

The Global Investment Strategy View

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



JUNE 2026

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KEY TAKEAWAYS

Investors are struggling to reconcile the various forces in play in today's market environment. On the one hand, energy prices remain elevated, pushing inflation and interest rates higher while weighing on consumer sentiment and growth. On the other hand, equity markets repeatedly reach new highs, supported by persistent earnings upgrades. This month, we examine both dynamics, considering how this disconnect may resolve and how to invest through uncertainty.

Rates markets increasingly reflect a "higher oil for longer" outlook. They have repriced toward our prolonged disruption in oil markets scenario (one of the potential scenarios we laid out in our April GIS View). While de-escalation and lower oil prices remain our base case for the second half of the year, the inflation shock has led us to raise our fair value range for the 10-year U.S. Treasury to 4.25%–4.75%.

Markets have also repriced central bank expectations, and now imply the next move from the Federal Reserve (Fed) could be a hike. The current oil-driven supply shock reminds investors of the spike in rates in 2022. But recent inflation pressure has been disproportionately energy-driven and not broad-based, as it was in the earlier episode. That's an important difference. In addition, labor conditions have also eased meaningfully since the last hiking cycle. We believe the Fed will remain on hold, and we see opportunities in short-dated fixed income, particularly when funded from cash.

Although economic growth is tepid, earnings growth has surged—another reminder that the market is not the economy. Earnings supported by the artificial intelligence (AI) capital expenditure (capex) boom have surprised even the most optimistic investors. We think this strength will persist and have upgraded our earnings assumptions and price targets across U.S. and Asian equity markets.

Skeptics question how long the AI earnings tailwind can last. This month, we examine what is unique about this capex cycle and why we believe it still has room to run. Consistent with that view, we continue to see compelling opportunities in HALO (heavy assets, low obsolescence) stocks, semiconductors and emerging Asian markets, such as Korea and Taiwan.

This year, investors have again been rewarded for discerning durable trends and tuning out market noise. While markets are rising, valuations remain steady. Macro risks persist, and we are monitoring inflation closely. But at the end of the day, earnings drive markets, and we see further upside ahead.

Three opportunities in focus:

Benefit from the AI HALO effect: We expect the AI capex boom to continue, supporting earnings growth and momentum in areas such as semiconductors and power. Consider opportunities in markets such as Korea and Taiwan.

Taking small steps out of cash: The rise in energy prices and inflation expectations has spurred a sharp repricing in central bank expectations and short-term rates. Higher front-end yields create an opportunity to extend duration modestly—potentially generating more income and adding portfolio hedging if growth fears intensify.

Consider a timely opportunity to diversify with gold: Higher rates have acted as a headwind for gold, as some retail investors who "bought the rumor" have "sold the news" around geopolitical uncertainty. We believe the fundamental case for gold is intact, as ongoing central bank demand provides support. Given the recent pullback, we see opportunity to add to gold, where we see 20%+ upside over the next year.

THE JUNE 2026 SNAPSHOT

EQUITIES				
GEOGRAPHY	Negative	Neutral	Positive	MoM
U.S.			●	
Europe		●		
Japan		●		
EM			●	
US SIZE/FACTOR				
Large Cap			●	
Small/Mid Cap			●	
US SECTORS				
Staples	●			
Energy	●			
Financials			●	
Industrials			●	
Info Tech			●	
Utilities			●	
Materials		●		
Healthcare		●		-1 ▼
Real Estate	●			
Other: Con Disc & Comm Svcs		●		

FIXED INCOME				
ASSET CLASS	Negative	Neutral	Positive	MoM
Government		●		
Inv. Grade			●	
Extended Credit			●	
SUB-ASSET CLASS				
Munis			●	
Hybrids (Preferreds)			●	
High Yield		●		
Emerging Markets			●	

FX & COMMODITIES				
ASSET CLASS	Negative	Neutral	Positive	MoM
DXY Dollar Index	●			
Brent Crude Oil	●			
Gold			●	

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.

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 VIEW

Markets moving away from the conflict

Our baseline expectation of continued de-escalation and avoiding a global recession appears to be playing out and remains the most likely scenario. In that context, we see the global and markets outlook as less dominated by developments in the Middle East than it may have been earlier in the year. Under our base case, other drivers also matter for rates and broader risk markets, notably tech-related spending in the US and globally, as well as labor market trends.

In the April GIS View, we outlined three Iran-related market paths: a base case in which the conflict de-escalates quickly and the 10-year Treasury remains rangebound at 4.0%–4.5%; an inflationary scenario where prolonged disruption around the Strait of Hormuz lifts the range to 4.5%–5.0%; and a recessionary scenario where refined-product shortages drive severe price spikes, demand destruction, and ultimately a sub-4% 10-year. That framework remains useful. The rates market briefly priced toward the inflationary scenario, but yields have since moved lower as headlines pointed to a potential deal to re-open the Strait. Market pricing now sits at the boundary between our de-escalation and prolonged oil disruption scenarios.

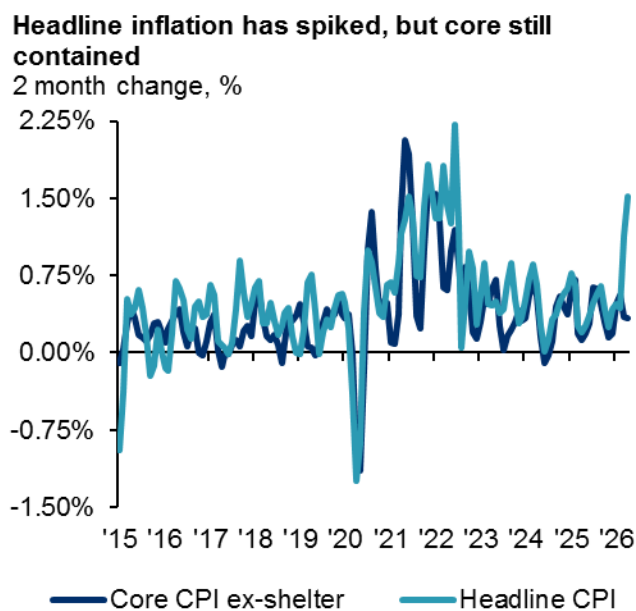
We continue to view de-escalation as the most probable outcome. That said, strong AI investment demand and persistently elevated oil prices forces us to revise up our 2026 core inflation expectations to nearly 3%, and we now expect the Fed to hold policy steady for an extended period rather than resume a cutting cycle.

We expect the Treasury curve to embed a higher term premium. We have moved our 10-year near-term range up by 25 bps versus pre-conflict to 4.25–4.75%. Iran remains a tail risk with asymmetric implications if re-escalation returns; hedging with longer duration bonds may be prudent. Beyond rates, as markets move past the conflict we expect the dollar to resume a depreciation path, this should benefit gold. Recent softness in gold should appear, in time, as an attractive entry point, as the Iran conflict has weighed on prices via forced central bank selling, higher yields, and a stronger dollar. In an eventual post-crisis world, a multipolar environment is likely to be supportive of gold. Many of the forces that pushed gold prices higher remain in place, though they are currently on hold.

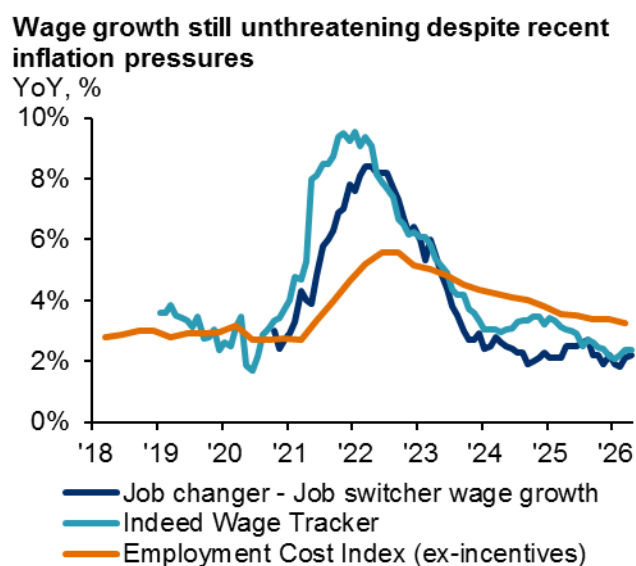
We don't think the Fed will hike

Beyond geopolitics, investors are increasingly focused on whether the Fed could be forced into a hiking cycle. Our

view is that it remains too early to treat hikes as the base case. The 2021–2022 inflation episode was explosive because it broadened and interacted with a tight labor market, forcing the Fed into rapid tightening and a restrictive stance. In contrast, the recent inflation impulse has been energy-driven, and underlying inflation does not yet point to a broad-based re-acceleration requiring aggressive tightening. A sustained rise in inflation expectations, and/or clearer evidence that inflation is broadening into cyclical dynamics, would change the Fed's and our calculus.



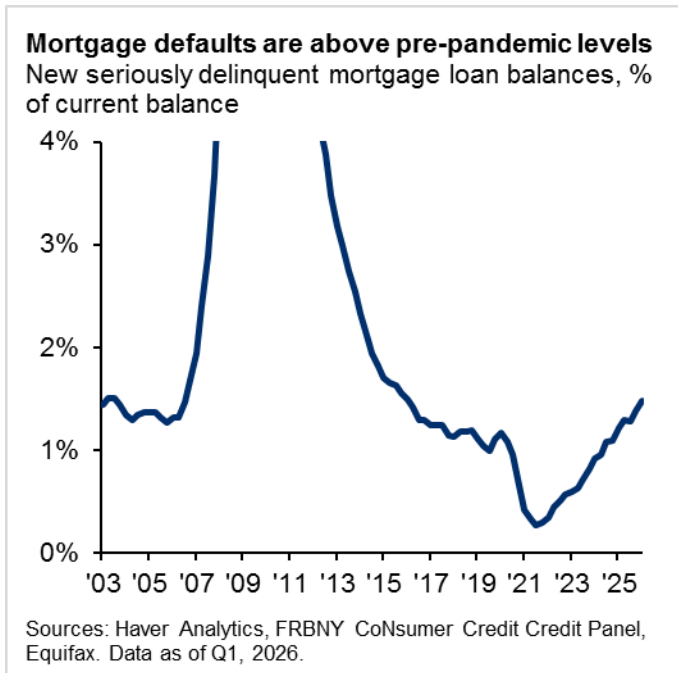
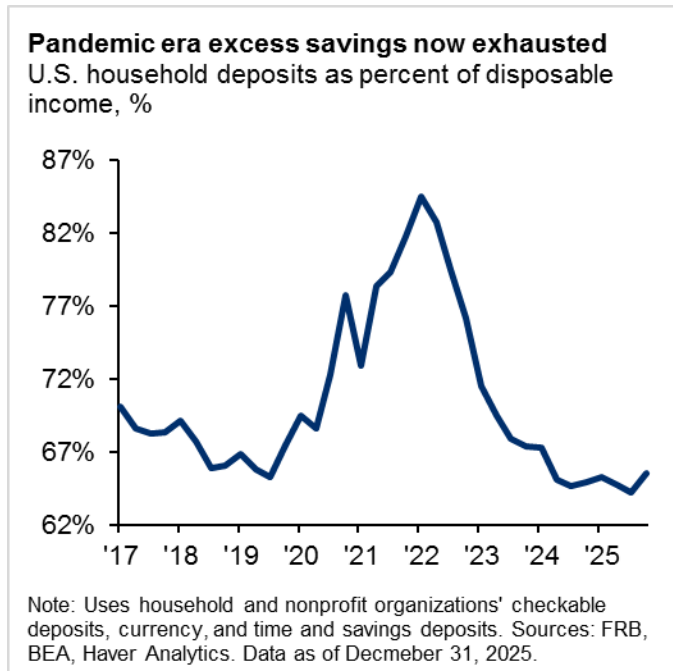
Sources: BLS, Haver Analytics. Data as of April 30, 2026.



Sources: ADP Research Institute, BLS, Indeed Hiring Lab. Data as of April 30, 2026 for changers-switchers and Indeed Wage Tracker, March 31, 2026 for ECI Index.

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The macro backdrop also argues against a hiking regime. Growth momentum is softer than in prior overheating episodes, and demand is less supportive as excess savings have faded. Household balance sheets show incremental deterioration, with delinquencies broadening, including mortgages where the delinquency rate has moved above pre-pandemic levels. While markets may price some probability of additional hikes over time, we would fade any shift toward a full hiking narrative absent clear evidence that inflation is broadening alongside rising inflation expectations.



Short-dated fixed income looks attractive; equity bull market continues

This view has two direct investment implications. First, front-end yields are attractive from a carry perspective: investors can earn elevated income without the same risk of rates repricing higher that characterized 2022. Second, the absence of a Fed hiking cycle materially reduces the likelihood that policy becomes the dominant headwind to equities through rapid multiple compression.

Instead, equity returns should be driven primarily by earnings delivery rather than valuation expansion. This is consistent with our revised end-2026 and mid-year 2027 S&P 500 targets of 7,800 and 8,200, respectively, versus 7,500 and 7,800 previously, supported by a strong 1Q earnings season and momentum from AI-related companies. We now expect earnings growth of 20% in 2026 and 13% in 2027, up from our previous 10%–11% expected growth rates. Much of this is being driven by AI infrastructure and power-related dynamics, which have reaccelerated as recent Agentic AI developments drive supply/demand imbalances that could persist longer than consensus expected. We have also lowered our multiple assumptions from 22.3x to 21x, emphasizing that this is an earnings-growth-driven market — not a multiple-expansion story like in the late 1990s.

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Earnings Delivery and the HALO Opportunity

Equity returns from here should be driven primarily by earnings delivery rather than valuation expansion, and the latest earnings season gives us more confidence that the delivery is coming through. The strength has been broad, impressive, and increasingly tied to the AI infrastructure cycle. That is why we are upgrading our earnings forecast and raising our S&P 500 targets.

The 1Q earnings season was not simply another “Mag-7 carried the market” quarter. Even excluding the Mag-7, Tech earnings grew 50% year-over-year, a pace not seen since the recovery from the GFC in 2010. The median company grew EPS 13%, a sharp step-up from last year’s mid-single-digit pace. The “493” grew EPS 15.5% in 1Q, up from 8% in 4Q25 and 9.9% for full-year 2025.



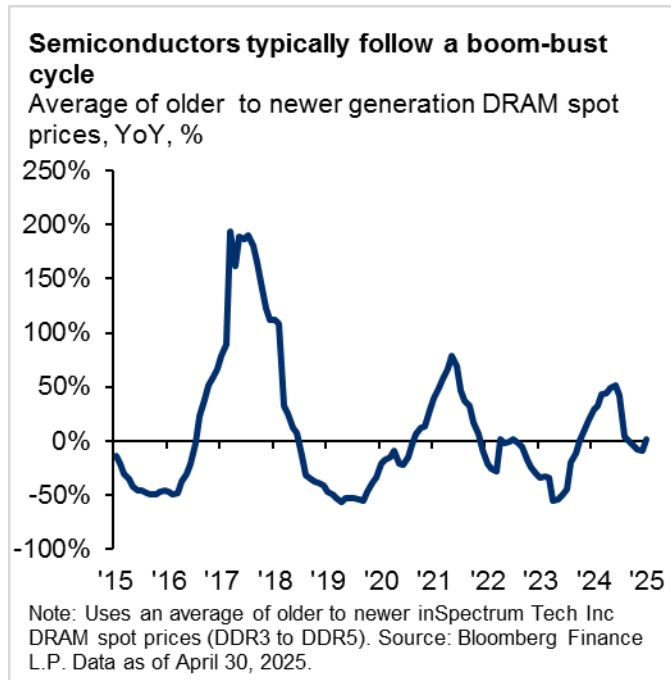
The improvement is not just about earnings beats. Revenue growth is accelerating, with nearly two-thirds of the S&P 500 now seeing more than 5% top-line growth. Margins are also expanding: while Tech remains the clear star, margins improved in 8 of the 10 non-Tech sectors during Q1. Every sector beat expectations this quarter except Healthcare, where results were affected by one-off R&D spending items.

This breadth supports our revised end-2026 and mid-year 2027 S&P 500 targets of 7,800 and 8,200, respectively, up from 7,500 and 7,800 previously. We now expect earnings growth of 20% in 2026 and 13% in 2027, compared with our prior 10%–11% growth expectations. At the same time, we have lowered our

multiple assumption from 22.3x to 21x, reinforcing the point that this is an earnings-growth-driven market, not a multiple-expansion story like the early 2000s.

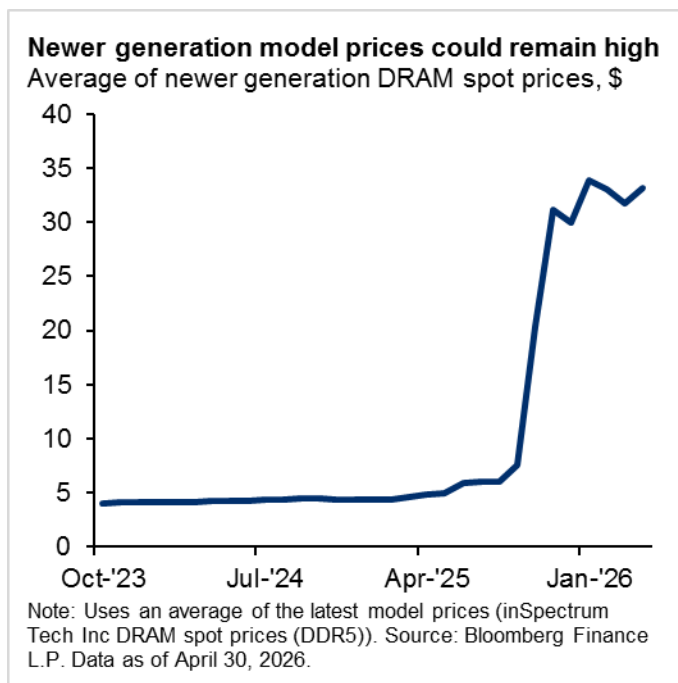
HALO (heavy assets, low obsolescence) remains our preferred equity theme with a focus on semiconductors and power. Semis have rallied, but we think they can go further because this is an earnings cycle, not simply a rerating cycle.

For more than 30 years, semiconductors followed a familiar 3–5 year boom-bust cadence. New demand waves- PCs, mobile, gaming, etc. - pulled supply forward, which eventually overshot. Memory, especially DRAM, was the most volatile segment. Cycles typically resolved through price declines and capex pauses, as seen in the 2022/2023 downturn.



This cycle could be different because AI is not just adding demand; it is reshaping what the semiconductor industry makes and how customers buy. AI systems require high bandwidth memory, or HBM, but converting conventional DRAM production to HBM removes DRAM supply, leaving conventional capacity roughly 20% below 2022 levels unlikely to return until 2028, per JPM IB estimates. At the same time, AI is directly lifting demand for conventional DRAM, server memory, and NAND as training and inference scale, tightening both premium and “everyday” memory markets. As a result the latest chip prices are up 5x and could remain high.

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The opportunity extends beyond memory. AI is driving a global advanced-manufacturing build-out, rising chip complexity, and demand for the equipment, process-control, analog, and embedded semiconductor ecosystem. Korea and Taiwan are key beneficiaries: Korea has enormous earnings leverage through memory, while Taiwan remains the cornerstone of leading-edge logic manufacturing.

Power is the second leg. AI's binding constraint is shifting from chips to electrons. Data centers are driving a multi-year capex cycle across generation, grid, transformers, switchgear, and power management. The generation mix is pragmatic: nuclear baseload, natural gas as a bridge, and renewables over time. **AI is simultaneously stressing premium memory, conventional memory, storage, manufacturing capacity, and electricity, creating investment opportunities across these spaces.**

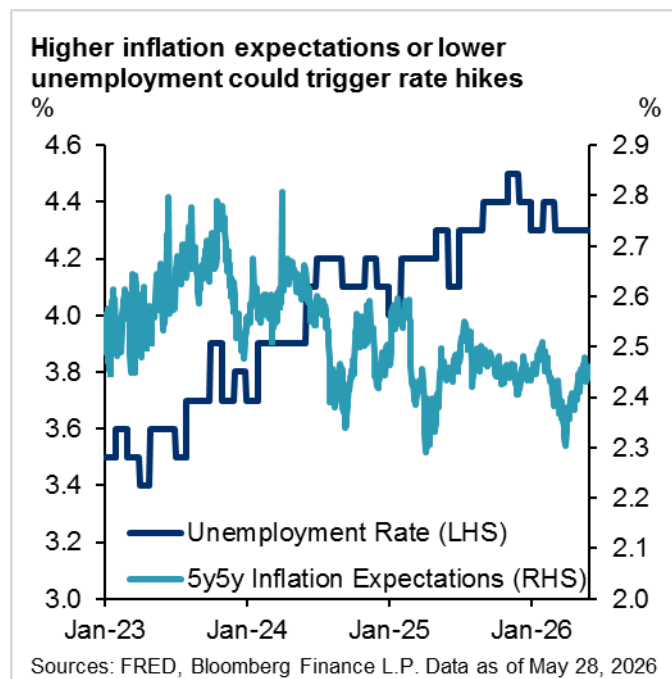
Higher yields yield opportunities in fixed income.

Global yields rose notably in May, reaching new multi-year highs across a number of countries and maturities, before falling back towards the end of the month. Even though the drivers varied across countries, they reflected almost a 'perfect storm' for bonds, including **i)** high issuance across governments and corporates, **ii)** elevated energy prices & inflation data, **iii)** more hawkish central bank pricing, **iv)** higher risk premia and **v)** 'good news', such as high

earnings growth spurring risk-on sentiment, which in turn supports higher yields.

Markets price out US debasement risk. The rise in yields was truly global. Inflation concerns in Japan and political concerns in the UK pushed up risk premia for long-end bonds. But in the US, the rise in yields over the last month was led entirely by the front-end of the curve, and the yield curve flattened (2yr Treasury yields are now up 16bp in May, while 30yr yields are virtually unchanged). Resilient macro data did its part, but a primary factor was that markets have been pricing out concerns about Fed independence just as new Fed Chair Warsh took office. Indeed, markets are now pricing around 25bp of Fed *hikes* over the next year, and pricing out 'debasement concerns' also boosted the value of the dollar and weighed on gold prices.

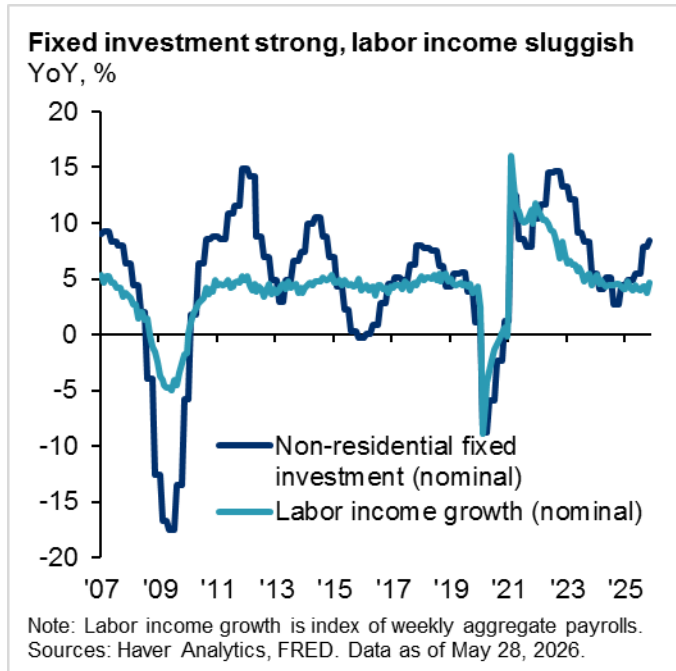
As discussed above, we still don't expect the Fed to hike this year, as we think the headline growth and inflation impulse is probably topping out. A rise in inflation expectations, or signs that labor markets are tightening again would change the Fed's (and our) calculus.



Higher for longer for global yields. Nevertheless, we have moved up our forecasts for US and global yields. This 'higher for longer' yield path is mostly reflecting elevated nominal trends, particularly in the US. For instance, US nominal growth is currently running at 5-6%YY vs long-term averages in the 4-5% range. That trajectory is mainly driven

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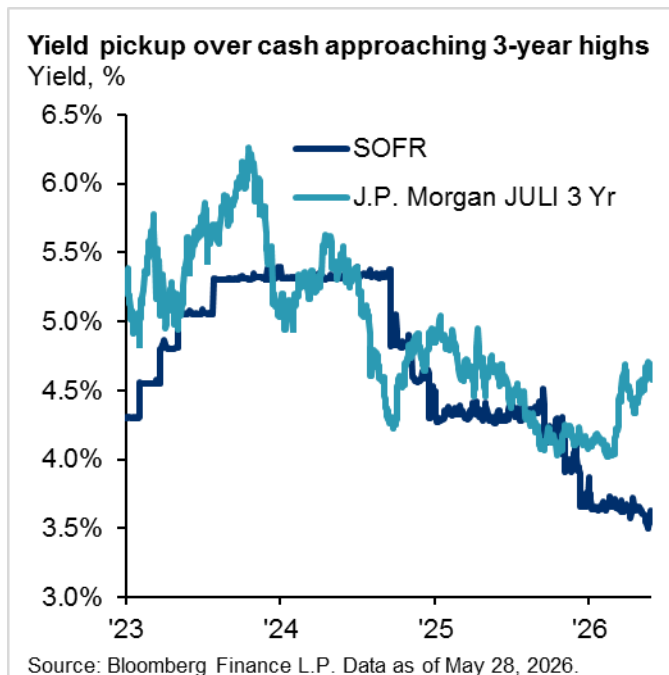
by the business sector, with business capex (non-residential fixed investment) running at 8%YY.



Higher nominal trends are therefore sustaining yields in addition to propping up corporate earnings. Strong capex contrasts with sluggish labor market trends, in part as companies appear to prioritize capex over hiring. So, while yields will continue to reflect commodity price trends, the yield outlook from here also depends on whether i) the current capex boom (and run-up in asset prices) broadens, or ii) the 'pull factor' of soft labor markets dominate.

Opportunities in Fixed Income. We think higher yields are making fixed income relatively more attractive and highlight several opportunities.

First, in the US, we think short duration high-quality credit is attractive for those with elevated cash allocations. This is in light of the recent rise in front-end yields, our expectation that the Fed does not raise rates this year, and the pickup in yields over Treasuries (around 100bp for the 3y JULI index over overnight SOFR). But it is also because of the relatively limited risk exposure in case some of the higher-interest rate scenarios materialize.

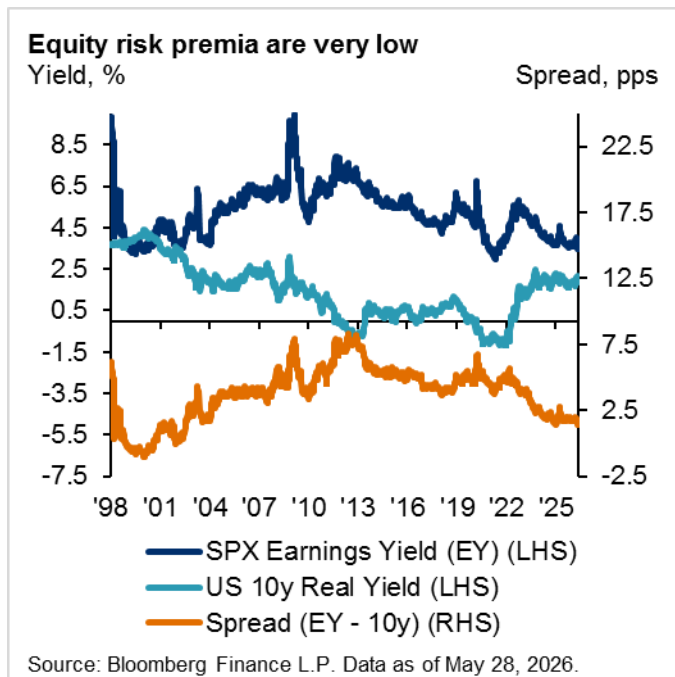


We continue to prefer short-duration Treasuries to longer-duration bonds, as the US curve still offers little compensation for duration risk. We think 10y yields are in a near-term range of 4.25-4.75%, but we see modest upside pressures to longer-term yields over time as the term premium continues to normalize to historical norms.

But second, we still think there are opportunities in fixed income further down the curve, where there is compensation for the additional risk. In the US, that would be in munis or selectively in corporate credit. Outside of the US, longer-end government bonds can appeal, too, where the curve is steeper and there are tax advantages for local residents, eg in UK gilts.

Third, if you shift your attention beyond the next 12 months, fixed income remains a critical part of any core portfolio. The latest [Eye on the Market](#)¹ highlights that rising yields and stock prices now imply that the equity risk premium is at the lowest level for more than 20 years. 10y TIPS yields north of 2% (plus CPI so currently all-in yields of nearly 4.5%) and 30y yields at 2.7% are therefore attractive options for long-term capital preservation and protection against inflation risks, while nominal high-quality long-duration bonds offer diversification benefits against the risk of a stock market sell-off and disinflation.

¹ Michael Cembalest, EOTM, "Home Alone"



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TOP OPPORTUNISTIC TRADE IDEAS

Strategic Industries – HALO in the Lead

Why now: While the AI disruption risk is evolving quickly, we also see attractive opportunities in Tech and Power favoring semis and hardware over software. Semis should continue to see strong growth from a continuation of the AI buildout. A significant networking and hardware upgrade cycle will also aid growth in 2026-2027.

Key Drivers: (i) Potential earnings upside for national champions in strategic industries (defense, energy, infrastructure) driven by an accelerating capex cycle. (ii) power and grid constraints driven by AI/datacenter load growth, and (iii) reshoring/nearshoring incentives plus supply-chain security priorities that favor domestic capacity and automation.

Risks: A faster de-escalation in geopolitics, fiscal tightening, or election-driven policy shifts could reduce spending momentum. Higher rates and input costs can pressure project economics; execution risk (permits, labor, supply bottlenecks) may delay cashflow realization. Concentrated exposure to government demand can increase headline and contract risk.

Short Dated Fixed Income

Why now: Short-dated credit offers attractive yields (4.6% for 3y JULI index) and roughly 100bp pickup over cash yields. Higher yields reflect Fed hiking risks but we think sluggish labor market trends and narrowly concentrated price increases keep the Fed on hold. Meanwhile, robust earnings and nominal trends support corporate balance sheets, despite rising issuance.

Key Drivers: (i) Yield + carry advantage: 4.6% overall yield, 100bp pickup over overnight SOFR cash rate (ii) Solid fundamentals: robust corporate and earnings growth (iii) Limited risk exposure, due to short duration and high quality of balance sheets.

Risks: i) re-escalation of conflict in the Middle East could push up energy prices and yields, ii) pickup in US cyclical conditions could lead to a Fed hiking cycle, iii) Sharp rises in issuance could question credit quality

Gold

Why now: Recent softness in gold prices creates an attractive entry point, as the Iran conflict has weighed on prices via forced central bank selling, higher yields, and a stronger dollar. In an eventual post-Iran crisis world, the geopolitical landscape is likely to be more supportive of gold. Many of the forces that pushed gold prices higher remain in place, though they are currently on hold.

Key Drivers: (i) Central bank demand remains a durable structural bid as reserve managers continue diversifying. (ii) Macro hedge: gold has historically performed well during geopolitical shocks and policy uncertainty. (iii) Positioning/participation: positioning is not extreme and retail participation (e.g., ETF holdings) remains below prior peaks, leaving room for broader re-acceleration.

Risks: Faster-than-expected easing in macro/geopolitical risk could reduce hedging demand. A sharp spike in retail participation could increase volatility and drawdown risk. Any slowdown in official-sector buying would be a headwind.

2026/2027 YEAR-END & MID-YEAR OUTLOOK NUMBERS

June 2026

Macro [^]				
Inflation	2026 YE	Old 2026 YE	2027 YE	Old 2027 YE
U.S.	2.80-3.00%	2.60-2.80%	2.30-2.50%	
Eurozone	2.20-2.40%	1.90-2.10%	2.00-2.20%	2.20-2.40%
China	0.40-0.60%		0.9-1.1%	
Real GDP Growth				
U.S.	1.25-1.75%		1.50-2.00%	
Eurozone	0.75-1.25%		0.85-1.35%	
China	4.30-4.70%		4.40-4.80%	
Equities				
S&P 500	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
Price	\$7,700-7,900	\$7,400-7,600	\$8,100-8,300	\$7,700-7,900
P/E forward multiple	21x	22-23x	21x	22x
Stoxx Europe 50				
Price	€5,850-5,950		€6,050-6,150	
P/E forward multiple	15.5x		15.5x	
TOPIX				
Price	3,700-3,800		3,900-4,000	
P/E forward multiple	16.5x		16.5x	
MSCI Asia ex-Japan				
Price	1,200-1,250	1,115-1,165	1,265-1,325	1,170-1,220
P/E forward multiple	12.5x	13.5x	12.5x	13.5x
MSCI China				
Price	94-98	93-99	98-105	
P/E forward multiple	12.5x		12.5x	

Currencies				
	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
U.S. Dollar Index (DXY)	99 (97-101)		97 (95 - 99)	
EUR/USD	1.16 (1.14-1.18)		1.20 (1.18 - 1.22)	
USD/JPY	158 (156 - 160)		158 (156 - 160)	
GBP/USD	1.32 (1.30-1.34)		1.35 (1.33 - 1.37)	
USD/CNY	6.70 (6.60 - 6.80)		6.60 (6.50 - 6.70)	6.70 (6.60 - 6.80)

Rates & Credit Spreads				
U.S.	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
Eff. Fed Funds rate	3.63		3.63	
ON SOFR	3.63		3.63	
2-year UST	4.05%	3.6%	4.10%	3.6%
5-year UST	4.20%	3.85%	4.30%	3.85%
10-year UST	4.60%	4.30%	4.75%	4.30%
30-year UST	5.15%	4.85%	5.25%	4.85%
2s/10s spread	0.55%	0.70%	0.65%	0.70%
JPM U.S. Investment Grade	80-110 bps		80-110 bps	
JPM U.S. High Yield	325-375 bps		350-400 bps	
Europe				
	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
ECB Deposit rate	2.25%		2.25%	
5-year German Yield	2.50%	2.30%	2.50%	2.30%
10-year German Yield	2.90%	2.70%	2.90%	2.70%
BoE Bank Rate	4.00%		3.75%	
10-year UK Gilt	4.60%	4.30%	4.60%	4.25%
EUR IG	75-105 bps		75-105 bps	
EUR HY	275-325 bps		300-350 bps	
EM				
	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
EM Sovereign Index (EMBI)	245-295 bps		245-295 bps	
EM Corporate Index (CEMBI)	175-225 bps		175-225 bps	
JPM Asia IG (JACI IG)	50-80 bps		50-80 bps	
JPM Asia HY (JACI HY)	375-425bps		350-375bps	

Commodities				
	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
Gold (\$ / oz)	\$5500 - \$5800		\$5700 - \$6000	
Brent (\$ / barrel)	\$77-\$82		\$77-82	
Commodity Index (BCOM)	133-136		133-136	
Natural gas (\$/MMBtu)	\$4.50 - \$5.50		\$4.50-5.50	

[^]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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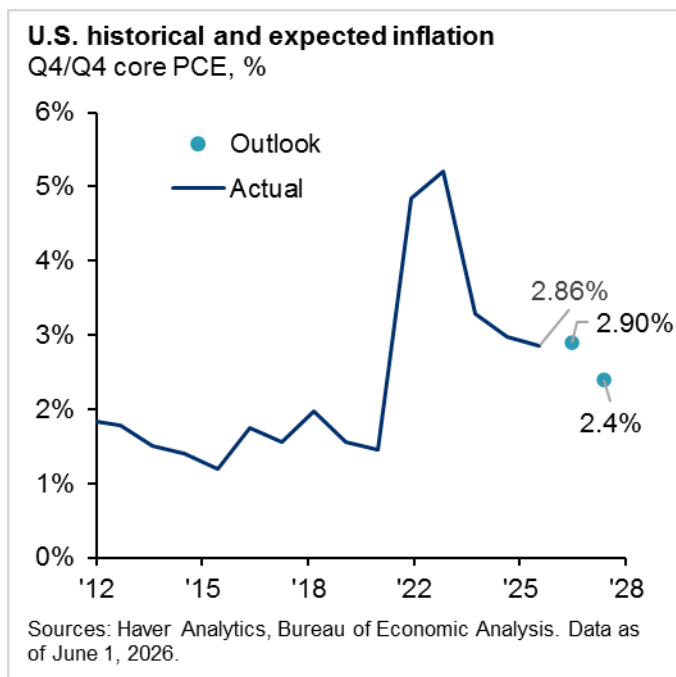
MACRO VIEWS

U.S. Growth

Underlying US economic growth continues to soften. Q1 GDP growth was revised down to 1.6% annualized, well below the 2.4% consensus expectation from March. This is consistent with our start-of-year view that economists were underappreciating weakness in the household sector, particularly sluggish real household income growth. While corporate investment remains strong, its ability to drive overall GDP is constrained by the household sector's dominant 68% share of the economy. The incoming data continue to support this thesis. Real wage growth has weakened to barely positive territory, while credit delinquency issues - previously concentrated in autos and credit cards - have broadened to include mortgages. The seriously delinquent mortgage rate has moved above pre-pandemic levels, according to the NY Fed's latest household debt report. Meanwhile, the S&P services PMI has downshifted to around 51 through May, a level historically consistent with GDP growth of roughly 1% or slightly above. We expect underlying conditions to remain soft in the second half, with lagged pressure from higher energy costs and some incremental tightening in bank lending standards. Importantly, we do not see these signals as pointing to an imminent recession, but rather as a constraint on consumer spending and overall growth.

What we're watching: Global energy prices including for diesel fuels, daily consumer sentiment, measures of global supply side stress, layoffs data, real wage growth

Our view: YE '26: 1.25-1.75%, **YE '27:** 1.50-2.00%



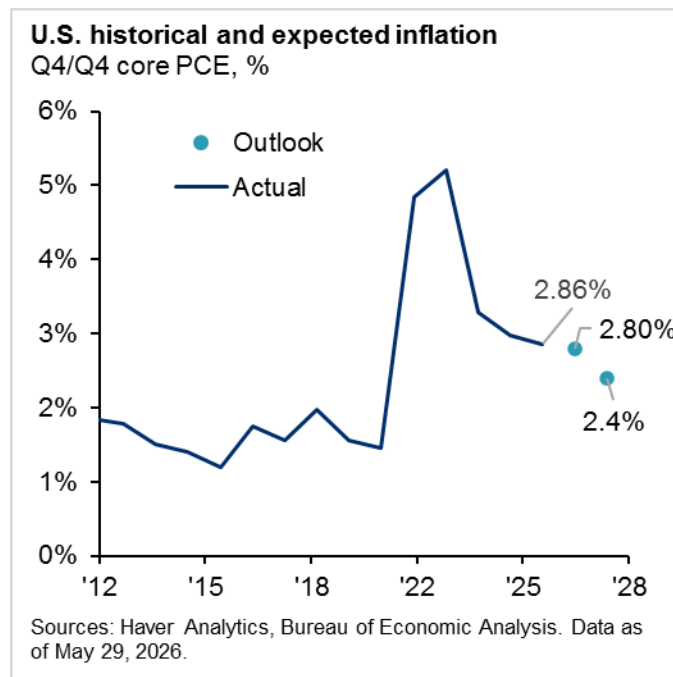
U.S. Inflation

Inflation has picked up in response to the global energy shock sparked by the conflict in the Middle East. We have raised our core PCE projection for this year to 2.8–3.0%, but have left our 2027 forecast unchanged. Importantly, we would characterize this episode of inflation very differently from 2021–2023. The current rise appears highly concentrated in energy and energy-adjacent items. The two-month annualized change in headline CPI has surged to 9.4%, but core CPI excluding shelter has actually moderated to 2% - a sharp contrast to 2021, when both series spiked simultaneously above 8%. The underlying demand backdrop also looks very different. US households have exhausted their excess savings and are exhibiting rising credit stress - now broadening from autos and credit cards to mortgages. Nominal wage growth continues to decelerate, the opposite of what occurred during the Great Resignation and widespread labor shortages of 2021–2023.

In short, while the inflation pickup is notable, the underlying dynamics look very different from the previous cycle, which proved damaging to multi-asset portfolios. We do not believe today's inflation data is sending a classic "late cycle" signal that should concern investors that a repeat of 2022 returns might be in store.

What we're watching: Energy prices, longer-term inflation expectations, Congress for signs of fiscal stimulus, wage growth, daily PriceStats tracker

Our view: YE '26: 2.80-3.00%, **YE '27:** 2.30-2.50%



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Europe Growth

The euro area faces growing headwinds as the Middle East conflict persists. In our Mid-year Outlook, we lowered our 2026 GDP view to 0.75–1.25% (from 1.00–1.50%) and expect growth to remain sluggish and below potential at 0.85–1.35% through year-end 2027. Activity indicators continue to soften, with risks increasingly skewed lower as the energy shock transmits across several channels: higher costs that erode household purchasing power; elevated uncertainty that weighs on sentiment and investment; and prospective ECB rate hikes.

That said, the region enters this episode from a stronger baseline than in 2022's energy-price shock: before the Middle East conflict began, inflation was closer to the ECB's 2% target and fiscal support was meaningful. The key swing factor remains the duration and intensity of the shock.

The UK confronts a more acute challenge, marked by persistent inflation, a softening labour market, anaemic growth, and limited fiscal headroom. With the BoE now poised to hike, growth momentum could weaken further, while a potential Labour Party leadership contest could add fiscal uncertainty and spur bond market volatility.

What we're watching: Duration and intensity of Middle East conflict, second-round inflation effects in wages and prices, monetary and fiscal response, household and business confidence.

Our view: YE '26: Euro area GDP: 0.75-1.25%, **YE '27:** Euro area GDP: 0.85-1.35%



Europe Inflation

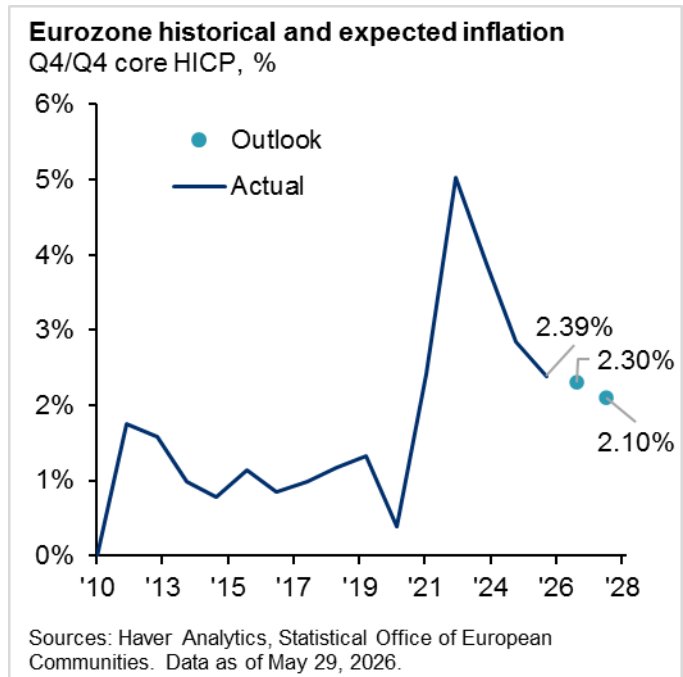
Elevated energy prices are pushing inflation higher, reversing pre-conflict progress toward the ECB's 2% target. Headline HICP rose to 3.0% year-over-year in April, while core held at 2.2%. We raise our end-2026 core inflation outlook to 2.20–2.40% (from 1.90–2.10%), before moderating to 2.00–2.20% by end-2027. The pass-through of energy into core prices bears close watching.

With lessons from 2022 in mind, the ECB may act preemptively rather than wait for second-round effects. While spot and forward energy prices have moved less than feared, inflation expectations have edged higher. The key risk is entrenchment: if inflation feeds into wages or firms' price-setting, the ECB will face a tougher trade-off.

The UK outlook is more vulnerable. This shock hits an already difficult backdrop: core inflation is above target, inflation expectations are elevated, wage pressures look more persistent, and firms' pricing intentions are higher than in the euro area. Combined with structural challenges, this leaves the BoE with less room to manoeuvre than peers.

What we're watching: Energy pass-through into core prices, wage settlements, business pricing behaviour, inflation expectations, and whether fiscal relief dampens or prolongs price pressures.

Our view: YE '26: Euro area Core HICP: 2.20-2.40%, **YE '27:** Euro area Core HICP: 2.00-2.20%



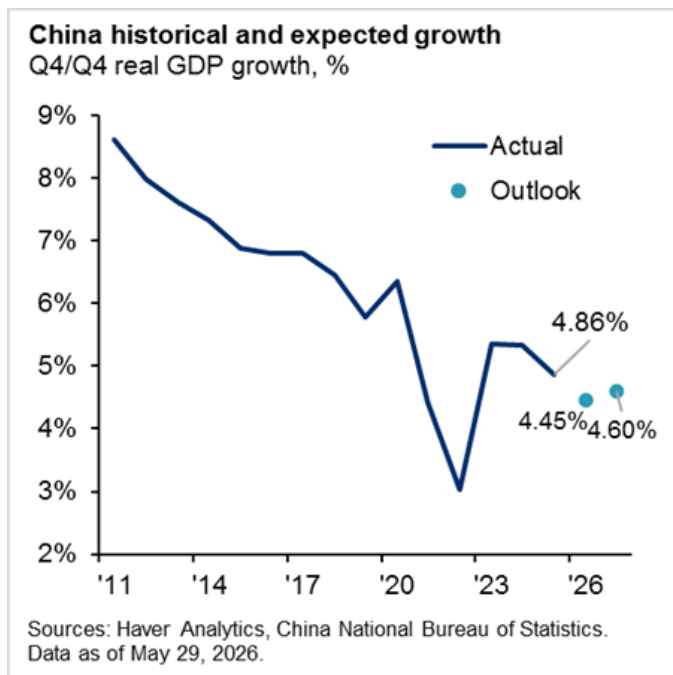
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China Growth

China's April macro data points to a deterioration in momentum. Credit growth sends an alarming signal: RMB loan growth slowed to 5.6% y/y, while outstanding loans contracted by RMB 400 billion in April. Household long-term lending hit record lows, reflecting weak housing, auto, and durable goods demand. In addition, corporate long-term loans contracted by a record RMB 410 billion, pointing to shrinking capex appetite and active deleveraging. It appears that China's credit weakness is increasingly structural. The real economy is confirming the same story. Industrial production slowed to 4.1% y/y, the weakest since July 2023, despite strong reported export growth. Fixed asset investment fell 12% y/y in April, while retail sales declined 0.1% y/y — the first drop since December 2022. Property remains a major drag: floor-space sales were still down 10% y/y and new starts fell 28% y/y. Looking ahead, exports and semiconductors are the key swing factors — but they may disappoint as growth engines. April exports rose 14.1% y/y, partly on base effects and chip prices, not volumes. Semiconductor export values surged, but volumes barely rose, while China's chip trade deficit widened. Labor-intensive exports are still contracting, suggesting external demand is weakening.

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: 4.30-4.70%, **YE '27:** 4.40-4.80%

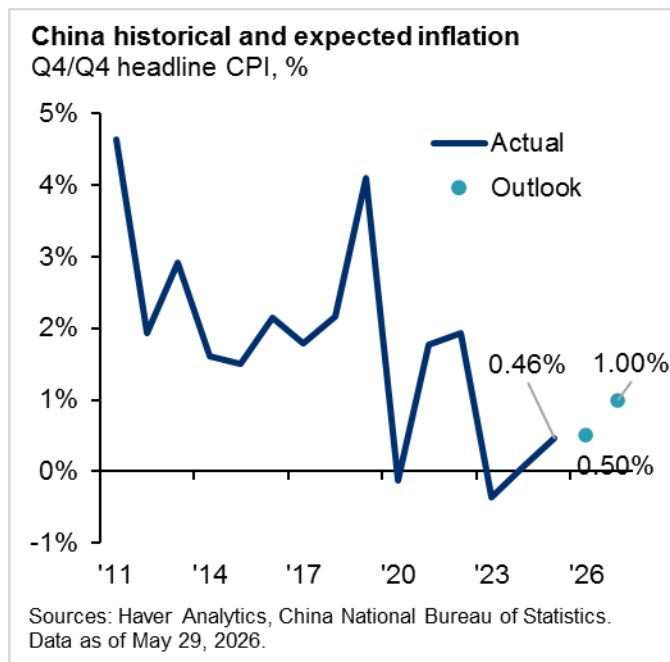


China Inflation

Inflation is sending a more complicated signal. PPI rose 2.8% y/y and may soon exceed 3%, driven largely by petrochemical disruptions, higher energy costs, semiconductors, and non-ferrous metals. But pass-through to consumers remains weak. CPI rose 1.2% y/y, helped by fuel, travel, and medical costs, yet core consumer categories remain soft. Rising input prices are squeezing demand rather than reflating the economy.

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

Our view: YE '26: 0.40-0.60%, **YE '27:** 0.9-1.1%



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EQUITY VIEWS

U.S. Equities

Higher earnings, higher stock prices. Despite reasons for corporate earnings to come up short, they continue to stand tall. As optimistic as we were, we were not optimistic enough about corporate America. Our earnings “Base Case” is moving toward our “Bull Case”, reflecting higher than expected revenue growth and greater margin expansion. While Tech is THE star, it is not the only sector star as margins expanded in eight of the ten non-Tech sectors during Q1. The first quarter overage was a significant 15% above our estimates, explained by ~84% of companies beating estimates and generated by ¼ from revenue upside and ¾ from better-than-expected net margins. The impact of tariffs was rarely discussed on Q1 investor calls and oil concerns were mentioned more by the media than by firms in the S&P 500. Higher oil prices are not an earnings event in the U.S. yet and may not be unless the Middle Eastern hostilities extend several more months.

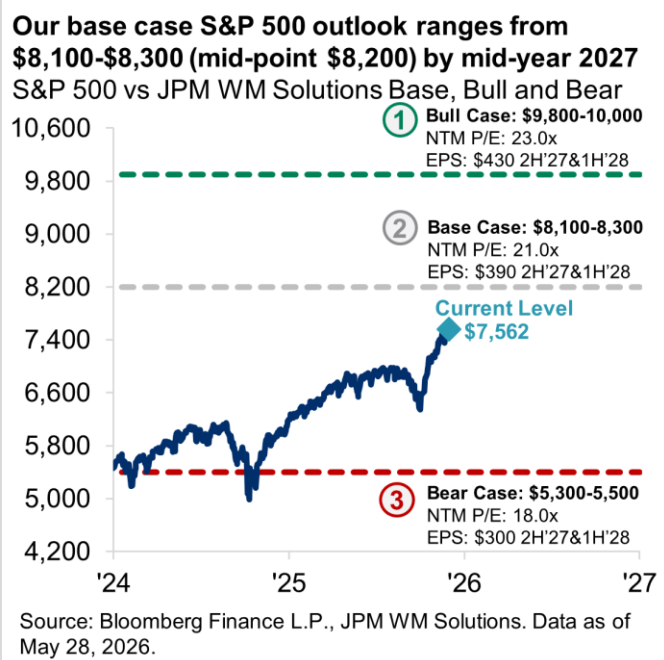
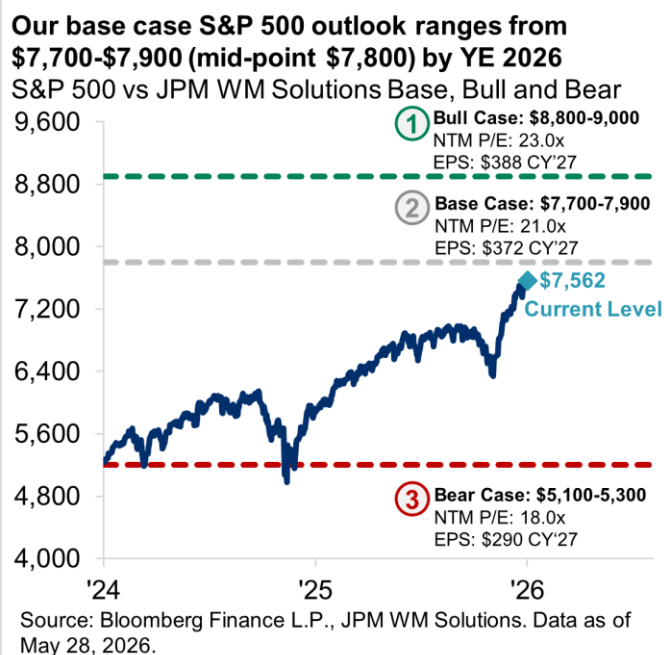
Looking ahead, we have increased our earnings estimates for 2026 and 2027, lowered our projected valuation for markets, and raised our S&P 500 Base, Bull, and Bear case targets. The EPS revisions are significant, including \$25 to 2026 (now \$330) and \$36 to 2027 (now \$372). Our valuation assumptions have been reduced from 22.3x next-12-month earnings to 21x, reflecting the hyper and unsustainable growth coming from parts of the Technology complex, Energy and Materials. For example, Tech is assumed to grow 45% this year, an amazing feat considering we are not exiting a recessionary earnings low. The Bull, **Base** and Bear end-of-2026 cases now equate to \$8,900, **\$7,800**, and \$5,200, respectively.

Looking ahead to mid-2027, again, earnings estimates up, valuation assumptions down and targets up. The 1-year Bull, Base and Bear cases are now \$9,900, \$8,200, and \$5,400, respectively. As mentioned in previous views, we believe the base case has a higher likelihood of occurring than the bear case for both year-end and 1-year targets.

Where to invest now. We project the best market gains coming from Technology, Utilities, Industrials and Financials (primarily, large banks). After a good bounce in May (3rd best performing sector in the S&P 500), we have reduced Healthcare to neutral. Worsening relative earnings growth, disappointing results from Medical Devices and accelerating M&A (which helps small and mid-cap biotech) force us to take a more balanced view of the sector. We expect small and mid-cap stock returns should be similar to large caps over the next year.

What we're watching: Length and duration of the Straits closure. Financial conditions (equity valuation, yields and spreads). AI ROIs.

Our view: YE '26: \$7,700-7,900, **MY '27:** \$8,100-8,300



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Europe Equities

Europe has been flat since the conflict in the Middle East started. Even though earnings revisions continue to go higher, the market has de-rated as a large portion of earnings revisions came from the oil sector (and could reverse if oil goes down), and the market is still questioning what the actual earnings growth Europe will show this year. Earnings revisions in the AI build-out/ semiconductor theme have been strong; however, European exposure to the theme is smaller compared to markets like the US and some Asian Emerging Markets, and Europe has therefore underperformed markets like the US and Emerging Markets since the market bottom at the end of March.

This month, we are leaving our targets unchanged. Our year-end target is €5,850–5,950 and our mid-2027 target is €6,050–6,150. We believe earnings can grow at a mid- to high single-digit rate in each of the next three years, but we remain below the consensus expectation of double-digit growth. Our estimated 15.5x NTM multiple also remains unchanged.

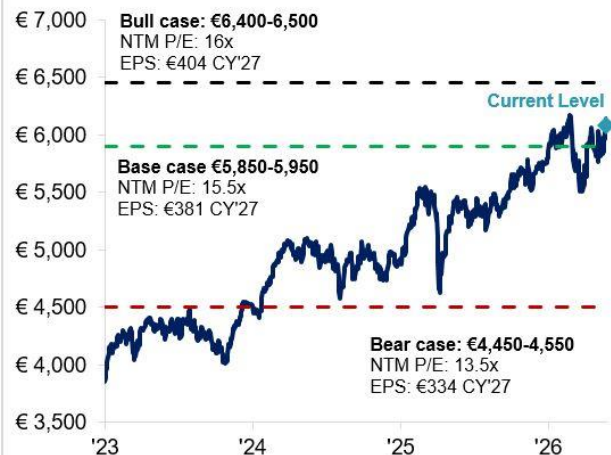
In the short term, the direction of oil and the situation in the Middle East will remain important for European equities. Europe is up more than 3% in May as Brent has pulled back and there is more news regarding a potential peace deal. If the Middle Eastern conflict subsides and the oil price moves or stays lower, we think it can be positive for sectors like Luxury, which has underperformed this year. Another potential catalyst for luxury companies could be a wealth effect coming from the South Korean market, given strong equity performance driven by exposure to the semiconductor sector.

One of our highest-conviction ideas remains Industrials. Defence, in particular, has pulled back recently. We also believe the opportunity extends beyond defence: Industrials with exposure to data centers continue to benefit from a strong hyperscaler capex cycle, and the Q1 earnings season was a confirmation of this. While software and related companies have underperformed amid concerns about AI disruption, we continue to favour semiconductors, as Q1 results confirmed that 2026 is shaping up to be another strong year of AI build-out and the semiconductor cycle remains very strong.

What we're watching: We continue to monitor political developments in Eastern Europe and the Middle East, German fiscal spending, the global defence cycle, and oil prices.

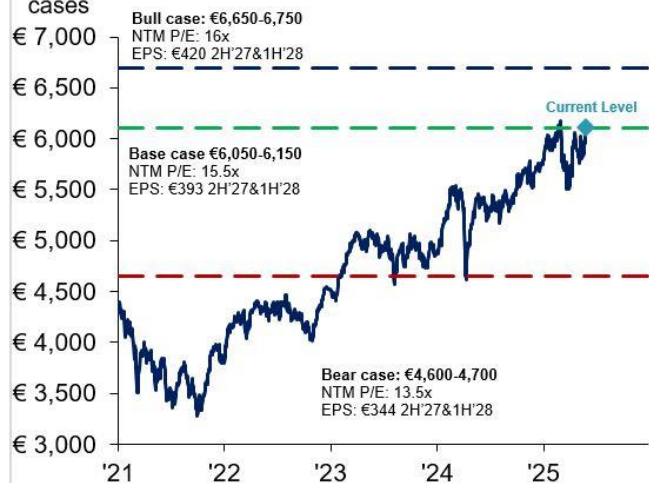
Our view: YE '26: €5,850-5,950, **MY '27:** €6,050-6,150

We see Euro Stoxx 50 reaching €5,850-5,950 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 28th May, 2026.

We see the Euro Stoxx 50 reaching €6,050-6,150 by mid-year 2027
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 28th May, 2026

Asia Equities

Exceptional demand for AI compute continues to drive positive earnings revisions in Asia EM. 1Q26 earnings positively surprised and demand visibility is emerging into 2028. This is once again driving positive earnings revisions for markets with heavy exposure to semiconductors such as Korea and Taiwan, two of our most preferred markets in the region. Since end March 2026, MSCI Korea and MSCI Taiwan have seen positive 2026 earnings revisions of 41% and 7%, respectively. With memory supply constrained, and sizable new sources of demand from agentic AI surprising to the upside, this memory cycle is likely to be more extended than prior cycles. We meaningfully raise our MSCI Korea targets by ~30%. Similarly, we are also revising our MSCI Asia ex Japan targets ~8% higher due to strength from the technology sector. We now expect MSCI Asia ex Japan 2026/2027 earnings to grow by 50-55%/16-20%. With a forward P/E at 12.5x, we remain positive towards Asia EM. Tangible progress towards a near-term deal to reopen the Strait of Hormuz could see oil prices begin to normalize. While some damage to global growth has been done, downside economic risks should be manageable if oil prices start to decline in the next 3-6 months. This could drive a recovery in more economically sensitive sectors and Asia EM would be amongst the beneficiaries.

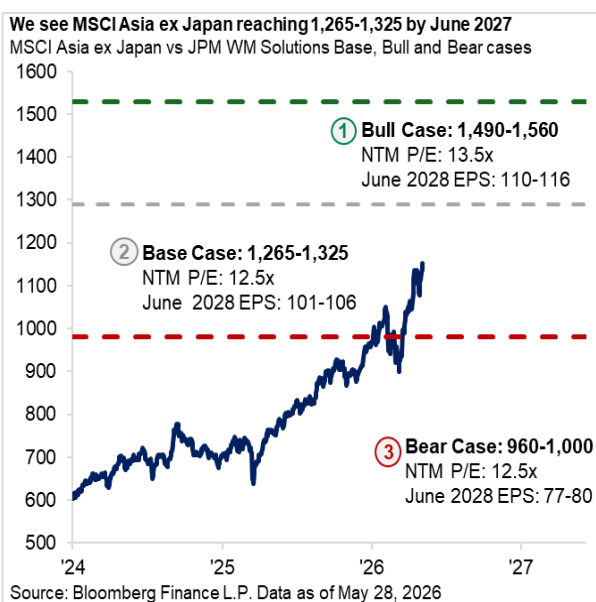
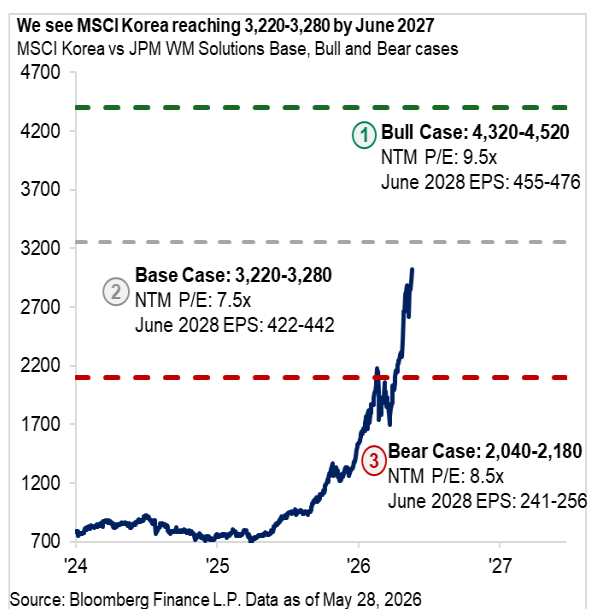
With the meeting between President Trump/Xi appearing to re-affirm stability rather than offer any meaningful breakthroughs, investors refocused on earnings. This was a relatively unexciting earnings season from the large cap internet companies in China with free cashflow increasingly diverted to spend on compute capacity. Due to a lack of positive earnings revisions, MSCI China has struggled compared to markets such as Korea and Taiwan. The bright spot continues to be in China semi that benefits from government directives towards self sufficiency and rising agentic AI demand. This is benefiting the domestic semiconductor and networking supply chain. With MSCI China valuations back at 11.2x forward P/E, and accelerating 2026/2027 earnings growth of 13-14%/15-16%, we view the risk/reward positively for China and stay constructive.

For Japan, earnings for the March quarter have generally held up and external demand remains solid, for now. This has led to moderate earnings revisions of 2-3%. With valuations at the higher end of history, we view the risk/reward as balanced and remain neutral Japan equities. While we continue to view PM Takaichi as having a pro-growth fiscal stance, the recent weakness in JPY and higher longer term bond yields implies greater urgency for the BOJ to raise rates that will limit her policy flexibility. Select

opportunities in banking, industrial, and technology sectors offer alpha potential.

What we're watching: Iran conflict development, memory prices, AI adoption and progress in China, Chinese government policy announcements

Our view: YE '26: MSCI AxJ: YE 2026: 1,200-1,250 Topix: YE 2026: 3,700-3,800 MSCI Korea: YE 2026: 3,120-3,180 MSCI China: YE 2026: 94-98 CSI 300: YE 2026: 4,730-4,970 MSCI India: YE 2026: 3,000-3,100 MSCI ASEAN: YE 2026: 750-775 , **MY '27:** MSCI AxJ: June 2027: 1,265-1,325 Topix: June 2027: 3,900-4,000 MSCI Korea: June 2027: 3,220-3,280 MSCI China: June 2027: 98-105 CSI 300: June 2027: 5,230-5,570 MSCI India: June 2027: 3,350-3,450 MSCI ASEAN: June 2027: 770-790



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RATES VIEWS

U.S. Rates

US yields continued rising alongside global yields during May to reach new YTD highs before falling back. In the US, the move was entirely driven by the front-end, as growth & inflation data have been resilient and markets priced out Fed independence and debasement concerns. Markets now price 25bp of hikes over the next year. We expect new Fed Chair Warsh to formally move the Fed into a neutral bias as early as the 17 June FOMC Meeting. But we still don't expect the Fed to hike this year, unless inflation expectations rise or the labor market begins to tighten. Meanwhile, we have revised up our US yield forecasts by 20-30bp across the curve to take account of elevated nominal trends in the US economy. Despite these new forecasts, we see opportunities in fixed income, in particularly in the front-end for income, liquidity and limited risk exposure, while the longer-end appeals as a hedge against the risk of a slowing economy or declines in stock markets, particularly for longer-term investors.

What we're watching: US-Iran conflict, inflation expectations, unemployment trends, global term premia

Our view: YE '26: FFR: 3.63. 30Yr: 5.15; 10Yr: 4.60%; 5Yr: 4.20%; 2Yr: 4.05%; , **MY '27:** FFR: 3.63. 30Yr: 5.25; 10Yr: 4.75%; 5Yr: 4.30%; 2Yr: 4.10%;

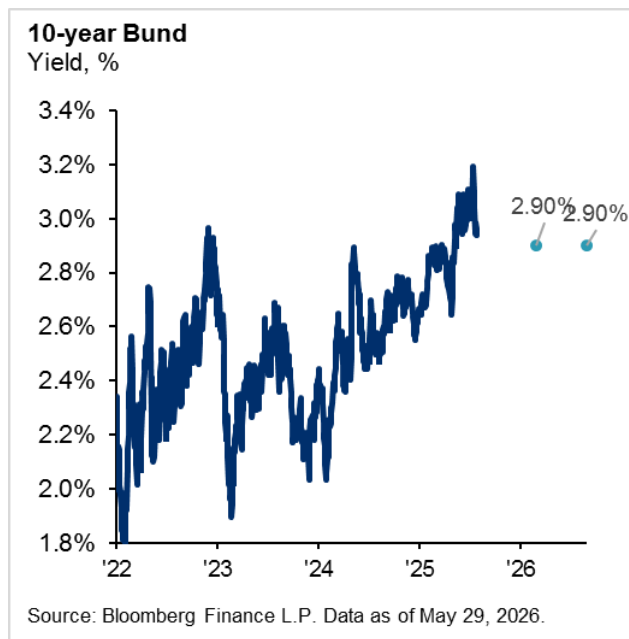


Europe Rates

Both the ECB and BoE look poised to pivot to rate hikes with near-term inflation risks front of mind, while elevated macro, political, and fiscal uncertainty should keep term premia and long-end yields elevated. The ECB has held rates steady since the Middle East conflict began, but the tone has turned more hawkish as officials stress the inflationary implications of higher energy prices despite softer economic activity. We expect at least one 25bp hike this year (though with risks skewed toward two), then a return to hold through mid-next year. The BoE faces a tougher stagflationary trade-off. We also expect at least one hike this year to contain second-round effects, but as demand cools and the labour market loosens, we look for one cut by mid-2027 as the MPC gradually unwinds restraint, provided inflation expectations and wage growth do not re-accelerate materially. Reflecting inflation uncertainty and increased political and fiscal risks, we see long-end sovereign yields more elevated even if policy tightening falls short of market pricing. That prompts us to raise our year-end 2027 outlook to 2.90% for 10-year Bunds (from 2.70% prior) and 4.60% for 10-year Gilts (from 4.30% prior).

What we're watching: Energy market developments, inflation expectations, wage growth, financial conditions, and fiscal responses and debt dynamics.

Our view: YE '26: ECB Deposit Rate: 2.25%, 5Y Bund: 2.50% (2.25%-2.75%), 10Y Bund: 2.90% (2.65%-3.15%); BoE Bank Rate: 4.00%, 10Y Gilt: 4.60% (4.35-4.85%), **MY '27:** ECB Deposit Rate: 2.25%, 5Y Bund: 2.50% (2.25%-2.75%), 10Y Bund: 2.90% (2.65%-3.15%); BoE Bank Rate: 3.75%, 10Y Gilt: 4.60% (4.35-4.85%)



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CREDIT VIEWS

U.S. Credit

Munis: The municipal bond market was experiencing a selloff for the first two weeks of May with rates peaking on May 19th. Since that time the market has rallied approximately 10-15 basis points (bps) across the curve. Market participants stepped in and bought municipals on the cheap. Municipal fund flows remain overwhelmingly positive, which has helped keep the positive momentum going and aided in the digestion of the ever-increasing new issue supply, which is on pace for a third consecutive +500bn year. The municipal curve 2s-30s slope is currently steep at 136 basis points. Aside from the liberation day sell off in 2025, the curve hasn't been this steep since 2016. In conjunction with our rates view, municipal investors may wish to consider laddering further out the curve to take advantage of the increased rates offered by the market, duration considerations aside.

US IG: Over the past month, US high-grade curve dynamics have reinforced our preference for the short and intermediate part of the credit curve. In particular, front-end spreads have steepened modestly, with the 3s5s curve up ~1.3 bps MoM to ~14 bps, while the long part of the curve has continued to flatten, with 10s30s down ~1.2 bps MoM to ~16 bps. This highlights that the market is offering less incremental spread compensation to extend maturity beyond the intermediate bucket. At the issuer level, dispersion has been meaningful, but the broader message is consistent: in corporates, the incremental spread pickup to extend to the long end of the curve is relatively small, and we continue to see better risk-adjusted outcomes in the front-to-intermediate IG where volatility is lower and yields remain historically attractive. Higher yields provide ample cushion and support forward looking total returns.

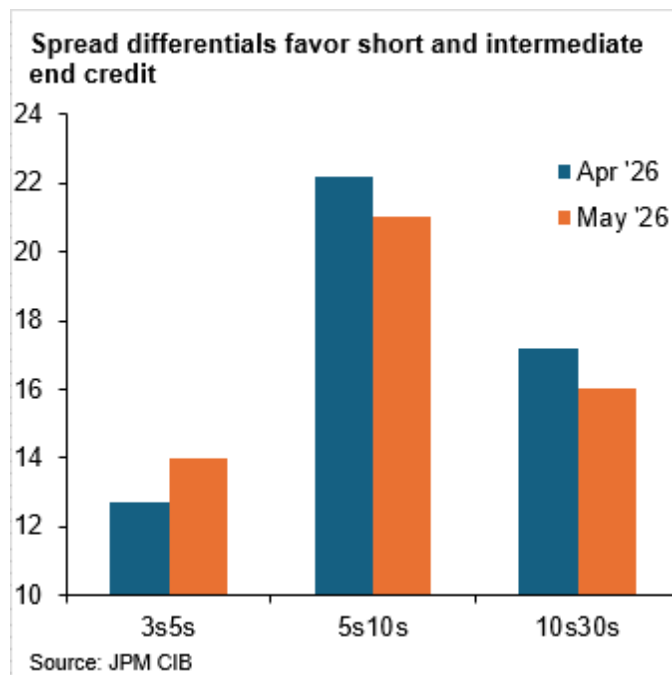
US HY: HY spreads have continued to grind tighter since late April, compressing by roughly 10 bps, but still slightly above pre-conflict tights. Overall, we continue to see HY as a carry-driven asset class rather than a capital appreciation story at current spread levels. Fundamentals and corporate earnings have generally remained resilient, and default activity outside of select issuers has been contained, supporting the asset class. However, valuations are again moving closer to the tighter end of the cycle—limiting the margin of safety if growth slows or volatility re-accelerates. Accordingly, our preference is still to express HY exposure through higher-quality carry, focusing on BBs rather than reaching down in credit quality for incremental spread.

US Prefs/Hybrids: Spreads for preferreds and hybrids have continued to retrace March volatility and have tightened by

roughly 10 bps since late April. As with last month, the recovery appears driven by a combination of easing headline risk and resilient demand from yield-oriented buyers, which has helped re-anchor valuations. We remain constructive on preferreds and hybrids and continue to view them as an attractive way to capture high-yield-like returns with lower fundamental downside risk than lower-quality HY, particularly in a market where carry is attractive, but valuations leave less room for spread-driven upside. We expect these instruments to remain supported by technical demand.

What we're watching: Core Fixed Income: Munis and Corporates over Treasuries. Extended Credit: Favor hybrid capital (preferreds and corporate hybrids) for attractive risk-adjusted returns

Our view: YE '26: US IG (Spread): 80-110 bps by YE'2026; US HY(Spread): 325-375 bps by YE'2026; Preferreds (Spread): 190-240 bps by YE'2026, **MY '27:** US IG (Spread): 80-110 bps by MY'2027; US HY(Spread): 350-400 bps by MY'2027



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Europe Credit

European Investment Grade Credit delivered 0.65% return in May and thus outperformed USD IG index. European High Yield has returned 0.83%, beating US HY, Emerging Markets government and corporate debt indices.

Credit spreads in Europe remain almost flat to YE'25 with European HY index trading <25bps off recent history's (8yrs to be precise) tightness achieved earlier this year in late January.

German government bond yields remained volatile throughout May and now stand 5-7bps lower vs. end of April. Markets now price just over 2 ECB hikes by YE'26 and we **continue to see a 30-50bps net sell-off across the rates curve as an attractive opportunity to lock in 3.5-4.5% yields in high quality EUR credit.**

Continued blockade of the Strait of Hormuz and elevated crude oil and natural gas prices pose headwinds to European growth: higher energy prices weigh on household purchasing power and corporate margins, and market currently expects ECB to tighten in response to inflation spillovers. We expect the impulse from German fiscal stimulus and rising European defence expenditure to go some way toward offsetting the growth impact.

We are hence maintaining our positive stance on European Credit and expect spreads to remain supported – first and foremost, underpinned by **healthy credit fundamentals**. EBITDA margin of European Investment Grade index is now the highest in history at above 21%. Net Leverage ratios for both IG and HY issuers have marginally trended down to 2.8x and 4.7x respectively and remain below their historical medians. Interest Coverage ratios, albeit lower vs. recent history, remain strong at >11x for European IG and at 5.2x for HY.

Technicals remain strong for EUR-denominated credit markets – robust investor appetite is underpinned by high starting yields vs. over a decade of pre-2022 history. And while European IG issuance is on track for a new record, new issue premiums have collapsed, reflecting firm investor bid. Additionally, we anticipate increased structural demand from the regional fixed maturity and pension funds, in light of pension reforms across several European jurisdictions.

All of the above arguments speak in favour of stepping out of cash into carry that European credit markets currently offer. **We remain comfortable positioning up to 10 years to maturity – and taking into account the bear flattening of the Bund curve since end of February, we increasingly see attractive opportunities in the front-end of the yield curve.**

We identify the following themes as attractive in European credit markets:

Since the start of the year we have been highlighting European **Exploration & Production BBB-s** – seeing value in Investment Grade senior and hybrid debt within the Upstream sector, comforted by proven track records of consistent positive Free Cash Flow generation, declining FCF breakevens, and peak CapEx in the rearview mirror. Our investment thesis is further reinforced by the geopolitical events of the past three months given higher commodity prices flow near-linearly into realized prices and Upstream's top lines.

Hybrid Capital – we see carry-like returns, with yields ranging between 4.5% and 6%.

Hybrid Bank Capital: European Banks have been continuously demonstrating solid operational performance with RoTE of 10-15%, prudent capitalization given CET1 buffers upwards of 180bps, and healthy loan books with Cost of Risk in most banking groups significantly under 50bps. A sustained higher-rate backdrop supports Banks' earnings through resilient NIM, and, together with increasing reliance on less capital-heavy Commissions & Fees business, offers a cushion against any potential loan book health deterioration. **We favour Junior Subordinated exposure to maximise carry.**

Corporate Hybrids: Over 60% of the 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. IG-rated hybrids constitute ~60% of the total EUR hybrid market and now provide ~75-120bps of spread pick-up to issuers' respective senior curves. HY-rated hybrids, from issuers rated IG at Senior tier, offer spread pick-ups exceeding 125bps.

In addition to Upstream and Banks we also favour Insurance, Utilities, TMT, and Consumer Non-Discretionary — where higher rates and inflation provide a tailwind to earnings.

What we're watching: Senior IG European Upstream, Junior Subordinated Banks, Corporate Hybrids

Our view: YE '26: EUR IG (Spread): 75-105 bps by YE'2026; EUR HY (Spread): 275-325 bps by YE'2026, **MY '27:** EUR IG (Spread): 75-105 bps by YE'2027; EUR HY (Spread): 300-350 bps by YE'2027

EM Credit

Emerging Markets (EM) took a back seat to renewed pressure in global rates. EM sovereign spreads tightened by 10 basis points and corporate spreads by 5 basis points. Both indices posted positive returns in May: 0.5% for sovereigns and 0.2% for corporates. US government bond yields rose 10-20 basis points, reflecting market concern over the Fed's ability to look through inflation effects stemming from the Middle East conflict, which is now in its third month. The rate selloff, however, is providing a tailwind for valuations — EM yields currently stand between 6.1–7%.

Global rates remained the dominant market force in May, with the ongoing Middle East conflict and oil blockade continuing to cloud the central bank outlook and sustaining upward pressure on yields. Critically, however, the stress is manifesting in rates — not in spreads or equities — a distinction that speaks to the underlying resilience of both the macroeconomic backdrop and corporate fundamentals. Economies are holding firm, earnings are supportive, and balance sheets remain in good shape. In this context, elevated yields mean that fixed income — and EM debt in particular — is still more likely to deliver positive returns even as uncertainty persists.

We remain constructive on EM debt, particularly EM high yield. A strengthening EM growth backdrop and solid EM corporate earnings are supporting balance sheets (net leverage: 1.1x for EM IG and 2.7x for EM HY) and keeping default rates historically low (1.1% YTD). In our view, this environment gives investors an opportunity to capture one of the most attractive yields across credit asset classes.

We believe EM is well positioned, given the greater economic diversification across the asset class: it has held up in a deteriorating geopolitical backdrop, but would also stand to benefit if the de-escalation narrative continues to build. Yet EM remains under-owned, with nearly \$80bn of cumulative outflows since 2022, reinforcing the optionality for flows to return. Further, technicals add to the fundamental and valuation appeal — EM sovereign issuance stands at \$133bn YTD (net: \$54bn), while EM corporates are at \$166bn YTD (net: \$9bn) — keeping net financing contained and supportive for spreads.

We focus on issuers that command strong domestic market share, maintain EBITDA margins above 15% — supporting consistently positive free cash flow — and exhibit stable to improving leverage profiles below 3x. These criteria identify opportunities across EM offering yields of 6–8%, underscoring the breadth of diversification available within EM fixed income. We favour credits from Turkey, Brazil,

Israel and Mexico, and prefer Financials, TMT, Utilities, Oil & Gas, and Metals & Mining.

Consider a \$10 million portfolio. With cash rates averaging 3.7% and EM fixed income yielding 6.0-7.0%, choosing EM credit over cash would generate over \$800,000 in additional income over 3 years, widening to over \$1.5 million over 5 years.

With the yield curve having re-steepened, we maintain our preference for the 5–10 year maturity range, with particular value in 7–10 year tenors. The recent move higher in global rates reinforces our conviction to lock in elevated yields.

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

EM Corporate BBs: Issuers that have stable to improving fundamental stories and that exhibit consistent positive free cash flow, providing flexibility to deal with macroeconomic uncertainty.

What we're watching: Corporate Hybrids and EM Corporate BB-s

Our view: YE '26: EMBI (spread): 245-295 bps by YE'2026; CEMBI (Spread): 175-225 bps by YE'2026, **MY '27:** EMBI (Spread): 245-295 bps by MY'2027; CEMBI (Spread): 175-225 bps by MY'2027

Asia Credit

Asia credit was broadly stable in May, Asia IG was largely a carry month +0.1% given its shorter duration of 4.62Y and spreads tightened 3bps, while Asia HY +0.7% this month benefited from a sharper 33bps spread move and continues to lead with +2.62% return YTD.

The key macro credit catalyst we are watching is the rise in JGB yields starting to bite, with Japan insurance companies reporting they have hit their ~50% impairment-loss threshold on Japan Government Bond holdings. While we remain comfortable in Japan lifers given diversified balance sheets and overall gains in the investment book, we need to monitor whether higher rates begin to pressure other interest-rate-sensitive sectors such as regional banks and real estate. We stay positive in Japan lifer hybrids given attractive yield of 5.5% in A- rated name.

From an earnings standpoint, the majority of Asia credits reported stable to strong results. This reinforced our view that the worst of Asia credits is behind us and we see upside from here. For Asia IG, we continue to expect spreads to stay rangebound, while Asia HY can continue to shine given an attractive headline yield of 7.91% and a default rate tracking to a five-year low of ~2.5% (zero default YTD). Improving trends in the Hong Kong residential outlook, strong Indian credit performance, and continued demand for Macau gaming names are likely to keep Asia HY resilient. In addition, increasing investor focus on emerging market debt should also support the segment, given Asia HY's pickup of almost 80bps over CEMBI HY. We are also calling out the opportunity in AUD fixed income as RBA rate hike is likely behind us and bonds offer attractive yield of 5.5-6%.

What we're watching:

- Japan Lifers: Attractive sector offering 5.5%+ yields in A-rated names, but monitoring JGB-driven impairment dynamics
- Asia HY: Default rate on track for five-year low at ~2.5%; attractive carry with a cleaner balance sheet
- AUD Fixed Income: See p

Our view: YE '26:

- Asia IG (Spread): 50–80bps by YE'2026
- Asia HY (Spread): 375–425bps by YE'2026

MY '27:

- Asia IG (Spread): 50–80bps by mid-2027
- Asia HY (Spread): 350–375bps by mid-2027

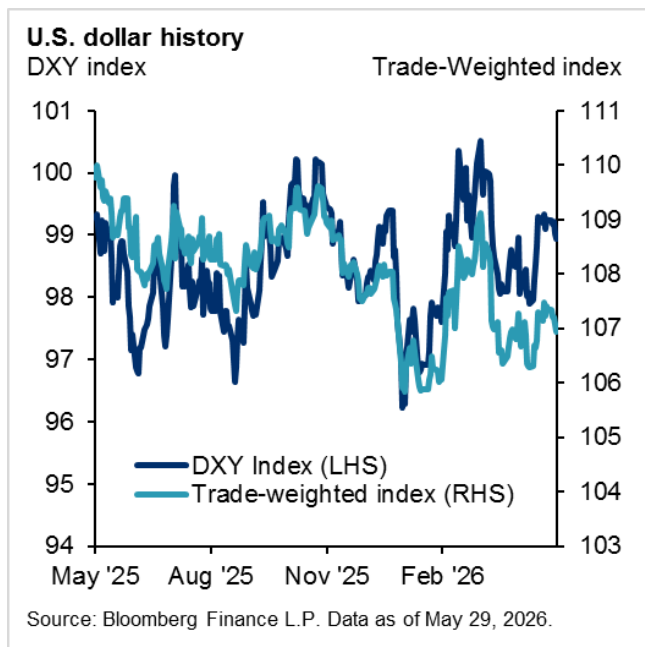
FX VIEWS

U.S. Dollar

The dollar appreciated slightly against most G10 currencies in May but was mixed vs EMFX. We see near-term risks still skewed toward modest further USD strength vs G10 currencies over the next 3–6 months, as the AI boom and the impact of the conflict in the Middle East support US growth differentials vs Europe and Japan even in our base case of a resolution of the current stand-off in the Middle East. Investors are also increasingly less concerned about Fed independence, which is boosting the dollar, and reducing the need to further raise FX-hedging of US exposures. This near-term view is still consistent with our expectation of USD depreciation in 2027 and a return to a volatile trend of pricing out US exceptionalism across asset classes, as the conflict impacts fade and the AI theme broadens further beyond the US or is increasingly priced in. Diversification away from excessive US concentration therefore remains a prudent investment principle for building balanced medium-term exposure. We watch several risks to these views. This year, the key risks to watch remain the evolution of the conflict in the Middle East (further escalation would support the dollar, while a faster normalization of global supply chains would weigh on it) and the pull element of US stock markets. Further out, the question remains whether the rest of the world can continue the process of relying on internal sources of growth and demand and thereby support the rebalancing of global capital flows away from the US.

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

Our view: YE '26: 99 (97-101), **MY '27:** 97 (95 - 99)



Euro

EURUSD has retraced part of its April gains amid broad USD strength and increasingly divergent macro signals. We see EURUSD risks as skewed to the downside into year-end 2026 and target 1.16, followed by a modest, gradual recovery into mid-2027. In the short term, the relative growth outlook, rates, and flows favour the USD. Eurozone activity is softening and remains exposed to elevated energy prices, raising the risk of terms-of-trade deterioration, weaker sentiment, and a stagflationary impulse. Rate differentials supported EURUSD as the conflict began but have since turned more USD-supportive; this is unlikely to change as the ECB is unlikely to validate the 2+ hikes markets have priced by year-end. Stronger US equity inflows and structurally higher carry reinforce these tailwinds, leaving the euro skewed to the downside if geopolitical stress remains elevated. Further out, we see scope for some recovery, not because near-term risks fully fade, but as USD tailwinds ease. The dollar's overvaluation should unwind gradually, and capital flows should begin to rebalance alongside firmer European growth momentum. We continue to view the euro as a key channel for prudent USD diversification and maintain our guideline of roughly 20% EUR-denominated assets in global allocations.

What we're watching: Energy dynamics, relative inflation and growth, rates differentials and monetary policy.

Our view: YE '26: 1.16 (1.14-1.18), **MY '27:** 1.20 (1.18 - 1.22)



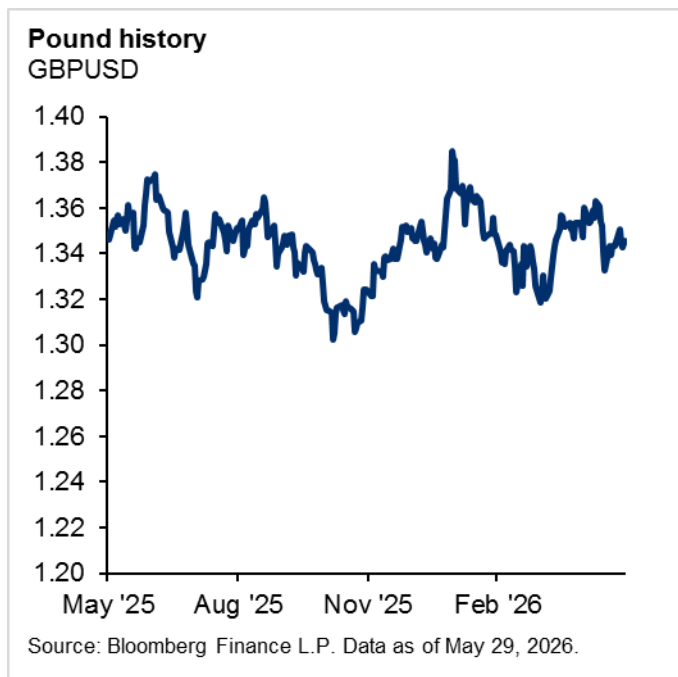
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British Pound

GBPUSD has given back some of its April gains over the past month, in line with the broader US dollar rebound, while EURGBP has remained rangebound. UK political noise affected sterling but quickly faded into the background. However, some political and fiscal risk premium is likely to remain embedded in UK asset pricing throughout the summer as uncertainty lingers. While some of the recent economic data have surprised to the upside, growth remains structurally subdued and below potential. The labour market has shown signs of slowing and core inflation is well above target – creating a stagflationary economic backdrop that complicates the Bank of England's (BoE) reaction function. We expect the BoE to deliver one rate hike this year and pivot towards easing in 2027. This should limit sterling's upside from a relative rates perspective as rate differentials with peers are set to narrow. The Middle East conflict has put strain on the UK's economy and contributed to the stagflationary backdrop. Should the conflict prove more prolonged, downside risks to sterling would increase.

What we're watching: UK political situation and fiscal outlook, energy prices, BoE trajectory, global risk sentiment.

Our view: YE '26: 1.32 (1.30-1.34), **MY '27:** 1.35 (1.33 - 1.37)



Swiss Franc

The Swiss franc has recently held broadly steady against other majors and remains caught between two competing forces: persistent safe-haven demand and its role as a funding currency for carry trades.

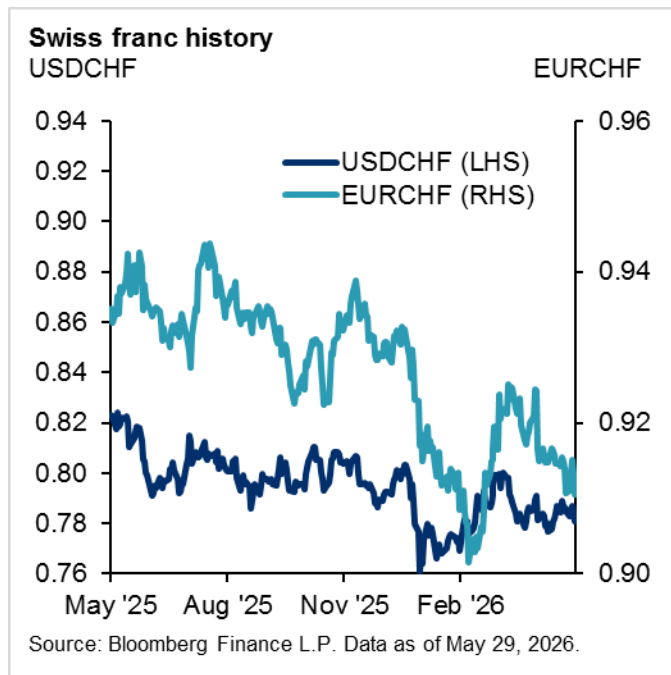
We expect the franc's defensive characteristics to remain intact, underpinned by Switzerland's strong fiscal position and robust balance-of-payments dynamics. These attributes provide valuable hedging properties in adverse geopolitical scenarios that have become increasingly frequent. Demand for alternative reserve assets, particularly as global investors seek to diversify, should also remain a structural support for CHF.

The flip side is that CHF remains among the lowest-yielding currencies globally, keeping it attractive as a funding leg to invest in higher-yielding currencies, particularly when global rate differentials are wide. Accordingly, while we forecast broadly flat spot paths for EURCHF and USDCHF, Swiss franc total returns can still lag when carry is accounted for.

Finally, the SNB has signalled readiness to intervene to prevent excessive franc strength, which should limit the potential for sharp appreciation, especially versus the euro.

What we're watching: European growth, broader risk sentiment, SNB intervention signals.

Our view: YE '26: USDCHF: 0.79 (0.77 - 0.81) EURCHF: 0.92 (0.90-0.94), **MY '27:** USDCHF: 0.77 (0.75 - 0.79) EURCHF: 0.92 (0.90-0.94)



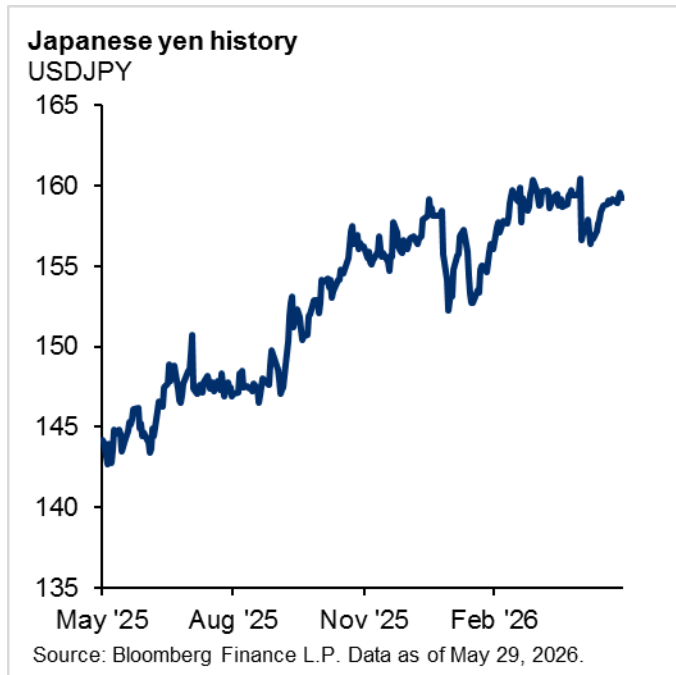
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Japanese Yen

After a series of sizable direct FX interventions that briefly pushed USDJPY down to the 156 level, the pair has drifted back into a tight range just below 160. Japan's heavy reliance on energy flows through the Strait of Hormuz leaves it particularly exposed to stagflationary pressures stemming from the Iran conflict. That said, authorities appear determined to defend the yen around the 160–162 “line in the sand,” though the credibility of this stance may be tested if a prolonged conflict triggers a more severe energy shock. We expect the BOJ to hike rates at the June meeting and see scope for a more hawkish path than currently priced (i.e., fewer than two hikes this year). Deeply negative real rates have begun to destabilize both government bond and FX markets. Fiscal risks are also coming into focus: the government’s costly energy subsidy programme since the start of the conflict, alongside other ambitious fiscal initiatives, is adding strain to public finances. Should elevated energy prices further weigh on growth, pressures on Japan’s fiscal position could intensify, thereby limiting USDJPY downside. More broadly, the yen is no longer functioning as a safe haven. Japan’s heightened vulnerability to energy shocks, alongside a structural decoupling between USDJPY and interest rate differentials, has weakened its traditional defensive characteristics.

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

Our view: YE '26: 158 (156 - 160), MY '27: 158 (156 - 160)

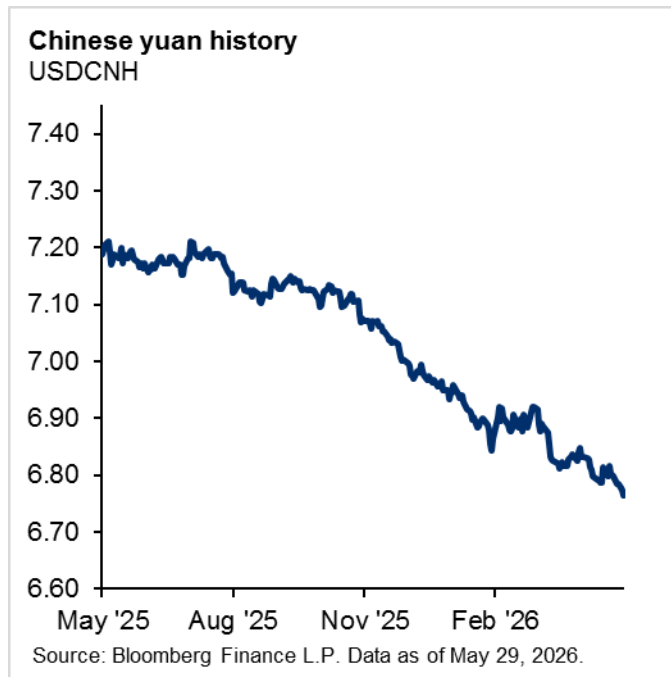


Chinese Yuan

We continue to see moderate appreciation of the Yuan despite the Iran conflict, supported by three factors. First, China is relatively insulated from energy-related shocks given its diversified import base and low reliance on oil and gas. Second, exporters’ FX conversion ratios could rise as USD hoarding enters its third year, while trade surpluses continue to accumulate at around USD 100bn per month. Third, we started to see greenshoots in domestic economy and some prospect of capital inflows. The Trump visit to China in May helped stabilize bilateral relations, and we think some yuan appreciation could help address the imbalances. CNH continues to offer low volatility and attractive funding costs, but its risk-reward profile is deteriorating as appreciation risks rise. Investors without a need to hedge China exposure may consider diversifying funding currencies or reducing FX mismatches in their liabilities.

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

Our view: YE '26: 6.70 (6.60 - 6.80), MY '27: 6.60 (6.50 - 6.70)



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G10 Commodity FX

The commodity bloc traded mix in May after a strong April. The medium term outlook remains constructive given terms of trade support from higher commodity prices.

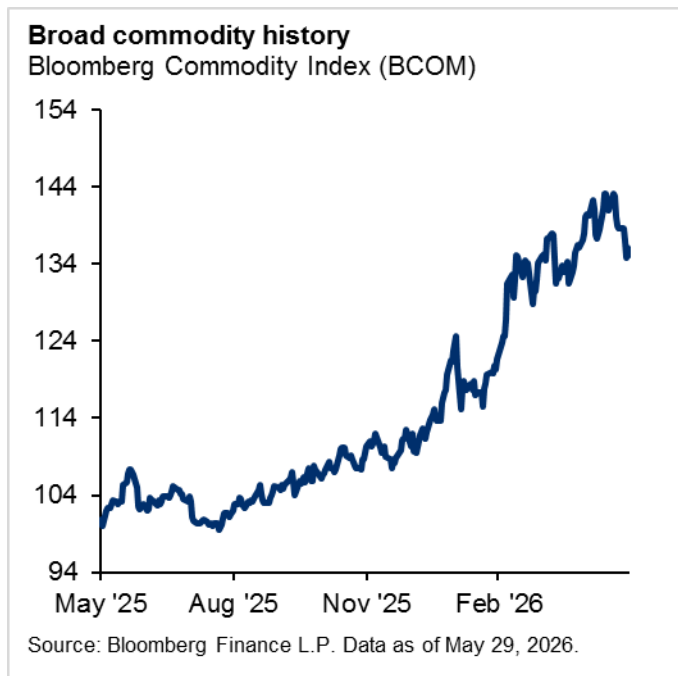
CAD: Neutral. CAD underperformed recently as concerns linger on soft domestic growth outlook, low carry, and forward looking risks around USMCA negotiations.

AUD: Neutral from current levels. Remain supported on healthy carry and terms of trade improvement, though idiosyncratic strength may fade as RBA appears largely done with rate hikes. Remain attractive as a destination of USD diversification.

NZD: Bullish from current levels. NZD has underperformed on weak domestic conditions, but has room to catch up as RBNZ pivots towards tightening.

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

Our view: YE '26: CAD*: 1.39 (1.37-1.41) AUD: 0.70 (0.68-0.72) NZD*: 0.61 (0.59-0.63), **MY '27:** CAD*: 1.39 (1.37-1.41) AUD: 0.72 (0.70-0.74) NZD*: 0.61 (0.59-0.63)



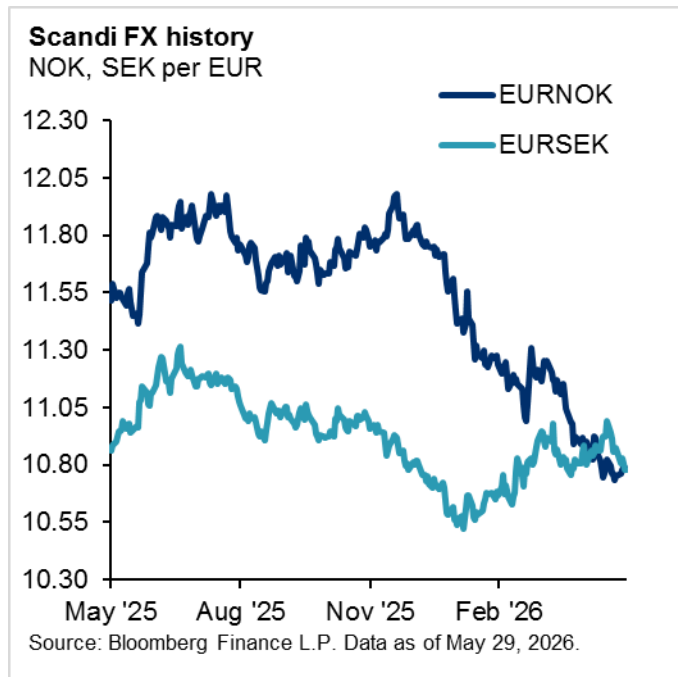
Scandi FX

The outbreak of the Middle East conflict materially shifted the relative outlook of Scandinavian currencies. While both the Norwegian and Swedish krone are highly correlated to the Eurozone economy via trade links, Norway is a major net exporter of oil and natural gas and benefited from the energy price shock from a terms-of-trade perspective. Sweden on the other hand is a net importer of energy (despite notable domestic hydro and nuclear electricity production), and its currency has thus traded more in line with the similarly exposed euro. Accordingly, the NOKSEK cross rate broke through the long-held resistance around 1.00 and has since been able to hold above that threshold.

Another source of support comes from rates differentials, which favour the Norwegian krone and reinforce the divergence when risk premia and energy prices are elevated. We hence do not expect the divergence to reverse anytime soon and look for NOKSEK to remain above the 1.00 mark.

What we're watching: European and domestic growth, commodity prices, rates differentials, global risk sentiment and FX volatility.

Our view: YE '26: EURNOK: 10.50 (10.30-10.70) EURSEK: 10.80 (10.60-11.00), **MY '27:** EURNOK: 10.50 (10.30-10.70) EURSEK: 10.80 (10.60-11.00)



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Emerging Market FX

We continue to expect increased divergence across the bloc over near-term, driven by differences in energy reliance and carry. Medium term bullish into 2027 with continued USD diversification.

Latam:BRL: Bullish. Higher oil prices support fiscal and current accounts and real rates remain highest in the region. **MXN:** Bullish. Energy price pressures have been contained, carry remains decent, and trade uncertainty eases with the USMCA review progressing

EMEA: We are neutral on this part of the complex. **ILS:** Bullish. Outlook turning more constructive on high gearing to AI/tech and defense sectors.

Asia: Resilience tested amid energy crunch. **INR:** Bearish given high exposure to energy shock. **TWD:** Neutral, as hedging positions dialed down on lifer hedging rule amendments. **KRW:** Bullish, strong current account surplus amid memory tailwind may ultimately support the won; as current weakness largely driven by institutional rebalancing. **SGD:** Neutral. Supported by safe-haven inflows and the MAS tightening shift, though carry disadvantage persists.

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

Our view: YE '26: BRL: 5.20 (5.00 – 5.40) MXN: 17.30 (17.10–17.50) ILS: 2.70 (2.60-2.80) INR: 96.60 (94.60-98.60) TWD: 31.40 (29.40–31.40) SGD: 1.25 (1.23–1.27), **MY '27:** BRL: 5.15 (4.95 – 5.35) MXN: 17.30 (17.10–17.50) ILS: 2.70 (2.60-2.80) INR: 97.00 (95.00-99.00) TWD: 31.40 (29.40–31.40) SGD: 1.25 (1.23–1.27)

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of May 29, 2026.

COMMODITY VIEWS

BCOM Index

May has been another volatile month for commodities, with the BCOM Index extending its rally amid the ongoing Iran conflict before giving back some gains into month-end on flickering hopes of a US–Iran deal. Petroleum and Energy continued to lead, with Brent oscillating in a wide \$96–\$126 range and holding above \$100 for much of the month as the Strait of Hormuz remained effectively closed and the EIA revised Middle East supply losses higher to ~10.8 mb/d. Shipping-linked dislocations remain acute, with VLCC rates from the Middle East to China still near \$390k/day after peaking above \$450k. Industrial Metals held firm on tight supply and resilient demand, while Precious Metals were mixed — bid on safe-haven flows during escalation episodes but fading as truce headlines emerged late in the month. Agriculture, Livestock and Softs posted modest further gains, with food-flow disruptions through the Gulf (notably Asian refined fuels and Indian basmati shipments) feeding through to softer EM food balances. Overall, price action remains consistent with a conflict-driven rally led by energy and bleeding into the rest of the complex, though the late-May pullback on tentative peace talks is a reminder of how headline-sensitive the tape has become. Even if a limited deal is struck, executives and the IEA caution it will take months for Middle East flows and inventories to normalize, supporting our higher year-end outlook on oil and, by extension, the index. What we're watching: progress (or breakdown) of the US–Iran limited memorandum and the reopening of the Strait of Hormuz.

What we're watching: The path of the Iran conflict.

Our view: YE '26: 133-136, MY '27: 133-136



Gold

Gold prices in May have been largely driven by moves in real yields, with Fed tightening concerns weighing on performance. While prices have managed to hold key technical support i.e. the 200-day moving average around \$4,400/oz, near-term upside remains capped by inflation fears linked to the protracted Iran conflict. A sustained rally likely requires stabilization in real yields. We remain bullish on gold over the medium term and expect its safe-haven characteristics to re-emerge as market narratives shift from inflation risks toward growth concerns. Our outlook into 2027 implies an attractive average 12-month return profile under the “new regime”, anchored by sustained central-bank purchases, albeit without meaningful tailwinds from rates, the USD, or a resurgence in retail participation. Our medium-term constructive view is unchanged, underpinned by reserve-manager demand, rising global fragmentation, and long-term debasement risks. A backdrop of stable U.S. rates and a less overvalued USD provides a broadly supportive macro environment for gold prices. Crucially, we do not view gold as a tactical trade, but as a strategic portfolio allocation with clear diversification benefits. Our analysis of asset-class returns over the past two decades suggests that a 5% allocation to gold in a balanced portfolio can effectively improve the overall Sharpe ratio, enhancing risk-adjusted returns.

What we're watching: The path of the Iran conflict.

Our view: YE '26: \$5500 - \$5800, MY '27: \$5700 - \$6000



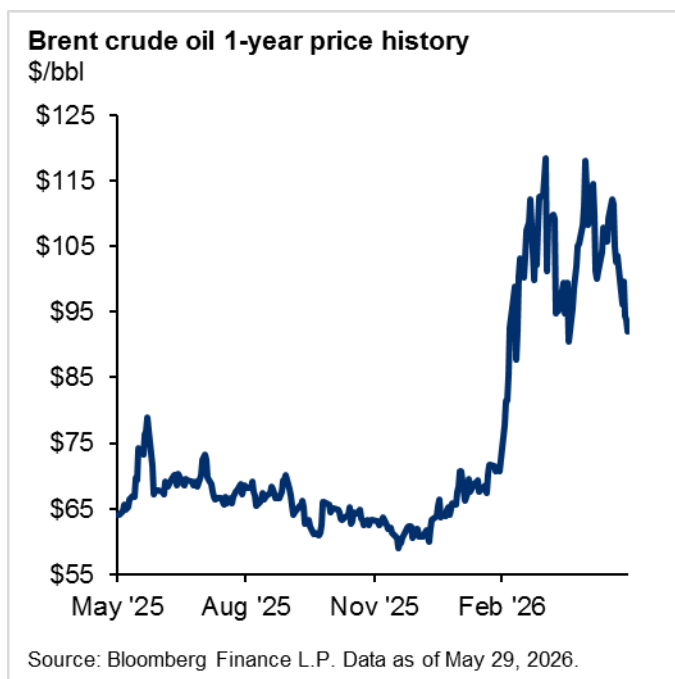
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Crude Oil

Crude oil prices have sighed a major sigh of relief and have declined in a volatile way throughout May. Brent spot prices are now back to \$90-95 per barrel, with year-end forward prices at \$85/bbl. The decline in prices reflects ongoing hopes and negotiations for a durable cessation of hostilities and an open Strait of Hormuz, amid several proclamations that such agreements were approaching. We continue to expect an agreement to lead to restore near-normal flow of products through the Strait and leave our forecasts for oil prices unchanged at a slight further decline. Meanwhile, actual traffic through the Strait remains heavily constrained. Physical markets are seeing continued declines in inventories of refined products, but there have not been major signs of product shortages. But failure to see meaningful traffic resume relatively soon would therefore risk another spike in oil and related products, as well as across asset markets, given the repricing that has taken place. But the recent repricing also points to risks of faster-than-expected normalization across these asset prices, should a re-opening of the Strait coincide with lower energy demand.

What we're watching: The Strait of Hormuz and demand destruction

Our view: YE '26: WTI: \$74-\$79 Brent: \$77-\$82

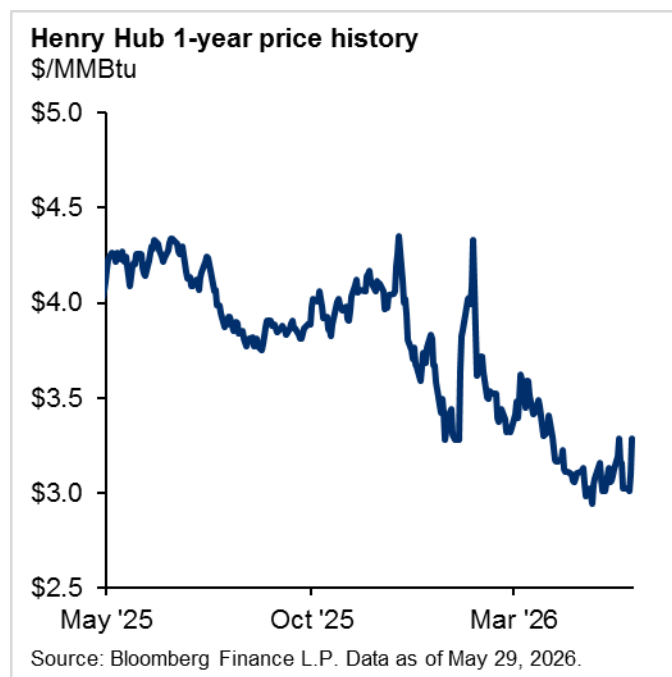


Natural Gas

Natural Gas in May remained volatile, but the regional picture flipped somewhat from April: US prices rallied sharply late in the month as hotter weather lifted power demand, lower production tightened balances, and the storage surplus narrowed. Henry Hub July futures settled at \$3.368/MMBtu on May 29, a 16-week high, leaving the contract up roughly 20% for the month after trading as low as the high-\$2s earlier in May; the move came despite softer LNG feedgas earlier in the month from spring maintenance at export plants. Europe remained more directly tied to geopolitics and LNG-route risk: Dutch TTF swung around US-Iran headlines and Strait of Hormuz disruptions, falling nearly 5% on peace-deal hopes before rebounding toward €47-48/MWh as deal momentum stalled and renewed strikes kept supply-risk premia in the market. The key topical issue is storage: European inventories remain well below seasonal norms, around 37-39% full versus roughly 47-50% a year ago and a five-year average near 50%, raising concerns about the pace of injections ahead of the fall and winter. Overall, May reinforced that natural gas remains a highly regional and headline-sensitive market: US prices are now being pulled higher by weather and power demand, while Europe remains exposed to LNG flow uncertainty, low storage, Asian competition for cargoes, and the fragile path of Middle East de-escalation.

What we're watching: The Iran conflict...

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



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Copper

Copper extended its rally in May but with a more volatile profile: LME 3-month copper pushed from early-month weakness near \$12,780/mt to a more than three-month high of \$14,196.50/mt by mid-month, before consolidating around the high-\$13,000s as profit-taking, a stronger dollar, softer China data, and fading momentum around US-Iran peace talks capped upside. The month looks set to finish with a second consecutive gain of roughly 5%, supported by persistent supply concerns — including Grasberg delays, Chile output downgrades, and Peru energy risks — as well as tight LME availability, where available copper stocks fell to a ten-week low. That said, the China inventory story has turned less supportive than last month: SHFE copper stocks have started to rebuild after a prolonged drawdown, suggesting high prices are beginning to ration spot demand. We remain constructive on copper's medium-term setup, with AI/data center demand, grid investment, electrification, defense and energy security spending still underpinning the structural case, but near-term price action may be choppy as the market digests softer Chinese spot signals and still-fragile Middle East de-escalation headlines.

What we're watching: Iran conflict and implications for global growth

Our view: YE '26: \$14,250 - \$14,750, MY '27: \$14,250 - \$14,750



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ALTERNATIVES VIEWS

Private Credit

AI disruption, portfolio markdowns, and elevated redemptions have led to concerns about private credit, but fears of a systemic crisis are overstated. At this point, aggregate fundamentals look stable, with stress concentrated by sector, borrower size, and manager rather than reflecting broad deterioration. Private credit has indeed grown quickly (~14% AUM CAGR over the past decade) but remains ~9% of total US corporate borrowing, and overall "risky credit" has been stable at ~20% of US GDP, suggesting a mix shift rather than a step-up in economy-wide risk. The investor base is ~80% institutional, which is generally longer-duration, limiting forced selling. What's more, a majority of private credit is in drawdown, closed-end vehicles. Bank linkages are also contained: loans to BDCs are ~12.5% of US bank lending, below concentrated exposures seen in past cycles (e.g., real estate at ~53% of bank lending ahead of the GFC). Non-traded BDC redemptions have been running at ~5% of NAV over the past couple of quarters (with some vehicles experiencing larger withdrawal requests), and 1Q26 net flows dipped negative for the first time since late 2022. This appears driven by a mix of sentiment and portfolio rebalancing rather than a reflection of fundamental deterioration. Importantly, defaults currently remain at or below historical averages (HY ~2.1%, leveraged loans ~3.2%, private credit ~2.5%). We expect elevated requests to persist over the next few quarters; of note, we believe queues and gating in evergreen funds are standard protective design features, not automatic distress signals. At the macro level, we expect resilient economic growth to continue supporting credit fundamentals. That said, stress is building among smaller borrowers and in sectors like autos and retail. Software is the key focus: direct lending has ~21% direct exposure (~40% including broader tech/services), the highest among credit markets. Stress is starting to show up—software leveraged loan spreads have widened ~240bps YTD to ~760bps, though broader index moves ex-software remain more muted. We view software stress as a 3 to 5 year sector reset rather than an imminent macro credit event, as disruption is likely to be prolonged and uneven. As a simple stress test, if software defaults hit 15% with 40% recovery, credit losses would be ~2% unlevered over time (~4% levered assuming one turn of portfolio leverage) on a ~9% starting yield, painful but contained. Of note, this excludes MTM moves or other portfolio nuances which could make stress more acute. Outside the US, European pressure looks more macro-driven (inflation/rates) than tech-specific. Structural differences including lower leverage, stronger equity cushions, tighter covenants, and

drawdown-dominated capital structures offer incremental downside protection and make Europe an attractive, less-trafficked opportunity relative to the US. On positioning, senior secured direct lending can still serve as an alternative source of income (mains a premium to public extended credit, though the premium compressed meaningfully from 2023 highs). We anticipate some modest widening in spreads (~25 to 50bps) and OID over the coming quarter, making selectivity increasingly important, but also posing potential upside for newly issued loans. Favor managers with diversified sector exposure, seniority in the capital structure, and larger borrowers (EBITDA above \$50M). As a sizing framework, we recommend private credit as 15% of a core private market allocation, and it is critical to ensure positioning is appropriately sized given several years of direct lending outperformance. "Credit complements" are increasingly important as yields normalize and pockets of stress emerge. Asset-backed finance offers lower correlation to corporate credit, diverse collateral pools, self-amortizing structures. There are also opportunities arising from Basel IV-driven bank retrenchment, particularly in Europe, though manager expertise is critical given the complexity of the asset class. Private credit secondaries are also a compelling addition, as LP stake transactions are a growing share of deal flow, unlocking high-quality portfolios at wider discounts with durable supply from 2015 to 2021 vintage funds facing deleveraging pressure.

What we're watching: Default and non-accrual trajectories, PIK usage, dividend coverage, AI disruption impact, yields vs. public markets, and whether redemptions shift from sentiment- to credit-driven.

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Private Infrastructure

Core infrastructure provides two key characteristics to investors: stable returns (supported by long-term, inflation-resilient, contractual cash flows) and less volatile exposure to multi-year trends (acceleration in demand for power, resilient infrastructure escalating to a matter of national security). We believe these characteristics are increasingly relevant today as investors look to create durable portfolios in a shifting macro environment (e.g., elevated rates and inflation - both levels and volatility - 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 — but selectivity matters:** 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 — further exacerbated by the expected retirement of 100–150GW of coal and nuclear plants in the near term — could create a power deficit by 2029, spurring significant investment across the power infrastructure value chain (generation, transmission, distribution, storage) and a resurgence in securing reliable sources of power (e.g., renewed focus on oil & gas in the US, select renewables in Europe). While we believe there is still room to go, the opportunity set is nuanced and entry price and risk management vary meaningfully by sub-sector. Transmission and grid remain the cleanest expression of the theme — decades of underinvestment have created a \$550bn+ capex opportunity that utility balance sheets cannot fund alone, offering long-duration, regulated cash flows. Midstream is well-positioned as natural gas demand grows and LNG exports rise. On the cautious side, gas generation valuations have risen on scarcity, nuclear faces long lead times and cost overruns, and speculative data center development without contracted tenants warrants discipline. Renewable energy, despite policy headwinds, remains viable for experienced managers underwriting without subsidy assumptions, with a preference for operating over development assets. Across the board, we recommend partnering with cycle-tested managers who can generate target returns within the initial contract life without relying on aggressive terminal value assumptions. **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. 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 incorporate guidelines on spending on creating resilient infrastructure (1.5% of a country's GDP). Within midstream specifically, a projected doubling of US natural gas supply over the next five years will require major new infrastructure after years of underinvestment, creating the potential for attractive returns for owners of critical midstream assets. **Building a holistic infrastructure allocation:** Importantly, power is only one part of a well-constructed infrastructure allocation. We believe real assets (including RE and infrastructure) should represent ~15% of a core private markets portfolio. Within infrastructure, while constructive on power, core exposures such as asset leasing — cargo/LNG ships, railcars, chassis — and industrial infrastructure are critical complements, providing the diversification, income reliability, and inflation resilience that make infrastructure a durable portfolio building block. Investors have historically had low allocations to the asset class — the JPM 2026 Private Bank Family Office Report found that 79% of family offices have 0% allocation to infrastructure. The gap between opportunity and allocation is wide. Bottom line, for private investors, core infrastructure presents a unique opportunity to access both consistent returns (backed by contractual, inflation-resilient cash flows) and multi-year secular trends (power demand growth, resilient infrastructure escalating to a matter of national security). The key is disciplined sub-sector selection and partnering with experienced managers who have navigated prior cycles.

What we're watching: Impact of geopolitical uncertainty on transport, impact of tariffs, signs of a cyclical slowdown, signs of overinvestment in datacenters, valuations in power infrastructure

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Private Real Estate

After a period of significant repricing, we believe U.S. commercial real estate is in the early stages of a recovery. Prices troughed in 2023 and have been recovering steadily since, with transaction volume projected to increase 16% year-over-year in 2026 and cap rates compressing across most property types. We believe real assets (real estate and infrastructure) should represent approximately 15% of a core private markets portfolio. Unlike the post-GFC recovery, which was amplified by cheap debt, performance at this point in the cycle will hinge on property fundamentals and asset management. A sustained recovery will likely be nuanced, and sector and market selection will be essential. **Demographic tailwinds are reshaping demand for housing.** Long-term structural forces are driving durable demand for rental housing across the U.S. Home ownership affordability remains stretched, supply deficits persist, and an aging population is accelerating demand for needs-based housing formats. Senior housing in particular is benefiting from rising occupancy, healthy rent growth, and muted new supply, and is forecasted to generate the highest NOI growth of any property sector over the next three years. These are not cyclical trends — they are decade-long shifts that we expect to underpin resilient, inflation-linked income for investors. **Supply discipline is creating a recovery in fundamentals.** Across most sectors, new construction has slowed materially. Industrial starts are down approximately 60% from 2022 highs, and residential construction remains constrained by cost pressures and policy uncertainty. This supply discipline, combined with resilient occupancy and rent growth, is setting the stage for a meaningful improvement in net operating income. Retail was the strongest performing sector in 2025, led by grocery-anchored formats resilient to e-commerce competition. Industrial vacancies, which likely peaked in 2025, are expected to recover toward 95% occupancy by 2027, after which we expect inflation-plus rent growth. Across sectors, Class A assets in well-located markets are leading the recovery and are expected to see the greatest cap rate compression going forward. **The maturity wall is generating attractive entry points in real estate credit.** 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 have materially reduced their CRE lending activity, creating a durable and growing capital gap. Private lenders are stepping in, offering structured strategies with equity-like returns and debt-like downside protection. With commercial real estate debt origination already recovering — up 43% year-over-year as of Q4 2025 — the opportunity set is expanding, particularly

in well-collateralized sectors where fundamentals remain strong. **Beyond the U.S., European real estate is presenting complementary opportunities.** Industrial sectors are seeing robust prime rent growth, supported by tight supply and large-scale fiscal stimulus and defense infrastructure investment. Multifamily is expected to continue to have strong demand and rental performance, with almost all major markets experiencing rising rents, coupled with residential construction starts falling sharply. **Bottom line, real estate is undergoing a selective, fundamentals-driven reinvention.** The conditions for a sustained recovery are increasingly in place — improving income growth, rising transaction volumes, and a capital gap that is creating attractive entry points across both equity and credit. Investors who are selective about sectors, geographies, and asset quality are well-positioned to capture the next leg of returns.

What we're watching: datacenter and industrial valuations, signs of a macro slowdown, impact of tariffs on input costs, signals of impact of immigration policy on labor and therefore supply

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Private Equity

Private equity has been tested — the median buyout manager underperformed public markets over the past three years, driven in part by the AI-fueled rally in hyperscalers, which supported ~20% annualized returns in global public equities. While we believe concerns that PE has lost its way are overstated, the industry is clearly stratifying, and peak purchase price multiples remain the single largest factor affecting recent vintage performance. Looking forward, we believe PE can still provide investors the potential for outperformance versus public markets and a source of differentiated returns.

PE continues to offer differentiated exposure. Public equity markets are increasingly driven by a single theme — tech now represents 34% of the S&P 500 — creating meaningful single-factor risk in traditional portfolios. Core PE provides genuine sector diversification (we are constructive on sectors like industrials, financial services) - of note, with industrials-focused buyout companies have averaged >20% annualized returns over the past five years. Additionally, for the first time, companies are also staying private for longer and larger at a time of accelerating technological innovation, leading to a meaningful amount of value creation occurring pre-IPO. Buyout has averaged ~11.5% annual EBITDA growth over the past decade, meaningfully outpacing public markets. The median tech IPO is now 12 years old versus 8 years in the Dot-Com era. Moving forward, we believe operational improvements will be a primary driver of returns, replacing multiple expansion, and AI may have handed business owners a golden ticket to do just that.

AI disruption. AI presents both opportunity and risk across PE. VC/Growth funds are backing disruptors in a potential \$6T "services as software" market by decade's end—AI companies like OpenAI and Anthropic added more net new ARR in 2025 than the rest of public software combined. For buyout, firms integrating AI into operations can strengthen operational value creation. However, 2020–2022 SaaS investments underwritten on peak multiples face risk as AI disrupts legacy models—companies with embedded AI may compound, while those defending labor-scaled models face obsolescence.

Non-U.S. PE opportunities are expanding. European buyout funds have outperformed U.S. peers, underpinned by regional fragmentation, less fund competition, and secular exposure — approximately 30% of European PE deal activity in 2024 was in tech and telecom, versus only ~10% of MSCI Europe. In Asia, India and Japan are quickly rising, making up 35% of APAC deal volume, driven by

India's accelerating growth and Japan's corporate governance reform and carve-out opportunity.

VC/Growth is working, but it's getting narrower. Approximately 90% of U.S. VC deal value in Q1 2026 went to AI, and the trade remains fundamentally strong at the category-leader level. Capital is concentrating at the GP level, where the top five firms captured 73% of venture capital raised in Q1 2026, and at the company level (~70% of Q126 deal value is concentrated in the top 5 names). Defense tech is emerging as a compelling complement, with 2025 a record year for defense tech VC deal value at nearly \$50B. However, risk-on signals are intensifying — subscale companies are being priced at high multiples and the time between rounds is shortening, in ways reminiscent of 2021.

Deal activity is building momentum. Exit paths are broadening beyond traditional IPOs and strategic sales, with GP-led secondaries growing and continuation vehicles now accounting for nearly 20% of global PE exits. The potential 2026 IPO pipeline is unprecedented — anticipated listings from OpenAI, Anthropic and the likes could represent the three largest U.S.-listed IPOs in history. While distributions will likely accrue unevenly across managers, should valuations hold, this could provide a meaningful boost to overall exit sentiment.

In conclusion, PE and VC/Growth remain compelling components of a core private markets allocation (core PE ~50%, and VC/Growth ~30%), but the environment demands selectivity; manager selection has never been more important to return generation. Within PE, we favor a diversified approach across sector (balancing tech with industrials/financial services), size (mid-market and large buyout), and geography (US, Europe, India, Japan). Within VC, we are constructive on managers aligned to secular themes with long-term tailwinds, such as applied AI and security. Across both, secondaries deserve a dedicated allocation: they mitigate the J-curve effect, provide visibility into underlying assets — reducing blind pool risk — and offer diversification across vintage year and manager.

What we're watching: AI disruption potential, capital market activity (dealmaking, exit activity, dry powder, fundraising levels), valuations

Hedge Funds

Hedge funds delivered a strong 2025 — 5 out of 8 industry categories outperformed the Bloomberg Global Agg, gross inflows rose 16% year-over-year, and redemptions fell 24%, making 2025 the first year of industry-wide net inflows in several years. We believe hedge funds can serve as a critical diversifier and are increasingly necessary in today's market environment in which stock-bond correlations have been volatile.

The macro backdrop is supportive. The environment for hedge funds is shaped by three key drivers: volatility, dispersion, and risk-free rates. Elevated volatility creates trading opportunities for statistical arbitrage and multi-strategy managers. High dispersion — currently in the 93rd percentile of its 10-year history — enhances alpha opportunities for fundamental stock-pickers. Risk-free rates remain elevated, providing a tailwind through cash balances and short-interest rebates. Taken together, the current environment is well-suited for a broad range of hedge fund strategies.

March was a stress test — and a proof of concept. The outbreak of the U.S./Iran conflict sent shockwaves across every major asset class. Global equities had their worst monthly performance in years — MSCI World fell 6.2%, with European, Asian, and Emerging Markets hit even harder (STOXX 600 -10.3%, TOPIX -13.2%, MSCI EM -12.4%). Oil prices spiked sharply — Brent rose over 63% and WTI over 51% in March — as bonds sold off and inflation expectations surged, with the VIX spiking above 30. In short: equities down, bonds down, volatility up — exactly the kind of environment where less correlated return streams matter most. A portion of the hedge fund universe held its ground. Quantitative equity strategies were the standout, with systematic, data-driven approaches delivering across both traditional factor-based models and machine learning. Equity statistical arbitrage did exactly what it is designed to do — trade small pricing inefficiencies between related stocks regardless of the macro backdrop. Volatility trading strategies benefited directly from the spike in market volatility, and energy-positioned managers were rewarded as commodity exposure proved timely. Not everything escaped unscathed — discretionary macro was hit hardest, longer-horizon CTAs lacked the runway to adapt to a sudden geopolitical shock, and multi-strategy managers faced losses concentrated in fixed income and macro exposure.

History supports the thesis. Hedge funds have historically provided solid diversification benefits, with positive correlations to inflation and the ability to generate alpha in volatile markets. Adding a 10% allocation to a top-

decile hedge fund manager to a 60/40 portfolio improves the Sharpe ratio from 0.48 to 0.6 and boosts return expectations from 6.5% to 8%, thanks to a smoother ride through lower drawdowns. It is worth noting that these figures reflect top-decile manager outcomes and are not representative of the broader hedge fund industry — who you invest with is the single most important variable in determining outcomes.

Where we have conviction. Within hedge funds, we are most constructive on strategies well-positioned for the current environment: relative value and macro (e.g. statistical arbitrage, discretionary macro) as well as merger arbitrage (supported by an improving dealmaking environment). High dispersion — currently in the 93rd percentile of its 10-year history — enhances alpha opportunities for stock-pickers and relative value managers, while elevated volatility creates additional trading opportunities across systematic strategies. On the dealmaking side, 2025 was the second-largest year for North American M&A by deal value in the past decade, and the pipeline heading into 2H26 remains constructive for merger arbitrage.

What we're watching: signs of deleveraging and crowding; alpha generation drivers

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VOLATILITY VIEWS

Equity Vol

May's rally pushed the S&P 500 to new highs despite unresolved Middle East tensions and lingering AI capex sustainability concerns. The underlying tape remained narrow: leadership tied to AI-linked Tech, Semis, and Memory; breadth constrained; correlations low. That combination kept index volatility contained, even as dispersion—single stock movement relative to the index—re-accelerated from March lows. The gap between single-name and index vol has widened substantially, relevant to watch vs relying solely on VIX as the primary gauge of risk.

Earnings reinforced the tech bull narrative and alleviated doubts. AI-related names continue to do the heavy lifting for broad index returns, with the leaderboard staying concentrated. Equity supply is expected to pick up over the coming months from an active capital markets backdrop. Into the summer, this mix argues for being thoughtful about exposures and staying invested through volatility—especially if the same pockets keep driving index performance.

Our view: Ongoing evaluation of structured note implementation may help investors stay invested, overlay put-writing strategies for incremental yield, and look for opportunities to add hedge overlays on concentrated winners

What we're watching: Concentrated market leadership, spread between single name and index volatility, blockbuster IPOs

Macro Vol

May was punctuated by rates. Longer-dated Treasury yields pushed back toward the upper end of their multi-year range, and rates volatility picked up as the market tested those levels. Yields have since backed off, and vol with it, but the underlying message is the same: it's an anxious bond market. "Higher for longer" remains the base case, with markets pricing a meaningful chance of a hike by year-end. With the Fed boxed in, rates look range-bound near term but carry upside risk if term premium continues to expand. Oil remains the market's preferred vehicle for expressing geopolitical risk. Continued ceasefire talks have allowed prices to fade from more extreme levels, and vol has come in alongside—but the market stays headline-reactive. Thin liquidity in crude futures means moves tend to gap rather

than grind, and any escalation would likely show up in oil vol first. Credit spreads meanwhile have continued to tighten and vol has trended lower; payers could become a potentially interesting macro hedging vehicle. Worth watching: if bond volatility re-accelerates, it could spill into equities—particularly higher-momentum pockets of the market.

What we're watching: Higher for longer oil price impact on inflation data, Fed rhetoric with new incoming Chair

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	15.18	1.34		17.42	0.71	
EURO STOXX 50 Index	15.07	0.98		16.61	0.98	
Tokyo SE (TOPIX) Index	17.57	-0.43		18.10	0.27	
Rates - SOFR Swaptions ATM Strike Implied Volatility (BP, Annualized)						
1Y	74.29	-5.91		109.41	7.33	
5Y	101.93	4.14		106.10	6.56	
10Y	96.11	6.08		100.60	5.85	
Commodities - ATM Strike Implied Volatility						
Oil (Brent)	31.30	-2.70		27.18	-0.97	
Gold	18.54	3.56		17.34	1.34	
Currencies - ATM Strike Implied Volatility						
EUR/USD	8.60	0.00		7.74	-0.16	
USD/JPY	12.00	1.28		10.53	0.28	
USD/CNH	4.19	0.53		5.68	0.53	

1) Source: J.P. Morgan. Data as of May 29, 2026

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

THIS DOCUMENT

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

OUR MISSION

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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

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

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

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

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

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

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

KEY RISKS

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

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