



THE

Global Investment Strategy View

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

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KEY TAKEAWAYS

The title of our 2026 Outlook, Promise and Pressure, seems particularly prescient given how markets are reacting to trends in artificial intelligence (AI). If 2025 was all about the promise of AI, 2026 has markets assessing the pressure of rapid technological advancement at both a macro level and within industries seen as most at risk of disruption.

This month, we examine the bull and bear sides of the debate. We explore whether AI could ultimately prove to be an enhancer or a disruptor of labor markets. While worst-case scenarios continue to dominate the headlines, we believe that, as in previous periods of technological disruption, economies and labor markets will prove adaptable.

Nowhere has the risk of disruption been more evident than in the software sector, which is down about 30 percent since its recent peak. This month, we examine the potential range of outcomes for the software sector. Ultimately, we believe the software story will be one of dispersion rather than destruction. Rather than calling a bottom in the space, we prefer to be selective and focus on companies. We also see attractive opportunities in heavy-asset low-obsolescence (HALO) global champions, and continue to favor technology companies, preferring hardware over software. Software shockwaves have also hit credit markets, and investors are questioning whether AI fallout could create contagion, particularly within private credit. We see a low risk of systemic spillover. We use the disruption of traditional retailers by e-commerce as a historical point of reference and conclude that investors should prepare for sector-specific distress and greater market dispersion, rather than systemic contagion.

Geopolitical tensions are spiking. The escalation with Iran reinforces the trend of increasing global fragmentation. While geopolitical tensions rarely drive lasting market impact, we are keeping a close eye on tensions, especially given the near-term upside risks to energy prices. Despite geopolitical and AI-related anxiety among some investors, we maintain a constructive view on markets. Earnings growth continues to deliver, with strong fourth-quarter results lifting our earnings expectations for 2026. We increase our base-case S&P 500 outlook to 7,400–7,600 by year's end. Non-U.S. equity momentum has continued into the new year, and emerging markets remain our top call outside the U.S.

As the promise and the pressure of artificial intelligence create a battle of sentiment between the bulls and the bears, our message remains the same: Get invested, stay diversified and prepare to take advantage of periods of volatility.

Three opportunities in focus:

1. Explore tactical opportunities in strategic industries: The shift from globalization to fragmentation has led countries to reprioritize domestic resilience. Consider opportunities in European Industrials, including security and defense, U.S. industrials and Chinese technology.
2. Assess opportunities in emerging markets: We see compelling opportunities in global equity markets and value the diversification benefits of non-U.S. exposure. Our preferred region outside of the U.S. are the emerging markets, where strong demand for tech exports has caused a sharp upgrade in earnings expectations.
3. Consider allocating and maintaining gold exposure: Gold has recovered from a late-January sell-off; we are constructive and see scope for further upside toward our year-end scenario range of \$6,000–\$6,300. The escalation of tensions in Iran reminds us that geopolitical uncertainty remains elevated, driving demand from individual and institutional investors alike.

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

THIS DOCUMENT

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OUR MISSION

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

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THE GIS SNAPSHOT

A summary of high conviction views

March 2026



Note: MoM = Month over month

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

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GEOPOLITICAL CATALYSTS AT THE FOREFRONT

Conflict in Iran: how severe and how long?

The US and Israel began a military campaign against Iran over the weekend leading to the death of Iran's Supreme Leader Ali Khamenei. Iran responded with strikes on US bases in Iraq, Kuwait, Bahrain, Qatar and UAE; Israel and Saudi Arabia, sparking further retaliation and risks of a spiraling regional conflict. While the duration and trajectory are unknowable, investors must still assess potential effects on global growth, energy markets, and risk assets.

Conflict paths: containment vs escalation

The 2025 'Operation Midnight Hammer' was a narrow strike on three nuclear sites; Iran's response was limited, oil briefly rose 4–5% before retracing, Hormuz stayed open, and tensions eased within days. The current campaign appears broader, targeting political and military leadership, with a larger Iranian response. We outline the drivers that could keep the conflict contained and the triggers that could push it into a broader escalation:

- **Reasons for containment:** Iran's economy is in dire straits with rampant inflation and shortages of essentials. Its military capabilities are severely degraded, and weakened regional proxies leave Tehran ill-equipped for prolonged conflict. Iran's missile strikes may be largely theatrical—as in April 2024, October 2024, and June 2025. Regional powers want swift resolution to avoid becoming battlegrounds. US political considerations loom large: households fixated on inflation make oil price shocks politically problematic.
- **Reasons for escalation:** Iran's leadership is directly targeted, with the White House openly advocating regime change. If Tehran believes its demise is inevitable, especially if senior or religious leaders are killed, calibration may be abandoned entirely. Unintended consequences loom: successful Iranian strikes causing US casualties would intensify escalation pressure. Attacks on Saudi infrastructure or Hormuz closure could trigger self-reinforcing dynamics difficult to contain.

The key risk: Attacks on energy infrastructure

While Iran supplies a notable 3% of global oil, the real strategic risk centers on regional energy infrastructure, especially the Strait of Hormuz, a chokepoint for roughly 20-30% of the world's oil and liquified natural gas (LNG)

trade. With Iran's conventional retaliatory options largely degraded, a cornered Iran could pivot to target energy facilities and other key economic assets to force Washington to stand down. Even if Iran cannot completely close the Strait for an extended period, they likely retain the ability to target tankers in the Strait of Hormuz or mine the critical waterway.

How does this impact the economy? Will this time be different?

First, it's important to note the U.S. economy is large, it's rare for a single event to drive the cycle off course. Indeed we'd argue AI is more consequential (more on this below). What matters are the tail risks - if Brent spikes to \$85/bbl for a few days before settling below \$75/bbl within a week, the economic impact is minimal. A price spike to \$100/bbl or higher amid Hormuz disruption is more consequential. Every \$10/bbl *sustained* rise in oil prices can knock off 10-20bp of growth over the next 12 months. If oil were to rise above \$100/bbl and *stay there*, the economic impact would be measurable.

Recent history offers some comfort, prices failed to sustain rallies through 2024-2025 Middle East tensions. History shows that uncertainty creates more premium than conflict, the Gulf War saw oil double beforehand but plunge when fighting began. Recent episodes (2019 Abqaiq, 2024-2025 strikes) saw spikes swiftly reverse. Markets have grown accustomed to the geopolitical playbook: shock, spike, de-escalation, buying the dip.

Tying it together: what is our view?

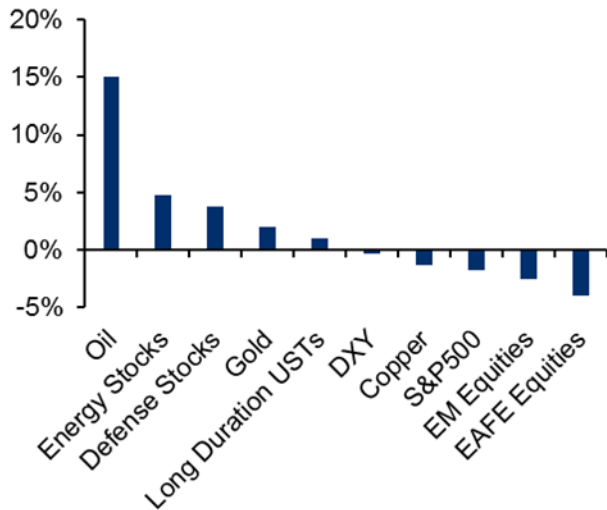
First, this highlights the importance of gold and geopolitical hedges in a portfolio: alternatives like hedge funds, volatility-aware strategies like structured notes, or investing alongside strategically important sectors all help make a portfolio more resistant to geopolitical shocks. These worked during last year's 12-day military operation (Figure below) and could benefit again as tensions escalate. Additionally, national security oriented investment funds (which we've long advocated for in the GIS View) are materially outperforming year-to-date (+15% vs +1% for the S&P 500).

Second, the risk is always that this time is different and markets underprice a scenario where escalation spirals into a macro event, causing a wider pullback. Given the scope of this attack, the "tails" are real risks, what comes next is a guess. It could be like 1979 and a sudden downfall, or it could be a much more protracted, uncertain conflict like we've seen in Libya for the last 15 years. Given this uncertainty, patience could be prudent.

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Traditional hedges to geopolitical concerns held up during 12-day war

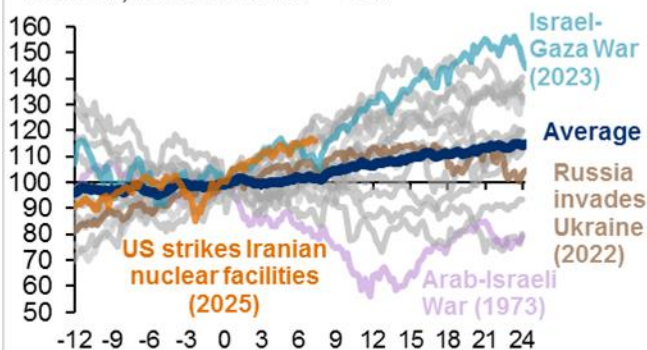
Intraday max change from June 10-20, %



Source: Bloomberg Finance L.P. Data as of June 20, 2025.

Geopolitical impact on markets fades fast

S&P 500 index around military invasions and conflicts, invasion month = 0



Number of months before and after conflict started

Source: J.P. Morgan Asset Management - Eye on the Market (July 2014 edition), Bloomberg Finance L.P. Data is as of January 2026. Events include: Korean War (1950), Soviets into Hungary (1956), Six-Day War (1967), Soviets into Afghanistan (1979), Martial Law in Poland (1981), Falklands War (1982), US invades Grenada (1983), US invades Kuwait (1991), Serbians into Kosovo (1998) US invades Iraq (2003), N. Korea sinks S. Korean Navy vessel (2010), Fall of Mosul to ISIS (2014), Russia invades Ukraine (2022), US bombs Iran (2025).

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THE VIEW

The economic debate on AI - Is AI labor disrupting or enhancing?

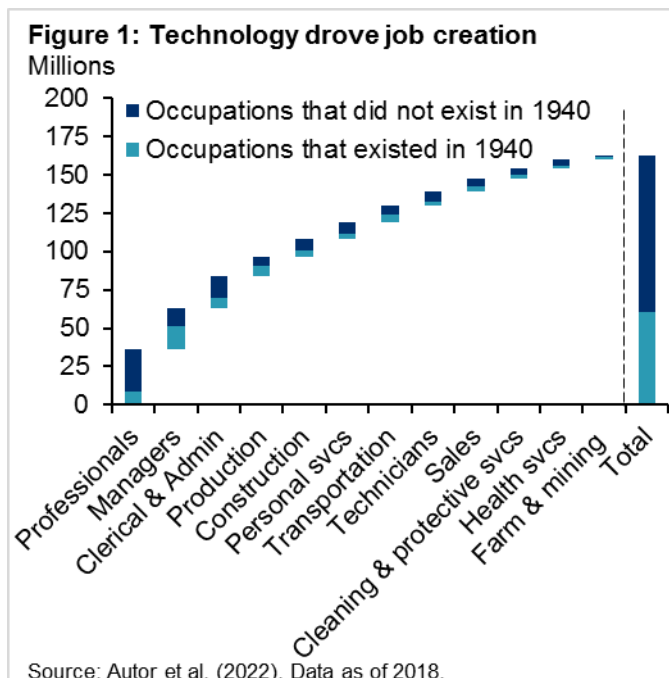
The debate around AI has become messy. AI bulls are expecting AI to be so impactful, it's actually *bearish* for the economy - a large disinflationary shock to markets driven by a fall in the value of intelligence and a corresponding widespread white collar layoff cycle. More traditional Bulls are anticipating technological progress to stimulate demand, and AI will enhance productivity rather than wholesale replace labor. There are also still outright bears worried about excess data center capacity and future profitability. This month we're digging into the first argument, the AI bull/economy bear view:

The argument for this time being different has two main axioms: 1) The speed of AI disruption is faster than any previous innovation cycle and 2) The scope of job automation from AI does not leave labor many areas to reskill towards. Here's how we are assessing the economic outlook as it relates to AI:

- 1) Historical precedence.** ~60% of U.S. employment in 2018 was in jobs that did not exist in the 1940s and those new jobs contributed to ~85% of the job growth over that time, which on net added an additional 130 million U.S. jobs (Figure 1).
- 2) Could the speed of AI be different? Yes.** We expect AI's impact on productivity to be quicker than any previous innovation cycle, occurring towards the end of the decade, given its software is built upon existing infrastructure with lower barriers to adoption (Figure 2). However, the end of decade is different from a productivity surge occurring in the next 1-2 years.¹ So far, the U.S. census estimates currently 18.2% of businesses have adopted AI since November 2023, meaning the current pace of AI adoption still points to the end of the decade before we reach 50% adoption, which is typically associated with peak macro productivity impact from a new technological breakthrough.
- 3) Could the impact on employment be different? We think not.** While some estimates point to 25% of U.S. employment being at risk to partial AI automation, there is large variance between industries, providing opportunity to re-skill (Figure 3). Additionally, while we are seeing incrementally lower job growth in AI exposed

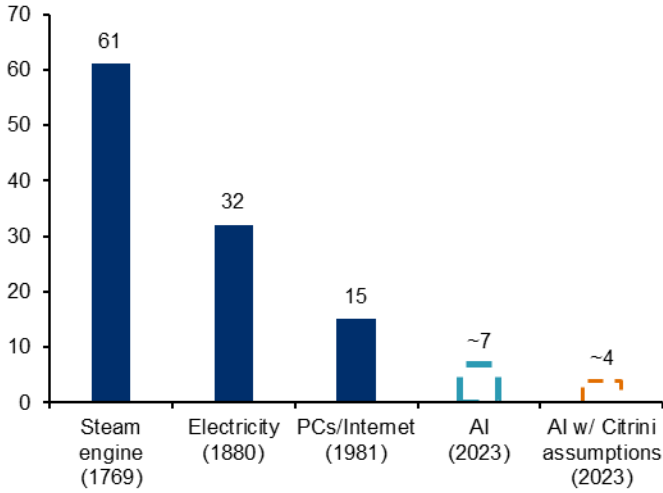
industries (Figure 4), those industries only account for ~4% of U.S. employment and we are seeing a rise in the share of job postings for roles that involve working with AI (Figure 5). Additionally, labor force participation rates both for the U.S. overall and particularly for young workers (20-24 years old) deemed the most at risk to AI have remained stable over the last 3 years. Finally, the barriers to creating a business should reduce with AI, potentially allowing more individuals to become an owner of capital rather than the receiver of labor income. We are seeing tentative signs of a rise in new business formation in the U.S. year-to-date.

Bottom line: Despite the AI noise, our expectations for the U.S. economy in 2026 remain unchanged, expecting trend-like growth in the United States. We are cognizant that the risks around AI are rising but remain two-sided. We continue to believe this economic backdrop is supportive of risk assets, despite the extreme sector and factor rotations occurring underneath the broad market indexes.



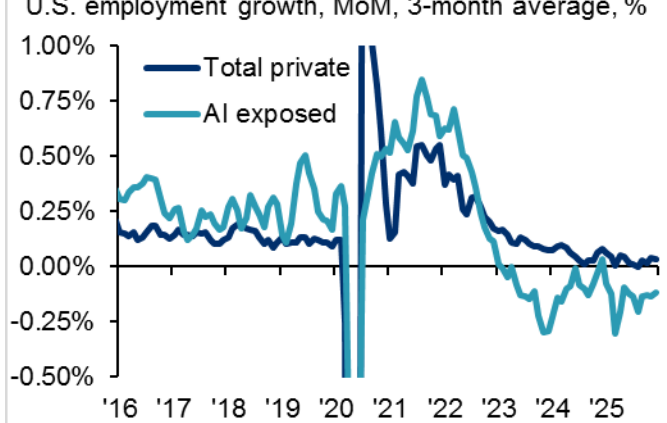
¹ Source: Citrini Research. "The 2026 global intelligence crisis. Published Feb 22, 2026.

Figure 2: The rapid pace of AI's impact
Years from innovation to productivity growth



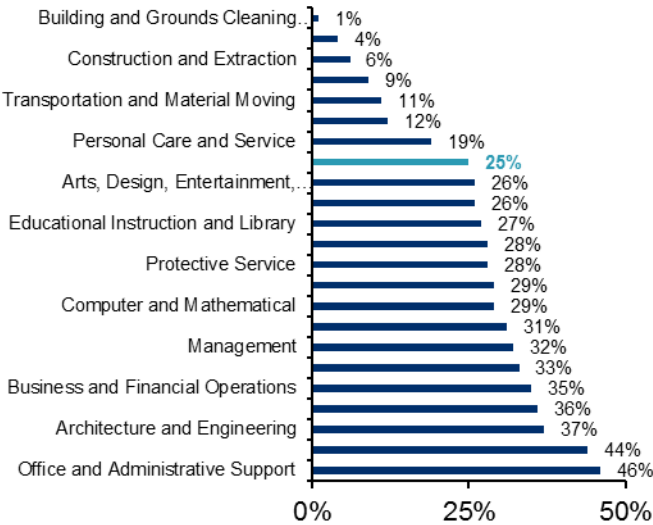
Source: Citrini Research; U.S. Census Bureau; J.P.Morgan. Data as of February 28, 2026.

Figure 4: AI employment impact in select industries
U.S. employment growth, MoM, 3-month average, %



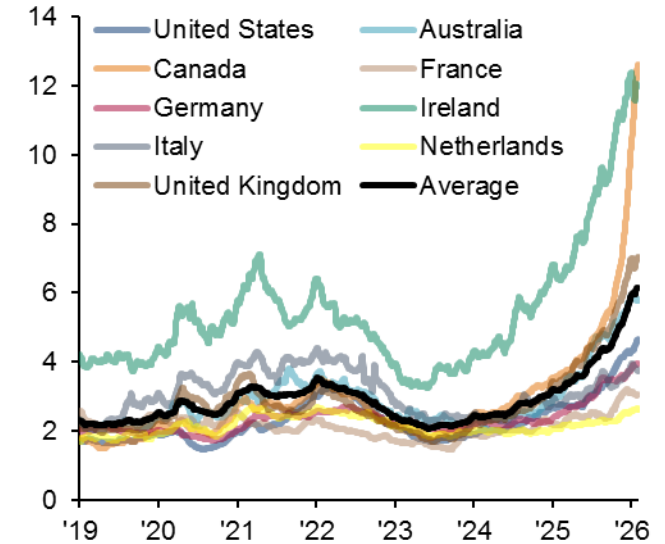
Note: AI exposed industries: Web search; Computer infra; Software publishers; Graphic design services; marketing consulting services; telephone call centers; office admin services; Computer system design and related. Source: BLS; Haver Analytics. Data as of December 31, 2025.

Figure 3: U.S. employment exposed to AI automation
Share of industry, %



Source: GS. February 2026.

Figure 5: AI job creation
Share of job postings related to AI, %



Source: Indeed. Data as of January 31, 2025.

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The market debate on AI – software destruction or overdone sell-off?

Since October the software industry is down ~30% from its peak, reducing its weight in global equities to ~5% from ~8%; semiconductors are up close to 10% over the same period (Figure 6).

The underperformance accelerated early this year after Anthropic's release of new Claude AI agents[1], which fueled concerns around disruption to traditional software as a service (SaaS) models. We believe there are three end games to the current sell-off:

1. The software sell-off is overblown and investors are exaggerating AI's impact and software will emerge largely unscathed.
2. AI will be deeply transformative. AI capex will continue to flow into the investment landscape bolstering components and infrastructure such as semiconductors and power assets. Meanwhile, software (or intelligence oriented) companies remain in the crosshairs for many quarters or possibly years.
3. AI will be disruptive, but the winners remain unclear and investors will put a premium on scarce assets less correlated to AI spend and disruption. This likely benefits heavy industrial, emerging market and fixed income assets that are less susceptible to AI risk.

We believe the equity market is well supported overall but see scenarios 2 and 3 as the most likely end games, while maintaining selectivity in software. Here's our playbook going forward:

- **Fundamentals remain attractive.** We are in a positive earnings revision cycle led by the "Mag 7"[2] and the semiconductor sector, which both accelerated through the Q4 earnings season. We see parallels to the 2016–2018 retail disruption: headline declines in legacy players (then department stores, now legacy SaaS) did not signal a broader downturn, but rather a shift toward new, more efficient winners (Figure 7).
- **Stay selective in software.** Unlike the Dot-com bubble, today's market is discriminating within the AI ecosystem. The price to sales ratio for software is now at the bottom end of its historical relationship to profit margins, after screening overvalued in September 2025 (Figure 8). We remain selective within the software

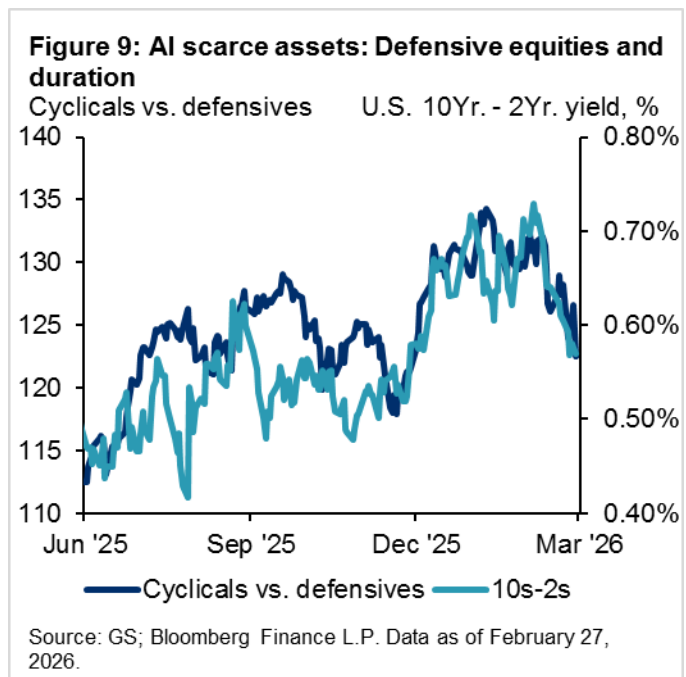
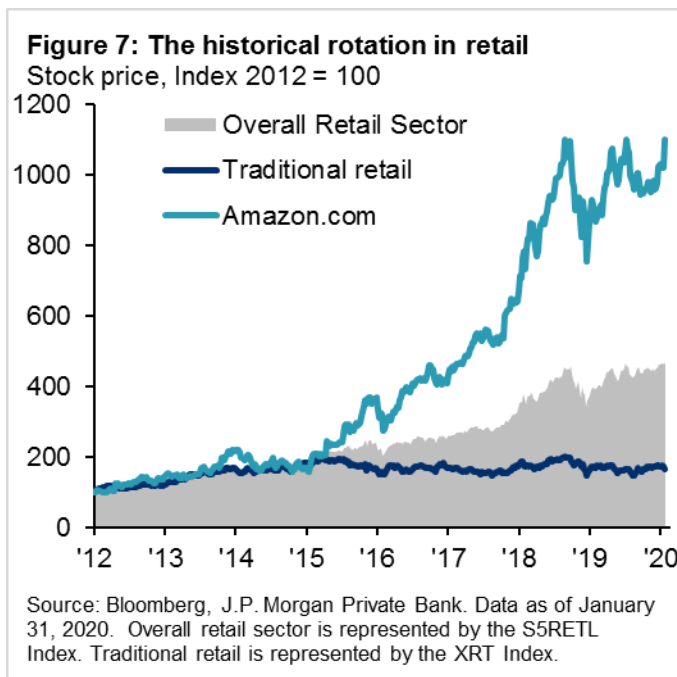
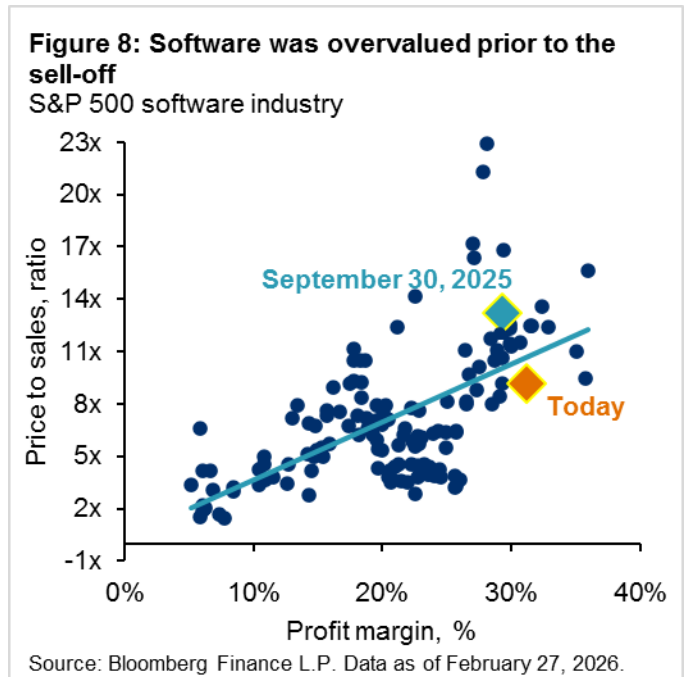
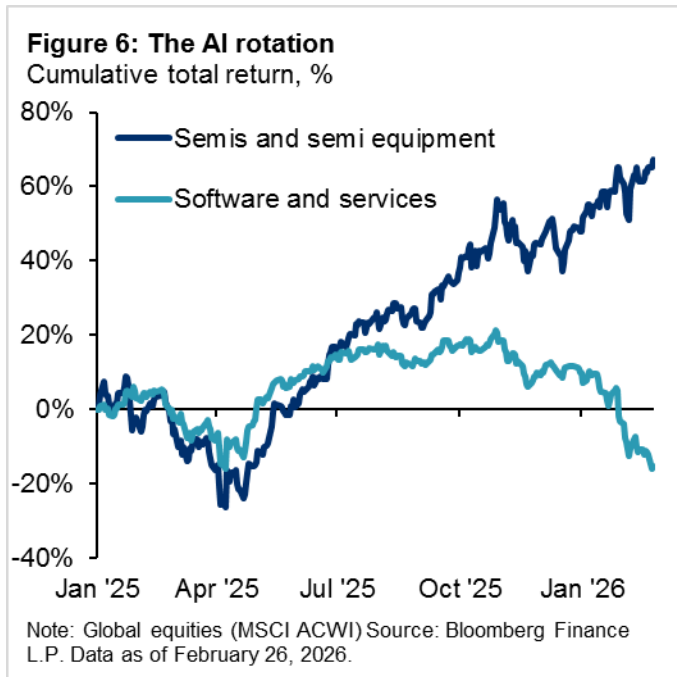
space rather than calling for a bottom and subsequent rebound. Companies with moats centered on proprietary data, network effects, and regulatory lock-ins are likely more insulated.

- **Focus on semis and power.** The AI build-out and the improvement in some cyclical end markets are creating product shortages as demand exceeds supply. We have seen continued upward revisions to this spend on AI hardware and components, with a +56% revision to hyperscaler capex over the past year. This is positive for semis/power pricing and future capital equipment purchasing. A significant amount of that spending will go into imported components, particularly from Taiwan and South Korea. Taiwanese GDP growth expectations for 2025 more than doubled over the past year given semiconductor exports.
- **The shift to AI proof assets.** There is more uncertainty today for what the cash flows of businesses will look like in 3-5 years. This has proved challenging for growth stocks, which are longer duration in nature than value stocks. Investors in the current environment are putting a premium on near-term growth with insulated business models and multiple drivers beyond just AI (such as ongoing strong industrial demand). Additionally, longer duration fixed income assets where the certainty of income is largely unchanged (if not benefiting from potentially lower inflation) is incrementally attractive. We have seen a rotation year-to-date towards longer duration fixed income, which has mitigated volatility in equities (Figure 9). To us, these dynamics serve as an indication on why investors should consider structurally allocating to diversified multi-asset portfolios in accordance with long-term wealth building goals.

Bottom line: The profitability and earnings of companies remain a fundamental support for markets. This month we raise our S&P 500 outlook of \$7,400-7,600 by year end on the back of continued positive earnings revisions. We prefer Heavy Asset, Low Obsolescence (HALO) global champions and continue to favor technology companies with a preference for semis and hardware over software (while still liking some software companies on a selective basis). Emerging markets are raised to a top trade idea for 2026 given EM equities sit at the intersection of the two potential end games outlined above.

[1] Referencing Anthropic's official announcements regarding Claude Cowork and the Opus 4.6 upgrade. These releases signaled a shift from conversational AI to autonomous "agentic" action, directly challenging the seat-based SaaS model. For more, see [here](#) and [here](#).

[2] "Magnificent 7" = AAPL, AMZN, GOOGL, META, MSFT, TSLA, NVDA.



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The credit market debate on AI – isolated or systemic?

Stress from the software rout is radiating across the credit spectrum, with spreads between high-yield (HY) software and the broader HY index jumping to highs not seen in a decade (Figure 10).

Why it matters: Private credit has ~21% exposure to software, driven by the historical attractiveness of SaaS recurring revenue models and the fact that ~96% of software companies are privately held. Expanding the lens to include broader tech and business services, private credit exposure climbs to ~40%, putting it at the highest exposure to potential AI disruption risk relative to other extended credit markets (Figure 11). We see software volatility as a sector led reset rather than the start of a macro default cycle as the transmission channels to the banking system look limited. Here's why:

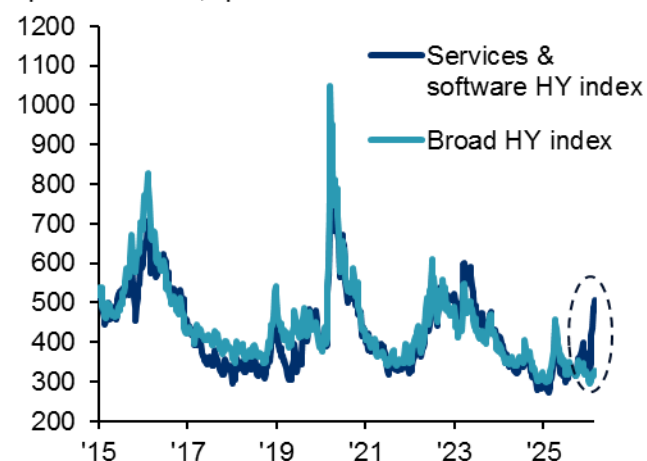
- 1) Systemic risk appears contained.** In the mid-2000s, real estate loans were ~53% of overall bank lending; today, loans to BDCs account for about 12.5% of total bank lending. Additionally, unlike the 2000s credit boom, bank lending has been subdued relative to the broader economy, reducing the likelihood of a bank-led amplification loop (Figure 12)
- 2) Pressure likely to show up selectively.** 2020–2022 vintages that have elevated software exposure are likely most vulnerable given deals were underwritten at peak software valuations (Figure 13). To make a historical parallel when it comes to credit stress related to technological disruption, consider the micro default cycle of brick & mortar retail (which was disrupted by e-commerce) back in 2016-2019. Utilizing leveraged loan data, we find that credit episode was contained and didn't spill over to the broader loan market (Figure 14). The leveraged loan default rate for retail spiked up to 6.3% in 2018, while the broader market default rate actually fell by 10bps to 1.45% over the same period. The recovery rate for 1st lien retail loans over this period averaged 55.8%; the total return for retail loan exposure during this period was -0.3%, compared to +4.25% for the broader loan market.
- 3) Software is bigger than retail was, but the time horizon of disruption is important.** AI disruption of software is likely to be more consequential to the credit markets than retail was in 2016-2019, given higher relative exposure. The estimated size of retail bonds and loans in 2016 was \$114bn, roughly 5.3% of the broader \$2.17trn market. Software today is roughly twice the size; at \$324bn for software across loans and

bonds, ~11.4% of the broader \$2.84trn market. That said, this higher exposure has to be balanced with how quickly disruption occurred in 2016-2019, a period that was roughly 10 years after the initial e-commerce penetration. Default rates are likely to go up for software, but we view this as more of a 3-5 year future development rather than 1-2. Indeed, default rates across credit markets are tracking at or below historical averages: High Yield (2% vs. 3.3% historical), Leveraged Loans (2.8% vs. 3.1% historical), and Private Credit (~2.5%, in line). What's more, software is not a monolith AI disruption impact will vary.

Bottom line: We expect credit markets to remain resilient at the macro level, though we anticipate micro-credit cycles emerging in specific sectors, such as pockets of software. We maintain a neutral stance on private credit, viewing it as a core component of a private markets portfolio. That said, we are closely monitoring 2020–2022 vintage software loans originated at peak valuations. Manager selection is critical as performance dispersion continues to widen this year. Within direct lending, consider portfolios with diversified sector exposure, seniority in the capital structure, and larger borrowers (EBITDA > \$50M). Complements with asset-backed and opportunistic / distressed strategies.

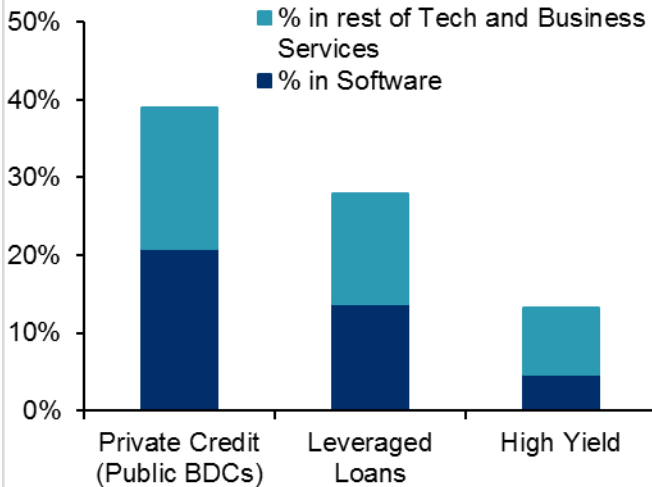
Figure 10: Equity software sell-off spills over to credit

Spread to worst, bps



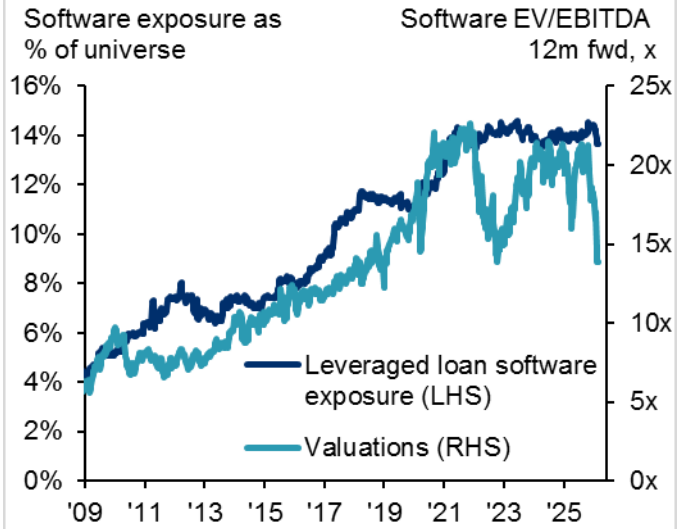
Note: Uses J.P. Morgan High Yield Bond Index and Services and Software industry segment of the index. Source: JP Morgan Markets. Data as of February 26, 2026.

Figure 11: Private credit's large exposure to software and business services
% of universe



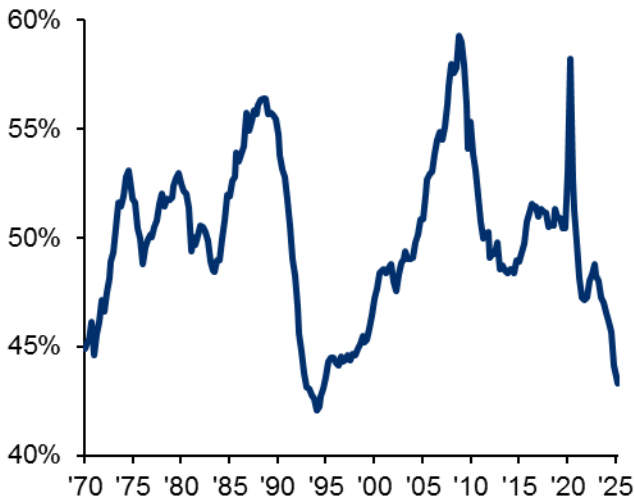
Source: JPM Global Alternative Investment Solutions, Goldman Sachs, JPM IB Credit Research. Feb 2026.

Figure 13: Loans struck in 2020-2022 may be most at risk



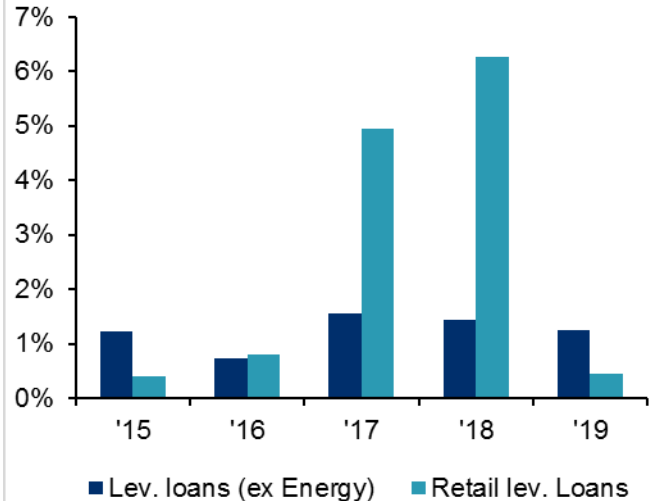
Sources: Bloomberg Finance L.P., JPM IB Credit Research, Data as of February 5, 2026.

Figure 12: Bank lending a small portion of the economy
U.S. bank lending relative to GDP, %



Sources: BIS, Haver Analytics. Data as of Q2 2025.

Figure 14: Broader loan market held up amidst brick & mortar retail disruption
Default rates, %



Source: JP Morgan Investment Bank. Data as of 2019.

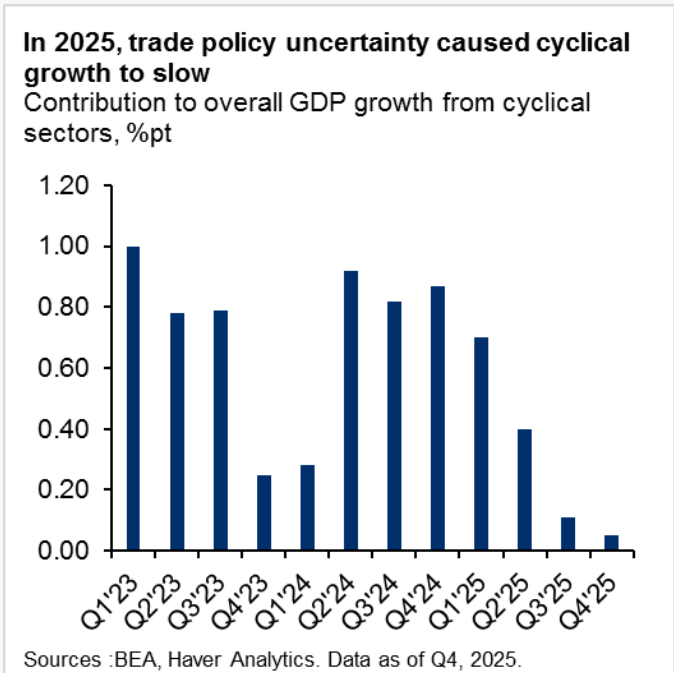
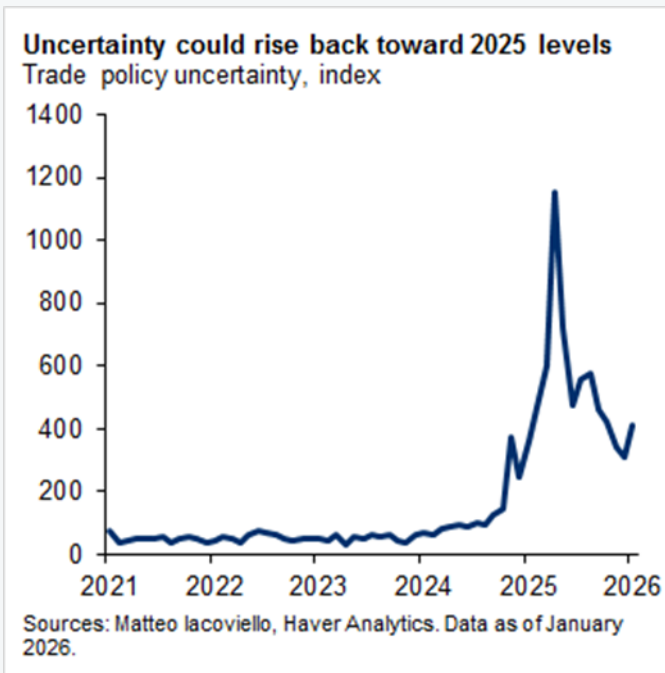
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Bonus section: IEEPA tariff strike down

The Supreme Court ruled against the Trump Administration’s use of the International Emergency Economic Powers Act (IEEPA) for tariffs; roughly 60% of 2025 tariff increases relied on IEEPA. In response, the Administration invoked Section 122 to impose a 10% across-the-board tariff on “balance of payments emergency” grounds, and the president later threatened to raise it to 15%—though it’s unclear if 15% is in effect yet. Section 122 (allowing for tariffs for up to 150 days) is intended as a bridge to more permanent tariffs under Sections 201, 232, and 301 (which are statutes meant to address unfair trading practices and national security-related risks). The Administration’s goal is to restore the effective tariff rate to roughly 15%—its level before the Supreme Court ruling. The process will likely be messy and drawn out, and trade-policy uncertainty—which had been declining since Liberation Day in 2025—is now rising again in 2026.

Our view: There are good and bad implications: On the positive side, eliminating IEEPA tariffs reduces the potential for trade chaos. IEEPA tariffs (and tariff threats) were used as a tool to address a wide range of foreign policy issues. By eliminating that threat, markets are no longer subjected to immediate tariff shocks. Negatively, replacing the tariffs with new statutes prolongs trade policy uncertainty that could impact domestic non-Tech capex and hiring. As we learned last year, high trade uncertainty doesn’t necessarily trigger widespread layoffs or high recession risk, but it does weigh on the cyclical parts of the economy. We still believe the cyclical aspects of the U.S. economy are likely to improve modestly in 2026; however, this improvement now looks like it will be more visible in the second half of the year rather than the first half, due to this renewed trade policy uncertainty shock.

We are not in a rush to alter our U.S. GDP outlook based on the Court’s ruling. We entered the year with a 1.5–2.0% growth outlook—slightly below consensus—and, for now, we believe renewed trade policy uncertainty is consistent with our broader U.S. macro view (see the U.S. macro nutshells section for more details).



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TOP INVESTMENT IDEAS 2026

1) Strategic industries:

Core thesis: Rising government economic intervention amid heightened geopolitical tensions are accelerating the shift away from globalization, creating tailwinds for country-specific strategic industries and sectors.

Key drivers:

- 1) Promotion of domestic focused policies.** Policies in favor of domestic industries relative to enhancing international trade have more than tripled since 2020. We expect this trend to continue.
- 2) Government spending.** Governments are increasingly spending more than is typical for underlying economic conditions. Current spending, relative to unemployment, is well above historical averages, at or above the 75th percentile for all major economic regions (U.S., China, U.K. and the Eurozone), creating tailwinds for companies exposed to this theme.
- 3) Geopolitical risk.** The reason governments are doing this - geopolitical risk – shows no signs of abating. The Caldara and Iacoviello Geopolitical Risk (GPR) Index, a key measure of global tensions, has remained structurally higher since 2022, with a recent average of 135, up 50% from the 2018-2021 average of about 90.

Key developments over the past month: The U.S. Supreme Court struck down IEEPA-based tariffs, leading to new 10% tariffs under Section 122. Additionally, President Trump signed EO 14383, which explicitly prioritizes the domestic defense industrial base in arms export decisions. This was followed by a structural realignment of the Defense Security Cooperation Agency (DSCA) to align export policy with supply chains. Meanwhile, the EU advanced an Industrial Accelerator Act with “Made in Europe” rules, and China launched its 15th Five-Year Plan focused on industrial sovereignty.²

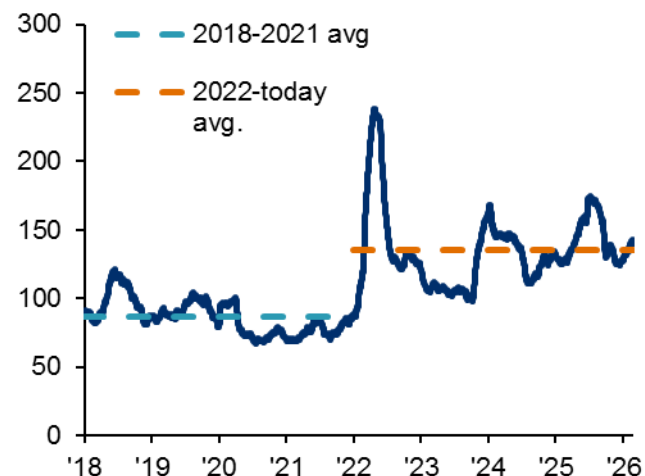
Key risks: Execution risk in implementing new industrial policies across regions, geopolitical easing.

Investment Opportunity: Long “National champions”³; i.e. overweight global semis, industrials in Europe and the U.S.,

utilities in the U.S., information technology in China, and select healthcare opportunities.

Geopolitical risk structurally higher

Caldara and Iacoviello Geopolitical Risk Index, 1985:2019=100, 50d m.a.



Sources: Dario Caldara and Matteo Iacoviello, Bloomberg Finance L.P. Data as of February 26, 2026.

National champions theme

Cumulative change, %



Note: National champions is JPMorgan Private Bank basket. Source: Bloomberg Finance L.P. Data as of February 22, 2026.

² Wall Street Journal, "Supreme Court Strikes Down Trump's Use of Emergency Powers to Impose Broad Tariffs," February 20, 2026. Federal Register, "Executive Order 14383: Establishing an America First Arms Transfer Strategy," February 11, 2026. Department of War, "Department of War Finalizes Realignment of the Defense Security Cooperation Agency and the Defense Technology Security Administration," February 10, 2026. Reuters, "EU advances 'Made in Europe' industrial plan with new content requirements for green tech," February 20, 2026. The State Council of the People's Republic of China, "Premier Li Qiang presides over State Council plenary meeting to discuss draft 15th Five-Year Plan," February 6, 2026.

³ Strategic industries which we believe will be the focus of increased fiscal and interventionist policy for economic and national security. Sectors include defense, power, tech, and industrials.

2) Gold

Core thesis: As macro uncertainty remains elevated, we expect central banks and investors to keep boosting gold allocations for its diversification benefits amid geopolitical, inflation, and policy risks.

Key drivers:

- 1) Central bank demand.** Following the 2022 U.S. freeze of Russian reserve assets, global central bank purchases have doubled⁴ and EM central banks in particular stepped up gold purchases. Poland offers a striking example: Since the start of 2022, the central bank has more than doubled its gold holdings, from about 7 million to over 17 million fine troy ounces, a jump of more than 140%. This trend is likely to continue, particularly among EM and U.S. rival nations.
- 2) Macro uncertainty.** Historically, gold was the top performer among macro hedges, returning an average of 1.8% and a median of 3.0% during major geopolitical shocks⁵. Concerns around global fiscal profligacy, currency debasement, and policy uncertainty have also fueled gold's upside.
- 3) Unstretched positioning.** Institutionally, "Managed Money" positioning is moderately elevated, with current net length in gold futures at a 6.4 out of 10 compared to historical levels, well below historical extremes⁶. Retail activity has risen, though is not exuberant - ETF gold holdings, which serve as a proxy for retail interest, are at ~101 million ounces, still below the record ~110 million ounces reached during COVID.

Key developments over the past month: Geopolitical tensions (more details in "Strategic industries" trade idea) boosted bets in gold. Retail participation continues to increase.

Key risks: Exuberant retail participation, declining macro uncertainty, particularly from the U.S. administration, a waning in central bank demand for gold.

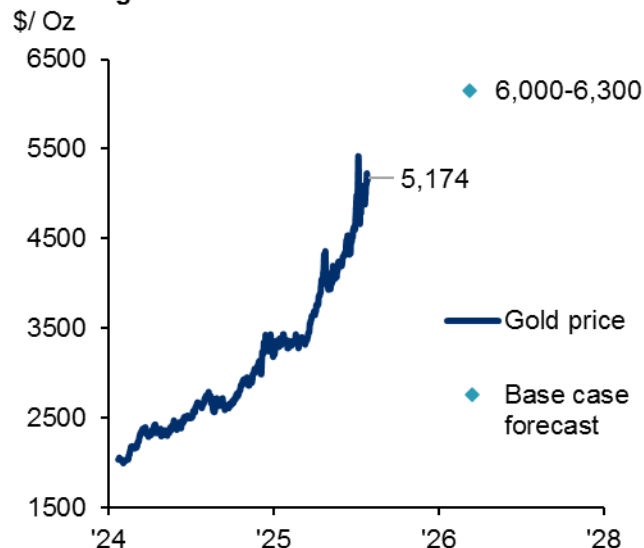
Investment Opportunity: Long gold.

Further room for gold appreciation as retail participation remains below all-time highs
Total known ETF holdings of gold, mn troy oz



Source: Bloomberg Finance L.P. Data as of February 26, 2026.

Gold target YE'26



Sources: JPM PB, Bloomberg Finance L.P. Data as of February 26, 2026.

⁴ World Gold Council, Bloomberg Finance L.P., J.P. Morgan. Data as of September 30, 2025.

⁵ This comparison is based on four-week returns during major geopolitical shocks over the past 20 years, with other common hedges including oil, the U.S. dollar index (DXY), 10-year U.S. Treasuries, and stocks. Timeframe of analysis goes from January 1985 to April 2024. Data as of April 16, 2024.

⁶ "Managed Money" refers to institutional investors such as hedge funds and commodity trading advisors who actively trade futures contracts. The 6.4/10 score means current net long positions are moderately above average, calculated by comparing today's holdings to all weekly positions since 2018 and mapping their percentile onto a scale from 0 (least bullish) to 10 (most bullish). Source: J.P. Morgan IB. Data as of February 24, 2026.

3) Emerging markets

Core thesis: We see opportunities in emerging markets, both equity and debt, against a relatively resilient global growth backdrop and increased investor appetite for global assets.

Key drivers:

- 1) EM debt has attractive starting yields & supportive supply/demand balances.** EM credit is offering high starting yields (6.6% for sovereigns, 5.8% for corporates) that significantly outyields cash and developed markets. Additionally, while U.S. issuance rises, EM sovereign net issuance is expected to decrease from \$92bn to \$27bn, with corporate issuance remaining negative.
- 2) Strong corporate fundamentals.** Strong tech exports are driving EM earnings upgrades: Earnings expectations have been revised higher in EM, most notably in North Asia. EM earnings are now expected to grow ~34-35% y/y in 2026, 3-3.5x faster than developed markets. Additionally, despite outperformance over the past year, earnings growth has kept the valuations of EM equities more contained than their global counterparts at 13x, relative to 16x in Europe, 18x in Japan, and 22x in the S&P 500. On the debt side, EM corporate leverage remains disciplined with EM HY net leverage at 2.7x - well below US HY at 3.7x and European HY at 4.9x.
- 3) High correlation to commodity prices.** Although the index is no longer dominated by commodity producers, most major exporters are emerging markets. We think both precious and industrial metals have further upside; and EM equities have room to catch up. EM debt is also positioned for this upswing in commodities as approximately 30% of total EM debt is commodity linked.

Key developments over the past month: Foreign fund flows into both equity and debt continue to favor global markets over the U.S.. EM equities outperformed by ~5.5% and debt by 50 bps.

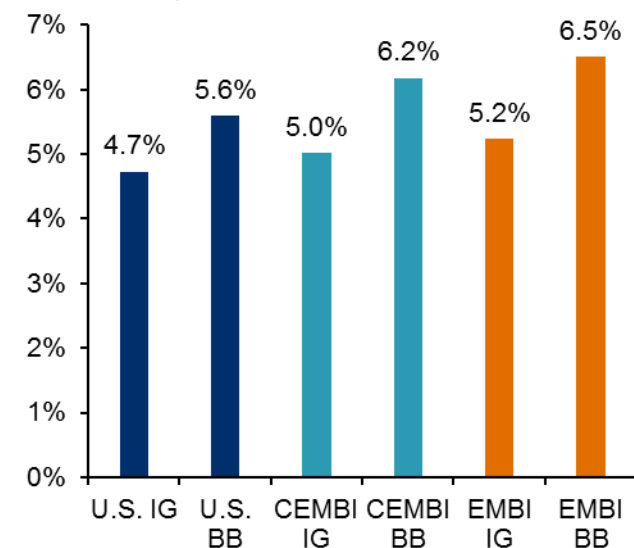
Key risks: U.S. economic outperformance, dollar strength, commodity price reversals.

Investment opportunity: Within equities, we prefer exposure to China, Taiwan, South Korea, and India. Within debt, we prefer corporates over sovereigns, and favor exposure to credits from Turkey, Brazil, Israel, Mexico, and select Asia opportunities. **Sector Focus:** Information technology equities in China, Emerging Market BBs and

Hybrid Debt, and prefer the following sectors within debt: Financials, Technology, Media, and Telecommunications (TMT), Utilities, Oil & Gas, and Metals & Mining.

EM yields stand out vs U.S. credit

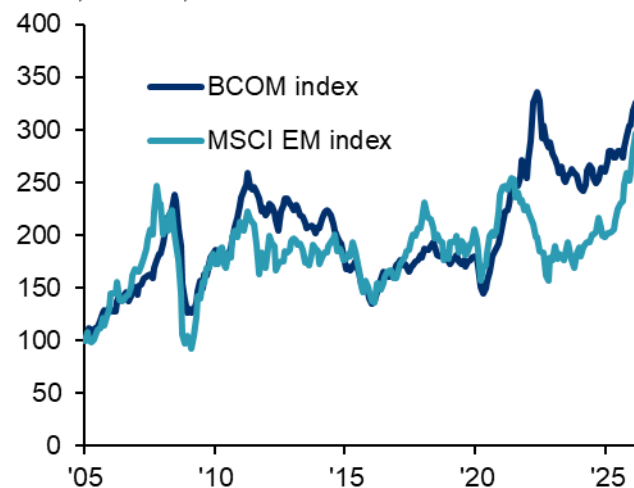
Yield to worst, %



Source: Bloomberg Finance L.P. Data as of February 27, 2025.

Latest surge in commodity prices suggests EM equities/debt may have further room for upside

Index, Jan 31, 2005 = 100



Sources: WSJ, MSCI, Haver Analytics. Data as of February 28, 2026.

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

Street Outlook 2026					
	Fed Funds*	Real GDP	Core PCE	10Y	SPX \$
	Q4 '26	Q4 '26	Q4 '26	Q4 '26	Q4 '26
JPM WM	3.50	1.50-2.00	2.30-2.50	4.30	7,400-7,600
JPM IB	3.75	2.00	2.90	4.35	7,500
Bank of America	3.25	2.60	2.80	4.25	7,100
Morgan Stanley	3.25	2.60	2.70	4.05	7,800
Goldman Sachs	3.25	2.55	2.38	4.20	7,600
Wells Fargo	3.25	2.30	2.60	4.25	7,500
UBS	3.25	2.28	2.83	4.00	7,500
Average (ex-JPM WM)	3.35	2.39	2.70	4.20	7,500
FOMC (median)**	3.5	2.3	2.50	-	-

Note: *Forecasts are upper bound of target range. GDP and inflation estimates represent Q4/Q4 growth rates. Sources: JPM; BoA; MS; GS; WF; UBS; Federal Reserve. Data as of February 27, 2026.

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2026 YEAR-END OUTLOOK NUMBERS

March 2026

Macro [^]		
Inflation	2026 YE	Old 2026 YE
U.S.	2.30-2.50%	
Eurozone	1.80-2.00%	
China	0.40-0.60%	
Real GDP Growth		
U.S.	1.50-2.00%	
Eurozone	1.00-1.50%	
China	4.20-4.70%	
Equities		
S&P 500	2026 YE	Old 2026 YE
Price	\$7,400-7,600	\$7,200-7,400
P/E forward multiple	22.3x	22-25x
Stoxx Europe 50		
Price	€6,000-6,100	
P/E forward multiple	15.5x	
TOPIX		
Price	3,800-3,850	3,350-3,400
P/E forward multiple	16.5x	15.5x
MSCI Asia ex-Japan		
Price	1,115-1,165	1,025-1,075
P/E forward multiple	13.5x	13.75x
MSCI China		
Price	95-101	88-93
P/E forward multiple	12.5x	

Currencies		
	2026 YE	Old 2026 YE
U.S. Dollar Index (DXY)	98 (96-100)	
EUR/USD	1.18 (1.16-1.20)	
USD/JPY	155 (153 - 157)	148(146-150)
GBP/USD	1.33 (1.31-1.35)	
USD/CNY	6.70 (6.60 - 6.80)	7.00(6.90-7.10)

Rates & Credit Spreads		
U.S.	2026 YE	Old 2026 YE
Eff. Fed Funds rate	3.25-3.50%	
ON SOFR	3.33%	
2-year UST	3.60%	
5-year UST	3.85%	
10-year UST	4.30%	
30-year UST	4.75%	
2s/10s spread	0.70%	
JPM U.S. Investment Grade	80-110	
JPM U.S. High Yield	325-375	
Europe	2026 YE	Old 2026 YE
ECB Deposit rate	2.00%	
5-year German Yield	2.30%	
10-year German Yield	2.70%	
BoE Bank Rate	3.25%	
10-year UK Gilt	4.60%	
EUR IG	75-105	
EUR HY	275-325	
EM	2026 YE	Old 2026 YE
EM Sovereign Index (EMBI)	265-315	
EM Corporate Index (CEMBI)	185-235	
JPM Asia IG (JACI IG)	50-80	
JPM Asia HY (JACI HY)	375-425	400-450

Commodities		
	2026 YE	Old 2026 YE
Gold (\$ / oz)	\$6000-\$6300	
Brent (\$ / barrel)	\$62-\$67	
Commodity Index (BCOM)	130-133	132-135
Natural gas (\$/MMBtu)	\$4.50 - \$5.50	

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

We remain in a mixed US macro backdrop. Q4 GDP printed 1.4% annualized vs 2.8% expected, with roughly a 1ppt drag from the federal government shutdown; private final domestic demand rose a more healthy 2.4%. The January jobs report surprised to the upside, with the unemployment rate falling to 4.3% (20bps below November’s peak), likely reducing the case for near-term “insurance” rate cuts from the Fed -- though Fed rate cut re-engagement in H2 remains an open question. On the other hand, the household data remains soft: over the past year real disposable income is up only 1.0% vs consumer spending up 2.2%, in effect pushing the saving rate lower and tilting consumption more towards wealth gains. With equities now flat since late October, consumer spending should cool as wealth is no longer growing as rapidly as in 2025. Furthermore, trade-policy uncertainty is rising again after the Supreme Court’s ruling against IEEPA tariffs. While the Trump Administration may seek alternative mechanisms to preserve effective tariff rates, the process is likely to be complex and messy, and it may take months. Higher trade policy uncertainty will likely translate into weaker hiring and weaker non-Tech capex than what would have otherwise been the case. Overall, we maintain a 1.5%–2.0% GDP growth outlook for this year, slightly below consensus.

What we’re watching: Layoff data, financial conditions, business sentiment, signs of over-investment in AI, flow through from OBBBA tax stimulus, trade policy uncertainty

Our view: YE '26: 1.50-2.00%

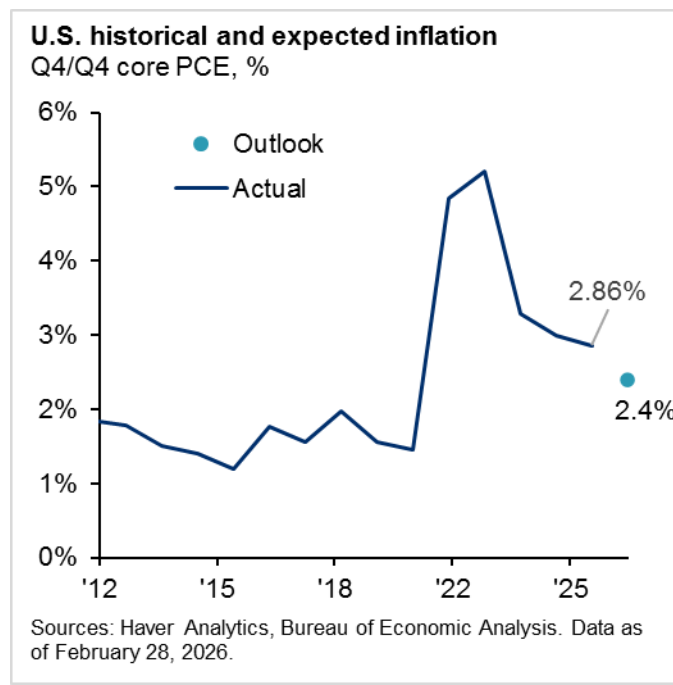


U.S. Inflation

Inflation has firmed over the last month, most visibly in the December PCE report. Market-based PCE inflation rose to 2.65% year-over-year (from 2.35% last summer) and market-based core PCE rose to 2.75%. Recent Institute for Supply Management (ISM) Manufacturing commentary suggests delayed tariff passthrough is likely the cause of higher consumer prices lately, with "January business inventory reorders partly intended to get ahead of expected price increases tied to ongoing tariff issues." All that said, we don't think a material “second wave” of inflation is in store due to tariffs. The average tariff rate rose by about 8 %pts in '25, while imports accounted for roughly 11% of U.S. GDP in '24. Assuming full passthrough, this would imply an inflationary impact of about 88 bps. Comparing pre-'25 inflation outlooks (for 2.1% PCE inflation at the end of '25) to where inflation ended in '25 (at 2.8%), about 70 bps of the tariff impact has already materialized i.e., roughly 80% of the total estimated impact. The remaining 20% may be permanently absorbed by US businesses through lower profit margins rather than ultimately passed on to consumers, or we may see a little more passthrough in '26 depending on consumer appetite. We maintain our view that tariff driven inflation is likely to be fully over by H2 '26, and we continue to believe core PCE inflation will end '26 in the range of 2.3-2.5%.

What we’re watching: Wage growth, inflation expectations, housing market slack, energy inflation

Our view: YE '26: 2.30-2.50%



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Europe Growth

European growth is on firmer footing in 2026, underpinned by a resilient labor market, a 'neutral' ECB stance after ~100bp of rate cuts last year, and continued real wage gains supporting household demand. However, the defining story this cycle remains Germany's fiscal pivot, which is now feeding through to activity data, with positive spillovers into Europe's industrial base. We continue to expect euro area real GDP growth of 1.0–1.5% this year. Risks to growth are skewed toward execution and geopolitics: Germany's fiscal ramp may underdeliver amid administrative delays, constraining the fiscal multiplier and the industrial rebound. Trade uncertainty, a stronger euro, and broader geopolitical tensions could pressure exports and growth. While the EU is working to address imbalances—pursuing trade agreements and gradually implementing Draghi's September 2024 Competitiveness Report—progress is slow (~11% of the 383 recommendations enacted).

In the UK, after a lackluster 2H25, growth looks set for a moderate 1Q26 uptick, supported by strong capex and a cyclical productivity pickup—even as household demand remains subdued. Rising unemployment and sticky services inflation temper the outlook, but prospective BoE easing should keep growth modestly positive.

What we're watching: US-EU trade uncertainty, the effectiveness of German stimulus and broader fiscal policy, movements in sovereign bond yields, and signals from central banks.

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



Europe Inflation

Euro area inflation continues to cool, with headline HICP (Harmonized Index of Consumer Prices) at 1.7% year-over-year and core inflation at 2.2%. While core remains just above the ECB's 2% target, we expect euro area core inflation to slow to 2.0% by mid-2026 and settle slightly below that in the second half.

This moderation has been largely driven by easing goods inflation, reflecting increased competition from Chinese imports, a stronger euro, and softer global price pressures. Services inflation remains sticky, but slower nominal wage growth points to further cooling ahead, with the ECB's wage tracker indicating moderation in 2026. Fiscal policy, especially in Germany, is supporting demand, though its impact on inflation looks likely to be modest.

In the UK, inflation pressures are easing, with headline CPI at 3.0% year-over-year—still above the BoE's 2% target, but the disinflation trend remains intact. Services inflation remains sticky, but looking ahead, a weaker jobs market, slowing wage growth, and lower energy prices should help ease pressures. Progress will likely be uneven though.

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

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



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China Growth

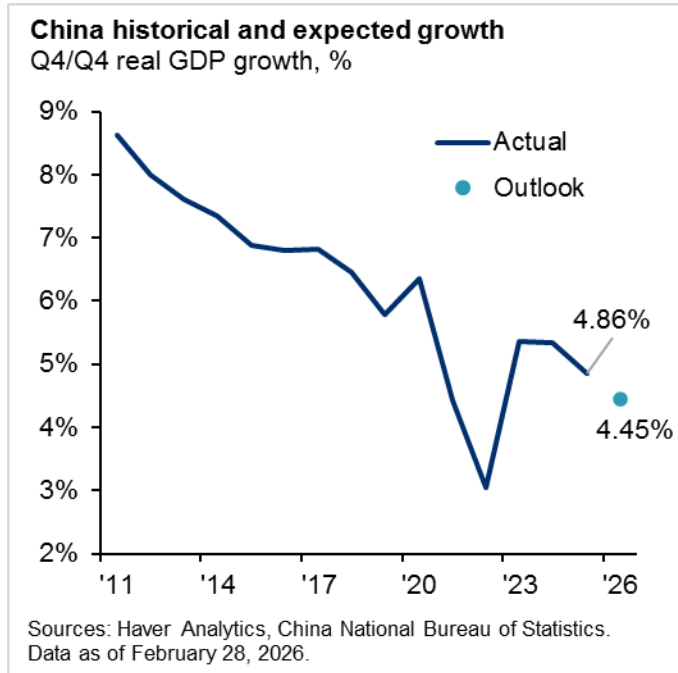
China's domestic demand has begun the Year of the Horse with some positive signs. Although monthly data will not be available until March, data showing holiday spending namely retail and catering sales rose 5.7%—markedly stronger than October's National Day (+2.7%) and last year's festival (+4.1%).

Yet there's some reason to curb enthusiasm. Authorities stretched the holiday to nine days and deployed over Rmb2bn in consumer subsidies—nearly sevenfold October's support. New household benefit programs, including cash transfers to parents, will inject Rmb200-300bn this year, up from Rmb150bn in 2025. These transfers accounted for nearly all the uptick in household income growth late last year.

Whether this nascent upturn proves durable hinges entirely on the labor market. A persistently slack jobs market has throttled income growth and kept households anxious. Early indicators suggest modest improvement since late 2025, but China's patchy employment data means the jury remains out.

What we're watching: Can the nascent consumer momentum hold? What impact does a stronger RMB have on exports?

Our view: YE '26: 4.20-4.70%



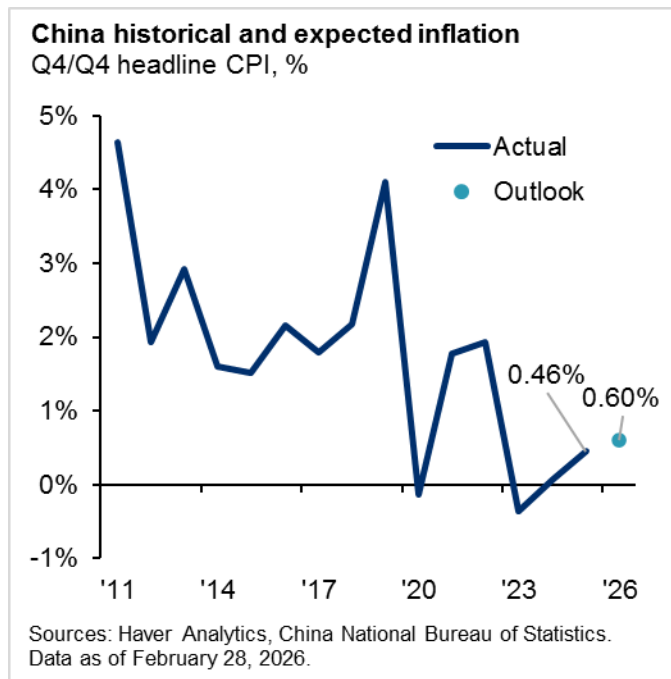
China Inflation

China's January inflation undershot expectations as CPI slowed to 0.2% y/y (vs 0.8% in December; consensus 0.4%). The drop largely reflects the Lunar New Year's shift to February and still-soft domestic demand. One standout: gold. Excluding its boost, headline CPI would have been roughly -0.17% y/y and core CPI about 0.35% (vs 0.8%), underscoring how weak underlying price pressure remains. PPI deflation eased to -1.4% y/y from -2.2%, a mild improvement.

Near term, CPI should rebound in February to around 0.8% y/y as holiday-related food prices peak later and fuel prices rise following an NDRC petrol hike. PPI deflation may deepen to about -1.5% amid muted commodity prices.

What we're watching: Looking ahead, China has yet to exit its deflationary bind. For 2026, CPI is seen only mildly higher around ~0.4%, with PPI remaining negative near -1.2%, reflecting weak core momentum, fading gold effects, and lingering overcapacity without a strong demand catalyst.

Our view: YE '26: 0.40-0.60%



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EQUITY VIEWS

U.S. Equities

Better and Higher. Of course, we are talking about earnings. Since we rolled out our 2026 Equity Outlook in November, we finished Q3 results and almost completed Q4 reporting. Revenue and margin upside, especially from Tech and Industrials, have propelled earnings higher. Company commentary remains positive about the sustainability of secular growth and cyclical growth as capex spending increased meaningfully post recent policy changes. Our EPS growth estimates for 2026 and 2027 remain robust, at +11% and +10% respectively off a higher 2025 (+12%) base.

With this GIS, we increase our Bull, Base and Bear end of 2026 outlooks to reflect the higher earnings estimates while maintaining our valuation expectations. Our base case has increased from \$7,300 to \$7,500. Consistent with our prior thoughts, our bull case (\$8,400-\$8,600) includes higher earnings growth from both revenue and margins, coinciding with greater AI and cyclical benefits. Our bear case continues to reflect a normal, non- "crisis level" recession, pushing the index below \$5,000. We do not have a preference among market caps, anticipating similar returns across the large, mid, and small cap indices. Year-to-date rotation toward smaller cyclicals reflects some of our economic optimism, but we have modest confidence in small company earnings growth exceeding already heady growth expectations.

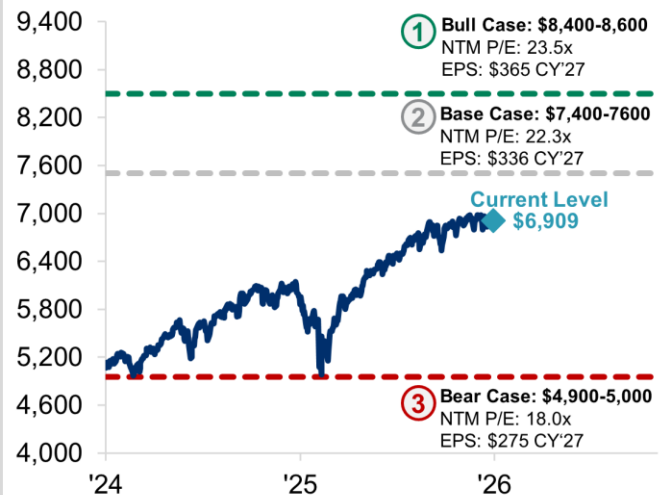
Where to invest now. We continue to favor five sectors. Industrials and semiconductors have business momentum that should continue, benefiting from AI investments and broader capex, stimulated by the OBBBA depreciation incentives. We prefer Healthcare as earnings growth accelerates through 2026, allowing valuation to improve. The decline in Banks year-to-date appears to be an opportunity as mid-quarter communication remains bullish and remainder-of-year growth initiatives underappreciated. Utilities have become more sensitive to the "affordability" narrative ahead of mid-terms. However, power supply remains unable to support future demand, setting the sector for overall outperformance.

What we're watching: The sustainability of AI capex and the ROI of the spend remains the most crucial factors in equity markets. Fund flows have been rotating to other opportunities, and the markets have overreacted to AI's ability to destroy industries.

Our view: YE '26: \$7,400-7,600

Our base case S&P 500 outlook ranges from \$7,400-\$7,600 (mid-point \$7,500) by YE 2026

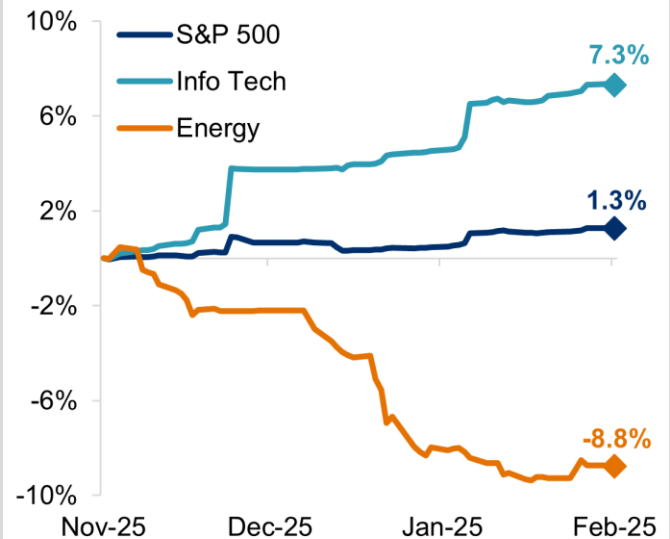
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of February 26, 2026.

Tech estimates continue to drive revisions higher

3-Month CY 2026 S&P 500 Earnings Revisions



Source: FactSet. Data as of February 26, 2026.

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.

Europe Equities

Our outlook on the Euro Stoxx 50 remains unchanged at €6,000-6,100.

European equities have performed well this year and are now trading slightly above our outlook. We continue to believe that earnings should be improving this year and next after a challenging 2025, and we are penciling mid-to-high-single-digit growth for the next 2 years. However, the European market is expensive. It trades at 16.6x NTM PE, which is above its long-term average of 14x. The discount to the S&P is also now 23% vs its 10 year average of 26% (it was as high as 40% at the end of 2024). We are penciling 15.5x and are watching the earnings recovery very closely.

The European domestic story remains strong, including German fiscal stimulus and increased defense spending. Macro data is also supportive. As an example, German manufacturing orders saw their largest increase since 2011 (+13% yoy, excluding the Covid rebound) in December 2025, following +10.6% in November. German business sentiment, as measured by the ZEW Germany Expectation of Economic Growth index, is also currently at levels not seen since 2021.

One of our highest conviction ideas remains Industrials. The sector has a favorable exposure to the increase in defense spending globally. We believe the opportunity extends beyond defense. Industrials exposed to data centers continue to benefit from a strong hyperscaler capex cycle, and 2026 should be another strong year in this space. Additionally, momentum is building around the EU's "Made in Europe" initiative / "Industrial Accelerator Act" (though it is experiencing delays)—a broader effort to enhance European competitiveness. A key goal is to reverse de-industrialization. While we still await more details and discussions are ongoing, this is a step in the right direction for Europe. We believe the "Made in Europe" / "Industrial Accelerator Act" reinforces our "Fragmentation" view outlined in the 2026 Outlook and our preference for Global National Champions, including European companies.

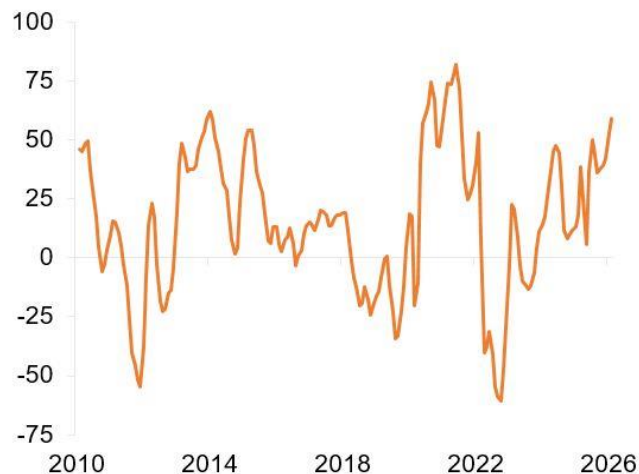
German fiscal stimulus and the overall domestic story in Europe should be also benefitting construction and financial companies. Separately, we are positive on the technology sector, especially semiconductors. We continue to prefer them over software. Even though software and other related companies have underperformed due to AI disruption risk, we continue to have a preference for semiconductors given another strong year for AI investments. We also remain constructive on the luxury sector. We are monitoring dynamics in different regions, including China and the US, but we believe the outlook for 2026 is more favorable than it was in 2025.

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

Our view: YE '26: €6,000-6,100

Expectations for Germany's economic outlook show signs of improvement

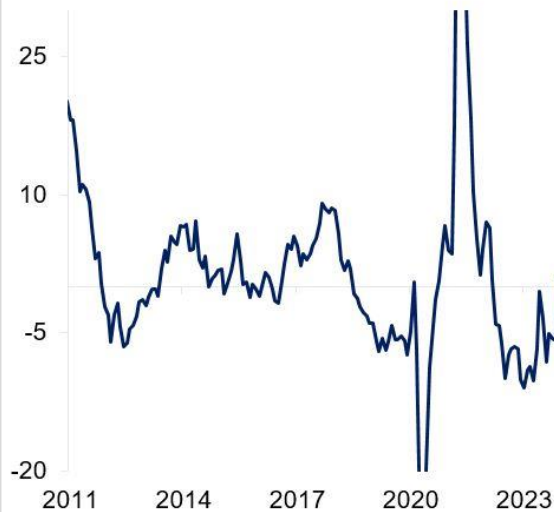
ZEW Germany Expectations (Index, 2mo avg)



Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of February, 2026

Germany's manufacturing orders have climbed since November to near-2011 levels (excl. COVID rebound)

Germany Manufacturing Orders (yoy nsa, 2mo avg, %)



Bloomberg Finance L.P., J.P. Morgan WM Solutions. Data as of December, 2025

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Asia Equities

With AI-related companies in Asia driving meaningful earnings revisions that are significantly ahead of those in developed markets, valuations that remain one standard deviation below ten-year averages relative to developed markets, very underweight positioning among global equity managers, and U.S–China geopolitical tensions proving less severe than anticipated, Asia ex-Japan equities remain compelling. Supported by a memory/AI semiconductor supercycle, earnings revisions have been particularly impressive, leading us to revise MSCI Asia ex-Japan earnings by a further 9-10% and to raise our index outlook to 1,115-1,165. We now estimate earnings growth of 34-35%/13-14% in 2026/2027, by far the highest across our coverage regions. We are positive on Taiwan, South Korea, China, and India.

US/China geopolitical tensions are likely to remain stable ahead of an expected visit by President Trump to China scheduled for the end of March. The recent overturning of the IEEPA tariffs, the stabilization of domestic consumption trends through Chinese New Year, and strengthening of the Renminbi are moderately supportive of earnings growth in 2026. We also expect government intervention to moderate the pace of the e-Commerce price war, and we see additive contributions from AI adoption driving sequentially better earnings growth in the quarters ahead through 2027. Collectively, we now expect earnings to grow 13%/14% in 2026/2027, which leads us to increase our MSCI China outlook to 94-98. It is worth noting that MSCI China has underperformed MSCI Asia ex-Japan by 20% over the past year, a level rarely exceeded in the past 20 years. We now view the risk/reward in China as attractive and are turning positive on the equity market. Our China Tech Innovators Basket remains preferred.

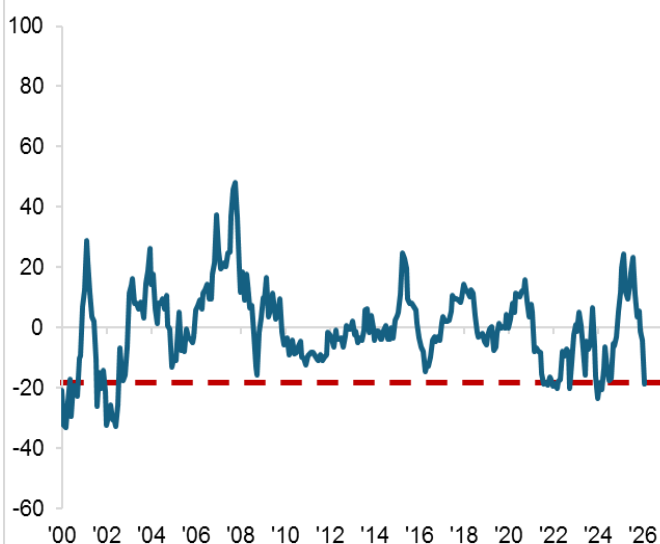
PM Takaichi's resounding victory in the lower house election implies continuity towards her pro-growth policy agenda. In addition, rising expectations of a US industrial-led cyclical recovery and a stronger USDJPY lead us to revise our TOPIX outlook higher to 3,800-3,850. While there are recent reports that PM Takaichi is pushing back on BoJ rate hikes, the consequence will be a weaker currency, and higher longer-term yields. She can only choose to control two of these three key macro variables. With limited upside to our TOPIX outlook, we remain neutral and prefer other markets. Select opportunities in banking, industrial, and technology sectors offer alpha potential.

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

Our view: YE '26: MSCI AxJ: YE 2026: 1,115-1,165 Topix: YE 2026: 3,800-3,850 MSCI China: YE 2026: 95-101 CSI 300: YE 2026: 4,900-5,300 MSCI India: YE 2026: 3,350-3,450 MSCI ASEAN: YE 2026: 750-775

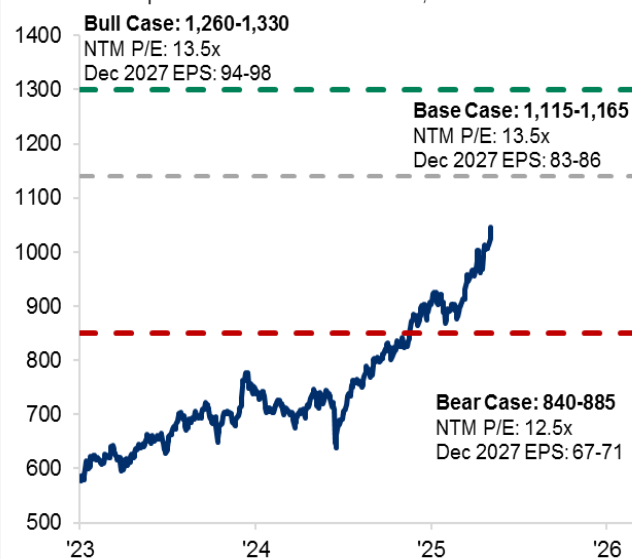
Post 2000, MSCI China has rarely underperformed MSCI Asia ex Japan by more than 20%

Relative Performance of MXCN vs. MXASJ, YoY %



Source: Bloomberg Finance L.P. Data as of Feb 23, 2026

We see MSCI Asia ex Japan reaching 1,115 - 1,165 by December 2026
MSCI Asia ex Japan vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P. Data as of Feb 26, 2026

RATES VIEWS

U.S. Rates

We expect the Fed to complete its effort to bring the Fed Funds rate back to "neutral" in 2026. In our base case, we see the Fed cutting another 25-50bps, bringing the Fed funds target range to 3.00-3.50% by the end of the year. We have high conviction that, unless the U.S. economy ends up weaker than we expect, the Fed is very unlikely to cut below 3%. Current market pricing has shifted towards additional cuts with the markets apparently pricing in macro weakness from AI concerns. Although the Fed is expected to resume cutting later this year, we expect longer-dated rates to remain supported, with the 10-year Treasury yield ending the year in a roughly 4.00-4.50% range. Persistent fiscal deficits and the transition to a new Fed Chair in May require elevated compensation for investors to own long-duration sovereign debt. Should the U.S. labor market start to see an increasing amount of layoffs, potentially driven by AI-related efficiencies, the 10-year yield in this case could drop towards 3.5%, but it isn't our base case. On the other side, we find it difficult for the 10-year Treasury yield to trade materially north of 4.50-4.75%, even if the Fed refrains from further easing in 2026 amid sticky inflation and a recovering labor market.

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

Our view: YE '26: 4.30%



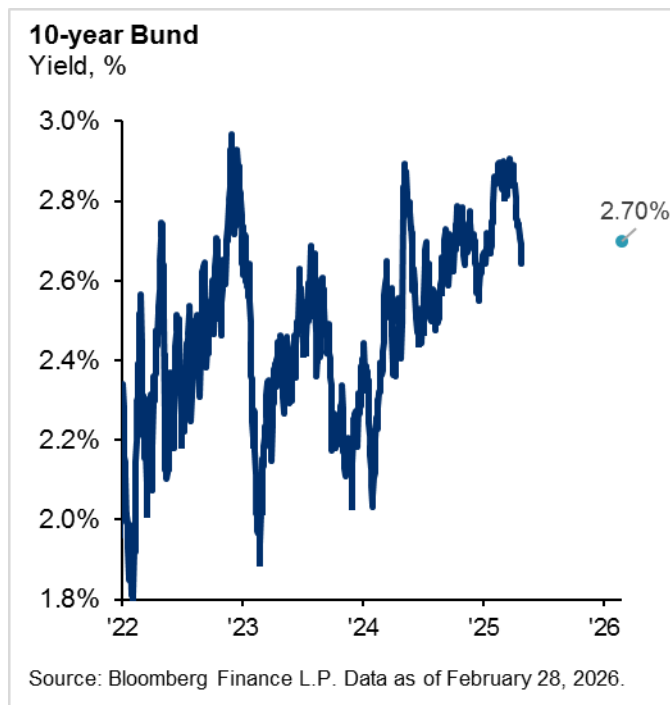
Europe Rates

The ECB is on hold at a 'neutral' 2% deposit rate after ~100bp of cuts in 2025. Policy communications and staff projections signal no shift in rates, absent material surprises—either a re-acceleration in inflation or a sharp growth slowdown. Key watchpoints include wage drift, sticky services inflation, and potential import-price drag on core goods from FX and Chinese competition—forces that can pull in both directions. We estimate the 10-year Bund at 2.7% by end-2026, while closely monitoring euro-area fiscal expansion and debt dynamics.

The Bank of England faces a complex backdrop. Despite signs of labor market weakness, headline inflation remains well above target, prompting caution and division among policymakers. Still, the BoE maintains an easing bias, and we expect two additional rate cuts in 2026, bringing the Bank Rate to 3.25%. Timing, however, remains uncertain.

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

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



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CREDIT VIEWS

U.S. Credit

IG: Investment-grade corporate spreads saw modest volatility, widening 8 bps amid broader market softness and renewed software-sector concerns. Technicals stayed constructive. After a record January (\$200 billion), February issuance remained elevated, tracking ~\$185–\$190 billion by month-end. Fund flows were strong however, with rolling 4-week inflows approaching the late Q3 '25 highs. Overall, solid fundamentals and balanced supply–demand helped keep spreads in a tight range into month-end. We continue to expect range-bound spreads for IG credit in '26.

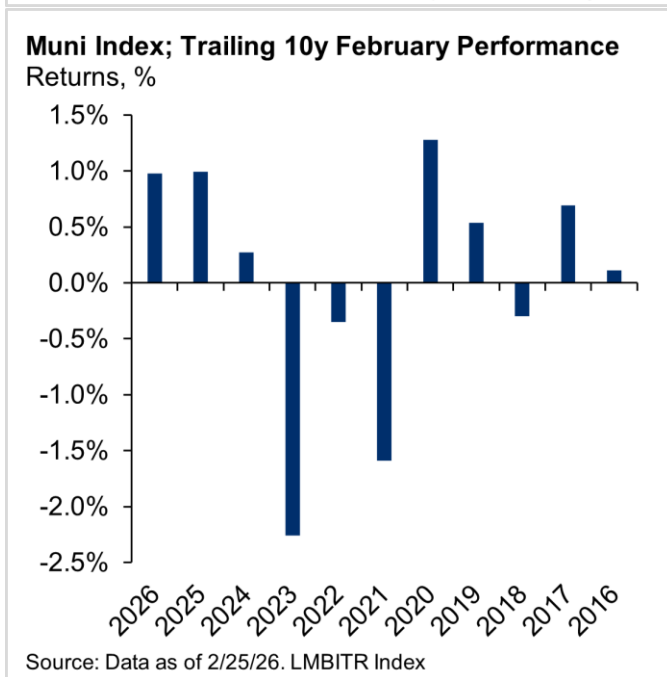
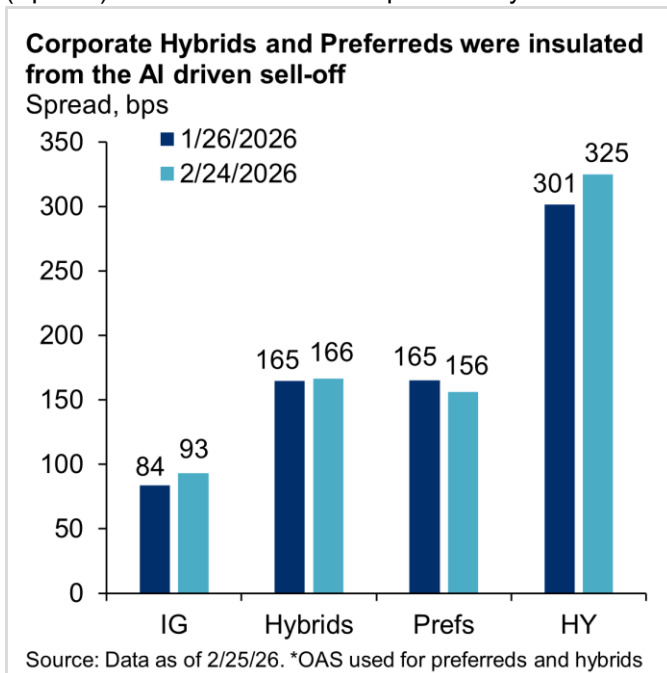
HY: High-yield bond spreads also widened over February, fueled by AI displacement concerns for enterprise software names. Since these fears intensified late January, spreads have widened ~35 bps. Despite the selloff, spreads remain near multiyear highs, highlighting that while AI-related disruption has driven near-term volatility and sector-specific repricing (software represents only ~3% of the HY market), broader fundamentals for HY issuers remain intact so far. Accordingly, we continue to view high-quality, high-yield credit as a solid carry opportunity in 2026. Given wider dispersion across names and sectors, we believe careful credit selection remains paramount.

Munis: The muni market has come out strong in 2026, particularly in the front end and belly of the curve. The Bloomberg Triple-A (AAA) yield curve has rallied 39, 29, and 23 bps in the 2Y, 5Y, and 10Y segments of the curve. We anticipate a third consecutive \$500 billion new-issuance calendar this year, possibly north of \$600 billion. If so, the long end of the market will feel pressure and could cheapen, presenting a relative-value opportunity. The Bloomberg Muni Index (ticker: LMBITR) is +0.98% in February so far (+1.93% YTD). If gains hold through month-end, this could be the second-best-performing February for the Bloomberg Muni Index over the past ten years. February is historically a challenging month because of the relatively large amount of new issuance, reduced reinvestment cash flows, and tax-related selling.

Pref/Hybrids: Preferreds tightened over the month, and hybrid spreads widened by only a few basis points compared to ~20 bps of widening for BB credits. The asset class was largely insulated from the AI related sell-off with sector exposures concentrated in banks (preferreds) and defensive industries such as utilities and telecom (corporate hybrids). Looking ahead, we remain constructive on hybrids and preferreds, and we consider the risk–reward to be among the most attractive across credit markets today, with similar compensation to BB credit but historically lower loss rates vs. high yield.

What we're watching: Core Fixed Income: Munis and Corporates over Treasuries, in particular, intermediate corporates and long end munis. Extended Credit: Favor hybrid capital (preferreds and corporate hybrids) potential 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



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Europe Credit

European Credit Markets began 2026 on solid footing:

European Investment Grade (IG) has returned over +1.2% YTD and European High Yield (HY) is up almost +1%. These gains have been underpinned by the rates rally as Germany's government bond yields have declined by approximately 15bps YTD across the curve. Investment Grade credit spreads are broadly unchanged YTD, while the High Yield index is modestly wider, +7bps YTD.

We expect European credit spreads to remain supported – first and foremost, by **healthy credit fundamentals**. Interest Coverage ratios, albeit lower vs. recent history, remain strong at >12.5x for European IG and at ~6.5x for BBs. Net Leverage ratios for both IG and HY issuers have been stable over the past couple quarters and remain below their historical medians, while EBITDA margins of European IG issuers are now the highest over the past two decades. Our confidence in the resilience of European credit spreads in 2026 is also reinforced by the supportive macro environment. Our economists expect economic growth in the Eurozone to moderate up to 1-1.5% in 2026-27.

Technical remain strong for EUR-denominated credit markets. We continue to expect a certain degree of recalibration of investors' appetite from USD assets to remain a supportive tailwind for European credit. In addition to that, we anticipate increasing inflows from the regional fixed maturity and pension funds, in light of pension reforms across several European jurisdictions.

All of the above arguments speak in favor of stepping out of cash into carry that European credit markets currently offer. For context, a €10 million investment, choosing European IG bonds over cash, would generate more than €700,000 in additional income over 3 years. Over 5 years, that gap widens to over €1.2 million.

we see merit in positioning portfolios toward 5–10y maturities and selectively adding 7–10y tenors, noting that the 5–10y portion of the European investment-grade curve has delivered approximately 1.9% YTD. This reflects our assessment that rate duration is currently attractive and that relative steepness is more evident up to roughly 7y, while European IG credit spread curves flatten beyond ~10y tenors.

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

Hybrid Capital – we see potential for carry-like returns going forward with yields between 4-5.5% in EUR. **Hybrid Bank Capital**: European Banks continuously demonstrate solid operational performance. We like the increasing reliance on less capital-heavy Commissions & Fees

business, robust Capital Ratios with ample buffers, low Cost of Risk and healthier loan books vs. global peers. We remain constructive on European Banks across the capital structure, favoring Junior Subordinated to enhance 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. Additionally, IG-rated hybrids constitute ~60% of the total EUR hybrid market and tend to provide ~70-100bps of spread pick-up to issuers' respective senior curves. HY-rated hybrids, from issuers whose senior bonds fall into IG, tend to offer spread pick-ups of above 125bps over their senior curves.

Exploration & Production BBBs – we note select BBB-rated senior debt within the Upstream sector, supported by a history of positive Free Cash Flow generation, declining reported FCF breakevens, and CapEx that previously peaked. Several select credit curves we follow currently exhibit approximately 40–50 bps of credit spread pick-up versus the broader BBB index.

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

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

EM Credit

Emerging Markets (EM) Credit: EM credit has continued to outperform in 2026. In February, EM sovereign spreads widened by 5 basis points and EM corporate spreads by 9 basis points. Despite this modest widening, both indices posted positive returns—1.4 per cent for EM sovereigns and 0.8 per cent for EM corporates—taking year-to-date gains to 1.5–2.0 per cent. Over the first two months of the year, EM has outperformed developed-market credit by 0.75–1.0 percentage points. We expect this outperformance to persist, supported by potentially attractive all-in yields of 6.6 per cent for EM sovereigns and 5.8 per cent for EM corporates. While current spread levels reflect a “Goldilocks” backdrop, we anticipate a modest widening over the year, with EMBI spreads moving to around 290 basis points and CEMBI to about 205 basis points—developments we think may not detract from the prospect of continued positive returns.

As outlined in last month's GIS, we have been constructive on EM high yield (HY) since September 2025. Two macro themes—an increasingly fragmented global landscape and elevated commodity prices—are reinforcing the EM growth narrative, and this supportive backdrop should continue to attract flows into EM credit. Year to date, EM fixed income has seen nearly \$5bn of inflows, already surpassing full-year 2025 levels. With close to \$70bn in cumulative outflows since 2022, global allocators remain meaningfully under-exposed to an increasingly attractive asset class.

At \$2.2 trillion, EM HY is the largest HY market globally. From an asset-allocation perspective, it is too significant to overlook. Within the EM BB segment, we prefer corporates to sovereigns. We focus on issuers that command strong market share in their domestic economies and sectors, maintain EBITDA margins above 15 per cent—supporting consistently positive free cash flow—and exhibit stable-to-improving leverage profiles below 3x. These criteria identify a range of opportunities across EM offering yields of 6-8 per cent, underscoring the breadth of diversification available within EM fixed income. We favor exposure to credits from Turkey, Brazil, Israel and Mexico, and prefer the following sectors: Financials, TMT, Utilities, Oil & Gas, and Metals & Mining.

We expect yield-driven demand to continue to support global fixed-income asset classes. In developed markets, this dynamic is contributing to higher net issuance, particularly as hyperscalers ramp up large-scale capex programs. By contrast, emerging markets present a more favorable supply picture, with net issuance for EM sovereigns expected to decline from \$92bn to \$27bn and to remain negative for EM corporates. As a result, we expect

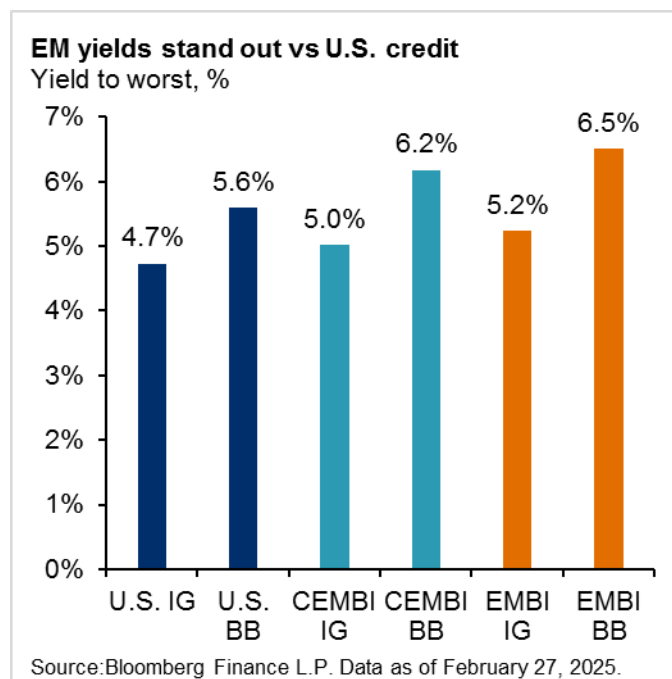
demand-and-supply technicals to remain supportive for EM assets throughout 2026.

Consider a hypothetical \$10 million portfolio. Using illustrative averages of 3.7% for cash and 6.2% for EM fixed income, the difference in income under these assumptions can be notable. Over 3 years, allocating to Emerging Market credit instead of cash at these rates would imply more than \$800,000 in additional gross income. Over 5 years, the implied difference is over \$1.5 million. These figures are illustrative estimates and not guarantees; actual outcomes depend on realized rates, price volatility, reinvestment, fees, and taxes.

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

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

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



Asia Credit

Asia credit markets delivered a strong performance this month, with Investment Grade returning +0.82% and High Yield gaining +2.99%. The constructive backdrop we outlined at the start of the year continues to play out, reinforcing our positive stance on the asset class.

Asia IG benefited from the decline in Treasury rates, though it underperformed its US counterpart due to its shorter duration profile (4.67 years versus 6.89 years for US IG). Despite this relative lag, Asia IG remains well-supported by its defensive characteristics, with over 40% allocation to sovereign and quasi-sovereign issuers providing credit quality resilience. All-in yields in the high 4% range continue to offer an attractive proposition for investors seeking income and capital preservation. Our top picks remain subordinated capital in Japanese life insurers and global banks, given their robust fundamentals and relative value.

Following our upgrade of Asia High Yield to neutral last month, the sector is demonstrating strong momentum with a +2.99% year-to-date return. Our view is being validated by China property recovery, improving Hong Kong residential outlook, strong Indian credit performance, and continued demand for Macau gaming names. Asia HY continues to attract inflows given its relative cheapness to broader emerging markets, and we expect the default rate to reach its lowest point in five years. We maintain our preference for BB-rated companies with healthy balance sheets over lower-quality single-B names.

We also see opportunity in AUD-denominated fixed income. The asset class offers yields comparable to USD fixed income, supported by a stable market backdrop and potential upside from AUD currency appreciation. For investors with flexibility on currency exposure, AUD credit presents an attractive diversification opportunity.

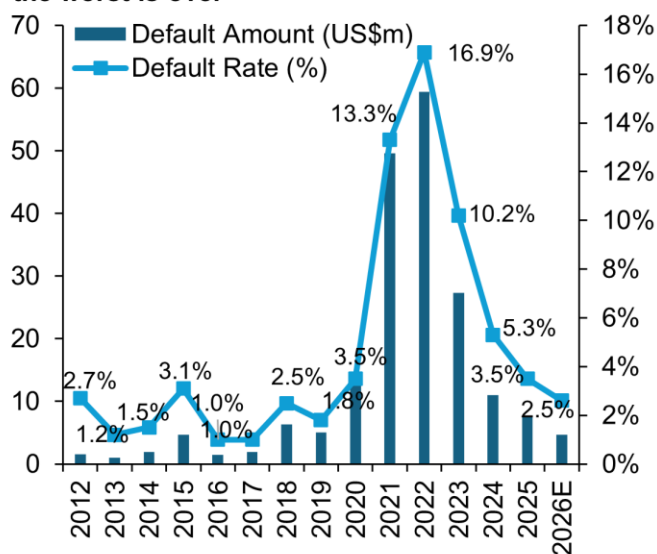
What we're watching:

- Japan Lifers: Attractive sector offering 5%+ yields in A-rated names
- Asia HY: Ongoing recovery driven by EM inflows (India high yield, Macau Gaming, HK Real Estate)
- AUD Fixed Income: Attractive yield with potential FX upside

Our view: YE '26:

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

Asia high yield - being selective is important but the worst is over



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

FX VIEWS

U.S. Dollar

The dollar stabilized in February following a weak start of year due to "sell America" narratives. Given renewed tariff uncertainty and geopolitical risks, we could see volatility pick up - but again, moves driven by flows and sentiment instead of fundamentals may ultimately prove temporary.

We expect the dollar to enter a choppy bottoming phase in 2026, given 1) cyclical convergence between the U.S. and the rest of the world is largely behind us as U.S. growth rebounds following "peak weakness" in Q1 2026; and 2) rebalancing U.S. asset overweights and FX hedging by ex-U.S. investors has moderated since Q2. Notably, foreign demand for U.S. assets remains resilient, and we see limited motivation for increased hedging activity, especially as the negative correlation between the dollar and U.S. equities has re-established.

Nonetheless, USD diversification remains a prudent investment principle for achieving more balanced global exposure across asset classes. Select high-beta FX i.e. AUD, EMFX may extend strength against USD on prospects of global cyclical recovery. Risk to the view is the U.S. economy underperforms expectations or a new catalyst reignites global reallocation.

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

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



Euro

EURUSD stabilized below 1.18 in February, back near our fair value estimate anchored on near-term fundamentals like interest rate differentials. As long as relative growth and interest rates remain the key drivers in FX markets, we don't see EURUSD sustainably rising above 1.18-1.20, unless Eurozone growth outpaces our already optimistic expectations or the U.S. outlook materially disappoints. That said, we view the euro as a prime avenue for prudent USD diversification, thanks to its liquidity and deep financial markets. Our outlook: euro-based assets should comprise roughly 20% of global investment portfolios.

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

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



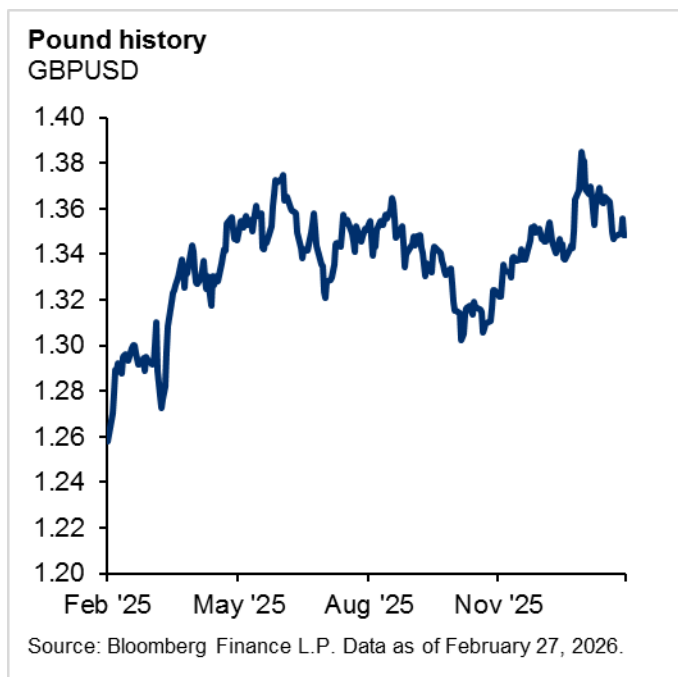
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British Pound

Cable pared back to 1.35 levels as broad USD sentiment stabilized. Market pricing for BOE trajectory increased to two cuts this year on uncertainties in domestic politics. Our outlook for sterling is less constructive than for other alternative reserve currencies. While our fair value model points to a stable cable around the 1.33–1.35 range, supported by carry, we see limited upside beyond that. Three factors are capping further GBP gains: recent data signals a faster slowdown in UK growth and inflation, the BOE looks increasingly responsive to growth risks and could act more aggressively than markets expect, and persistent fiscal constraints continue to weigh on government spending. As a result, we expect the pound to underperform most other G10 currencies.

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

Our view: YE '26: 1.33 (1.31-1.35)

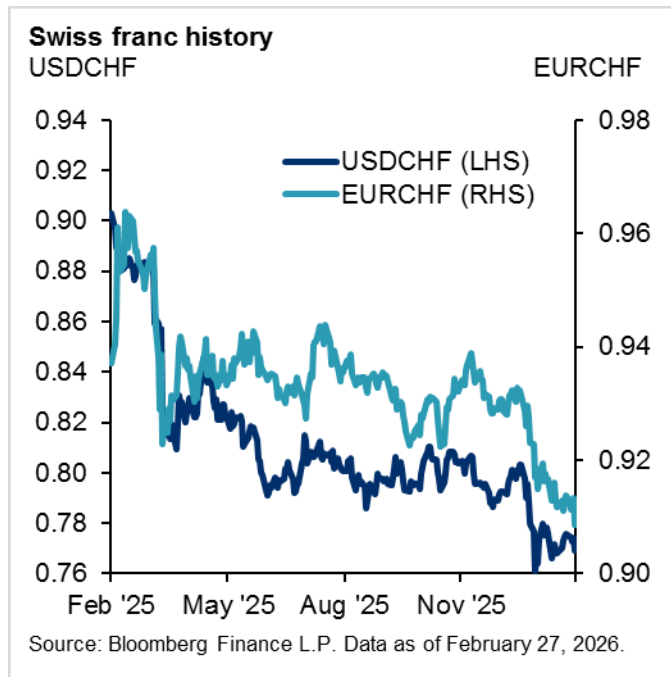


Swiss Franc

CHF stabilized against EUR in February after quickly dipping below 0.92 at the start of the year. Deflationary pressure persists, while SNB continued to look it through, focusing on medium term price dynamics. Our fair value estimate, based on growth and rate differentials, puts USDCHF in the 0.78–0.80 range. We expect the SNB to hold rates at 0%, with no return to negative territory. The Swiss economy is slowing—contracting exports and subdued consumption are weighing on growth. Headline CPI is hovering around 0%. If deflationary pressures persist, the SNB may step in to curb currency strength, especially against EUR. Once conditions normalize, we see USDCHF staying range bound, while EURCHF moves higher in 2026 as European growth momentum improves. Medium term, CHF could continue to outperform within G10, underpinned by Switzerland’s strong fiscal position. This backdrop favors using CHF as a funding currency for EUR-based clients, while USD-based clients should focus on risk management during periods of USD strength.

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

Our view: YE '26: USDCHF: 0.79 (0.77 - 0.81) EURCHF: 0.94 (0.92-0.96)



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Japanese Yen

The trajectory of USDJPY has decoupled from interest rate differentials in a sustained and meaningful way, with recent price action showing increased sensitivity to perceived fiscal risks. Following PM Takaichi’s landslide victory in the February snap election, we now expect implementation of the proposed two-year suspension of the 8% consumption tax on food and non-alcoholic beverages, which could generate an annual revenue shortfall of roughly JPY 5 trillion (around 6% of total tax income). In our view, this raises the floor for both USDJPY and long-end JGB yields, prompting an upward revision to our USDJPY outlook this month. In the meantime, Japanese authorities continued to demonstrate resolve to defend the 160 “line in the sand,” as we previously expected. If the market respects this threshold, USDJPY should stabilize in the 152–158 range. Looking ahead, we expect authorities to keep stabilizing FX and bond markets. Neither a weaker-yen-higher-price spiral nor sharply higher financing costs are desirable for the Takaichi administration. While caution is warranted on speculative JPY positions, a long JPY stance could serve as a hedge in risk-off macro scenarios. We also remain comfortable investing in Japanese equities without an FX hedge, seeing this as an approach to USD diversification.

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

Our view: YE '26: 155 (153 - 157)



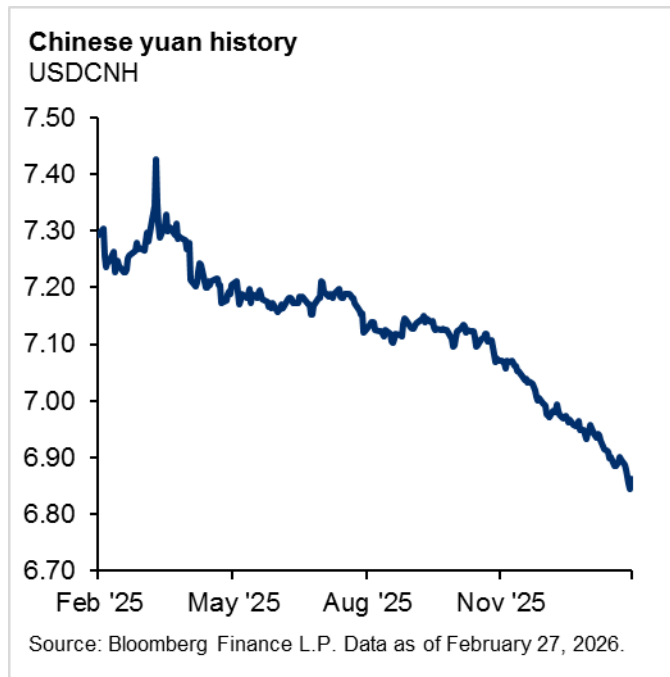
Chinese Yuan

We initially thought the yuan strength that began in December would prove temporary, as it seemed largely seasonality-driven in line with historical patterns. However, the post–Lunar New Year move suggests otherwise, with continued appreciation more than offsetting carry gains for Chinese exporters holding USD and triggering panic hedging/conversions. PBOC’s response so far indicates tolerance for further appreciation, albeit at a managed pace. With trade surpluses running at around US\$100bn per month, this alone could support additional yuan gains until the central bank pushes back more forcefully.

We are therefore revising our outlook this month to reflect a managed appreciation path. The upcoming Trump visit to China will be closely watched, as the exchange rate could be a key negotiating lever. For USD diversification, EUR-, JPY- and AUD-denominated assets remain preferred. CNH still offers low volatility and attractive funding costs, but its risk-reward is deteriorating as appreciation risks rise. Investors without a need to FX hedge their China exposure may consider diversifying funders or reducing currency 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)



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G10 Commodity FX

The commodity bloc diverged in February with AUD outperforming. The overall outlook remains constructive, supported by a benign outlook on risk sentiment and commodity uptrends.

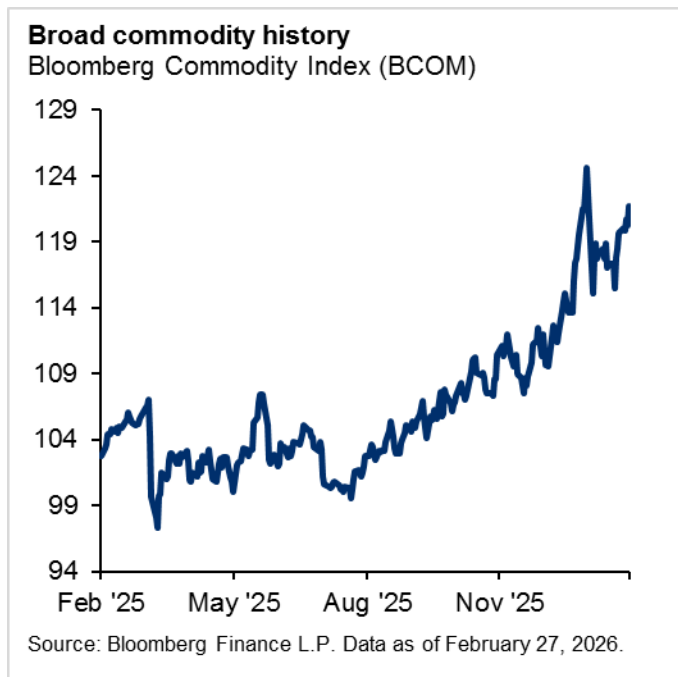
CAD: Bearish on crosses given correlation with the USD, CAD can serve as a lower carry proxy for tactical USD shorts. More constructive medium-term outlook supported by fiscal measures and ongoing FX hedging.

AUD: Bullish view has played out on early RBA rate hikes, the commodity boom, and fiscal discipline. We stay constructive, but see upside potential beyond 0.72 as more constrained.

NZD: Bullish from current levels. NZD has underperformed on weak domestic conditions but has room to catch up. We hold a more constructive medium-term outlook, with RBNZ an early mover.

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)



Scandi FX

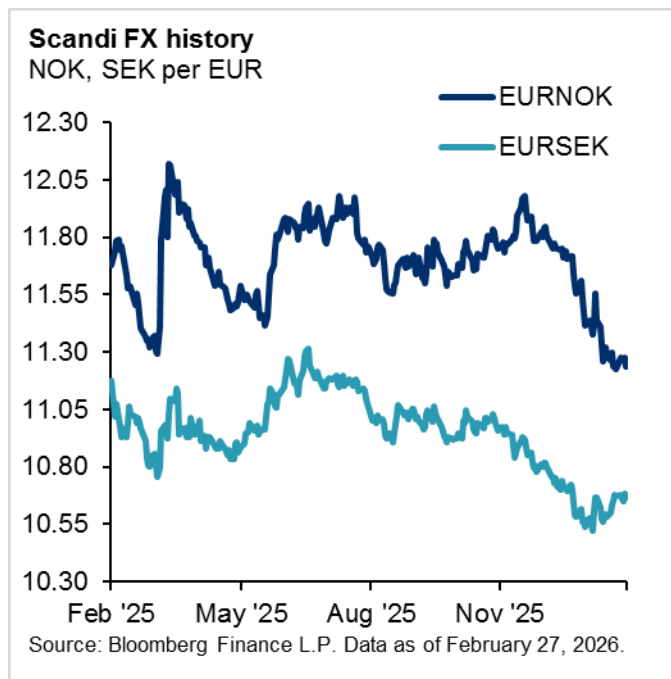
Scandis have generally benefited from risk-on sentiment year-to-date. We think that continued strength in global risk assets, partnered with more favorable domestic growth and fiscal dynamics, provide a strong backdrop for the bloc going forward.

NOK: Bullish. Norges Bank cut twice in 2025, and market is pricing in less than one cut by mid-2026. Economic resilience to global trade uncertainty and ample fiscal space should benefit NOK – especially as stagflation concerns grow for other higher carry currencies like GBP.

SEK: Neutral. Strong repatriation flows have driven strength in SEK, despite that clear signs of a growth slowdown could be a headwind. That said we expect SEK to be a major beneficiary of a potential Russia-Ukraine ceasefire.

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

Our view: YE '26: EURNOK: 10.95 (10.75–11.15) EURSEK: 10.40 (10.20–10.60)



*JPM Investment Bank Outlook

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Emerging Market FX

Constructive on high beta, high yielding EMFX on global pro-cyclical growth and USD weakness. Performance within the bloc may diverge on monetary policy, local policies and growth risks.

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

EMEA: We are neutral on this part of the complex. **ILS:** Neutral. Shekel valuations seem stretched compared to other low yielders, US financial conditions and Israel's fundamentals. Additionally, as Bol has now turned dovish, front-end interest rate differentials are now more likely to shift in USD's favor. However, flow support is likely to remain strong with new data showing FX hedge ratios still at record lows and two large M&A transactions expected to complete in H1.

Asia: FX of economies with hawkish central banks and export strength could outperform. **INR:** Further weakness limited as trade uncertainty fades, but sentiment remains weak on RBI confidence concerns. **TWD:** Neutral despite semi rally, as hedging positions dialed down on lifer hedging rule amendments. **KRW:** Bullish, improved macro outlook given memory cycle uplift. **SGD:** USDSGD trading near 10-year low. Limited strength from here as MAS could turn incrementally more dovish.

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

Our view*: YE '26: BRL: 5.40 (5.20 – 5.60) MXN: 17.30 (17.10–17.50) ILS: 3.05 (2.85–3.25) INR: 92.50 (90.50-94.50) TWD: 32.60 (30.60–34.60) SGD: 1.30 (1.28–1.32)

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of February 27, 2026.

*JPM Investment Bank Outlook

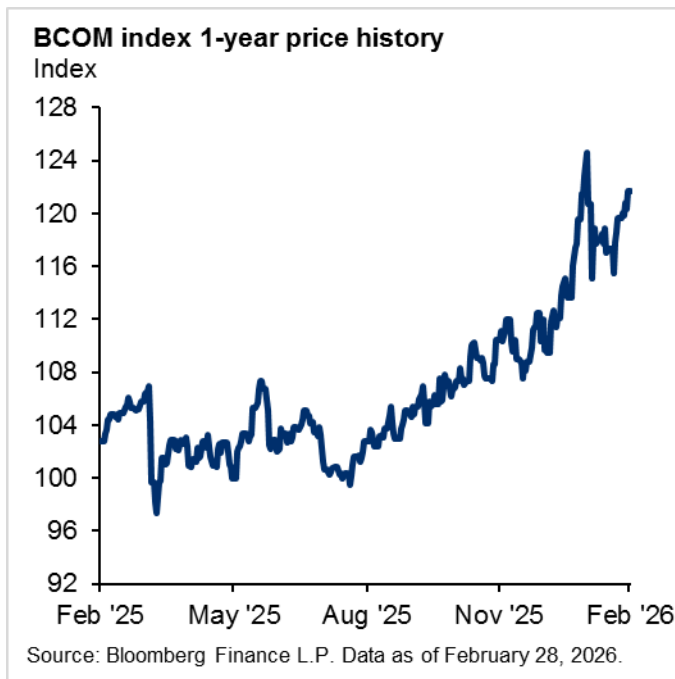
COMMODITY VIEWS

BCOM Index

After a blockbuster start to 2026, Commodities had a quieter February return +1.9%. However, the headline return masks a lot of the volatility that caused violent swings in the first weeks of the month as Precious metals crashed and dragged the index lower before recovering from mid-month. Soybeans were the best performers +7.8% followed by Wheat +5.4%. Close behind was Gold which rose another +5.35% on continued geopolitical tensions. On the losing side Natural Gas dropped an incredible -36% as weather forecasts finally turned a little kinder. Coffee also continued to lose ground -13%. Sorry for the pun...

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

Our view: YE '26: 130-133



Gold

Gold and Silver saw brutal selling at the end of January and into the first days of February as they retreated from irrational, frenzied buying seen in the first few weeks of the year. We were of the view that Gold especially, would trade sideways for a few weeks, but it has recovered almost half of the losses seen from the January highs +5% in February. Investors remain concerned around the possibility of military conflict with Iran, as the US moves military assets into the Persian Gulf. The USD has been stable although global equity flows are diverging away from the US into more International allocations. Gold has been strong in a benign dollar environment; central bank flow data are due to be reported in the coming weeks. Silver's performance has been comparatively muted at +0.8% for the month.

What we're watching: Central Bank demand appears strong and global stress emboldens buyers

Our view: YE '26: \$6000-\$6300



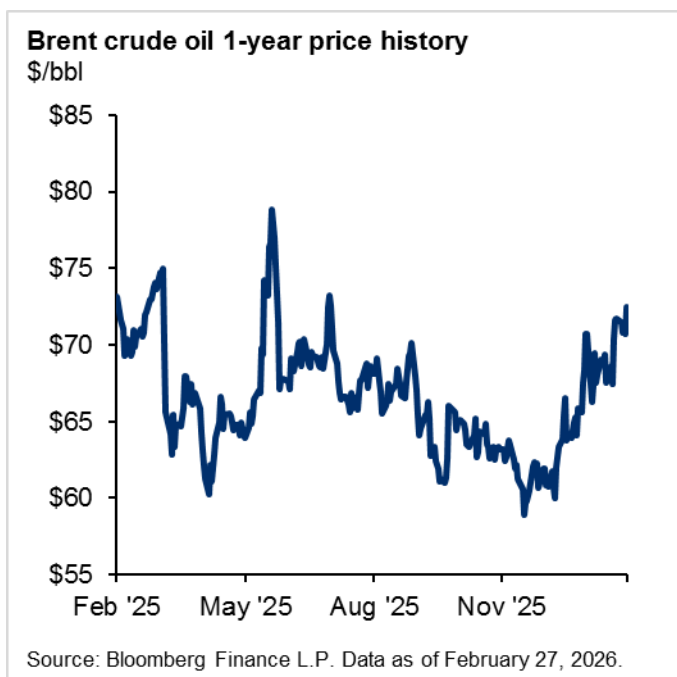
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Crude Oil

Crude oil moved sideways over the month rising +0.85% although the range for the month was over 5% from low to high as traders rushed to cover shorts on fears of military conflict with Iran. For now the price will be dominated by the outcome of US/Iran negotiations continuing in Geneva. As of writing, commentary seems to suggest a deal may be possible, although Iran is attempting to separate the nuclear issue from the strategic missile question. The US insists that both are to be limited and therefore we fail to see how this can be resolved without Iran backing down. Existential threats tend to focus minds, so anything is possible. Our view remains that an outbreak of new hostilities will likely spike oil prices into mid or high \$80 range. If however the military operations expands with Russian or Chinese support for Iran, this escalation could see prices back above \$100. Proceed with caution.

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

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



Natural Gas

Natural Gas continues to whipsaw traders, this month dropping -36% as the forward looking weather forecasts have finally turned warmer. The Northeast was hit with a major blizzard at the end of February, but this had been factored into prices earlier in the month. Stock rebuilds have proceeded rapidly and March temperatures are forecast to be approximately 10% warmer than the 10 year average. This could of course change very rapidly. The volatility continues to take a toll and we advise clients to avoid attempting to assume risk unless we see another prolonged move lower in March. Despite prompt prices trading at \$2.85 December markets are trading at \$4.30 as the curve trades very steep.

What we're watching: Weather.....

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



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Copper

Copper consolidated in February after the strong start seen in January. Prices advanced a sedate +0.95%. As always, copper demand is dominated by China and the start of the Lunar New Year has sidelined Chinese buyers for now. Client questions and interest in copper remains high and the challenge remains implementation with the curve in contango. This makes structured note pricing difficult as the economics are unappealing to most clients. One option some clients consider is holding physical metal with multi-year warehousing; this approach is generally more practical for those able to accommodate the associated costs, logistics, and liquidity considerations. We see prices higher \$14,000 to \$14,500 on an expanding deficit and supply interruptions.

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

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



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ALTERNATIVES VIEWS

Private Credit

Recent events (AI disruption fears, negative headlines on portfolio marks and redemptions) have reignited concerns about the state of public and private credit (PC) markets and whether we are on the verge of a systemic credit crisis. First, we believe fears of a systemic crisis spurred by private credit are overstated.

Growth in PC AUM has been meaningful, but not detrimental. Private Credit AUM has grown ~14.5% CAGR over the past decade, but still represents ~9% of all corporate borrowing. This has not led to a meaningful increase in riskier lending in the US overall as PC has taken share from other lenders like banks. US risky credit outstanding as a % of US GDP has remained around 20% for the past decade.

Indirect exposure through bank lending also appears limited. If Private Credit firms withdrew remaining undrawn funds from credit lines, the impact on US large banks' capital ratios would be minimal¹.

Liquidity Mechanisms. Liquidity mechanisms vary by investment vehicle type, making it essential to understand the specific terms governing each structure. Redemption queues and gating mechanisms are standard protective features in semi-liquid structures—not necessarily signs of distress—designed to prevent forced asset sales and protect remaining investors. In private credit, gates are prudent tools that align investor liquidity with illiquid underlying assets to preserve long-term value. Current elevated tender requests appear sentiment-driven rather than fundamental, as evidenced by: BSL B-rated loan returns down only ~90 bps MTD and default rates at or below historical averages (High Yield: 2% vs. 3.3% historical; Leveraged Loans: 2.8% vs. 3.1% historical; Private Credit: ~2.5%, in line with norms).

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

Senior secured direct lending. In the US, we expect yields to normalize to historical levels (high single digits) and investors are still getting compensated for incremental risk vs. public markets. Selectivity is key as we expect performance dispersion to widen in 2026—focus on portfolios with diversified sector exposure, seniority in the capital structure, and lean into larger companies (EBITDA > \$50M). Europe starting to look more attractive (less

trafficked, less competition from public markets, robust spreads).

'Credit complements' will be critical in 2026 as direct lending yields normalize and cracks in credit emerge. Diversify through asset-backed finance which offers key portfolio benefits including low correlation to corporate credit and direct lending (~0.25–0.31), diversification through varied collateral pools, self-amortizing structures versus bullet maturities, multiple layers of structural credit enhancement, and access to a growing opportunity set created by structural bank retrenchment—though the asset class's complexity makes manager selection and expertise critical. Take advantage of "micro" credit cycles through opportunistic/distressed credit managers that can lean into dislocations.

¹ "Bank Lending to Private Credit: Size, Characteristics, and Financial Stability Implications", Federal Reserve, May 2025.

What we're watching: Default activity and impact of AI disruption, fundamentals of underlying borrowers, yields vs public markets

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Private Infrastructure

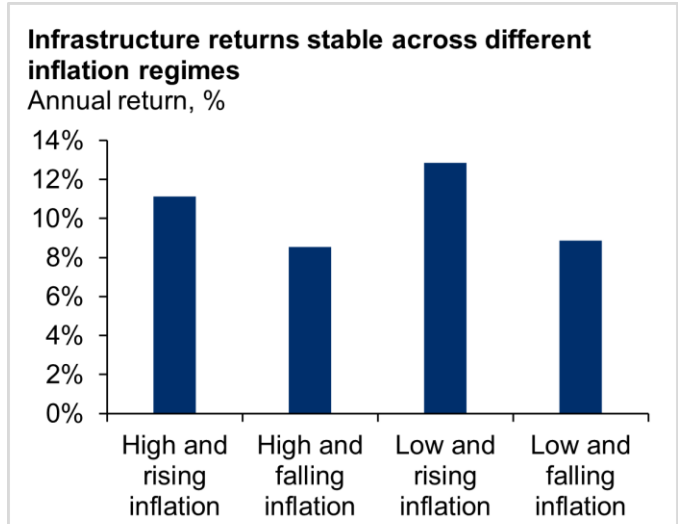
Infrastructure provides two key characteristics to investors: stable returns (supported by long-term, inflation-resilient, contractual cash flows) and less volatile exposure to secular growth backed by multi-year trends (acceleration in demand for power, resilient infrastructure escalating to a matter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

Since 2Q08, core infrastructure has annualized high single digit to low double digit returns across various inflationary regimes. Let's double click into the multi-year trends supporting these consistent returns. **Acceleration in demand for power:** After two decades of near-zero growth, US power demand is expected to grow at ~2.5% CAGR through 2030 driven by industrialization (reshoring, resurgence of U.S. manufacturing), Data Centers (driven by growth in AI), and electrification (building electrification, EV growth & charging infrastructure). This acceleration in demand at a time of constrained supply could create a power deficit by 2029. We believe this will spur investment in power infrastructure (generation, transmission, distribution, storage). Indeed, power now represents ~60% of the global private infrastructure index. It will also create a resurgence in securing reliable sources of power (e.g., renewal in focus on oil & gas in the US, renewables in Europe).

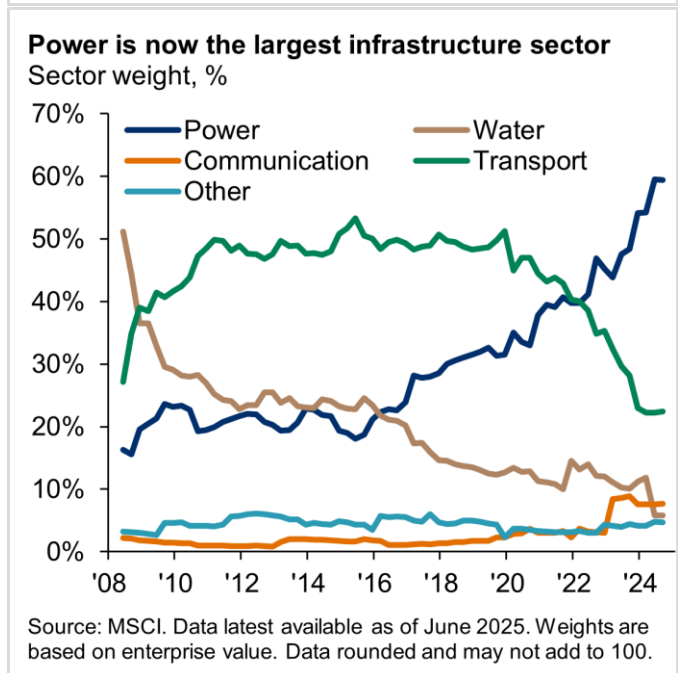
Resilient infrastructure now a matter of national security: The past couple of years have also showcased in real-time the role that energy plays in influencing the geopolitical landscape. Securing reliable sources of energy / power - not only for essential services but also to power AI - has become a matter of national security. For investors, it means that investment in energy and power infrastructure will be supported by long-term secular forces, and that investing in globally diversified infrastructure could be key as the type of asset (and therefore growth) you are getting exposure to will vary by region. But this moves beyond just power and energy - it touches all forms of infrastructure (e.g., ports, roads, rails, bridges, telecom). Indeed, NATO's defense spending guidelines initiated in 2025 incorporates guidelines on spending on creating resilient infrastructure (1.5% of country's GDP). Moreover, investors have historically had low allocations to infrastructure. The JPM Private Bank Family Office Report found that infrastructure represented less than 1% of assets under supervision in 2024. As the need for consistent, inflation-resilient income becomes a top priority in this cycle, we believe investor allocations to

Infrastructure can provide two key characteristics to investors: consistent returns (supported by long-term, inflation-resilient, contractual cash flows) and less volatile exposure to secular growth backed by multi-year trends (power, resilient infrastructure escalating to a matter of national security)

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



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



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

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Private Real Estate

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

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

Industrial real estate, including warehouses, data centers, and manufacturing facilities. This sector is being reshaped by the convergence of artificial intelligence, digitalization, and a renaissance in advanced manufacturing. Demand for high-powered industrial assets is rising, driven by technology and logistics firms seeking properties equipped to handle large electrical loads. Over the past year, high-powered industrial assets have delivered average returns of 8%, compared to less than 3% for standard properties¹. Vacancy rates are below historical norms, supporting faster rent growth. Triple net leases, which are prevalent in the industrial sector, provide investors with inflation-hedged income streams and exposure to diversified portfolios, with lower default risk compared to high-yield public markets.

Emergence of asset-backed finance opportunities. Hundreds of billions in real estate loans are scheduled to mature over the next two to three years, requiring refinancing at higher rates. Regional banks, historically a backbone of CRE lending, have reduced their activity, creating a capital gap. Private lenders are stepping in, offering structured strategies with equity-like returns and

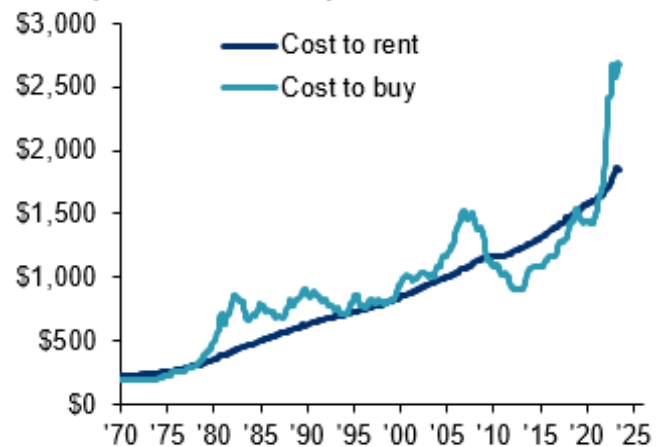
debt-like features, especially for well-collateralized industrial assets. Current yields in the sector are in the low double digits. For investors wary of commercial real estate risks—such as falling property values, tenant defaults, illiquidity, and elevated interest rates—real estate credit offers potential income, downside risk mitigation, and exposure to high-demand sectors, making it a logical entry point.

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

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

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

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



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

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Private Equity

Conviction in PE has been tested as the median buyout manager underperformed public markets over the past three years, driven in part by the AI-fueled rally. Record dry powder, sluggish deal flow, and below-average distributions have added pressure. While we believe concerns that PE has lost its way are overstated, the industry is clearly stratifying.

PE continues to offer differentiated exposure supported by strong fundamentals - private companies posted ~11.5% annual EBITDA growth over the past decade, outpacing public markets. Key themes include technology, healthcare innovation, and security.

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 annual recurring revenue (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 both U.S. peers and public benchmarks (MSCI Europe), benefiting from fragmented markets, operational complexity, middle-market abundance, and greater exposure to secular themes (tech/telecom represents ~33% of European PE deals vs. ~10% of MSCI Europe). India is APAC's fastest-growing PE market, driven by strong economic growth, rising consumer demand, and supply chain shifts. Japan's opportunity set is expanding as corporate carve-outs and governance reforms accelerate.

Deal activity is building momentum. 2025 U.S. IPOs rose 11% y/y by deal count and 36% y/y by value, while M&A reached the second-highest year by deal value in North America over the past decade. The 2026 IPO pipeline is unprecedented in both size and concentration—rumored IPOs could represent the three largest U.S.-listed IPOs in history, potentially reshaping index composition and capital flows.

We see opportunity in PE given the differentiated exposure private markets provide. As financial conditions ease, deal activity should accelerate into 2026—but vigilance is warranted. Within PE, we favor complementing core exposure with secondaries and taking a diversified approach across sector (balancing tech with healthcare and

security themes), size (mid-market and large buyout), and geography (Europe, India, Japan).

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

VOLATILITY VIEWS

Equity Vol

Index-level calm is masking one of the most extreme episodes of equity dispersion in years. Through Feb the S&P 500 is near flat, yet beneath the surface dispersion is extraordinary: Energy (XLE) up ~20% while the Nasdaq is unchanged. Within tech, AI-infrastructure cohorts are near +80% while enterprise software is down 20%–30%. Options reflect this split: SPX implied volatility is grinding higher and put–call skew has steepened, signaling investors expect a wider range of downside outcomes even as the index trades in a tight range.

Globally, concentration and momentum have magnified risks. South Korea's market, driven by a handful of stocks, has seen option volatility on MSCI South Korea (EWY) jump to levels only eclipsed in the COVID extremes of 2020; EWY now trades at ~2.5x the implied volatility of MSCI Emerging Markets (EEM) versus a typical ~1.25x—an all-time gap.

A broad-based diversification approach may include structured notes, put-writing strategies to collect option premium, and accumulators to phase into positions over time. Consider staying invested with option overlays to smooth volatility, recognizing the market's range of outcomes has widened.

What we're watching: Sector dispersion, AI delivery vs expectations, blockbuster IPOs

Macro Vol

Gold remains a core theme. After January's surge, prices spent most of February consolidating near \$5,000/oz while volatility cooled from the late-month spike but stayed elevated versus history. With US equity dispersion extreme, gold's potential as a differentiated return driver remains relevant in a portfolio context. Rates volatility ticked up from January's lows as investors digested policy signals and the nomination of Kevin Warsh for Fed chair. Swaption vols firmed across the curve, yet remain subdued compared with the last few years. Rates markets currently imply roughly one cut by mid-year and a little more than two by year-end, even as recent Fed communication leans patient. Market

pricing still embeds more easing than our GIS team expects. Energy added to cross asset volatility. Tensions around U.S. – Iran dynamics lifted risk premia in crude and pushed short-dated oil volatility to the highest since summer 2025. Macro paths are widening alongside equities. A resilient economy complicates a quick pivot to easier policy. For floating rate borrowers, it may make sense to fix out a portion of floating-rate liabilities around 3% out 3 to 5 years.

What we're watching: Gold volatility, inflation data, volatility in global bond markets

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	15.84	-0.44		15.49	-1.25	
EURO STOXX 50 Index	13.70	-3.10		15.29	-0.74	
Tokyo SE (TOPIX) Index	16.96	0.51		17.77	0.26	
Rates - SOFR Swaptions ATM Strike Implied Volatility (BP, Annualized)						
1Y	68.06	-2.07		104.95	-4.23	
5Y	102.38	1.76		101.49	-3.53	
10Y	97.26	2.96		95.26	-3.08	
Commodities - ATM Strike Implied Volatility						
Oil (Brent)	25.00	8.00		25.15	-0.25	
Gold	14.57	1.03		15.18	-0.05	
Currencies - ATM Strike Implied Volatility						
EUR/USD	7.10	-0.10		7.25	0.05	
USD/JPY	10.75	1.48		9.78	0.09	
USD/CNH	4.50	0.02		5.82	0.13	

1) Source: J.P. Morgan. Data as of February 25, 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

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.
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- The price of equity securities may rise or fall due to the changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.
- Investing in fixed income products is subject to certain risks, including interest rate, credit, inflation, call, prepayment and reinvestment risk. Any fixed income security sold or redeemed prior to maturity may be subject to substantial gain or loss.
- Preferred securities are typically long dated securities with call protection that fall in between debt and equity in the capital structure. Preferred securities carry various risks and considerations which include: concentration risk; interest rate risk; lower credit ratings than individual bonds; a lower claim to assets than a firm's individual bonds; higher yields due to these risk characteristics; and "callable" implications meaning the issuing company may redeem the stock at a certain price after a certain date.
- Investors should understand the potential tax liabilities surrounding a municipal bond purchase. Certain municipal bonds are federally taxed if the holder is subject to alternative minimum tax. Capital gains, if any, are federally taxable. The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax (AMT).
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- 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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