

The Global Investment Strategy View

Mid-Year Outlook Edition

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



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KEY TAKEAWAYS

This week we are excited to launch our Mid-Year Outlook: Promise & Pressure. We continue to focus on three powerful and interconnected forces that we expect to define markets in the coming years – artificial intelligence (AI), fragmentation and inflation. In this month's GIS View we consider how these forces will impact markets and create opportunities in the year ahead. We also introduce our mid-year 2027 macro and market targets.

Conflict in the Middle East remains front and center for investors. Our base case anticipates a de-escalation in the Iran conflict and lower energy prices in the coming months, allowing investors to increasingly focus on the strength of corporate earnings. We think this backdrop should support further equity gains, particularly in the U.S. and emerging markets.

In 2027, we expect a return to trend-like growth and inflation, though Europe may face greater pressure from the lingering effects of the energy price shock. Looking beyond the Iran conflict, we believe global fragmentation will remain a defining theme in markets for years to come. It will create both opportunities (promise) and risks (pressure).

We have downgraded our view on the dollar. Global surpluses are shrinking and countries outside the U.S. are using more of their excess savings to fund domestic resiliency rather than invest in dollar-based assets. We don't expect global investors to "sell America," but "buying less" – buying fewer U.S. assets – should lead to a modestly weaker dollar. We think this would provide support for high conviction investment opportunities like emerging markets and gold. Fragmentation will also spur renewed investor focus on security and resilience. We expect continued earnings upside for national champions in strategic industries such as defense, energy and infrastructure. An accelerating capital spending cycle would reaffirm the HALO (Heavy Assets, Low Obsolescence) theme that has been animating markets.

Recent market swings remind us that geopolitical shocks can move sentiment over the short term, but fundamentals drive markets over the long term. Risks persist and prudent diversification remains critical, but secular trends including AI and fragmentation are creating new opportunities for patient investors. The world is changing and so too is the way we must think about investing.

What Could Go Wrong: Three Risks We Are Watching

We highlight three risks to our broadly constructive outlook: (1) A renewed U.S.–Iran conflict that disrupts Strait of Hormuz flows and tightens financial conditions, especially in energy-importing regions; (2) An AI capex slowdown from infrastructure constraints or weaker monetization, pressuring tech sector valuations; and (3) Rising stress in credit—particularly in private credit—with defaults amplified via links to banks. These risks are not part of our base case, but they warrant hedging into the second half of the year.

Three opportunities in focus:

Look to gold to diversify your dollar exposure: A weaker dollar could create further tailwinds for gold. So too would ongoing central bank buying to diversify currency reserves. With gold offering investors the added benefit of diversification against geopolitical and inflation risks, we see 20%+ upside for the commodity in the year ahead.

Firming fundamentals support adding to emerging markets: We see compelling opportunities in both emerging market (EM) equity and credit. Asian equity markets have seen sharp earnings upgrades on the back of booming semiconductor and memory demand. Uncertainty in the Middle East will likely benefit EM commodity producers. EM credit offers compelling yields and improving fundamentals, while remaining under-owned by global investors.

Take advantage of the pullback in defense stocks: Fragmentation will continue to shift focus from efficiency to resiliency, a trend which should drive greater spending on security, defense and strategic industries. Despite the Middle East conflict, defense names have lagged, creating an opportunity for long-term investors through traditional defense companies and innovative defense technology firms.

THE MAY 2026 SNAPSHOT

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

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

FX & COMMODITIES				
ASSET CLASS	Negative	Neutral	Positive	MoM
DXY Dollar Index	●			-1 ▼
Brent Crude Oil	●			
Gold			●	

Note: MoM = Month over month. This snapshot summarizes conviction across key GIS views. It is not meant to constitute portfolio management or to be used as a portfolio construction tool.

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THE VIEW

Scenario Update: Bumpy De-escalation is the Base Case

The central takeaway from the last month is not that geopolitical risk has disappeared, but that markets have been able to discount the most punitive tail risks. The de-escalation scenario [we flagged as most likely last month](#) has been reinforced by realized outcomes: the US and Iran agreed to a ceasefire, oil prices, while volatile, are unlikely to sustain new highs, equities have rebounded, and broader financial conditions have loosened. Policy uncertainty is still elevated, but from a volatility standpoint investors have moved on (Figure 1).

Looking out over the next twelve months, the macro & markets backdrop is likely to be dominated by familiar variables: trend-like GDP growth, strong large-cap corporate profits growth, continued normalization in cyclical inflation, and the interaction between sticky supply-driven price components (Figure 2) and restrictive but stable monetary policy.

We note two trends likely accelerated by the US-Iran conflict: reinforced medium-term USD downside (despite the initial boost the dollar received from the outbreak of the Iran conflict), and continued outperformance of capital-heavy companies over capital-light ones in equity markets.

Looking Ahead to 2027

Market returns for the rest of 2026 will hinge on the economic outlook for 2027, and our view is that the US-Iran conflict will not act as a major constraint on US growth. Gasoline futures show prices at the pump falling from above \$4.00/gallon to about \$3.60/gallon by the end of this year¹ — a level that is not restrictive for the US consumer, particularly when set against the ongoing stimulus from expanded tax refunds in 2026.² Indeed, recent trends in our internal Chase card spending data point to stability in consumer spending, excluding gas³.

However, the same cannot be said for economies outside the US, which are materially more exposed to the energy price shock. This asymmetry is already showing up in the data: Germany's latest IFO Business Climate Index came in well below expectations for the month of April. The global

supply shock is hitting European industry through multiple channels simultaneously: elevated energy input costs, weaker export demand, and ongoing uncertainty around trade flows.

This divergence in economic momentum is an important reason why, in equities, we favor the United States and Emerging Markets (EM) over Europe, Japan and other developed markets. The US market continues to be supported by a strong AI-driven earnings cycle as well as by continued and supportive domestic infrastructure spending. We expect nearly 10% price returns for the S&P 500 through mid-2027, driven by valuation stability and margin expansion, and we continue to favor Tech and Industrials exposure (including balancing with Value exposure from Financials and Healthcare).

We continue to think EM will see structural upside (as opposed to the tactical, range-bound moves of the past 15 years). EM is benefiting from dual tailwinds: energy-exporting EMs (such as Brazil) are receiving a terms-of-trade benefit from the US-Iran conflict, and East Asian economies are seeing a historic boom in semiconductor exports driven by AI investment. EM real policy rates remain at levels well in excess of US rates (Figure 3), which continues to attract carry-seeking inflows.

In fixed income, we maintain our call on short-dated rates, as central banks are unlikely to hike as much as markets currently price. Why? downside risks to growth in much of the world are likely to outweigh lasting inflation risks; as such the risk of aggressive policy rate hikes remains low, in our view.

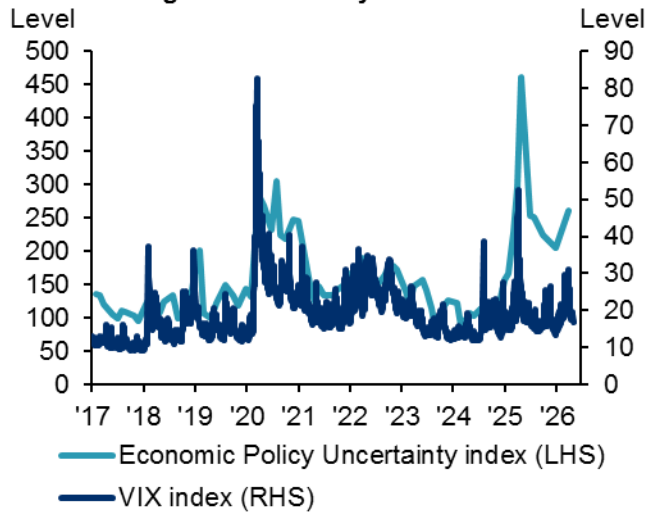
In credit, we like positioning for a carry-dominated environment. Two themes we like are Energy exposure and Emerging Markets. Energy can continue to outperform both US and European IG and HY markets and has historically proven resilient to commodity price deflation unless WTI approaches \$55/bbl or lower (Figure 4), well below our expectations through 2027. EM Credit has healthy fundamentals compared to DM counterparts and outyields DM. For example, EM leverage is significantly lower than DM peers, with EM leverage between 1-3x, while DM is 3-5x.

¹ See: <https://econbrowser.com/archives/2026/04/more-on-the-gasoline-price-outlook>

² Based on the futures path of gasoline prices, plus the fact that the US consumes just under 140bn gallons of gasoline per year, the additional "cost" to consumers from higher prices translates to a roughly \$80-90bn drag on consumer spending, which is right within the range of estimates for OBBBA expanded tax refund stimulus. We acknowledge that the impact of higher gasoline prices is not felt evenly; however, for the broad capital markets, the aggregate impact will be more important than the distributional impact.

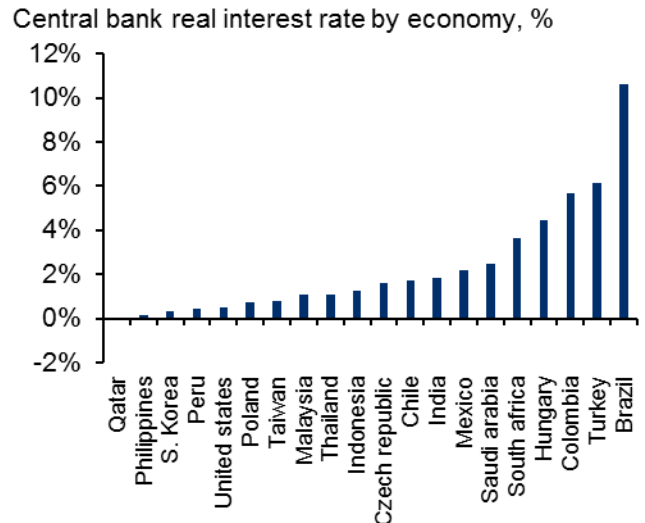
³ See: J.P. Morgan Investment Bank: Daily Consumer Spending Tracker, data through April 24, 2026.

Figure 1: Equity markets seem to have moved on even with higher uncertainty



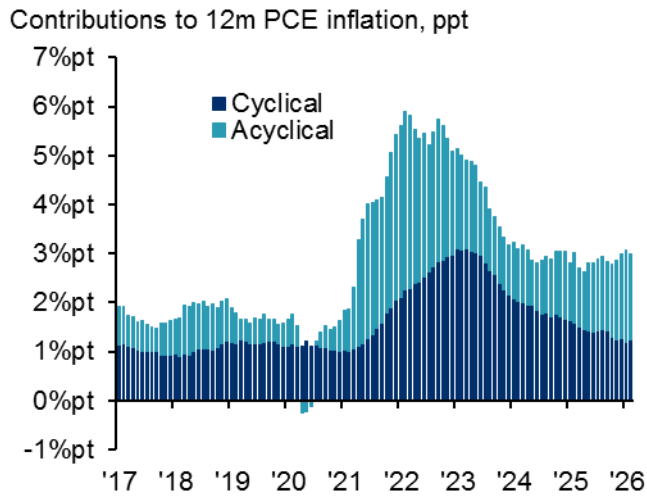
Sources: CBOE, Haver Analytics, PolicyUncertainty.com. Data as of April 30, 2026 for VIX, March 31, 2026 for uncertainty.

Figure 3: U.S. real rates lower than most EM economies



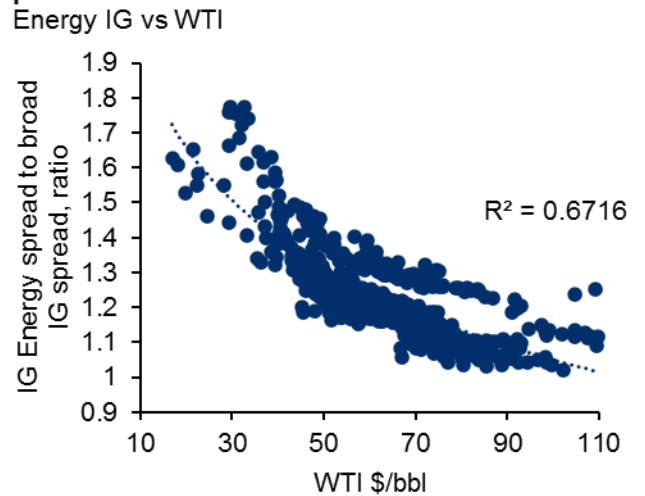
Note: Uses CPI YoY and nominal policy rates. Source: Bloomberg Finance L.P. Data as of March 31, 2026.

Figure 2: Current high inflation due to acyclical factors



Sources: BEA, Haver Analytics, FRBSF staff calculations. Data as of February 28, 2026.

Figure 4: Energy credits to benefit from higher oil prices



Note: Uses JULI indices (energy spread to broad IG spread ratio), weekly data from January 1, 2016. Source: Bloomberg Finance L.P. Data as of May 1, 2026.

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Is the Hormuz Crisis a Suez moment for the dollar? EM and gold could benefit.

Every geopolitical shock of the past year — Liberation Day tariffs and the Greenland standoff — triggered dollar outflows that eventually reversed, as the dollar reattached to fundamentals. This was in line with our house view which expected the dollar to remain rangebound as yields kept the dollar stable. However, the Iran conflict changes the equation and we now expect a confluence of factors to trigger renewed depreciation. Not a collapse, not the end of reserve currency status, but an unwind of overvaluation driven by three forces: **global current account surpluses that are shrinking as the world spends more on defense and energy resilience, a shift in sentiment-driven portfolio flows as foreign investors pull back from record U.S. asset purchases, and a post-conflict geopolitical landscape that accelerates the erosion of structural dollar supports — from the petrodollar to alliance credibility.**

Global surpluses are set to shrink. The world's excess savings — which get recycled into U.S. assets — have grown in recent years, providing a key support for the dollar (Figure 5). But we think they are poised to decline. East Asia imports roughly 20 million barrels per day; every \$10 increase in oil reduces their surplus by \$70–80 billion annually. If oil sustains at \$120/bbl, Asia's surplus could reduce by over \$300 billion. Beyond the oil impact, spending priorities are shifting structurally: Gulf states need to rebuild defense and energy infrastructure, Asian economies need to invest in energy resilience, and these regions collectively account for over 60% of global central bank reserves and 70% of sovereign wealth fund assets. Rising surpluses supported the dollar, shrinking surpluses remove that support. A world investing more at home is a world sending fewer dollars to America. LIV Golf presents a real world example, instead of investing in a global golf league, Saudi Arabia is pulling back capital to invest at home.

You don't need "sell America" — just less buying. More than \$1 trillion in cumulative flows has moved into U.S. markets in the past few years, significantly outpacing the rest of the world (Figure 6). The U.S. is the only major economy that attracted net inflows in both stocks and bonds. A reasonable pullback from that exceptional pace — not a dramatic reversal — would be enough to weaken the dollar. And foreign exposure has become more fragile: foreigners now hold 30% more U.S. equities than U.S. bonds, a composition that is more sensitive to sentiment and valuation (Figure 7). Meanwhile, global pension funds still have relatively high unhedged dollar exposure. If long-term investors gradually raise hedge ratios, that alone

generates downward pressure on the dollar. The cyclical backdrop reinforces this: the dollar's interest rate advantage has dropped among developed currencies.

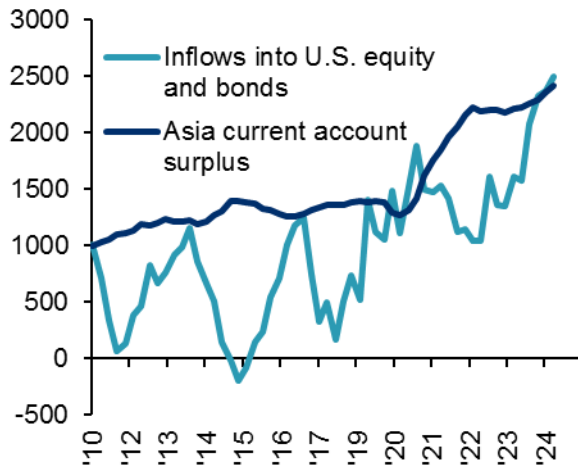
The petrodollar is an overrated factor, but not to be ignored. Much commentary highlights fears around the erosion of the Petrodollar, but this misses the main points. The Petrodollar arrangement has already ceased to provide much support for the US dollar in recent years (Figure 8). Saudi Arabia entered this crisis running current account deficits — they are bond issuers, not Treasury buyers, with a balance-of-payments breakeven above \$90 per barrel. The U.S. has flipped from net importer to being a net energy exporter — higher oil prices now narrow the U.S. external deficit rather than widen it. And the Gulf's savings are managed by sovereign wealth funds buying equities and private assets, not central banks buying Treasuries. Indeed, the Gulf's share of U.S. public debt has fallen below what the historical oil-price relationship would predict in recent years. The “end of the Petrodollar” is an overstated risk, the fact is it has offered little support in recent years.

The historical parallel we find most instructive is Britain's Suez crisis. When Britain invaded Egypt in 1956 and ultimately faced a withdrawal, the operation exposed a gap between Britain's geopolitical ambitions and its financial capacity to sustain them. It became a turning point in confidence toward Sterling as a reserve currency — not overnight, but over the years that followed. If the Iran conflict fractures U.S. alliances, or demonstrates that America can no longer secure the Gulf as effectively as it once could, the Hormuz crisis could mark a similar inflection for the dollar.

None of this plays out overnight. Amid this oil shock the U.S. still retains considerable advantage against the rest of the world. It's also worth a reminder that a currency has to depreciate against something. In this case we see the Dollar as more likely to depreciate against gold and Emerging Market FX. Other developed currencies such as the Euro and Yen have their own issues and are unlikely to appreciate much against the dollar. Like Suez, it's about whether this crisis marks the moment when the slow erosion of the dollar's structural supports begins to accelerate. What does dollar depreciation mean for investors? **These catalysts will likely help gold regain its all-time high and provide a sustained tailwind behind emerging market equities and debt.**

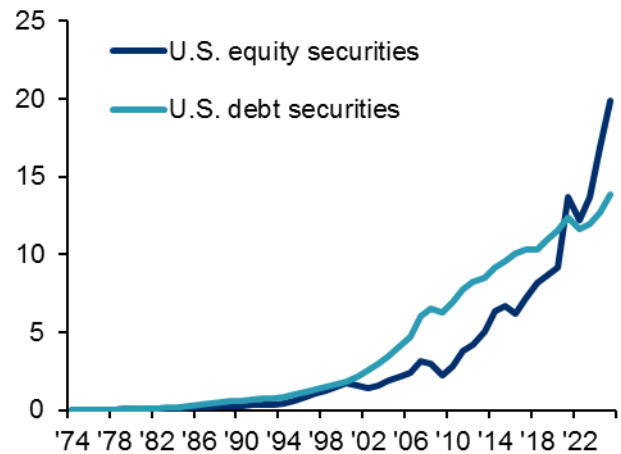
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Figure 5: Asia's surplus recycled into U.S. assets
4 qtr rolling sum, \$bn



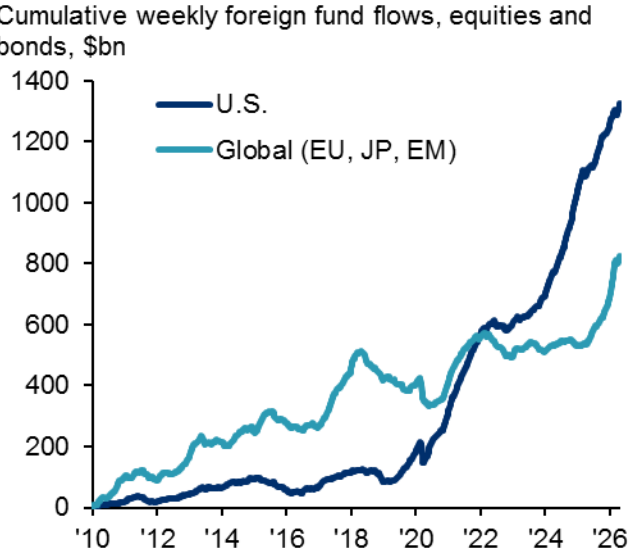
Note: Asia is total of net current account numbers for China, Taiwan, Japan, Korea, and Singapore. Uses BOP portfolio investment liabilities for U.S. inflows. Sources: BEA, National databases, Haver Analytics. Data as of 12/31/2025.

Figure 7: Foreign exposure to U.S. markets has shifted from treasuries to equities
Foreign holdings, \$ tn



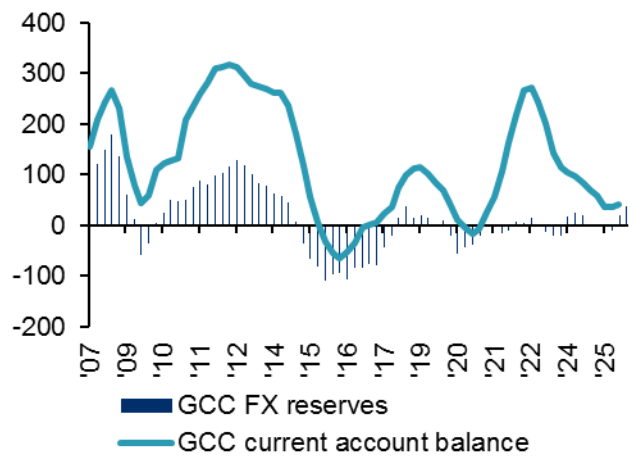
Note: Uses long-term debt securities, which are investments in securities with original maturities over one year. Sources: Haver Analytics, U.S. Treasury. Data as of 2025

Figure 6: U.S. has taken massive share of global flows
Cumulative weekly foreign fund flows, equities and bonds, \$bn



Source: Exante, EPFR. Data as of April 27, 2026.

Figure 8: Petrodollar arrangement not translating into increased FX reserves
4 qtr. rolling sum, \$bn



Note: Data not available for all GCC countries. GCC countries proxied by Saudi Arabia, Kuwait, and Qatar. Source: Haver Analytics, national data sources. Data as of Q1, 2026.

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Scarcity to spark a sustained industrial cycle, boosting critical industries

We believe scarcity is the single best lens for understanding markets today. Returns are likely to flow to owners of constrained capacity and hard-to-replicate infrastructure, not to businesses that depend on cheap capital and frictionless global supply. We therefore continue to expect outperformance from capital-intensive, bottleneck assets and businesses with pricing power (Figure 9).

Across public and private markets, we focus on businesses that sit at the intersection of multiple scarcity themes: energy investment, defense replenishment, AI infrastructure, and critical manufacturing. Although some of these sectors, such as semiconductors, have already performed well, strong expected earnings growth keeps us confident in the broader theme.

Rebuilding defense capacity. The U.S. and Gulf countries need to replenish their stockpiles; estimates point to as high as ~80% of prewar inventory being consumed for some key munitions (Figure 10). The Center for Strategic and International Studies (CSIS) highlights these as “key” because they were heavily used and effective in the conflict, have limited substitutes (particularly for ballistic missile defense), and are slow to replenish due to multiyear production/lead times. At the same time, drone-enabled tactics are widening the cost gap between attack and defense. A relatively cheap one-way attack drone (~\$35k) can be launched in volume, while common defensive intercepts run from ~\$1.03m (air-to-air missile) to ~\$3.9m–\$5.3m (high-end interceptors), i.e., roughly ~30× to ~150× higher on a per-shot basis (Figure 11). The economics of warfare have shifted, and defense spending priorities will shift in line. Taken together, these dynamics point to a sustained spending cycle to replenish what’s been consumed, and retooling spending priorities to prepare militaries for a battlefield where inexpensive weapon systems can impose outsized costs. This drives investment opportunities across both traditional defense and innovative private defense tech companies.

Public defense opportunity: a timely entry point. The defense sector is down nearly 15% from its January peak amid concerns about government debt, uncertainty about the U.S. \$1.5T defense budget request, questions around effectiveness of legacy defense companies in a world of cheaper innovative systems, and slower-than-expected momentum in Europe, especially Germany. That said, we think this pullback creates attractive entry point. We are in

a unique defense spending cycle that we haven’t seen for some time: the war in Ukraine is still ongoing, conflict in the Middle East continues (with inventories needing to be replenished), and the U.S. defense support for Europe is under question. Despite the pullback, we believe further upside will likely be driven by earnings growth. Over the past decade, major U.S. and European defense stocks grew earnings by an average of 8% annually⁴, and consensus estimates suggest earnings could potentially grow at a mid-teens CAGR over the next several years.

Defense tech innovation creates an opportunity in private markets. Private companies are driving innovation by running a different model — rather than build-to-spec on cost-plus contracts, they self-fund R&D, own the iteration cycle, and drive down unit costs at a rapid pace. 2025 was a record year for defense tech VC at ~\$50B across ~1,000 transactions, with growth and late-stage VC capturing 87% of deployed capital. And that capital is shifting from R&D prototyping to scaled production and supply-chain resilience as demands continues to grow. The cost imbalance described above is accelerating demand for cheaper, scalable counter-drone systems - autonomous systems VC investment grew 143% in 2025 to become the leading defense tech subsector by deal value⁵. Taken together, these dynamics point to a sustained spending cycle across both public and private markets.

Beyond defense, investment is growing in energy security and strategic sectors where global fragmentation is driving countries to reduce exposure to chokepoints. In energy, food, technology, and critical minerals, this new economic reality is pushing countries to reduce dependencies and increase domestic production. Our preferred ways to invest in this trend are in companies considered HALO (Heavy Assets, Low Obsolescence). These are companies that own physical infrastructure (heavy assets) and are resistant to disruption by AI (low obsolescence).

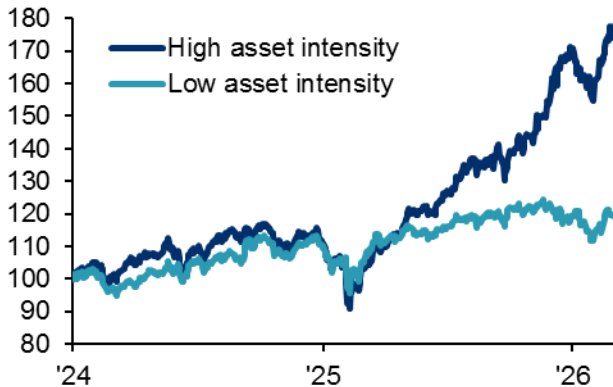
Bottom line: A broadening capex cycle (Figure 12) will raise the bid for scarce resources and reinforces our thesis to prioritize hard assets with pricing power and balance sheet resilience, focusing on businesses that remain essential across multiple scarcity themes (energy security, defense replenishment, AI infrastructure, and reshoring/resilience.) In equities, we continue to prefer HALO global champions and continue to favor tech, leaning toward semis and hardware over software (with selective software exposure).

⁴ Source: Bloomberg Finance L.P. Data as of April 30, 2026.

⁵ Source: PitchBook. Data as of December 31, 2025.

Figure 9: Capital-heavy continues to lead amidst scarcity regime

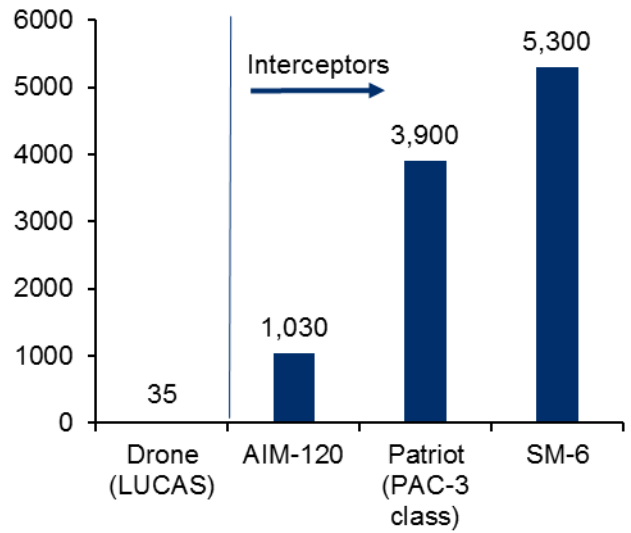
Performance (indexed to 100 Feb 28, 2024)



Note: Asset intensity defined as the ratio of a company's assets, less cash and intangibles, to revenues ((assets - cash - intangibles)/revenues). Asset-light companies have a lower asset intensity ratio while asset-heavy companies have a higher ratio. Source: Goldman Sachs Investment Research. Data as of April 30, 2026.

Figure 11: Cost asymmetry

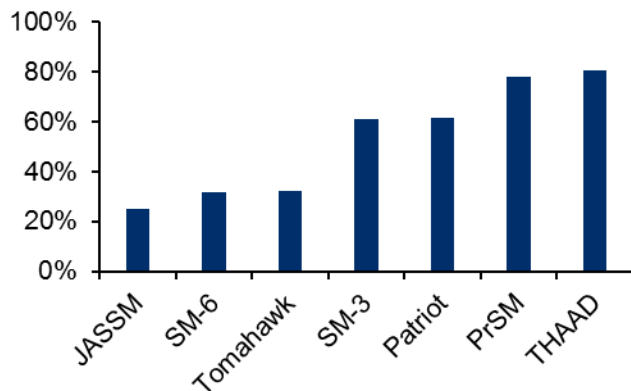
Low-cost drones vs interceptor options cost, Thous \$



Source: CSIS. Data as of April 2026.

Figure 10: Key defensive and offensive munitions expended

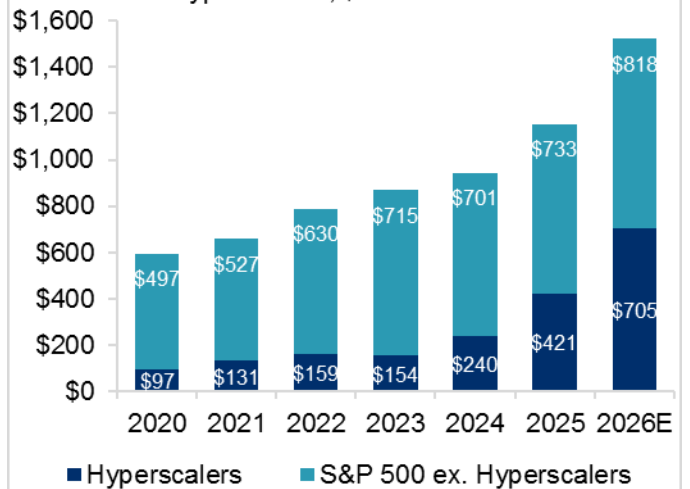
% of estimated prewar inventory expended (2026 Iran conflict)



Note: Seven key munitions identified by CSIS grouped into two segments - Offensive (long-range precision strike): Tomahawk, JASSM, PrSM; and Defensive (air & missile defense): SM-3, SM-6, THAAD, Patriot. Source: CSIS. Data as of April, 2026.

Figure 12: Capital expenditures expanding beyond hyperscalers

Consensus Capex estimates for hyperscalers and S&P 500 ex hyperscalers, \$bn



Source: Factset. Data as of April 30, 2026.

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Bonus section: The Next Wave of IPOs: Scale, Sector Themes, and Market Implications

After several muted years, global equity markets are preparing for a potentially significant resurgence in initial public offerings. A cohort of large, well-known private companies—many already operating at substantial scale—are widely expected to approach public markets over the coming quarters. If realized, this wave could represent one of the largest IPO issuance periods on record, raising important questions around market capacity and post-IPO performance.

Scale of the Pipeline in Historical Context

Current estimates suggest U.S. IPO issuance in 2026 could approach \$160 billion, sharply higher than under \$40 billion in 2025 and exceeding even the strong reopening year of 2021 (~\$115 billion). A small number of potential “mega IPOs” are expected to account for a disproportionate share of this total, with individual deals potentially raising tens of billions of dollars.

If completed, these offerings would rank among the largest IPOs in history. Adjusted for the percentage of market capitalization floated, their impact would be comparable to landmark listings such as Visa, Alibaba, Meta, and General Motors relative to the size of the S&P 500 at the time. Historically, proceeds from such mega IPOs have equated to roughly 15 basis points of S&P 500 market capitalization—large in absolute terms, but modest within deep U.S. capital markets.

Importantly, past episodes suggest that even very large IPOs have not meaningfully disrupted market functioning related to flows around benchmark changes. Today, roughly \$18 trillion of assets are benchmarked to the S&P 500, with an additional \$5 trillion tied to the Russell 1000 Growth and Nasdaq-100. In a hypothetical case where a \$1 trillion company with a 10% free float is added at benchmark weight, index rebalancing would imply selling pressure of roughly 5 basis points of existing constituents’ collective market cap and less than 10% of their average daily trading volume—well within market absorption capacity.

It also worth noting that current inclusion criteria for the S&P 500 (% market cap float, profitability) would likely mean most, if not all, of these companies would not initially be included⁶. Nasdaq is changing their criteria as of May 1 to make room for these upcoming IPOs, and S&P 500 could follow suit.

⁶ OpenAI, for example, wouldn’t initially be included in the S&P 500, given % of market cap float is expected to be in the single-digits and profitability is not anticipated until 2030.

Potential selling pressure on current constituents from the hypothetical addition of a large index constituent

Hypothetical selling pressure on current index constituents from funds in response to index inclusion of a \$100 billion float-adjusted company						
Index	Pro-forma index weight (%)	Estimated benchmarked fund AUM (\$ trillions)		Hypothetical selling pressure on current constituents		
		Active	Passive	\$ billions	Share of mkt cap (bp)	% of ADTV
S&P 500	0.2	8	10	30	5	8
Russell 1000 Growth	0.3	4	1	15	5	5
Nasdaq 100	1.5	0	1	9	3	4

We estimate \$6 billion of active mutual fund AUM benchmarked to the Nasdaq-100 index.

Source: Goldman Sachs Global Investment Research.

Sector Themes Behind the Revival

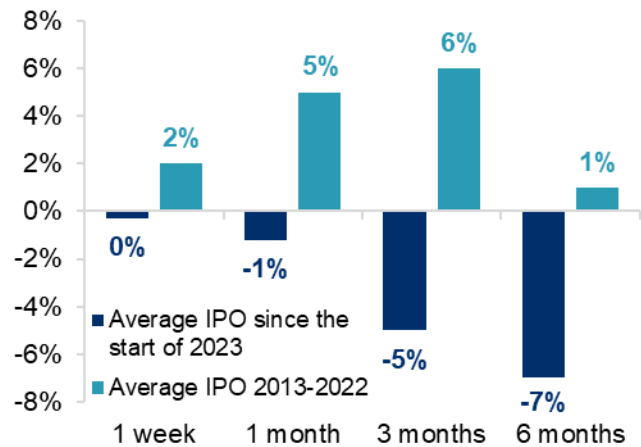
The sector composition of the upcoming IPO class marks a clear shift from the past few years. The post-Covid wave was heavily skewed toward early-stage software and technology listings, many of which underperformed post-IPO. In contrast, the next cohort tilts toward industrials, infrastructure, AI, data-intensive platforms, and space- and defense-adjacent businesses. These themes align closely with longer-term trends around reindustrialization, global fragmentation, and elevated capital investment.

A potential SpaceX listing exemplifies this shift, sitting at the intersection of aerospace, satellite broadband, AI, and digital infrastructure. More broadly, industrial and capital-intensive companies have accounted for an unusually high share of IPOs so far in 2026, well above long-term averages. This reflects investor preferences that increasingly emphasize scale, tangible revenue, and clearer paths to profitability.

What History Says About Post-IPO Performance

IPO performance dynamics have changed in the post Covid era. While first-day gains remain strong—averaging 15–20%—returns have tended to fade in the weeks and months following listing for IPOs since 2023. This reflects a faster transition from enthusiasm to fundamental scrutiny, as well as the impact of upcoming lockup expirations.

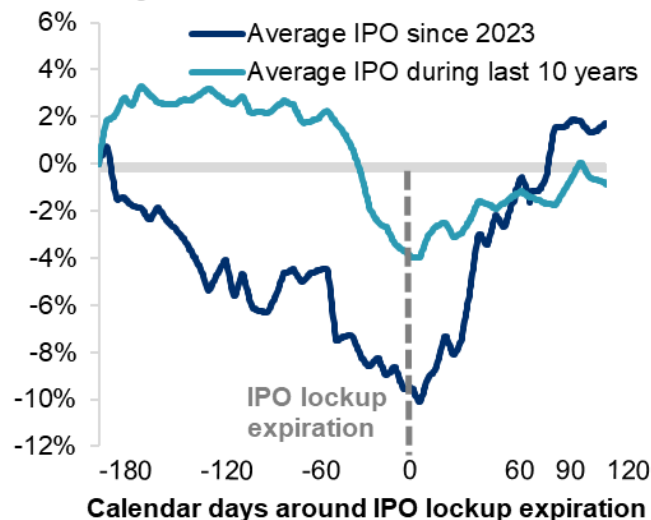
Returns for the average recent IPO have been weaker than normal beyond the first trading day
Returns since the first trading day for the average IPO



Source: FactSet. Goldman Sachs Global Investment Research. Note: 161 U.S. IPOs greater than \$25 million in value since 2023; 1,283 IPOs during 2013-2022; bars reflect sample of IPOs with return data.

That said, outcomes remain highly dispersed. Over multiple decades, the strongest-performing IPOs have shared common attributes: durable revenue growth, reasonable valuation multiples at issuance, and credible profitability paths. Additionally, while lockup expirations have historically created technical short-term pressure, prices often stabilize within a few months for companies with strong fundamentals.

IPO returns around lockup expirations
U.S. IPOs greater than \$25 million in value since 2017



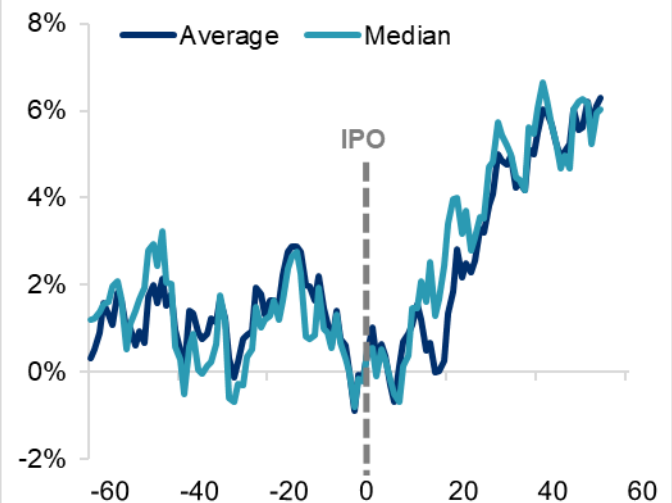
Source: FactSet. Goldman Sachs Global Investment Research. Note: U.S. IPOs greater than \$25 million in value since 2017.

Implications for Public and Private Markets

History offers little evidence that large IPO waves materially weigh on public equity market performance in the following months and years. In prior mega-IPO cycles, indices sometimes paused modestly ahead of the largest deals but typically rebounded in subsequent months, with macro conditions playing a far larger role than IPO-related supply. However, any pullbacks in incumbent mega-cap technology names as a result of these IPOs would likely be technical rather than fundamental and could create attractive entry points.

S&P 500 returns around large IPOs depend on the macro environment

S&P 500 return indexed around four select IPOs



Source: Bloomberg Finance L.P. Note: Select IPOs = BABA, GM, META, V.

The scale of this pipeline also matters for venture capital. VC distributions have been below average, and industry cash flows remain net negative. The highly concentrated nature of these mega IPOs means they alone are unlikely to drive a broad revival in distributions, but they will materially benefit the small subset of managers positioned in these companies. More importantly, there is a powerful sentiment channel: if these companies trade well post-IPO, exit confidence could improve, expectations around realizable outcomes could stabilize, and a broader IPO pipeline could be supported over time.

From a thematic perspective, these IPOs—particularly within AI infrastructure—could be net positives if valuations hold. They reinforce the scale of capital required for continued AI buildout in both public and private markets, as well as the concentration of venture exposure across the AI value chain (~64% of 2025 VC deal value went to AI, rising to ~90% in Q1 2026).⁷

⁷ Source: PitchBook. Data as of March 31, 2026.

Bottom Line

The potential IPO cycle stands out for its scale, but history suggests such periods are not inherently disruptive to market functioning and may ultimately strengthen both public and private market sentiment by validating the amount of capital being spent for AI buildout and restoring exit confidence. We view this as a net positive for incumbent Tech names, particularly within semiconductors and the hyperscalers within public markets. And while liquidity will accrue unevenly in private markets, any sustained reopening of the IPO market would be a clear positive for an ecosystem that has been meaningfully starved for distributions.

TOP OPPORTUNISTIC TRADE IDEAS

Strategic Industries - Defense in the Lead

Why now: Governments are increasingly using industrial policy as geopolitical risks rise and supply chains fragment. This is affecting manufacturing across semiconductors and pharmaceuticals, as well as access to materials, power, and energy. Defense appears more in focus following the recent pullback from the January peak; while the move may improve valuations, outcomes will still depend on how defense spending evolves over the coming years.

Key Drivers: (i) The U.S. government is encouraging greater domestic capacity through tax incentives for capital spending and direct investment in selected strategic industries. (ii) A potentially extended global defense spending upcycle, influenced by the Ukraine war, the Middle East, and shifts in U.S.–Europe supply chains/fragmentation. (iii) Potential for earnings to be a key driver of returns, as industrial activity has been improving and profitability in parts of the sector has come in above expectations. (iv) Scale-up and innovation: 2025 defense-tech VC activity was nearly \$50B across ~1,000 deals, with ~87% in late-stage/growth, indicating an increased emphasis on scaling and commercialization (from prototypes toward production).

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

Emerging Markets

Why now: EM debt and equity present potentially interesting entry points as EM credit starts from attractive yields (roughly 6.0–7.0%) with lower volatility, while EM equities could benefit from leverage to accelerating AI compute demand and attractive valuations at less than 12x forward earnings. EM credit remains under-owned (near \$80bn of outflows since 2022), yet outyields DM despite materially lower leverage (EM ~1–3x vs DM ~3–5x), creating a risk/reward profile that may be more balanced, subject to risk.

Key Drivers: (i) Yield + carry: EM credit currently outyields U.S. credit, and EM BB screens with an estimated base–bull case return potential of 6.2–7.3%, with supportive technicals. (ii) Fundamentals: EM earnings expectations have seen among the largest upward revisions across regions, and consensus currently points to ~44–45% y/y EM earnings growth in 2026. Leverage also remains disciplined (EM HY net leverage ~2.7x vs U.S. HY ~3.7x and European HY ~4.9x). (iii) Commodity/macro sensitivity: A firmer macro backdrop and earnings momentum could help EM balance sheets remain resilient, while commodities/energy supportive.

Risks: U.S. outperformance and dollar strength could tighten EM financial conditions and pressure flows, while commodity reversals would weigh on both equities and credit. EM idiosyncratic risk (policy/geopolitics) and broader risk-off episodes can still drive rapid spread widening.

Gold

Why now: Macro uncertainty remains elevated, and central bank and investor demand for gold could remain supportive. After strong gains, the recent pullback may offer a more balanced entry point.

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

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

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

May 2026

Macro ^A				
Inflation	2026 YE	Old 2026 YE	2027 YE	Old 2027 YE
U.S.	2.60-2.80%	2.45-2.65%	2.30-2.50%	
Eurozone	1.90-2.10%		2.20-2.40%	
China	0.40-0.60%		0.9-1.1%	
Real GDP Growth				
U.S.	1.25-1.75%		1.50-2.00%	
Eurozone	0.75-1.25%		0.85-1.35%	
China	4.30-4.70%	4.20-4.70%	4.40-4.80%	
Equities				
S&P 500	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
Price	\$7,400-7,600		\$7,700-7,900	
P/E forward multiple	22.3x		22x	
Stoxx Europe 50				
Price	€5,850-5,950		€6,050-6,150	
P/E forward multiple	15.5x		15.5x	
TOPIX				
Price	3,700-3,800	3,800-3,850	3,900-4,000	
P/E forward multiple	16.5x		16.5x	
MSCI Asia ex-Japan				
Price	1,115-1,165		1,170-1,220	
P/E forward multiple	13.5x		13.5x	
MSCI China				
Price	93-99	95-101	98-105	
P/E forward multiple	12.5x		12.5x	

Currencies				
	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
U.S. Dollar Index (DXY)	99 (97-101)	100 (98-102)	97 (95 - 99)	
EUR/USD	1.16 (1.14-1.18)		1.20 (1.18 - 1.22)	
USD/JPY	158 (156 - 160)		158 (156 - 160)	
GBP/USD	1.32 (1.30-1.34)	1.30 (1.28-1.32)	1.35 (1.33 - 1.37)	
USD/CNY	6.70 (6.60 - 6.80)		6.70 (6.60 - 6.80)	

Rates & Credit Spreads				
U.S.	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
Eff. Fed Funds rate	3.50-3.75%		3.50-3.75%	
ON SOFR	3.63%		3.63%	
2-year UST	3.60%		3.6%	
5-year UST	3.85%		3.85%	
10-year UST	4.30%		4.30%	
30-year UST	4.85%	4.75%	4.85%	
2s/10s spread	0.70%		0.70%	
JPM U.S. Investment Grade	80-110		80-110	
JPM U.S. High Yield	325-375		350-400	
Europe	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
ECB Deposit rate	2.25%		2.25%	
5-year German Yield	2.30%		2.30%	
10-year German Yield	2.70%		2.45-2.95%	
BoE Bank Rate	4.00%		3.75%	
10-year UK Gilt	4.30%		4.00-4.50%	
EUR IG	75-105		75-105	
EUR HY	275-325		300-350	
EM	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
EM Sovereign Index (EMBI)	245-295	265-315	245-295	
EM Corporate Index (CEMBI)	175-225	185-235	175-225	
JPM Asia IG (JACI IG)	50-80		50-80	
JPM Asia HY (JACI HY)	375-425		350-375	

Commodities				
	2026 YE	Old 2026 YE	2027 MY	Old 2027 MY
Gold (\$ / oz)	\$5500 - \$5800		\$5700 - \$6000	
Brent (\$ / barrel)	\$77-\$82	\$62-\$67	\$75-\$80	
Commodity Index (BCOM)	133-136	130-133	133-136	
Natural gas (\$/MMBtu)	\$4.50 - \$5.50		\$4.50 - \$5.50	

^AGDP 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

Q1 GDP reinforced a familiar split: the US consumer remains soft amid a sluggish labor backdrop, while corporate investment continues to run hot. Headline growth was 2.0% annualized, but adjusting for the rebound in federal government spending after the Q4 shutdown, underlying growth looks closer to 1.5%—roughly in line with our expectation for full-year growth. Consumption is being supported disproportionately by healthcare and financial services, while goods spending was essentially flat on the quarter. Housing remains under pressure as affordability constraints continue to cap demand and suppress activity. In contrast, business capex is booming, consistent with firm readings in both the ISM and S&P Global PMIs. The mix within equipment spending is striking: about 95% came from information processing equipment, underscoring how the AI capex cycle is still powering through the corporate sector.

Labor indicators appear to be stabilizing even as job growth has slowed materially versus prior years. The Conference Board’s Labor Market Differential rose to 7.5 in April (the highest since December 2025), and claims data show no renewed deterioration. Overall, the economy is neither booming nor breaking—giving the Fed room to remain patient. With inflation still elevated and oil-price risks tied to Iran-related geopolitics, “wait and see” remains the path of least resistance.

What we're watching: Global energy prices including for diesel fuels, daily consumer sentiment, measures of global supply side stress, the Iran conflict itself, layoffs data

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



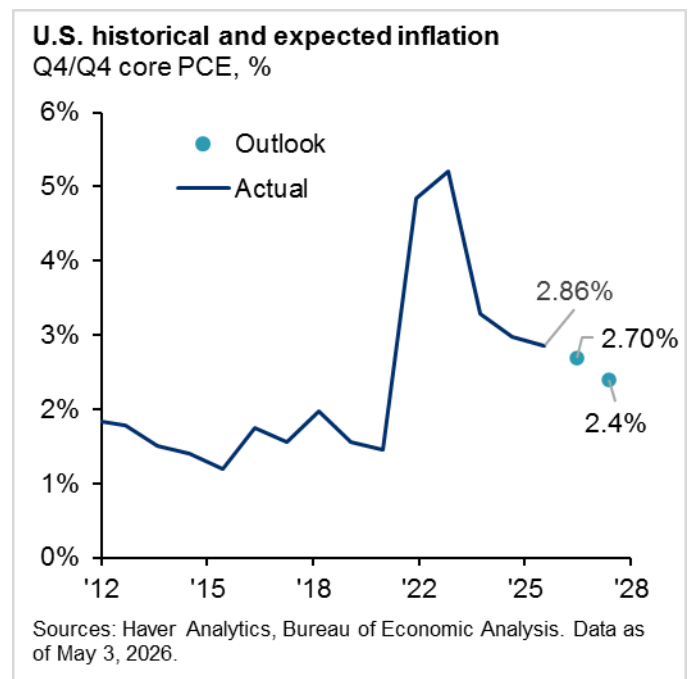
U.S. Inflation

Now that we have PCE data through March, we can start to gauge how the Iran conflict is affecting US inflation. In March, headline PCE inflation rose to 3.5% YoY from 2.8% the prior month. Core PCE increased more modestly, up 20bp to 3.2% YoY. Even before the conflict, core inflation was running about a percentage point above the Fed’s target, in part reflecting tariff-related pressures. With the conflict and some pass-through from headline to core, underlying inflation has been moving in the wrong direction. That said, higher-frequency signals suggest the impulse may be fading. Daily PriceStats data through end-April show inflation easing late in the month: PriceStats YoY inflation peaked around 4.5% near April 20 and has since plateaued. There is also limited evidence that inflation is feeding into wages. Q1 ECI data showed continued wage deceleration, with the private-sector underlying measure easing to 3.2% YoY, only about 20bp above pre-pandemic norms—i.e., levels historically consistent with subdued economy-wide inflation.

Overall, sticky inflation still appears driven more by acyclical, supply-side factors than by demand reacceleration. We therefore see low risk of Fed hikes, but also little reason to expect a return of market-friendly “insurance cuts” anytime soon. Longer-run inflation expectations remain the key watchpoint.

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

Our view: YE '26: 2.60-2.80%, YE '27: 2.30-2.50%



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Europe Growth

The euro area faces mounting growth headwinds as the Middle East conflict drives a notable energy price shock, prompting us to revise our 2026 GDP outlook to 0.75-1.25% (from 1.00-1.50%). The growth impact transmits through two primary channels: elevated energy costs eroding household purchasing power, and the ECB's likely pivot to rate hikes tightening financial conditions to contain inflation spillovers. The region does, however, enter this episode from a position of relative strength compared to previous energy shocks (particularly versus 2022)—inflation had converged toward the ECB's 2% target and fiscal support has been notable. Growth should remain positive, albeit materially below potential. The key determinant is persistence: a protracted conflict would amplify these pressures and place the economy's underlying resilience under more strain. The UK confronts a more acute challenge. The economy entered 2026 already grappling with persistent inflation, a weakening labor market, anemic growth, and limited fiscal headroom. With the BoE now poised to resume tightening to forestall second-round inflation effects, growth momentum could deteriorate further, while any fiscal support is likely to be limited and targeted in nature.

What we're watching: The duration and intensity of the Middle East conflict, second-round inflation effects in wages and prices, monetary response and financial conditions, household and business confidence, and the scale and targeting of any fiscal support.

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



Europe Inflation

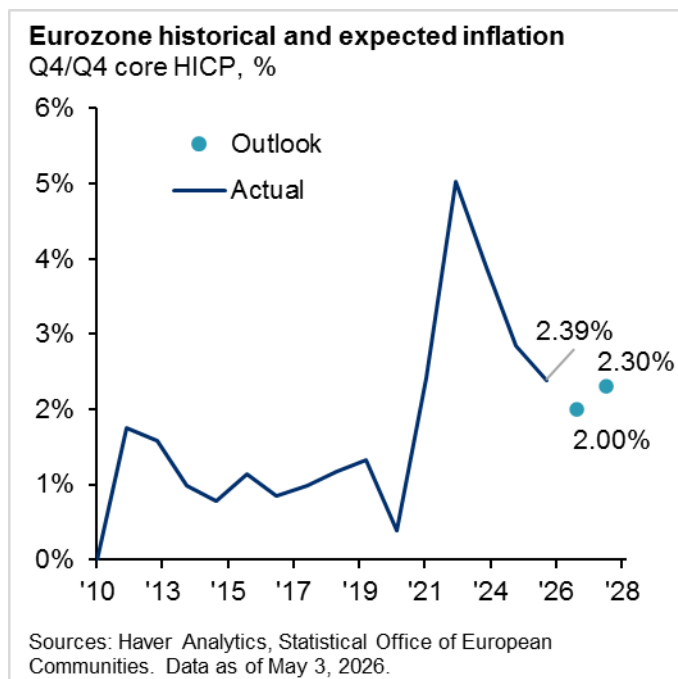
The euro area's disinflation progress could pause or partially reverse. Heading into the conflict, inflation was near the ECB's 2% target, but higher energy prices are pushing it higher. Last month, nudged our year-end 2026 core inflation outlook to 1.90–2.10% (from 1.80–2.00%). Further out, we see 2027 euro area inflation at 2.20–2.40%—a sign that the medium-term pass-through bears close watching. Headline inflation could rise more sharply.

The signals are mixed: spot and forward energy prices have risen less than feared, but business and consumer inflation expectations have moved notably higher. The key risk is entrenchment—if elevated inflation persists long enough to lift wage growth or change firms' price-setting, the ECB would face a tougher trade-off. Consistent with lessons from 2022, the ECB has signalled it may act pre-emptively rather than wait for second-round effects.

The UK outlook is more vulnerable. This shock arrives before the BoE has fully dealt with 2022's inflation shock: expectations are already high and likely more sensitive to another energy-driven impulse. With inflation starting above target and wage dynamics more embedded, the risk of more persistent inflation is greater.

What we're watching: Energy pass-through speed, wage settlements, business pricing behavior, inflation expectations, and whether fiscal relief dampens or prolongs price pressures

Our view: YE '26: Euro area Core HICP: 1.90-2.10%, YE '27: Euro area Core HICP: 2.20-2.40%



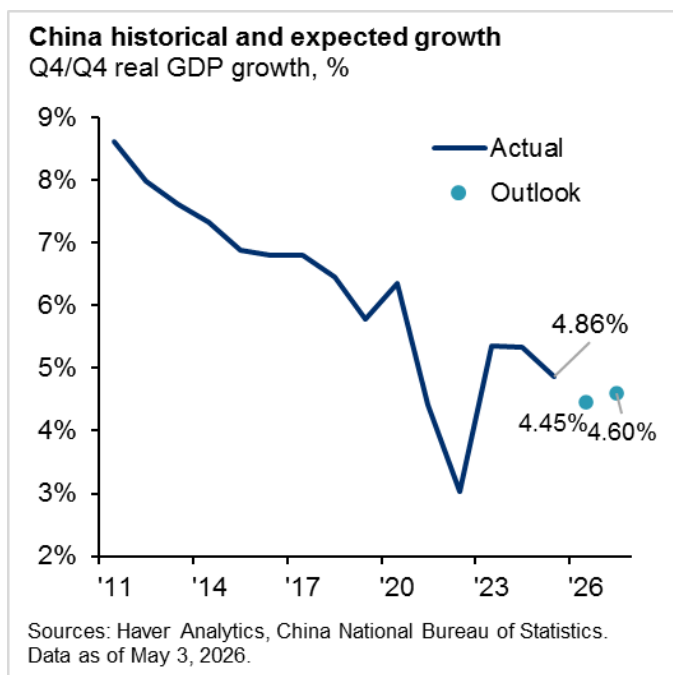
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China Growth

We continue to expect China’s growth outlook to be relatively insulated from higher oil prices compared with its Asian peers, reflecting its low reliance on oil and gas—around 75% of the energy mix is coal, nuclear and renewables. That insulation remains an important buffer amid renewed energy shocks. That said, China is not immune. A sustained rise in oil prices or a broader global slowdown linked to the Iran conflict would still weigh on China through weaker external demand, especially given exports remain a key growth engine at this stage of the cycle. Q1 data delivered a clear upside surprise. GDP growth beat expectations, driven by strong industrial production momentum and fixed-asset investment turning positive, with high-end manufacturing leading the recovery. Exports were also notably resilient, particularly in January–February, providing an important near-term growth cushion. That said, Q1 strength is likely to prove front-loaded. Iran-related energy and confidence headwinds are expected to weigh more visibly on activity in Q2–Q3, and as such our 2026 GDP outlook remains unchanged, with momentum likely to cool after a strong start to the year. Looking ahead, early stabilization in housing and improving consumer sentiment could lay the groundwork for a gradual, organic recovery in underlying growth. While policy signals continue to emphasize continuity rather than a step-change in stimulus, the recovery should become more evident into 2H and 2027, as momentum of domestic demand gradually improves.

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

Our view: YE '26: 4.30-4.70%, YE '27: 4.40-4.80%



China Inflation

CPI inflation eased to 1.0% y-o-y in March and is expected to decline further to 0.8% in April. The drop is primarily driven by falling food prices. Food inflation is forecast to turn negative at -1.4% y-o-y in April. Energy prices offer partial offset, as retail petrol prices remain elevated following a record hike in March, despite a price cut in April. Core inflation is expected to hold steady at 1.1% y-o-y, with rising airfare and jet fuel costs counterbalancing fading support from gold prices.

PPI inflation is forecast to accelerate to 1.3% y-o-y in April from 0.5% in March, driven by the lagged pass-through of surging global oil prices. However, the actual impact remains uncertain given volatile geopolitical conditions and the timing of price transmission.

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

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



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EQUITY VIEWS

U.S. Equities

Earnings drive stock prices and earnings are in a super-cycle. As we all continue to watch for war headlines and their impact on commodity prices, the driver for equity markets has been the robust earnings season. In the short-term, higher oil prices are not an earnings event in the U.S. In April, the S&P 500 has rallied by ~10% as the reduction of Middle Eastern hostilities allowed investors to focus on corporate America. Q1 2026 EPS growth is likely to exceed 15% for the period, 3% better than expectations, and absorbing the first month (March) of the negative effects from the war. We expect that this will be the sixth consecutive quarter of double-digit earnings growth for the S&P 500, the first time this has occurred since the GFC. Technology remains the driver, with the recent positive revisions pushing sector growth estimates to ~40% in calendar 2026. Growth estimates now predict all eleven sectors of the index to generate growth this year as profitability from cyclical segments accelerated against last year. This broadening is consistent with our expectations across market caps and gives investors more investment choices.

Looking ahead, we have maintained our end of 2026 Base, Bull, and Bear case outlooks for the S&P 500 Index. As we roll forward our views to include a 1-year look ahead, we establish a base case of ~\$7,800 at the mid-point of the range. This scenario includes double-digit growth for calendar years 2026, 2027 and 1H 2028. It also includes a small reduction in future valuations as the sustainability of growth weakens and inflects toward the longer-term mean. Our bull case of \$8,900 includes higher earnings, mostly from 2H'26 and 1H'27 and a slightly higher valuation while the bear case of \$5,700 reflects a significant reduction in earnings and valuation. We view the base case as having higher likelihood of occurring than the bear case for both year-end and 1-year outlooks.

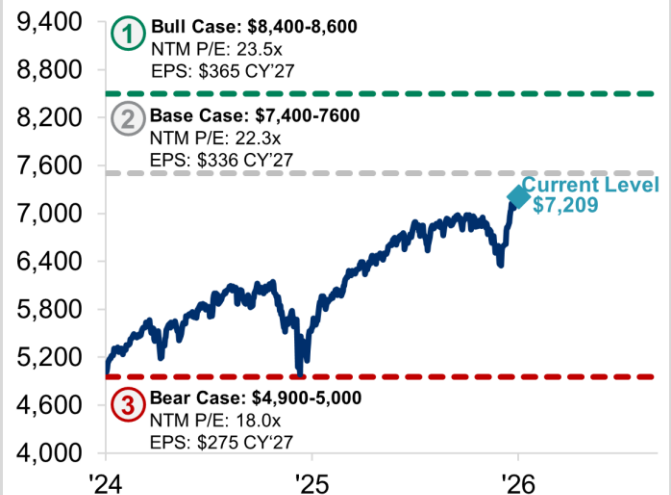
Where to invest now. No material sector changes from the team as we reiterate our preference for five sectors: Technology, Utilities, Healthcare, Industrials and Financials (primarily, large banks).

What we're watching: Length and duration of the war. The higher and longer scenarios have a negative impact on earnings should they impact global economic growth. In April we saw an improvement in financial conditions, supporting investor confidence and equity valuations.

Our view: YE '26: \$7,400-7,600, **MY '27:** \$7,700-7,900

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

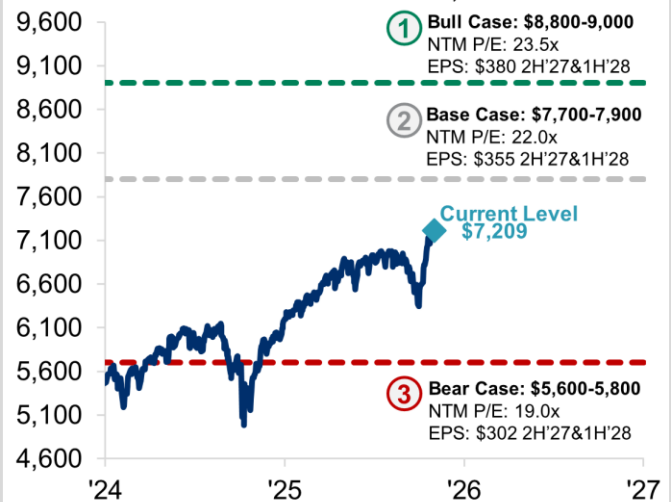
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of April 30, 2026.

Our base case S&P 500 outlook ranges from \$7,700-\$7,900 (mid-point \$7,800) by mid-year 2027

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



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of April 30, 2026.

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Europe Equities

When we downgraded Europe to Neutral in early February, our thesis was that the market was expensive, trading above 16x NTM P/E. The Euro Stoxx 50 hit all-time highs on 25 February, just a few days before the war in the Middle East began. Recent geopolitical developments reminded investors that Europe can be vulnerable during periods of uncertainty, and that is exactly what we have seen since. Europe is flat since our downgrade and has underperformed other markets since the markets troughed on 30 March. From the end of March, European equities are up almost 7%, compared with over 13% for the S&P 500 and emerging markets.

This month, we are initiating a one-year outlook of €6,050–6,150 and leaving our current €5,850–5,950 year-end outlook unchanged. We believe earnings could potentially grow at a mid- to high-single-digit rate in each of the next three years, though our outlook remains below the consensus expectation of double-digit growth. Our estimated 15.5x NTM multiple also remains unchanged. We are increasing our bull case for the end of 2026, as well as initiating the base, bear and bull cases for the mid-2027. In our bull-case, we think earnings can potentially grow double digit in 2026 and 2027 and around high single digit in 2028.

The expanded conflict in the Middle East has us considering additional scenarios, especially if oil stays higher for longer. Under this bearish scenario, where spot and futures prices for oil remain at \$100 for several months, the Euro Stoxx 50 could face a ~15% downside from current levels €5,000, as the market prices in risk to earnings. When the crisis ends, the market is likely to recover quickly to ~€5,600 as valuations normalise by year-end to 15x.

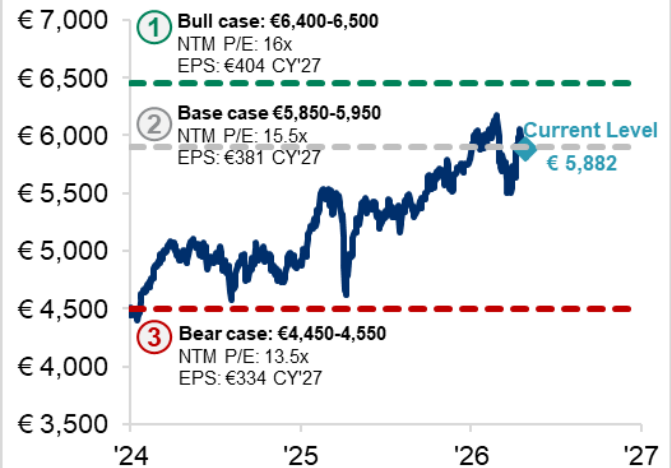
One of our highest-conviction ideas remains Industrials. Defence, in particular, has pulled back recently amid various concerns about spending, including slower-than-expected momentum in Germany. We are buyers of the dip. We also believe the opportunity extends beyond defence: Industrials with exposure to data centers continue to benefit from a strong and accelerating hyperscaler capex cycle. While software and related companies have underperformed amid concerns about AI disruption, we continue to favour semiconductors given the prospect of another strong year of AI investment. Luxury companies have also underperformed recently on growth concerns, but we find valuations attractive at current levels.

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

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

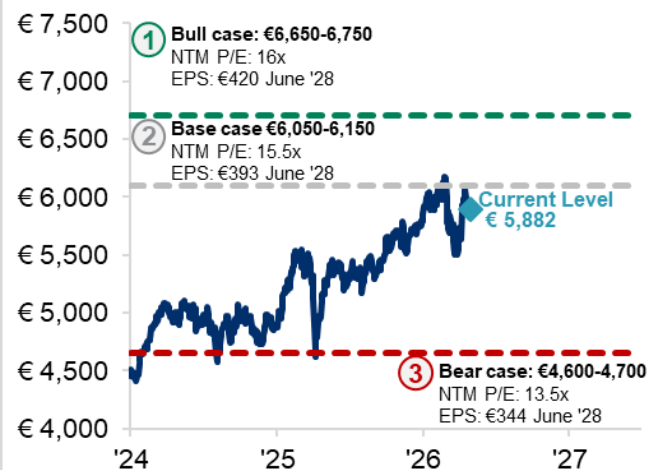
We see Euro Stoxx 50 reaching €5,850-5,950 by YE-2026

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



We are initiating the Euro Stoxx 50 with a Mid-Year 2027 target at €6,050-6,150

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



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Asia Equities

With the US/Iran conflict seemingly heading towards a de-escalatory path, and light positioning by institutional investors, investors rapidly refocused on fundamentals. Even if oil prices start to decline in the months ahead, elevated energy prices will have a negative impact on global growth in 2026. Consequently, countries and sectors more sensitive to cyclical growth have rightly underperformed due to increased earnings risk. On the contrary, AI compute demand is meaningfully surprising to the upside and driving technology earnings estimates higher with two of our most preferred markets in Korea and Taiwan breaking out to new highs. In the month of April alone, 2026 earnings for MSCI Asia-ex Japan have been revised higher by an impressive +10.9%, led by Korea (+28.9%) and Taiwan (+5.1%). MSCI Asia-ex Japan remains inexpensive at just 12.4x forward P/E and we expect further upside over the next 6-12 months. Within the region, we are most positive towards Korea, Taiwan, and China. We lower our view towards India to neutral given oil price sensitivity, lack of AI exposure, and high relative valuation.

Chinese equities have lagged the recovery in April due to stagnant earnings revisions. With large Chinese internet platforms prioritizing AI investments at the expense of near-term profits, and only stabilizing domestic growth, investors have not been in a rush to re-allocate to China. That being said, agentic AI is taking off in China and driving greater token usage and adoption of Chinese LLM's. The recent DeepSeek-V4 model release that is optimized for Huawei's Ascend processors also highlights that another AI ecosystem centred in China could be emerging. With the anticipated visit to China by President Trump in mid-May, valuations back below 11.5x forward P/E, and accelerating 2026/2027 earnings growth to a potential of 13-14%/15-16%, we view the risk/reward positively at current levels.

Over 25% of the Japanese TOPIX are industrial companies that are broadly sensitive to global growth. With downside risks to global growth, earnings estimates have rightfully stagnated. While we continue to view PM Takaichi as being pro-growth, the recent weakness in JPY and higher energy prices continue to lean towards the need for the BOJ to raise rates that will limit her policy flexibility. This was evident in the most recent BOJ meeting where the number of members voting for a hike rose and sets up for June being a live meeting. With just modest upside to our TOPIX outlook, we re-iterate a neutral market view. Select opportunities in banking, industrial, and technology sectors offer alpha potential.

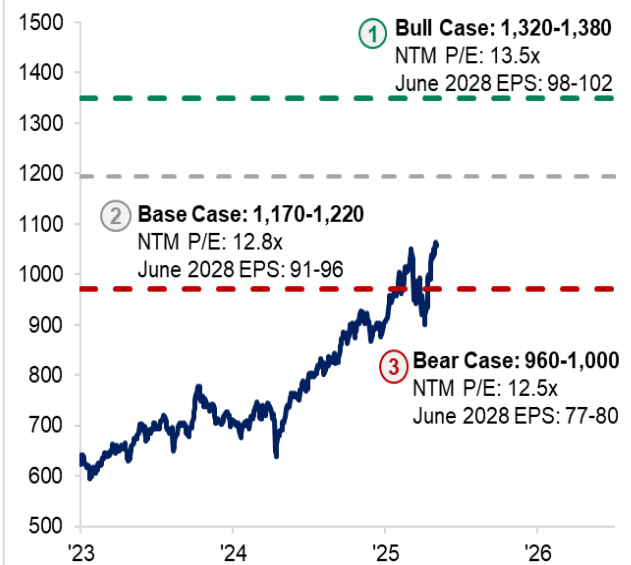
What we're watching: Iran conflict development, memory prices, AI adoption and progress in China, Chinese

government policy announcements, President Trump's visit to China, 1Q26 earnings season

Our view: YE '26: MSCI AxJ: YE 2026: 1,115-1,165 Topix: YE 2026: 3,700-3,800 MSCI Korea: YE 2026: 2,380-2,460 MSCI China: YE 2026: 93-99 CSI 300: YE 2026: 4,730-4,970 MSCI India: YE 2026: 3,000-3,100 MSCI ASEAN: YE 2026: 750-775 , **MY '27:** MSCI AxJ: June 2027: 1,170-1,220 Topix: June 2027: 3,900-4,000 MSCI Korea: June 2027: 2,450-2,550 MSCI China: June 2027: 98-105 CSI 300: June 2027: 5,230-5,570 MSCI India: June 2027: 3,350-3,450 MSCI ASEAN: June 2027: 770-790

We see MSCI Asia ex Japan reaching 1,170-1,220 by June 2027

MSCI Asia ex Japan vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P. Data as of April 30, 2026

2026 is expected to be a solid earnings year for the Asian markets

Weight, growth & valuation, % and multiple

Country Index	2026 MSCI Asia ex Japan Weight %	5Y Average Earnings Growth	2026E Earnings Growth	Current Forward P/E
MSCI China	29.4%	1.6%	11.8%	11.2x
MSCI Taiwan	25.9%	18.7%	35.5%	20.5x
MSCI Korea	17.8%	27.5%	213.2%	6.9x
MSCI Asia ex Japan	100%	6.9%	47.3%	12.3x

Source: Bloomberg Finance L.P. Data as of April 30, 2026

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RATES VIEWS

U.S. Rates

After rising sharply in March, US yields have been range-bound but in the upper part of that range since. Rate moves continue to mirror the dynamics of energy prices but resilient US growth and labor markets and new all-time highs in equity markets also support higher yields. In that environment, the Fed is unlikely to resume rate cuts unless inflation prospects or growth decline materially. But the bar to hiking rates also remains high, including as Kevin Warsh is likely to be installed as Chair by the time of the next FOMC Meeting – we see no change in Fed policy rates this year. We therefore agree with markets pricing unchanged Fed rates, suggesting the front end of the curve could potentially serve as a source of liquidity and modest income, while the longer end may offer some diversification benefits if the economy slows or equity markets decline again.

What we're watching: US-Iran conflict, tariff driven goods PCE, labor market indicators, inflation expectations, fiscal policy.

Our view: YE '26: 10Yr. 4.30%; 5Yr. 3.85%; 2Yr. 3.6%, **MY '27:** 10Yr. 4.30%; 5Yr. 3.85%; 2Yr. 3.6%



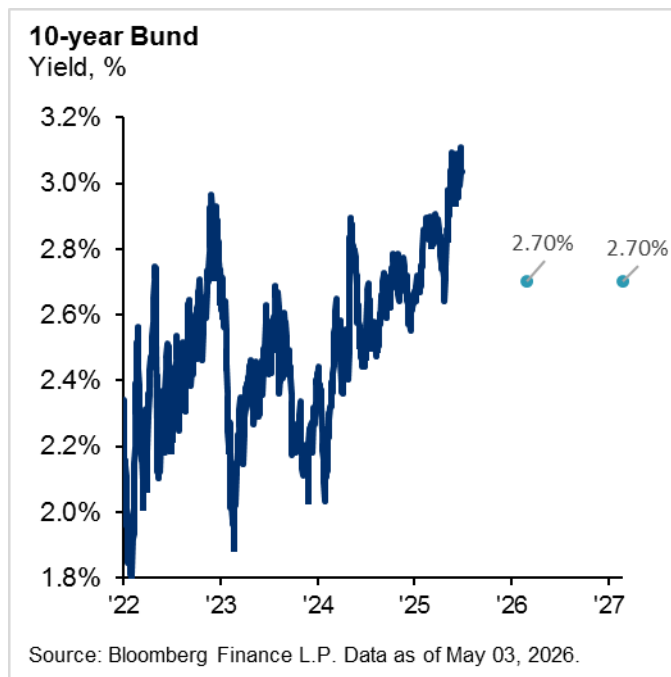
Europe Rates

The ECB stayed on hold in April, but the message leaned hawkish: officials emphasized the inflationary implications of the energy shock (with pass-through already visible and pricing expectations firming) while acknowledging weaker activity. The “option value” of waiting dominated in April, but communication was geared to keep June live; our base case is for the ECB’s pause to come to an end with one 25bp hike this year, then on hold through mid-next year, as a risk-management response if headline strength begins to spill into core and wages.

The BoE’s calculus is tougher because the risk is persistence and second-round effects with inflation and expectations already elevated. We expect one hike this year, but one cut by mid-2027 as weaker demand and a loosening labour market eventually give the Monetary Policy Committee (MPC) room to unwind some restraint—provided expectations and wage growth don’t re-accelerate.

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

Our view: YE '26: ECB Deposit Rate: 2.25%, 10Y Bund: 2.45-2.95%; BoE Bank Rate: 4.00%, 10Y Gilt: 4.05-4.55%, **MY '27:** ECB Deposit Rate: 2.25%, 10Y Bund: 2.45-2.95%; BoE Bank Rate: 3.75%, 10Y Gilt: 4.00-4.50%



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CREDIT VIEWS

U.S. Credit

Munis: The municipal bond market was experiencing a strong rally in the first two weeks of April after the fallout from March seemed to be in the rearview mirror. Market participants stepped in and bought municipals. However, the past six sessions have seen the municipal market take a bearish stance. For example, the Municipal Bond Index (Ticker: LMBITR) peaked on April 22nd with a MTD total return of +1.53% up to that point, only to see it decline 38bps, to where it currently stands on a MTD basis +1.15%. The rapid change in sentiment is related to knock-on effects from the hawkish FOMC meeting, the rise in Brent to +\$120/bbl, President Trump rejecting an Iranian proposal to lift the blockade on the Strait of Hormuz as well as to the municipal bond market itself. New issue supply continues to come to market. We expect new issue supply to be north of \$500bn for the third consecutive year in a row. The continued issuance is weighing on the market and impacting performance.

IG: US IG spreads have rebounded meaningfully since the onset of the Iran conflict. From mid-March to present, BBB spreads have tightened from a 12-month wide of about 120 bps to 100 bps following the ceasefire announcement in early April. Nevertheless, spreads remain wider than pre-conflict levels. IG issuance volume slowed in April, dropping to ~half of March's volumes, consistent with seasonal issuance trends. Despite a record \$1.8 trillion in estimated gross issuance for 2026 with hyperscalers leading the charge, net issuance is expected to be a more measured ~\$300 billion as maturities and coupons absorb the bulk of upcoming supply. We do not view issuance as a material headwind for the market, and instead view spread softness as a potential opportunity to add high-quality exposure at a discount. Additionally, yields remain high; ~5.5% yields compare to 15 year average of ~4.1%, supporting demand and improving forward looking returns. We maintain our expectation of rangebound spreads and our conviction in high grade credit, which offers historically elevated yields with better downside prospects under our risk scenarios.

HY: HY spreads have also come down from march conflict-driven peaks. Spreads are about 50 bps tighter (20% lower) than mid-March wides. We remain neutral on the sector as we believe relatively stable (but no longer improving) fundamentals are balanced by valuations that remain near cycle highs. 4Q'25 aggregate results showcased metrics that were mixed, but overall paint a picture of healthy balance sheets. We maintain a preference for higher - quality, high-yield credit—specifically BB bonds—as a solid

carry opportunity in 2026. BB's currently offer 6% yields, with relatively modest duration relative to the IG asset class (3.4 years vs. 6.8 years for IG). BBs also have exhibited historically low default rates, with lower downside relative to other ratings segments in times of stress.

Prefs/Hybrids: Spreads for preferreds and hybrids have largely tightened back to pre-conflict levels, peaking around 225 bps at the end of March and near 190 bps presently. While the market briefly saw heightened volatility, easing tensions and resilient demand from higher yield-seeking investors has supported the recent recovery in spreads. We remain constructive on preferreds and hybrids and continue to view these investments as an attractive balance of high-yield-like income with lower fundamental downside risk. YTD, both asset classes have delivered higher returns than high yield with lower drawdowns during the March peak.

What we're watching: Core Fixed Income: Munis and corporates vs. Treasuries. In extended credit, we would consider hybrid capital (preferreds and corporate hybrids), which may offer attractive risk-adjusted return potential.

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

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Europe Credit

European Credit outperformed US Credit both on Investment Grade (IG) and High Yield (HY) fronts, but underperformed Emerging Markets debt in April, following the developments of the conflict in the Middle East.

Credit spreads are now back to almost flat vs. YE'25: European IG is wider by mere 4bps, HY – only +8bps YTD. German government bond yields have been volatile throughout April but stand broadly unchanged vs. March-end. Markets now price three ECB hikes by YE'26 – we view this as overstretched, and **consider a 30–50 bps sell-off across the rates curve which could potentially represent another attractive opportunity to lock in yields**. The conflict in the Middle East poses headwinds to European growth: higher energy prices weigh on household purchasing power and corporate margins, and the ECB may need to tighten in response to inflation spillovers. We expect the impulse from German fiscal stimulus and rising European defence expenditure to go some way toward cushioning the blow.

We are hence maintaining our positive stance on European Credit and expect spreads to remain supported – first and foremost, underpinned by **healthy credit fundamentals**. EBITDA margin of European Investment Grade index is now the highest in history at above 21%. Net Leverage ratios for both IG and HY issuers have marginally trended down to 2.8x and 4.7x respectively and remain below their historical medians. Interest Coverage ratios, albeit lower vs. recent history, remain strong at 11.1x for European IG and at 5.2x for HY.

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

Taken together, these factors may support gradually reallocating from cash into the carry currently available in European credit markets. For context, on a €10 million investment, allocating to European IG bonds rather than cash could potentially generate more than €700,000 of additional income over three years; over five years, that differential could potentially exceed €1.2 million.

We continue to prefer the 5–10 year maturity range despite April's flattening, and we would particularly consider 7–10 year tenors. The recent rise in European rates may strengthen the case for locking in currently higher yields; for example, investment grade yields around 4% can

potentially be found in parts of the 7–10 year segment of the market.

We highlight the following themes as potentially attractive in European credit markets:

Since the start of the year, we have highlighted **European Exploration & Production BBB-s** - where we have seen potential value in investment grade senior and hybrid debt within the upstream sector. This view is informed by issuers' track records of consistently positive free cash flow generation, declining FCF breakevens, and signs that peak capex is behind them. Recent geopolitical developments may further support the thesis, to the extent that higher commodity prices translate relatively directly into realized prices and upstream revenues.

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

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

Corporate Hybrids: Over 60% of the outstanding EUR notional of corporate hybrids are issued by non-cyclical sectors: Utilities, Telecommunications and Consumer Non-Cyclicals. We like the defensive nature of these sectors when moving down the capital structure. IG-rated hybrids constitute ~60% of the total EUR hybrid market and now provide ~75-115bps of spread pick-up to issuers' respective senior curves. HY-rated hybrids, from issuers rated IG at Senior tier, offer potential spread pick-ups exceeding 125bps. **Investment Grade** – at 3.7% at the index level, European IG yields are nearing their 2024 peaks. In addition to Upstream and Banks we also favour Insurance, Utilities, TMT, and Consumer Non-Cyclicals — where higher rates, inflation, and oil prices provide a potential tailwind to earnings.

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, **MY '27:** EUR IG (Spread): 75-105 bps by YE'2027; EUR HY (Spread): 300-350 bps by YE'2027

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EM Credit

Emerging Markets (EM) enjoyed a strong April, with spreads rallying sharply following a modest widening in March. EM sovereign spreads tightened by 45 basis points and corporate spreads by 35 basis points. Both indices posted positive returns, 2.7% for sovereigns and 1.6% for corporates. US Treasury yields rose a modest 10 basis points, reflecting continued concerns about the conflict's impact on inflation. Importantly, the move did not derail April's positive return story. Higher rates have also helped reset entry levels — EM yields currently stand around 6.0%–7.0%, which could potentially provide an attractive entry point. As the de-escalation narrative gains traction, we continue to view EM as a key beneficiary of an increasingly fragmented global landscape.

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

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

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

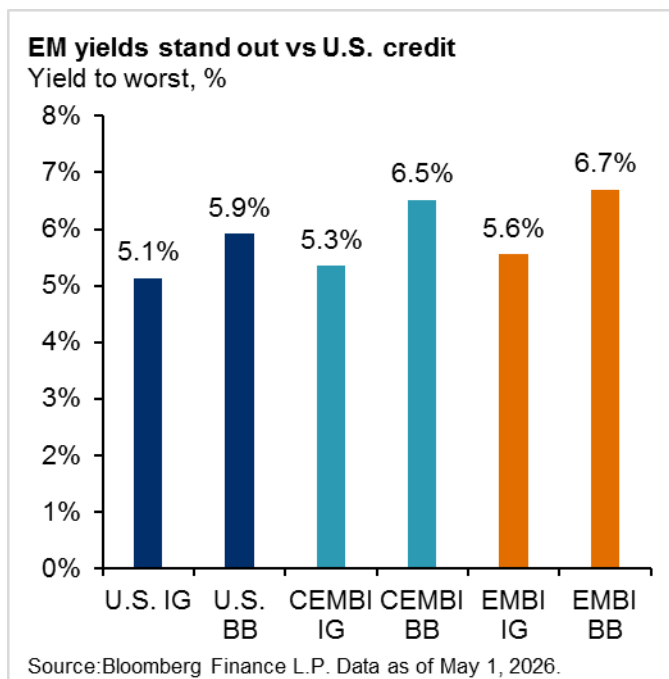
Consider a \$10 million portfolio. With cash rates averaging 3.7% and EM fixed income yielding 6.0-7.0%, choosing EM credit over cash could generate over \$800,000 in additional income over 3 years, widening to over \$1.5 million over 5 years.

With the yield curve having re-steepened, we maintain our preference for the 5–10 year maturity range, with particular

value in 7–10 year tenors. The recent move higher in global rates reinforces our conviction to lock in elevated yields.

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

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



Asia Credit

Asia credit rebounded strongly in April, with Asia IG returning +1.02% and Asia HY +2.47%. Asia IG tightened by 7bps, and a shorter duration of 4.62Y mitigated the rate move. Asia HY tightened meaningfully by 36bps, and the high carry enhanced returns.

The key macro credit catalyst was Moody's revision of China's A1 sovereign outlook to stable from negative. With this change, all three major rating agencies now hold a stable outlook on China's sovereign ratings (S&P: A+, Fitch: A). To recall, Moody's had revised China's outlook to negative in December 2023, citing lower medium-term economic growth and the ongoing downsizing of the property sector. Since then, the property sector drag has been mitigated by a deliberate policy shift toward high-productivity sectors. Improvements across a range of innovation indicators and the large-scale deployment of AI suggest that productivity growth may increase over the next few years, which Moody's views as a key factor supporting the outlook revision. This supports our broader Emerging Market call as China is a part of Emerging Market Debt.

For 2027 outlook, we estimate Asia IG spreads to stay rangebound, while the gap between Asia HY and US HY narrows further from ~50bps to ~25bps, supported by an attractive headline yield of 8.11% and a default rate tracking to a five-year low of ~2.5%. Improving trends in Hong Kong residential outlook, strong Indian credit performance, and continued demand for Macau gaming names are likely to keep Asia HY resilient. In addition, increasing investor focus on emerging market debt should also support the segment, given Asia HY's pickup of almost 80bps over CEMBI HY. Our focus areas remain Japan lifers hybrids, Asia HY, and AUD fixed income.

What we're watching: • Japan Lifers: Attractive sector offering 5.5%+ yields in A-rated names • Asia HY: Default rate on track for five-year low at ~2.5%; value emerging post-repricing 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, **MY '27:** • Asia IG (Spread): 50–80bps by mid-2027 Asia HY (Spread): 350–375bps by mid-2027

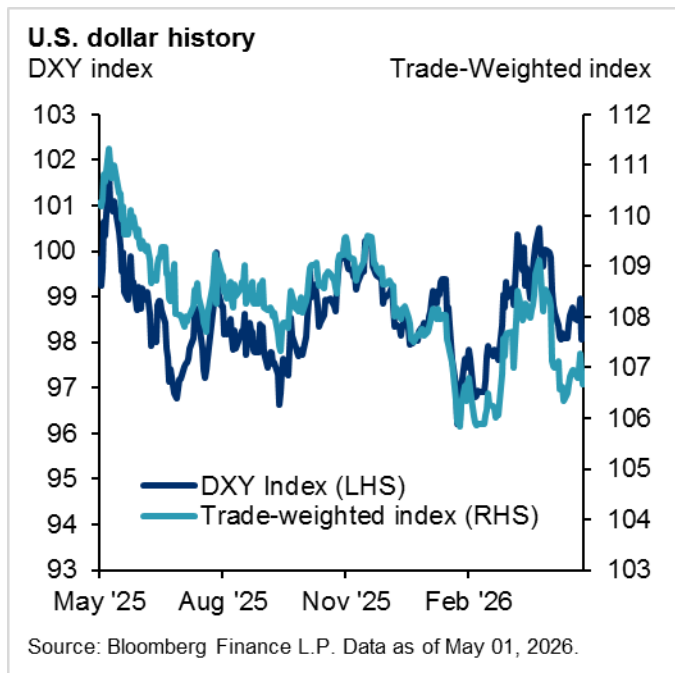
FX VIEWS

U.S. Dollar

The dollar stabilized through April, giving back part of its March gains and settling broadly back to pre-war levels against most DM majors. Near-term risks, however, remain skewed toward modest USD strength over the next 3–6 months, as the stagflationary impulse from the Iran conflict is likely to weigh more heavily on Europe and Japan than on the U.S. This asymmetry, particularly via energy prices and terms-of-trade effects, supports a mildly firmer USD bias in the near term. This near-term view is consistent with our earlier expectation that the dollar enters a choppy bottoming phase in 2026. Cyclical convergence between the U.S. and the rest of the world is largely behind us, with U.S. growth rebounding from its Q1 trough while external economies face rising headwinds. At the same time, the pace of rebalancing U.S. asset overweights and FX hedging by ex-U.S. investors appears to have moderated since mid-2025. Foreign demand for U.S. assets remains resilient, and with the negative correlation between the dollar and U.S. equities re-established, there is limited near-term incentive for aggressive hedging. Further out, we continue to expect USD normalization into 2027 and a gradual return to the broader theme of unwinding USD overvaluation. In this phase, the trade-weighted dollar is likely to weaken more than DXY, reflecting relative strength outside the G4—notably in EMFX and high-beta currencies such as AUD.

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

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



Euro

EURUSD stabilized in April, reversing part of its March weakness as broader USD strength faded and spot moved back toward pre-war levels. That said, our underlying view remains that as long as relative growth, terms-of-trade and carry differentials dominate FX dynamics, EURUSD is vulnerable on a near-term horizon. We see downside risks over the coming months, reflecting weaker growth momentum, adverse energy terms-of-trade and structurally low carry relative to the U.S. Elevated energy prices associated with the Iran conflict are disproportionately negative for Europe, particularly given continued disruptions and uncertainty around natural gas supply. Against this backdrop, the euro faces cyclical headwinds, and we view the risk skew as asymmetric to the downside in the near term should the conflict prove prolonged or energy shocks intensify. Further out, however, we expect the narrative to evolve. Into 2027, as the dollar continues to unwind its overvaluation, EURUSD could transition toward medium-term upside, especially if USD weakness is driven by broader capital rebalancing rather than European outperformance per se. In this context, we continue to view the euro as a core avenue for prudent USD diversification, given its depth, liquidity and role in global portfolios, and maintain our guideline that euro-based assets comprise around 20% of global allocations.

What we're watching: Eurozone vs. U.S. growth momentum, energy price

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



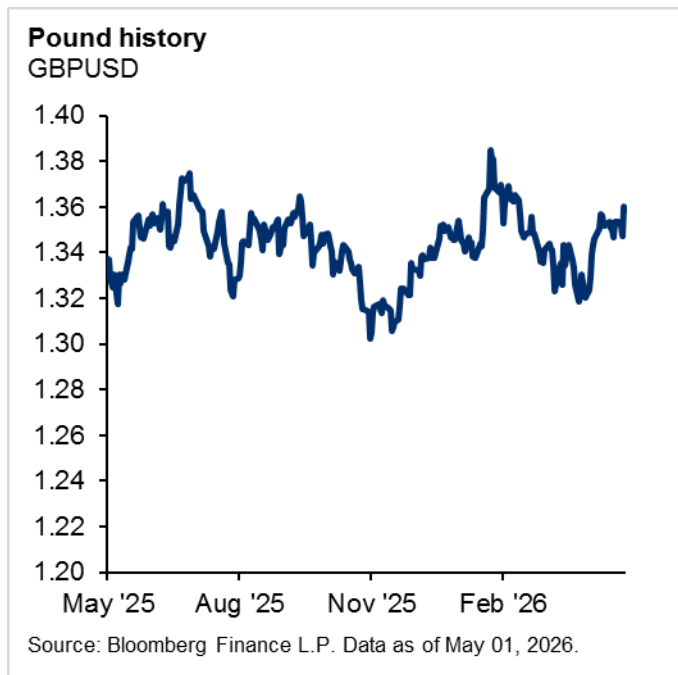
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British Pound

Sterling stabilized in April but has yet recovered to year-to-date highs. While UK rates pricing remains volatile, GBP performance could be more sensitive to growth and fiscal evolution than moves in rates. In particular, elevated energy prices and their stagflationary implications remain a key headwind. Our view that sterling is less attractive than other alternative reserve currencies remains unchanged. The energy shock from the Iran conflict reinforces this asymmetry, given the UK’s limited insulation on terms of trade. At the same time, political and fiscal constraints continue to cap the policy response, while the BoE’s reaction function could also skew more toward growth protection on top of inflation control. These dynamics raise the risk of a stagflationary policy mix that is historically negative for GBP. Near-term political risks, including upcoming UK local elections, could further weigh on sentiment and cause sterling to lag peers. As a result, we maintain a bearish bias on GBP versus EUR, with an upward-sloping EUR/GBP trajectory into 2027. Further out, this path is reinforced by the likelihood that GBP underperforms in an environment where energy shocks, constrained fiscal space, and political risk remain elevated, even as broader dollar overvaluation gradually unwinds.

What we're watching: BOE trajectory, energy prices, global risk sentiment, fiscal concerns

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

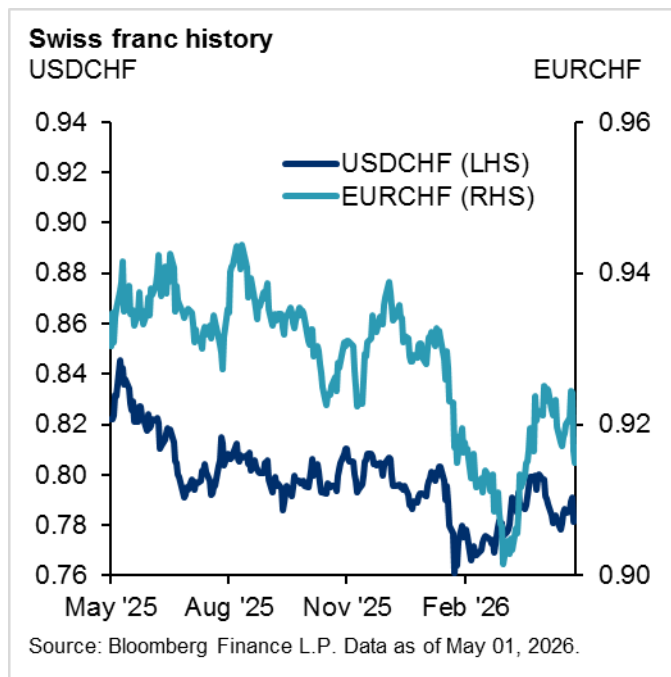


Swiss Franc

Following an initial spike after the escalation of the Iran conflict, CHF weakened through Mar-Apr as the SNB signalled a clear willingness to intervene in FX markets. We have a neutral stance, with a flat EUR/CHF profile into 2027 reflecting balanced risks both sides. On the supportive side, the Franc continues to benefit from alternative reserve-asset demand, Switzerland’s strong fiscal differentiation, repatriation themes, and strong balance-of-payments fundamentals. Offsetting these are low carry and a clear SNB bias against excessive currency strength especially against EUR, at least for the near term. Our medium-term view that CHF will continue to outperform within G10 remains unchanged, as its safe-haven appeal is underpinned by Switzerland’s energy independence and strong fiscal position. Given its high volatility nature, investors using CHF as a funding currency should focus on risk management.

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

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



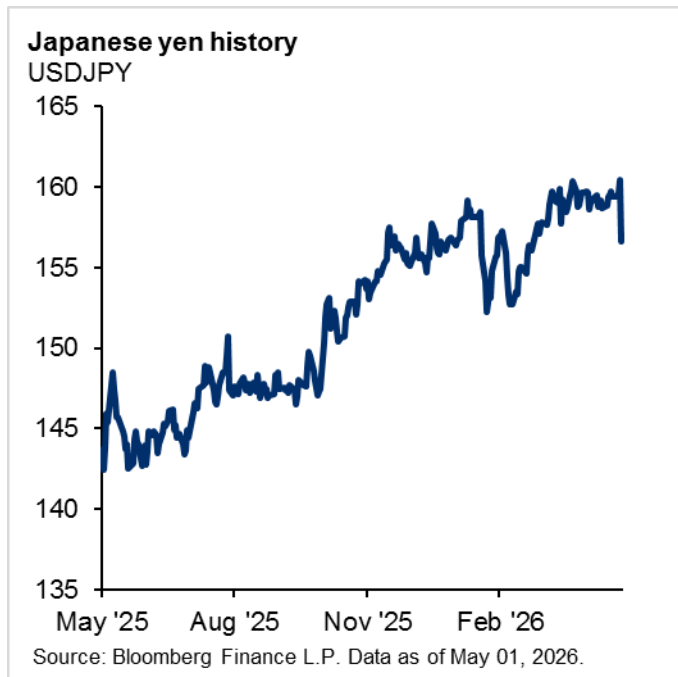
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Japanese Yen

USDJPY remained confined to a tight range just below 160 in April. Japan’s heavy reliance on energy flows through the Strait of Hormuz leaves it particularly exposed to stagflationary pressures stemming from the Iran conflict. That said, authorities appear determined to defend the yen around the 160–162 “line in the sand,” though the credibility of this stance would be tested should a prolonged conflict trigger a more severe energy shock. The BOJ held rates unchanged on the April meeting, but the 6–3 voting split signals a high chance of a June hike. That said much of the tightening path is already priced (two hikes for the rest of 2026), and we see a high bar for the BOJ to go materially beyond that. The trajectory of USDJPY has also decoupled from interest-rate differentials in a sustained and meaningful way, with recent price action increasingly sensitive to perceived fiscal risks. The government’s costly energy subsidy programme since the start of the war, alongside other ambitious fiscal initiatives, adds to the strain on public finances. Should elevated energy prices further weigh on the growth outlook, pressures on Japan’s fiscal position could become more pronounced. This restrains USDJPY downside from current levels. In particular, the yen may not function as a reliable safe haven in the current environment, given Japan’s heightened vulnerability to energy shocks.

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

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

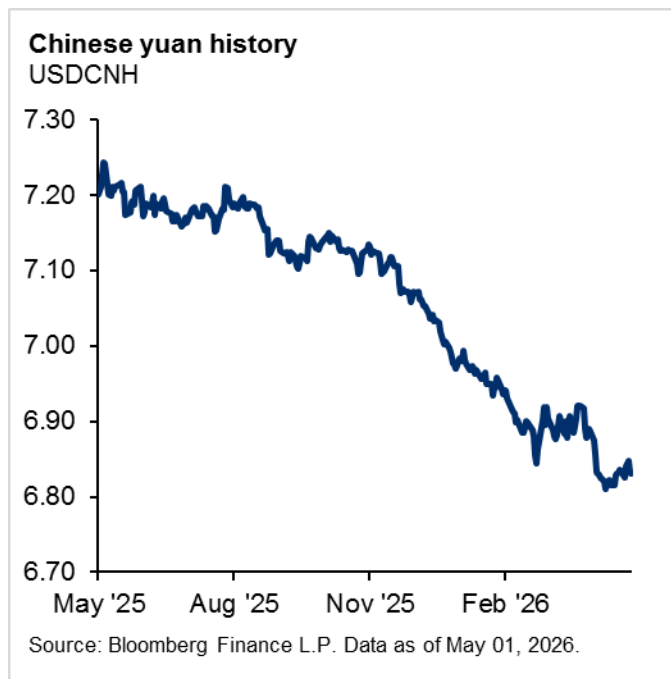


Chinese Yuan

We continue to see moderate appreciation of the Yuan despite the Iran conflict, supported by three factors. First, China is relatively insulated from energy-related shocks given its diversified import base and low reliance on oil and gas. Second, exporters’ FX conversion ratios could rise as USD hoarding enters its third year, while trade surpluses continue to accumulate at around USD 100bn per month. Third, we started to see greenshoots in domestic economy into this year. The upcoming Trump visit to China will be closely watched, as the exchange rate could emerge as a key negotiating lever. For USD diversification, EUR-, JPY- and AUD-denominated assets remain preferred. CNH continues to offer low volatility and attractive funding costs, but its risk-reward profile is deteriorating as appreciation risks rise. Investors without a need to hedge China exposure may consider diversifying funding currencies or reducing FX mismatches in their liabilities.

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

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



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G10 Commodity FX

The commodity bloc recovered in April after a March selloff. The medium term outlook remains constructive given terms of trade support from higher commodity prices.

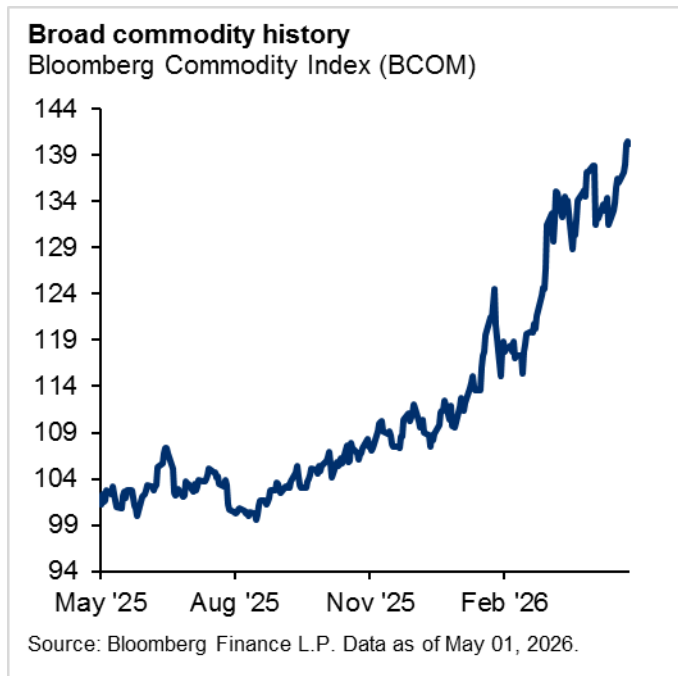
CAD: Neutral. CAD supported by higher energy prices but concerns linger on soft domestic growth outlook, low carry, and forward looking risks around USMCA negotiations.

AUD: Bullish view predicated on front-loaded RBA tightening and terms-of-trade improvement. AUD stands out in G10 as a high-carry currency with strong fundamentals, supported by fiscal discipline.

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



Scandi FX

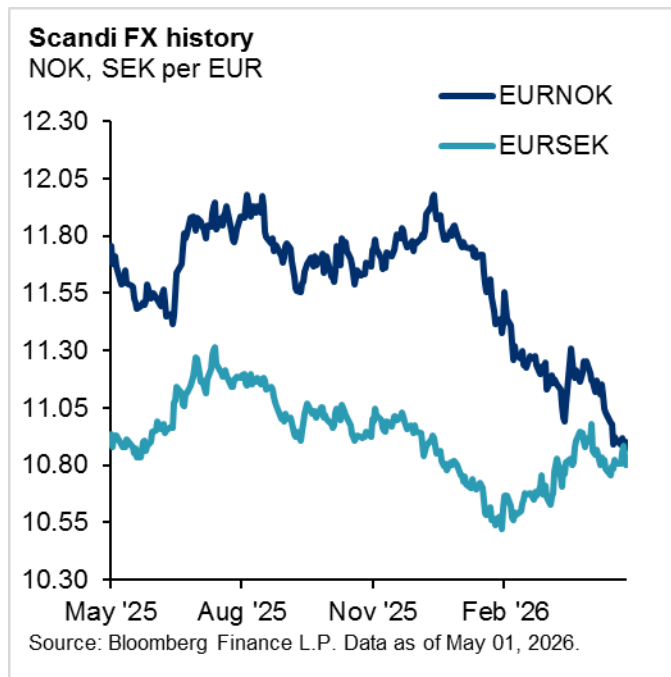
Geopolitics took dominance since March with energy exporting NOK meaningfully outperforming SEK.

NOK: Bullish, supported by improvements in terms of trade, carry advantage and domestic growth resilience.

SEK: Neutral., strength restrained by carry disadvantage, but still medium-term constructive vs EUR.

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

Our view: YE '26: EURNOK: 10.85 (10.65-11.05) EURSEK: 10.50 (10.30-10.70), **MY '27:** EURNOK: 10.60 (10.40-10.80) EURSEK: 10.70 (10.50-10.90)



*JPM Investment Bank Outlook

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Emerging Market FX

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

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

EMEA: We are neutral on this part of the complex. **ILS:** Neutral. Outlook improved amid de-escalation and better risk environment, with ILS also benefitting from its correlation to US tech equities.

Asia: Resilience tested amid energy crunch. **INR:** Bearish given high exposure to energy shock. **TWD:** Neutral, as hedging positions dialed down on lifer hedging rule amendments. **KRW:** Bullish, improved macro and capital flow outlook amid tech tailwind that cushions energy shock. **SGD:** Neutral. Supported by safe-haven inflows and the MAS shift toward tightening, though carry disadvantage persists.

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

Our view: YE '26: BRL: 5.35 (5.15 – 5.55) MXN: 17.30 (17.10–17.50) ILS: 3.10 (3.00–3.20) INR: 96.60 (94.60–98.60) TWD: 31.40 (29.40–31.40) SGD: 1.27 (1.25–1.29), **MY '27:** BRL: 5.35 (5.15 – 5.55) MXN: 17.30 (17.10–17.50) ILS: 3.10 (3.00–3.20) INR: 96.60 (94.60–98.60) TWD: 31.40 (29.40–31.40) SGD: 1.27 (1.25–1.29)

EM currency history

J.P. Morgan EM Currency Index



Source: Bloomberg Finance L.P. Data as of May 01, 2026.

*JPM Investment Bank Outlook

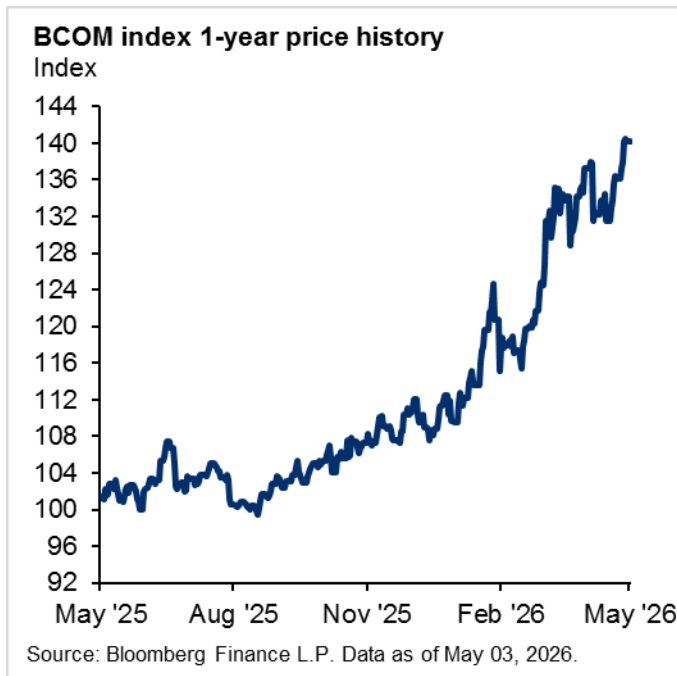
COMMODITY VIEWS

BCOM Index

April has continued to show volatility in commodities. The BCOM Index has rallied, peaking near ~140 by the end of April. Under the surface, all sub-sectors of the index, with the exception of precious metals, ended the month higher on the back of the ongoing conflict. Petroleum and Energy have led into month-end, while Industrial Metals have remained relatively steady with a gradual upward trend. In contrast, Precious Metals have drifted lower. Agriculture, Livestock and Softs have shown more modest moves upwards. Overall, price action is consistent with what we expect from the ongoing conflict, with petroleum and energy leading the rally and their rise slowly making its way into other sectors of the index. Looking forward, outcomes remain highly dependent on macro and geopolitical developments, and we revise our outlook higher in reflection of our higher year-end outlook on oil.

What we're watching: U.S. – Iran conflict

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



Gold

Gold saw sharp losses in March, before recovering and consolidating in the \$4,600–4,800/oz range in April. The drawdown was largely driven by position-unwinding following the escalation of Iranian hostilities, after a big rally ahead of the event. That pressure was subsequently reinforced by a stronger USD and rising global interest rates. We remain bullish on gold and expect its safe-haven characteristics to re-emerge as market narratives shift from inflation risks toward growth concerns. Our outlook into 2027 suggests a potentially attractive average 12-month return profile under the “new regime,” supported by continued central-bank purchases, though without meaningful tailwinds from rates, the USD, or a rebound in retail participation. Our medium-term constructive view is unchanged, underpinned by reserve-manager demand, rising global fragmentation, and long-term debasement risks. A backdrop of stable U.S. rates and a less overvalued USD provides a broadly supportive macro environment for gold prices. Crucially, we do not view gold as a tactical trade, but as a strategic portfolio allocation with clear diversification benefits. Our analysis of asset-class returns over the past two decades suggests that a 5% allocation to gold in a balanced portfolio could potentially improve the overall Sharpe ratio and enhance risk-adjusted returns.

What we're watching: U.S. – Iran conflict

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



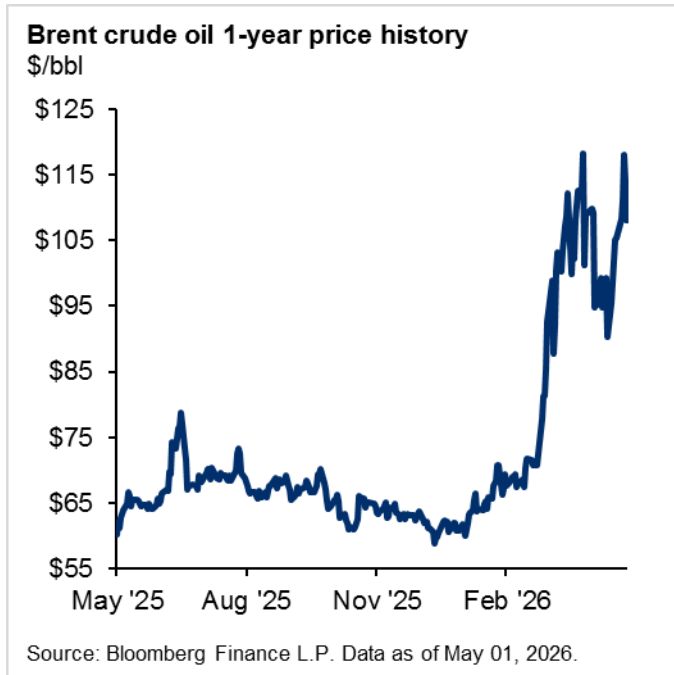
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Crude Oil

Crude oil remains at the mercy of the dueling blockades of the Strait of Hormuz. We upgrade our YE26 outlook to \$79 midpoint, this assumes Persian Gulf flows normalize by end-May. Following the ceasefire and peace talk progress, risks to the outlook shifted to more two-sided as talks have broken down. Downside risks include faster normalization of the risk premium from a peace deal, lower-than-expected production shut-ins, and declining oil demand. Upside risks persist if Hormuz flows remain restricted or production capacity sustains lasting damage. Demand destruction will be key to watch, especially across Asia where supply is becoming more constrained. A \$10 rise in refined product prices reduces global demand modestly (0.2 mb/d) when Brent is in the \$60s, but the impact grows to 0.6–0.9 mb/d when Brent nears \$100, depending on refined product margins. Today's demand response appears outsized relative to crude price changes due to unusually high product-to-crude price gaps, tightness concentrated in price-sensitive products and regions, and emerging signs of rationing and shortages.

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

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

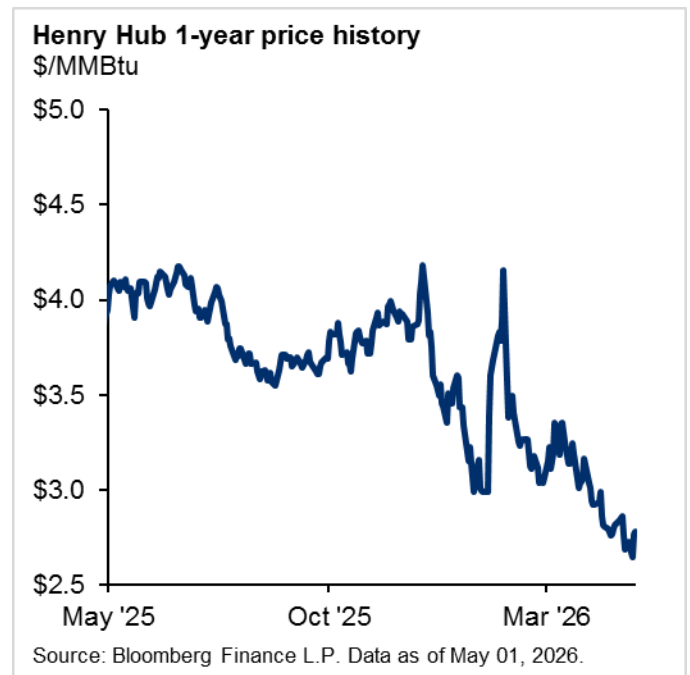


Natural Gas

Natural Gas in April remains a volatile picture, highly dependent on the path of the conflict. US Natural Gas prices have been volatile moving to as low as \$2.50/MMBtu mid-month, and settling at ~\$2.80 /MMBtu by the end of April, slightly down from the start of the month. In contrast, European gas sharply corrected mid-month on news of progressions in talks, then spiked again as the details of the talks turned less clear than initially reported, though still ending the month slightly lower. Overall, April highlights that Natural Gas remains a highly regional market, with US prices softening while Europe experienced a sharp correction followed by a sharp spike. The divergence seen earlier in the year has narrowed, but volatility remains elevated and highly sensitive to geopolitical developments and LNG flows.

What we're watching: U.S. – Iran conflict...

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



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Copper

Copper delivered strongly in April, vindicating our conflict de-escalation scenario from last month. The metal rallied 12.5% off late March lows, with the LME 3-month forward price climbing from around \$11,600 (USD/MT) to close at just over \$13,300 by late April, as a US-Iran ceasefire brokered by Pakistan triggered a sharp repricing of geopolitical risk. Prices have drifted modestly lower since, as the Strait of Hormuz remains partially closed (but resilient Chinese demand and falling SHFE inventories provides a floor). Looking ahead, we remain constructive and see copper rising to \$14,250-\$14,750 over the next twelve months — roughly another 11-12% from current levels. The narrative now shifts from tactical to the structural and thematic drivers of greater copper demand: increased spending on defense, infrastructure, and energy security, all of which are copper-intensive and are being accelerated by the same geopolitical instability that weighed on the metal just weeks ago. Peace negotiations remain fragile, but even a prolonged period of managed de-escalation should be sufficient to sustain the constructive backdrop. We continue to view dips as buying opportunities for longer-term investors.

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

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



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ALTERNATIVES VIEWS

Private Credit

AI disruption, portfolio markdowns, and elevated redemptions have led to concerns about private credit, but fears of a systemic crisis are overstated. At this point, aggregate fundamentals look stable, with stress concentrated by sector, borrower size, and manager rather than reflecting broad deterioration.

Private credit has indeed grown quickly (~14% AUM CAGR over the past decade) but remains ~9% of total US corporate borrowing, and overall "risky credit" has been stable at ~20% of US GDP, suggesting a mix shift rather than a step-up in economy-wide risk. The investor base is ~80% institutional, which is generally longer-duration, limiting forced selling. What's more, a majority of private credit is in drawdown, closed-end vehicles. Bank linkages are also contained: loans to BDCs are ~12.5% of US bank lending, below concentrated exposures seen in past cycles (e.g., real estate at ~53% of bank lending ahead of the GFC).

Non-traded BDC redemptions have been running at ~5% of NAV over the past couple of quarters (with some vehicles experiencing larger withdrawal requests), and 1Q26 net flows dipped negative for the first time since late 2022. This appears driven by a mix of sentiment and portfolio rebalancing rather than a reflection of fundamental deterioration. Importantly, defaults currently remain at or below historical averages (HY ~2.1%, leveraged loans ~3.2%, private credit ~2.5%). We expect elevated requests to persist over the next few quarters; of note, we believe queues and gating in evergreen funds are standard protective design features, not automatic distress signals.

At the macro level, we expect resilient economic growth to continue supporting credit fundamentals. That said, stress is building among smaller borrowers and in sectors like autos and retail. Software is the key focus: direct lending has ~21% direct exposure (~40% including broader tech/services), the highest among credit markets. Stress is starting to show up—software leveraged loan spreads have widened ~240bps YTD to ~760bps, though broader index moves ex-software remain more muted. We view software stress as a 3 to 5 year sector reset rather than an imminent macro credit event, as disruption is likely to be prolonged and uneven. As a simple stress test, if software defaults hit 15% with 40% recovery, credit losses would be ~2% unlevered over time (~4% levered assuming one turn of portfolio leverage) on a ~9% starting yield, painful but contained. Of note, this excludes MTM moves or other portfolio nuances which could make stress more acute.

Outside the US, European pressure looks more macro-driven (inflation/rates) than tech-specific. Structural differences including lower leverage, stronger equity cushions, tighter covenants, and drawdown-dominated capital structures offer incremental downside protection and make Europe an attractive, less-trafficked opportunity relative to the US.

On positioning, senior secured direct lending can still serve as an alternative source of income (mains a premium to public extended credit, though the premium compressed meaningfully from 2023 highs). We anticipate some modest widening in spreads (~25 to 50bps) and Original Issue Discount (OID) over the coming quarter, making selectivity increasingly important, but also posing potential upside for newly issued loans. Favor managers with diversified sector exposure, seniority in the capital structure, and larger borrowers (EBITDA above \$50M). As a sizing framework, we recommend private credit as 15% of a core private market allocation, and it is critical to ensure positioning is appropriately sized given several years of direct lending outperformance.

"Credit complements" are increasingly important as yields normalize and pockets of stress emerge. Asset-backed finance offers lower correlation to corporate credit, diverse collateral pools, self-amortizing structures. There are also opportunities arising from Basel IV-driven bank retrenchment, particularly in Europe, though manager expertise is critical given the complexity of the asset class. Private credit secondaries are also a compelling addition, as LP stake transactions are a growing share of deal flow, unlocking high-quality portfolios at wider discounts with durable supply from 2015 to 2021 vintage funds facing deleveraging pressure.

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

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Private Infrastructure

Core infrastructure can offer investors two potential characteristics: relatively stable returns (supported by long-term, inflation-resilient contractual cash flows) and potentially less volatile exposure to multi-year trends (such as accelerating power demand and the increasing strategic importance of resilient infrastructure). We believe these characteristics are increasingly relevant today as investors look to create durable portfolios in a shifting macro environment (e.g., elevated rates and inflation - both levels and volatility - vs. recent history) and an increasingly concentrated public equity market.

Since 2Q08, core infrastructure has annualized high single digit to low double digit returns across various inflationary regimes. Let's double click into the multi-year trends supporting these consistent returns.

Acceleration in demand for power — but selectivity matters: After two decades of near-zero growth, US power demand is expected to grow at ~2.5% CAGR through 2030, driven by industrialization (reshoring, resurgence of U.S. manufacturing), data centers (driven by growth in AI), and electrification (building electrification, EV growth & charging infrastructure). This acceleration in demand at a time of constrained supply — further exacerbated by the expected retirement of 100–150GW of coal and nuclear plants in the near term — could create a power deficit by 2029, spurring significant investment across the power infrastructure value chain (generation, transmission, distribution, storage) and a resurgence in securing reliable sources of power (e.g., renewed focus on oil & gas in the US, select renewables in Europe). While we believe there is still room to go, the opportunity set is nuanced and entry price and risk management vary meaningfully by sub-sector. Transmission and grid remain the cleanest expression of the theme — decades of underinvestment have created a \$550bn+ capex opportunity that utility balance sheets cannot fund alone, offering long-duration, regulated cash flows. Midstream is well-positioned as natural gas demand grows and LNG exports rise. On the cautious side, gas generation valuations have risen on scarcity, nuclear faces long lead times and cost overruns, and speculative data center development without contracted tenants warrants discipline. Renewable energy, despite policy headwinds, remains viable for experienced managers underwriting without subsidy assumptions, with a preference for operating over development assets. Across the board, we recommend partnering with cycle-tested managers who can generate target returns within the initial contract life without relying on aggressive terminal value assumptions.

Resilient infrastructure now a matter of national security: The past couple of years have also showcased in real-time the role that energy plays in influencing the geopolitical landscape. Securing reliable sources of energy/power — not only for essential services but also to power AI — has become a matter of national security. For investors, it means that investment in energy and power infrastructure will be supported by long-term secular forces, and that investing in globally diversified infrastructure is key as the type of asset (and therefore growth) you are getting exposure to will vary by region. This moves beyond just power and energy; it touches all forms of infrastructure (e.g., ports, roads, rails, bridges, telecom). Indeed, NATO's defense spending guidelines initiated in 2025 incorporate guidelines on spending on creating resilient infrastructure (1.5% of a country's GDP). Within midstream specifically, a projected doubling of US natural gas supply over the next five years will require major new infrastructure after years of underinvestment, creating the potential for attractive returns for owners of critical midstream assets.

Building a holistic infrastructure allocation: Importantly, power is only one part of a well-constructed infrastructure allocation. We believe real assets (including real estate (RE) and infrastructure) should represent ~15% of a core private markets portfolio. Within infrastructure, while constructive on power, core exposures such as asset leasing — cargo/LNG ships, railcars, chassis — and industrial infrastructure are critical complements, providing the diversification, income reliability, and inflation resilience that make infrastructure a durable portfolio building block. Investors have historically had low allocations to the asset class — the JPM 2026 Private Bank Family Office Report found that 79% of family offices have 0% allocation to infrastructure. The gap between opportunity and allocation is wide.

Bottom line, for private investors, core infrastructure presents a unique opportunity to access both consistent returns (backed by contractual, inflation-resilient cash flows) and multi-year secular trends (power demand growth, resilient infrastructure escalating to a matter of national security). The key is disciplined sub-sector selection and partnering with experienced managers who have navigated prior cycles.

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

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Private Real Estate

After a period of significant repricing, we believe U.S. commercial real estate is in the early stages of a recovery. Prices troughed in 2023 and have been recovering steadily since, with transaction volume expected to increase 16% year-over-year in 2026 and cap rates compressing across most property types. We believe real assets (real estate and infrastructure) should represent approximately 15% of a core private markets portfolio. Unlike the post-GFC recovery, which was amplified by cheap debt, performance at this point in the cycle will hinge on property fundamentals and asset management. A sustained recovery will likely be nuanced, and sector and market selection will be essential.

Demographic tailwinds are reshaping demand for housing. Long-term structural forces are driving durable demand for rental housing across the U.S. Home ownership affordability remains stretched, supply deficits persist, and an aging population is accelerating demand for needs-based housing formats. Senior housing in particular is benefiting from rising occupancy, healthy rent growth, and muted new supply, and is expected to generate the highest NOI growth of any property sector over the next three years. These are not cyclical trends — they are decade-long shifts that we expect to underpin resilient, inflation-linked income for investors.

Supply discipline is creating a recovery in fundamentals. Across most sectors, new construction has slowed materially. Industrial starts are down approximately 60% from 2022 highs, and residential construction remains constrained by cost pressures and policy uncertainty. This supply discipline, combined with resilient occupancy and rent growth, is setting the stage for a meaningful improvement in net operating income. Retail was the strongest performing sector in 2025, led by grocery-anchored formats resilient to e-commerce competition. Industrial vacancies, which likely peaked in 2025, are expected to recover toward 95% occupancy by 2027, after which we expect inflation-plus rent growth. Across sectors, Class A assets in well-located markets are leading the recovery and are expected to see the greatest cap rate compression going forward.

The maturity wall is generating attractive entry points in real estate credit. Hundreds of billions in real estate loans are scheduled to mature over the next two to three years, requiring refinancing at higher rates. Regional banks have materially reduced their CRE lending activity, creating a durable and growing capital gap. Private lenders are stepping in, offering structured strategies with equity-like returns and debt-like downside buffer. With commercial real

estate debt origination already recovering — up 43% year-over-year as of Q4 2025 — the opportunity set is expanding, particularly in well-collateralized sectors where fundamentals remain strong.

Beyond the U.S., European real estate is presenting complementary opportunities. Industrial sectors are seeing robust prime rent growth, supported by tight supply and large-scale fiscal stimulus and defense infrastructure investment. Multifamily is expected to continue to have strong demand and rental performance, with almost all major markets experiencing rising rents, coupled with residential construction starts falling sharply.

Bottom line, real estate is undergoing a selective, fundamentals-driven reinvention. The conditions for a sustained recovery are increasingly in place — improving income growth, rising transaction volumes, and a capital gap that is potentially creating attractive entry points across both equity and credit. Investors who are selective about sectors, geographies, and asset quality could be well-positioned to capture the next leg of returns.

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

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Private Equity

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

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

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

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

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

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

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

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

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

Hedge Funds

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

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

March was a stress test — and a proof of concept.

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

History supports the thesis. Hedge funds have historically provided solid diversification benefits, with

positive correlations to inflation and the ability to generate alpha in volatile markets. Adding a 10% allocation to a top-decile hedge fund manager to a 60/40 portfolio improves the Sharpe ratio from 0.48 to 0.6 and boosts return expectations from 6.5% to 8%, thanks to a smoother ride through lower drawdowns. It is worth noting that these figures reflect top-decile manager outcomes and are not representative of the broader hedge fund industry — who you invest with is the single most important variable in determining outcomes.

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

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VOLATILITY VIEWS

Equity Vol

April felt like equity markets exhaled. After March's war-induced vol spike, equity implied volatility normalized as the S&P 500 pushed to new highs on a mix of ceasefire headlines and fairly light discretionary positioning. The most important tell wasn't just lower VIX—it was how the rally happened: leadership rotated back toward large-cap Tech, breadth narrowed, and correlations fell. It was a very "indexed" tape, matching flows: much of the buying that pushed the S&P 500 higher came from futures and systematic strategies like CTAs, rather than stock-level conviction.

Lower correlations across stocks helped keep index volatility in check, even as leadership narrowed. As a result, US equity index implied volatility eased back toward longer-run averages across most maturities, and the market backed away from more extreme tail-risk pricing we saw in March.

Investors have continued to lean into this backdrop by monetizing equity volatility, most commonly through put-writing overlays. The April rally reinforced the value of staying invested, and structured notes remain a core tool to maintain equity exposure through uncertain markets with more defined outcomes.

What we're watching: Shifting market leadership, AI delivery vs expectations, blockbuster IPOs

Macro Vol

Macro volatility sent mixed signals in April, but risk markets mostly looked past them. Oil prices rallied back to late-March highs by month-end, yet equities held steady—investors seemed to treat the move as noise rather than a renewed shock. Liquidity remains impaired, especially in oil, where thin market depth leaves prices vulnerable to sudden jumps rather than gradual moves. US rates volatility trended lower overall in April, but picked up around month-end on renewed Iran-related uncertainty. Notably, this happened without a meaningful equity selloff—a break from the usual "rates stress = equity stress" playbook. One takeaway: macro risk hasn't disappeared, but markets are treating it as more contained and scenario-specific than in March, rather than pricing a broad "everything moves together" shock. Gold recovered through the month, but unlike equities, it failed to break new highs. With price momentum stalling, gold volatility collapsed, while oil remains the outlier with relatively higher volatility. We remain constructive on gold but see risks as more balanced; consider hedging on rallies or using structured notes with downside buffers to gain exposure.

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

Cross Asset Volatility Monitor						
Underlier	1 Month			1 Year		
	Vol	MoM Change	Historical	Vol	MoM Change	Historical
Equities - 100% Strike Implied Volatility						
S&P 500 Index	21.38	5.50		20.69	2.61	
EURO STOXX 50 Index	17.22	2.31		17.64	1.10	
Tokyo SE (TOPIX) Index	21.41	5.28		19.51	1.72	
Rates - SOFR Swaptions ATM Strike Implied Volatility (BP, Annualized)						
1Y	107.03	35.13		121.14	12.54	
5Y	117.11	18.09		111.41	5.97	
10Y	105.18	9.78		102.08	1.56	
Commodities - ATM Strike Implied Volatility						
Oil (Brent)	32.25	-0.55		28.49	0.79	
Gold	20.23	2.30		17.50	0.34	
Currencies - ATM Strike Implied Volatility						
EUR/USD	9.30	1.09		8.25	0.66	
USD/JPY	12.25	1.12		10.50	0.15	
USD/CNH	5.00	0.81		6.25	0.60	

1) Source: J.P. Morgan. Data as of April 27, 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

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THIS DOCUMENT

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

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DEFINITIONS OF INDICES AND TERMS

Currencies and Central Banks

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

Additional abbreviations

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

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

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

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

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

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

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

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

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

a traditional, market capitalization weighted method for country allocation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KEY RISKS

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

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