiple	14.3x	EM Corporate Index (CEMBI)	185-235
MSCI China		JPM Asia IG (JACI IG)	50-80
Price	88-93	JPM Asia HY (JACI HY)	425-475
P/E forward multiple	12.5x	Commodities	
Currencies		2026 YE	
	2026 YE		
U.S. Dollar Index (DXY)	98 (96-100)	Gold (\$ / oz)	\$5,200-\$5,300
EUR/USD	1.18 (1.16-1.20)	Brent (\$ / barrel)	\$62-\$67
USD/JPY	148 (146-150)	Commodity Index (BCOM)	118-120
GBP/USD	1.33 (1.31-1.35)	Natural gas (\$/MMBtu)	\$4.50-\$5.50
USD/CNY	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. *China inflation is headline.

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

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MACRO VIEWS

U.S. Growth

With the Federal Government still shut, we are relying on alternative data sources: jobs metrics from ADP, state-published layoff claims, consumer confidence from major providers, consumer spending from Redbook, regional Fed surveys, and PMI data from ISM and S&P Global. These sources suggest the macro backdrop remains largely unchanged since late summer: the labor market is weak, with low rates of both hiring and firing; manufacturing and housing growth is slow to stagnant, weighed down by high uncertainty and poor affordability; yet demand for AI-related capital expenditures continues to boom.

At the margin, we are seeing tentative signs of improving labor demand and hiring, as shown by ADP's new weekly jobs growth tracker and the employment component of the S&P Global PMI. Our outlook anticipates further improvement in labor demand in 2026, with stronger hiring and better growth in cyclical sectors like Industrials.

Three main drivers should support improved growth in 2026: fading tariff headwinds, tax policy stimulus from the OBBBA, and overall easing in financial conditions following the Fed's recent rate cuts. We expect these factors to lower recession risks and result in a moderate endpoint for Fed rate cuts, likely in the 3–3.5% range.

What we're watching: Layoffs and claims, financial conditions, business sentiment, signs of over-investment in AI, flow through from OBBBA tax stimulus

Our view: YE '26: 1.50-2.00%



U.S. Inflation

While some prices—food, electricity, and core goods—have gone up this year, mostly due to tariffs and AI-related capex, overall inflation is not a major concern for the 2026 US macro outlook. The Fed focuses on broad inflation, not specific categories like food or electricity. Key areas like labor, housing, and energy are the most important determinants of US inflation.

The labor market is stabilizing, but not strong enough for big wage increases. Job switching and wage gains have slowed. AI is likely to cap labor bargaining power. Immigration is a risk but so far hasn't pushed up wages.

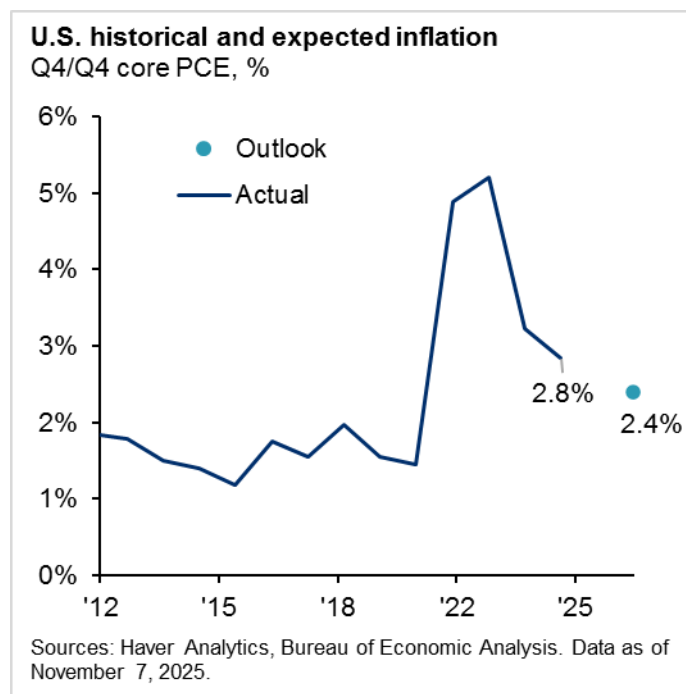
Housing inflation is low, even though home prices are high and affordability is strained. More homes for sale and rising apartment vacancies are keeping housing inflation subdued.

Overall energy prices are steady, despite the rise in electricity prices. Oil and gas prices have fallen; energy inflation should stay low unless there's a major supply shock.

We expect inflation to stay manageable in 2026, with the Fed likely ending rate cuts around 3–3.5%. The risk of rate hikes is low.

What we're watching: Wage growth, inflation expectations, housing market slack, energy inflation, geopolitics, risk of Fed losing independence

Our view: YE '26: 2.30-2.50%



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Eurozone Growth

The Eurozone economy has been resilient. The October composite PMI surprised to the upside and points to annualized growth of 1.4%. Services continue to outperform, while manufacturing is stabilizing. However, risks remain.

Upside: Germany's forthcoming stimulus and higher EU defense investment are positives. Germany's domestically-oriented fiscal spend suggests a greater multiplier effect on growth. And with Germany accounting for a quarter of Eurozone GDP, this should support broader European growth.

Downside: Trade headwinds persist, notably from US tariffs and a strong euro. France is contending with political uncertainty. It's also disappointing that only about 1/10th of the Draghi Report recommendations have been enacted.

Bottom line: We expect Euro area GDP to grow 1.00–1.50%, with momentum led by Germany's fiscal shift.

The UK economy continues to face headwinds including sticky inflation, weak job growth, and the prospect of fiscal tightening. The BoE has a challenging assignment, and the Budget is expected to deliver tangible fiscal tightening.

What we're watching: US-EU trade deal impact, emerging impact of German fiscal stimulus, sovereign yields, inflation, and central bank signals.

Our view: YE '26: 1.00-1.50%



Eurozone Inflation

Euro area inflation continues to moderate, with headline CPI converging toward the ECB's 2% target. While core inflation remains somewhat sticky—the underlying trend is softening. Disinflationary forces—including a stronger euro, lowering import costs, and potential excess capacity from China weighing on prices—should help. The October PMI price components reinforce the outlook for further disinflation ahead.

That said, risks persist: stubborn wage growth, energy challenges, Germany's fiscal expansion, and renewed tariff disputes could trigger short-term price spikes. Overall, we expect the disinflation trend to hold. In 2026, we expect euro area inflation to slow to 1.80–2.00% annualized.

In the UK, inflation remains well above the BoE's target. We expect inflation to hover near current levels through the first half of 2026, before gradually moderating in the second half. The central bank is likely to remain cautious until there is greater clarity on wage trends and the details of the upcoming Budget. The risk of further policy easing is on the rise.

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

Our view: YE '26: 1.80-2.00%



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China Growth

Heading into 2026, China's growth outlook is supported by a firmer US-China truce, shelving trade disputes for the next year. However, fundamentals remain mixed: domestic demand is growing at less than 3%, deflation persists, and Q3 GDP would have slowed further without a short-term boost from equities trading. Macro policy remains cautious, with monetary easing and property stabilization falling short of expectations, and Q4's additional fiscal stimulus on the low end. As net exports' contribution to growth is likely to decline, the government will need new stimulus channels, though fiscal policy in 2026 may be less aggressive. The recently unveiled 15th Five-Year Plan focused on consolidating industrial and technological advantages, and spreading benefits to households. Despite cautious macro policy and incremental fiscal and monetary easing, new household support programs may signal a shift toward more direct stimulus. This stimulus is needed: labor market slack persists, slowing household income growth and keeping savings rates high. Supply-side measures like the anti-involution campaign have yet to deliver substantial short-term effects, while markets remain buoyed by optimism in the tech sector.

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

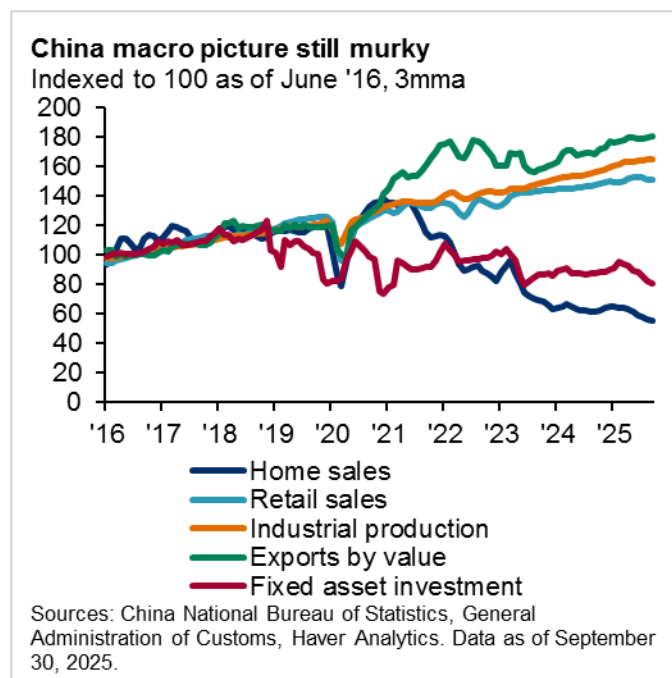
Our view: YE '26: 4.10-4.60%

China Inflation

Deflationary pressures are expected to persist, with the GDP deflator averaging -0.8% in 2025 and -0.2% in 2026. Producer price inflation's sequential rise has likely paused, though annual deflation may narrow somewhat. Monetary easing will continue, with 10bp rate cuts anticipated in both 4Q25 and 2026, though the timing may be adjusted if the CNY remains stable and fiscal measures successfully boost growth. While domestic sales are mixed and housing remains soft, faster fiscal support and a tactical pause in "anti-involution" measures could support a modest recovery, but overall price pressures are likely to remain subdued.

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

Our view: YE '26: 0.65 – 0.85% (headline)



EQUITY VIEWS

U.S. Equities

Still positive after all this time. The US markets have rallied on a near-straight line since April to new highs across all market capitalizations. While investors are consumed by high valuations as a reason to avoid equity markets, we feel that argument misses what is most important. Earnings are the real story, with four consecutive double-digit growth quarters despite slowing nominal economic growth. Artificial Intelligence investment rightfully gets the headline, but management flexibility amid changing policies cannot be ignored as reason for margin expansion and our view that margins continue to increase in 2026 broadly and steadily. Including a base case, non-recessionary view over the next few years, our model suggests 10-11% growth for 2025, 2026 and 2027.

If correct, this range would be above the last decade's average earnings growth of 7.5%. That type of growth, supported by the higher margin, higher valued Tech sector, should support valuations staying higher for longer. While we expect moderation in valuation over time, markets are supported by easy financial conditions, an improving M&A cycle, and incrementally positive policies for investment (capital spending) and consumption (taxes).

With this GIS, we initiate our end of 2026 S&P 500 bull, base, and bear targets. Our base is consistent with comments above, ~11% 2026-2027 EPS growth and slightly lower valuation yielding ~\$7,300 mid-point. Our bull case includes higher earnings growth from both revenue and margins, coinciding with greater AI benefits. Our bear/downside case reflects a normal, not "crisis level" recession. We do not highlight a preference among market caps, anticipating similar returns across the three major S&P indices.

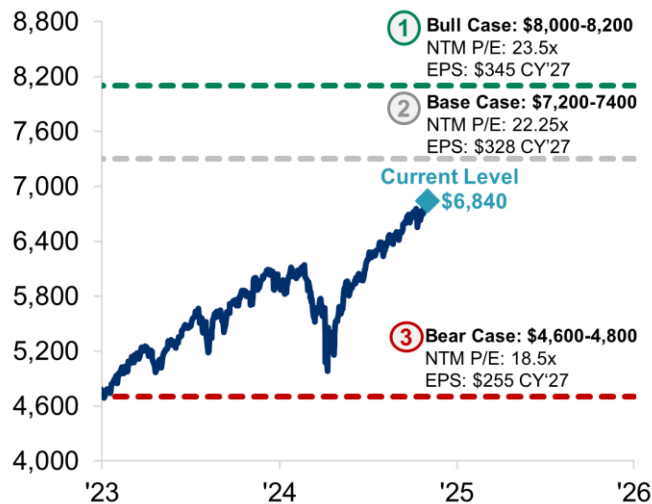
Where to invest now. We recommend five sectors. We now prefer Healthcare after a brutal two years of underperformance. Lowered expectations and valuations provide a better risk/reward while a healthy M&A window should lead to industry consolidation. The Technology sector should benefit from AI investments, capex and the OBBBA depreciation incentives. Utilities have outperformed but expect rising growth rates, high dividend yields, policy support and valuation expansion. Financials, especially large cap banks and transaction processors, should experience positive earnings momentum and accelerate capital returns to shareholders. Lastly, we like the Industrial sector due to higher defense spending, AI construction, capex incentives and aerospace growth.

What we're watching: AI capex. AI ROIs. Financial Conditions. Government and Fed policy changes.

Our view: YE '26: \$7,200-7,400

Our base case S&P 500 outlook ranges from \$7,200-\$7,400 (mid-point \$7,300) by YE 2026

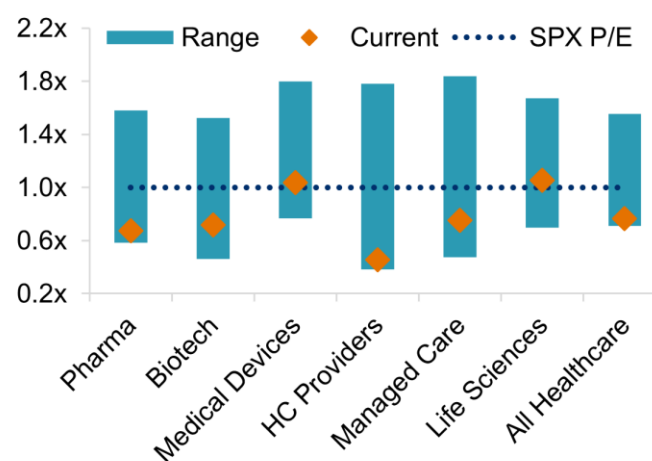
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of November 03, 2025.

Relative to growth assumptions, life sciences, devices, and managed care screen as attractively valued

Historical Healthcare NTM P/E relative to SPX



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of November 03, 2025.

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Europe Equities

The Euro Stoxx 50 has experienced negative earnings revisions since April this year, primarily due to tariff and FX risks. However, we are now beginning to see some positive revisions. We believe the earnings downgrade cycle is behind us. For this year, we expect earnings to decline by 1%, but anticipate an inflection point starting next year. For 2026 and 2027, we forecast mid- to high-single-digit earnings growth. The strongest growth is expected to come from industrials, technology, and consumer discretionary sectors. We continue to recommend the industrial and technology sectors, and this time we are upgrading the European luxury sector, which is part of consumer discretionary sector.

We believe European domestic names should continue to perform well, supported by German fiscal stimulus and increased defense spending, which will act as tailwinds in 2026. At the same time, companies with international exposure—such as exporters in the luxury sector—are also likely to perform better. We expect FX and tariff risks to be lower in 2026 compared to 2025.

Given the strong earnings growth expected from both domestic companies and those with international exposure, we believe valuations can be higher. Consequently, we are raising our valuation assumption for the Euro Stoxx 50 to 15.5x, above the previous expectation of 15x and above the 10-year average of ~14x. The Fed's rate-cutting cycle is another positive for global markets, including Europe.

As mentioned above, we have upgraded the European luxury sector this month. It performed strongly in the post-COVID reopening period, but momentum was lost over the past couple of years. We believe this sector is well positioned for the coming year. US growth should remain resilient, and the worst appears to be behind us in China. We think consensus is conservative and see upside potential.

One of our highest conviction ideas remains European industrials. Momentum in AI investments remains high, and many European industrial names are benefiting from this trend. Additionally, 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, and we expect strong defense orders from Germany following the recent government change.

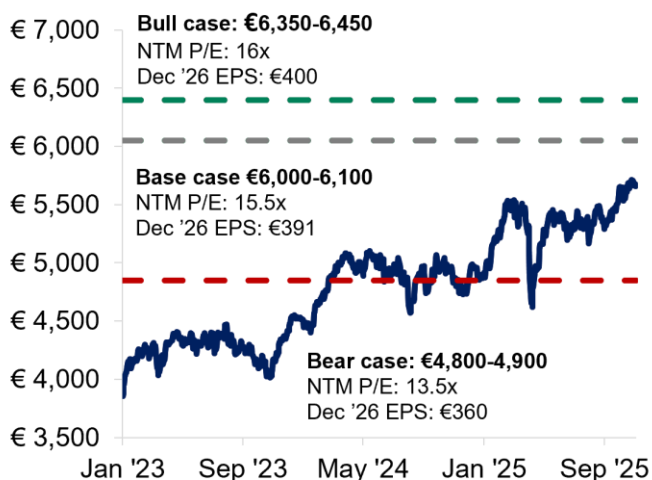
We also recommend the technology sector, given strong growth in AI. We favour exposure to both semiconductors and software. Additionally, we recommend some exposure to the financial sector, including banks, private markets, and reinsurance.

What we're watching: We continue to monitor political developments in Eastern Europe and how the German fiscal spending is unfolding.

Our view: YE '26: €6,000-6,100

We see new all-time highs in the European market in 2026

Euro Stoxx 50 vs JPM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of November 05, 2025.

European Luxury: strong performance, pause and renewed potential

Share price performance of a basket of European public luxury names



Source: Bloomberg Finance L.P. Data as of November 05, 2025.

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Asia Equities

With non-recessionary US rate cuts historically positive for Emerging Markets equities, AI beneficiaries that now represent ~30% of MSCI Asia ex. Japan, valuations that remain one-standard deviation below ten-year averages versus developed markets, and geopolitical tensions between US/China meaningfully better than expectations, **we remain constructive towards Asia ex. Japan equities heading into 2026.** Earnings growth for Asia ex. Japan have largely been driven by strength in the AI supply chain in 2025, and we expect an upside bias from this segment again in 2026. While more cyclical companies have faced economic headwinds from domestic economic pressures, and external uncertainties due to tariffs, we expect some improvement in 2026 as domestic policy rates are lowered, and global economic growth improves. **We initiate an MSCI Asia ex. Japan December 2026 target at 955-1,000.** While we are positive towards Taiwan and South Korea, India is our most preferred market within the region. Positive effects from fiscal and monetary policy easing are expected to drive earnings re-acceleration.

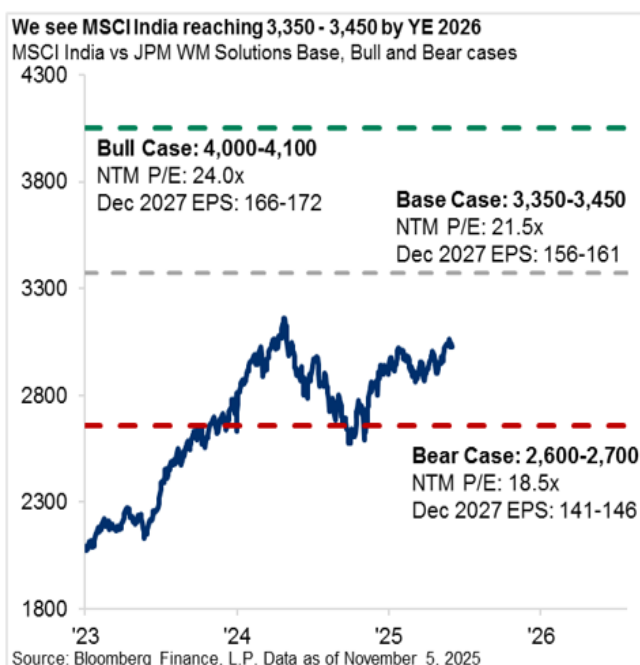
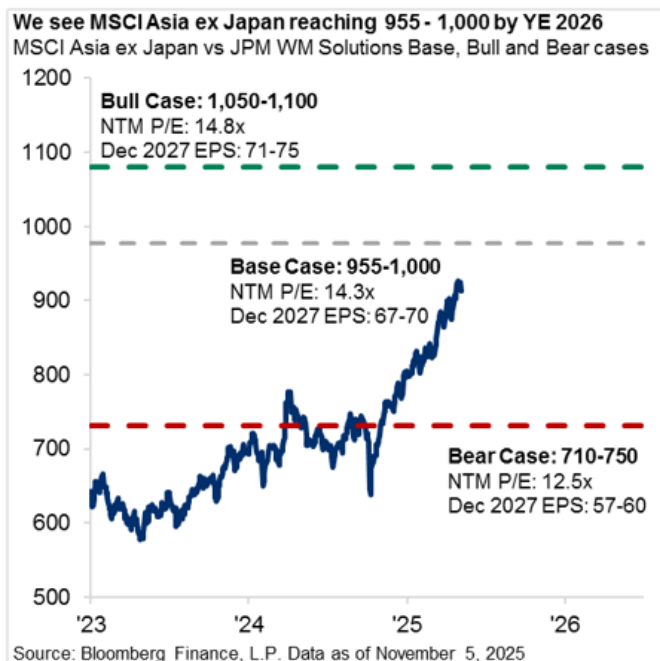
A continued thawing of geopolitical tensions between US/China and signs of accelerating AI demand in China turn us more constructive towards Chinese equities. While the broad Chinese domestic economy remains tepid, innovative tech companies now make up over 40% of MSCI China and is driving divergence between the equity market and the economy – similar to other equity markets around the world. Earnings revisions remain negative, but are getting close to being achievable. We expect government policy to remain supportive via incremental fiscal stimulus (incremental tilt towards consumption), implementation of anti-involution policies, and aid for key industries such as chip localization, AI, and robotics. **We are buyers of market pullbacks in MSCI China**, particularly at 82-84. Thematically, we remain positive towards our China Tech Innovators Basket.

The LDP-Ishin alliance and appointment of Sanae Takaichi as PM implies some near term political stability. The new government has a clear manifesto to focus on cushioning the impact of inflation for consumers, investing in defense, pro-nuclear energy development, and a stricter approach towards foreign nationals. Overall, we expect a moderately expansionary fiscal program that will need to balance increased social welfare with investing in new technologies/defense. Monetary policy is expected to tilt dovish that keeps USDJPY higher for longer, and supportive of earnings. With increased support for domestic consumption, and rising expectations of a re-acceleration in global growth, we initiate a TOPIX December 2026 target at 3,350-3,400. **With modest upside to our target, we remain tactically neutral Japanese equities.** We prefer

select opportunities in financial, industrial, consumer discretionary, and technology sectors.

What we're watching: Geopolitical trade-related newsflow, AI adoption and progress in China and abroad, China government policy announcements, corporate earnings season.

Our view: YE '26: MSCI AxJ: YE 2026: 955-1,000 Topix: YE 2026: 3,350-3,400 MSCI China: YE 2026: 88-93 CSI 300: YE 2026: 4,500-4,750 MSCI India: YE 2026: 3,350-3,450 MSCI ASEAN: YE 2026: 750-775



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RATES VIEWS

U.S. Rates

We expect the Fed to complete its effort to bring the Fed Funds rate back to “neutral” in 2026. Specifically, we see the Fed cutting another 50bps, bringing the Fed funds target range to 3.25-3.50% in our base case. We have high conviction that, unless the U.S. economy ends up weaker than we expect, the Fed is very unlikely to cut below 3%. Although the Fed is cutting, we expect longer-dated rates to remain elevated with the 10-year Treasury yield ending the year in a roughly 4.00-4.50% range. A persistent fiscal deficit and more two-sided inflation risks require elevated compensation for investors to own long-duration sovereign debt. Should the U.S. labor market start to see an increasing amount of layoffs and the economy flirt with recession, we see the 10-year yield dropping to 3.5%. On the other side, we find it difficult for the 10-year Treasury yield to trade materially north of 4.50-4.75%, even if the Fed refrains from any further easing in 2026 amid sticky inflation and a recovering labor market.

What we're watching: Labor market indicators, inflation expectations, fiscal and trade policy.

Our view: YE '26: 4.30%



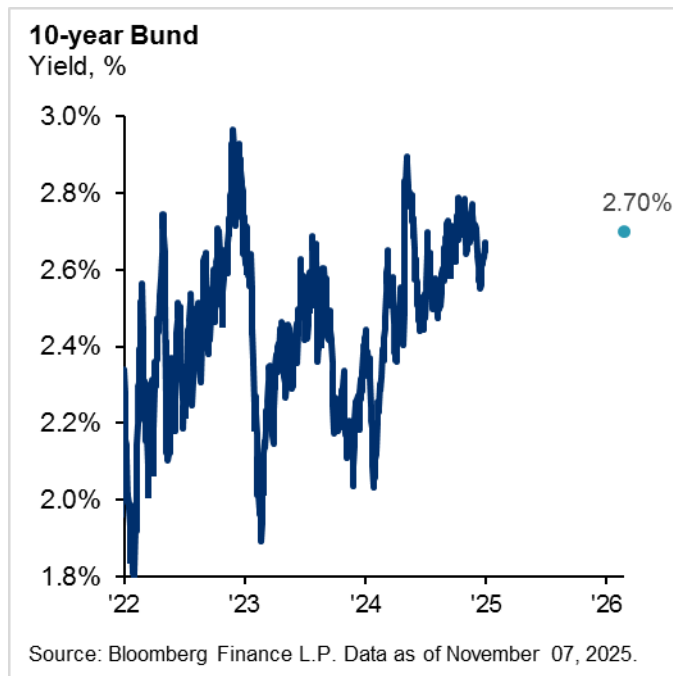
Europe Rates

With rates more or less at neutral and inflation in check, the ECB remains in data dependent mode. We now look for the ECB to remain on pause. Meanwhile, the growth outlook remains quite resilient, though uncertain. Stable credit growth and improving consumer confidence suggest that monetary policy drags are fading, while fiscal support—especially from Germany's stimulus package and increased EU defense investment—should further underpin activity. Our 10-year bund outlook is 2.7% through year-end 2026, but upside risks could emerge if Germany accelerates fiscal spending or concerns over debt dynamics elsewhere in the euro area spill over.

The BoE is on pause right now, recently keeping rates at 4% amid persistent inflation. But if fiscal tightening and labor market softness persist, we expect more rate cuts ahead. With the Autumn Budget in November likely to provide more direction on the outlook, we are keeping our terminal rate outlook at 3.25%.

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

Our view: YE '26: ECB Deposit Rate: 2.00%, 10Y Bund 2.70%, BoE Bank Rate: 3.25%, 10Y Gilt: 4.60%



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CREDIT VIEWS

U.S. Credit

Our 2026 macroeconomic outlook paints a positive picture for credit. Despite risks to our base case, we believe spreads should remain in their tight ranges. We expect relative stability in credit metrics and manageable defaults on the back of improving growth. The Fed cutting cycle should keep the “search for yield” alive, as investors find opportunities to make up declining cash yields across fixed income. Elevated yields compared to historical averages still point to value across the higher quality segments of the market, particularly in the long end of the municipal curve, as well as investment grade corporate credit of 10 years maturity and in. Turning to extended credit, hybrid capital stands out as an attractive yield enhancer, supported by investment grade issuer quality.

Munis: Munis just wrapped up their best performing October since 1995, posting a +1.24% return for the month. On a YTD basis, municipals stand at +3.83%, amid strong inflows and slower new issue volume. Between January – August of this year the municipal market experienced record new issuance, particularly on the long-end, which caused long duration munis to underperform. Since the start of October, long-dated issuance has slowed considerably. With more rate cuts expected, long-duration munis have outperformed by a wide margin. For example, the Bloomberg Long Bond (22+) Index is +4.05% since October 1st, while the 3 Year (2-4) Index is +0.13% over that same time frame. Despite the strong long-end performance since October, we see value still in the long-end of the yield curve. The front-end has experienced a substantially rally YTD (+3.50%) and market participants can only expect coupon carry from here, in our view.

Investment Grade: JULI spreads remain near all time tight, but heavy supply over the month weighed on spreads. This was the highest month for issuance in October on record, with total volumes up 66% vs. the past 4 year average. Large deals from companies like Meta added to these totals. M&A related issuance this year has been muted, but we continue to watch as more deals become announced and banks disclose heavy pipelines heading into the next year. So far, strong technicals (and high yields) have supported investment grade spreads and both remain central to the story. Valuations still appear attractive, and at over 5% yields, offer above average compensation relative to the last two decades.

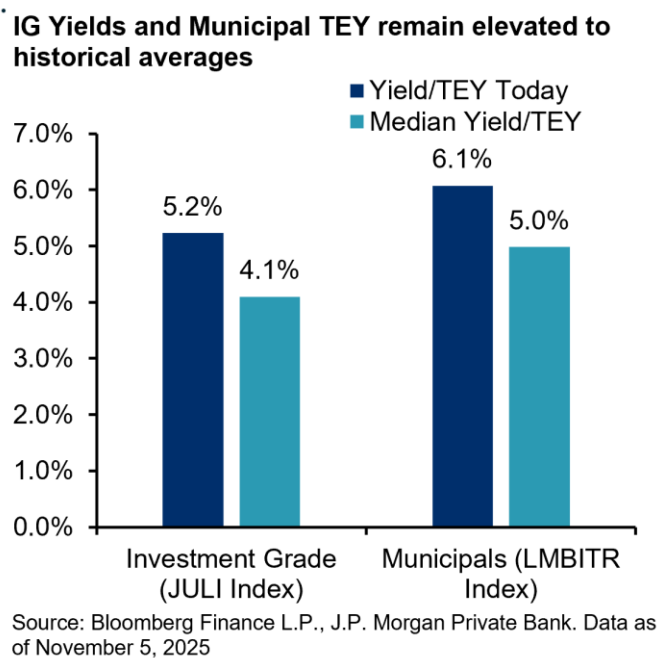
Preferreds and Hybrids: Hybrid capital continued to deliver strong returns, outperforming both investment grade and high yield in the month of October. US bank earnings featured continued resilience in capital ratios, stability in

asset quality, and fee income strength, supporting the preferreds asset class. Issuers in the corporate hybrids market continued to remain active. We continue to see long term structural positives for the US corporate hybrids asset class, including expanding index representation, increased liquidity, and growing investor demand. We believe the Fed cutting cycle should be supportive for the search for yield, benefitting these asset classes which in our view offer an attractive pick-up over senior unsecured bonds.

High Yield: After the recent widening in HY spreads, BBs appear to offer more value. The ratio of BB vs. BBB spreads today is 1.9x vs. a 10 year median of 1.7x, suggesting that BBs look attractive relative to BBBs today. Additionally, this is the one segment within high yield where ratings upgrades exceed downgrades driven by improvements in issuer credit quality. Fundamentals appear to remain stable, and earnings season is off to a strong start, with 45% of HY companies beating EBITDA expectations through October end.

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: YE '26: US IG (Spread): 70-100 bps by YE'2026; US HY(Spread): 325-375 bps by YE'2026; Preferreds (Spread): 190-240 bps by YE'2026



Europe Credit

EUR Investment Grade index spread has tightened by >20bps vs. the start of 2025, **EUR High Yield** index is tighter by >30bps in credit spread YTD – thus, **both markets are outperforming** their USD IG and HY counterparts, as well as EM USD Corporates, from the **credit spread performance** perspective.

European credit spreads have been underpinned by **healthy European issuers' fundamentals**, as we saw proof of yet again in Q3'25 earnings results, and that we expect to be supported further by the eventual **read-through from the infrastructure spend**. Our view on spreads is further sustained by our economists' outlook on the economic growth in Eurozone moderating up to 1-1.5% in 2026-27.

Interest Coverage ratios, albeit lower vs. recent history peaks, remain strong at >12.5x for EUR IG and at ~6.5x for EUR BB-s, Net Leverage still remains below historical medians.

Most of EUR 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 EUR HY spreads. We also anticipate EUR Investment Grade market to successfully digest November's well-telegraphed uptick in supply.

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** – bringing together our views on optimal rate duration exposure and the relative steepness of the credit spreads' curve up to ~7y to maturity, vs. beyond 10y.

We identify the following themes as some of the most attractive in European credit markets going into 2026:

1) Hybrid Capital – 6-8% YTD returns in EUR-denominated Corporate Hybrids and Banks' Junior Subordinated capital, we see carry-like returns going forward.

- a. **Hybrid Bank Capital:** European Banks continuously demonstrate solid operational performance – increasing reliance on less capital-heavy Commissions & Fees business, robust Capital Ratios with ample buffers, low Cost of Risk and healthier loan books vs. global

peers. We remain comfortable with European Banks across the capital structure, **favouring Junior Subordinated to maximize carry**.

- b. **Corporate Hybrids:** Over 60% of outstanding EUR notional of Corporate Hybrids comes from non-cyclical issuers: utilities, telecommunications, consumer non-cyclicals. We like the defensive nature of these sectors when undertaking balance sheet subordination risks. IG-rated hybrids (also ~60% of total notional outstanding) tend to provide ~90-100bps 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 125-145bps above their own senior curves.

2) Exploration & Production BBB-s We see value in select BBB-rated Upstream sector Senior debt – we are comforted by proven track record of consistent positive Free Cash Flow generation, declining FCF breakevens, and peak CapEx in the rearview mirror. Several select credit curves we follow currently trade at up to 50bps of credit spread pick-up to broader BBB index.

3) Select Upper-Tier BB Auto Manufacturers and Suppliers

- a. We see value in **select national/ global champions**, that a) often operate **with significant negative net leverage** given large amounts of liquidity held on their balance sheets; b) have been comparatively insulated from the tariff disruption, be it due to their global manufacturing footprints, or better trade deals terms, or higher reliance on supportive domestic markets. We remain wary of the sector's broader challenges 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– hence, credit selection remains key.

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: YE '26: EUR IG (Spread): 75-105 bps by YE'2026; EUR HY (Spread): 275-325 bps by YE'2026

EM Credit

Emerging Markets (EM) Credit: Emerging market (EM) credit continues to outperform developed market (DM) credit, maintaining its strong performance even during periods of spread widening, as seen in April and again since September. The recent widening in spreads has been driven by idiosyncratic events in both private and public credit markets. EM spreads have increased across the board, with Investment Grade (IG) widening by +5bps and High Yield (HY) by +12bps. Despite this, EM credit outperformed DM equivalents by 5–15bps over the month. Returns remained positive, supported by a decline in U.S. Treasury yields: EM sovereigns returned +0.66% in IG and +2.43% in HY, while EM corporates posted returns of +0.40% in IG and +0.41% in HY.

Looking ahead to 2026, we anticipate a resilient and supportive macro environment that should benefit EM, given their stronger growth prospects and diversification potential. Following a robust 2025 - where EM sovereigns delivered year-to-date returns of 12.61% and EM corporates 7.91% - we expect EM assets to generate carry-like returns, supported by attractive all-in yields of 6.9% for sovereigns and 5.90% for corporates. Current spread levels suggest a "Goldilocks" scenario, but this also means spreads could be vulnerable to widening if negative developments or weaker data emerge. While we expect spreads to widen slightly in 2026, any such move would present an opportunity to increase allocations to EM.

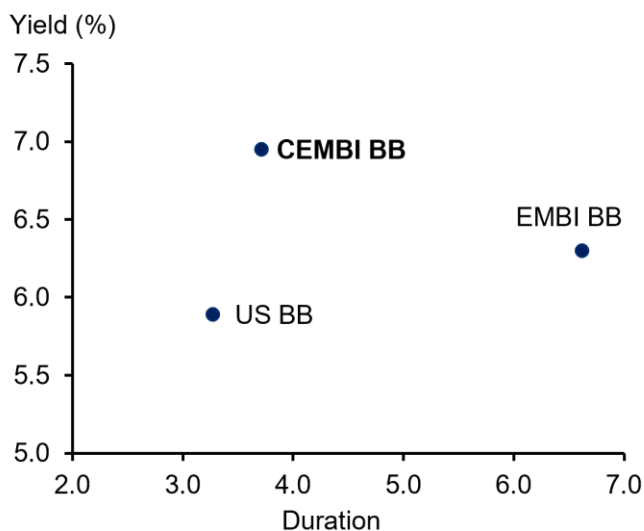
We have maintained a favorable view on EM in recent publications, and in this edition, we are upgrading EM Debt to a positive stance, with a specific recommendation to focus on EM BB-rated bonds. EM fundamentals remain robust, and we expect EM economies to outpace DM over the next 12 months, with growth rates across ASEAN, EMEA, Latin America, the Middle East, and Sub-Saharan Africa projected between 2.3% and 5%. EM corporates are also in a stronger position compared to their DM counterparts. EM HY net leverage stands at 2.9x, which is notably lower than US HY at 3.6x and European HY at 5.0x. Given this solid starting point and the positive outlook for both sovereigns and corporates, we believe maximizing carry through EM BBs is compelling. EM BBs offer, on average, an additional 1% yield over US BBs, with similar duration. Within the EM BB segment we prefer EM Corporates over EM Sovereigns. Our focus is on issuers that demonstrate strong market share within their respective economies and sectors, maintain EBITDA margins above 15% - enabling consistent positive free cash flow - and that exhibit stable or improving leverage profiles below 3x. These criteria identify a range of attractive opportunities

across EM, underscoring the broad diversification available within the EM fixed income universe.

What we're watching: Corporate Hybrids, CEM Corporate BBs, Contrarian trades

Our view: YE '26: EMBI (spread): 265-315 bps by YE'2026; CEMBI (Spread): 185-235 bps by YE'2026

CEMBI BB: Offering Attractive Pick-up vs. Global BBs



Sources: J.P. Morgan. Data as of October 27, 2025.

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Asia Credit

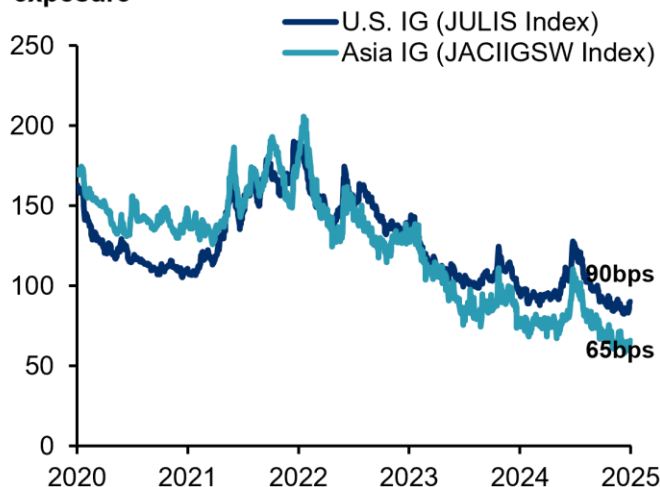
Asia Investment Grade is a carry story, supported by its short duration profile and high-quality composition. Asia IG is currently trading inside US IG due to its large percentage of sovereign and quasi-sovereign, which contributes to its overall stability. With a yield of 4.93% and duration of 4.90, Asia IG remains well-suited for investors focus on stable carry returns. Our top picks in Asia IG are subordinated capital in Japanese life insurers and Global Banks, given their robust fundamental and relative value.

Asia high yield requires strong credit selection ability given the volatility in past years. Encouragingly, the default rate in 2024 has declined to 3.5%, down from 5.3% in the prior year, suggesting the worst of the credit cycle may be behind us. We maintain a selective approach, with a preference for Indian high yield, given their long-term growth potential, and Macau gaming, given its stable credit profile.

What we're watching: • Japan lifers: Like the sector - yield of 5%+ in A rated names. • Asia Banks: Stable carry • India and Macau High Yield: Yield enhancement with lower risk

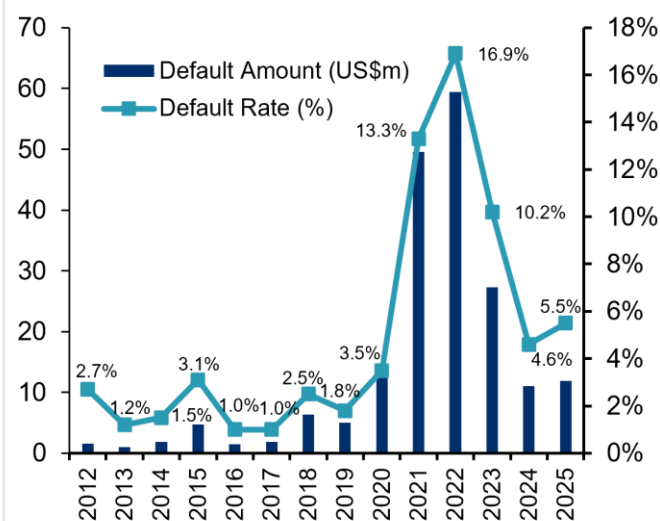
Our view: YE '26: Asia IG (Spread): 50-80 bps by YE'2026; Asia HY (Spread): 425-475 bps by YE'2026

Asia IG – Trading inside US due to large percentage of sovereign and quasi sovereign exposure



Source: Bloomberg Finance L.P., J.P. Morgan Private Bank. Data as of October 2025

Asia high yield – Be selective is important, but the worst is over



Source: Bloomberg Finance L.P., J.P. Morgan Private Bank. Data as of October 2025

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FX VIEWS

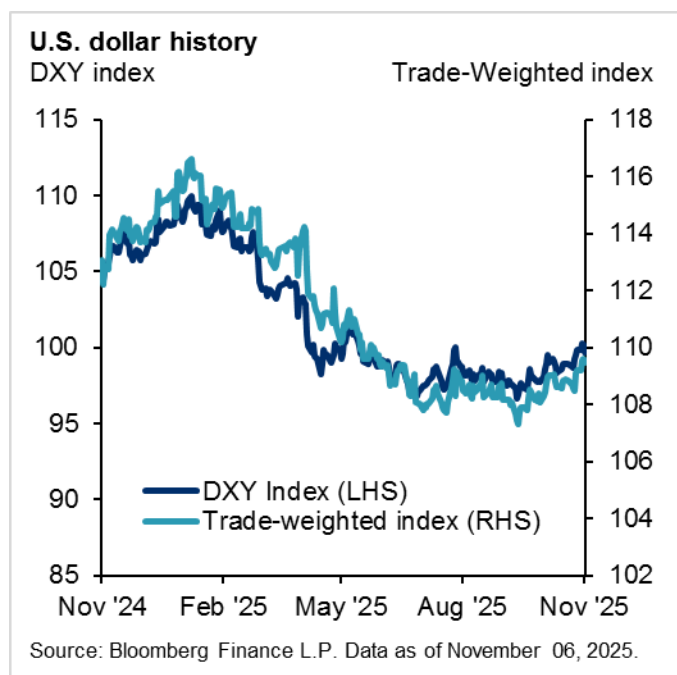
U.S. Dollar

Since we turned bearish on the dollar in March, key elements of our thesis have unfolded throughout 2025. Looking ahead to 2026, we expect the dollar to enter a choppy bottoming phase, given 1) cyclical growth convergence between the U.S. and ROW may begin to reverse as U.S. growth will likely rebound following “peak weakness” in Q4/Q1; 2) the pace of rebalancing U.S. asset overweights and FX hedging by ex-U.S. investors has moderated since Q2. Notably, foreign demand for U.S. assets remains resilient, and we see limited motivation for increased hedging activity, especially as the negative correlation between the dollar and U.S. equities has re-established.

In summary, while our outlook for U.S. versus RoW growth and rates suggests the potential for another 3-5% decline in the USD over the coming months, we are increasingly cautious about the prospect of more pronounced weakness unless the U.S. economy underperforms expectations or a new catalyst reignites global reallocation. Nonetheless, USD diversification remains a prudent investment principle for achieving more balanced global exposure across asset classes.

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

Our view: YE '26: 98 (96-100)



Euro

Euro retreated in October amid a broad USD rebound. We remain constructive on the outlook given narrowing interest rate differentials and improving European fundamentals, especially after Germany's historic fiscal package. With the ECB concluding its easing cycle and shifting to a neutral policy stance, while the Fed continues to cut rates, the gap between EUR and USD rates is set to close further. The German 2025 Budget points to a more front-loaded fiscal boost than previously anticipated, and ECB rates are no longer restrictive for growth. The resolution of tariff issues with the U.S. also removes some downside risks. Our models suggest that cyclical factors could gradually lift EURUSD toward the 1.20 level in the coming months, though we see limited upside beyond that. Long EURUSD remains our preferred approach for USD diversification, and we recommend that euro-based assets make up roughly 20% of global investment portfolios.

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

Our view: YE '26: 1.18 (1.16-1.20)

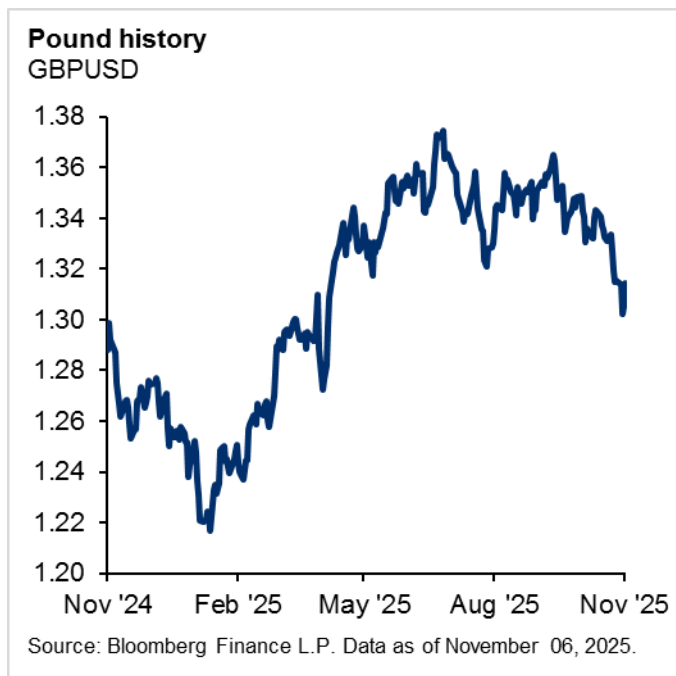


British Pound

Sterling saw a sharp selloff in October following an unexpected rate cut by the BOE, which caught markets off guard with only a 30% probability priced in ahead of the meeting. With inflation still hovering around 4%, the real policy rate has turned negative, raising concerns about premature easing. Our outlook for sterling remains less constructive compared to other alternative reserve currencies. While our fair value model suggests cable could rebound to the 1.33–1.35 range on the back of carry support, we see limited upside beyond that. Three factors constrain further GBP gains: recent data points to a faster slowdown in UK growth and inflation, the BOE appears increasingly responsive to growth risks and may act more aggressively than markets anticipate, and ongoing fiscal constraints continue to weigh on government spending. As a result, 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: YE '26: 1.33 (1.31-1.35)

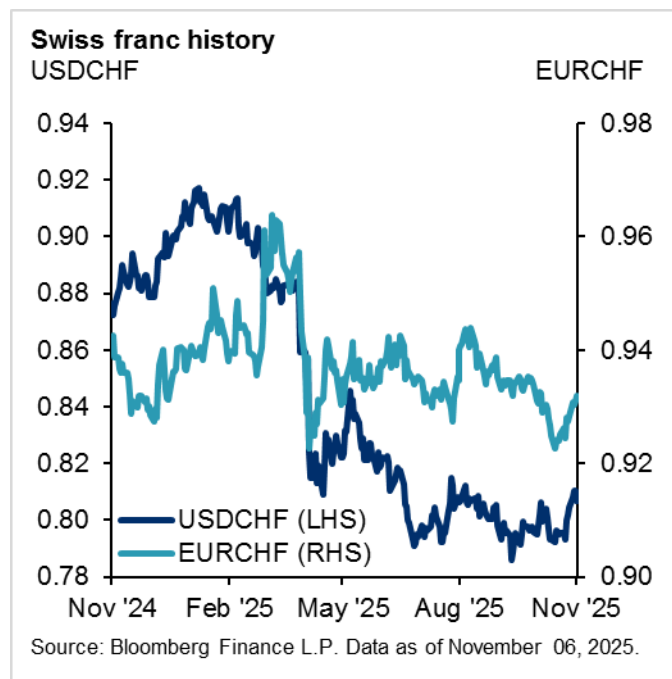


Swiss Franc

USDCHF rose in October due to the dollar's rebound, while the exchange rate against EUR has remained stable since May. We expect the SNB to keep rates at 0%, with no return to negative territory. The Swiss economy is slowing, weighed down by contracting exports and subdued consumption. Elevated US tariffs on Swiss goods (39%) and ongoing trade uncertainties may further dampen the outlook. Headline CPI remains around 0%. We anticipate EURCHF will stay near 0.93 through year-end. If deflationary pressures persist, the SNB may intervene to weaken the currency, though this would likely target CHF strength against EUR rather than USD. Looking ahead, CHF could continue to outperform within G10, supported by Switzerland's strong fiscal position. This environment favors using CHF as a funding currency for EUR-based clients, while USD-based clients should consider risk management during periods of USD strength.

What we're watching: European growth, broader risk sentiment, trade talks

Our view: YE '26: USDCHF: 0.81 (0.79-0.83) EURCHF: 0.95 (0.93-0.97)



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Japanese Yen

JPY continued to weaken following dovish signals from the October BOJ meeting, the first since PM Takaichi's election. We think the BOJ is behind the curve based on economic fundamentals. Inflation is persistently above the 2% target, with long-term inflation expectations rising, while real interest rates remain deeply negative. Ongoing price pressures have eroded Japanese households' real purchasing power, contributing to a slow and uneven consumption recovery. Additionally, concerns over fiscal sustainability under PM Takaichi's expansionary policies may continue to result in a discount on yen's valuation. These factors have led us to revise our USDJPY outlook higher. We still expect authorities to defend the 160 threshold if possible, as a weaker-yen-higher-price spiral is undesirable for both the central bank and government. While caution is warranted on speculative JPY positions, a long JPY stance may serve as a hedge against risk-off macro scenarios. We also remain comfortable investing in Japanese equities without an FX hedge, viewing this as a viable approach to USD diversification.

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

Our view: YE '26: 148 (146 - 150)



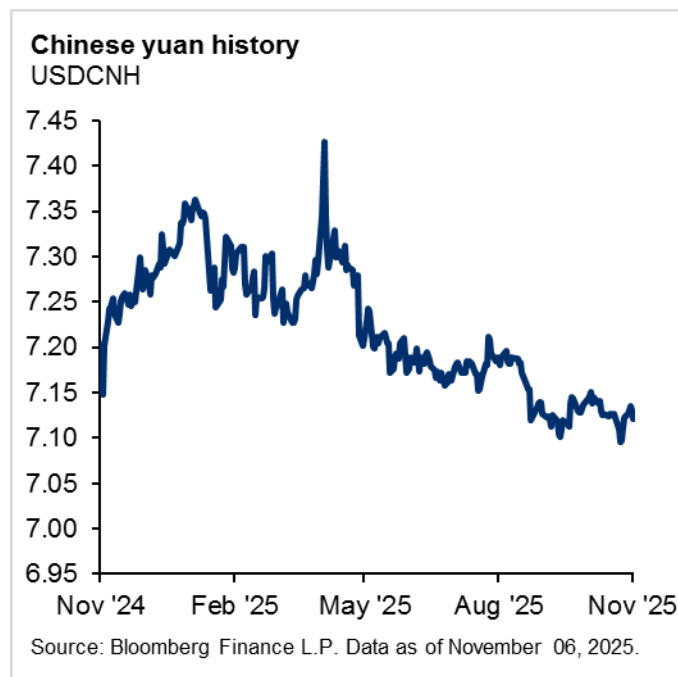
Chinese Yuan

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 over past two months. 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: YE '26: 7.15 (7.05 - 7.25)



G10 Commodity FX

The commodity bloc remained range bound in October, with NZD underperforming AUD and CAD. The overall outlook remains constructive, supported by a benign outlook on risk sentiment and troughing oil prices.

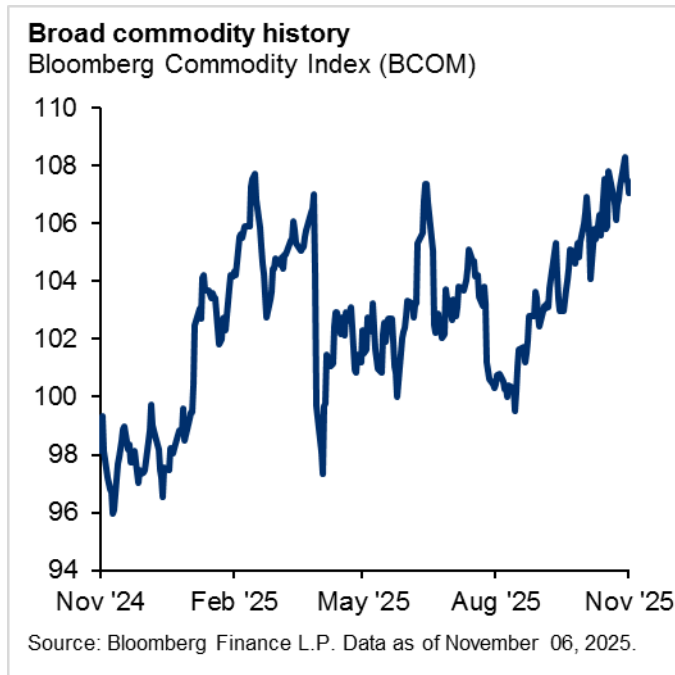
CAD: Neutral. Near-term caution due to trade uncertainties and spillover effects from weaker U.S. growth. With further BoC cuts likely, we believe CAD can serve as a lower carry proxy for tactical USD shorts. More constructive medium-term outlook supported by fiscal measures and ongoing FX hedging.

AUD: Bullish. RBA should be largely done with easing with 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 (300bps cut delivered).

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

Our view: YE '26: CAD: 1.32 (1.30-1.34)* AUD: 0.68 (0.66-0.70) NZD: 0.61 (0.59-0.63)*



Scandi FX

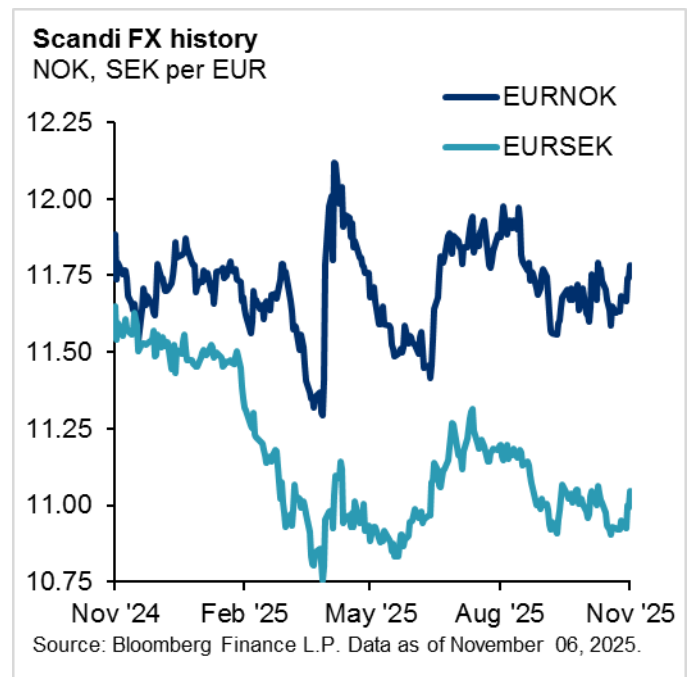
Scandis have generally benefited from risk-on sentiment year-to-date. We think that continued strength in global risk assets, partnered with more favorable domestic growth and fiscal dynamics, provide a strong backdrop for the bloc going forward.

NOK: Bullish. Norges Bank cut twice this year, 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*: YE '26: EURNOK: 10.70 (10.50–10.90) EURSEK: 10.10 (9.90–10.30)



*JPM Investment Bank Outlook

Emerging Market FX

EM FX performance may diverge in 2026 on trade outcomes, local political and growth risks.

Latam: BRL: Neutral. Political noise increased as Lula securing a win in Congress and the passage of tax cut bill. Fiscal overhang remains. **MXN:** Bullish. Carry advantage remains with positive structural story on supply chain reshuffling, USMCA renewal negotiations the next key to watch.

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 lower USDILS. 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 near 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*: YE '26: BRL: 5.60 (5.40 – 5.80) MXN: 18.50 (18.30–18.70) ILS: 3.00 (2.90–3.10) INR: 87.90 (85.90–89.90) TWD: 29.30 (28.30–30.30) SGD: 1.25 (1.23–1.27)

*JPM Investment Bank Outlook

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of November 06, 2025.

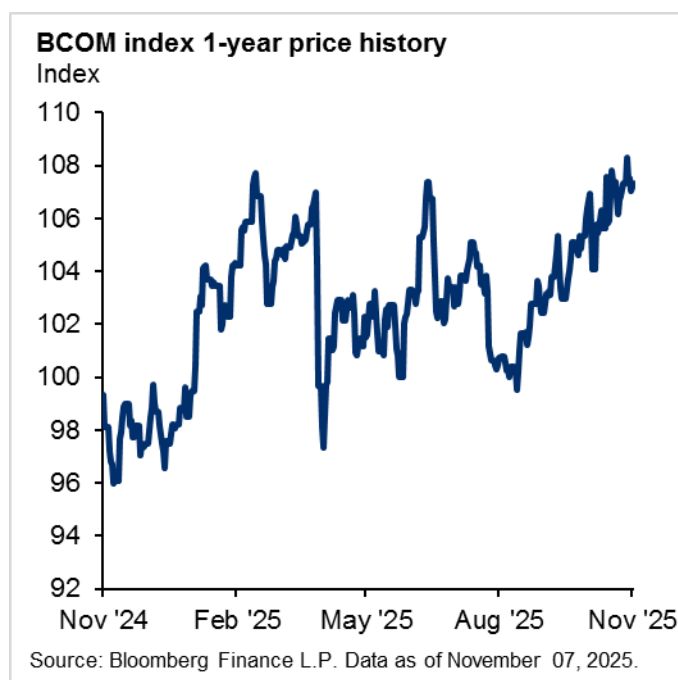
COMMODITY VIEWS

BCOM Index

Commodities posted strong gains in October, rising +2.6% on a combination of factors as markets digested a new rate cutting cycle and some supply interruptions. As we wrote last month, generally easing cycles are constructive for commodities with similar cycles resulting in double-digit gains after just 9 months. Best performers on the month were Soybeans +10.5%, Aluminum +7.5% and Natural Gas +6.3%. Losers this month were Sugar -14%, Cattle -2.2% and Crude oil -1.5%. We now look to the coming year and we are optimistic for the commodity sector if the rate cycle can remain firmly in an easing mode.

What we're watching: We will be watching growth and inflation numbers carefully into 1h26

Our view: YE '26: 118-120



Gold

Gold continued advancing after the strong gains seen in September. At one point, Gold surged +12.6% to a high of \$4356 as retail interest pushed the metal higher. A wave of profit taking hit the market in the third week and we saw a selloff below \$4000 before a recovery at month-end. We suggested last month that the market felt a little overbought and the added froth continued to make us nervous until the inevitable selloff. We view this as a healthy correction, hopefully flushing out the weaker speculative hands and we would expect to see a few months of sideways price action before the market builds momentum for the next move higher. After jumping in September and October, we have finally seen a drop of about 2% in ETF holdings. We would welcome a further drop at this stage. Looking forward we see continued Central Bank demand as a large driver of price trajectory next year, with an additional driver from investors looking to add diversifying assets in a richly valued equity scenario.

What we're watching: Central Bank demand will moderate somewhat and we look for signs of waning jewelry demand

Our view: YE '26: \$5200-\$5300



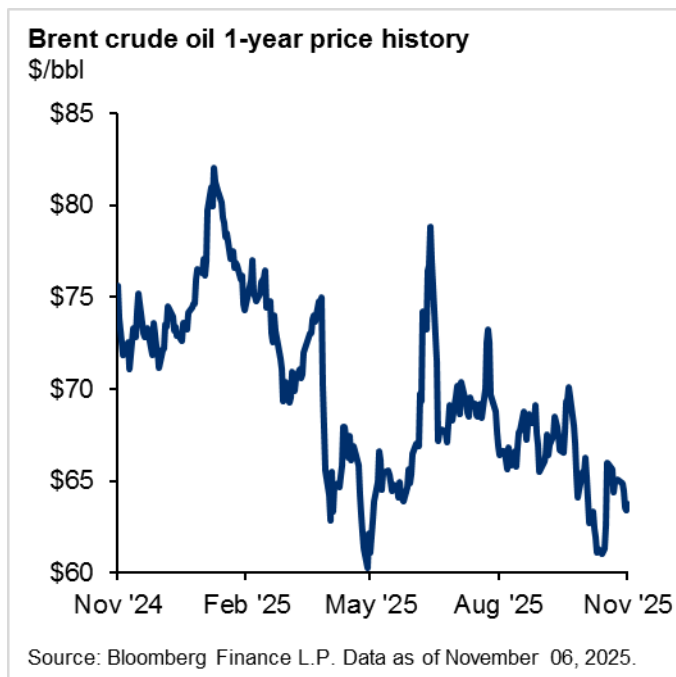
All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to "Definition of Indices 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 resumed the year long downtrend, losing -1.75% over the month across the two benchmarks. At one point WTI had dropped -8% to \$57 before the White House announced increased sanctions on Russian oil companies, which helped prices snap back above \$60. Analysts have begun to realize that President Trump seems to be using price declines towards \$50 as an opportunity to increase sanctions both on Russia and Iran. Energy Secretary Chris Wright maybe listening to US producer protestations that they are unable to grow production at \$50 and below. In an interesting twist, the administration appears to be increasing pressure on Venezuela, an OPEC producer with only 0.7% of global production. However Venezuela has the worlds largest proven reserves of crude oil, that is heavy crude and desirable to US refiners. If production could be brought back to pre-regime levels, exports could replace almost all of Canadian imports to the USA. This would take at least three years, and seems a little far-fetched, but cannot be completely ruled out in our view. Looking forward into 2026, we see no change to an over supplied market.

What we're watching: The market is awash with oil. We watch the geopolitical landscape carefully.

Our view: YE '26: WTI: \$58-\$63 Brent: \$62-\$67

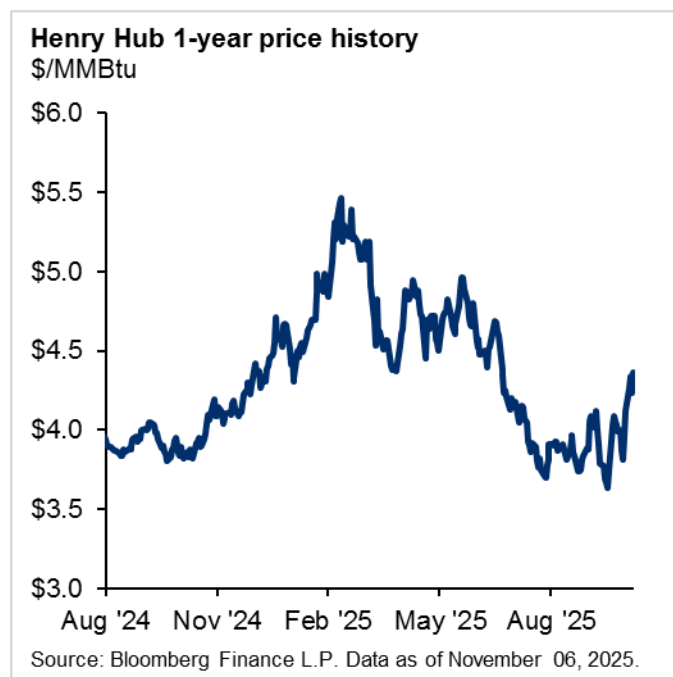


Natural Gas

Natural gas (NG) finally registered a gain in October, rising +6.3% on the month September. Production remains strong , but nuclear power generation has started to decline along with a colder than anticipated end to the month. We also saw a decline in wind power generation and this increased the call on gas. Our view is that this is unlikely to be a sustained demand call although as we move deeper into the winter months, weather becomes a larger persistent factor. Longer term the outlook for LNG demand appears to be fairly stable and the variables regarding the demand for gas in power generation for AI are strengthening with more and more industry participants concerned about delays in renewable and nuclear connections. Consequently the Ng curve is moving a little higher and so we feel more confident about our views that Ng should end 2026 above \$5 versus \$4.30 as of time of writing.

What we're watching: As we commence winter heating season, all eyes are on the weather.

Our view: YE '26: \$4.50 - \$5.50



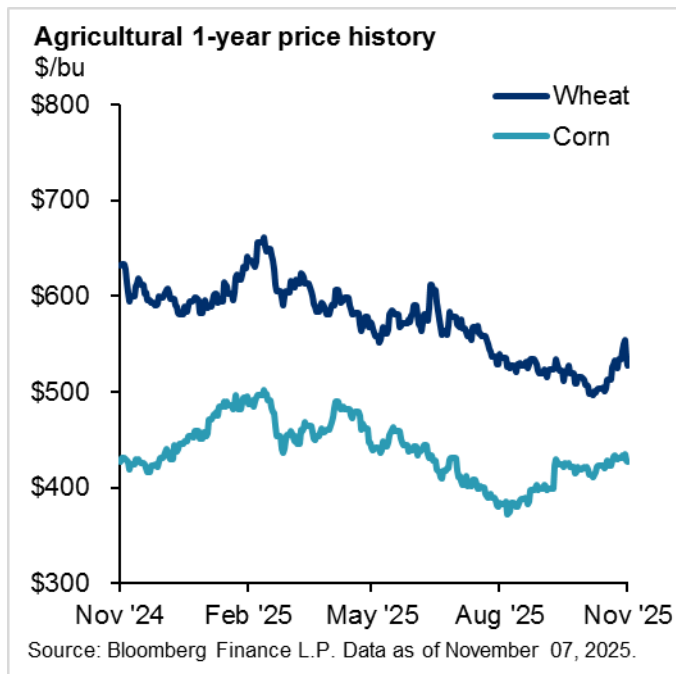
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Agricultural Commodities

Corn and Wheat gained on the month, with Wheat +3.2% and Corn +3.6%. The main driver was short covering after confirmation that President Trump and President Xi had agreed a substantial trade framework and lead to a significant increase in China purchases of soybeans and agricultural products.

What we're watching: Will China follow through on trade agreement commitments?

Our view: YE '26: Corn: 425-525 Wheat: 550-650



Copper

Copper rose +6% in October. The market continues to digest the supply shock from the closure of the Grasberg mine, and now the big question for the immediate future will be the Chinese demand response. As we have outlined for the last two years, despite demand from global electrification, China is still 65% of global commodity demand. So they will determine the short term price action. In 2024, the market failed to push prices beyond \$11,000 after demand shifted the scrap and stockpile depletion rather than new orders. So far, the market has been seeing a similar response as the price has failed again at the key \$11,000 level. However, we feel that demand will eventually be strong enough to take prices gradually higher over the course of 2026 and we revise targets upwards for the next calendar year.

What we're watching: Demand and curtailed supply should take prices higher, but we look for strength from China.

Our view: YE '26: \$11,800 - \$12,000



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ALTERNATIVES VIEWS

Private Credit

Recent high-profile bankruptcies in the broadly syndicated loan (BSL) market have reignited concerns about the state of public and private credit (PC) markets. First, we believe fears of a systemic crisis in private credit are overstated.

- **Recent bankruptcies.** We believe the recent bankruptcies in the BSL market (little to no direct exposure in private credit markets) are indicative of isolated froth rather than broad-based stress.
- **Growth in PC AUM.** Growth has been meaningful (~14.5% CAGR over past decade⁵), but not enough to pose systemic economic risk. PC represents ~9% of all corporate borrowing.⁶ Contagion concerns through banks also appear limited – if PC firms drew outstanding lines, the impact on large banks' capital ratios would be minimal⁷.

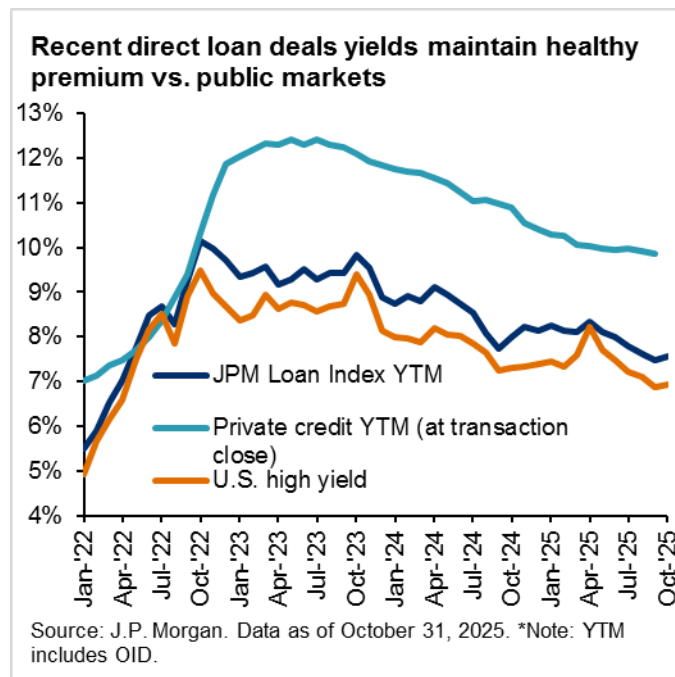
That said, micro credit cycles will likely emerge as economic growth moderates. Here's what we're watching.

- **Default & recovery rates.** Estimates vary but private credit defaults are hovering ~2.5% and there is dispersion in large vs. small companies. Default rates for core middle market companies (EBITDA: \$25-50M) are ~4% vs. ~2% for larger companies (EBITDA: >\$50M).⁸ Seniority in capital structure is also critical – using leveraged loans as a proxy, the average recovery rate for first-lien loans is ~62% vs. ~23% for second-lien loans⁹.
- **Spreads.** We are not yet seeing spreads materially widen. This year, despite concerns on systemic credit risk, spreads on newly issued private credit loans have been stable at ~475-500bps.
- **Fundamentals.** The broad industry exhibits lower quality fundamentals vs. public markets (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.

Importantly, investors have been compensated for this incremental risk through higher returns. Elevated yields should also provide ample buffer should we see a pick-up a meaningful rise in default rates (not our base case). Bottom line, as base rates fall and defaults tick up, yields should normalize to historical levels (high single digits) after a

period of above-average returns. Senior secured direct lending can still be an income ballast in a client portfolio, but manager selection is key as dispersion widens. 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: AUM growth and impact on spreads, default activity, path of base rates, yields vs. public credit



⁵ "Alternative Investments Outlook and Strategy", JP Morgan Investment Bank, October 2025.

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

⁷ "Bank Lending to Private Credit: Size, Characteristics, and Financial Stability Implications", Federate Reserve, May 2025.

⁸ Evercore ISI, June 2025.

⁹ JP Morgan North America Credit Research, October 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.

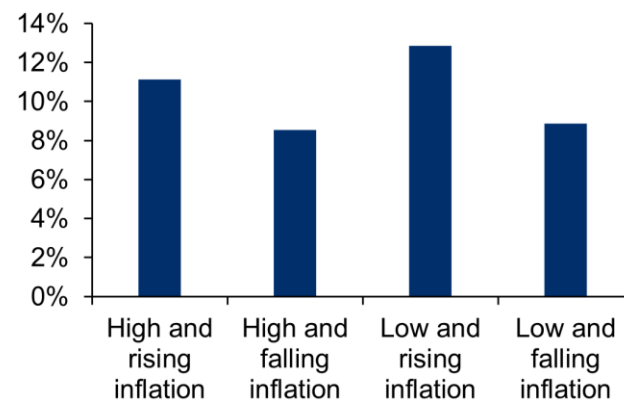
The past couple of years have also showcased in real-time the role that energy plays in influencing the geopolitical landscape. Securing reliable sources of energy / power - not only for essential services but also to power AI - has become a matter of national security. For investors, it means that investment 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.

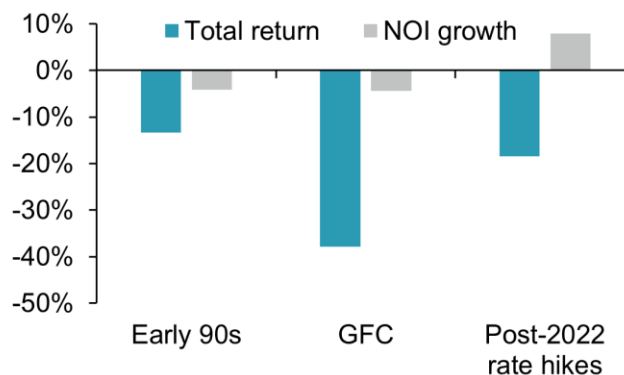
The meaningful decline in housing affordability we have seen over the past few years will likely be one of the most important trends to watch in US real estate markets going forward – increasing not only the potential for individuals and families to turn to renting (vs. owning), but also shift where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

- Housing affordability is at a multi-year low; the median age of a first-time home buyer is now ~40 years old (vs. 33 around five years ago, and 28 in the early '90s)
- Persistent underbuilding from 2008-2022 has resulted in a meaningful housing shortage. This shortage is expected to deepen through the end of the decade. This imbalance may allow owners to continue to push rents higher so the cost to buy remains meaningfully above the cost to rent in single-family rentals.

Bottom line, we believe real estate can offer durable returns through stable, inflation-resilient cash flows. Commercial real estate appears to be in the early stages of recovery, with rentals and industrial properties showing strong fundamentals backed by multi-year secular trends. We expect long-term trends like the shift towards renting and U.S. re-industrialization to drive continued transformation in the sector.

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



Source: Bloomberg Finance LP, National Association of Realtors. Data as of September 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

The past three years have been challenging for private equity. The median buyout manager has underperformed public markets across regions, 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.

We believe we are at an inflection point in private equity as the opportunity in private markets grows and dealmaking activity improves. Let's explore why.

- **More value being created in private markets now as companies stay private for longer (and larger) at a time of accelerating tech innovation.**
 - **Healthy earnings growth.** Average annual EBITDA growth over the past 10yrs has been ~11.5% for buyout (vs. ~7% for the S&P 500 and Russell 2000)
 - **Tech companies creating more value in private markets vs. history.** Median tech IPO is older (~14yrs vs. ~8yrs) and larger (~\$220M sales vs. ~\$25M) than the late 90s/early '00s. Top 3 private companies would already be top 30 companies in the S&P 500 from a valuation/market cap perspective
- **Tailwinds from secular innovation.** ~95% of software companies are private. ~90% of HC companies are private and ~70% of drug innovation occurs through M&A.
- **Expanding global opportunity.** Increasingly constructive on the opportunity outside of the US – specifically Europe, India, and Japan. All three markets have consistently outperformed their respective public markets over the long-term.

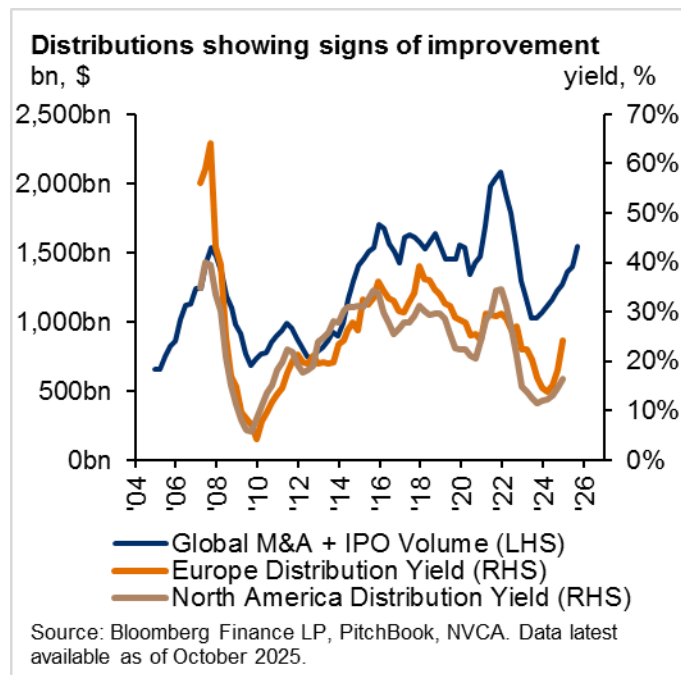
Putting this mosaic together, alongside our expectations that rates and inflation will remain at higher levels than the post- GFC, pre-2022 timeframe, the formula for buyout total return generation has evolved. ~50% of buyout returns post-GFC were driven by multiple expansion and leverage, we believe that contribution will decline moving forward and that manager dispersion will remain wide.

We are seeing greenshoots in dealmaking activity as global M&A & IPO volumes, which has led to an initial recovery in PE and VC distributions. We expect dealmaking activity to accelerate into 2026 as global financial conditions ease and deal bid-ask spreads narrow.

Overall, we believe there is opportunity in private equity given the differentiated opportunity set private markets can

provide. As the liquidity landscape matures, the secondary private equity market (across both LP-led and GP-led) should continue to see above-average activity. Within private equity portfolios, we recommend complementing core PE exposure with secondaries. Within core PE, a diversified approach between mid-market and large buyout managers is prudent. Global diversification is vital as the opportunity set broadens in Europe, India, and Japan.

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



VOLATILITY VIEWS

Equity Vol

October started benign, with stocks grinding higher and option markets reflecting calm. A few events over the month revealed more anxiety than the price action suggested.

Mid-month, a modest 0.63% S&P decline triggered a sharp spike in equity volatility, driven by credit concerns around banks. One-month vol on KRE, a regional bank ETF, jumped from 31 to 47. More surprising was the VIX surging from 20 to over 25 in one day—a move nearly five times what history would suggest for such a small drop in the S&P. While this volatility was short-lived, it highlighted the reactivity of equity volatility in the current environment.

We've discussed “spot up/vol up” in prior publications—an unusual dynamic where volatility expectations rise as prices rally. This gained momentum as the S&P attempted a move to \$7,000.

These bouts of volatility reveal a market that's more reactive than it appears. We're not alarmed, but do expect more mini-episodes as the S&P tests new highs and investors digest lofty valuations. Consider structured notes and hedge overlays to manage through this volatility.

What we're watching: Supreme Court IEEPA tariff ruling, release of backlogged economic data, potential fatigue in AI trade

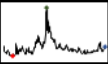
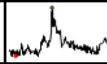
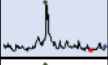
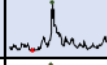
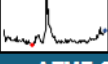
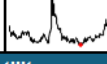
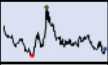
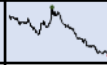
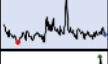
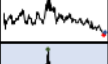
Macro Vol

Gold's breakout above \$4,300/oz in October was the headline story, as the metal has made over 50 new all-time highs this year alone. Shortly after the most recent high, profit-taking and positioning factors contributed to the largest single-day sell-off in years. Gold volatility spiked to three-year highs before eventually retreating as the metal settled in around ~\$4,000/oz by the end of the month. Gold volatility remains above average, with implied volatility on 1 year options in the 89th-percentile relative to the last 10 years of history.

Interest rate volatility continued to move lower in October, extending a multi-year trend in place since the peak in 2022. Swap vol for 1 year options on the 10 year is now at the upper end of longer-term ranges, when looking back pre-

COVID. This aligns with the broadly range-bound behavior in 10-year yields. That said, the market could be near a floor for rate vol, as incremental moves lower may be difficult with the Fed still active.

What we're watching: Labor data remains key, which hasn't been published during the government shut down.

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	16.34	7.19		15.55	1.45	
EURO STOXX 50 Index	15.48	3.53		15.56	0.49	
Tokyo SE (TOPIX) Index	23.95	6.07		19.46	1.40	
Rates - SOFR Swaptions ATMF Strike Implied Volatility (BP, Annualized)						
1Y	106.64	28.95		119.74	5.70	
5Y	131.32	37.26		110.95	5.62	
10Y	124.83	40.02		103.55	5.23	
Commodities - ATMF Strike Implied Volatility						
Oil (Brent)	38.30	15.05		29.05	1.80	
Gold	17.42	4.18		16.11	0.88	
Currencies - ATMF Strike Implied Volatility						
EUR/USD	8.70	1.65		6.55	-0.80	
USD/JPY	12.90	1.83		10.12	0.07	
USD/CNH	8.84	4.17		6.10	-1.02	

1) Source: J.P. Morgan. Data as of November 5, 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 INDICES AND TERMS

Currencies and Central Banks

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

Additional abbreviations

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

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Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool. All indices denominated in U.S. dollars unless noted otherwise.

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

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

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

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

The **JULI spread Index** is designed to measure the portfolio spread of the U.S. liquid, investment-grade corporate bond market to U.S. Treasuries.

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

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average price was ¥176.21 with a divisor of 225. *We are using official divisor for this 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.

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.
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- 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.
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