



THE

Global Investment Strategy View

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

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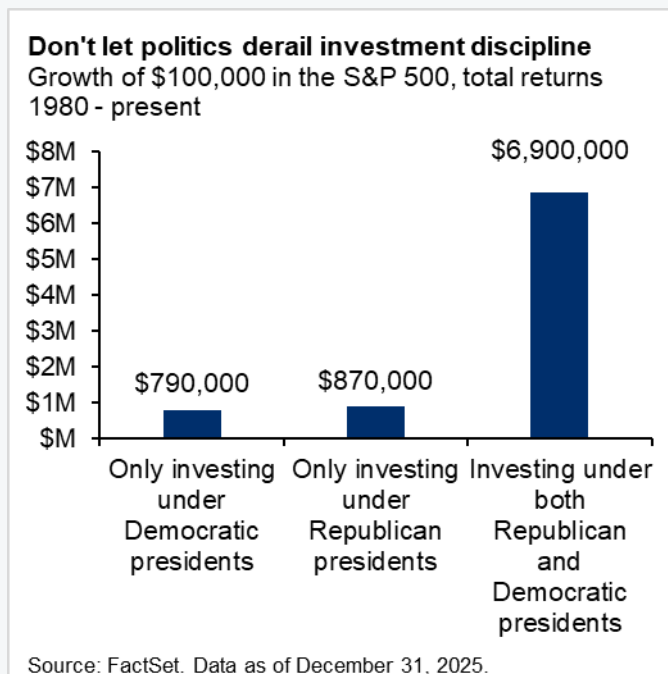
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KEY TAKEAWAYS

Recent events in Venezuela reinforce the notion that we are living in an increasingly fragmented world. We explored this theme in our [2026 Outlook, Promise & Pressure](#), through the lens of risks and opportunities.

Politics and policy continue to dominate headlines and trade uncertainty had a clear impact on markets in 2025. Yet, it is economic fundamentals that ultimately determine market returns. Even dramatic events—such as U.S. military strikes on Iranian nuclear facilities and the past month's actions in Venezuela—barely moved oil prices.

History shows that the best strategy is to stay invested, regardless of which political party controls the government (see chart below). With U.S. midterm elections approaching in 2026, in this month's GIS View we assess the historical impact of elections on markets and underline the importance of sticking to your investment plan.



While politics should not derail your plan, we must also recognize that policy can have a meaningful effect on fundamental drivers of growth and inflation. **Global fragmentation has caused governments to pivot from supply chain optimization to a focus on the security and resilience of infrastructure and strategically important industries.**¹ Given this focus, we expect higher fiscal spending to continue in the coming years. Indeed, we already see the impact of this government pivot in both the earnings and performance of a group of companies known as “National Champions” (see chart below). We think they have plenty of room to run.

In recent years, observers have described a “K-shaped” U.S. economy, with a sharp divergence between markets and the real economy, (For example, stock market valuations remain near highs and consumer confidence near lows.) The tech sector in particular has made an outsized contribution to GDP, creating a “K-shaped” environment for economic growth.²

We believe the K will partially close in 2026, through an improvement in the cyclical economy and incrementally less AI-driven growth. Greater diversity of growth drivers would validate our positive view on equity market

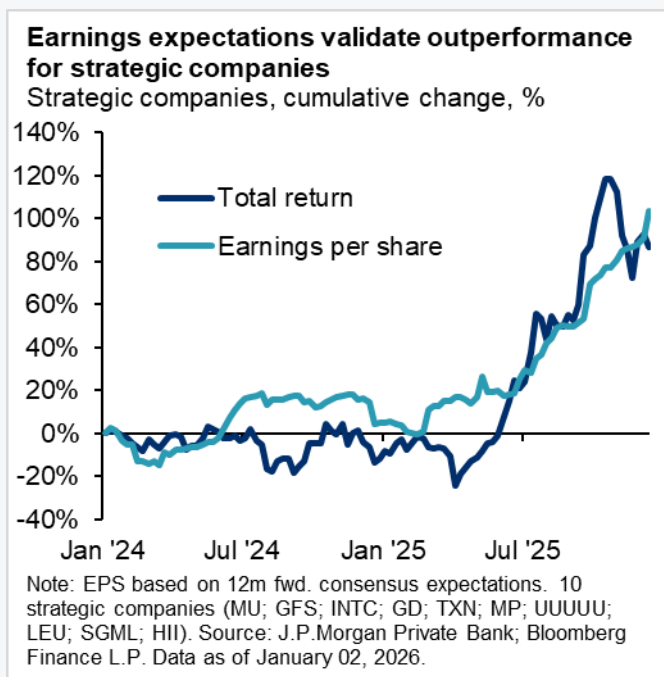
¹ Strategically important industries are industries which we believe will be the focus of increased fiscal and interventionist policy for economic and national security.

² The concept of a K-shaped economy isn't well defined, with many referring to other divergences, such as spending patterns by high- vs. low-income households, or the performance gap between large and small businesses. For our purposes, defining the K more generally as the divergence between markets and the real economy makes the most sense.

fundamentals. We believe strong earnings, powered by the technology sector, will continue to broaden across the economy, translating to a base case view of high-single digit returns despite elevated valuations. Stronger productivity gains and sector broadening could support our bull case scenario, with returns closer to last year's 20% gains.

Within equities, we maintain our positive view on technology, utilities and financials, and in Q4 we upgraded our view on industrials and healthcare. We think industrials will benefit from the AI infrastructure buildout, increased capital spending ex-AI, and an improving cyclical environment. After years of underperformance, healthcare looks poised for a recovery. Catalysts include improving fundamentals, discounted valuations, and an expected surge in M&A activity as mature companies look to rebuild depleting drug pipelines.

Globally, we favor Europe and EM ex-China where fiscal spending and support for emerging national champions should boost earnings and valuations remain relatively attractive.



We are also seeing greater dispersion in global monetary policy. While the Federal Reserve and the Bank of England are expected to maintain an easing bias, markets expect that other global central banks will raise rates in 2026. **As markets price in these policy divergences, with higher rates outside the U.S., we are seeing attractive opportunities for unconstrained global fixed income strategies.**

Our inflation outlook remains benign given easing pressures in labor, housing, and energy. But global fragmentation and higher fiscal spending are likely to raise the floor and increase the volatility of inflation over the medium term. **Even as fixed income remains the strongest ballast against potential growth scares, a broader diversification toolkit including gold and less-correlated hedge funds will be critical to diversify against inflation risks.**

THIS DOCUMENT

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

OUR MISSION

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

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

THE GIS SNAPSHOT

A summary of high conviction views

January 2026



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.

TOP IDEAS FOR 2026:

- 1) Strategic industries.** Invest globally within equities linked to national/economic security priorities across regions. On a sector basis, this re-underwrites our preference for industrials in Europe and the United States, and for information technology in China as well as opportunities in healthcare. Outside of equities, gold continues to remain attractive.
- 2) Global unconstrained fixed income managers.** Generate alpha through dispersion in global unconstrained fixed income managers. Tactically, look to Europe, where the recent sell-off, combined with renewed steepness in yield curves, has created a more attractive environment for European fixed income relative to U.S. markets.
- 3) Gold.** Traditional fixed income remains the best diversifier against recession risks, but portfolios must also be insulated against inflation and policy uncertainty. 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.

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THE VIEW

Geopolitical worries are causing governments to increasingly intervene in their economies; what will this mean for markets in 2026?

Political actions that promote domestic industry over international trade have more than tripled since 2020 (Figure 1). Increased intervention and the use of industrial policy are making economic systems less laissez faire and more state directed. The United States' actions in Venezuela this month underscores the trend towards more interventionist government policy.

Why it matters: Globalization in the 20 years following China's entering into the World Trade Organization brought with it specialization, the [rise in China's global share of manufacturing](#) and geographically disperse supply chains. The current U.S. administration has been driving a shift away from globalization, most notably in the release of its National Security Strategy in November 2025. This will take time to implement; but we believe that for the coming years, government support will be concentrated in strategic industries leading to policy tailwinds, supportive of earnings. Here's how we got there:

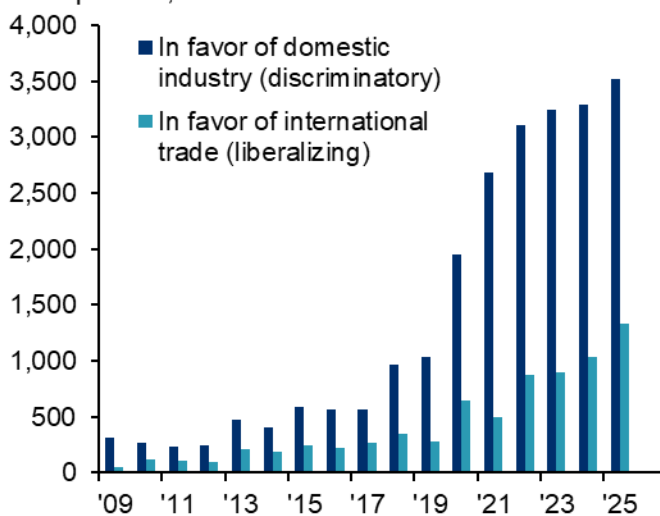
- 1) **A willingness to spend.** In the 21st century, government spending typically fluctuated in response to economic and market weakness. However, since 2022 governments globally have run much larger budget deficits than the underlying health of their economies would typically call for, illustrating a heightened willingness to allow government spending to drive economic outcomes (Figure 2).
- 2) **Beneficiaries different than current market leaders.** Stock baskets designed to target exposure to this theme have sector weightings notably different than the tech-heavy S&P 500, and are instead concentrated in industrials, materials, energy and utilities (Figure 3). Since the change in U.S. administration in January, the earnings expectations and returns of these types of companies have increased ~100% (Figure 4). We expect this tailwind to continue. Even within this theme, a global approach is key as different regions target different strategic sectors (Figure 5). For example, China has fallen behind in higher value add industries such as semiconductor design services where they have ~5% of global market share compared to ~50% in the United States; as such policies in China have focused on this segment. Meanwhile, European fiscal spending is expected to be broad based across infrastructure and defense.

- 3) **The opportunity in healthcare.** Within the National Defense Authorization Act was the Biosecure Act – a healthcare policy proposal. At a high level, the Act aims to restrict executive U.S. agencies and biopharma companies from contracting with “biotechnology companies of concern,” mainly targeting certain Chinese life sciences firms, but the prohibition also extends to federal contracts with drugmakers that use equipment or services from these companies. This would be a net positive for multinational Life Sciences names that have a local presence in China as U.S. biopharma companies will still want to operate in the region but will have to work with U.S. based companies over Chinese.

Investment Implications: Global fragmentation continues to be a key theme for our outlook. Consider investing globally within equities linked to national/economic security priorities across regions. On a sector basis, this re-underwrites our preference for industrials in Europe and the U.S. and information technology in China as well as select opportunities in healthcare. A shift in global norms and rise in investor uncertainty points to further upside for gold, as it remains one of the best diversifiers against global instability.

Figure 1: Promotion of domestic industries globally

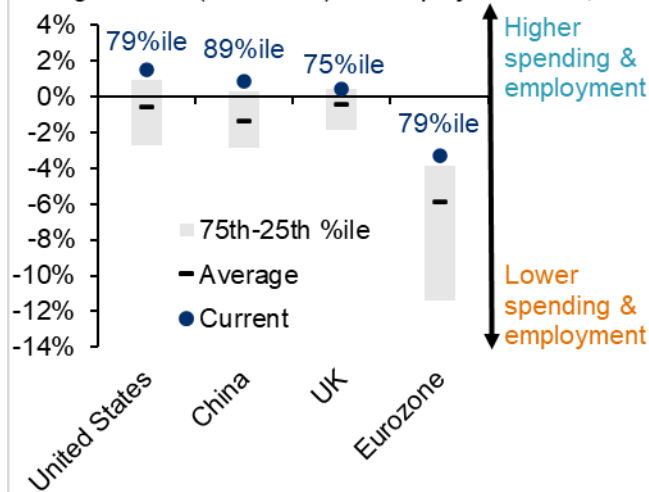
New policies, count



Source: Global Trade Alert. Data as of December 29, 2025.

Figure 2: Government spending is higher than typical for labor markets

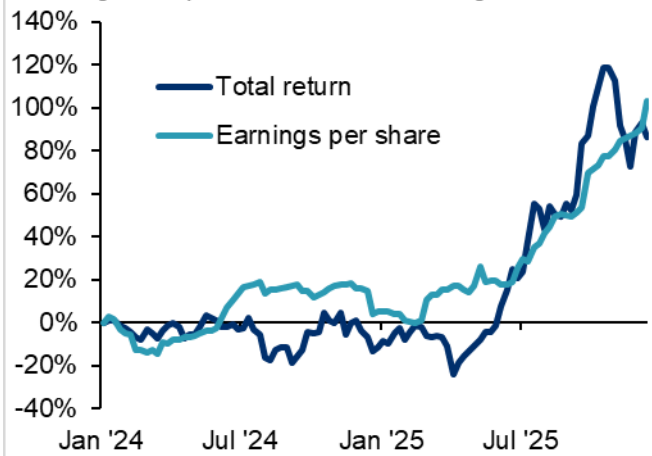
Budget deficit (% of GDP) - unemployment rate, %



Note: Percentiles calculated since September 2002. Source: Bloomberg Finance L.P. Data as of September 30, 2025.

Figure 4: Earnings expectations validate outperformance for strategic companies

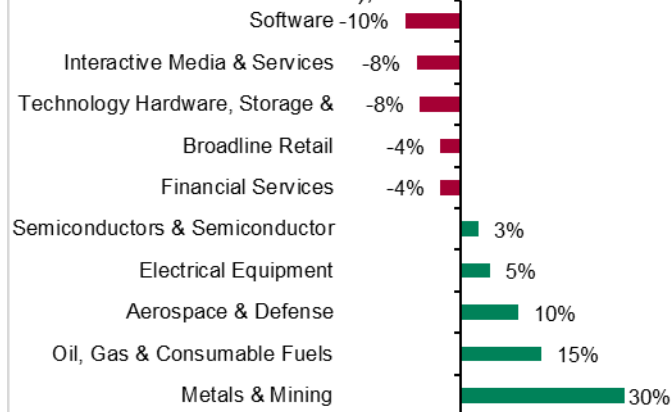
Strategic companies, cumulative change, %



Note: EPS based on 12m fwd. consensus expectations. 10 strategic companies (MU; GFS; INTC; GD; TXN; MP; UUUUU; LEU; SGML; HII). Source: J.P.Morgan Private Bank; Bloomberg Finance L.P. Data as of December 26, 2025.

Figure 3: U.S. strategically important industries differentiated to S&P 500

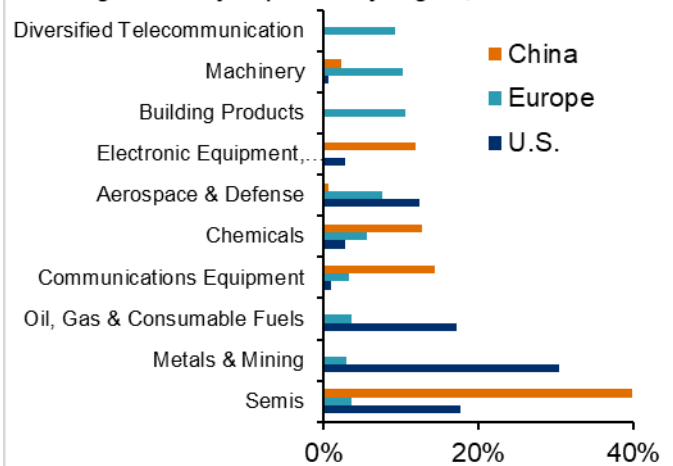
Top 5 overweight/underweight (strategic industry baskets relative to S&P 500), %



Note: Strategic allocations are calculated from averaging exposure across thematic baskets targeted on the theme. Source: J.P.Morgan Private Bank; MS; GS; BofA; Barclays; Bloomberg Finance L.P. Data as of December 9, 2025.

Figure 5: Strategic targets differ regionally

Strategic industry exposure by region, %



Note: Strategic allocations are calculated from averaging exposure across thematic baskets targeted on the theme. Source: J.P.Morgan Private Bank; JPM; MS; GS; BofA; Barclays; Bloomberg Finance L.P. Data as of December 9, 2025.

In 2026, central bank policies are expected to diverge; this creates opportunities in global fixed income.

Market rates are implying that the next move from 7 of the 9 developed market central banks we track will be a *hike*, rather than a cut (Figure 6). Only in the U.S. and U.K. do cash rates remain on a downward trajectory, according to market pricing.

Why it matters: Greater odds of hikes rather than cuts is a sign of confidence in the global growth environment. But such substantial global central bank divergence is unusual and creates potential opportunities in international fixed income. We favor active global unconstrained fixed income portfolios. Here's why:

- 1) **Dispersion.** While the U.S. had the highest deposit rates across developed markets as recently as June, by the end of 2026 the U.S. is likely to be in the middle of the pack. As economic cycles began diverging across jurisdictions, the average correlation of total returns across developed market fixed income reached its lowest since the global financial crisis, an opportunity for active managers (Figure 7).
- 2) **Steeper curves ex-U.S.** The most attractive backdrop for duration exposure: elevated starting yield and a steep curve that discounts significant monetary policy tightening, ideally more than warranted by domestic economic conditions. We see foreign bond markets closer to meeting this condition than the U.S. and thus see lower risk of a meaningful selloff in long-duration bonds from current levels abroad (Figure 8).
- 3) **The opportunity in Europe.** Sovereign yields in the Eurozone in particular stand out as having asymmetric risks to the downside, especially given the recent back-up in rates which has not been justified by higher inflation expectations (Figure 9). Figure 10 shows the difference between prevailing benchmark 10-year yields in the U.S. and Eurozone and our fair value estimates under the various macro scenarios we model. Eurozone yields are above our base case outlook and already within touching distance of where we would expect them to trade in a "higher for longer" economic backdrop; whereas the potential range for U.S. yields is more symmetric.

Investment Implications: Steeper curves in fixed income incentivize investors to move out of cash. Generate alpha through dispersion in global unconstrained fixed income managers. **Tactically, look to Europe where the recent sell-off, combined with renewed steepness in yield curves, has created a more attractive environment for**

European fixed income relative to U.S. markets. Clients can enhance yield by focusing on European credit, which currently offers at least 90 basis points of carry over government bonds. Finally, steeper curves benefit financials globally, re-underwriting our positive view on the sector.

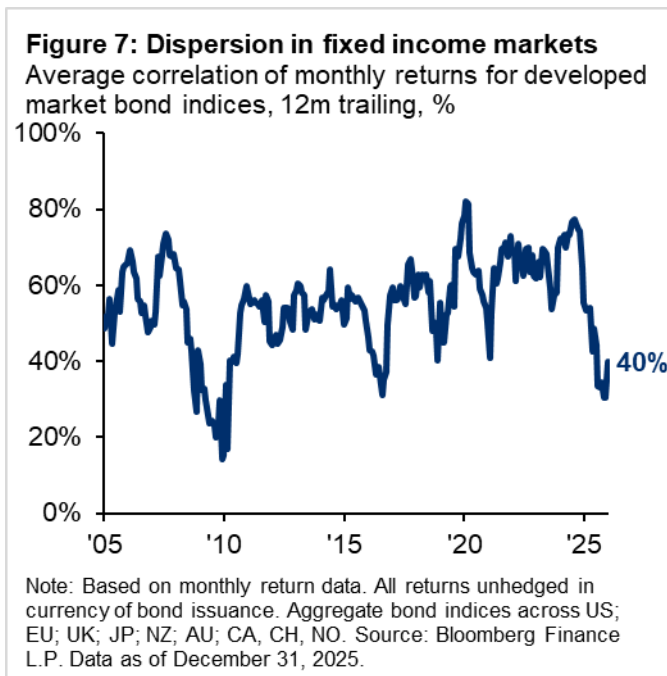
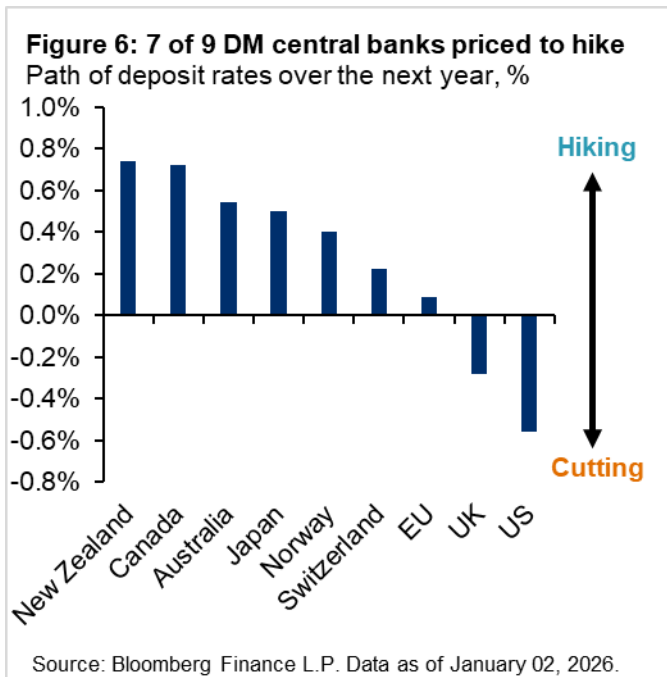
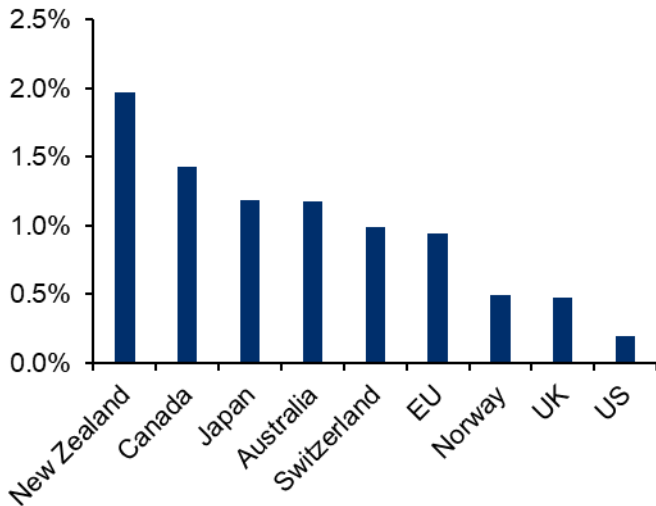


Figure 8: Foreign bond markets already discounting future tightening

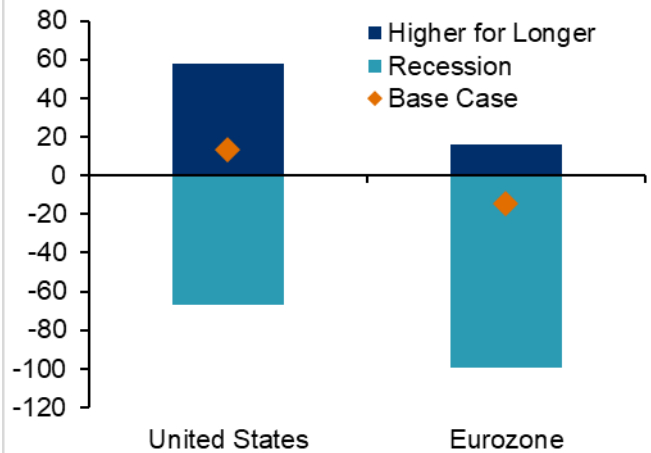
Curve steepness, (5 year - 1 month cash rate), %



Source: Bloomberg Finance L.P. Data as of January 02, 2026.

Figure 10: European rates already priced for our higher for longer scenario

Difference from current 10y yield to fair value under different macro scenarios, bps

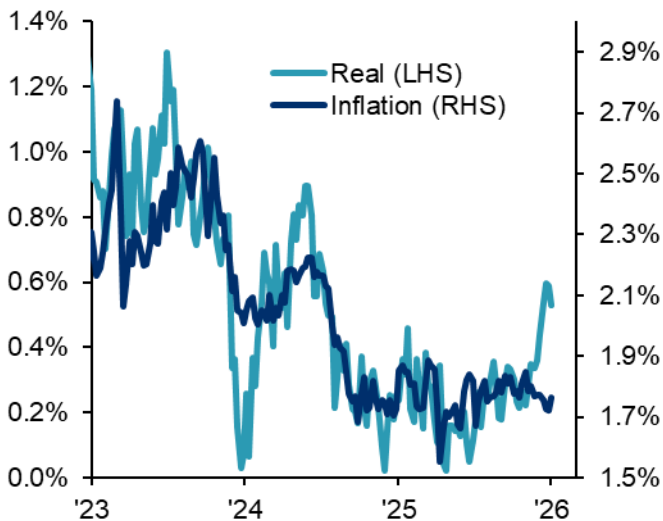


Source: J.P.Morgan Global Investment Strategy; Bloomberg Finance L.P. Data as of December 29, 2025.

Figure 9: Expectations for a hawkish ECB despite benign inflation

Real rate 1y1y, %

Inflation breakeven 1y1y, %



Source: Bloomberg Finance L.P. Data as of January 02, 2026.

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Economic growth was “K” shaped in 2025; will it persist in 2026?

2025's macro landscape is best described as one of divergences. The U.S. and other economies such as China saw AI-driven investment push GDP higher, while many parts of the economy languished. This contributed to a sharp divergence between markets and the real economy, such as stock market valuations which remain near highs and consumer confidence near lows (Figure 11). A key question for 2026 is whether this “K” closes? We think it will.

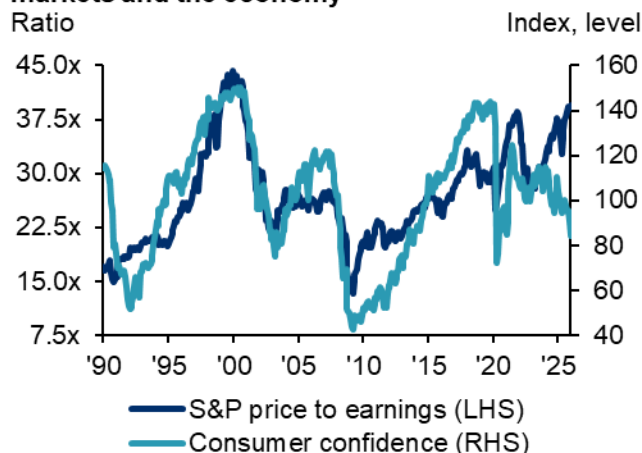
Why it matters: Recent Dallas Fed research highlights that as the economy becomes more concentrated - i.e., more K-shaped - GDP becomes less sensitive to the labor market and more sensitive to asset markets and overall wealth, underscoring why market performance and wealth effects have become increasingly important drivers of the macro-outlook.³ Going forward we expect the K to partially close in 2026, driven by the cyclical economy catching up to markets, here's why:

- 1) **Improving labor market.** 2025 saw a weakening jobs market, resulting in gloomy consumer sentiment regarding job finding prospects (Figure 12). However, the weakness was fairly contained -- most of the current labor market softness stems from low hiring that is failing to absorb labor force growth – rather than outright layoffs. We expect hiring demand to improve modestly through 2026, capping the rise in the unemployment rate. We expect the unemployment rate to end 2026 in the range of 4.25–4.75%. With greater confidence in labor market stabilization, we have reduced our 12-month forward recession odds to 20% from 30%.
- 2) **Incrementally less AI-driven growth.** Corporate projections show investment in AI related capex increasing ~30% over the next year, a slowdown from the over 50% growth in 2025 (Figure 14). Slowing is natural as the investment cycle matures and physical, financing and social limitations become more binding and as such reduce the impact on GDP.
- 3) **Fiscal and financial stimulus.** Economic growth in 2026 should be supported by a fading headwind from tariffs, modest fiscal stimulus from the One Big Beautiful Bill Act (OBBBA) - which will provide above-normal tax refunds to consumers and businesses totaling \$50–100bn (about 0.15–0.35% of GDP) - as well as easier financial conditions, which have historically helped

capex ex-AI (Figure 15). We continue to estimate trend-like GDP growth for 2026, in the range of 1.5–2.0%.

Investment Implications: Given current market pricing and our outlook for improving cyclical growth, we see a number of opportunities across markets. Our base case is that the Fed cuts one more time to a terminal fed funds range of 3.25–3.50%, compared to market pricing about 25bps below that. With a range bound rate outlook we recommend carry in fixed income and being opportunistic in locking in borrowing rates and hedging interest rate risk during rate rallies. For exposure to this theme **in equities, we see cyclically-sensitive sectors such as Financials and Industrials** as having room for appreciation as our economic outlook materializes. Finally, a **modest re-rating higher of interest rates should be supportive for the U.S. dollar; we see the greenback much better supported in 2026 than it was in 2025.**

Figure 11: K-shaped divergence between U.S. markets and the economy



Note: Uses Shiller cyclically adjusted S&P price to earnings ratio and average of Umich current economic conditions index & Conference Board's consumer confidence present situation index. Sources: University of Michigan, The Conference Board, Haver Analytics. Data as of December 2025.

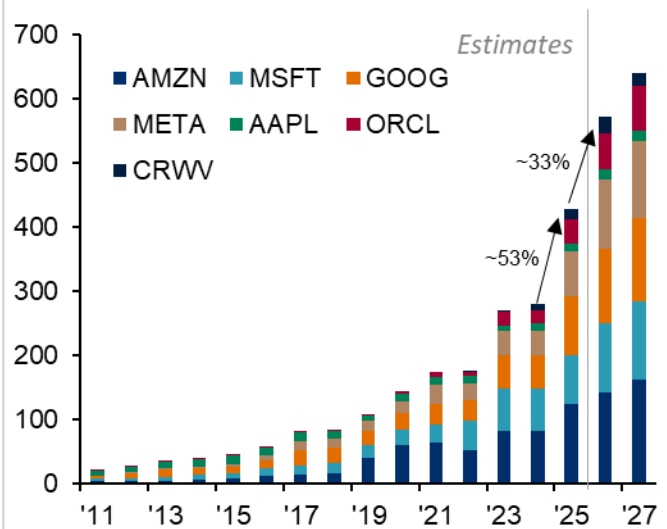
³ Source: Dallas Fed. "Consumption concentration may be up, adding slightly to economic fragility". Published November 25, 2025.

Figure 12: Low job finding prospects in the U.S.
Mean probability of finding a job in the next 3 months if one loses a job today, %



Sources: FRBNY, Haver Analytics. Data as of November 30, 2025.

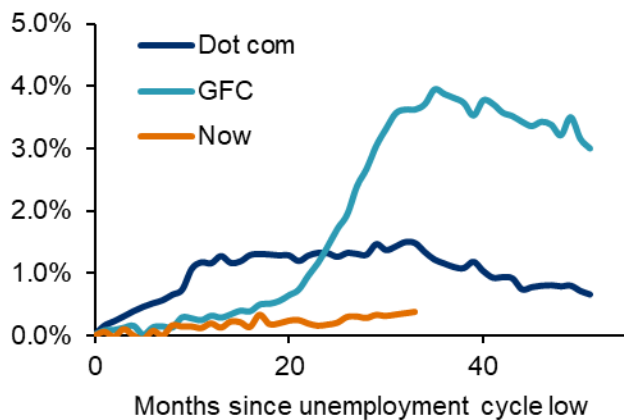
Figure 14: AI Capex growing, but slowing
Calendar Year Capex Spend, \$ billions



Source: Bloomberg Finance L.P. Data as of December 2025.

Figure 13: U.S. labor market yet to see a material layoff cycle

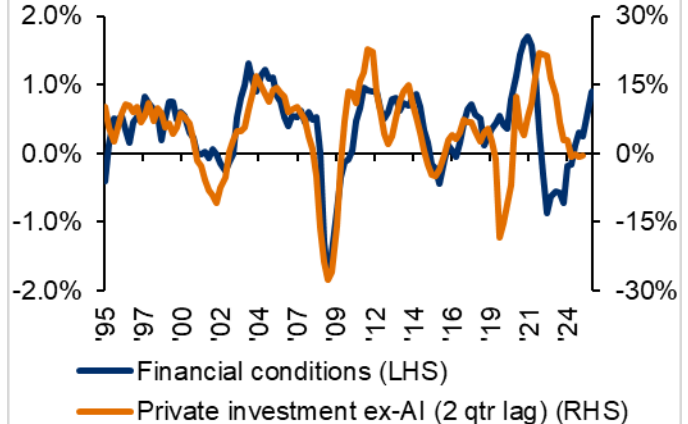
Contribution to unemployment rate from layoffs from respective cycle low, %pt



Note: Dot com cycle low at 12/31/2000, GFC at 10/31/2006, Current at 2/28/2023. Sources: BLS, Bloomberg Finance L.P. Data as of November 30, 2025.

Figure 15: Capex ex-AI follows easier financial conditions

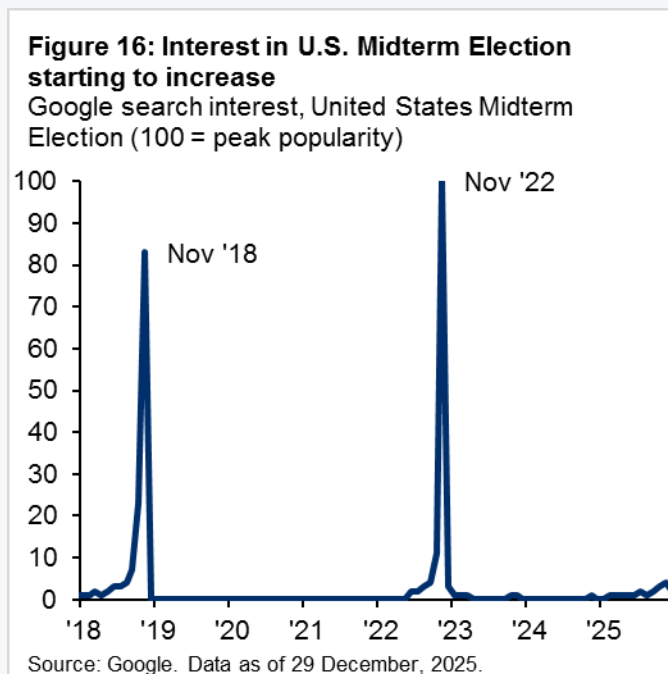
Impulse on growth, %
(+ = Tailwinds, - = Headwinds)



Note: Pvt. inv. ex AI consists of transportation equipment, industrial equipment, nonresidential structures, and other equipment. Sources: BEA, FRB, Haver Analytics. Data as of Q3, 2025.

BONUS TOPIC: WILL THE MID-TERM ELECTIONS HAVE AN IMPACT?

2026 brings a U.S. Midterm Election and interest in the topic has already shown a small increase (Figure 16). Ahead of the more significant rise in interest in July/August, we explore the potential impacts as the political calendar heats up:



1) A more divided government. Since 1930's, the incumbent party has lost seats in congress during the midterms in all but three of the votes (1934, 1998 and 2002).⁴ We believe this time will be no different given only 31% of adult Americans approve of President Trump's handling of the economy.⁵

2) Historically, an equity rather than bond market catalyst. The mid-term election year has been the least positive of the four presidential years for the U.S. equity markets. However, expectations for a more divided congress and/or reduced political uncertainty has benefited the U.S. equity market, starting in the months immediately before the November election and continuing for the year after (Figure 17). Since the 1960's, moves in the U.S. 10-year Treasury yield show that the mid-term election is not a consistent catalyst as the median change was never greater than 31bps (Figure 18).

3) Could this time be different? We're focused on how election topics like affordability shape the policy landscape.. The main levers available are tariffs, housing policy, and potential new stimulus checks. On tariffs, if the Supreme Court rules the use of International Emergency Powers Act (IEEPA) illegal (~70-80% odds according to betting markets), the administration could choose whether to replace those tariffs (or only some of the tariffs) using different authorizations. Notably, tariffs on coffee and other agricultural imports from South America have already been reduced to help ease consumer inflation, suggesting further tariff reductions could be considered. On housing, the administration has already begun using some of the tools at their disposal. The White House ordered Fannie Mae and Freddie Mac to buy \$200 billion of mortgage bonds to lower mortgage rates and improve housing affordability. While the number is modest compared to other efforts at lowering rates, notably QE, the purchases could still exert downward pressure on mortgage rates and signals an executive branch intention to directly intervene in housing finance. Additionally, further easing of bank regulatory leverage ratios could reduce Treasury market volatility and

⁴ Source: The American Presidency Project, "Seats in Congress Gained/Lost by the President's Party in Mid-Term Elections." Data as of 2022.

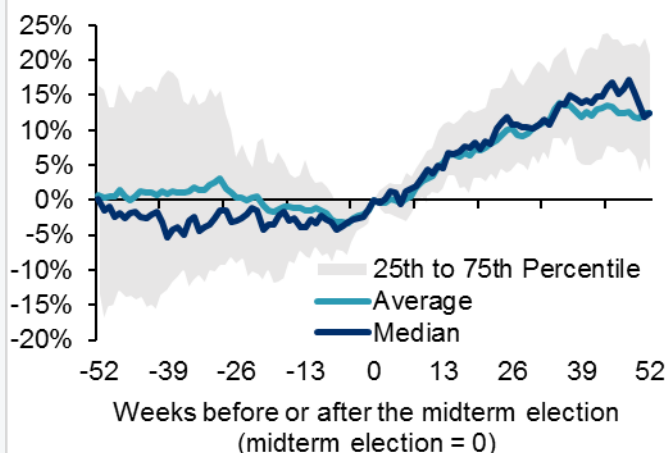
⁵ Source: AP-NORC Polls, the latest conducted December 4-8th 2025 with 1,146 adults nationwide.

help compress mortgage spreads, as mortgage rates remain about 60–70bps above their historical relationship to Treasuries. Finally, while new stimulus checks to consumers are possible, they would likely require a reconciliation bill - a process that would take months and for which there is currently no legislative momentum. Of these options, new stimulus checks appear least likely to advance in 2026.

Investment implications: A divided government (or extremely narrow majority) should cut off some tail risks in relation to government policy, supportive of our constructive outlook across risk markets. At the portfolio level, the implications are relatively muted, encouraging investors to not let politics get in the way of their investments.

Figure 17: Impact of U.S. midterm elections on S&P 500

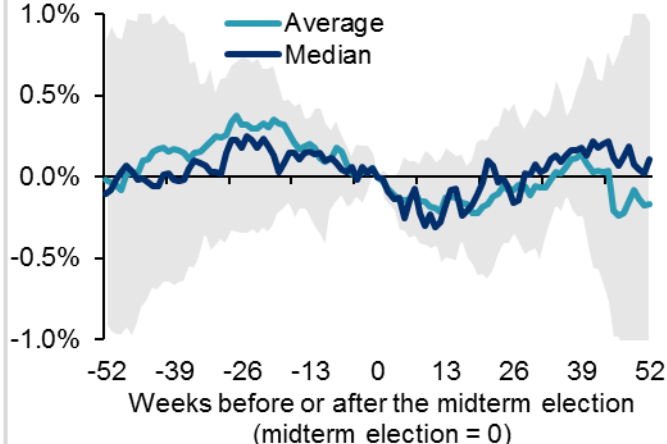
Cumulative performance indexed to 0 on election date, %



Note: Covers midterm elections from 1930 to 2022. Source: Bloomberg Finance L.P. Data as of December 29, 2025.

Figure 18: Impact of U.S. midterm elections on U.S. 10Yr.

Cumulative yield change, indexed to 0 on election date, %



Note: Covers midterm elections from 1962 to 2022. Source: Bloomberg Finance L.P. Data as of December 31, 2025.

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

Street Outlook 2026					
	Fed Funds*	Real GDP	Core PCE	10Y	SPX \$
	Q4 '26	Q4 '26	Q4 '26	Q4 '26	Q4'26
JPM WM	3.50	1.50-2.00	2.30-2.50	4.30	7,200-7,400
JPM IB	3.50	1.80	2.90	4.35	7,500
Bank of America	3.25	2.40	2.60	4.25	7,100
Morgan Stanley	3.25	1.80	2.60	4.05	7,800
Goldman Sachs	3.25	2.55	2.23	4.20	7,600
Wells Fargo	3.25	2.50	2.6	4.15	7,500
UBS	3.25	1.84	2.84	4.00	7,500
Average (ex-JPM WM)	3.30	2.15	2.63	4.20	7,500
FOMC (median)	3.50	2.30	2.50	-	-

Note: *Forecasts are upper bound of target range. GDP and inflation estimates represent Q4/Q4 growth rates

Sources: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of December 30, 2025.

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2026 YEAR-END OUTLOOK NUMBERS

January 2026

Macro [^]		
Inflation	2026 YE	Old 2026 YE
U.S.	2.30-2.50%	
Eurozone	1.80-2.00%	
China	0.40-0.60%	0.65-0.85%
Real GDP Growth		
U.S.	1.50-2.00%	
Eurozone	1.00-1.50%	
China	4.20-4.70%	4.10-4.60%
Equities		
S&P 500	2026 YE	Old 2026 YE
Price	7,200-7,400	
P/E forw ard multiple	22.25x	
Stoxx Europe 50		
Price	6,000-6,100	
P/E forw ard multiple	15.5x	
TOPIX		
Price	3,350-3,400	
P/E forw ard multiple	15.5x	
MSCI Asia ex-Japan		
Price	955-1,000	
P/E forw ard multiple	14.3x	
MSCI China		
Price	88-93	
P/E forw ard multiple	12.5x	

Currencies		
	2026 YE	Old 2026 YE
U.S. Dollar Index (DXY)	98 (96-100)	
EUR/USD	1.18 (1.16-1.20)	
USD/JPY	148 (146-150)	
GBP/USD	1.33 (1.31-1.35)	
USD/CNY	7.00 (6.90-7.10)	7.15 (7.05-7.25)

Rates & Credit Spreads		
U.S.	2026 YE	Old 2026 YE
Eff. Fed Funds rate	3.25-3.50%	
ON SOFR	3.33%	
2-year UST	3.60%	
5-year UST	3.85%	
10-year UST	4.30%	
30-year UST	4.75%	
2s/10s spread	0.70%	
JPM U.S. Investment Grade	80-110	70-100
JPM U.S. High Yield	325-375	
Europe	2026 YE	Old 2026 YE
ECB Deposit rate	2.00%	
5-year German Yield	2.30%	
10-year German Yield	2.70%	
BoE Bank Rate	3.25%	
10-year UK Gilt	4.60%	
EUR IG	75-105	
EUR HY	275-325	
EM	2026 YE	Old 2026 YE
EM Sovereign Index (EMBI)	265-315	
EM Corporate Index (CEMBI)	185-235	
JPM Asia IG (JACI IG)	50-80	60-90
JPM Asia HY (JACI HY)	425-475	495-545

Commodities		
	2026 YE	Old 2026 YE
Gold (\$ / oz)	\$5,200-\$5,300	
Brent (\$ / barrel)	\$62-\$67	
Commodity Index (BCOM)	118-120	
Natural gas (\$/MMBtu)	\$4.50-\$5.50	

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

[^]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 reopened, official economic data is flowing again. The November jobs report showed a modest improvement in private sector job growth, with the three-month average rising from 15k in August to 75k in November. However, gains remain concentrated in healthcare, while manufacturing and other cyclical sectors lag. The unemployment rate edged up to 4.6% in November from a low of 3.4% in 2023. Despite this, we believe the risk of a sharp spike in layoffs has diminished, so we've reduced our 12-month recession probability estimate to 20% from 30%.

Q3 GDP data confirmed the resilience of the U.S. consumer despite tariffs. Real GDP grew at an annualized 4.3% in Q3, well above the 3.3% consensus, driven by strong consumer spending, especially in services, while goods spending and tech investment remained steady.

The main conundrum for the U.S. economy is the disconnect between resilient activity data and persistently weak sentiment. The University of Michigan's current conditions index recently hit a record low, likely reflecting affordability concerns from cumulative inflation over the past five years.

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

Our view: YE '26: 1.50-2.00%



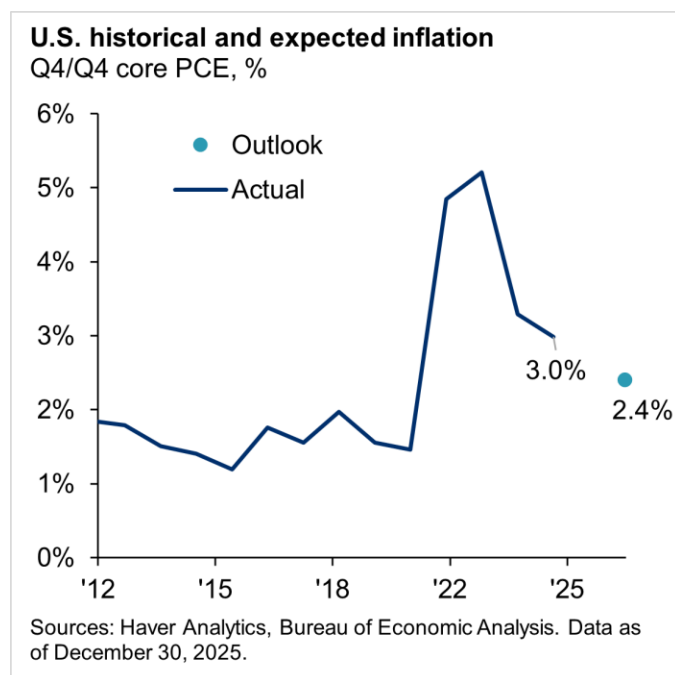
U.S. Inflation

Recent inflation data showed a sharp step down, but the signal is fuzzy due to the government shutdown and potential disruptions in data collection. November's CPI came in well below expectations, with core CPI rising just 2.6% year-over-year—20 basis points below the lowest Bloomberg forecast. However, this is the first CPI report since the government reopened, October data is missing, and some prices may have been held fixed due to earlier collection gaps (for example, it looks like rental inflation may have been "zeroed out" in the report), possibly introducing a downward bias that could reverse as full data collection resumes.

Despite these caveats, we continue to view the inflation backdrop as unthreatening for investors. As discussed in our GIS outlook, the three critical components of inflation—labor, housing, and energy—remain soft. The only recent uptick is in household electricity inflation, which rose to 7% YoY in November, but electricity accounts for just over 1% of the PCE basket, and overall energy inflation has been flat year-to-date due to offsetting contributions from deflation in oil & gas commodities. We continue to believe the risk of inflation rising sharply in 2026 and forcing the Fed to hike rates 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 euro area is in a moderate but resilient growth era. Domestic demand and services are powering momentum, while manufacturing remains a weak spot—though recent gains in energy and non-durable goods signal some recovery.

Upside: Germany's fiscal stimulus and ramped-up EU defense spending remain positives. With Germany's targeted fiscal push and its outsized share of Eurozone GDP, the region stands to benefit broadly. The ECB's neutral policy stance also offers a support to domestic demand.

Downside: Trade friction from US tariffs and a strong euro over the last year remain challenges. Recent French political uncertainty may weigh on investment and household spending. Region-wide, progress on Draghi Report reforms remains sluggish, with only a tenth enacted.

Bottom line: We expect Euro area GDP to grow 1.00–1.50% in 2026, as Germany's fiscal shift and a supportive ECB outweigh ongoing challenges.

Meanwhile, the UK outlook remains better-than-feared but still-challenging. The Autumn Budget delivered fiscal tightening, while recent data and forecasts suggest entrenched productivity woes, sticky inflation, and soft job growth.

What we're watching: US-EU trade deal fallout, the real impact of German stimulus and other fiscal policy, sovereign yields, inflation trends, and central bank signals.

Our view: YE '26: Euro Area GDP: 1.00-1.50%



Eurozone Inflation

Euro area inflation continues to moderate, with headline HICP (Harmonized Index of Consumer Prices) stable at 2.1% year-on-year in November and core inflation holding at 2.4%.

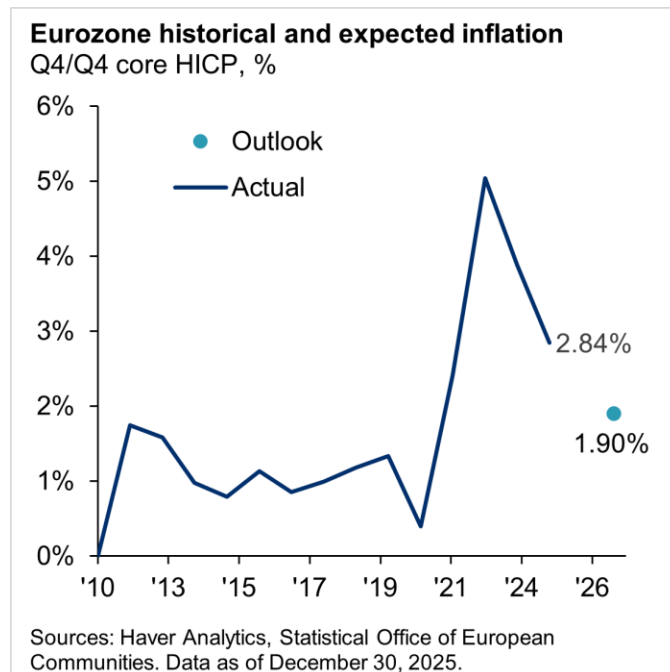
Services inflation remains somewhat sticky, but wage-sensitive components are showing signs of easing, in line with the ECB's wage tracker pointing to slower pay growth in 2026. Other disinflationary forces—including a strong euro, lower import costs, and softening global goods prices—should also help keep inflation in check, though energy price volatility and wage settlements remain key risks.

In 2026, we expect euro area inflation to slow to 1.80–2.00% annualized—in line with ECB staff projections for inflation at 1.9% for 2026.

In the UK, inflation surprised to the downside in November, with headline CPI falling to 3.2% year-on-year—the lowest in 8 months but still well above the BoE's 2% target. With ongoing labour market softness and rising unemployment, we expect inflation to continue moderating into 2026. That said, the BoE will be watching wage trends closely.

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

Our view: YE '26: Euro Area Core HICP: 1.80-2.00%



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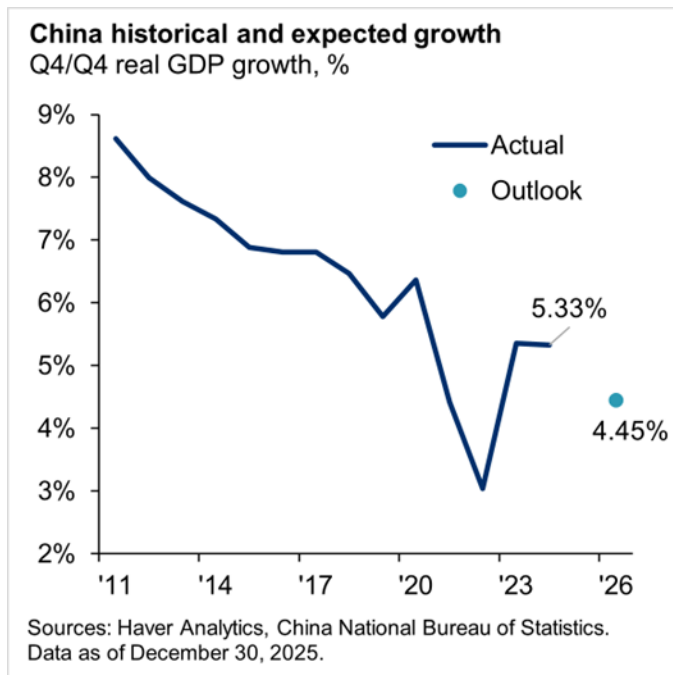
China Growth

Chinese macro data further weakened into year-end reflecting downbeat consumption and sharply weaker fixed asset investment in November. Weaker momentum was across the board - fixed asset investment declined by double digits (-12% y/y), industrial production grew at its slowest rate in 15 months (4.8% y/y), and retail sales of consumer goods grew at the slowest rate in three years (1.3%). This raises questions about the health of the underlying economy going into 2026 and highlights the key dichotomy in China's economic narrative. On the one hand, there is optimism about China rapidly moving up the value chain and manufacturing at the leading edge across many industries; however, simultaneously, the underlying economy, which consists of far more than isolated tech and manufacturing clusters is still weak.

China's economy remains K-shaped with exports and AI-investment growing rapidly, but broader domestic demand remaining weak. Looking ahead we expect growth in the 4.2-4.7% range with the economy remaining highly bifurcated. A key question will be whether exports, which weathered the trade war, will remain as strong amid rising global pushback.

What we're watching: We are focused on three questions: will infrastructure investment bounce back? Can consumption of services pick up to offset weakness in goods? And will policymakers do more to directly support households?

Our view: YE '26: 4.20-4.70%

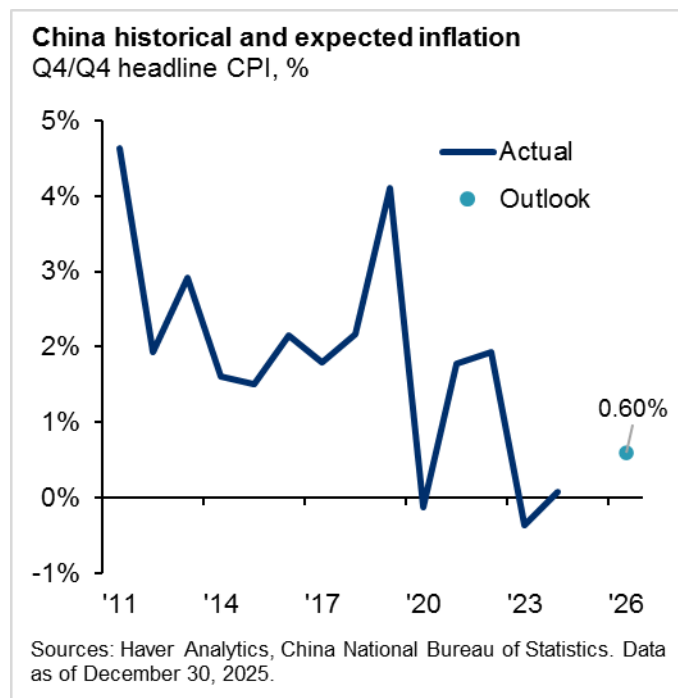


China Inflation

China's headline CPI inflation rose to 0.7% y/y in November, its highest since February 2024, mainly due to a spike in food prices from weather disruptions and seasonal effects. However, core CPI remained flat, and much of the apparent strength was driven by surging gold prices, not local consumption. Excluding gold and volatile food, inflation was close to zero, highlighting persistent weak demand. Meanwhile, Producer prices deflation deepened to -2.2% y/y, missing expectations and marking the first worsening in three months, despite ongoing "anti-involution" supply-side reforms. These reforms alone have not reflate the economy and have even dampened investment demand. Looking ahead, only a mild rebound in CPI to 0.5% is expected for 2026, with PPI likely to remain negative. Without a significant demand-side boost, China's escape from deflation remains elusive, and headline inflation data may overstate the underlying economic recovery.

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

Our view: YE '26: 0.40 - 0.60%



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EQUITY VIEWS

U.S. Equities

Bulls are running wild on Wall Street. Over the last 3 years the S&P 500 is up approximately 80%, with returns of 24%, 25% and 17%, respectively, in the last three calendar years. During that period, valuation for the S&P 500 did expand by over 8%, but the real story has been S&P 500 earnings expectations, which have grown by almost 50%. A remarkable run driven initially by Technology but broadening out as we enter the new year. We foresee double-digit EPS growth at the index level in 2026 but anticipate seven of the eleven sectors growing 10% or more. With greater earnings participation, we believe we will see better price participation at the sector level. Afterall, over the last three years, just three sectors outperformed the cap-weighted index: Communication Services, Technology and Consumer Discretionary.

We start the year most enthusiastic on Technology (still), Financials, Industrials, Healthcare and Utilities. We are positive on this earnings cycle which is supported by several pillars. The continued AI infrastructure build, which positively impacts Tech, Industrials, and Utilities, is more important to the market than the economy. We believe this build remains in the early innings. Policy initiatives meant to incentivize domestic manufacturing is positively impacting capital expenditures across industries, notably in the defense and aerospace markets. Meanwhile, the US consumer spending remains healthy even as “affordability” becomes the new political buzzword. With tax cuts hitting consumer's wallets by March-April, consumption is likely to remain firm. All this, while the Federal Reserve remains accommodative and financial conditions expansionary.

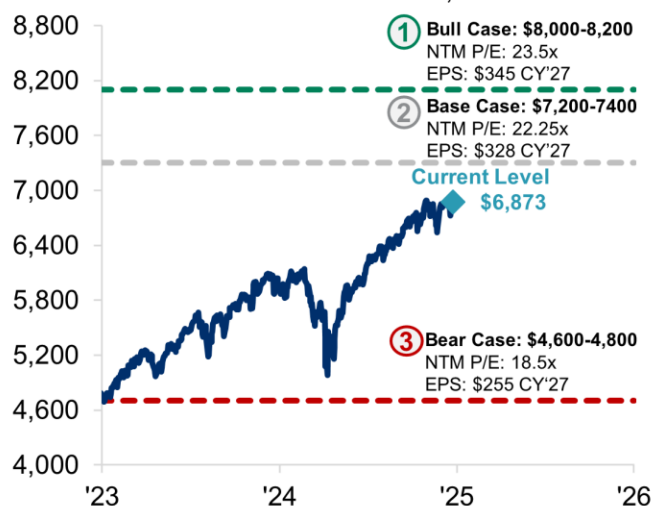
We reiterate our end of 2026 S&P 500 bull, base, and bear targets. Our base is consistent with comments above, including ~11% 2026-2027 EPS growth and slightly lower valuation yielding ~\$7,300 mid-point. Our bull case includes higher earnings growth from both revenue and margins, coinciding with greater AI and policy benefits. Our bear case reflects a normal, non “crisis level” recession. We do not highlight a preference among market caps, anticipating similar returns across the three major S&P indices, as was the case in 2025.

What we're watching: The next earnings season will be upon us shortly and we are still increasingly confident that Financials and Healthcare, two non-AI related sectors, can exceed earnings estimates and outperform markets in 2026.

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

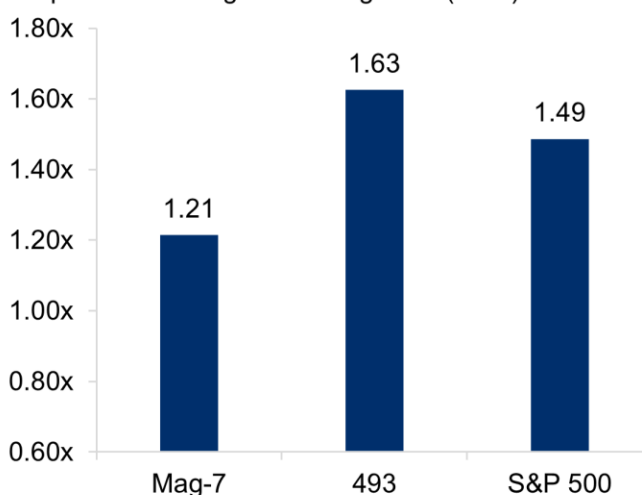
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of December 23, 2025.

The S&P 500 appears fairly valued if EPS growth reaches estimates (long-term PEG ~2.3x)

'26 price-to-earnings/'26 EPS growth (PEG)



Source: FactSet, JPM WM Solutions. Data as of December 23, 2025.

Europe Equities

The Euro Stoxx 50 has experienced negative earnings revisions since April 2025, primarily due to tariff and FX risks. We believe the earnings downgrade cycle is now behind us and anticipate an inflection in earnings in 2026. For 2026 and 2027, we estimate mid- to high-single-digit earnings growth, with the strongest growth expected from the industrials, technology, and consumer discretionary sectors. We continue to recommend the industrial and technology sectors and upgraded the European luxury sector at the end of last year.

We believe European domestic companies 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 remain elevated. We see valuation around 15.5x next 12 months' price to earnings, above the 10-year average of approximately 14x.

As mentioned above, we like the European luxury sector. It performed strongly in the post-COVID reopening period, but momentum was lost over the past couple of years. We believe it is well positioned for 2026. US growth should remain resilient, and the worst appears to be behind us in China.

One of our highest conviction ideas remains European industrials. Momentum in AI investments remains high, and many European industrial companies are benefiting from this trend. Additionally, German fiscal stimulus should further support industrial companies. Despite strong performance in 2025, we continue to recommend European defense companies. At the NATO summit in June 2025, 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 European countries, including Germany.

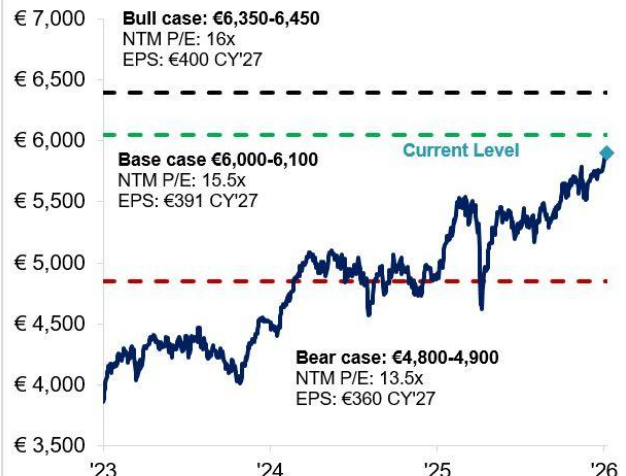
We also recommend the technology sector, given strong growth in AI. Additionally, we suggest some exposure to the financial sector, including banks.

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 Euro Stoxx 50 reaching €6,000-6,100 by YE-2026

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



Source: Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of 08th January, 2026.

Asia Equities

Historically, non-recessionary US rate cuts have been supportive for Emerging Markets equities. With AI-related companies now comprising approximately 30% of the MSCI Asia ex Japan index, valuations remaining one standard deviation below ten-year averages relative to developed markets, and US-China geopolitical tensions proving less severe than anticipated, **we maintain a constructive outlook for Asia ex Japan equities as we approach 2026.** Earnings growth in Asia ex Japan during 2025 has been primarily fueled by the strong performance of the AI supply chain, and we anticipate continued upside from this segment in 2026. Although more cyclical companies have encountered challenges from domestic economic pressures and external uncertainties such as tariffs, we expect conditions to improve in 2026 as domestic policy rates are reduced and global economic growth strengthens. While we hold a positive view on Taiwan and South Korea, India remains our top pick within the region, with fiscal and monetary policy easing expected to drive a re-acceleration in earnings growth. We note that domestic loan growth has started to re-accelerate.

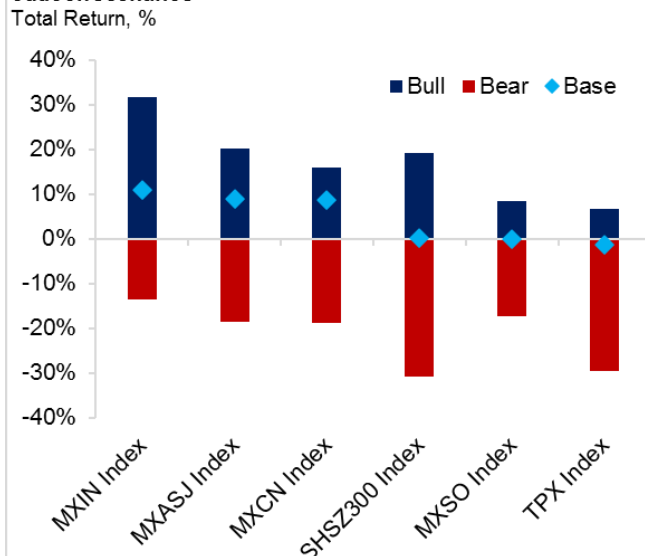
US/China geopolitical tensions continue to moderate with Nvidia and other US semi companies given authorization to sell higher end AI chips to China, albeit, not the most cutting edge. However, recent Chinese economic data is showing signs of a sequential slowdown in both consumption and property prices and a policy response does not appear imminent. Although innovative tech companies now make up over 40% of MSCI China and is driving divergence between the equity market and the economy, weakening economic data will dampen the upside. 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. Earnings revisions seem to have stabilized for now. **We are awaiting a further market pullback in MSCI China** before turning more positive. Thematically, we remain positive towards our China Tech Innovators Basket.

Japanese equities have benefitted from a more pro-growth administration, rising expectations of a US industrial-led cyclical recovery, and a weak USDJPY. While these factors are constructive for Japanese equities, valuations reflect this optimism and we remain tactically neutral given limited upside to our TOPIX December 2026 outlook. We prefer select opportunities with upside to earnings expectations in banks, 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: 955-1,000 Topix: 3,350-3,400 MSCI China: 88-93 CSI 300: 4,500-4,750 MSCI India: 3,350-3,450 MSCI ASEAN: 750-775

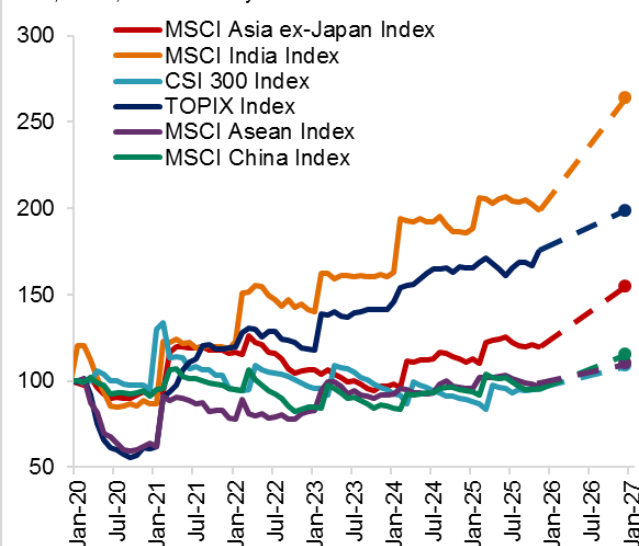
Potential returns for Asian markets based on JPM PB YE 2026 outlook scenarios



Sources: J.P. Morgan Private Bank, Bloomberg Finance L.P. Data as of December 2025.

India is expected to grow EPS the most in 2026 among the Asian markets

EPS, Index, 100 = January 2020



Source: Bloomberg Finance L.P. Data as of December 2025.

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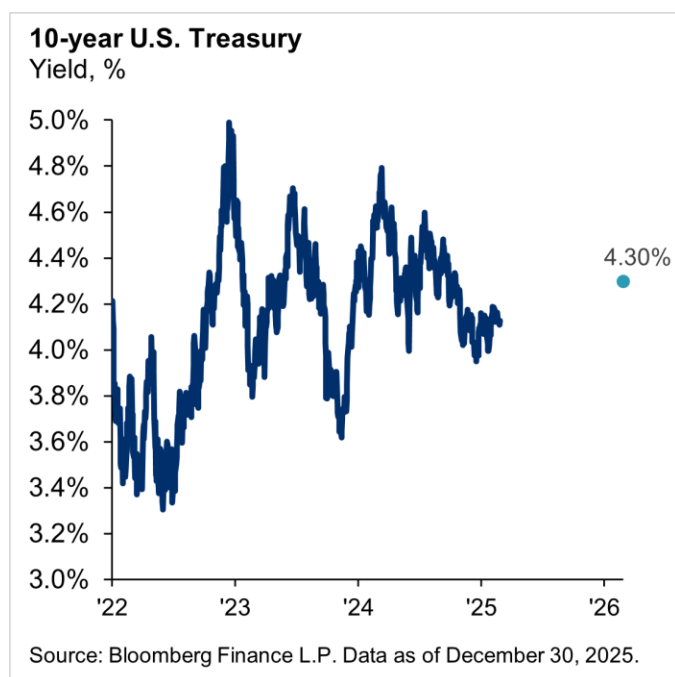
RATES VIEWS

U.S. Rates

We expect the Fed to complete its effort to bring the Fed Funds rate back to “neutral” in 2026. In our base case, we see the Fed cutting another 25bps, bringing the Fed funds target range to 3.25-3.50% by the middle of the year. 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 policy.

Our view: YE '26: 4.30%



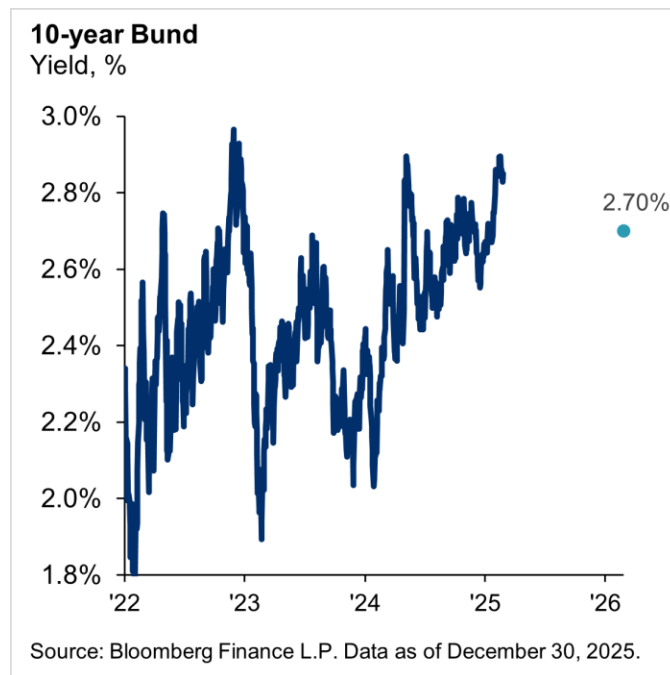
Europe Rates

With rates at neutral and inflation in check, the ECB remains firmly on hold. December's policy statement and staff projections signal no pressure to ease or hike, barring major surprises. In turn, our 10-year German bund outlook remains at 2.7% through year-end 2026, but upside risks could emerge if German fiscal spending accelerates or concerns over debt dynamics elsewhere in the euro area spill over.

The BoE cut rates by 25bps in December in a close 5-4 vote, but retained a bias for gradual further easing. The decision was supported by a sharp CPI decline and ongoing labour market weakness, but the MPC remains divided, with sticky pay growth and the risk of easing too quickly still in focus. We see two further cuts in 2026, but the timing is subject to debate.

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%



CREDIT VIEWS

U.S. Credit

Investment Grade: We adjusted our spread estimate for investment grade credit slightly higher (80 to 110bps from 70bps to 100bps) to reflect a softer technical picture relative to 2025. We still expect that supply net of coupons and maturities will be manageable this year, but ~3x higher from 2025's low levels. Importantly, we don't view this as a headwind as the strong demand for credit should remain intact with attractive yields as a key support. We still expect spreads overall to remain range bound.

Q3 metrics for investment grade issuers highlighted stable leverage and the strongest revenue and EBITDA growth going back several years, suggesting that companies remain on solid fundamental footing. Capex rose the most on record (20% yoy), a trend specific to the Tech sector as companies increased AI capex spending. Yields at over 5% continue to offer investors above average compensation and in our view remain attractive. Investment grade credit is tracking over 8% total returns for 2025. While total return expectations are more muted for 2026, we expect a supportive environment for credit and carry like returns.

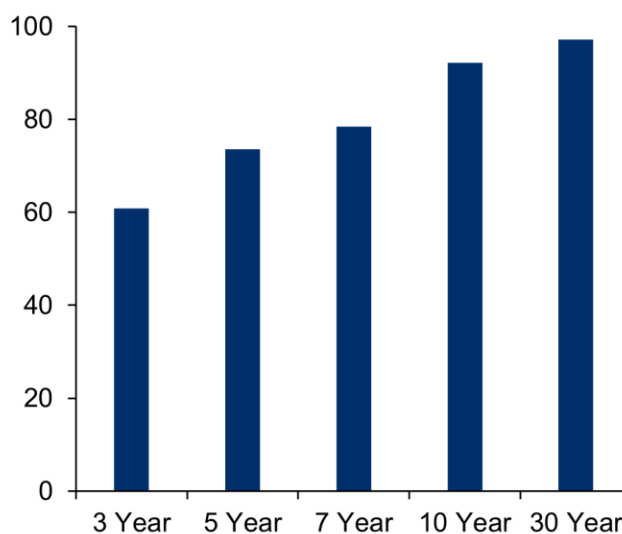
High Yield. Spreads tightened marginally over the month, leaving the index at the tightest spread levels since October of this year. Four consecutive weeks of inflows (week ended Dec 17th) signaled health demand. We continue to focus on BBs, which exhibit better ratings trends than the overall cohort, low historical default rates, and select opportunities to capitalize on improving credit stories. Overall balance sheets are healthy, BBs have grown to become more than half of the market (vs. the historical average of 41%), and there are limited near term maturities. We expect that 2026 will deliver an environment that supports continued stability in credit metrics and relatively low default rates. Although valuations are not cheap, we see value in diversifying sources of yield.

Munis: Munis wrapped up 2025 with a decent +4.25% total return. While not the strongest year-end performance on record, it was a strong rally considering how bleak sentiment was back in April of this year. Following the announced tariff regime changes on April 2, the municipal bond market bottomed out at -3.98% on April 9th. The muni market also had to contend with back-to-back years of record +500bn new issuance. This caused the long-end (+20yrs) to underperform but was also a reason for outperformance upfront (1-10yrs). 2026 is starting to take shape. The market looks poised for another record new issuance year, possibly +600bn. Municipal fund flows have continued their positive trend, ending on a strong note with LSEG Lipper reporting +\$50.6bn YTD on 12/29.

Preferreds and Hybrids: Hybrid capital is ending 2025 on a high note, with ~8 to ~9% total returns (not tax adjusted) that compare attractively to lower rated asset classes. In addition to attractive relative value, 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.

Our view: YE '26: US IG (Spread): 80-110 bps by MY'2026; US HY (Spread): 325-375 bps by MY'2026; Preferreds (Spread): 190-240 bps by MY'2026

IG Spread Curve: 7-10 Year is Relatively Steep
JULI Spread Index



Source: Bloomberg, Data as of January 2, 2025

Europe Credit

Throughout 2025, **European IG** credit spreads tightened by >20bps, while **European HY** narrowed by >45bps – thus, **both markets have outperformed** their USD IG and HY counterparts in 2025, from the **credit spread performance** perspective. Despite the repricing of the German sovereign curve since March 2025 following announcements of increased fiscal spending, European credit markets have still delivered year-to-date returns of 3–5%.

European credit spreads continued to be supported by **solid issuer fundamentals**. Interest Coverage ratios, albeit lower vs. recent history, remain strong at >12.5x for European IG and at ~6.5x for the BBs. Net Leverage for both IG and HY issuers is still below historical medians. Our confidence in the resilience of European credit spreads in 2026 is reinforced by our economists' outlook on Eurozone economic growth, which is expected to moderate up to 1-1.5% in 2026-27.

Most of European HY issuance of FY'25 was for refinancing purposes, and given modest refinancing needs for 2026-27, we expect it to be yet another supportive factor for European HY spreads. On the European IG supply front we are watching European M&A activity trends and data centre funding needs, noting that we expect continued strong reverse yankee issuance given the base rates differential. **Yield-driven demand remains an important technical** in historically starved-for-yields European credit markets. We continue to expect a certain degree of recalibration of investors' appetite/ overweights from USD assets to remain a supportive factor for European credit, particularly given current starting yields above 3%.

December brought another **steepening of European sovereign curves** – importantly, not due to inflation concerns, but on expectations of the ECB having completed its current rate-cutting cycle and anticipation of rising fiscal spending. Germany's Bund curve sold off by >20bps in the belly of the curve, bringing the year-to-date widening in that segment to 45–60bps.

Consider positioning portfolios within 5-10y maturities, and currently see value in **tactically adding to 7-10y tenors**. This brings together our views on **attractive rate duration** in light of EUR rate curve steepening, and allows to take advantage of the **relative steepness of the credit spreads' curve** up to ~7y to maturity. European IG credit spread curve then flattens beyond ~10y tenors.

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

- 1) **Hybrid Capital** – we see carry-like returns going forward with yields of 4-6% range in EUR Hybrid **Bank Capital**: European Banks continuously demonstrate

solid operational performance. We like the 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 constructive on European Banks across the capital structure, **favouring Junior Subordinated to maximize carry**. **Corporate Hybrids**: Over 60% of outstanding EUR notional of Corporate Hybrids are issued by non-cyclical sectors: utilities, telecommunications and consumer non-cyclicals. We like the defensive nature of these sectors when moving down the capital structure. Additionally, IG-rated hybrids constitute ~60% of total EUR hybrids market and tend to provide ~90-100bps of spread pick-up to issuers' respective senior curves. HY-rated hybrids, from issuers whose senior papers fall into IG, offer spread pick-ups closer to 120-150bps above their senior curves.

- 2) **Exploration & Production BBBs** We see value in select BBB-rated senior debt within the Upstream sector, 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 offer up to 50bps of credit spread premium to the broader BBB index, thus presenting an attractive opportunity.

What we're watching: We continue to prefer exposure to higher credit quality issuers both across Senior and Subordinated 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: EM credit delivered robust returns in 2025. US Treasuries rallied by 50 - 75bps, while EM credit spreads tightened by 15 - 70bps, resulting in total returns ranging from 8.65% to 14.16%. EM sovereigns and the High Yield segments led the way, posting returns north of 10%. Throughout the year, EM credit consistently outperformed US credit markets, with EM spreads tightening by at least twice as much as their developed market counterparts.

Looking ahead to 2026, we anticipate a supportive macro environment for emerging markets, underpinned by stronger growth prospects, fading tail-risks on tariffs, easier monetary policy delivered in 2025 and diversification benefits. After three consecutive years of robust EM returns (8.5-10.5% p.a.), we expect EM assets to deliver more carry-like performance in 2026, supported by attractive all-in yields - currently 6.8% for sovereigns and 5.9% for corporates. Present spread levels reflect a “Goldilocks” scenario, and we foresee a modest widening of spreads over the year, with EMBI spreads widening to 290bps and CEMBI spread widening to 205bps. This should not deter from the continued positive return expectations.

We remain constructive on emerging markets, having upgraded EM debt in our 2026 outlook. In particular, we favor EM BB-rated bonds, given the emphasis on maximizing carry in the year ahead. EM sovereign fundamentals are robust, and we expect EM economies to outpace developed markets over the next 12 months, with growth across ASEAN, EMEA, Latin America, the Middle East, and Sub-Saharan Africa expected between 2.3% and 5%. EM corporates are also in a stronger position than their DM peers, with EM high yield net leverage at 2.9x - well below US HY at 3.6x and European HY at 5.0x. Given this solid foundation and a positive outlook for both sovereigns and corporates, we see a compelling case for maximizing carry through EM BBs, which currently 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 generation - 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.

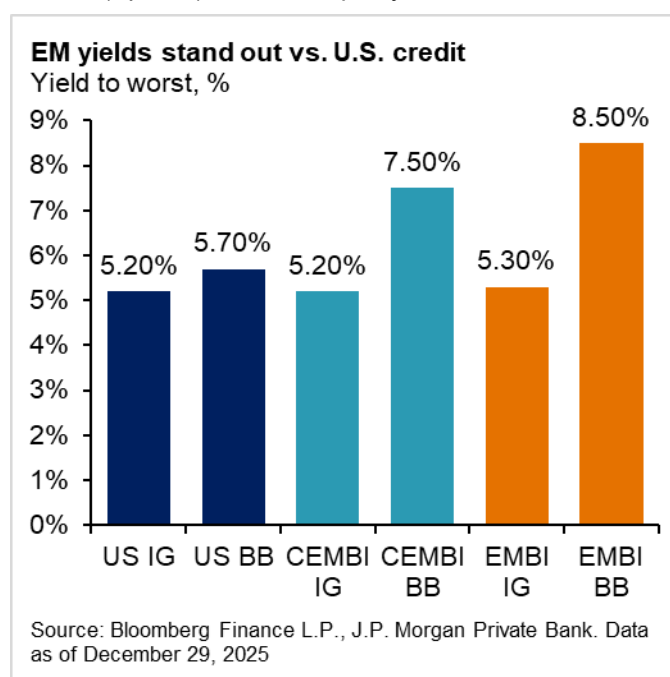
We expect yield-driven demand to continue supporting global fixed income asset classes. In developed markets, this dynamic is contributing to higher net issuance,

particularly as Hyperscalers ramp up large-scale capex initiatives. In contrast, emerging markets present a more favorable supply picture, with net issuance for EM sovereigns expected to decline from \$92bn to \$27bn and remaining negative for EM corporates. As a result, we anticipate that demand and supply technicals will remain supportive for EM assets throughout 2026.

With the yield curve having re-steepened and expectations for continued global expansion, we advocate to position portfolios within 5-10Y maturities, and currently see value in tactically adding to 7-10Y tenors.

What we're watching: Corporate Hybrids, EM Corporate BBs

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



Asia Credit

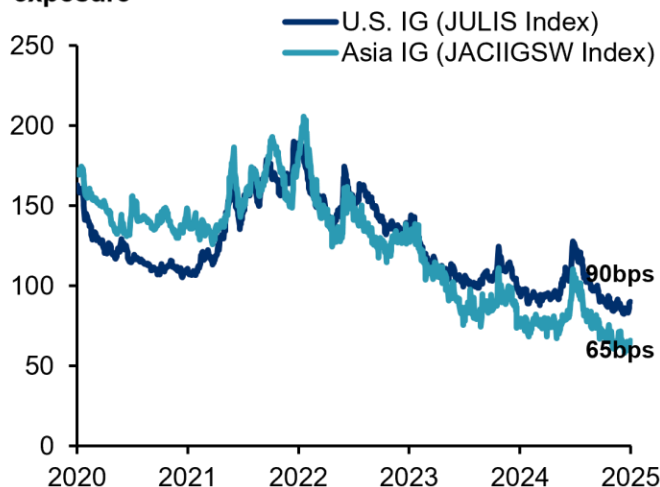
Asia Investment Grade is a carry story, supported by its short duration profile and high-quality composition. Asia IG is currently trading inside US IG due to its large percentage of sovereign and quasi-sovereign, which contributes to its overall stability. With a yield of 4.93% and duration of 4.90, 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

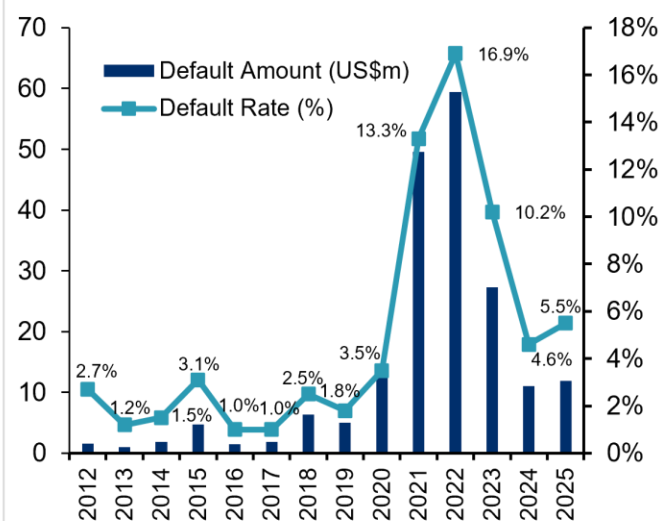
Our view: YE '26: Asia IG (Spread): 50-80 bps by YE'2026; Asia HY (Spread): 425-475 bps by YE'2026

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

FX VIEWS

U.S. Dollar

Since we turned bearish on the dollar in March 2025, key elements of our thesis have unfolded throughout the year. Looking ahead to 2026, we expect the dollar to enter a choppy bottoming phase, given 1) cyclical convergence between the U.S. and rest of the world is largely behind us as U.S. growth rebounds following “peak weakness” in Q1 2026; and 2) 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, we are increasingly skeptical about the prospect for U.S. dollar weakness in 2026 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

EURUSD rebounded to around the 1.18 level in December. The ECB kept rates unchanged for a fourth consecutive meeting while the Fed delivered a third straight rate cut. From here, our models suggest that cyclical factors could lift EURUSD toward the 1.20 level in the coming months, though we see limited upside beyond that unless Eurozone growth exceeds our already optimistic expectations and/or the U.S. outlook materially disappoints. We see EURUSD ending 2026 in the 1.16-1.20 range. Nevertheless, we see the euro as one of the main avenues through which investors can prudently diversify USD exposure given its liquidity and deep financial markets; 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 rebounded into year-end on a better-than-feared fiscal budget announcement. The BOE delivered a widely expected cut in December as inflation showed clear signs of declining in Q4, and the labor market continued to cool. 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)

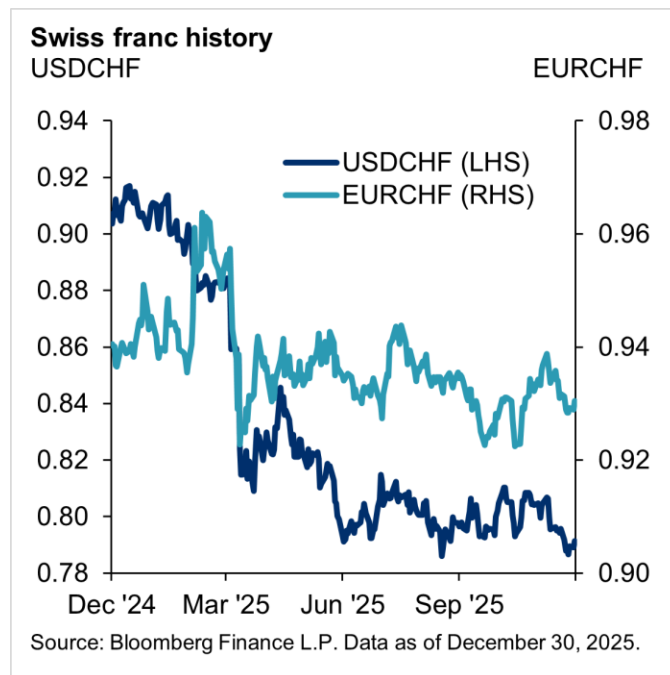


Swiss Franc

CHF strengthened into year end due to rising geopolitical risks and a firmly-on-hold central bank. EURCHF dipped below the 0.93 scrutiny level. 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. Trade tensions calm down as U.S. tariffs will likely be cut to 15%, in line with Eurozone levels. Headline CPI remains around 0%. If deflationary pressures persist, the SNB may intervene to weaken the currency, though this would likely target CHF strength against EUR rather than USD. We expect USDCHF to stay range bound while EURCHF moves higher in 2026, as growth momentum in Europe continues to improve. Over the medium term, CHF could continue to outperform within G10, supported by Switzerland's strong fiscal position. Given the current environment, we recommend considering 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)



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.

Japanese Yen

The BOJ delivered a 25bps rate hike as expected in December. The policy rate now stands at 0.75%, its highest level in three decades. The 10-year JGB reached 2% for the first time in nearly 20 years. USDJPY traded stable around 155 levels as the hike was fully priced in and the Finance minister delivered strong verbal intervention on the currency. In his press conference, Governor Ueda noted that the policy rate remains some distance from the lower end of a neutral range. This signals openness to further tightening, though the pace is likely to remain gradual. The upcoming Shunto wage negotiations will be pivotal, as their outcome will largely determine the timing of the next rate move. For the yen, concerns over fiscal sustainability under PM Takaichi's expansionary policies may continue to result in a discount on valuation. These factors have led us to believe that the yen will stay on the weaker side instead of converging with rate differentials implied fair value. We still expect authorities to defend the 160-162 threshold, 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

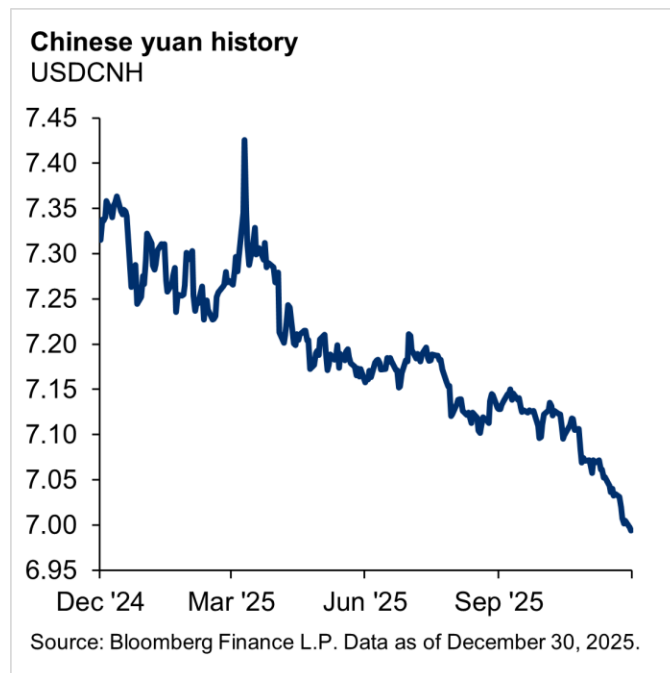
USDCNH leaked lower into year end on seasonality as exporters increased FX conversions. USDCNH has maintained low volatility through 2025 despite significant USD weakness, which resulted in notable CNH underperformance against non-USD major currencies.

Looking ahead, USDCNH may continue to leak lower due to a weaker dollar over the near-term. However, the bar for significant appreciation remains high, as we expect the PBOC to maintain its FX stabilization policy to avoid worsening deflationary pressures and retain export competitiveness. A key risk to this view would be if FX policy becomes central in trade negotiations with both U.S. and non-U.S. trading partners, particularly if there is broad and significant pressure to increase trade barriers on Chinese exports.

For investors seeking USD diversification, RMB assets may not be the most effective - we'd prefer EUR, JPY and AUD denominated assets. As a funder, CNH still offers low FX volatility and attractive funding costs, but the risk-reward profile is deteriorating with a narrower rate differential vs. the U.S. and increased appreciation 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: 7.00 (6.90 - 7.10)



G10 Commodity FX

The commodity bloc rallied on improved risk sentiment into year end. The overall outlook remains constructive, supported by a benign outlook on risk sentiment and troughing oil prices.

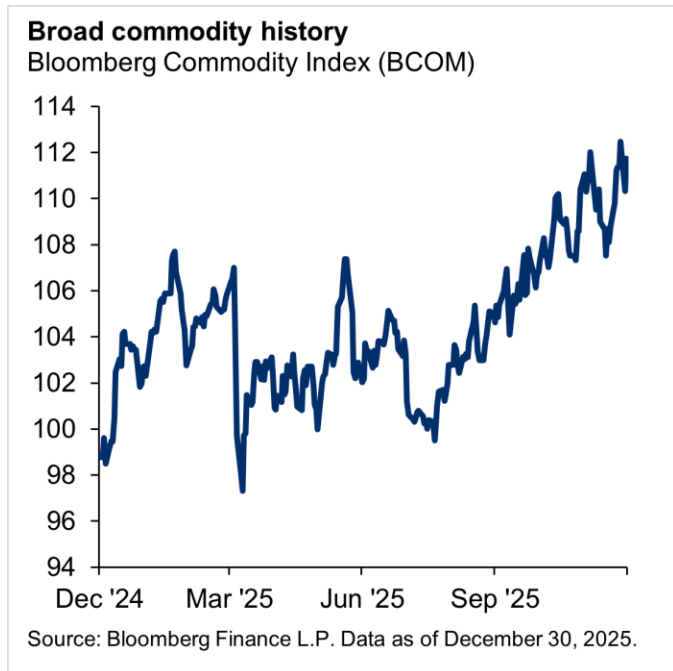
CAD: Neutral. Near-term caution due to trade uncertainties and spillover effects from weaker U.S. growth. With further BoC cuts likely, we believe CAD can serve as a lower carry proxy for tactical USD shorts. More constructive medium-term outlook supported by fiscal measures and ongoing FX hedging.

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 cyclical recovery.

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 (325bps cut delivered).

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

Our view: YE '26: CAD*: 1.42 (1.40-1.44) AUD: 0.68 (0.66-0.70) NZD*: 0.59 (0.57-0.61)



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 less than one cut by mid-2026. 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: 11.30 (11.10–11.50) EURSEK: 10.60 (10.40–10.80)



*JPM Investment Bank Outlook

Emerging Market FX

As USD finds a bottom in 2026, EM FX performance may diverge on monetary policy, local policies 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 (United States-Mexico-Canada Agreement) 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 hawkish central banks and export strength outperforming. **INR:** Near term weakness may persist as 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 may cool down as lifer hedging rules going through amendments. **SGD:** USDSGD trading near 10-year low. Limited downside from here as MAS could turn incrementally more dovish.

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

Our view*: YE '26: BRL: 5.55 (5.35 – 5.75) MXN: 18.25 (18.05–18.45) ILS: 3.25 (3.05–3.45) INR: 88.60 (86.60–90.60) TWD: 31.50 (29.50–33.50) SGD: 1.30 (1.28–1.32)

*JPM Investment Bank Outlook

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of December 30, 2025.

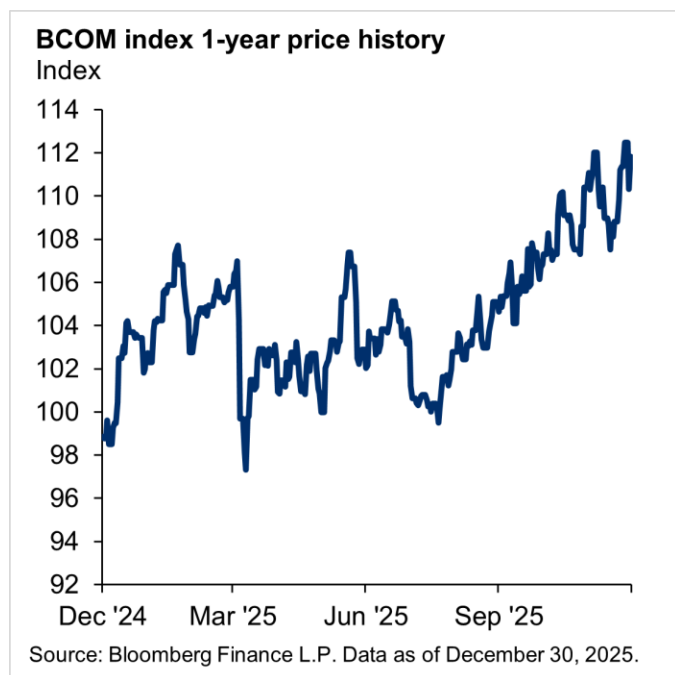
COMMODITY VIEWS

BCOM Index

Commodities posted a small gain in December +0.6% and posted a YTD gain of +12.4%. The index was buffeted by significant volatility in some individual commodities both on the upside and downside. The runaway winner this month was Silver +24.3% and now an astounding +143% YTD. The December move was on fears of a shortage of physical metal, and looks likely to extend into the early months of 2026. Other winners were Copper +8.4% and Nickel which rose +7%. On the losing side Coffee saw a wash out losing -15.2% on the month, followed by Natural Gas -15% and Gasoline which dropped -7.9%, a welcome move for US Consumers. Our views for 2026 are unchanged for now, but we expect upside revisions for January.

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

Our view: YE '26: 118-120



Gold

Gold had a strong December performance rising +5.5%, although this increase was overshadowed by the remarkable increase in Silver prices during the month. Our views remain intact and we still do not see crowded positioning as ETF and retail flows are still below the 2020 highs and futures markets do not exhibit signs of concentrated longs. Central Banks continue to buy and we now expect total purchases to exceed our full year targets after a strong month in October and November. The Bank for International Settlements released a report showing that 16 Central Banks have gold holdings below 10% and there are some indications that some on the list intend to buy in 2026. Momentum should continue, in a fraught geopolitical environment, a richly valued equity market and continued indications of marginal USD diversification.

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

Our view: YE '26: \$5,200-\$5,300



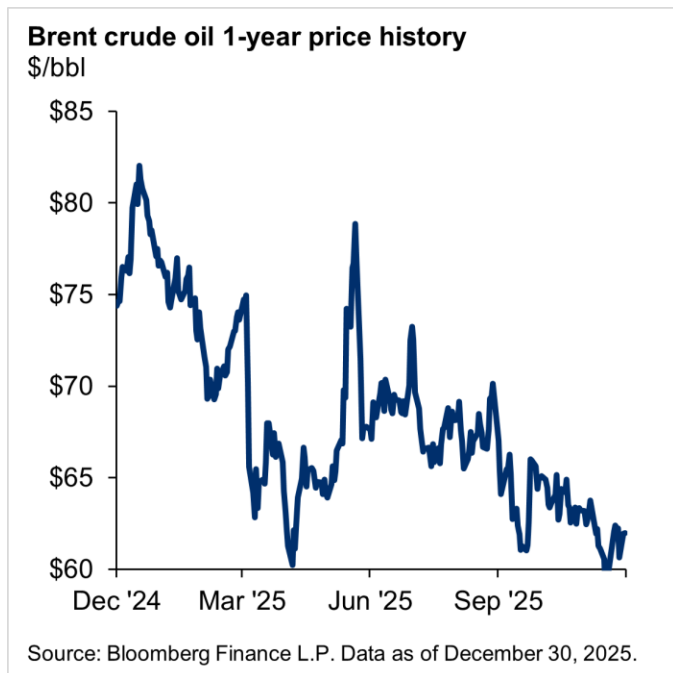
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Crude Oil

Crude oil continued to lose ground in December -1.1% now down -18.2% YTD across the two main benchmarks. However the losses moderated somewhat on the month after WTI hit a 4 year low at \$55.05, the lowest price seen since the Covid lockdown. The market continues to see new sanctions from the US whenever the price drops below \$60, the latest round targeting Venezuela. The US has built a significant naval presence in the Caribbean Sea to threaten the Venezuelan regime and has so far seized three tankers reported to be shipping Venezuelan crude. Although this has helped Crude to mitigate some of the losses seen this month, the overriding fear remains that the world is awash in new production. Our view is that the surplus next year will hit 2.8mbd but a number of banks and forecasters have suggested the total number could be as high as 4mbd. If the higher numbers become the reality, our view that prices will largely move sideways from current levels will be wrong. We could see prices in the low \$40's if production increases do not slow in 2026. We will be watching closely.

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

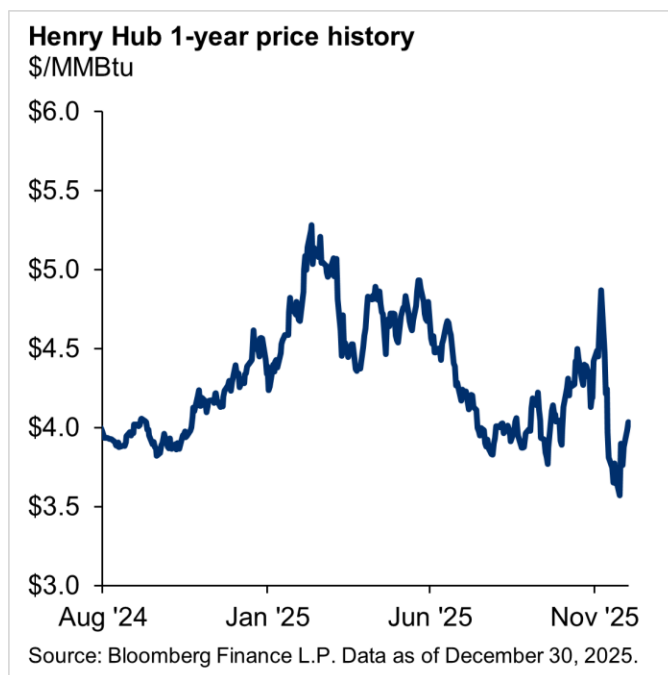


Natural Gas

Nat Gas lost -15.2% in December, but saw significant volatility on the month. On December 5th, Nat Gas was trading above \$5 before rapidly losing -25% as the weather forecast for the US turned much warmer than anticipated. On top of the warmer forecast, the draw on Nat Gas from LNG exporters was lower than expected and LNG prices remain depressed, trading close to their lows for the year. Looking back on 2025, prices closed higher and we expect this to be the case for 2026, as rising electricity demand should underpin prices. The issue is a shortage of Natural Gas turbines, with industry estimates now indicating an 8 year wait for delivery of a new turbine, due to a bottleneck from a lack new production. Volatility for Nat Gas markets is currently priced above 75%, making investments a highly expensive and speculative proposition. Proceed with extreme caution...

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

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

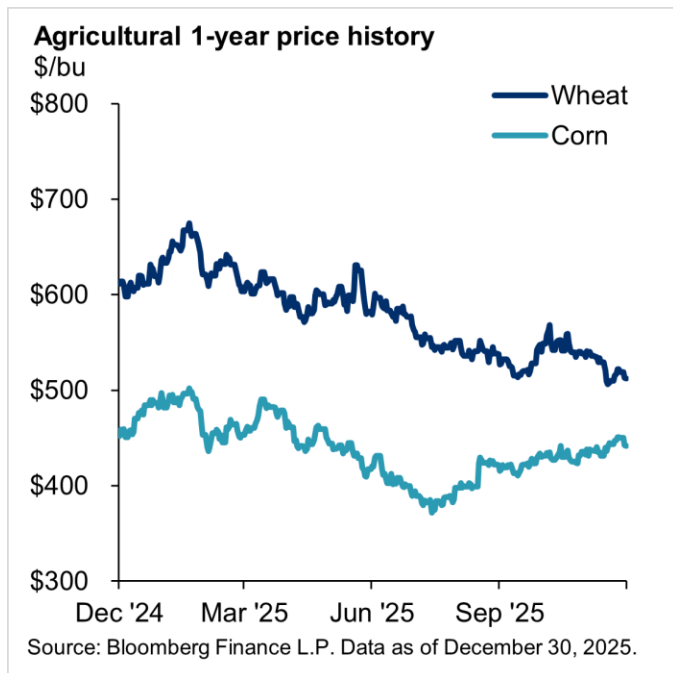


Agricultural Commodities

Corn gained 2.8% in December and Wheat lost -2.9% on the month. The market is still attempting to understand if a trade deal with China will ultimately be negotiated. We remain sceptical, but at this point anything is possible.

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

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

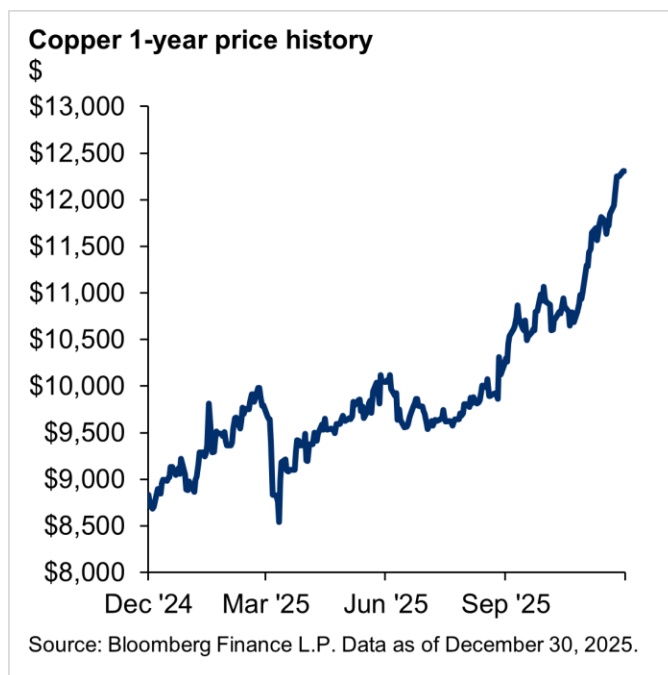


Copper

Copper rose +10.4% in December and is now trading at record highs. In our year-ahead outlook, we had previously written that China will likely be forced to digest prices above \$11,000 and this has now come to fruition with Chinese buyers rushing to restock in anticipation of higher prices due to a near term shortage of metal. We would be cautious on chasing prices much higher, as the recent rally is a supply issue, not a demand driven scenario. We expect Panama to vote in early 2026 to resume production at the Cobre mine project and we look for a return to at least some production from the Grasberg mine in Indonesia. Both of these projects should help to moderate the price rise, but we acknowledge that any news suggesting a delay will push prices higher again. We are raising our 2026 outlook as the December appreciation has surprised our bullish estimates. We now look for further appreciation to \$14,000 - \$14,500.

What we're watching: All eyes on Panama and Indonesia to address the supply shortage

Our view: YE '26: \$14,000 - \$14,500



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ALTERNATIVES VIEWS

Private Credit

2025 reignited concerns about the state of public and private credit (PC) markets and whether we are on the verge of a systemic credit crisis. First, we believe fears of a systemic crisis spurred by private credit are overstated.

- **Growth in PC AUM has been meaningful, but not detrimental.** Private Credit AUM has grown ~14.5% CAGR over past decade⁶, but still represents ~9% of all corporate borrowing.⁷ This has not led to a meaningful increase in riskier lending in the US overall as PC has taken share from other lenders like banks. US risky credit outstanding as a % of US GDP has remained around 20% for the past decade.⁸
- **Indirect exposure through bank lending also appears limited.** If PC firms withdrew remaining undrawn funds from credit lines, the impact on US large banks' capital ratios would be minimal.⁹

Signals we're monitoring.

- **Default & recovery rates.** Estimates vary but PC defaults are hovering ~2.5% and there is meaningful dispersion in large vs. small companies. Recovery rates vary based on seniority in capital structure - using lev. loans as a proxy, the average recovery rate for first-lien loans is ~62% vs. ~23% for second-lien loans.¹⁰
- **Spreads.** We have not seen spreads widen despite concerns on systemic credit risk (spreads have stayed ~475-500bps).

Economic Growth & Fundamentals. Resilient economic growth in 2026 should support macro stability of credit fundamentals and spreads. That said, we expect "micro" credit cycles to emerge in 2026 as growth may be uneven across industries and disruption from AI creates cracks in pockets of software.

Investment implications for 2026? We expect yields in US direct lending to normalize to historical ranges, lean into "credit complements".

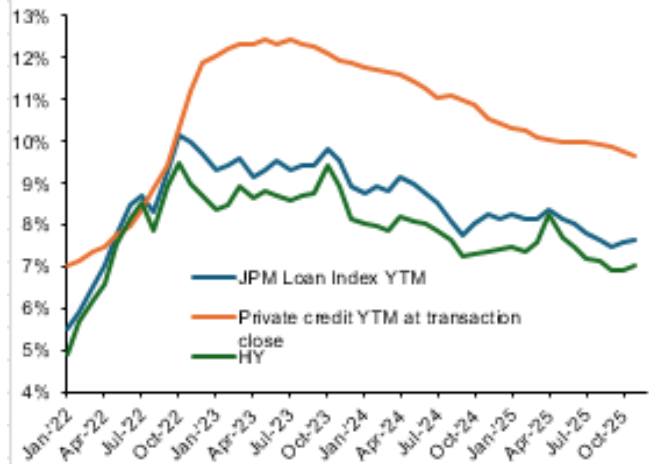
- **Senior secured direct lending.** In the US, we expect yields to normalize to historical levels (high single digits) and investors are still getting compensated for incremental risk vs public

markets. Selectivity is key as we expect performance dispersion to widen in 2026 – focus on portfolios with diversified sector exposure, seniority in the capital structure, and lean into larger companies (EBITDA > \$50M). Europe starting to look more attractive (less trafficked, less competition from public markets, robust spreads).

- **'Credit complements'** will be critical in 2026 as direct lending yields normalize and cracks in credit emerge. Diversify through asset-backed credit (higher yields vs. public markets supported by illiquidity / complexity premium, large TAM, less competition, diversified collateral pool). Take advantage of "micro" credit cycles through opportunistic/distressed credit managers that can lean into dislocations.

What we're watching: AUM growth and impact on spreads, default activity, path of base rates, yields vs. public credit

Recent direct loan deals yields maintain healthy premium vs. public markets



Source: J.P. Morgan. Latest data as of December 30, 2025. *Note: YTM includes

⁶ "Alternative Investments Outlook and Strategy", JP Morgan Investment Bank, October 2025.

⁷ "Private Debt: A Game Changer", Empirical Research Partners, April 2025.

⁸ "The Deep End: Eye on the Market Biennial Alternative Investments Review", December 2025.

⁹ "Bank Lending to Private Credit: Size, Characteristics, and Financial Stability Implications", Federate Reserve, May 2025.

¹⁰ 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 less volatile exposure to secular growth backed by multi-year trends (acceleration in demand for power, resilient infrastructure escalating to a matter of national security). We believe these characteristics will become increasingly relevant in 2026 as investors look to create durable portfolios in a shifting macro environment (e.g., elevated rates and inflation vs recent history) and an increasingly concentrated public equity market.

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: After two decades of near-zero growth, US power demand is expected to grow at ~2.5% CAGR through 2030 driven by industrialization (reshoring, resurgence of U.S. manufacturing), Data Centers (driven by growth in AI), and electrification (building electrification, EV growth & charging infrastructure). This acceleration in demand at a time of constrained supply could create a power deficit by 2029. We believe this will spur investment in power infrastructure (generation, transmission, distribution, storage). Indeed, power now represents ~60% of the global private infrastructure index. It will also create a resurgence in securing reliable sources of power (e.g., renewal in focus on oil & gas in the US, renewables in Europe).

Resilient infrastructure now a matter of national security: 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. But this moves beyond just power and energy - it touches all forms of infrastructure (e.g., ports, roads, rails, bridges, telecom). Indeed, NATO's defense spending guidelines initiated in 2025 incorporates guidelines on spending on creating resilient infrastructure (1.5% of country's GDP).

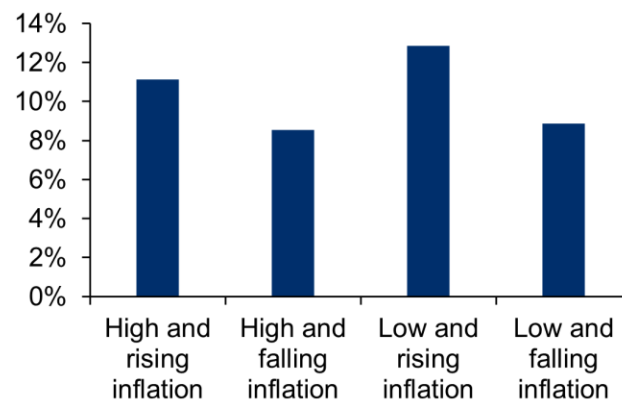
Moreover, investors have historically had low allocations to infrastructure. The JPM Private Bank Family Office Report found that infrastructure represented less than 1% of assets under supervision in 2024. As the need for consistent, inflation-resilient income becomes a top priority in this cycle,

we believe investor allocations to infrastructure can (and should) shift higher.

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, resilient infrastructure escalating to a matter of national security)**What we're watching:** Impact of tariffs, signs of a cyclical slowdown, signs of overinvestment in datacenters, valuations in power infrastructure

Infrastructure returns stable across different inflation regimes

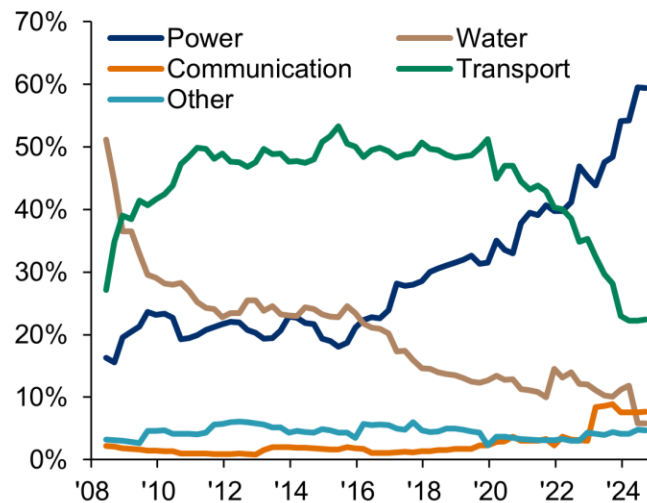
Annual return, %



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.

Power is now the largest infrastructure sector

Sector weight, %



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

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.

Private Real Estate

After five years of volatility, we believe U.S. commercial real estate (CRE) is reemerging as an attractive segment within private markets in 2026. The sector is benefiting from shifting demand drivers, improved fundamentals, and new opportunities across asset classes. Real estate continues to offer portfolio diversification, inflation-resilient income, and upside potential, serving as a natural hedge in periods of elevated and volatile price pressures. Today's market is characterized by a mosaic of micro-trends, each with distinct challenges and demand drivers. Three themes are set to shape 2026 and the next decade: a demographic shift toward rental housing, the expansion and diversification of industrial real estate, and the emergence of new asset-backed credit opportunities.

Demographic shift toward rental housing. U.S. households are increasingly delaying home ownership, with the median age of first-time buyers rising to 40 from 33 just five years ago. Affordability pressures are acute: home ownership costs are now 45% higher than renting. What's more – this is occurring at a time of a shortage in supply. A persistent supply deficit—estimated at 2.8 million units—is expected to take up to a decade to resolve. Compounding the issue, about half of mortgage borrowers pay sub-4% rates, reducing incentives to sell and further constraining supply. We anticipate that sustained demand for rental assets, especially single-family rentals, at a time of tight supply, will likely support strong risk-adjusted returns.

Industrial real estate, including warehouses, data centers, and manufacturing facilities. This sector is being reshaped by the convergence of artificial intelligence, digitalization, and a renaissance in advanced manufacturing. Demand for high-powered industrial assets is rising, driven by technology and logistics firms seeking properties equipped to handle large electrical loads. Over the past year, high-powered industrial assets have delivered average returns of 8%, compared to less than 3% for standard properties.¹¹ Vacancy rates are below historical norms, supporting faster rent growth. Triple net leases, which are prevalent in the industrial sector, provide investors with inflation-hedged income streams and exposure to diversified portfolios, with lower default risk compared to high-yield public markets.

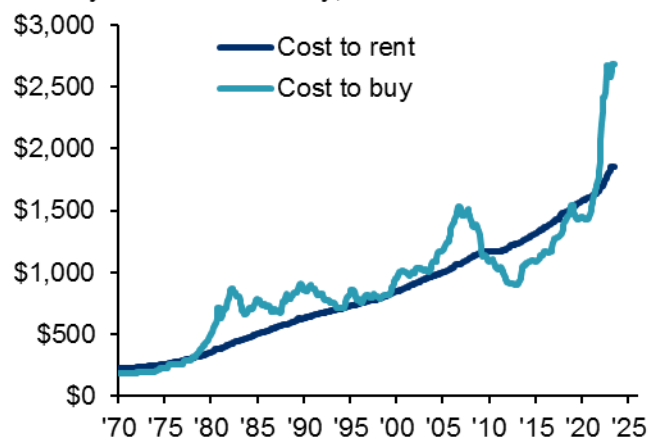
Emergence of asset-backed credit opportunities. Hundreds of billions in real estate loans are scheduled to mature over the next two to three years, requiring refinancing at higher rates. Regional banks, historically a

backbone of CRE lending, have reduced their activity, creating a capital gap. Private lenders are stepping in, offering structured strategies with equity-like returns and debt-like features, especially for well-collateralized industrial assets. Current yields in the sector are in the low double digits. For investors wary of commercial real estate risks—such as falling property values, tenant defaults, illiquidity, and elevated interest rates—real estate credit offers potential income, downside risk mitigation, and exposure to high-demand sectors, making it a logical entry point.

In conclusion, U.S. real estate is undergoing a selective, long-term reinvention. While values have reset since the start of the decade, new opportunities (rental housing, industrial assets, and RE credit) are emerging that are more targeted and likely to play out over the long term.

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.

The cost of owning a home is meaningfully higher than the cost of renting one in the U.S.
Monthly cost to rent vs. buy, \$



Sources: Reventure Consulting, Zillow, Case Shiller, BLS, S&P CoreLogic Case-Shiller Home Price Index. Data as of 2023. Note: Represents cost of single-family residences, adjusted for inflation.

¹¹ J.P. Morgan Asset Management Real Estate Research, November 2025. High-powered defined as assets with more than 4,000 amps of power, standard defined as assets with less than 2,000 amps.

Private Equity

2025 tested conviction in PE as the median buyout manager continued to underperform public markets across regions, in part given the AI-fueled rally that has propelled public markets. This comes at a time of record levels of dry powder, sluggish deal flow, and below-average distributions. We believe the idea that PE has lost its way is overstated, but the industry is stratifying.

PE still provides investors with differentiated exposure supported by strong earnings growth. Private companies posted ~11.5% average annual EBITDA growth over the past decade—outpacing both the Russell 2000 and S&P 500. Tech is a major driver, with about 95% of software companies remaining private, and tech firms now reaching IPO with five times the sales compared to the late 1990s. Healthcare innovation, including precision medicine and advanced diagnostics, and Security themes such as energy security, supply chain resilience, and defense technology, are growing in prominence. Non-U.S. PE opportunities are expanding, especially in Europe, India, and Japan, as regional innovation ecosystems mature.

Non-US PE. While European public markets have lagged the US for over a decade, the median European buyout fund has outperformed both their U.S. peers and public benchmarks (MSCI Europe) driven by fragmented markets, operational complexity, abundance of middle-market companies, and less fund competition. The region benefits from greater exposure to long-term themes vs. public markets (Tech/telecom ~33% of European PE deals vs. ~10% of MSCI Europe). India is APAC's fastest-growing PE market - deal activity continues to accelerate driven by strong economic growth, rising consumer demand, global supply chain shifts, and growing institutional interest. Japan's opportunity set is expanding as corporate carve-outs and corporate governance reforms accelerate deal activity.

Changing formula for buyout. Roughly half of buyout returns after the GFC were driven by multiple expansion and leverage, we anticipate that this contribution will decline going forward. In a landscape marked by higher rates and greater competition, operational expertise will become even more critical. Looking ahead, AI is poised to play a larger role in this dynamic in 2026 and beyond.

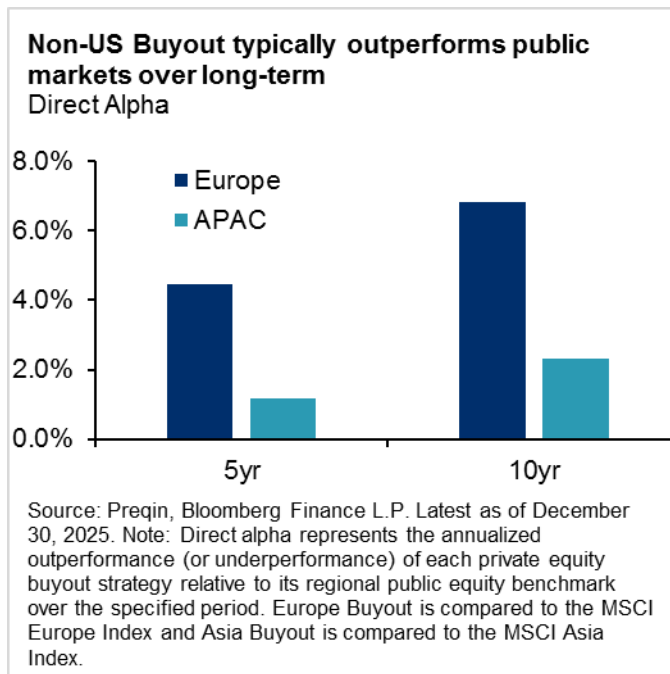
Shifting liquidity landscape, given rise of evergreen vehicles and the maturation of the secondary market, which is projected to surpass \$200 billion in transactions by the end of 2025, increasingly driven by GP-led transactions.

Overall, we believe there is opportunity in PE given the differentiated opportunity set private markets provide. As financial conditions ease, we expect deal activity to

accelerate into 2026, but vigilance is warranted. As the liquidity landscape matures, secondaries (across both LP-led and GP-led) will continue to see above-average activity. Within PE, complement core PE exposure with secondaries. Within core PE, a diversified approach by sector (balancing tech with other themes like HC, Security), size (balance between mid-market and large buyout managers), and geography (Europe, India, Japan) is prudent.

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

December saw a remarkable collapse in S&P 500 volatility, with the VIX index dropping to its lowest levels of the year. This muted price action has been driven by sector rotation as investors position portfolios for 2026, along with a lack of surprises from macro events such as the Fed and US economic data. While overall market volatility expectations have fallen sharply, sector-specific moves have been much more pronounced. For example, risk measures in parts of the AI sector were especially volatile— Oracle's credit default spreads widened post earnings on December 10th to the highest levels since 2009. This highlights that, even as the broader market appears calm, there are pockets of significant activity and risk.

As we head into the new year, it's important to recognize that low headline volatility doesn't always tell the full story. Sector rotation and dispersion can create opportunities and risks that may not be immediately visible in the overall market indices. Structured notes and long option hedging strategies remain useful tools for investors seeking to manage risk and take advantage of evolving market dynamics.

What we're watching: Supreme Court IEEPA tariff ruling, potential fatigue in AI trade

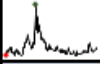
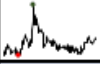
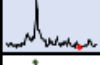
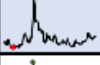




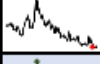
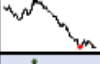












Macro Vol

Gold's record-setting year continued in December, reaching new all-time highs and rising over 70% year-to-date. The rally in precious metals has been driven by rate cuts and concerns over dollar debasement, making gold a key macro theme for US clients heading into next year. As prices climbed, volatility also increased, reflecting a wider range of possible market outcomes.

In contrast, US interest rate volatility has continued to decline after the Federal Reserve's widely anticipated 25 basis point rate cut. Inflation and labor data have remained stable, contributing to a calm environment in rates. Although market expectation for rate volatility appears low when looking at swap options, it's still above long-term averages. Consistent with the move lower in implied volatility is low realized volatility as US yields have stayed within a relatively narrow range.

Given our outlook, we believe fixing out a portion of floating rate liabilities in low 3%-range for the coming years may make sense, especially in a world where inflation may remain persistently sticky.

What we're watching: Labor and inflation data

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	10.67	-3.47		14.20	-1.04	
EURO STOXX 50 Index	14.36	0.95		15.87	0.61	
Tokyo SE (TOPIX) Index	17.10	-0.36		18.57	0.62	
Rates - SOFR Swaptions ATM Strike Implied Volatility (BP, Annualized)						
1Y	74.96	11.98		113.96	4.70	
5Y	104.03	4.82		108.77	3.46	
10Y	100.28	4.86		104.72	5.33	
Commodities - ATM Strike Implied Volatility						
Oil (Brent)	17.20	-11.70		28.63	2.33	
Gold	13.40	-0.22		14.71	-0.20	
Currencies - ATM Strike Implied Volatility						
EUR/USD	7.68	0.18		7.89	0.74	
USD/JPY	10.19	0.31		10.61	0.91	
USD/CNH	5.40	0.15		7.10	0.97	

1) Source: J.P. Morgan. Data as of December 24, 2025

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

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

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

a traditional, market capitalization weighted method for country allocation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KEY RISKS

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