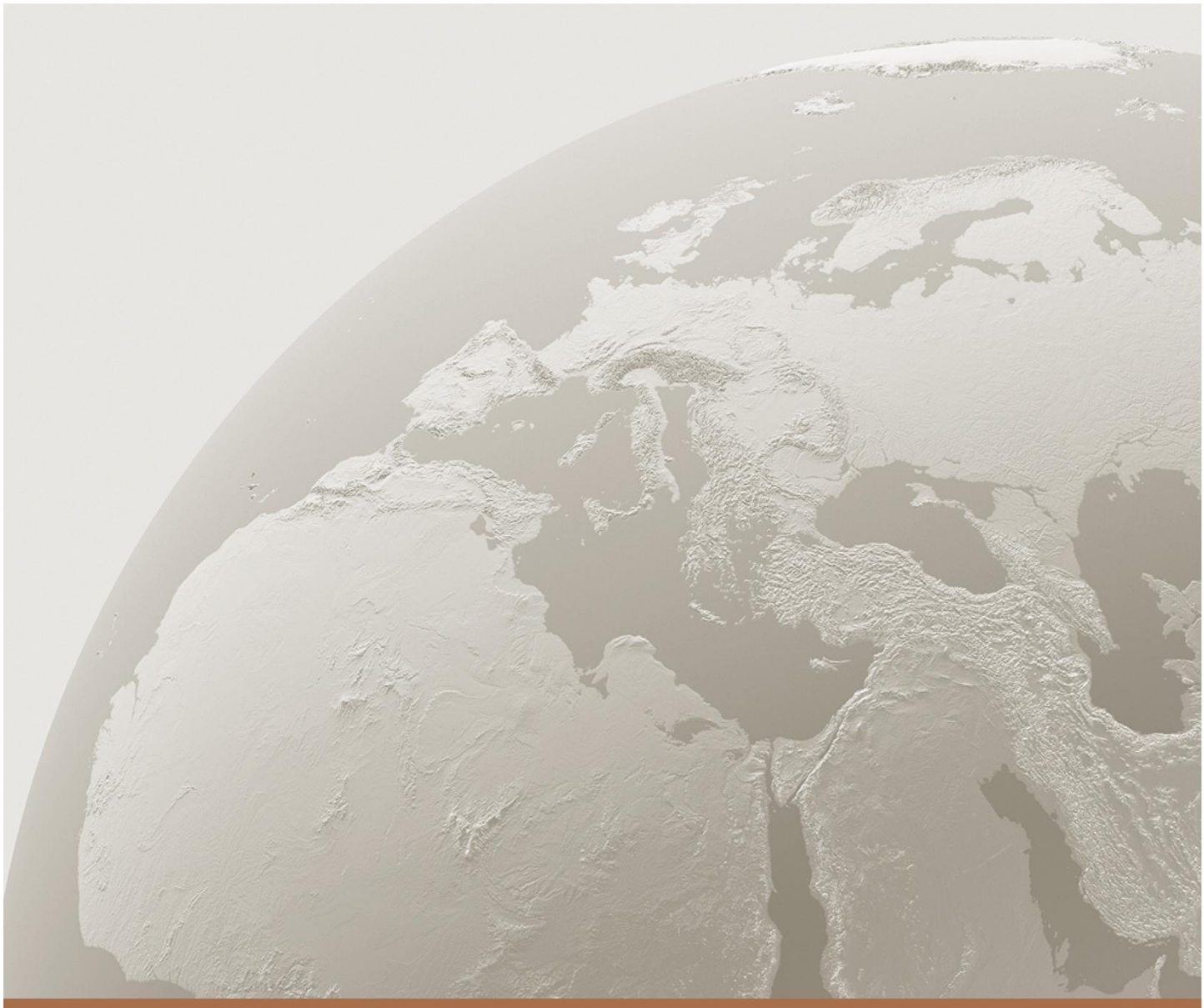
J.P.Morgan
PRIVATE BANK

The Global Investment Strategy View

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



Outlook Edition **- NOVEMBER 2026**

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The View in Brief

Conviction snapshot

Where we hold conviction and changes from last month (MoM)

EQUITIES

GEOGRAPHY	NEG	NEU	POS	MOM
U.S.			●	
Europe		●		
Japan			●	+1
EM		●		-1
US SIZE/FACTOR				
Large Cap			●	
Small/Mid Cap		●		-1
US SECTORS				
Staples	●			
Energy	●			
Financials		●		-1
Industrials			●	
Info Tech			●	
Utilities			●	
Materials		●		
Healthcare		●		
Real Estate		●		+1
Communication Services			●	+1
Consumer Discretionary		●		

FIXED INCOME

RATES	NEG	NEU	POS	MOM
U.S.		●		
Europe		●		
UK		●		
CREDIT				
U.S. Municipals		●		-1
U.S. IG			●	
U.S. High Yield		●		-1
Hybrids/Preferreds			●	
Emerging Markets (USD)			●	

FX & COMMODITIES

ASSET CLASS				
DXY Dollar Index	●			
Brent Crude Oil	●			
Gold			●	

Three high-conviction opportunities

1

EQUITIES - STRATEGIC INDUSTRIES

HYPERSCALERS

Hyperscaler backlog and revenue growth have accelerated alongside significant infrastructure investment, supporting confidence in the durability of AI and cloud demand.

2

EQUITIES – BROAD INDEX

S&P 500

Our 2027 year-end base case for U.S. equities implies 15-20% upside from current levels. The driver: double-digit earnings growth, continuing the recent string of better-than-trend results.

3

PREFERREDS AND HIGH GRADE CREDIT

FIXED INCOME

Elevated yields not seen in about 20 years provide attractive entry points in high quality fixed income.

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The View

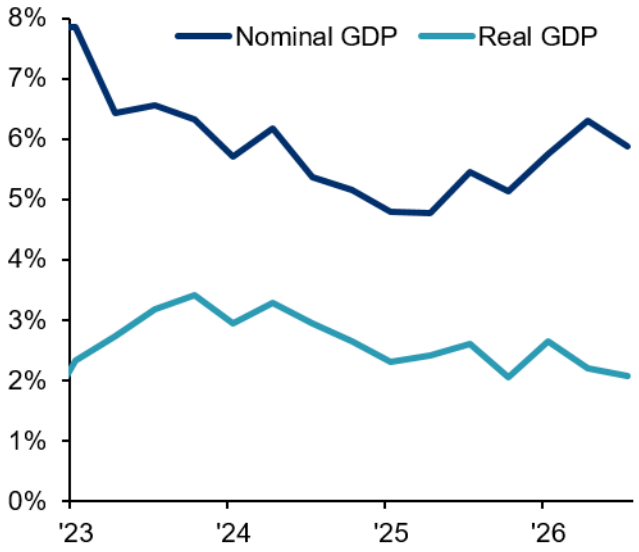
Global Investment Strategy: 2027 Year-Ahead

Our 2027 base case is an extended expansion with a thinner margin for error. AI capex keeps climbing, real growth holds just under 2%, and nominal growth and inflation cool as energy and AI-hardware price pressures fade and a Hormuz deal pulls oil toward $75. That should likely end both the hiking cycle and the 2026 rise in yields, and provide a benign set-up for broader markets. But as we point out in our Global Outlook *The Price of Progress*, the cost of capital has increased, which means investors need to be more discerning when it comes to funding risky assets, while elevated starting yields make high-quality bonds and credit attractive for income and diversification. Within equities, we continue to favor the U.S. expecting earnings to drive the market higher, with a preference for large cap tech. Our recession odds are 30%, tied mainly to concerns over a stall in AI spending, so we believe risks are tilted to the downside.

Macro: Extended cycle, thinner margin for error

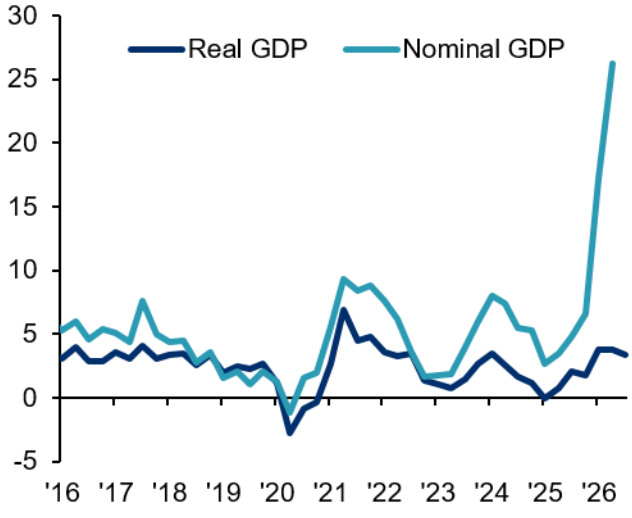
Last year saw a global boom in nominal GDP. US nominal GDP growth climbed from just below 4% to about 6%, while real growth held just above 2% (See Chart 1). In Korea and Taiwan nominal growth hit the fastest pace since the 1970s with Korea chalking up 26% y/y nominal GDP growth in Q3 (See Chart 2). A main factor was rising energy prices, but AI investment played a large role. Surging demand for semiconductors drove chip prices to record levels and contributed to US import prices of electronics being up nearly 25% y/y (see Chart 3), and because most AI equipment is imported (See Chart 4), the AI spending boom directly contributed to Korea's GDP surprise. That gap between nominal and real growth fed record earnings and pushed yields higher. **In 2027 we expect nominal growth to slow as those pressures fade, with real growth slowing too to just under 2%**. We expect inflation to moderate towards 2.4% as base effects from the inflation and energy shocks fade. Overall our base case outlook is for the expansion to continue, but we recognize the risks of an AI spending stall.

Chart 1: Growth pickup in 2026: Mostly nominal
YoY change, %



Source: BEA, Haver Analytics. Data as of Q3 2026.

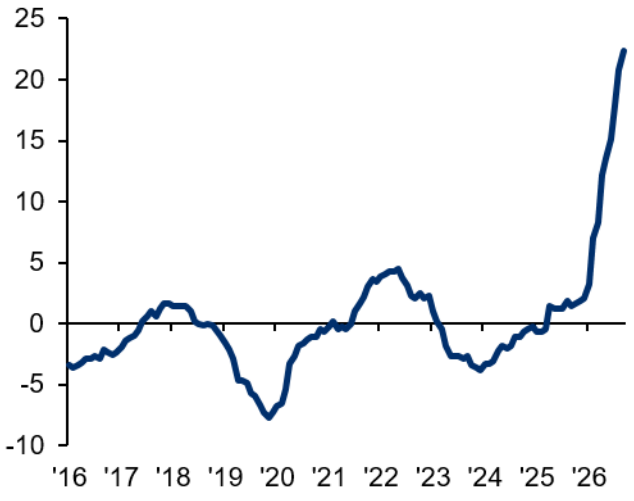
Chart 2: South Korea: Real vs. nominal GDP growth
YoY change, %



Source: Bank of Korea, Haver Analytics. Data as of 2Q 2026

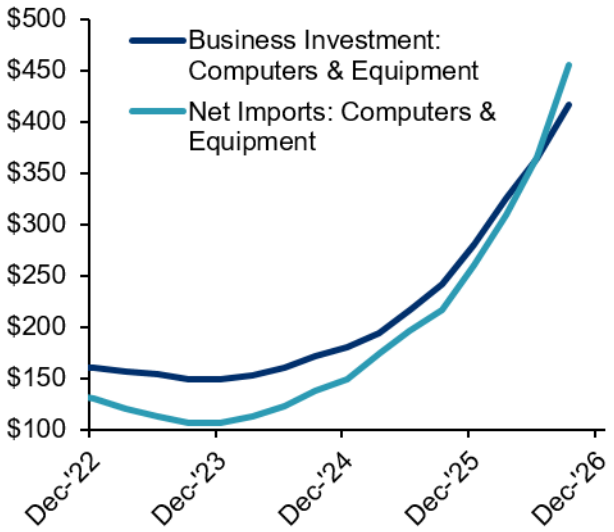
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Chart 3: Computer & semiconductor import prices surge
YoY change, %, Import Price Index



Source: BLS, Haver Analytics. Data as of September, 2026.

Chart 4: AI capex largely reliant on imports
4QMA, computers & equipment, in billions SAAR



Source: BEA, Haver Analytics. Data as of Q3 2026.

Three questions will decide the macro path for 2027.

First, will AI deliver?

Bottom line: We expect AI capex to keep rising in 2027, supporting equities and consumer spending (via the wealth effect). But, it is also the biggest risk to the outlook. It's role as the central growth driver means if it declines sharply, we think the US would likely fall into recession.

The U.S. economy is increasingly reliant on AI, both the direct effect of the capex spending and the wealth effect on consumer spending. AI capex approached 2% of GDP in 2026, close to the scale of the late-1800s railroad buildout. Industry guidance points to a peak near 3.6% of GDP in the years ahead. Getting there would make this the largest capex cycle, and biggest bet on a new technology, in US history (See Table 1).

Table 1: Selected U.S. Capital-Expenditure Booms

Episode	Period	Size (% of GDP)
Canals	1836–1841	0.66
Railroads	1870–1890	2.24
Electrification	1905–1925	0.50
Highways	1956–1973	1.13
Telecom and fiber	1996–2003	1.10
AI buildout	2025–2032	3.63

Note: Size is average annual capital expenditure as a percentage of GDP over the indicated period.

In 2026, equity gains created a wealth effect that more than offset what higher rates and energy costs took from consumers (See Chart 5). If AI spending keeps rising, markets can keep climbing and households can keep spending.

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Our base case is a continuation - capex materializes in line with expectations and equities to continue moving higher on earnings growth. We think the current cycle can extend, though late cycle risks are emerging. The buildout has created its own obstacles. Communities are pushing back on data centers. Workers worry about losing jobs to AI. New tools carry new cyber risks. And investors still question how the leading AI companies will turn spending into new profits. Early strain is showing. Neoclouds are finding it harder to borrow, private AI valuations are being marked down, and the productivity payoff has yet to show up clearly in the data.

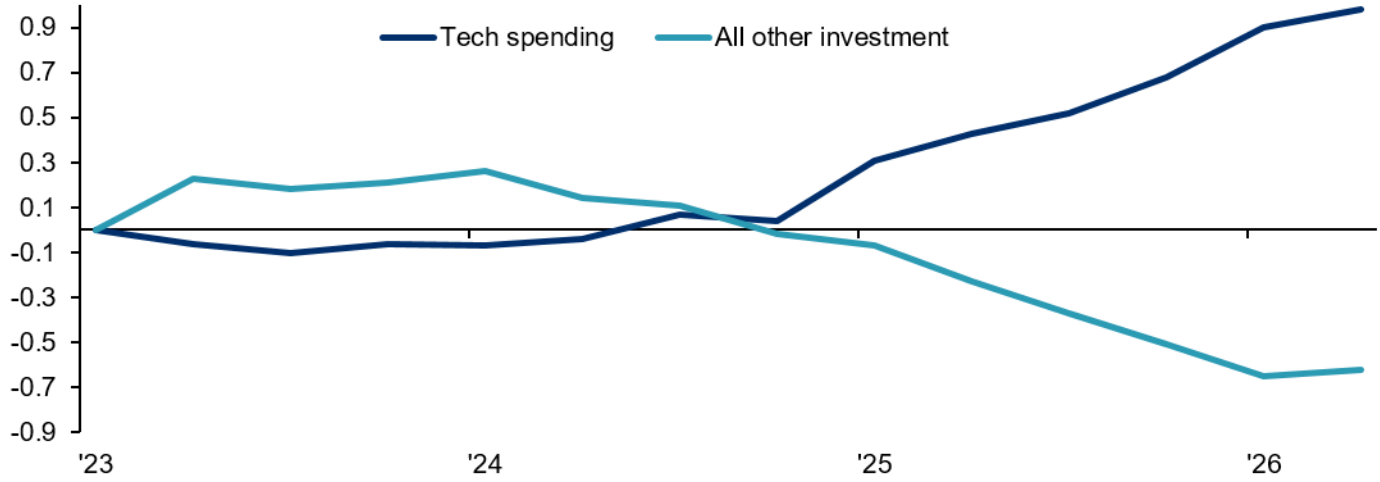
Chart 5: Disconnect between wages and consumer spending is currently large



Source: BEA, Haver Analytics. Data as of 2026.

AI's appetite for capital also contributed the unbalanced “K-shape economy” by crowding out other investment (See Chart 6). Housing and commercial real estate took the hit, as exhibited by US pending home sales hitting a record low in Q3. As a result the economy is increasingly AI-reliant. If AI-related capex materially disappoints then business investment and consumer spending would likely weaken together. By our calculations that could result in a 3-4pp hit to GDP over time, which would likely be enough to significantly slow the US economy and/or push it into recession.

Chart 6: Growing wedge between tech and non-tech investment



Source: BEA National Income and Product Accounts, Haver Analytics Data as of Q2 2026

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Second, can Washington and Tehran agree on who controls the Strait?

Bottom line: We expect a narrow, phased deal in 2027 that opens the Strait of Hormuz open. That should likely take oil down to $75/bbl by year end and take energy out of the inflation story.

Control of the Strait remains the key sticking point between Washington and Tehran. Tehran wants an arrangement solidifying its sovereign control of the Strait and ability to charge ongoing tolls, Washington refuses to endorse Iranian control. Gulf states have signaled they would be willing to pay to keep shipping open, but handing Iran that authority would read as a loss for the White House.

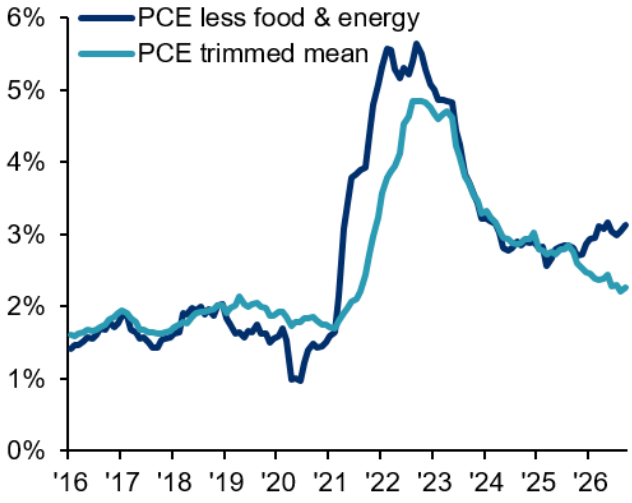
We think a resolution can be found because holding current positions is getting more expensive for both sides. Iran's leverage is eroding: according to some data sources, crude flows are back near pre-war levels as exporters reroute, and in general chokepoints lose effectiveness as shipping adapts. The economic pain is also mounting in Iran with food inflation running at 120% y/y and overall inflation at 75%. Tehran has reason to trade current leverage for sanctions relief while the disruption still carries weight. Washington has its own costs, with diesel averaging near $6.50/gal. The blockade gets more expensive as refined fuel inventories run down, and another bombing campaign offers no clear path to regime change or a lasting reopening of the Strait. The US can escalate, strike to build leverage, or negotiate. We don't expect another round of significant escalation, both because the midterm elections results are likely to affect the political calculus behind further escalation, but also because another round of strikes offers little upside for U.S. interests. The economics, and politics, favor negotiating.

Third, will inflation be under control?

Bottom line: We expect inflation to fall forecasting core PCE falling to 2.3–2.5% as base effects fade.

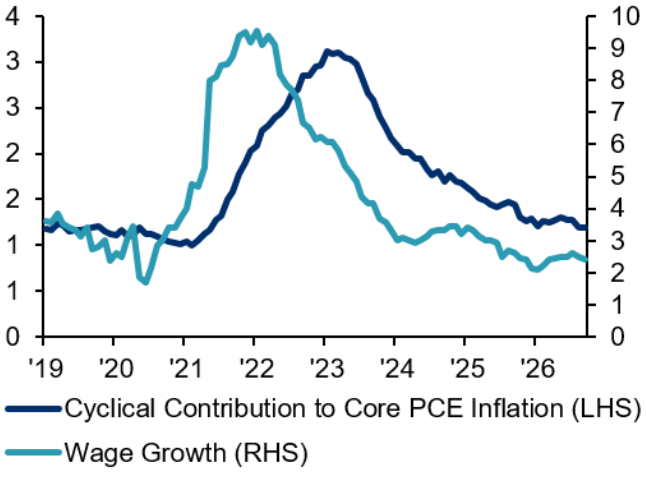
Barring any further shocks we expect disinflation progress in 2027. Core inflation rose last year, but trimmed-mean inflation kept cooling See Chart 7). That tells us the pressure sat in a few categories: fuel from the conflict, electronics from AI, and the last of the 2025 tariffs. Wages did not follow, so eventually core should converge toward the trimmed mean from just above 3.1% today (See Chart 8). Base effects will be powerful, energy only needs to stop rising for inflation to fall. AI costs add roughly 40–50bp to core PCE today and should fade in the second half of 2027.

Chart 7: Recent inflation pickup narrowly driven
YoY change, %



Note: PCE is Chain Price Index 2017=100. Source: FRB Dallas, BEA, Haver Analytics. Data as of September, 2026.

Chart 8: Wage & cyclical inflation remain unthreatening
YoY % contribution / change



Note: Wage growth uses Indeed data. Sources: Haver Analytics, Indeed, FRBSF. Data as of Q3 2026.

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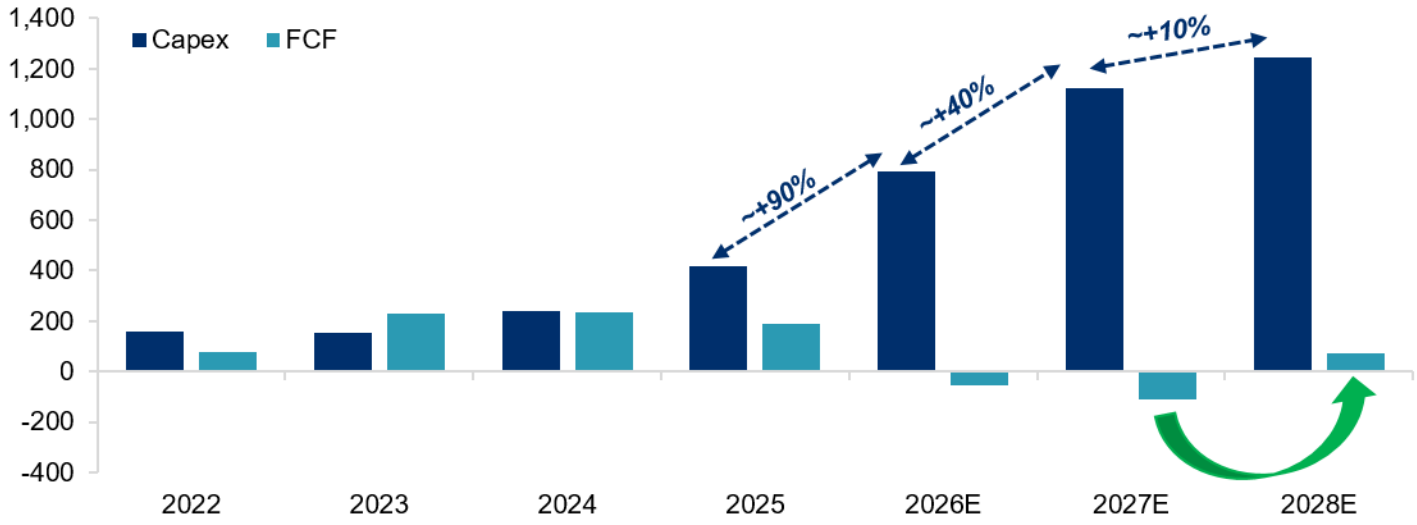
2027 Equity Outlook: Is the AI trade a bursting bubble?

In our view, while risks have risen, our base case remains that the AI buildout continues and it is unlikely to be derailed by politics. The November pullback in the S&P 500 leads to a low-teens expected return by the end of 2027. We estimate earnings growth to maintain the double-digit rate it's had for the last eight quarters. Growth should be driven by broadening participation, combining higher revenue with higher margins. Valuations, compressed as oil prices roared and interest rates soared, are likely to remain flat or increase from current levels. This combination of growth and valuation supports our end-of-2027 Base Case S&P 500 outlook of $8,600.

The "blue wave" may slow datacenter construction in the out years and raise costs, but 2027 is on plan, and more onerous state and local regulations are unlikely to halt datacenter growth. And the concerns about the datacenter buildout are less material to what matters, namely the growing usage and adoption of artificial intelligence applications. **Questions around broader adoption, return on investment, and the wider question of productivity are more important, in our view, than potential local moratoriums around data center construction.**

The biggest constraints to datacenter growth are **power, permits, people and capital**. Given these shifts, we believe investors are best served investing in companies that have access to these. The U.S. hyperscalers stand out; they have diversified businesses, access to capital, and scale, we also believe they should benefit from higher pricing and eventually turn free-cash-flow generative earlier than Street expectations (See Chart 9). In our view, the credit cost for the hyperscalers is still manageable for the ROIC expected.

Chart 9: Near-term free cash flow pressure sets the stage for a strong hyperscaler recovery
Hyperscaler Capex vs. Free Cash Flow (FCF), $Bn

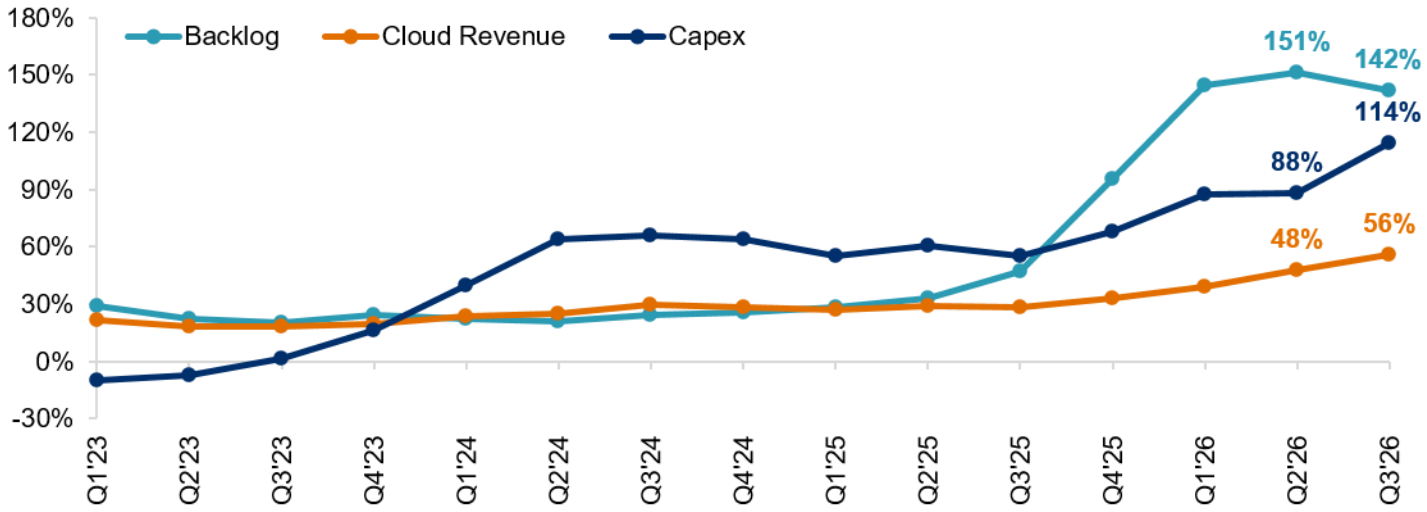


Sources: Bloomberg Finance L.P., FactSet. Data as of November 02, 2026.
Note: Hyperscalers = AMZN, GOOGL, META, MSFT, ORCL.

Key to the entire data center story is the strength of the businesses backing that growth. Here, the most recent results from the big-spending hyperscalers were impressive. Growth from Alphabet (102% growth), Amazon (39%) and Microsoft (48%) have been accelerating and combined with significant backlogs, this supports the continued build of future datacenters that are designed to deliver future services (See Chart 10).

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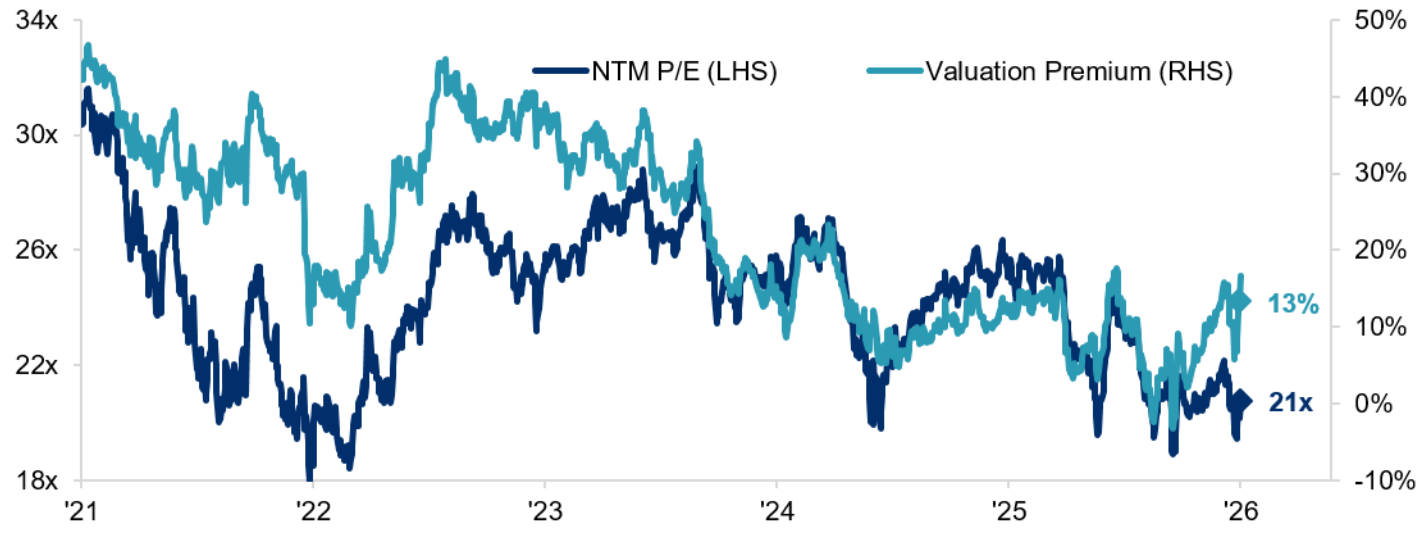
Chart 10. Backlog and revenue growth have accelerated alongside heavy capex investments
Hyperscaler Backlog, Revenue, and Capex, % YoY



Source: Bloomberg Finance L.P. Data as of Q3 2026. Note: Backlog is defined as Remaining Purchase Obligations (RPOs). Hyperscalers included: AMZN, GOOGL, MSFT.

As we look at this basket of stocks, the hyperscalers underperformed over the last year as valuations dropped well below prior levels in absolute and relative terms (See Chart 11). On a relative basis, this group offers dynamic core businesses and attractive valuations.

Chart 11: Hyperscalers continue to trade below historical average valuations
Hyperscaler NTM P/E vs. Valuation Premium to S&P 500



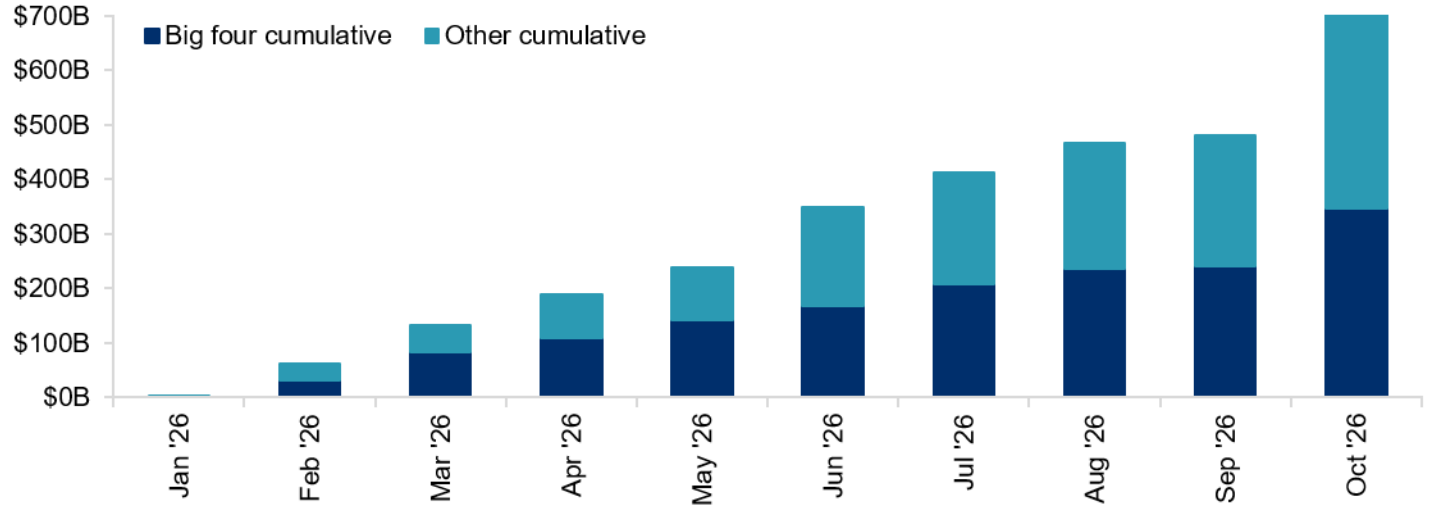
Source: Bloomberg Finance L.P. Data as of November 06, 2026. Note: Hyperscaler = AMZN, GOOGL, META, MSFT.

Said another way, weak balance sheets and variable cash flow companies will have greater financing risk. The potential for capital costs crowding out weaker players is a catalyst for hyperscalers to outperform second- and third-tier borrowers and for quality-AI to outperform high-beta AI (See Chart 12).

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$141B of AI-related debt was issued in October

Debt issued to fund AI infrastructure buildout, hyperscalers vs. other (YTD through 10/30/2026)

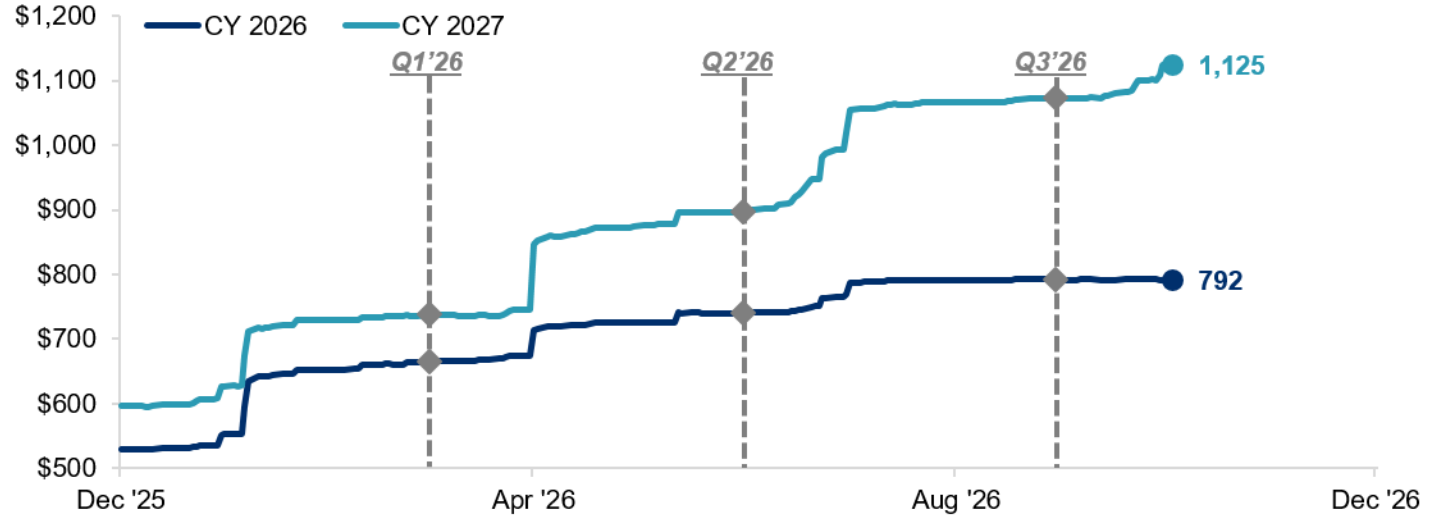


Source: Wells Fargo Securities, LLC, Bloomberg, company filings, newswire and media reporting on privates. Hyperscalers = MSFT, AMZN, GOOG, META. Data as of 10/30/26

For the AI investment cycle to remain healthy and not "burst like a bubble", financial discipline needs to become evident. Q3 reporting gives us an indication that the hyperscalers are decelerating their capex growth plans. In the recent quarter, hyperscaler capex came in below consensus for three of the biggest players and the next-12-month capex revision was the smallest since 4Q23 (See Chart 13). Meanwhile, the tightening credit standards are taking some froth and speculation out of the market. We liken the current state to taking the foot off the gas rather than slamming on the brakes, which should serve to prolong the AI drive.

Chart 13: Hyperscaler capex revisions have slowed to the slowest quarterly increase since 4Q 2023

Hyperscaler Capex Revisions (CY2026-CY2027), $Bn



Source: FactSet. Data as of November 02, 2026.
Note: Hyperscalers = AMZN, GOOGL, META, MSFT, ORCL.

While semiconductor demand growth should remain well above the long-term growth rate (~8% pre-AI) in the short term, we believe the days of significant beats and raises to earnings are likely behind the sector. We believe some of the potential semi buyers will experience costlier borrowing and slower growth, taking some steam off the potential growth of semis. Of

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course, valuations have compressed significantly year-to-date. Semis outgrew the 50% valuation compression, which now reflect much of the higher risks to growth.

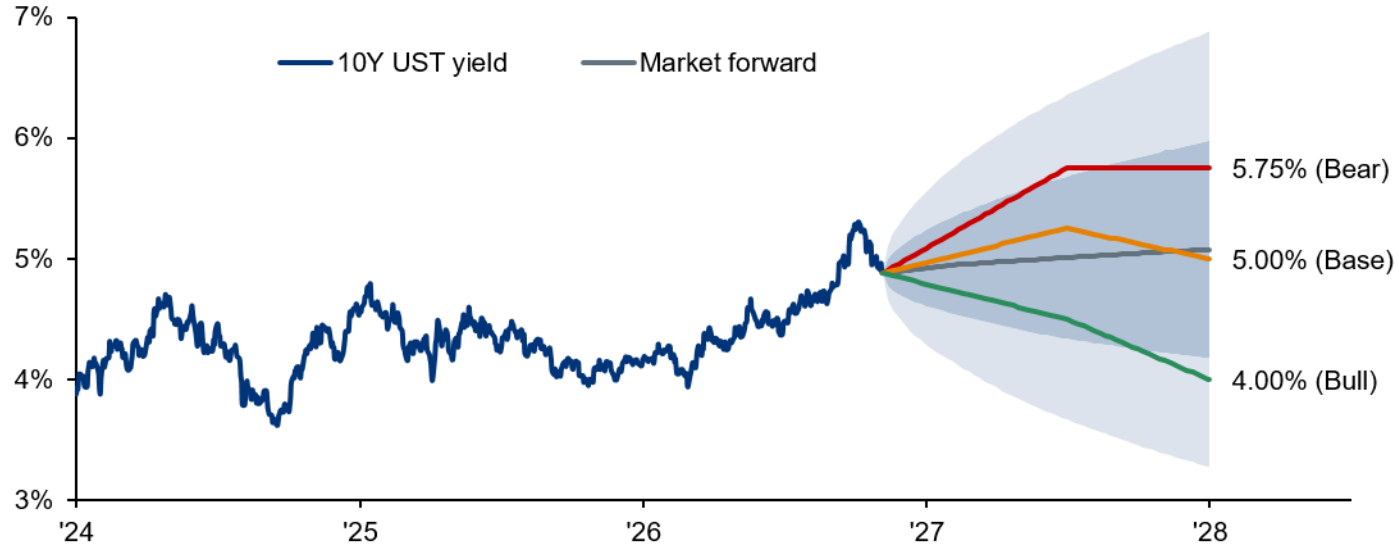
Let's not lose focus that as risks have increased, the base case scenario remains that datacenter growth will slow to a more measured pace. The AI engine powers on, but the beneficiaries are evolving. Increasing constraints to capex don't derail the story but raise the bar for the upside surprise we saw in 2026. As a result, we shift our preference from AI infrastructure names like semis to high- quality hyperscalers who have a clearer path to positive cash flows.

2027 Rates & FX Strategy: Higher no longer

After the rise in yields in 2026 to new cycle-highs, we expect yields to be biased sideways or lower in 2027, even if they were to reach new peaks early on (See Chart 14). Starting yields should do most of the return work, while the curve moves from flattening toward modest steepening as the hiking cycle matures.

The 2026 regime of rising yields. After the recent retracement, US 10-year Treasury yields are still up 80 basis points (bp) year-to-date, in the top 3rd of increases over the last 50 years. We argued that yields were in an uptrend in 2026 because high nominal growth (including conflict impact on inflation) kept central banks hawkish, while AI-related investment and public spending on defense and infrastructure pushed up global borrowing and debt issuance. Real (inflation-adjusted) yields accounted for the bulk of the increase, as hawkish central banks kept inflation pricing stable and yield curves flattened. Most developed market central banks resumed hiking. In that context, we generally recommended investors to avoid duration and keep maturities short, but turned positive as 10-year yields reached 5.30%.

Chart 14: We see yields broadly sideways in 2027 but with more downside risk than upside risk
10-year Treasury yield, %



Source: Bloomberg Finance LP. Data as of November 3, 2026.

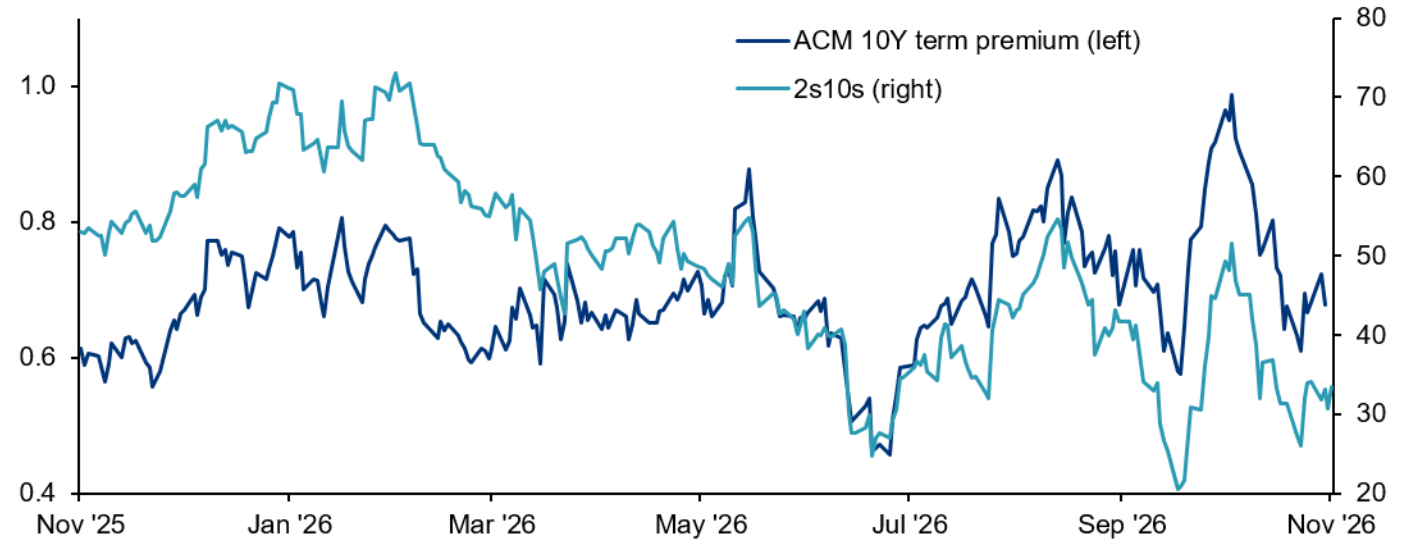
The Treasury view for 2027: higher no longer. 2027 is likely to be different, as starting point for yields and central bank pricing are materially higher, and we also see less incremental impulse in global spending and borrowing, while geopolitical conflicts likely de-escalate, providing relief to global supply chains and lowering energy prices. Lower inflation and slower nominal growth point to flat or lower yields, which marks a big change from 2026, which saw yields rising through most of the year.

In our base case, we expect global yields to broadly move sideways in 2027, with a year-end forecast for 10-year Treasury yields of 5%. We continue to expect moderate Fed hikes (another 50bp in our base case over the next 6 months), but for the Fed and other global central banks to wind down their hiking efforts.

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The sideways projection of yields over the next year understates changes in the yield trajectory in 2027 compared to 2026. We pencil in another rise in yields in the near-term, as equity markets rebound and in line with the idea that we would see yields peak around the time of the last Fed hike in a cycle, which we currently pencil in for Q1, and a subsequent decline throughout the year. And we expect to see some reversal in the 2026 trends of higher real yields and flatter yield curves. That is, we expect real yields to decline and yield curves to steepen, due a decline in energy prices and the possibility of some rise in (so far well-behaved) bond risk premia (See Chart 15). Indeed, we see the risks for yields to the downside in 2027, as a faster-than-expected decline in commodity prices, or a slowdown in growth, capex or a stalling stock market could pave the way for yields to decline earlier or more than we currently expect in the base case.

Chart 15: Yield curves are flat and term premia remained stable in 2026
10-year term premium vs. 2s10s Treasury spread



Note: ACM term premium. 2s10s are the spread between 10-year and 2-year Treasury yields. Source: Bloomberg Finance LP. Data as of November

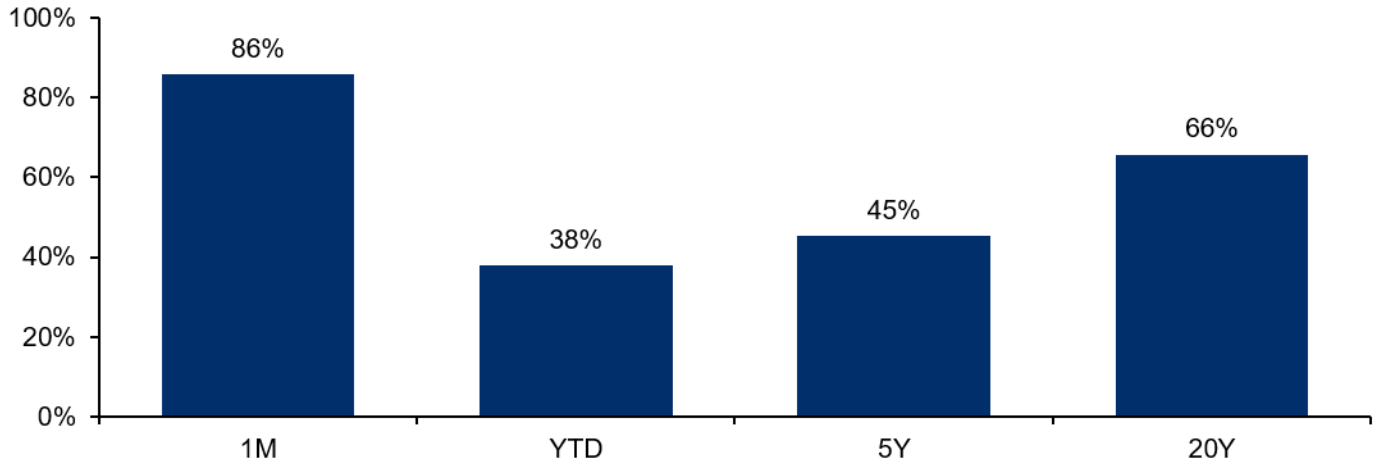
ACM term premium

The role of bonds in your portfolio. Our yield and spread forecasts imply fixed income bond returns broadly in line with starting yields. At the recent peak in October, we argued that yields were likely to fall in the near-term. But after the recent retracement we anchor the proposition for high-quality fixed income on income and diversification. Our call to emphasize the portfolio diversification benefits of Treasuries has been somewhat against the grain of investor debate: in recent years, the role of fixed income as a portfolio diversifier has come under attack, as stock-bond correlations turned more positive. We agree with the broader idea that the current regimes calls for 'diversified diversifiers', however, we have stressed that portfolios also should be robust to 'growth scares' - earnings concerns and related risk-off periods – and high quality fixed income and duration remain useful hedges and diversifiers for those.

Since the start of the Iran war, stock/bond correlation had been positive, driven by inflation fears. But in the last month, stock/bond correlation has turned sharply lower (See Chart 16), especially vs. the tech-heavy NASDAQ. So long as the AI buildout and subsequent questions regarding economic growth remain the primary focus of markets, and not inflation, investors should expect bonds to protect during equity drawdowns. Upside risks to yields (and our yield forecasts) remain: the two main ones we monitor are the possibility of more extensive military conflict (and related inflation) or a major growth pickup.

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Chart 16: Treasuries have been a good hedge for equity sell-offs of late



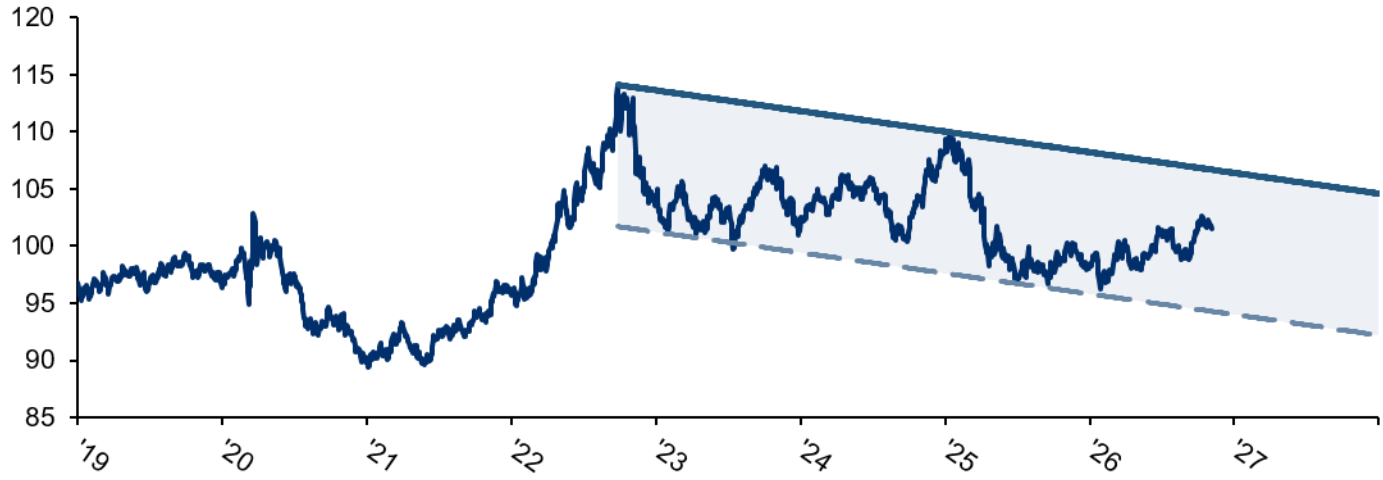
Notes: Hedge hit rate (%) = 100 × days with S&P return ≤ −0.5% and same-day Treasury return > 0 ÷ all days with S&P return ≤ −0.5%. Treasury returns are from Bloomberg US Treasury index. Source: Bloomberg Finance LP. Data as of November 6, 2026.

FX views: a year of two halves, dollar lower, later, but importance of global diversification only increasing. We continue to think that 2026 was a break in an ongoing dollar downtrend, but are pushing back the time at which we expect the depreciation to resume – probably to H1 2027 rather than in late 2026 (See Chart 17). The dollar continues to be supported by AI-related growth and market performance, the impacts of military conflicts in the Middle East and other regional risks, such as European risk premia. These drivers remain relevant in 2027, but we think they will begin to turn dollar-negative at some point in 2027– perhaps by around the time of the presidential election in France in Q2. If that were to pass, we see a year of two halves in FX, with dollar resilience or further strength followed by pronounced depreciation.

Our expectation of a medium-term dollar downtrend also means that we think global diversification will become more important as a theme during 2027. In that context, we highlight the appeal of AUD- and JPY-denominated assets, gold (see below) and, from later in the year, EUR.

We see the main risk to our FX forecast in the timing and path: a worsening of global conflicts & European sovereign risk concerns or more durable AI-driven US outperformance could push the dollar reversal into late 2027 or even beyond. On the other hand, fast de-escalation of the conflicts or stalling AI-driven momentum in the US economy or stock markets could bring dollar weakness forward.

Chart 17: We think the dollar is in a downward trend
DXY Curncy



Note: DXY is dollar index. Source: Bloomberg Finance LP. Data as of November 6, 2026.

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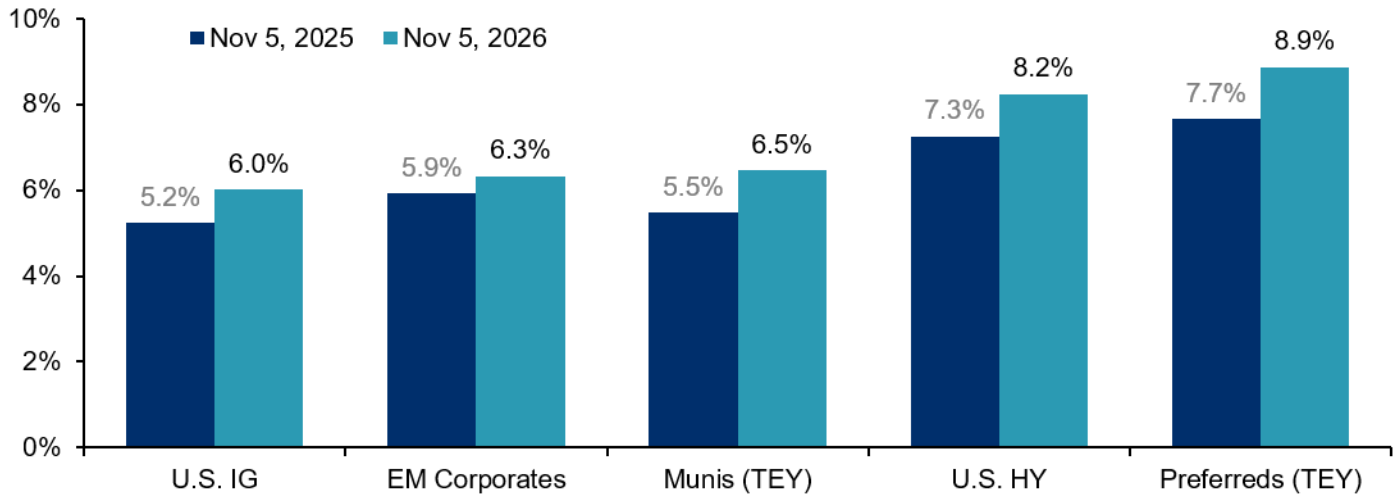
Credit: Attractive Risk-Reward

We enter 2027 with a constructive view on spread assets, favoring investment grade credit, preferreds and hybrids, emerging-market credit, and select hyperscaler debt.

Investment grade stands out in particular, with yields around 6.0%, near 15-year highs, and spreads around ~102bps, near 12-month wide (See Chart 18). This combination provides an attractive entry point, offering strong carry and a meaningful cushion against further volatility. Additionally, with macro risks elevated, high quality fixed income has shown to provide downside protection and we expect it to continue to do so, particularly given our disinflationary view. Importantly, the return opportunity does not depend on significant spread compression. Elevated starting yields provide a compelling foundation for returns, with additional upside should rates or spreads normalize over the course of 2027.

Chart 18: Yields remain elevated aross subasset classes

YTW, %



Notes: Indices used are US IG: JULIY, EM Corporates: JBDYAGYW, Munis: LM10TR Index, U.S. HY: JPDEHYI Index, Preferreds: PVAR Index.
Source: Bloomberg Finance LP. Data as of November 6, 2026.

Within IG, we favor select exposure to the ongoing buildout of AI and data-center infrastructure, seeing value in some credits that have widened. With AI infrastructure spending driving an unprecedented capital investment cycle, we believe security selection will become increasingly important, favoring issuers and structures where yields appropriately compensate investors for higher capital intensity.

We also remain constructive on preferreds and hybrids, where elevated income can complement traditional IG exposure, particularly among high-quality issuers with durable cash generation and strong balance sheets. We also like emerging-market credit, where attractive starting yields and greater differentiation across countries and issuers create opportunities for carry, although geopolitical and macro uncertainty reinforces the importance of active security selection. We are more selective in high yield, preferring BB-rated exposure in defensive sectors.

Our approach to credit in 2027 centers on quality and carry, with an emphasis on capturing historically elevated yields while remaining selective as systematic risks increase. With IG yields near 15-year highs and spreads near 12-month wides, we believe the current environment provides an attractive starting point for high-quality credit investors.

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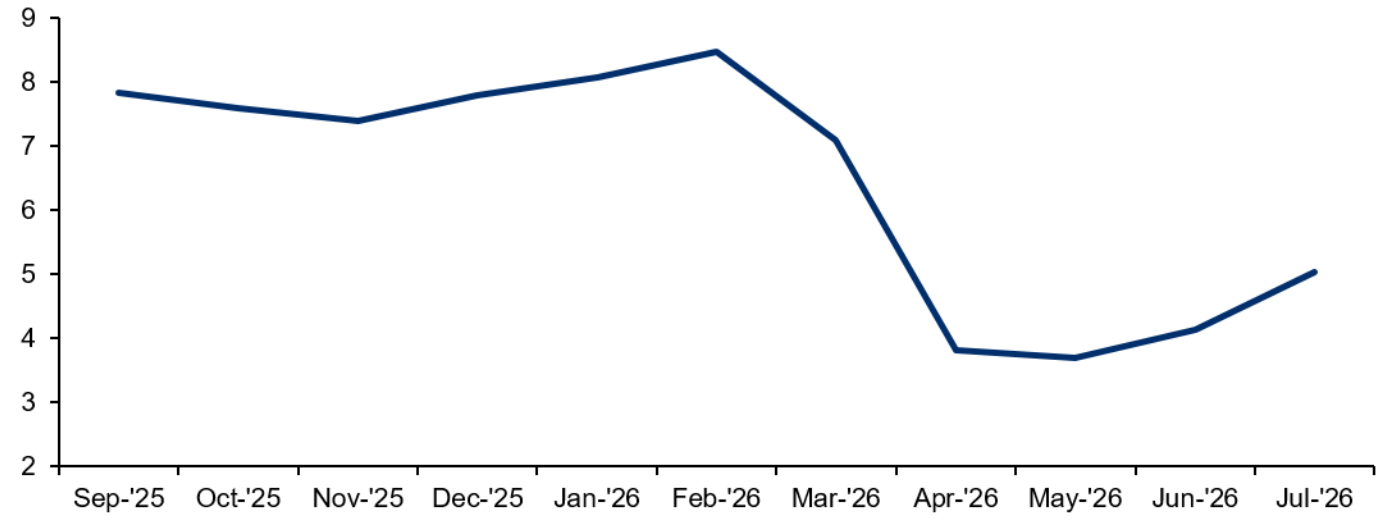
Commodities: From Straits to Storms

We expect commodity prices to once again diverge in 2027, but in contrast to 2026, we expect oil prices to fall on Hormuz normalization, and gold prices to grind higher but remain choppy. We also expect agricultural commodities to see upside on El Niño impacts.

The setup for gold remains challenging but we think it is beginning to settle. Higher real yields and a rising cost of capital increase the opportunity cost of holding a non-yielding asset. There are also question marks about central bank demand. It's been a strong support in recent years, but central bank reserve purchases have slowed after, in some cases, building up to a target allocation. However, its longer-term appeal still holds: gold can provide a store of value amid geopolitical fragmentation and inflation risks, and global investors are diversifying their currency exposure into gold. The key catalysts for 2027 are an end to the trends we saw in 2026, namely higher rates, a stronger dollar, and selling by central banks to cover higher energy costs. As these trends end or reverse we think gold can resume its multi-year established uptrend, albeit with more modest upside in 2027 than we've seen in recent years. We lower our outlook to $4600/oz for 2027.

Going into 2027, we expect the focus to continue shifting toward tightness in refined products, as global crude oil flows normalize toward pre-war levels and the crude market eventually returns to surplus. The market has adapted: non-Gulf production has ramped up, while flows out of the Persian Gulf continue to normalize as "dark exports" increase and alternative routes that bypass the Strait of Hormuz are utilized (See Chart 19). By contrast, refinery disruptions are likely to prove more persistent. Outages caused by Iranian strikes in the Gulf and Ukrainian drone attacks on Russian facilities, alongside ongoing export restrictions, could keep diesel and distillate balances tight even as crude becomes more readily available. Ultimately, we expect these pressures to normalize under a permanent peace agreement, bringing Brent toward $75/bbl by year-end 2027.

Chart 19: Oil flows out of the Persian Gulf continue to normalize
OECD imports of petroleum and other liquids from Persian Gulf (Mn. Bbl/Day)



Sources: EIA, Haver Analytics. Data as of July 2026.

With expectations of El Nino disruption, exposure is greatest across Australia, India, Southeast Asia and parts of Brazil, and weather shocks have the greatest price impact when inventories are already thin. The effects extend beyond crop prices. Extreme weather could disrupt ports, constrain canals or rivers, lengthen voyages and slow vessel turnarounds. If those effects coincide, available shipping capacity would tighten and freight rates could rise across vessel types. Commodity currencies require a more selective view: El Niño may increase imports into drought-hit regions while reducing exports from affected producers.

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Alternate Scenarios

Given the levels of uncertainty around our base case macro outlook, we think scenarios can help illustrate what an alternate path would look like. We highlight three potential alternative paths:

1. The 2027 US upside scenario - Roaring Twenties. US profits growth rates are at levels historically consistent with periods of cyclical recovery and strengthening growth. In 2027, companies could therefore step up hiring. The increase in labor demand would begin to push up wages, while increasing implementation of AI begins to show measurable productivity benefits and supports margins beyond the technology sector. The k-shaped economy narrative would begin to recede. In that environment, the Fed would likely hike beyond current market pricing, leaving 10-year yields at our bear scenario level of 5.75%, even with a flatter yield curve. Despite higher yields, broader financial conditions would remain supportive as business sentiment improves and credit conditions remain benign, pushing the S&P 500 towards or even above 9k.

2. AI capex disappoints at the margin and cyclical sectors rebound as a result of lower interest rates – the benign end to the AI boom. Markets react positively. Reduced capex from hyperscalers is taken as a positive because it improves free cash flow; less debt issuance causes yields to fall and reduces the crowding out effect on other sectors like housing. Lower yields and reduced input costs drive a broadening of capex, narrowing the K. Overall growth becomes more balanced and less reliant on AI as the main engine of growth. Market impact: sectors that benefited from the AI buildout such as semiconductors suffer, but the main move is a rotation to the more beat-up sectors. Yields move lower as a result of less AI crowding of investment but also due to reduced issuance funding the AI buildout.

3. AI capex disappoints – major slowdown/recession. In this scenario, companies pull back spending as they guide to AI revenue / productivity not materializing. Equity markets experience a deep drawdown, and the wealth effect on the economy drags down growth after years of supporting consumer spending. The consumer, already stretched by inflation, slow wage growth, and a low saving rate, retrenches sharply. Capex across other sectors stagnates and/or falls too, and the economy slows sharply and possibly falls into a recession, with inflation falling rapidly. Policy is slow to react, with the Fed haunted by excessive covid-era stimulus and fiscal policy stymied by high deficits and divided government (although eventually the Fed would cut materially in this scenario). Risk assets take a large hit, while bonds see a safe-haven bid, yet the dollar falters. Defensive and dividend-paying equities hold up well in a relative sense. Commodities including gold experience a downturn.

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High-Conviction Opportunities

1 Stay invested in Hyperscalers as AI spending translates into earnings

Hyperscaler backlog and revenue growth have accelerated alongside significant infrastructure investment, supporting confidence in the durability of AI and cloud demand. The group has access to capital while lower quality competitors may not. Although elevated capex continues to pressure near-term free cash flow, we expect greater capital discipline and improving free cash flow in 2027 to set the stage for a strong hyperscaler recovery.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
Hyperscalers are trading at 20x NTM P/E, below their 5-year and 10-year historical average valuations, eliminating their significant relative premium to the S&P 500.	Invest in hyperscalers through single-stock equities, including GOOGL, MSFT, and AMZN. We also prefer structured notes, including a 2-year Hyperscaler Basket Autocallable Market Plus Note.	We believe hyperscalers can turn free-cash-flow positive more quickly than Street models, which call for a turn in mid-2028.
13% Relative premium valuation to S&P 500	+142% Increase y/y in backlog growth	< 3% Capex revisions growth y/y in Q3'26

2 Find opportunity in the S&P 500 pullback

Our 2027 year-end base case for U.S. equities implies 15-20% upside from current levels. In the U.S., we expect returns to be driven by double-digit earnings growth, continuing the recent string of better-than-trend results. Earnings growth will likely broaden, with increased participation across sectors, propelled by higher revenue and expanding margins.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
Weakness in shares, down about 3% month to date, has pushed valuations below their historical averages.	Active: JPM Large Cap Leaders w/ Tax Smart. Passive Tax-Managed: JPM Tax-Smart S&P 500. Passive: State Street SPDR Portfolio S&P 500 ETF (SPYM)	Broadening earnings growth, with median earnings growth for the S&P 500 rising to 14% in 1H'26, compared with an 8% historical average.
-19% y/y NTM P/E year-to-date change	$1,223 S&P 500 Index points to our base case outlook	+14% Q3 2026 S&P 500 median earnings growth

3 Lock in attractive yields with preferreds and high-grade credit

High quality fixed income looks attractive now because higher yields boost income potential, and improve forward total return potential. Across high grade credit, fundamentals remain solid, offering an attractive risk/reward proposition. Preferreds remain supported by solid bank credit fundamentals, with stable asset quality and healthy CET1 ratios.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
The year-to-date sell-off has pushed yields to multi-year highs, creating a compelling entry point. Preferreds trade at historically attractive spreads versus BB.	In corporates, we prefer up to intermediate maturities. Select hyperscaler debt looks attractive. We favor preferreds with high resets for U.S. clients.	Risk/reward looks appealing in corporates, while preferreds provide a welcome balance of high-yield-like income and lower fundamental downside risk.
8.87% / 6.01% Preferreds (TEY) / IG yields	QDI benefit for preferreds Lower tax rate	~A Average IG rating

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Outlook Numbers – YE 2027

Macro^		
Inflation	**2027 YE**	Old 2027 YE
U.S.	2.30-2.50%	
Eurozone	2.30-2.50%	~~2.20-2.40%~~
China	0.9-1.1%	
Real GDP Growth		
U.S.	1.50-2.00%	
Eurozone	1.00–1.50%	~~0.85–1.35%~~
China	4.00-4.50%	~~4.20-4.70%~~
Equities		
S&P 500	**2027 YE**	Old 2027 YE
Price	$8,500-$8,700	
P/E forward multiple	19.5x	
Stoxx Europe 50		
Price	€6,600-6,800	
P/E forward multiple	14.75x	
TOPIX		
Price	4,400-4,500	
P/E forward multiple	15.5x	
MSCI Asia ex-Japan		
Price	1,200-1,270	
P/E forward multiple	9.5x	
MSCI China		
Price	73-77	
P/E forward multiple	9.5x	

Currencies		
	2027 YE	Old 2027 YE
U.S. Dollar Index (DXY)	99 (97 - 101)	
EUR/USD	1.16 (1.14 - 1.18)	
USD/JPY	150 (148 - 152)	
GBP/USD	1.37 (1.35 - 1.39)	
USD/CNY	6.60 (6.50 - 6.70)	

Rates & Credit Spreads		
U.S.	**2027 YE**	Old 2027 YE
Eff. Fed Funds rate	4.38	
ON SOFR	4.38	
2-year UST	4.6%	
5-year UST	4.80%	
10-year UST	5.0%	
30-year UST	5.25%	
2s/10s spread	0.40%	
JPM U.S. Investment Grade	90-110 bps	
JPM U.S. High Yield	375-425 bps	
Europe	**2027 YE**	Old 2027 YE
ECB Deposit rate	3.00%	
5-year German Yield	3.10%	
10-year German Yield	3.30%	
BoE Bank Rate	4.25%	
10-year UK Gilt	5.20%	
EUR IG	75-105 bps	
EUR HY	300-350 bps	
EM	**2027 YE**	Old 2027 YE
EM Sovereign Index (EMBI)	155-205 bps	
EM Corporate Index (CEMBI)	140-190 bps	
JPM Asia IG (JACI IG)	70–100 bps	
JPM Asia HY (JACI HY)	300–350 bps	

Commodities		
	2027 YE	Old 2027 YE
Gold ($ / oz)	$4,450 - $4,750	
Brent ($ / barrel)	$72-$78	
Commodity Index (BCOM)	129-135	

^GDP and core inflation estimates represent Q4 year over year growth rates. Core inflation in the US is core PCE. *China inflation is headline. Note: EMBI/ CEMBI/ ASIA IG/ ASIA HY outlooks updated to reflect use of new reference index following decommissioning of prior index.

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

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Asset Class Views

The details behind our Macro and Asset class outlooks.

- Macro
- Equity
- Rates
- Credit
- FX
- Commodities
- Alternatives
- Volatility



MACRO VIEWS

U.S. Growth

Recent macro data have kept beating expectations. The Q3 GDP and October jobs reports both came in stronger than expected, and PMI data through October remain firm. Real GDP growth stood at 2.1% year-over-year at the end of Q3, slightly above our 2026 expectation of 1.5–2.0%. The main reason is the wealth effect: we underestimated how much stock market gains were driving US consumption in 2026.

The same dynamic is now the biggest risk to our 2027 baseline. Equity markets have become volatile, and part of the AI trade has unwound. If stocks keep falling, the wealth effect could fade or even reverse, hurting consumer spending growth. Either way, we expect it to play a smaller role in 2027, so we are keeping our base-case growth outlook unchanged at 1.5–2.0%.

The recent midterm elections raise further doubts about whether the AI trade can last. It may sound like a cop-out, but the best leading indicator of where the US economy is headed in 2027 is likely to be the stock market itself.

What we're watching: Real wage growth and consumption, global energy prices, daily consumer sentiment, measures of global supply side stress, labor market data

Our view: YE '27: 1.50-2.00%



U.S. Inflation

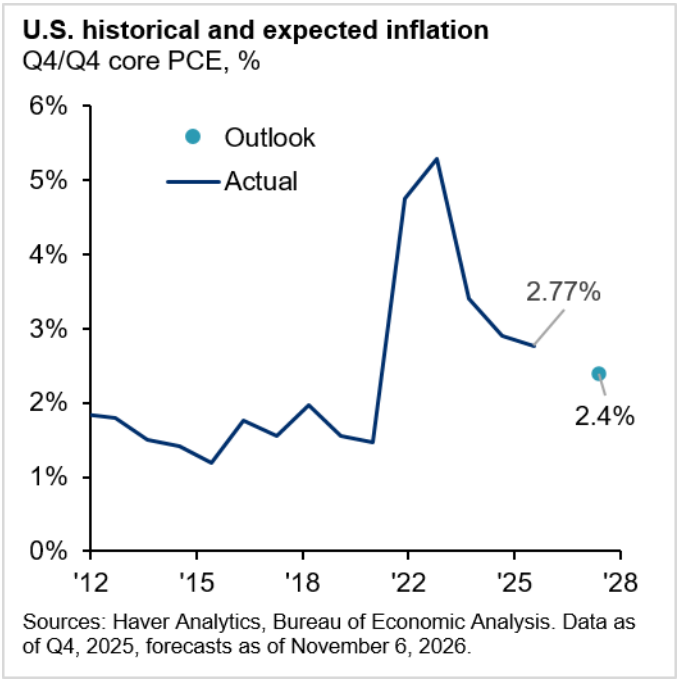
Inflation data have come in a bit firmer than expected, much like the growth data. The NY Fed's multivariate core trend (MCT) estimate, which we highlighted last month, rebounded to 2.84% in September. The prices paid components of the PMI surveys have also stayed firm, and in some cases they moved higher in October.

The bigger development though is the recent drop in global oil prices in the context of the US midterm elections. Markets appear to be pricing an easier path to peace in the Middle East, and a return to freely flowing oil supply, now that Democrats have gained political power. History offers a precedent: congressional funding cutoffs helped end US involvement in Vietnam, and the Iran conflict may be heading down a similar path.

In short, recent inflation data have been firm, but much of this year's inflation has come from the Iran conflict and the energy shock that followed. Any progress there would mark a notable improvement in the inflation outlook.

What we're watching: Energy prices, longer-term inflation expectations, wage growth, daily PriceStats tracker, AI-driven inflation

Our view: YE '27: 2.30-2.50%



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Europe Growth

Despite the curveballs of higher energy costs and rising interest rates, the Eurozone economy has weathered 2026 remarkably well, and we expect this resilience to extend into 2027. Growth should benefit from resilient household incomes and gradually improving consumption, while Germany's fiscal expansion should provide an additional boost as infrastructure and defense spending gathers pace. Improving industrial momentum and AI-related investment provide further tailwinds. Structural challenges, including Chinese excess capacity, trade protectionism, and overregulation remain, but should not derail positive growth momentum. Persistently elevated energy costs and renewed sovereign debt concerns, particularly around France's presidential election, remain the key downside risk.

Across the channel, UK growth has also surprised positively, supported by firmer domestic activity and improving labor market momentum. We expect the economy to remain resilient in 2027, although further monetary tightening should gradually temper growth. Stronger-than-expected activity nevertheless provides some cushion against higher borrowing costs.

What we're watching: Middle East developments and energy prices; French politics, rates sensitivity.

Our view: YE '27: Euro area GDP: 1.00–1.50%



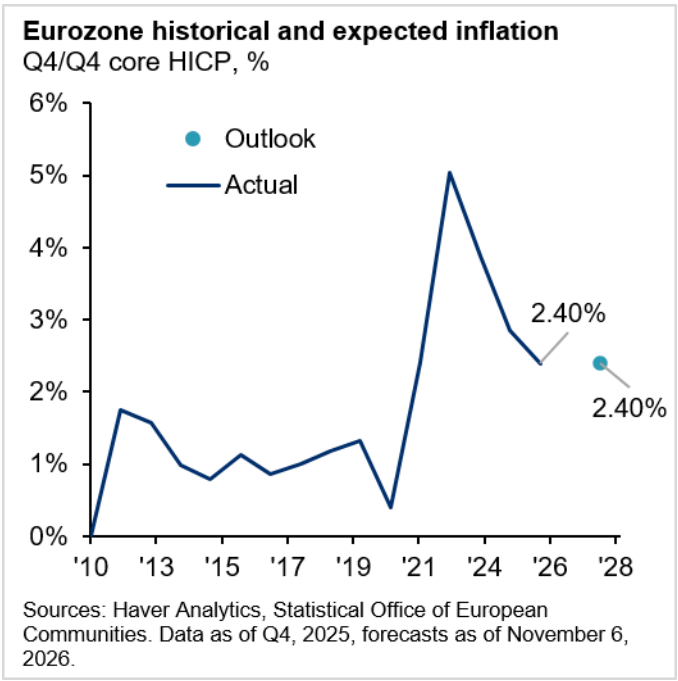
Europe Inflation

After renewed upside surprises in 2026, we expect Eurozone inflation to peak before gradually easing through 2027. The prolonged Middle East conflict has kept energy prices elevated, but a potential de-escalation and favorable base effects should help bring headline inflation lower next year. The key question is whether elevated energy costs will increasingly feed through more materially into other components, including food and services. Encouragingly, underlying inflation pressures, wages and second-round effects remain relatively contained so far, although survey data suggests some broadening of pricing pressures. We therefore expect inflation to moderate over 2027, albeit with considerable uncertainty around the timing and persistence of these pressures.

UK inflation is also expected to peak at elevated levels, with the BoE projecting headline CPI to reach close to 5% in Q2 2027. While near-term inflation expectations have edged higher, longer-term expectations and wage pressures remain relatively contained. Inflation should moderate thereafter as energy base effects turn more favorable and restrictive monetary policy weighs on demand, although risks of broader price pressures remain.

What we're watching: Energy pass-through into other components, wage dynamics, business pricing behavior, and inflation expectations.

Our view: YE '27: Euro area Core HICP: 2.30-2.50%



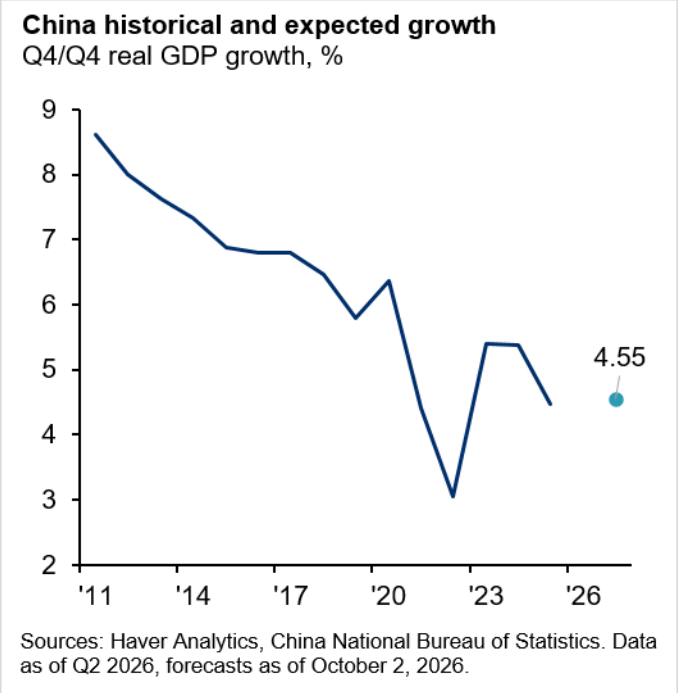
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China Growth

We remain relatively cautious on China's growth outlook into 2027 and expect full-year real GDP growth of 4.0–4.5%, likely toward the lower end of the government's growth outlook range. While exports and advanced manufacturing should remain important growth engines, the exceptionally strong growth seen in 2026 sets a high bar. We also see limited catalysts for a broader turnaround in domestic demand and private-sector sentiment, with consumption constrained by weak income expectations and the lingering property downturn. Meanwhile, the US-China tactical truce remains fragile, and any re-escalation in trade tensions could add another layer of uncertainty. We expect monetary policy to remain accommodative, with interest rates lower for longer, but fiscal support may be constrained by continuous fiscal consolidations on local government level. The approaching political transition in late 2027 may also favor policy continuity over major new initiatives.

What we're watching: Does the government increase stimulus following a few months of weak data? Can tech exports continue to support growth? Will China face new trade tensions?

Our view: YE '27: 4.00-4.50%

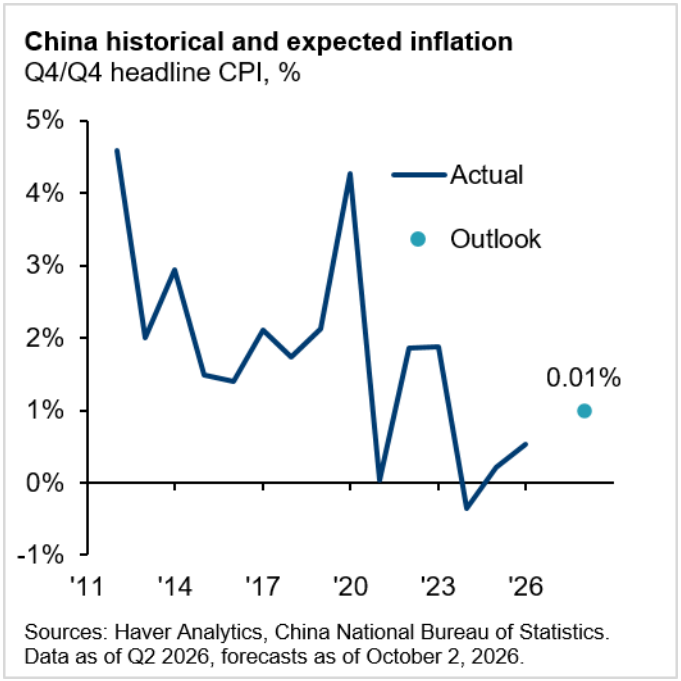


China Inflation

We expect inflation to remain subdued in 2027, consistent with a still-soft domestic demand backdrop. We maintain our core CPI forecast at 0.9–1.1%, with underlying price pressures likely to recover only gradually as consumption remains constrained and the property downturn continues to weigh on household confidence. Producer-price inflation is expected to weaken meaningfully, potentially back into negative territory in 2027. The energy-driven imported inflation that lifted input costs in 2026 is likely to fade. While strength in technology-related manufacturing should continue to provide some support to prices in selected sectors, persistent excess capacity and intense competition across the broader manufacturing sector are likely to keep goods-price inflation contained. Overall, we expect China's reflation process to remain gradual rather than broad-based, leaving the PBOC room to maintain an accommodative monetary stance and keep interest rates lower for longer.

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

Our view: YE '27: 0.9-1.1%



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EQUITY VIEWS

U.S. Equities

More volatility… October was odd, as Index returns were negative even though nine of eleven S&P 500 sectors advanced. The largest sector, Tech, reversed the September rally, led lower by semiconductors. Communication Services also trailed, propelled by less-than-perfect earnings results and high-profile capital raises. October closed with investors worried about tightening financial conditions, especially for lesser-rated credits, which could stall the datacenter growth. Early November was met with rotation into safety stocks and sectors as the "Blue Wave" was feared to be a growth suppressant for data center construction and the national economy. As we look into 2027 and 2028, we believe those views are a stretch. While fearful of further tightening in financial conditions, state governments understand the need for datacenter growth and regulations that are fair to constituents and corporations.

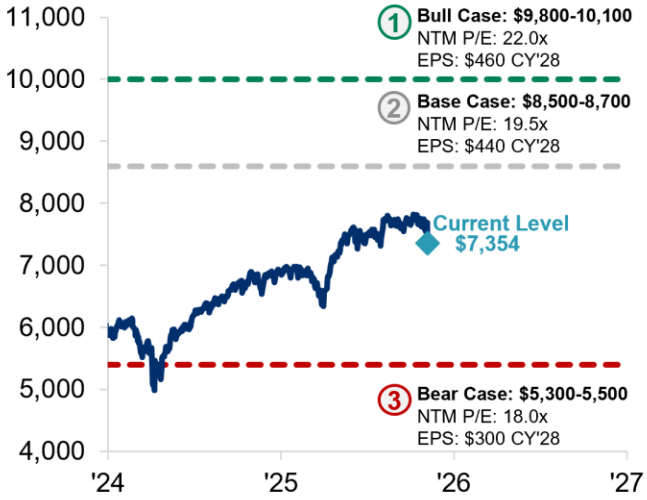
Creates Opportunities. The recent pullback in the S&P 500 leads to an enticing low-teens expected return by the end of 2027. We estimate earnings growth to maintain the double-digit rate it has exceeded for eight consecutive quarters. The growth should be driven by broadening participation, combining higher revenue with higher margins. Valuations, compressed as oil prices roared and interest rates soared, are likely to remain flat or increase from current levels. This combination of growth and valuation supports our end-of-2027 Base Case S&P 500 outlook of $8,600.

Where to invest now. After poor performance in 2026, we upgrade the Communication Services sector. The sector is the worst performer in the S&P, declining on capital requirements to build out AI-related datacenters. We view this as an opportunity as valuations have declined ~30% year-to-date to levels well below the 5 and 10-year averages. We see scope for a turn in free cashflow that should improve valuations. The high-teens percentage pullback in Technology is factoring in more risk than our base case assumptions. We continue to like the sector although we no longer call out specific outperformance among its subsector groups. After outperformance that led to all-time highs in early November, we downgrade the Financial sector. It has been a good run but with deregulation benefits reflected in expectations, deposit betas pressured to rise and capital deployments slowing, we find better opportunities elsewhere. We considered changing our view on the Utility sector but committed to the sector's value proposition versus expected growth. Similarly, we maintain our view on the Industrial sector given suppressed valuations amid strong project growth in 2027 for electric equipment, machinery, and aerospace & defense segments. Consistent with the team's stable interest rate view, we have upgraded Real Estate to neutral.

What we're watching: What we are watching. Financial conditions (yields, spreads, lender terms). AI ROIs. Policy shifts.

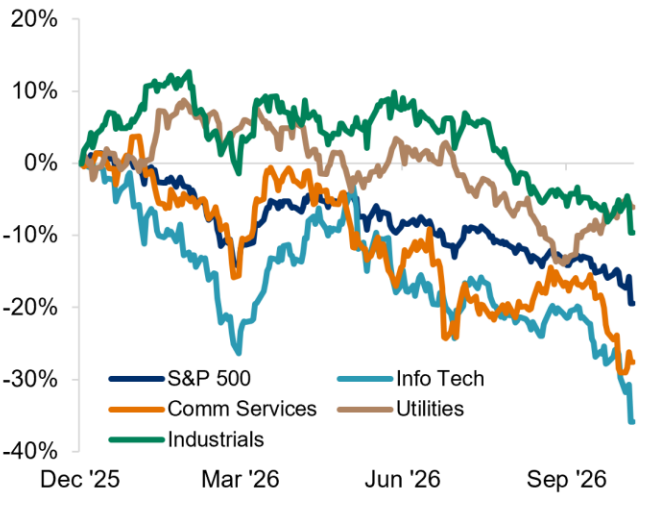
Our view: YE '27: $8,500-$8,700

Our base case S&P 500 outlook ranges from $8,500-$8,700 (mid-point $8,600) by year-end 2027
S&P 500 vs JPM WM Solutions Base, Bull and Bear



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of November 05, 2026.

Valuation compression strengthens the entry point across our preferred sectors
NTM P/E change year-to-date



Source: Bloomberg Finance L.P. Data as of November 06, 2026.

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Europe Equities

The Euro Stoxx 50 underperformed the S&P 500 in October and has also lagged since we downgraded it at the end of January. The SX5E is up just over 5% versus the S&P 500 up over 10% from the end of January through the end of October. 2026 earnings revisions have been strong regardless, predominantly driven by Energy—especially over the last month, as oil prices peaked around ~$118/bbl. Valuation, however, has fallen from above 16x NTM at the beginning of the year to below 14.5x recently. The de-rating has been driven by the rates environment, concerns about peak earnings growth, and French political turmoil. The sell-off in global semis also played a role (SOX down 15% in October, with a further pullback in the first week of November), as the market became more concerned about the AI cycle and data-center growth. As a result, we saw a sharp rotation from cyclicals to defensives. For example, European banks had a very tough month, falling 11% in October and underperforming the SX5E.

This month, we are introducing our year-end 2027 outlook. We see the Euro Stoxx 50 reaching €6,600–6,800 by end-2027. We now forecast around 17.5% earnings growth in 2026, followed by high single-digit growth in both 2027 and 2028. We expect earnings growth to remain solid, even as it moderates. This year, earnings revisions have been positively impacted by higher oil prices, which have boosted Energy companies' earnings and driven upgrades for the sector; AI build-out supporting Semis and Industrials; and a higher interest-rate environment supporting Banks. In terms of valuation, we think the SX5E can trade around 14.75x next-12-month earnings. Our bull case assumes double-digit earnings growth in all three years (€7,700–7,900), while our bear case pencils in a mild earnings recession in 2027 (€4,600–4,800).

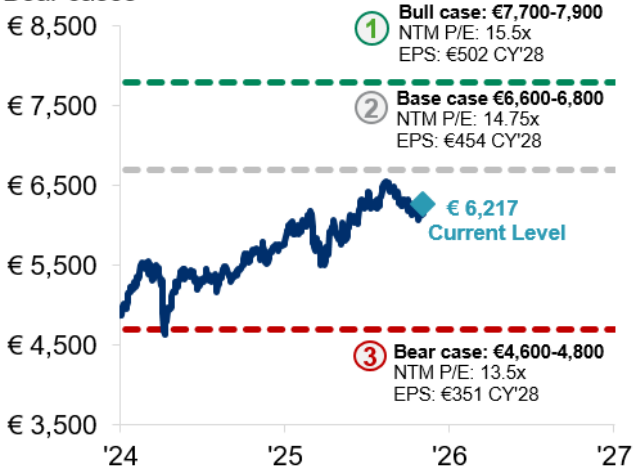
Where to invest now? **Banks (still preferred):** Despite the tough performance in October, we think a lot of negative news is priced in. While there were a few misses this earnings season, we believe fundamentals remain strong (particularly loan growth). Valuation is attractive (down from ~11x NTM P/E to below 10x NTM) on still-solid earnings growth, and we expect two more ECB hikes through end-2027.**Industrials (still preferred):** In Aerospace, the aftermarket remains strong, and weaker oil prices are helping the sector. While AI build-out growth should moderate, a lot is being priced in for European names with exposure to data centers and electrification. Some of the European names with data-center exposure were down between 15% and 25% peak to trough in October, with a significant de-rating. We also continue to like Industrials with broader business models, including non-AI exposure. In addition, we continue to see a multi-year defense investment cycle, supporting selected European defense companies. **Semis (still preferred):** Semis had a tough October. The sector is down more than 30% from its October peak to the recent low in November, as the market was reassessing future growth and the data-center build-out theme. While growth should slow next year, the market is pricing in a lot of negativity via a significant de-rating that has occurred since summer and was exacerbated in October. We continue to favor demand-driven beneficiaries and equipment companies.

What we're watching: We continue to monitor global yields; oil and natural gas prices; developments in Eastern Europe and the Middle East; the sustainability of AI infrastructure spending and memory pricing trends; and the upcoming French presidential election.

Our view: YE '27: €6,600-6,800

We are initiating the Euro Stoxx 50 with a Year End '27 target at €6,600-6,800

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



Source: Bloomberg Finance L.P, J.P. Morgan WM Solutions. Data as of 5 November, 2026.

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Asia Equities

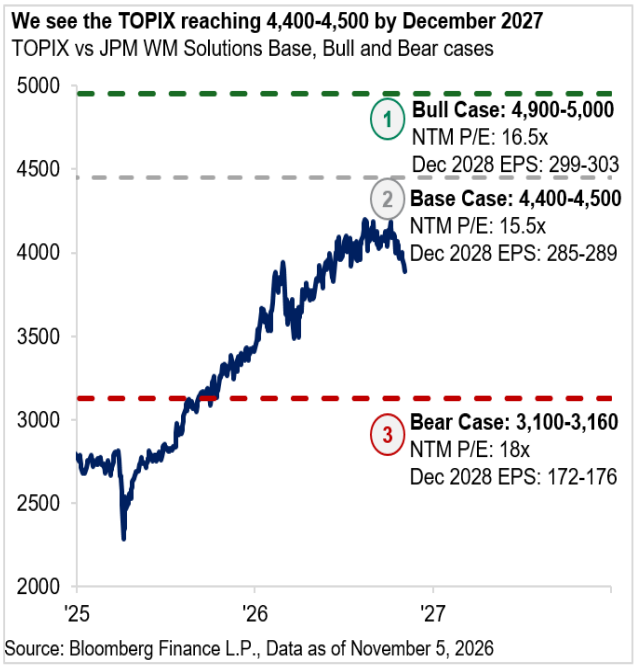
As we head into 2027, much of the macro headwinds such as higher oil prices, elevated US treasury yields, and a firmer USD are expected to continue weighing on large parts of the more macro-sensitive segments of Asia EM equities via earnings downside risks. At the same time, growing scrutiny over neocloud credit availability and potential delays to the AI buildout post the US mid-term elections have negatively impacted the performance of Taiwan and Korean equities. While AI compute demand remains high, there are very real risks of a slippage in data center capacity growth in 2028 that pose downside risks to semiconductor earnings. That being said, 2027 visibility remains high and a meaningful valuation reset has already taken place to at least partly factor in this concern. Overall, **we lower our recommendation for MSCI Asia ex. Japan to neutral, while retaining our positive outlook for Taiwan and Korea.** From current levels, we see attractive upside potential from both Taiwan and South Korea, but acknowledge that earnings downside risks have materially risen for 2028 that has widened the range of potential outcomes.

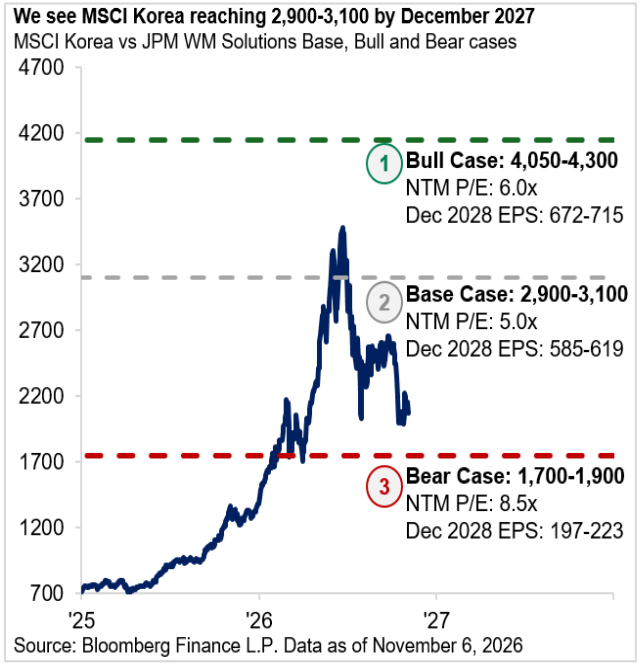
Chinese economic data and domestic demand continue to remain underwhelming. The weakness in property investment and domestic retail sales could further decelerate as offshore personal tax collection enforcement remains protracted. Local governments continue to prioritize fiscal consolidation that imply limited upside to growth. While Chinese exports have remained a bright spot, we see rising risks from trade barriers such as import quotas and direct legislation from key trading partners. The Chinese internet giants are also heavily investing in AI infrastructure, but this is coming at a near-term cost of higher expenses/lower earnings growth, reduced free cashflow and shareholder returns, and uncertainty with regards to return on investment. While absolute valuation is not high, elevated relative valuation to Asia ex. Japan and a weak track record of earnings delivery keep us neutral towards both Offshore China (MSCI China) and Onshore China (CSI 300). We would consider trimming on rallies.

With forward P/E valuation for the TOPIX contracting by ~20% to below 15x over the past six months, we are **upgrading our view towards Japan equities to positive.** New machinery orders and September earnings continue to indicate strong industrial demand that leads us to increase our earnings estimates for 2027/2028 by ~5%. The Takaichi government remains fiscally pro-growth, while leaning on the BOJ to remain somewhat behind the curve. This is likely to keep reflation a continued tailwind in Japan. With corporate governance reform increasingly focused on improving margins/return on investment, and total shareholder return estimated at 4.5-5%, we view the risk/reward attractively for the TOPIX as we head into 2027. We favor industrials, banks, and technology sectors.

What we're watching: Iran conflict development, memory prices, hyperscaler capex commitments, US AI Lab developments, Chinese government policy announcements

Our view: YE '27: MSCI AxJ: 1,200-1,270; TOPIX: 4,400-4,500; MSCI Taiwan: 2,430-2,520; MSCI Korea: 2,900-3,100; MSCI China: 73-77; CSI 300: 4,200-4,300; MSCI India: 3,000-3,100





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RATES VIEWS

U.S. Rates

We expect Treasury yields to go broadly sideways over the coming year, with a year-end forecast of 5% for 10-year yields. After the recent retracement, that implies a slight rise in yields, if stock markets rebound, and validating a view of modest further Fed hikes, before a decline in yields during the year. In contrast to this year, we would expect real yields to decline and the yield curve to steepen, as growth momentum moderates and energy prices decline. And we see more downside risk than upside risk to our yield forecasts, if energy prices were to fall even more sharply than expected or financial volatility deepens. A key reason to own high-quality fixed income remain its diversification benefits in growth scares. For now we favor the intermediate part of the duration range that offers a good balance of yield and duration risk exposure.

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

Our view: YE '27: FFR: 4.38. 30Yr: 5.25%; 10Yr. 5.0%; 5Yr. 4.80%; 2Yr. 4.6%;



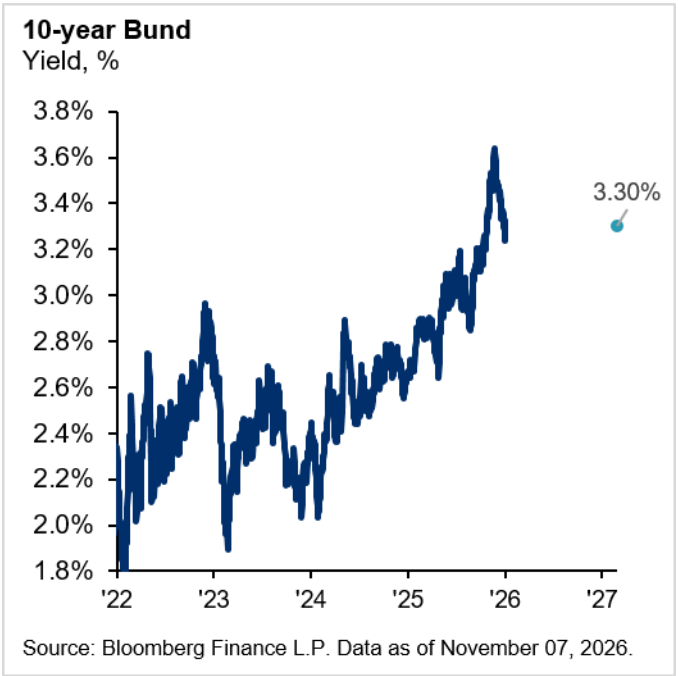
Europe Rates

After a year of sharply rising yields, we expect 2027 to bring a change of pace: higher no longer, but not meaningfully lower either. Inflation pressures should peak in H1 before gradually easing, although the timing remains uncertain. In the Eurozone, we expect two further ECB hikes, taking the deposit rate to 3% by the end of Q1. As recently stressed by the central bank, the “direction of travel is clear". However, growth concerns and tighter financial conditions should limit further tightening potential. With yields likely to remain broadly range-bound, elevated starting yields should do most of the return work.

In the UK, the BoE has taken a more cautious approach to tightening, only delivering its first hike in November. Looking ahead, we see less tightening than market currently anticipate. Our base case is for one further hike, with risks skewed towards more. With limited upside to yields in our view, gilts offer attractive income at current levels. For both central banks, rate cuts could become a more realistic consideration beyond 2027 as inflation pressures subside and economic momentum softens.

What we're watching: Energy market and inflation developments, Eurozone fragmentation risks, wage growth, debt dynamics.

Our view: YE '27: ECB Deposit Rate: 3.00%, 5Y Bund: 3.10%, 10Y Bund: 3.30%; BoE Bank Rate: 4.25%, 10Y Gilt: 5.20%



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CREDIT VIEWS

U.S. Credit

Munis: The municipal bond market staged its strongest October in nearly four decades, sharply reversing September's sell-off. The rebound was driven by three converging forces: investors re-entering the market to buy bonds at attractive levels, a one-third contraction in new-issue supply that tightened the technical backdrop, and a decisive return of fund inflows. The Bloomberg Municipal Bond Index (LMBITR) posted a +3.62% month-to-date return, while year-to-date fund inflows reached $79.0 billion — the second-highest level on record for the period, surpassing 2019 ($76.2bn) and trailing only 2021 ($88.7bn). Collectively, these dynamics mark a pronounced shift in market tone from forced selling to renewed demand.

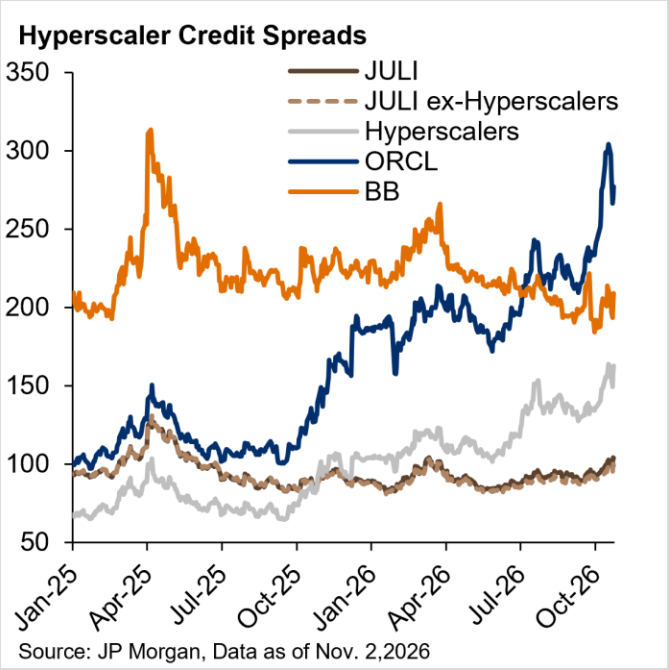
IG: Investment grade credit posted solid returns in October despite some renewed spread pressure and bouts of heavy new issuance. The JULI generated a 1.9% total return during the month, its strongest monthly performance since February 2025, while spreads widened roughly 11 bps to 96 bps and the index yield finished near 6.1%. The technical backdrop was challenged by a late-month surge in supply, particularly from hyperscalers. October issuance reached $124bn, the second-highest October on record, including Microsoft's $25bn return to the bond market, while dealers absorbed $6bn of bonds on October 29 amid the supply wave. Technology was a notable source of weakness, with sector spreads widening 21 bps during the month, although improving returns began to support fund demand late in the period. Looking ahead, we remain constructive on investment grade credit. Yields around 6% continue to provide attractive income, while corporate fundamentals remain broadly healthy and the supply backdrop should become more supportive as the recent issuance surge moderates. We would use periods of spread volatility to selectively add exposure, with a continued preference for the front-to-intermediate portion of the curve, where investors can capture attractive yields while limiting sensitivity to long-end rates and supply-related volatility

HY: High yield credit experienced some modest pressure in October, with spreads widening 25 bps to 363 bps, although elevated carry helped the asset class generate a 0.59% total return for the month. The weakness was concentrated lower in the quality spectrum: BB spreads widened 15 bps and single-B spreads widened 30 bps, compared with a much sharper 108 bps of widening in CCCs, reflecting increased dispersion and idiosyncratic stress among lower-quality issuers. Despite the spread widening, all-in yields remain attractive at roughly 8.3% for the broader HY market, including 7.0% for BBs and 8.3% for single-Bs, providing meaningful carry and a cushion against further volatility. Technicals were also relatively supportive, with just $14.6bn of issuance in October, the lowest monthly total since April 2025, while HY funds registered their largest weekly inflow in 12 weeks late in the month following persistent outflows. We remain constructive on high yield but favor BB and higher-quality single-B issuers, where yields remain compelling and credit risk is more manageable.

Hybrids/Prefs: We continue to favor preferreds and hybrids. YTD both asset classes have delivered higher returns than high yield with lower drawdowns, the index has returned 1.7% YTD versus HY returning 0.88%. Hybrids offer solid credit fundamentals globally (with low defaults, contained leverage and healthy interest coverage), and high starting yields provide both income and a cushion against rate volatility. We continue to find value in Energy hybrids, which offer similar yields as HY Energy with an investment grade fundamental profile. Preferreds relative value also remains compelling and currently trade at historically attractive yields with a TEY of 8.96%, meaningfully higher than the 10-year average of 6.95%.

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

Our view: YE '27: US IG (Spread): 90-110 bps; US HY(Spread): 375-425 bps



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Europe Credit

European credit markets repriced over the course of October: Investment Grade index now trades more than 25bps wider than at the start of 2026, and European High Yield has widened by more than 95bps. The German sovereign curve rallied by 25–30bps over the same period, but on a net basis investors are still able to lock in yields at YTD highs.

Unresolved geopolitical conflicts in the Gulf and Russia–Ukraine led to Brent trading above $100 for six weeks straight and the European NatGas index rising to levels not seen since 2022. Demonstrations across France and broader Europe, with the public demanding more spending in countries where fiscal deficits are already outside the EU compliance framework, prompted global investors to rethink their allocations to European credit. On top of that, the impact of AI on future earnings and economic growth came into question in October and weighed on macro sentiment globally. Q3 reporting triggered a partial retracement tighter in credit spreads across Investment Grade and Upper-Tier High Yield, as the market was reassured by continued robust operating performance.

We see potential for spreads to normalize tighter from current levels across both Investment Grade and High Yield, as we expect the market to shift its focus back to the strength of underlying fundamentals, while real economic growth in the region to stay in line with its recent trend. We therefore see above-carry return potential for 2027. French credit accounts for 18% of the Investment Grade index and 20% of the High Yield index – and while we remain comfortable with the underlying fundamentals of most French issuers, for new allocations we recommend taking advantage of spread widening elsewhere, particularly in Italian and Spanish credit complexes.

Following the repricing in credit spreads, we see value in leaning further into Subordinated debt, a part of the market that combines Investment Grade issuer credit metrics with BB-like spread compensation. The Bank and Insurance Tier 2 universe trades ~40bps wider YTD, while high-quality Corporate Hybrids have repriced 50–70bps wider.

Corporate Hybrids**:** Over 60% of the outstanding notional of Corporate Hybrids are issued by non-cyclical sectors: Utilities, Telecommunications and Consumer Non-Discretionary. We like the defensive nature of these sectors when moving down the capital structure. Investment Grade-rated hybrids constitute ~60% of the total European Hybrid market and now provide ~100-130bps of spread pick-up to issuers' respective senior curves. High Yield-rated Hybrids, from issuers rated IG at Senior tier, offer spread pick-ups exceeding 140bps.

European Banks Capital: European Banks continued to demonstrate solid operational performance in Q3'26. Net Interest Income remains strong on a higher-for-longer interest rate backdrop; healthy gains in Fees & Commissions Income reflect a durable shift towards less capital-intensive Revenues. Cost/Income ratios kept trending lower and helped drive meaningful PBT growth and higher RoTE-s. Banking sector fundamentals, strategically strengthened over recent years, remained robust: CET1 buffers to requirements stand at no less than 200bps, loan books show no signs of deterioration with Cost of Risk predominantly below 50bps, and NPL ratios sit on average below 2%.

Within European High Yield we recommend remaining selective. Dispersion intensified further in October as the market increasingly repriced the ability of more highly levered issuers to refinance. The CCC segment, which makes up less than 5% of the EUR HY universe, has widened by more than 700bps YTD. By contrast, EUR BBs, which make up almost 65% of the index, have sold off by only 45bps, and Bs are ~120bps wider YTD. EUR BBs Net Leverage stands just above 4x (vs. 3x for EUR IG), with Interest Coverage above 6x, and we continue to see attractive opportunities in this part of the High Yield universe.

What we're watching: Conflict in the Gulf and Russia-Ukraine, French budget and 2027 elections, AI impact on macro sentiment

Our view: YE '27: European IG: 75-105 bps; European HY: 300-350 bps

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EM Credit

Volatility remains driven by DM headlines, leaving EM credit comparatively better positioned. Even against this backdrop, we think EM debt remains an attractive—and relatively defensive—way to take credit risk, with higher all-in yields (7.1% for Sovereigns and 6.9% for Corporates) and better carry than most DM credit alternatives. Since end-September, spreads have widened (EM sovereigns from ~185bps to ~205bps; EM corporates from ~172bps to~200bps), and EM corporate HY has underperformed (HY from ~310bps to ~360bps). At the same time, rates have been supportive, with the 10Y UST ~35bps lower, leaving total returns positive over the period for broader EM (Sovereigns +1.24%, Corporates +0.54%). EM HY remains our preferred way to express exposure, and we view the +50bps HY widening as an opportunity to add at better entry levels. For the first time in 2026, we have a period where rates remain attractive and EM spreads screen attractive, providing a strong signal to tactically add and increase exposure.

October was shaped less by a change in EM credit fundamentals and more by a run of non-EM idiosyncratic factors - notably developments in France, Coreweave-related headlines, and some moderation in confidence around the AI trade. That backdrop coincided with lower rates and wider credit spreads, and EM corporates - after a period of relative outperformance earlier in the year - were pulled into the broader volatility and saw spreads drift wider over the month. EM also had an important local catalyst in Brazil, where the election outcome refocused attention on the country's fiscal and debt trajectory, contributing to weaker Brazil spread performance. Separately, the U.S. midterm outcome provided a modest tailwind for risk assets by reducing some perceived U.S. tail risks - around further fiscal slippage and the probability of more extreme geopolitical outcomes involving Iran. Thus, we are left more comfortable maintaining our EM view.

Looking out to 2027, the key message is that EM credit can remain a fundamentals-driven asset class, but outcomes are likely to be determined more by security selection than broad beta. A central risk to that view is the cost of capital staying high: if U.S. rates remain elevated or volatile, EM spreads can reprice even when underlying issuer fundamentals are stable. A second risk is AI-related capex and associated bond supply—if funding needs remain large, they can absorb risk appetite and at times crowd out other borrowers, keeping credit markets more price-sensitive. However, defaults remain low, earnings and balance sheets are generally healthy, and we expect any spread volatility to be met with strong demand. In general, when EM spreads widen primarily on the back of non-EM events, we tend to view the resulting repricing as a more attractive entry point, particularly on a selective, credit-by-credit basis.

Against this backdrop, we remain focused on issuers with strong domestic market share, EBITDA margins above 15% and stable-to-improving leverage below 3x. We continue to favor credits from Turkey, Brazil, Colombia, Israel and Mexico, with a preference for Financials, TMT, Utilities, and Oil & Gas.

*Outlook updated to reflect the use of the new reference index following the decommissioning of the prior index. This reflects an index methodology/reference change, not a change in investment view.

What we're watching: Corporate Hybrids, EM Corporate BBs, SoH Re-opening Trades

Our view: YE '27: EMBI: 155-205 bps; CEMBI: 140-190 bps

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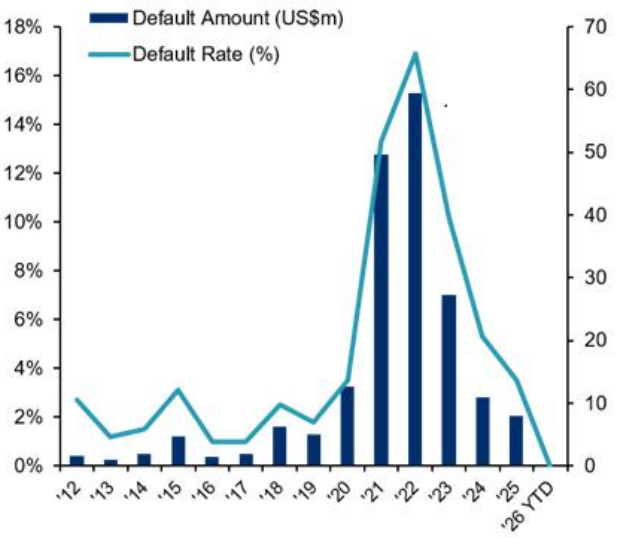
Asia Credit

2026 hasn't been a great year for global bonds, but Asia credit has shown resilience. Asia IG has declined less than US IG—helped by lower duration and a higher share of sovereign and quasi-sovereign exposure—while Asia HY stands out with a +2.96% YTD return. Looking into 2027, we remain constructive on the setup as all-in yields have reset higher, with Asia IG around 5.81% and Asia HY around 8.2%, improving carry and the overall entry point even if spread performance becomes more range-bound. For Asia IG, we expect spreads to stay in a 70–100bp spread range, broadly unchanged from current levels (~84bp). We expect Asia IG to remain tighter relative to US IG given the market's quality "anchors" in China sovereign/quasi, Singapore sovereign wealth fund linked exposure, and Hong Kong Government risk. We believe technicals to remain supportive, as Asia IG continues to be a decent carry play for local investors. Our top pick in Asia is Japan lifers' hybrid, offering high 6% carry supported by high-quality balance sheet and solid capitalization. Key risks to monitor include a renewed issuance of China TMT bonds, Indonesia headline risk, and broader Asia EM widening - especially if oil prices remain elevated and Super El Niño effects intensify. For Asia HY, we look for 300–350bp, broadly in line with today's level (~336bp). Following the recent widening, we see selective value emerging, particularly in Macau gaming, where fundamentals appear resilient through 2027. We also remain constructive on India HY corporates given an improving credit trajectory. That said, versus 2026 we anticipate a less benign macro backdrop for other HY segments: higher oil and a higher cost of capital could deteriorate the outlook for weaker credits in Southeast Asia, requiring a more selective, bottom-up approach. Two timely topics this month are Indonesia risk pricing and China TMT valuation/supply. In Indonesia, MSCI's potential downgrade chatter has driven sharp volatility and wider spreads, even though the country remains BBB-rated with stronger fundamentals than many EM peers; we think spreads still look tight versus history and may not fully price risks, so we prefer to stay on the sidelines until spreads widen by ~50bp, while remaining comfortable to hold sovereigns, quasi-sovereigns and banks. In China TMT, we remain cautious given the early-stage AI capex cycle and still-tight valuations, with scope for 25–50bp widening toward 2024 levels; signs of near-term cash outflow pressure linked to memory prepayments highlight how valuation risk can dominate during the capex ramp, and we are watching for further spread volatility if offshore supply increases as AI financing broadens. Separately, we are increasingly constructive on AUD fixed income. The RBA delivered rate hike in response to elevated inflation, but we believe emerging signs of weakness in the housing market could lead the RBA to become one of the first major central banks to cut rates. As a result, we are bullish on AUD bonds and Australianduration, with yields of 6–6.5% remaining attractive after the RBA hiking cycle.

What we're watching: · Japan Lifers: Attractive sector offering around 6.5% yields in A-rated names. · Asia HY: Key opportunity set, with ~7.8% yield, near-zero defaults YTD, and potential support from renewed EM debt inflows. AUD Fixed Income: 5.5–6% yields remain attractive

Our view: YE '27: • Asia IG Spread: 70–100bps by YE'2027 Asia HY Spread: 300–350bps by YE'2027

Asia HY Default rate on Track for Five-Year Low



Source: JP Morgan IB Data, as of 10.27.26

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FX VIEWS

U.S. Dollar

We expect dollar depreciation to resume in 2027 and forecast the dollar index at 99 at year-end. We continue to think that the dollar is in a medium-term depreciation trend. The current pause in that trend is driven by AI-driven growth and investment momentum, global conflicts and non-US risks. We think the balance of these risks will turn dollar-negative during 2027, even if that is somewhat later than we previously expected. The timing remains unclear but we currently see the French election in Q2 as a natural focal point. Dollar depreciation reinforces the importance of global diversification.

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

Our view: YE '27: 99 (97 - 101)

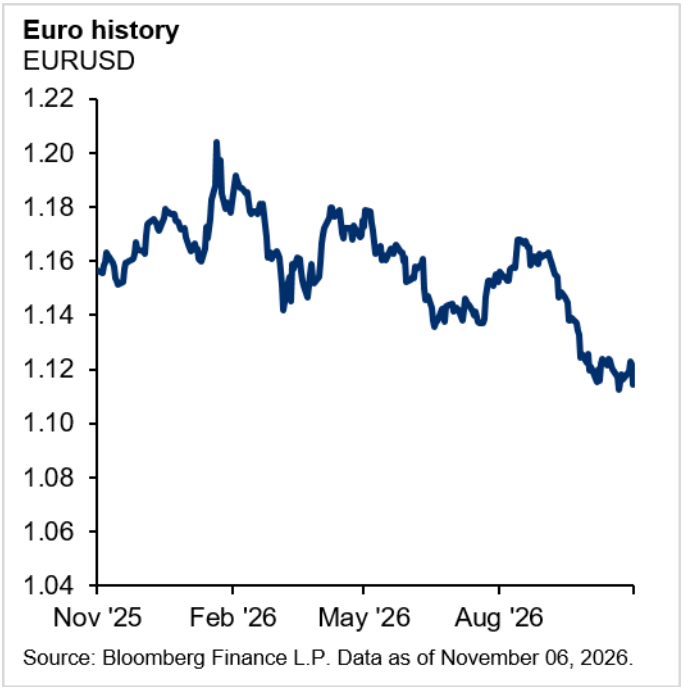


Euro

We expect 2027 to be a year of two halves for EURUSD: dollar resilience or strength in H1, followed by renewed euro strength as dollar-supportive risk premia gradually unwind. Three factors underpin the dollar's recent resilience: Middle East tensions, Eurozone sovereign risk, and AI-driven capital inflows into US equities. While these forces could persist deeper into 2027, France's presidential election offers a more identifiable potential turning point for eurozone risk premia, potentially paving the way for euro appreciation in the second half of the year. Near-term, EURUSD has held support just above 1.11 despite rising energy prices and widening French bond spreads. We think overall EURUSD is in a medium-term uptrend, even if recent weakness persists during some of 2027. While the flaring up of Eurozone fragmentation risks has pushed EURUSD below levels implied by short-term rate differentials, we expect these headwinds to gradually fade, supporting our year-end outlook of 1.16. Moreover, a reversal of AI-related equity inflows could see EURUSD rally even during risk-off episodes as US equity outflows offset safe-haven Treasury inflows, impairing the dollar's safe-haven qualities.

What we're watching: Middle East conflict, relative inflation and growth, Eurozone risks, monetary policy and rates differentials.

Our view: YE '27: 1.16 (1.14 - 1.18)



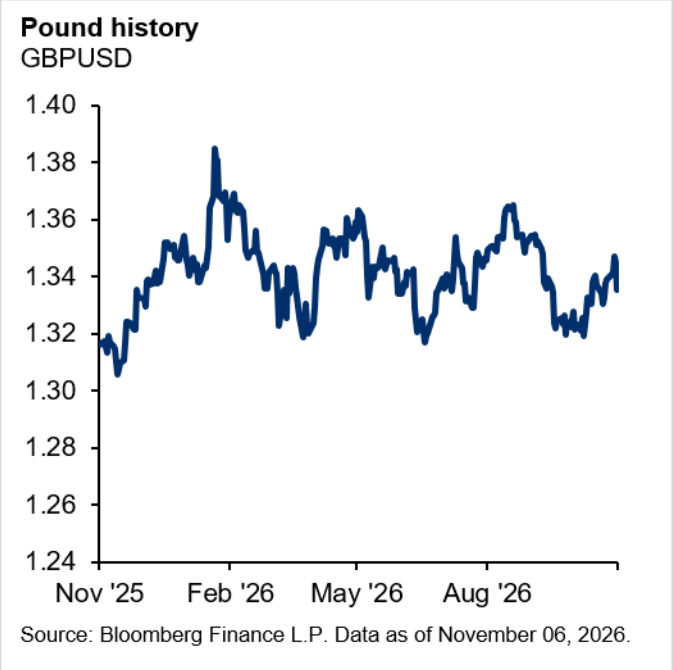
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British Pound

We expect sterling to face some near-term headwinds before regaining ground against the dollar in the second half of 2027, reaching 1.37 by year-end. Resilient activity data, tentative signs of labor market stabilisation, and higher-than-expected inflation headline inflation could give the BoE reason to extend its tightening cycle. However, with markets pricing around three additional BoE hikes, we see scope for some of these expectations to be disappointed, potentially weighing on sterling. The Autumn Budget passed without unsettling bond markets, but fiscal credibility concerns and structural challenges remain largely unresolved. With considerable optimism already reflected in sterling, near-term upside may be limited, although elevated UK yields should continue to provide carry support. Looking further ahead, we expect broader dollar weakness to reassert itself as some of the dollar-supportive forces gradually fade, allowing GBPUSD to recover. Meanwhile, EURGBP should also edge higher towards 0.85 by year-end as the euro regains ground, partly reversing its recent underperformance.

What we're watching: Middle East developments, economic momentum, global risk sentiment, monetary policy.

Our view: YE '27: 1.37 (1.35 - 1.39)

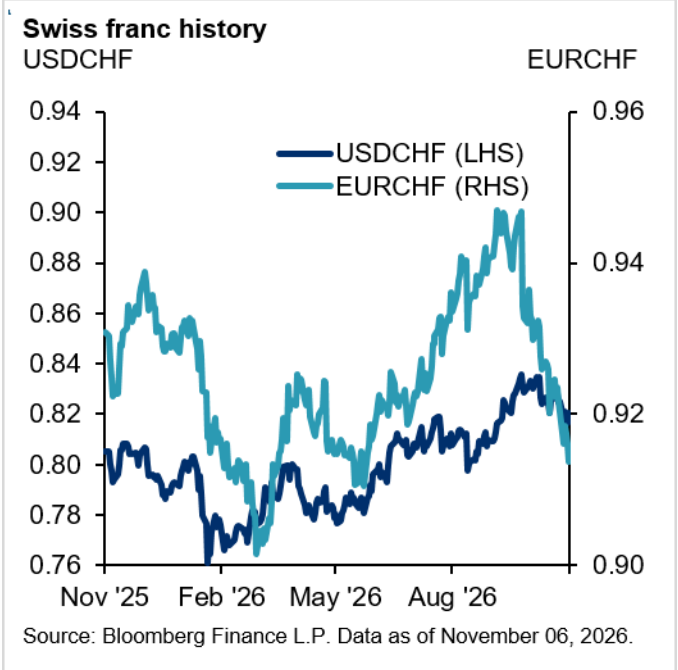


Swiss Franc

We expect CHF-funded carry strategies to remain attractive in the first half of 2027, supported by structurally low Swiss interest rates and relatively subdued FX volatility. With USDCHF forecast at 0.82 by mid-year, modest spot upside and attractive interest rate differentials should support returns. Swiss inflation remains benign, giving the SNB little reason to move away from its zero-rate policy, while higher interest rates elsewhere reinforce the franc's appeal as a funding currency. The key risk remains renewed safe haven demand for the Swiss currency, particularly if Eurozone fragmentation concerns intensify. Recent EURCHF weakness highlights the franc's role as a barometer of European sovereign risk. However, we expect EURCHF to gradually recover as French political risks subside, while the SNB could become increasingly vocal about FX intervention should the pair approach 0.90-0.91. This provides some reassurance for CHF-funded positions. Looking further ahead, broader dollar weakness could reassert itself in the second half of 2027, weighing on USDCHF despite Switzerland's persistently low rates.

What we're watching: Eurozone risk, rates differentials, European growth, broader risk sentiment.

Our view: YE '27: USDCHF: 0.80 (0.78-0.82) EURCHF: 0.94 (0.92-0.96)



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Japanese Yen

After cautioning that yen weakness would persist in 2026, with the currency largely contained around the 160 “line in the sand,” we turn more constructive on the yen into 2027 and see opportunities to add unhedged Japanese asset exposure, as healthy reflation, further BOJ tightening and institutional repatriation provide increasing support. The BOJ doubled the pace of tightening in September, consistent with our view that faster normalization is needed to stabilize the yen. We expect continued quarterly hikes toward a terminal rate of around 2%, which should narrow rate differentials and help contain speculative yen shorts, although risks are skewed toward slower delivery given potential political pressure against overtightening. Japan’s reflationary backdrop remains healthy, while a more pro-growth fiscal agenda in 2027 could support growth and risk sentiment. We are also becoming more comfortable with yen stability, as higher domestic yields and growing policy pressure are strengthening incentives for large overseas asset holders, including pension funds, insurers and corporates, to repatriate capital and rebalance toward domestic assets. These flows could provide an important stabilizing force for the yen and JGBs, helping alleviate concerns over fiscal sustainability.

What we're watching: USD yields, BoJ policy expectations, fiscal development.

Our view: YE '27: 150 (148 - 152)

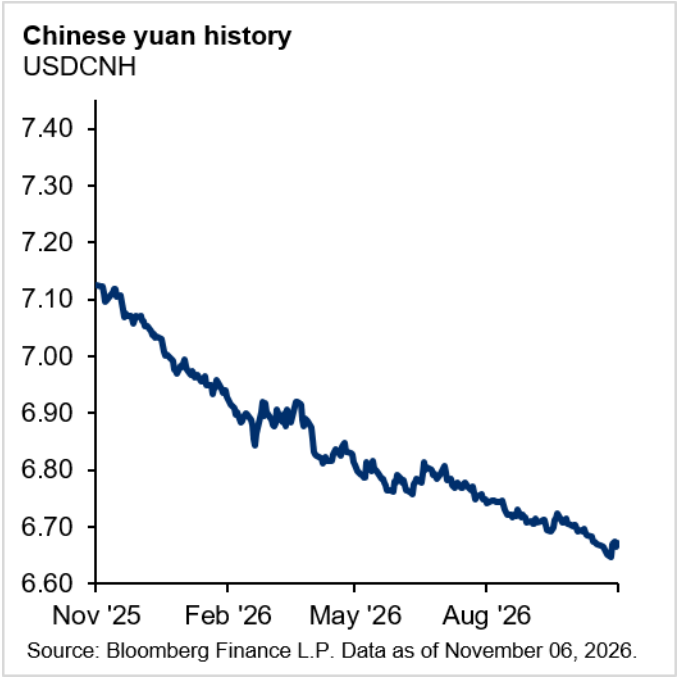


Chinese Yuan

We close out the bullish CNH view held through much of 2026 and revisit the yuan as a funding currency into 2027. While year-end exporter conversion may sustain near-term CNH strength, we think the appreciation cycle is nearing maturity and see limited upside beyond forward levels. Several tailwinds that supported the yuan in 2026 are likely to fade. Export growth may moderate from an exceptionally high base, while widening negative carry could reduce exporters’ incentive to convert dollar proceeds. Meanwhile, the PBOC has started to push back against one-sided yuan appreciation, raising the FX reserve requirement ratio from 4% to 6% in early November. Widening rate differentials have pushed the 2-year USDCNH forward below 6.30, among the lowest levels since the 2015 renminbi reform, improving the risk-reward for long USDCNH positions and offering attractive hedging levels. Low FX volatility and competitive funding costs also strengthen the case for using CNH as a funding currency.

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

Our view: YE '27: 6.60 (6.50 - 6.70)



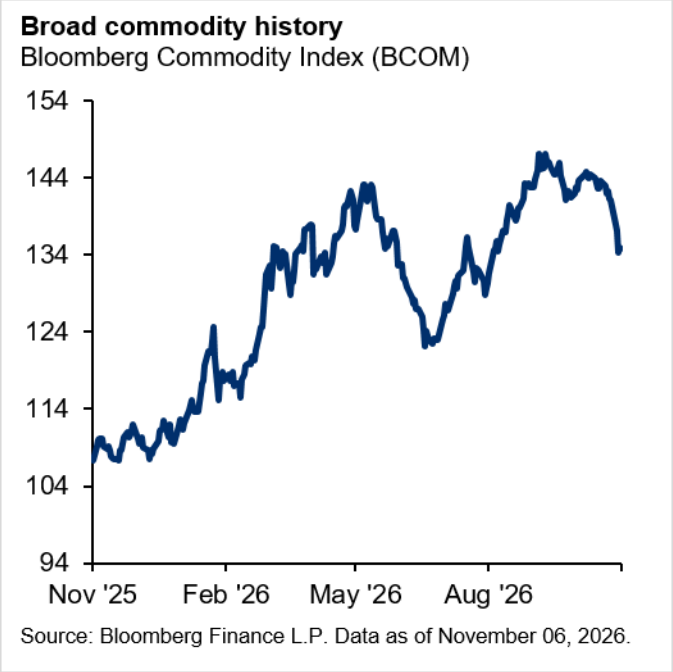
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G10 Commodity FX

Higher risk-asset volatility could weigh on commodity FX in 2027. Within the bloc, we prefer AUD, supported by attractive carry and a relatively solid domestic backdrop. **AUD:** Medium term constructive and would re-engage longs on a pullback below 0.68. We expect the RBA to turn relatively dovish following its November hike, given the housing downturn and policy rates now above their 2023 peak. Even so, AUD remains an attractive destination for USD diversification, supported by favorable carry and a solid fiscal backdrop. **CAD**: Cautious given persistent trade uncertainty, a lukewarm growth outlook and a carry disadvantage. Higher US tariffs starting January 2027 could add near-term pressure, and the now annual USMCA negotiations may keep trade uncertainty elevated. **NZD:** Turning neutral from bullish as the recent hawkish repricing of the RBNZ path has largely closed the valuation gap. Weak domestic conditions and an unfavorable carry backdrop leave the risk-reward more balanced.

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

Our view: YE '27: AUD: 0.72 (0.70-0.74) CAD*: 1.39 (1.37-1.41) NZD*: 0.59 (0.57–0.61)

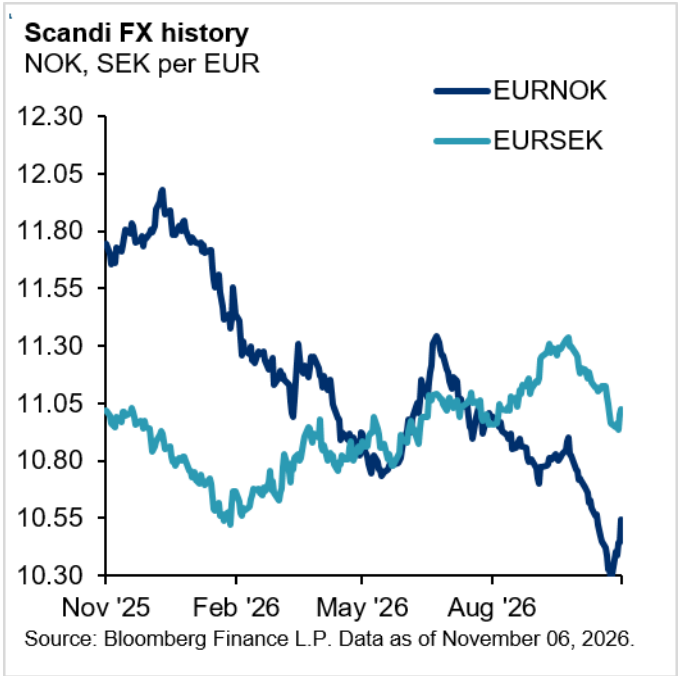


Scandi FX

The Norwegian krone has significantly outperformed its Swedish counterpart this year, with NOKSEK up around 15% year-to-date in spot terms. However, after peaking at 1.07 two weeks ago, the cross has since retreated, reflecting softer energy prices and deteriorating global risk sentiment, with NOK particularly exposed. Structurally, NOK continues to benefit from Norway's status as a major energy exporter, with higher oil and European gas prices supporting its terms of trade. Rate differentials also remain supportive, with Norges Bank having tightened policy from a higher starting point, while the Riksbank has also resumed hiking, albeit from a much lower basis and less aggressively. SEK remains among the low-yielding G10 currencies, leaving NOK with a carry advantage. Looking ahead, with energy prices likely past their peak, we expect NOKSEK to remain relatively stable around current levels, with limited scope for further sustained appreciation following this year's substantial rally.

What we're watching: European and domestic growth, energy prices, rate differentials.

Our view: YE '27: EURNOK: 10.70 (10.50-10.90) EURSEK: 11.00 (10.80-11.20)



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Emerging Market FX

The bloc has turned more mixed as recent carry drawdowns and rising global growth uncertainty have pushed us toward a **narrower and more selective EM preferences**, while still favoring currencies with attractive carry and stronger idiosyncratic fundamentals.

LatAm: We turn more cautious on LATAM FX, and become increasingly selective on carry. **BRL:** Neutral. We downgrade BRL to neutral after the election surprise increased fiscal uncertainty, despite its still-attractive carry. **MXN:** Neutral, as Banxico's dovish stance has weakened the rate cushion supporting the peso, limiting near-term recovery despite attractive valuations and cleaner positioning.

EMEA: We remain selectively constructive, favoring higher-carry currencies (HUF, TRY) and stronger idiosyncratic stories. **ILS:** Neutral. Following the Israeli election, political uncertainty remains elevated and we see the current risk premium as broadly justified until coalition prospects become clearer.

Asia: Near-term conditions should become somewhat more supportive as stronger corporate FX conversion helps regional currencies, but views remain differentiated. **INR:** Neutral, as persistent current-account pressures, weak capital inflows and potential RBI USD buybacks limit further rupee upside despite recent policy measures to support flows. **TWD:** Constructive. Technology strength, exporter conversion and relatively unchallenging valuations remain supportive. **KRW:** Neutral, with AI-related gains and stronger corporate FX conversion providing medium-term support, while tight global financial conditions and continued portfolio outflows limit near-term upside. **SGD:** Medium term bullish. SGD faces near term pressure as MAS recently paused tightening, but should likely benefit from safe-haven flows and broad dollar weakness as we move through 2027.

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

Our view: YE '27: BRL*: 5.00 (4.80 – 5.20) MXN*: 17.35 (17.15–17.55) ILS*: 2.75 (2.65-2.85) INR*: 97.50 (95.50-99.50) TWD*: 30.90 (28.90–32.90) KRW*: 1,310 (1,290-1,330) SGD: 1.25 (1.23–1.27)



* JPM Investment Bank View

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COMMODITY VIEWS

BCOM Index

The broad commodity complex has continued to diverge beneath the headline. The Bloomberg Commodity Index (BCOM) was nearly flat in October (-0.4%), as a 7.6% gain in energy was offset by declines in precious metals (-9%), agriculture (-5.6%), industrial metals (-2%) and livestock (-4.9%). The pullback extended into early November: BCOM fell 4.5% through Nov 6, alongside a 9.3% decline in energy, while precious metals rebounded 4.7%. Despite the recent weakness, BCOM remains up 22.9% year-to-date, with energy up 76.8%; other sectors have been mixed, with precious metals down 12.1%, agriculture up 5%, industrial metals up 4.4% and livestock down 15.2%.

We expect this divergence to persist in 2027. We see oil prices falling as flows through Hormuz normalize, gold grinding higher but remaining choppy, and agricultural commodities carrying upside risk from El Niño. Sugar appears to offer the clearest weather-sensitive upside, though the impact will depend on where severe conditions meet already-tight supplies.

What we're watching: The path of the Iran conflict, El Niño

Our view: YE '27: 129-135



Gold

After a year of pressured price action and elevated volatility, we expect a considerably more constructive backdrop for gold in 2027. The main headwind in 2026 was sharply higher real yields. In 2027, yields should eventually peak as the Fed concludes its hiking cycle, while rising downside risks to global growth could bring a more dovish policy narrative back into focus. Meanwhile, the fundamental case for owning gold remains intact. Debasement risks remain unresolved and continue to build in many parts of the world, reinforcing gold's role as a hedge and as a USD diversification destination. At around $4,000/oz, positioning has become much cleaner. Central banks that stepped to the sidelines at elevated prices could return, while institutional real money investors looking to incorporate gold into long-term strategic mandates could provide incremental demand. Crucially, we view gold not as a tactical trade but as a strategic portfolio allocation. Our analysis suggests that a 3–5% allocation to gold in a balanced portfolio can effectively enhance long term risk-adjusted returns.

What we're watching: Fed policy trajectory, central bank purchases

Our view: YE '27: $4,450 – $4,750



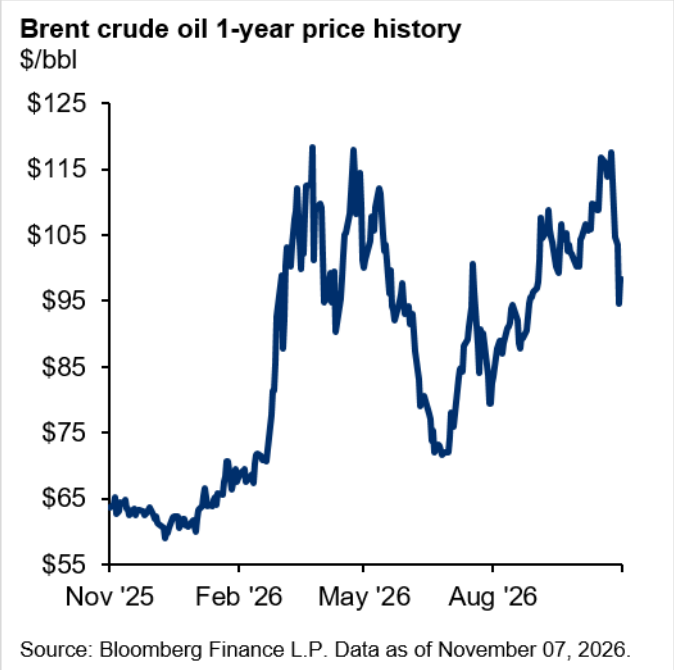
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Crude Oil

Oil's October rally proved short-lived. Brent rose 13.6% to ~$118/bbl and WTI 15% to ~$104/bbl, but in early November progress toward a peace deal and the Democratic sweep erased those gains. As of writing (Nov 6th) Brent is down 16% to ~$98/bbl and WTI 12.5% to ~$91/bbl, back near where both began October. Physical crude premiums have also eased across regions. Dated Brent has fallen from ~$136/bbl in early October to ~$97/bbl, losing its $30+ premium over futures, while Middle East and US Gulf grades have slipped to small discounts. Easing is not normalizing, however. Prompt Brent still trades ~$12/bbl above mid-2027 delivery, versus under $1 in January, and tanker rates are 4–5x their 2025 average, keeping Brent–WTI near double its normal spread. Diesel remains the tightest part of the barrel: US diesel futures have fallen only 9% since month-end, versus 16% for Brent, and diesel margins remain 3 - 4x start-of-year levels across the US, Europe and Asia, so lower crude prices are only partly reaching end users. Looking forward to the year ahead, we expect these pressures to ultimately normalize under a permanent peace agreement, with Brent/WTI averaging around $75/$72 per bbl by year-end 2027.

What we're watching: The level of Hormuz throughput and any renewed disruptions, plus whether demand weakness persist as stranded supply returns.

Our view: YE '27: WTI: $69-$75; Brent: $72-$78



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ALTERNATIVES VIEWS

Private Credit

A counterintuitive beneficiary of higher cost of capital.

Yields better compensate investors for sticky inflation and higher rates. U.S. IG exceeds 6%, highest since 2008; direct lending nears 10%. But yield isn't free: AI and capital costs raise default expectations, requiring selectivity. Direct lending is floating-rate, so coupons rise with rates. Spreads widened ~100bps year to date, versus ~15bps for IG and ~50bps for high yield. At ~10%, investors are better compensated for default risk. Widening reflects scarcer supply—volume fell 31%, to $152.4bn from $221.3bn—and risk compensation as borrowing costs strain borrowers. Countercyclical opportunities like secondaries and distressed assets may benefit.

Loan fundamentals have held up through 2026 at the aggregate level. EBITDA growth, leverage and interest coverage have been resilient. There are two watch items. The first is the 2028–2030 maturity wall (~$2.2T in HY, BSL, and Direct Lending coming due), when refinancing at higher rates could bite. The second is lower-rated exposure with less resilient cash-flow profiles, secularly challenged industries (telecom, cable, pockets of software).

Private credit realized defaults have been rangebound, but cracks are building beneath the surface.

The headline stats of 1-3% default rates understate the stress. A broader "shadow" default rate puts ~15% of BDC loans under stress[2]. But the stress is concentrated, not widespread in:

1. Smaller businesses: borrowers with less than $25M of EBITDA are running low-teens default rates. **2. Industry micro-cycles:** 8.7% of the KBRA Direct Lending Index is on its default-risk radar, led by software, healthcare and consumer. **3. Lower-rated credit:** using broadly syndicated loans as a proxy, CCC defaults over the last 12 months ~7%, versus under 1% for single-B.

The loss data agree. The Cliffwater Direct Lending Index shows trailing four-quarter unrealized losses of -1.6% as of 2Q26. That is elevated versus 2024–25, but well short of broad stress. AI-related software markdowns drove nearly two-thirds of 1Q26 markdowns, which makes this a sector problem, not a systemic one. Realized losses were just 47bps, a 13-quarter low.

Playing out an elevated default scenario

Assuming a 5% default rate (2x current realized default rates assuming impact of upcoming maturity wall and minimal amend-and-extend counter measures), a ~50% recovery rate (historical average for first-lien loans), potential credit loss is ~2.5%. Against ~10% yields, that still clears a loss-adjusted yield near 7.5%.

What does this mean for private credit portfolios today?

Within direct lending, move up in quality. **Capital structure.** We favor senior-secured, sponsor-backed, first-lien loans to upper-middle-market borrowers (EBITDA > $100M) diversified across sectors outside of technology. These borrowers typically have lower leverage, stronger coverage and more refinancing options. Outcomes will be manager-specific, on both the upside and the downside. The best managers negotiate higher recovery rates and sidestep the sectors driving stress; the laggards won't. Index-level numbers tell you where the water line is; manager selection determines whether you are above or below it. **Collateral type.** Asset-backed finance has the potential to diversify the collateral pool away from corporate-linked cash flows and de-risks via self-amortizing structures and shorter duration. In practice, that means you're not only targeting a solid return profile driven by non-tech factors, but also gaining a potential downside hedge through lower correlation.

Be opportunistic. **Distressed.** Higher rates expose the weakest balance sheets first. Using broadly syndicated loans as a proxy, loans trading below $80 rose $8.5bn in October to $148.2bn, or 9.6% of the outstanding loan market (highest volume since the pandemic). Most investors see that as a warning. Distressed managers see a market. Higher borrowing costs let them charge a high price for liquidity. For an investor, this is counter-cyclical exposure to emerging micro-cycles. **Secondaries.** The same pressure creates forced sellers. Redemptions are pushing high-quality first-lien paper into the secondaries market, and buyers are stepping in. H1 2026 volume hit $20bn, already matching full-year 2025 and up 2.2x year on year, with most deals GP-led. Discounts have widened to the mid-90s in some cases. Buyers get good paper at a discount, a shorter J-curve and a clear view of what they own. **Lending to AI infra buildout.** Then there's AI. The build-out needs trillions, ~25% of expected build through 2030 we expect to come from capital outside of public markets, and public markets are starting to turn away the riskiest borrowers (i.e. >1000bps spreads in neocloud bonds). So, data center developers and neoclouds are turning to private lenders. The risk is higher, and so are the potential returns; structure is critical. All three opportunities follow the same pattern: stress in public markets gives private lenders their way in.

[1] JP Morgan Asset Management Long-Term Capital Market Assumptions

[2] Michael Cembalest, JP Morgan Asset Management, "Califoreboding", October 8, 2026.

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Private Infrastructure

Core infrastructure offers two critical characteristics that portfolios value right now. Core infrastructure can play a dual role in portfolios: delivering stable, contractual, inflation-resilient cash flows while also providing less-volatile exposure to multi-year secular trends. Since 2Q08, core infrastructure has generated annualized high-single- to low-double-digit returns across varied inflation regimes. In a world of elevated inflation volatility and concentrated public equity markets, those attributes increasingly look like portfolio essentials, not optional features. That said, a higher cost of capital raises the bar—not just in the underwriting of the assets, but in the now competitive return profile of public fixed income. That favors assets with explicitly inflation pass-through and durability of income backed by multi-year contracted cash flows. **1) Go global to capitalize on the capex supercycle.** After two decades of near-zero growth, estimates indicate US power demand will grow at a ~2.5% CAGR through 2030, driven by industrial reshoring, data centers, and electrification. With that much demand and limited supply, a US power deficit is plausible by 2029. Transmission and grid stand out as the cleanest way to play this. US utilities plan more than $1 trillion of investment over the next five years, and their balance sheets cannot fund that alone, providing opportunities for private players to step in. What's more, these assets offer multi-year, regulated cash flows. Natural gas midstream and LNG are well-positioned as US gas supply doubles over the next five years and exports rise; we would emphasize take-or-pay contracted assets. In power generation, we prefer low-cost, dispatchable brownfield assets with operating history. We remain cautious on scarcity-priced gas-generation valuations, nuclear given long lead times, speculative data-center development without contracted tenants, and unsubsidized renewables in a shifting policy environment. The supercycle reaches well beyond power, and well beyond the US. Resilient infrastructure is now a matter of national security globally. Securing reliable energy, both for essential services and to power AI, has become a national-security priority. NATO's defense-spending guidelines include a 1.5% of GDP outlook for resilient infrastructure, and that tailwind extends to ports, roads, rails, bridges, and telecom. This means two things. First, long-term secular forces support the investment. Second, global diversification matters, because asset exposures will differ meaningfully by region as regions make up for different types of decades-long infrastructure underinvestment. **2) Be selective in the AI digital infrastructure buildout Digital infrastructure is nuanced; not all data centers are created equal.** The question for U.S. data centers is now how, where, and by whom capacity gets built. State-level limits on new builds are the key policy variable. About 75% of the 37GW expected in 2027 is already under construction. The 96GW expected in 2028 is more exposed: 37.5GW could face a pause and 15GW new conditions (grid cost-sharing, lost tax incentives, water limits, backup power)1. Equally importantly, guardrails on data center development could also be an upside surprise: they may rebuild public support and limit the risk of overbuilding. Not all data centers are created equal, and rising barriers sharpen the difference. Scale, local relationships, development expertise and access to capital are becoming bigger competitive advantages. That favors scaled institutional platforms which are backed by large-cap sponsors and weighted toward investment grade hyperscale tenants. For these platforms, the main risks are delays and higher costs, not weaker demand. Smaller developers and those that depend on neocloud customers face a harder path. We prefer experienced operators of existing platforms that build at reasonable multiples with contracted tenants. We are more cautious on greenfield speculative development and on stabilized platforms bought at peak multiples. **3) Lean into supply chain reorganization** Core exposures such as asset leasing (cargo/LNG ships, railcars, chassis), industrial infrastructure, and select transportation and logistics (e.g., short-line rail tied to reshoring; toll roads) can add income reliability, inflation resilience, and diversification, while benefiting from supply chain reorganization and modernization. We are more cautious on ports (while nearshoring could drive demand for industrial ports along the US Gulf Coast, ongoing tariff uncertainty creates heightened risk). **Bottom line:** Core infrastructure can offer consistent returns anchored by contractual cash flows and durable exposure to the power super-cycle and resilient-infrastructure investment, provided implementation is selective, valuation-aware, and built as a diversified allocation rather than a single-theme trade.

1 Michael Cembalest, JP Morgan Asset Management, "Now You Can See Everything", November 4, 2026.

What we're watching: Impact of geopolitical uncertainty on transport, signs of a cyclical slowdown, datacenter development, valuations in power infrastructure

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Private Real Estate

We believe real assets (real estate and infrastructure) should represent approximately 15% of a core private markets portfolio. After a period of significant repricing, we believe US commercial real estate is in the early stages of a recovery. Prices troughed in 2023 and have been recovering steadily. 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, particularly as rates stay higher for longer. A sustained recovery will likely be nuanced, and sector and market selection will be essential. Said differently, we believe the worst is behind us, but real estate has turned into a stock picker's market. **Demographic tailwinds are reshaping demand for housing.** 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 (~1% supply growth forecasted from 2025-2027), and is forecasted to generate the highest NOI growth of any property sector over the next three years. These are not cyclical trends—they are decade-long shifts that we expect to underpin resilient, inflation-linked income for investors. **Supply discipline is creating a recovery in fundamentals.** Across cyclical sectors, the setup is increasingly being shaped by fewer new starts and improving operating momentum. Industrial vacancy likely peaked near 6.4% in 2025, starts are down approximately 60% from 2022 highs, and occupancy should recover toward 95% by 2027. From there, we expect rent growth to move to an inflation-plus profile. Retail has been the top NCREIF performer for twelve consecutive quarters and delivered the strongest 2025 returns at 6.8%, ahead of residential at 5.3% and industrial at 4.5%, led by grocery- and shadow-anchored formats. In both retail and logistics, a large share of tenants remain on below-market rents, which creates meaningful mark-to-market opportunity as leases roll. Within logistics, power access is becoming a decisive differentiator. **Office is bifurcating.** Office is not moving in one direction. After roughly three years of record-low starts, absorption is turning positive. At the same time, demand is concentrating. AI-driven office demand is up about 85% year-over-year nationally and 179% in major hubs, and it is highly concentrated, with San Francisco, Silicon Valley and New York accounting for 41% of active AI companies and 63% of active AI square footage. The market outcome is a K-shaped recovery. Trophy, transit-oriented assets are achieving rent growth at or above inflation, while lower-quality buildings continue to lag materially. White-collar automation is a real long-term risk, but we think the near-term impact is overstated relative to return-to-office mandates and flight-to-quality dynamics. We favor Class A in supply-constrained AI and finance hubs. The broader national office market remains challenged. **The maturity wall is reshaping opportunity sets.** The refinancing cycle is becoming a central driver of market activity. Hundreds of billions in real estate loans mature over the next two to three years, requiring refinancing at higher rates. Regional banks have materially reduced CRE lending activity, and the resulting capital gap is supporting a broader set of recapitalizations and structured solutions. **Bottom line: real estate is undergoing a selective, fundamentals-driven reinvention.** The conditions for a sustained recovery are increasingly in place—improving income growth, rising transaction volumes, and a capital gap that is creating attractive entry points across both equity and credit. Investors who are selective about sectors, geographies, and asset quality are well-positioned to capture the next leg of returns. **Net lease** also stands out as a high-cash-yield format, with compelling entry cap rates and 2%-plus annual rent escalators, and limited exposure to cost inflation. We are less constructive on broad office, life sciences (oversupply overhang, lackluster demand given muted venture funding), single-family rental (policy overhang), and sunbelt multifamily (oversupply overhang, distressed opportunity may emerge). For discussion on datacenter views, please see the private infrastructure section.

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

Near-term pain, long-term case intact. Over the past three years, the median buyout manager has trailed public equities, pressured by limited exposure to the AI infrastructure buildout, muted growth across non-AI segments of the economy, and a slower exit environment that has dampened the historical realization "pop." While concerns that PE has "lost its way" are overstated, the industry is stratifying. Public markets, by contrast, have been powered by a narrow set of winners: roughly half of S&P 500 returns since ChatGPT have come from the Mag-7, and tech+ now exceeds 50% of the index, creating meaningful single-factor risk that PE is well-suited to offset (~40% of global PE is non-US, ~75% outside of the tech sector). Encouragingly, earnings growth is broadening: median S&P 500 constituent earnings growth accelerated to 14% in 1H26, well above the ~8% historical average. That momentum should carry into next year and help the non-AI segments where buyout exposure is concentrated. The return equation has changed: operations, not leverage. The 2008–2019 era of multiple expansion and leverage is giving way to a post-ZIRP environment where revenue growth and EBITDA margin expansion matter more. Let's play out the math: a ~20% IRR and 2.5x MOIC over five years today requires ~12% annual EBITDA growth, versus 5% a decade ago (source: Bain 2026 Global Private Equity Report). AI may be the "golden ticket" enabling that operational step-change in labor-intensive businesses that embed it well, while 2020–2022 SaaS vintages underwritten on peak multiples face real obsolescence risk. More broadly, 2021 and 2022 deals, underwritten at peak multiples with higher leverage, are most exposed to the impact of higher rates, with broader risk across 2018–2021 depending on underlying sector exposure. Newer vintages show greater discipline, with debt now ~35% of capital structures versus ~60% in 2013. What's more, PE multiples sit at their widest discount to public equities in 15 years, providing a better cushion for the environment ahead.

What to do in portfolios: With dispersion widening, manager selection is the lever that matters. DPI belongs at the center of underwriting because realized distributions are the clearest proof that a manager can turn marks into cash. In a higher cost of capital environment, so do returns driven by operational value creation. We favor diversifying across four dimensions: **Size**: Pair mid-market with large buyout. Mid-market attributes: 535K companies in global mid-market, ~87% of global PE transactions, generally less tech exposure, and potential for outperformance but dispersion is high, so manager selection is critical. **Sector**: Balance tech with industrials, healthcare and financial services, where buyout is overweight relative to public markets. This offsets the single-factor risk of an index that is more than 50% tech+, and these labor-intensive businesses stand to benefit as productivity from AI spreads beyond tech. **Geography**: Europe rivals US buyout returns at lower valuations, helped by fragmentation, a deep mid-market and fewer competing managers. It also offers secular exposure that public markets lack: ~30% of European PE deal activity is in tech/telecom versus ~10% of MSCI Europe. India, Japan and Korea combine growing markets with consistent alpha versus their public counterparts. **Structural alpha**: Higher rates push corporates to sell non-core units. The resulting carve-outs are complex deals that reward operational work over multiple expansion. In Korea, carve-outs have been ~30% of buyouts over $100M since 2013 as chaebols shed non-core units.

VC/Growth: back tomorrow's Mag-7, spread the stage risk. As tech cycles mature, most of the value goes to the products and companies closest to the end user. In the internet/cloud cycle from 1995 to 2020, our analysis shows that the platform tech and application layer created more than 8x the value of the companies that built the physical and digital infrastructure. AI looks set to follow. VC and Growth managers are backing disruptors in a potential $6T "services as software" market by 2030, and leading frontier LLM companies added more net new ARR in 2025 than the rest of public software combined. We do not believe frontier models will get commoditized (higher barriers to entry should AI regulation and cybersecurity threats increase). Similarly, we don't believe they will crowd out the application layer, because they do different jobs: frontier models sell intelligence, while vertical AI applications sell outcomes. Innovation cycles also lift demand in other parts of the economy. We're focused on three areas where structural demand is already accelerating — applications, experiences, and longevity — and where AI can serve as a powerful multiplier rather than the sole investment thesis. On stage, early-stage valuations haven't run as far and are more insulated from a reset, while later-stage offers access to category leaders at scale.

Manager selection is the lever that matters. Dispersion widens and concentration persists. We favor diversification across sector, size and geography: tech balanced with industrials, healthcare and financial services; mid-market with large buyout; the US with Europe, Asia (India, Japan, Korea). Secondaries, we believe, deserve a dedicated allocation, mitigating the J-curve, reducing blind pool risk, and diversifying across vintage year and manager.

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

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Hedge Funds

We believe hedge funds can serve as a critical diversifier, one that is increasingly valuable today. AI, global fragmentation and inflation are reshaping the investment landscape. Where these forces intersect, we expect more uneven growth, more rolling supply shocks and a higher-for-longer floor under inflation, rates and volatility. A balanced portfolio is still a strong foundation, with forward-looking stock-bond returns the most attractive in years, but it is only the beginning. We believe rolling supply-side inflation shocks, driven partly by fragmentation and fiscal activism, could push stocks and bonds toward positive correlation over the long term. Being less correlated helps, but being less correlated in the tail is powerful: a convex sleeve frees up room to take risk elsewhere. That is the role that less-directional hedge funds (relative value, macro) could play.

A supportive macro backdrop. Three drivers shape hedge fund alpha: equity volatility, low intra-stock correlation (i.e., high dispersion) and risk-free rates above 2%. All three are in place today: **Volatility:** Single-stock volatility is elevated, which creates trading opportunities for statistical arbitrage and multi-strategy managers. **Dispersion:** The dispersion index (DSPX) is above the 95th percentile of its 10-year history, which widens the opportunity set for stock-pickers. **Rates:** Rate volatility (MOVE Index) is above the 80th percentile of its 10-year history. Rates themselves sit above the 70th percentile versus history, which adds a tailwind through cash balances and short-interest rebates. The second (and often more significant) way higher short-term rates impact performance is by creating opportunities. Higher rates drive a rise in volatility and higher volatility, which leads to greater alpha opportunities.

Hedge funds don't need all three drivers at once. When two of the three are favorable most of the time, they have typically generated strong excess returns.

History supports the thesis. Hedge funds have historically provided solid diversification. Over the past decade, adding a 10% top-decile hedge fund allocation to a 60/40 portfolio (funded from fixed income) would have lifted the Sharpe ratio from 0.48 to 0.6, thanks to smaller drawdowns. These are top-decile outcomes, not industry-wide results. Hedge funds are an industry, not an asset class, and dispersion between managers is more pronounced than ever. Who you invest with is the single most important variable. In 2022, top macro and relative value managers were up, some by double digits. Over the same period, equities and fixed income fell 15–30% and the broader universe was down about 5%. The 2011–2019 "Alpha Winter" period, in our view, was the outlier, not the baseline. Quantitative easing suppressed rates and volatility and lifted correlations, and we think that combination is unlikely to recur in the near-to-medium term.

Performance. In 2025, 5 of 8 hedge fund categories outperformed the Bloomberg Global Aggregate, and that momentum carried into 2026. Through September, all 8 categories had outperformed the Bloomberg US and Global Aggregate Bond Index year-to-date despite bursts of volatility1.

Where we have conviction. We are most constructive on relative value and macro (e.g., statistical arbitrage, multi-strategy, discretionary macro). Relative value strategies isolate spread, basis and idiosyncratic relationships rather than market direction. Their returns are therefore largely independent of the beta that drives a correlated stock-bond selloff. The key risk, in our view, isn't falling rates. It is that diversification disappears if multiple strategies crowd into AI/tech and dispersion turns into correlation, which reinforces the need for disciplined manager selection. We are more measured on directional strategies, including equity long/short and event driven. We remain constructive on equities in 2027, but the distribution of potential outcomes is unusually wide. Most portfolios already carry meaningful equity beta, so we see more value in hedge fund exposures whose returns depend less on market direction.

Beyond diversification, hedge funds offer a powerful vehicle for thematic opportunities, because they can express views both long and short. Implemented through hedge funds, thematic investing becomes a dynamic, risk-aware approach to alpha. It captures structural themes such as Japan corporate governance reform and biotechnology innovation within a disciplined portfolio framework. That matters when public markets have rarely been this concentrated: the ten largest S&P 500 stocks make up nearly 40% of the index.

1 Goldman Sachs Prime Insights, Prime Services Monthly, October 13, 2026.

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

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VOLATILITY VIEWS

Equity Vol

October equity volatility crept higher as prediction markets increasingly priced a potential regime change ahead of the U.S. midterms. That said, it may not have been obvious as stress only showed up in tail-risk option pricing. Investors were paying a larger premium for insurance against a sharp market selloff. Despite the anxiety, one-day options priced a ~1.2% S&P 500 move for the day after the election. Initial post-election price action was calm and vol compressed as many stocks rallied. That calm gave way on Nov. 5. The Nasdaq 100 fell more than 6%, its worst one-day decline since March 2020. Policy uncertainty drove selling, while leveraged ETF rebalancing may have amplified momentum. S&P 500 volatility spiked and its term structure inverted, meaning options priced larger near-term moves than further out. AI-linked sectors moved more sharply: one-month implied volatility on SMH (Semiconductor ETF) surged to near five-year highs. **Our view:** stay patient as policy develops. Consider legging into equity exposure through defined-risk structured notes. Selling S&P 500 volatility remains a theme we like given dispersion; size positions for potential continued turbulence.

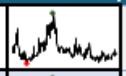
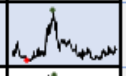
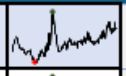
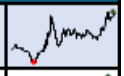
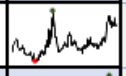
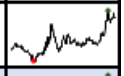
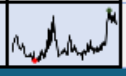
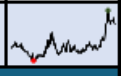
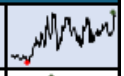
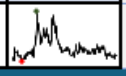
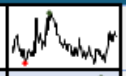
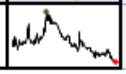
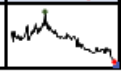
What we're watching: Policy developments around data centers, interest rates, capital markets activity

Macro Vol

Macro volatility in October centered on credit, which proved to be an early warning signal for turbulence in parts of the AI trade. Spreads on neocloud borrowers widened before equity volatility surged, as investors reassessed funding needs and rising capex. The stress was concentrated, not broad-based: AI-linked issuers came under pressure while other parts of the credit market were more resilient. As in equities, investors had to know where to look. Bonds acted as a ballast as equity risks intensified. Yields moved lower, while SOFR swaption volatility generally eased, particularly at the long end, where it had risen notably in September. Fed expectations also shifted after the U.S. midterms. Markets entered October pricing roughly 25bp of tightening by the December meeting; afterward, that fell to about 15bp, signaling less expected tightening. Inflation expectations eased as well, as reflected in zero-coupon CPI swap pricing. Oil remained in focus. Front-month crude moved above $100 on escalation concerns in early October, then retreated as fears faded. Notably oil volatility remained contained, even as prices rose.

What we're watching: US labor and inflation data, long end rates, Hyperscaler CDS spreads, equity vs rate vol

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	13.81	0.62		17.87	2.34	
EURO STOXX 50 Index	16.14	1.63		17.62	0.46	
Tokyo SE (TOPIX) Index	22.98	3.96		20.08	0.92	
Rates - SOFR Swaptions ATMF Strike Implied Volatility (BP, Annualized)						
1Y	98.17	-0.67		120.59	6.01	
5Y	105.63	-3.84		107.69	2.64	
10Y	95.80	-1.98		97.74	0.10	
Commodities - ATMF Strike Implied Volatility						
Oil (Brent)	57.55	2.05		34.70	1.40	
Gold	20.29	-0.51		21.07	-0.72	
Currencies - ATMF Strike Implied Volatility						
EUR/USD	6.40	1.05		7.15	0.65	
USD/JPY	7.35	-1.54		8.47	-0.23	
USD/CNH	1.25	-0.69		2.90	-0.42	

1) Source: J.P. Morgan. Data as of October 27, 2026
2) ATMF refers to "At the Money Forward"
3) The illustration references the historical implied volatility over the last year. Green dot denotes high, red dot low, and blue dot current
4) Historical 1 year window observed for the range

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THIS DOCUMENT

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

OUR MISSION

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

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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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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.

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Key Risks

- Investments in smaller capitalization companies often involve significantly greater risks than the securities of larger, better-known companies because they may lack the management expertise, financial resources, product diversification and competitive strengths of larger companies. The prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies, as these securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects. In addition to liquidity risks, when selling large positions in small capitalization securities, the seller may have to sell holdings at discounts from quoted prices or may have to make a series of small sales over a period of time, and dividends are not guaranteed.

- 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.

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- Preferred securities are typically long dated securities with call protection that fall in between debt and equity in the capital structure. Preferred securities carry various risks and considerations which include: concentration risk; interest rate risk; lower credit ratings than individual bonds; a lower claim to assets than a firm's individual bonds; higher yields due to these risk characteristics; and “callable” implications meaning the issuing company may redeem the stock at a certain price after a certain date.

- Investors should understand the potential tax liabilities surrounding a municipal bond purchase. Certain municipal bonds are federally taxed if the holder is subject to alternative minimum tax. Capital gains, if any, are federally taxable. The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax (AMT).

- Holders of foreign securities can be subject to foreign exchange risk, exchange-rate risk and currency risk, as exchange rates fluctuate between an investment’s foreign currency and the investment holder’s domestic currency. Conversely, it is possible to benefit from favorable foreign exchange fluctuations.

- International investments may not be suitable for all investors. International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations. International investing can be more volatile.

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