

Investment Outlook 2Q 2026

Multi-Asset Strategies

25.03.2026

Summary: shifting the exposures toward a more defensive stance

Macro: The U.S. is more insulated from the Iran conflict than Europe and Asia due to relative energy independence, yet it remains exposed to oil-price shocks, supply-chain disruptions, and cost pressures. The GDP outlook has become more uncertain, inflation runs above target, with upside risks. The Iran war could trigger weaker growth in the Eurozone, but probably not a recession. In the base case, a 2022 crisis may be avoidable. The Fed might keep rates on hold for a while, while ECB could deliver also hikes this year. Due to inflation risks and the low term premium, we do not consider that longer USD and EUR bonds are attractive. EURHUF looks to be fairly priced with the current set of energy prices and could be attractive in a case of an energy price correction. The long end of the yield curve at around 7.5% looks to be attractive.

Equities: For the time being, the correction has not been sufficient to offset the risks associated with a negative outcome of the war (higher for longer energy prices), as equities are expensive, and the profit cycle is in its late stages. While maintaining a neutral exposure, we are shifting our regional and sectoral recommendations toward a more defensive stance. As a net energy exporter, the economy is less affected in the US, so it may outperform in the short term, but its high valuation poses a risk should long-term yields rise further. The situation in Iran is not as critical for Europe and CEE as the Russia-Ukraine conflict was in 2022, but it is having a more severe impact on growth and inflation than in the US, so we downgrade them to slight underweight and neutral. The strengthening dollar, rising interest rate expectations, and growth risks, could put an end to emerging markets' recent outperformance. However, strong earnings momentum and improved valuations, providing cushion. We removed some cyclical, high beta exposures from our preferred sector list, like copper, uranium miners and European small caps, and added healthcare as a defensive play.

Bonds: As upside inflation risks have intensified, this could tie the hands of the Fed and the ECB when it comes to cutting interest rates in the coming quarters. In the short term, the likelihood of a stagflation-like outcome has increased, so it is advisable to shift toward a more cautious stance by overweighting cash-like exposures over longer-term bonds.

Commodities: We maintain our neutral view on commodities, as the longer-term outlook depends largely on the duration of the war in the Middle East and the extent of the damage it causes, which is difficult to assess for the time being. In a worst case scenario, prices could rise further, but a deescalation and/or demand destruction would lead to price falls from current elevated levels (especially oil and LNG prices). The upside and downside risks offset each other.

	Underweight	Neutral	Overweight
Asset Class			
Equities			
Bonds			
Commodities			
Cash			
Equities - regions			
US			
Europe			
Emerging markets			
CEE			

The most favored investment topics:

Semiconductors

Cybersecurity

Utilities/Renewables

Healthcare

India

LatAm

Gold

Macro overview

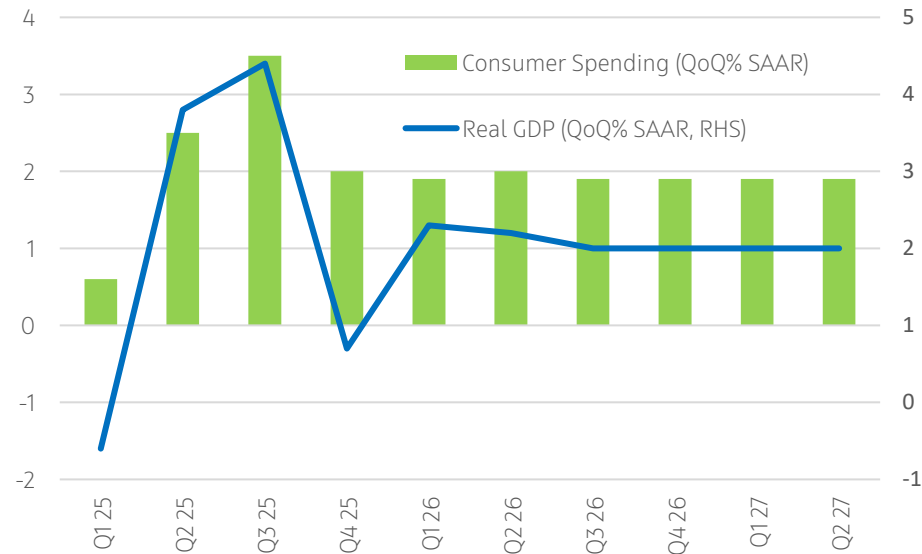
<u>US outlook</u>	4.
<u>Eurozone outlook</u>	7.
<u>Inflation and central bank policy</u>	9.
<u>Hungarian outlook</u>	10.

Market overview

<u>Institutional Investor Survey</u>	15.
<u>Bonds</u>	19.
<u>Commodities</u>	20.
<u>Equities</u>	17.
<u>Regions</u>	21.
<u>Most favoured investment topics</u>	26.

US: 2% growth but with a less certain outlook after the Iran war

QoQ GDP growth, fact and forecast (%)



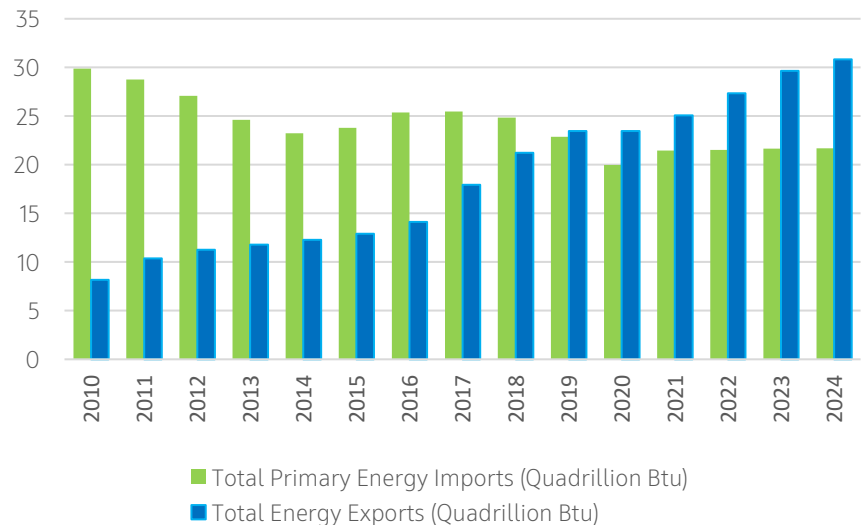
2025: solid, 2.1% GDP growth, driven by consumer spending and investment

- Real GDP grew 2.1% in 2025, driven mainly by consumer spending and investment, despite the trade war in Q1 and the longest government shutdown on record in Q4.
- The shutdown, from 1 October to 12 November 2025, made GDP growth to slow down sharply to 0.7% (QoQ, SAAR.) in Q4 2025 as government spending weakened. Exports and consumer spending also decelerated.

2026/27: Due to the conflict in the Middle East, the GDP outlook has become more uncertain

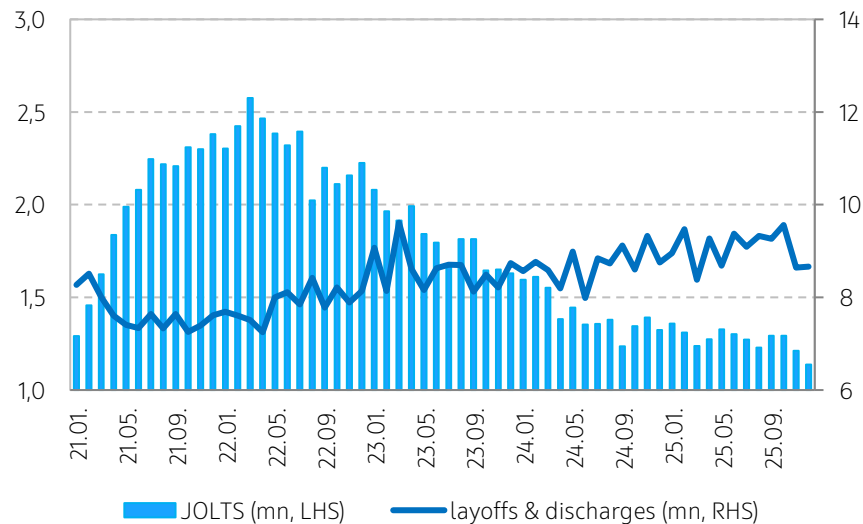
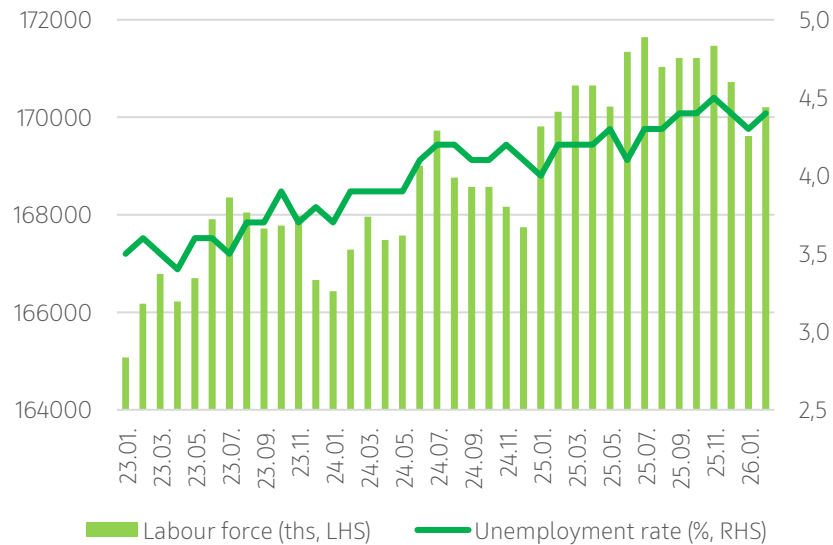
- Growth forecasts have remained around 2% for the time being.
- Q1 growth expectations remained also around 2%, however, this is not especially high, taking into account the post-shutdown rebound
- The net effect of the oil shock will still be some downward pressure on spending and employment, and upward pressure on inflation.
- The U.S. is more insulated than Europe and Asia due to relative energy independence, yet it remains exposed to global oil-price shocks, supply-chain disruptions, and cost pressures in non-energy imports.
- As the US is a net exporter of energy, in case of a prolonged shock, any effect on employment and economic activity in spending would be offset to some extent by oil companies increased profitability, and they may even do more drilling.

US energy balance (Quadrillion Btu)



US: the labor market is fragile, the incoming data are vague

Labor market figures

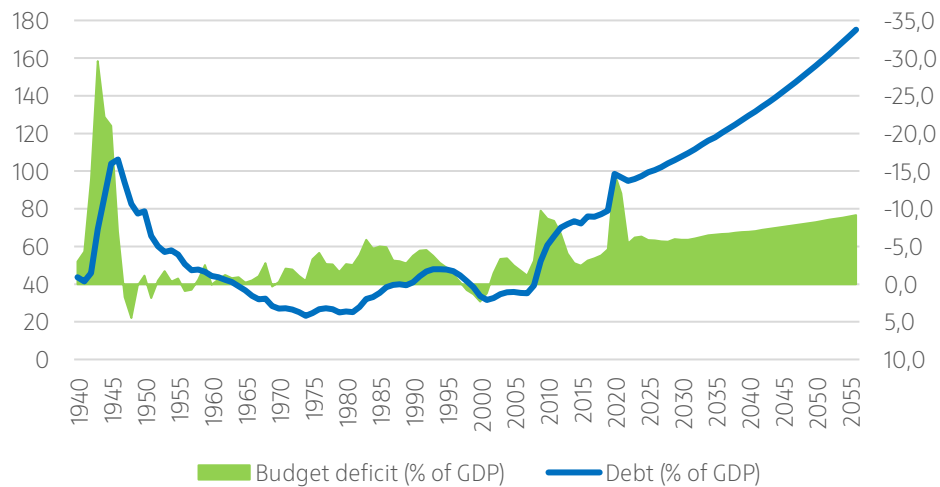


Labor market data are distorted by a number of factors, the available ones are contradictory, their assessment is far from clear

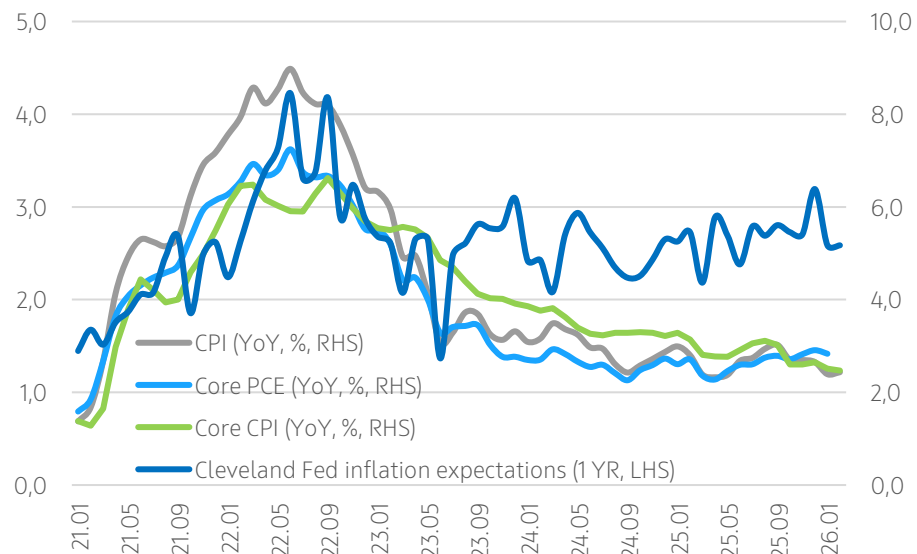
- The labour market is gradually cooling but remains historically resilient amid evolving macroeconomic dynamics.
- Labour market data are also distorted by methodological changes, extraordinary events, such as strikes and government shutdowns, and immigration policy.
- The unemployment rate stabilized at 4.4% in February 2026, showing little change since late last summer and its level is still low in historical comparison. Stable unemployment in a sharply slowing labour market makes the unemployment rate a better gauge than job creation alone.
- Both demand and supply growth lost momentum, though demand seems to be more fragile now.
- Job gains remain very low, reflecting both reduced labour supply (lower immigration and participation) and softer labour demand.
- Indicators such as job openings, layoffs, hiring, and nominal wage growth have shown little recent movement.
- The major concern is the extremely low level of job creation, which becomes near zero after adjusting for statistical overcounting. This near-zero job growth appears to be consistent with the historically low labour force growth, largely due to immigration policy.

US: high and fast-rising debt will remain a cause for concern

Budget deficit and debt (% of GDP, fact and fc)

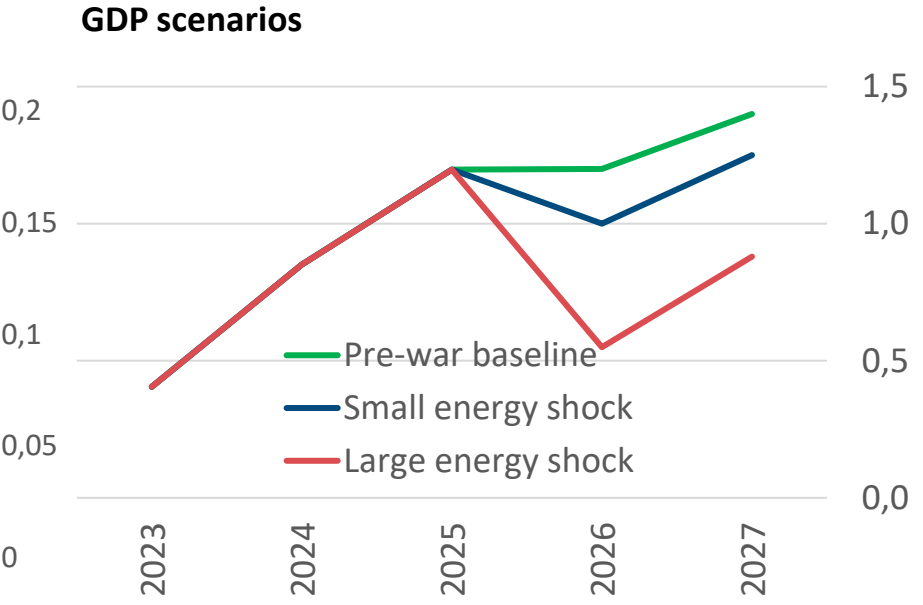
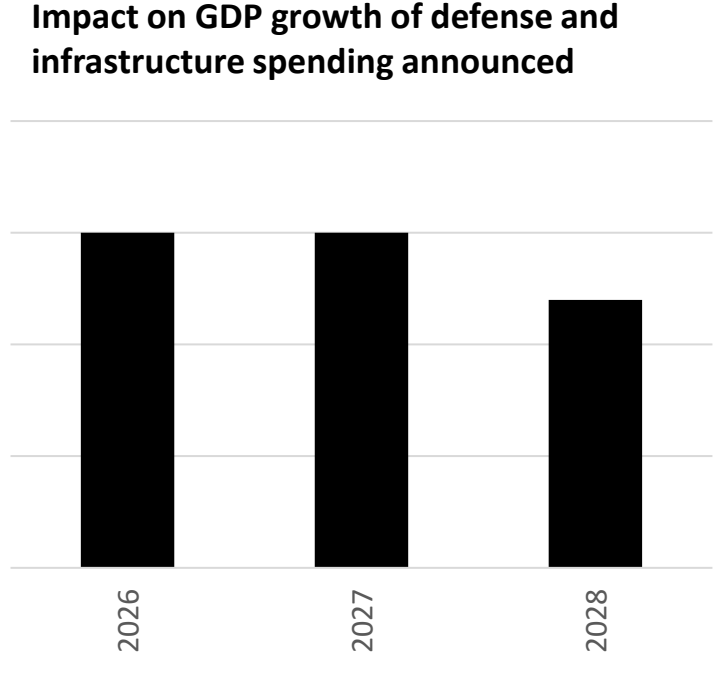
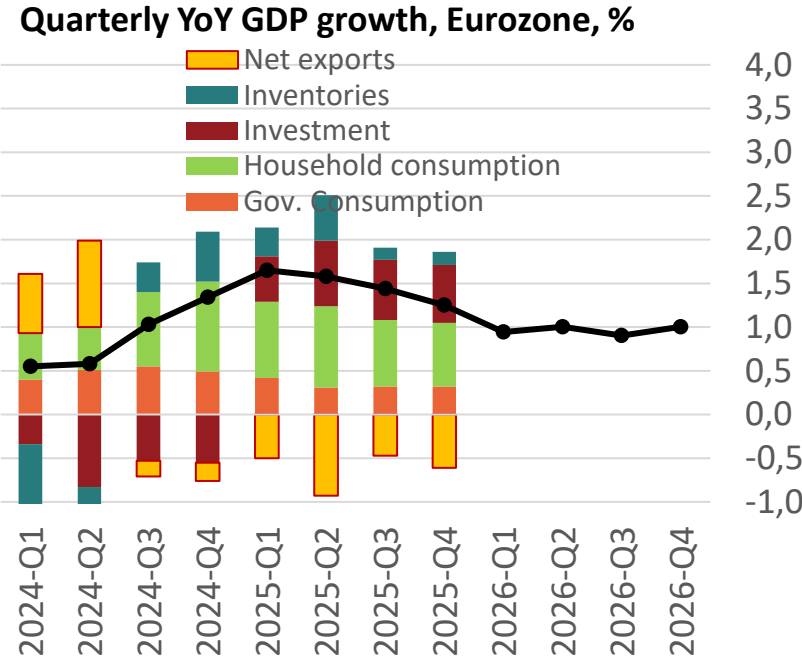


Inflation (YoY %)



- Deficits and debt are rising to historic highs.
- Interest costs are exploding, doubling to over \$2 trillion by 2036.
- Trump's low approval rating, and upcoming midterms may lead to more fiscal stimulus.
- Supreme Court tariff ruling makes over \$175 billion in US revenue subject to refunds. It is unclear whether the new tariffs will fill the gap left by the ones that were repealed.
- President Trump could ask Congress to spend as much as \$200 billion to fund the ongoing war.
- Core PCE at around 3.0%, well-above the 2% target.
- The impact of the tariffs that took effect in the middle of last year and later to pass through to goods inflation, which, according to the textbook, takes 8 to 12 months.
- Disturbing, that the labor - non-housing services inflation basically moved sideways for a year, when it could come down, as the labor market is clearly not a source of inflationary pressures.
- President Trump has nominated Fed veteran Kevin Warsh to replace Jerome Powell as chair; while Warsh supports lower interest rates, he may find himself between a rock and a hard place. Now, the market priced out interest rate cut for 2026, and expectations of a rate hike began to build up.
- A sustained rise in oil prices would significantly increase U.S. inflation, potentially adding around 0.6% points to headline PCE, if energy-driven price increases persist beyond the initial shock.

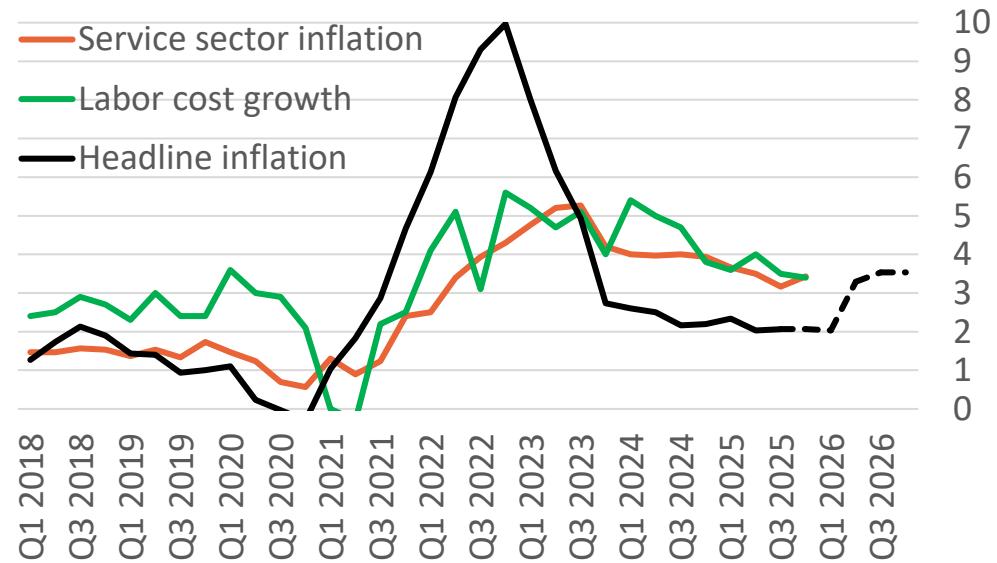
Eurozone: the Iran war could trigger weaker growth, but not recession



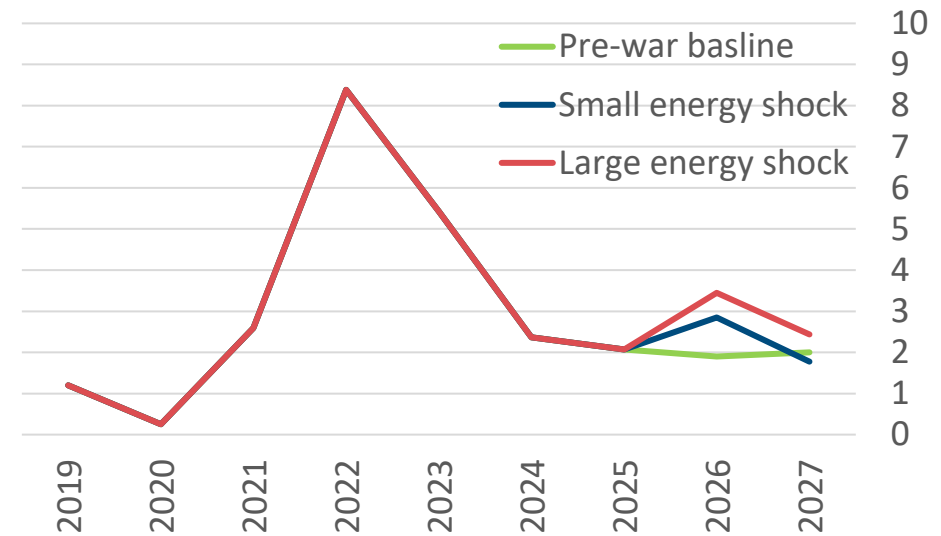
- **2025:** GDP growth was 1.5%, excluding volatile Ireland 1%. The Q4 growth stood at 0.8% annualized, and the growth rate hovered around 1% during the year. The slow recovery was broad-based; in addition to consumption, investment is added visibly to growth as credit flows are recovering. Labor market remained tight, real wage growth remained strong in historical comparison. Growth patterns have not changed: Mediterranean looks to be leading, industry-driven countries are laggards, although German growth gained momentum in Q4.
- **2026/27:** Given the eruption of the Iran war and the corresponding damage to the energy infrastructural plus problems with shipping through the Strait of Hormuz, we can only think of scenarios. In the new baseline (small energy shock) – assuming oil prices do not remain persistently above 100 dollars, and TTF prices above 51 EUR – the war would have only a moderate, cca. 0.2-0.3 ppts impact on growth in the euro area, meaning we do not expect a repeat of the 2022 crisis. This is also because the Strait of Hormuz is less relevant from the perspective of the gas market. Oil, however, may pose more challenges, given that roughly 20% of global oil consumption passes through the strait, of which about 13% would be at risk even under normal circumstances—and potentially an even larger share considering the Iranian attacks. A sustained rise in oil prices toward 150 dollars could (large energy shock), push the euro area close to stagnation, although a recession might still be avoided (according to currently available models). This conclusion also rests on the fact that the euro area managed to achieve 0.4% growth in 2023 even when gas prices stood above 100 euros.

Eurozone: inflation may approach or exceed 3% in the coming months

Inflation and wages (YoY; %)

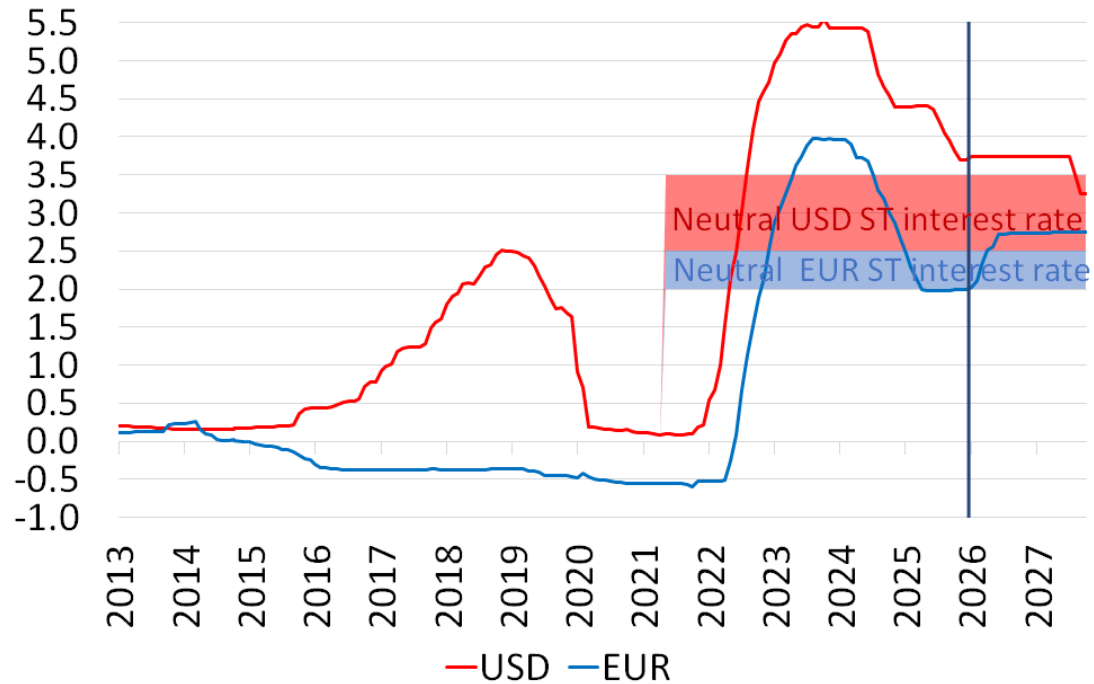


Inflation scenarios



- Inflation has been around the 2% target since mid-2024. However, the core rate remained somewhat above 2% (Feb: 2.4%), and service sector inflation is still close to 3.5%. This is partly due the slowing, although – in historical comparison- wage growth is still elevated (3-4%).
- Inflation is set to increase in both scenarios (mentioned before): in the 'small energy shock' scenario, it may reach around 3%, while in the more severe case it could exceed 4% in the second half of the year. While an ECB rate hike would likely be avoided under the more favorable scenario, a severe energy-price shock—drawing on the lessons of the 2021–22 inflation wave—could prompt the ECB to tighten policy.
- **Risks** are more tilted to the upside, given that the calculations do not assume significant second round effects.

Priced USD and EUR base rate trajectories (%)



Our assessment on medium-term bond market outlook:

- Positive real interest rates are required to reduce inflation to their targets in a fragmented world, with tariffs, high deficit, and tight labour markets. We expect short-term rates to fluctuate around 2-2.5% in the eurozone and around 3% in the USA in the long run. Term premiums on long-dated yields should also remain positive due to high financing requirement. We expect 10-year term premium to reach 100-150 bps.

- The willingness to make fiscal policy sustainable is low and the temptation is strong to restrict central bank commitment for low inflation and to impose measures of financial repression.

Short-term outlook: the Fed might keep rates on hold for a while, while ECB could deliver hikes

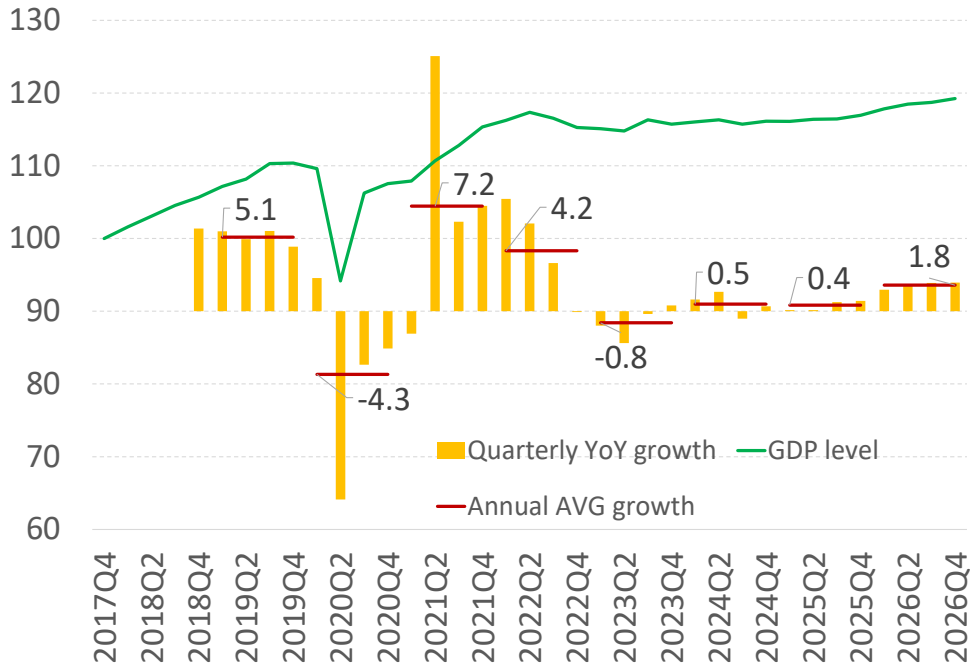
- The Fed Board of Governors started rate cuts in September and delivered three 25-bp cuts and pushed down the target band of the key rate from 4.25-4.5% to 3.5-3.75%. Since than rate cutting expenditures faded, now the market expects rates to be on hold this year. The new FED chair could be a risk.

- In the Eurozone the interest rate outlook has been under some pressure even before the war in Iran, as after the positive surprise in January, inflation figures, especially service inflation caused a major disappointment in February, so the current base rate could be labelled as too low, even before the energy price shock. This, combined with the tight labor markets could force the ECB to hike rates, even if the three hikes priced might be too much.

- Regarding the long end of the yield curves we think that in the current environment the curve is really flat, term premium is too low compared to risks. Therefore we suggest a cautious, below-neutral positioning both for longer USD and EUR bonds.

HU: A temporary rise in energy prices reduce 2026 GDP growth to 1.8%

GDP trajectory



Investments and exports weighed on growth in 2025: 0.4% GDP growth

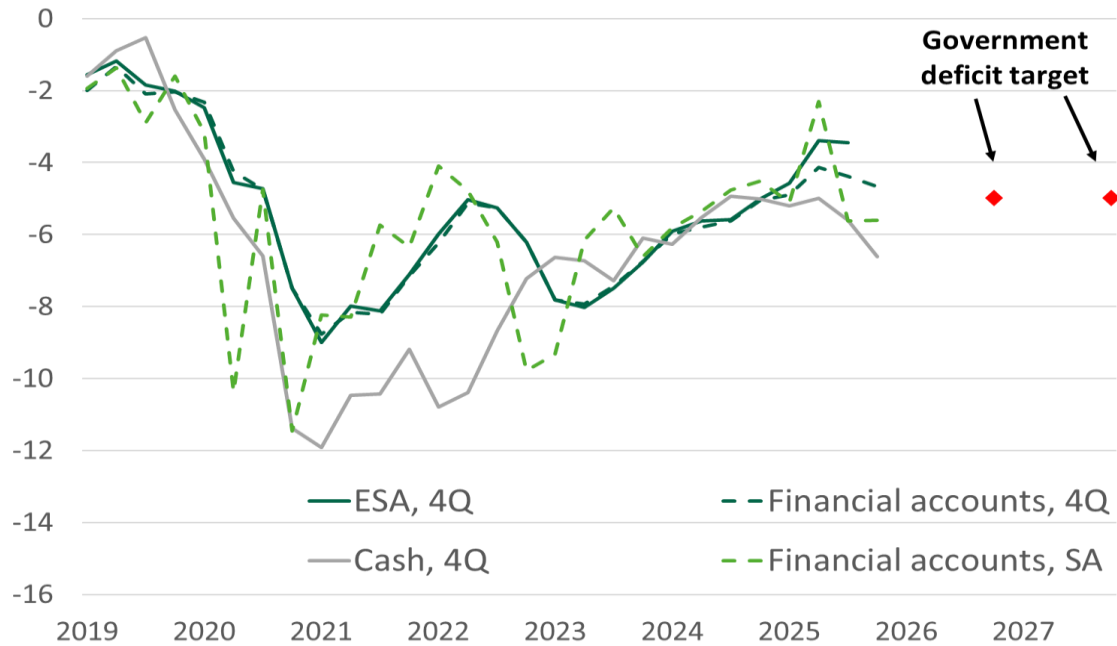
- Consumption was the only driver of growth in 2025, just like in 2024, but its growth rate decelerated from 6% to 2.9% in line with the declining employment and decelerating real wage growth
- Investments have been declining for the fourth consecutive year as fiscal tightening and the freeze of EU funds are drag on public investments, while weak outlook and the excess capacities built up in previous years make the private sector cautious. However, in the second half of 2025, the decline in investment came to a halt on a QoQ basis, which could be an early indication that investment may begin to grow again in 2026.
- Exports are declining due to weak growth in Europe, fragile demand for industrial goods and cars, and the strong competition from China.

2026: the Iran war drags GDP growth below 2% this year

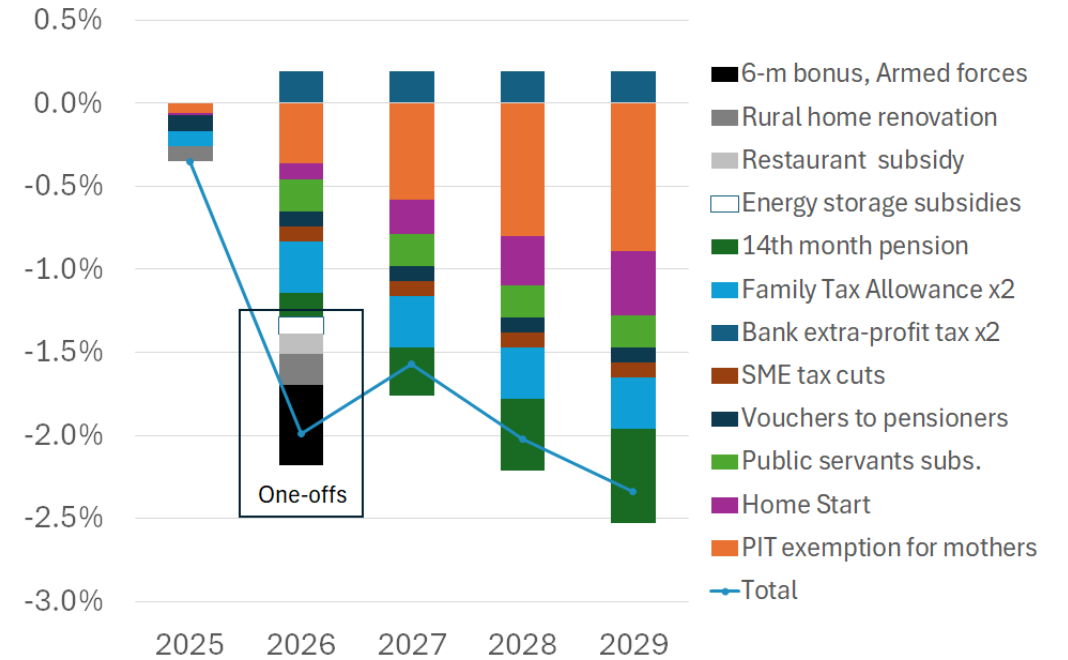
- Consumption will continue to grow by ~4.5% because of significant fiscal support and renewed acceleration of real wage growth (~7%).
- Investments: public and residential investment will rise and we expect bottoming out also in private non-residential investments. We could already see the first signs of this in the second half of 2025.
- Export is expected to pick up moderately because of new export capacities, German fiscal stimulus and the easing of uncertainty caused by the trade war.
- In the context of the war in Iran, we expect only a temporary and manageable increase in energy prices—with oil prices averaging around \$95 per barrel and gas prices around €55 per month. This translates into a net increase in the country's energy expenditure of approximately 0.8% of GDP, which could have a GDP growth impact of less than 0.5%. This could slightly reduce our current baseline forecast just below 2%. In case of further escalation that would drive energy prices higher for longer, than stagflation could return.
- However, growth in 2026 will be temporary, and after the fading of many election-related stimulus measures, growth will slow down again in 2027. The rising deficit will have to be adjusted again, which may further worsen growth prospects.

The deficit is expected to meet the governments 5% target in 2026

Indicators of budget balance (% of GDP)



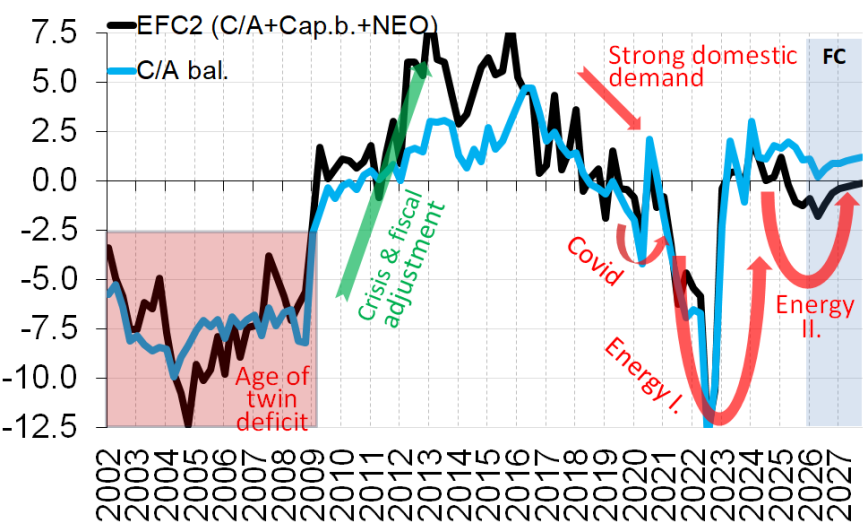
Mid-term fiscal effects of recently announced measures (in % of GDP)



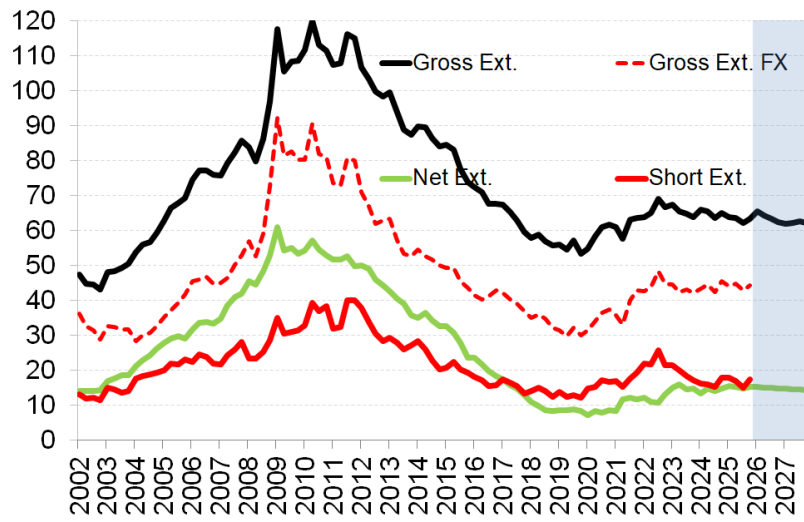
- 2020-2023: high deficit of 6-8% of GDP, driven by Covid and election measures.
- 2024: the deficit fell to 5% of GDP, driven by an adjustment, based on tax hikes and cuts in public investment.
- 2025: 4.7% of GDP, tightening at the beginning and spending at the end of the year. Without the latter the deficit would be just above 4%.
- 2026: target of 5%, which is within reach with the already announced measures (as interest expenditures will decrease), but assumes tight control of current expenditures. Risk are tilted to the upside (e.g. a HUF 100 bn energy storage subsidy was already announced after setting the 5% target).
- There were no further fiscal announcement in Q1 with a significant budgetary effect.
- Between 2026 and 2029, the no-policy-change deficit would increase only modestly, because expenditure-increasing measures are mostly offset by the expiry of one-off items.

Despite a slight deterioration, the external position is sustainable

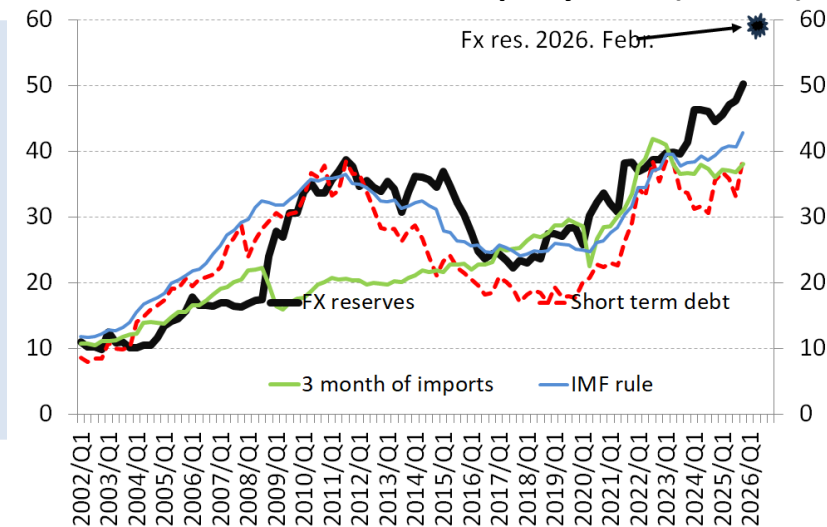
Indicators of external imbalances (% of GDP)



External debt (% of GDP)



FX reserves and reserve adequacy rules (EUR bn)

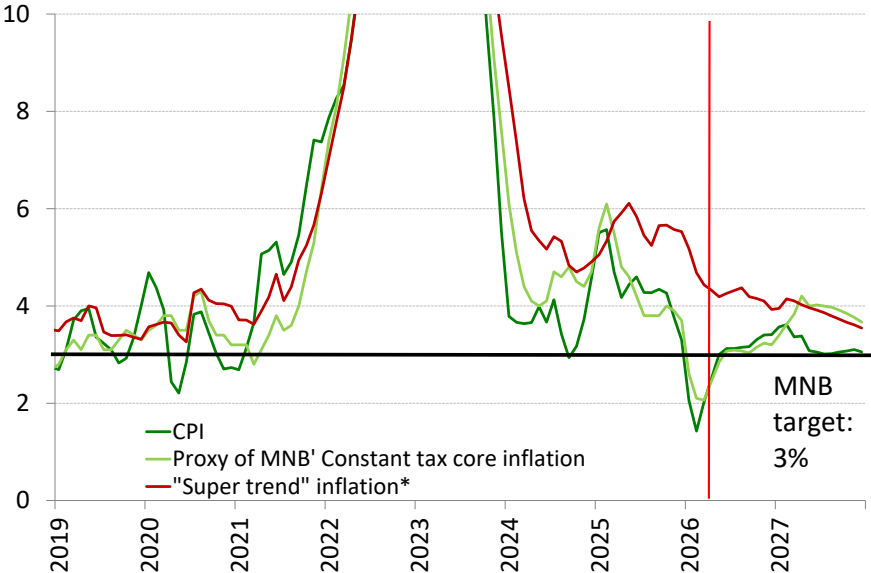


Hungary's external position deteriorated slightly in H2 2025, as the C/A surplus moderated, shifting from a surplus of 2% of GDP to 1% in 2026. However, energy prices could result in a balanced position or in a slight deficit, depending on the scale and duration of the price shock. FX reserves are high enough to provide a comfortable room for manoeuvre to the central bank

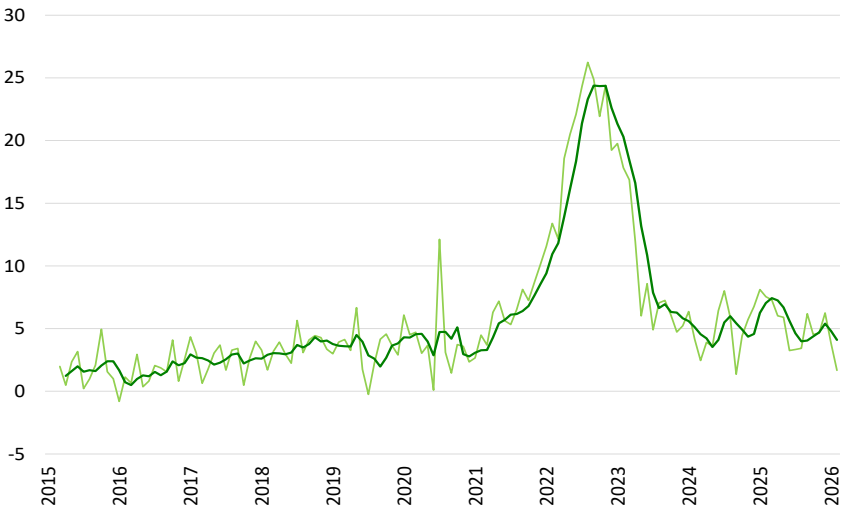
- The current account surplus moderated from around 2% of GDP to 1.6% in 2025 and to 1.1% in Q4 as exports remained under pressure and machinery imports rose. As EU fund inflow was subdued (0.5% of GDP) and the NEO remained deeply negative (-2.5%) the net financing capacity (with NEO) turned modestly negative (-0.5/-1% of GDP).
- With modestly positive FDI and outflows in portfolio equities, the economy accumulated external debt in net terms in both Q4 and in 2025 (1.6% of GDP). External debt ratios followed stagnating or slightly declining trends, gross external debt remained below 65% of GDP, in line with the regional average.
- Foreign exchange reserves rose very fast, to EUR 60 bn, exceeding the adequate level by EUR 15-20 bn.
- Looking ahead, higher energy prices will be a drag again on the external position. In our baseline, we expect the C/A balance to remain above zero (0.7% of GDP), but the net external financing capacity will remain negative. Hungary's external debt indicators could stagnate, looking ahead. Risks are tilted to the downside, due to the uncertainty around the duration and the scale of the new energy price shock. Should oil and gas prices remain at current levels, the C/A balance could reach a deficit this year and next. Nevertheless, FX reserves reached a really high levels by now, so the MNB's room for manoeuvre to mitigate the effects of external shocks on the exchange rate has increased significantly.
- This level of surplus suggests that the fair value of the HUF could be around 370-375; however, the energy price shock could push it to around 385-390, temporarily.

In our baseline, the impact of rising energy prices will remain limited

OTP inflation forecasts



Annualized MoM change of „super“ trend inflation* (%)



*goods and market services w/o backward-looking pricing items
Sources: Bloomberg, OTP Research

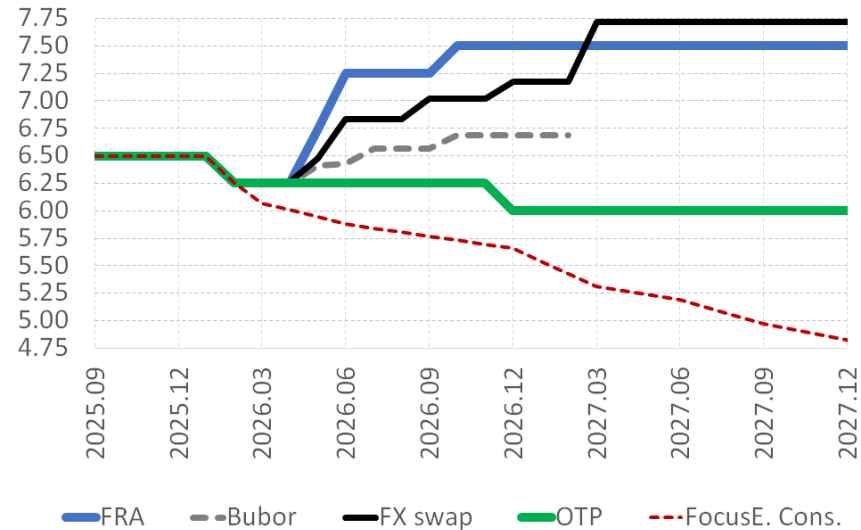
- **2025 Q1:** inflation rose to 6%, due to strong demand, unanchored expectations, and active corporate repricing to pass through the weak HUF, tax hikes, as well as rising agro-commodity and natural gas prices
- **2025 Q2-Q3:** inflation moderated to around 4.5%. The government implemented administrative measures (margin caps, 'voluntary' price cuts of medicines and services), with an effect of 1.5 pts. The reappreciation of the HUF has already kicked in, too: goods inflation moderated.
- **2025 Q4:** Inflation has returned into the MNB's 3% +/-1% target band, mainly due to the declining food and fuel inflation. However, the improvement in underlying inflation indicators seen during the summer came to a halt in the autumn.
- **Early 2026:** In February, inflation fell to 1.4% and we also saw a significant improvement in our so-called "super" trend indicator, which we consider the best measure of long-term inflation trends. This suggests that the risks linked to the 11% minimum wage hike and ongoing consumption-targeting fiscal measures did not materialize in the price settings at the beginning of the year.

Outlook: Inflation would have begun to rise in March even without the increase in energy prices, still it could have remained below 3% on average in 2026.

- A temporary rise in energy prices will have only a limited impact on inflation. This is because the direct transmission channels—fuel prices, residential energy prices—are regulated by the authorities; consequently, inflationary effects will materialize more slowly and indirectly through a weaker exchange rate and rising corporate energy costs. These factors could raise inflation by 0.3% this year; however, thanks to favourable data at the beginning of the year, inflation could still hover around 3%. In case of a huge and prolonged shock, risks to inflation are much higher and in this case inflation could leave the target band in H2 2026.
- **Risk:** The impact of rising energy prices on inflation is not linear. If the duration and/or magnitude of these price increases significantly exceeds the assumptions in the baseline scenario, then the prices "capped" by the government will not be sustainable, which will drastically increase the impact on inflation. Furthermore, companies' ability to "absorb" the shock through temporary profit declines is limited, so beyond a certain point, they may pass on the full increase in energy prices.

In 2026, credible rate-cut conditions could appear, we expect two 25 bp cuts

Effective rate evolution (OTP forecast and pricing)



Market volatility rose to extreme levels; however, we think that the priced in hikes of 125 bps is simply too much

Pre-Iran events:

Due to the stable appreciation of the HUF and low inflation in Q4 2025 and early 2026, the first 25 bps rate cut to 6.25% was delivered in February after holding the base rate at 6.5% for 17 months. Rate cut expectations have strengthened, the market expected the base rate to be cut to 5.5%.

Consequences of the war:

- The HUF depreciated quickly, rate cut expectations evaporated and the market started to price in rate hikes, now the curve is consistent with a year-end base rate of 7.5-7.75% (+125-150 bps).
- The bond market rally of the December-February period was reversed and yields exploded, at the peak they got close to 8%, nearly 150 bps above their bottom in February.
- The MNB left interest rates on hold in March and maintained cautious and data-driven approach.

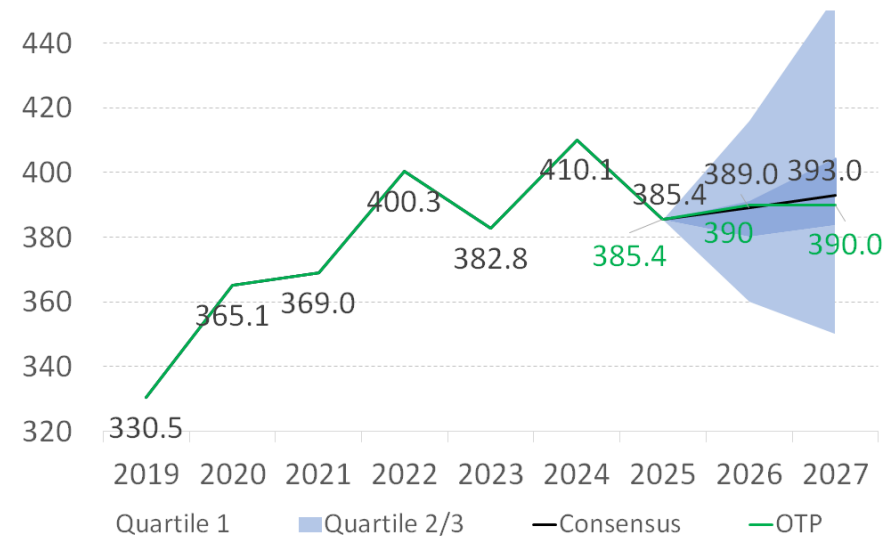
Money and bond market outlook

- The outlook will be shaped by the war in Iran and the post-election economic policy in Hungary. We think that a mild oil price scenario is more likely, therefore a 125-bp front-loaded rate hike cycle is a less probable outcome. In addition, we think that after the elections, economic policies will shift to a more market friendly approach. Therefore, we think that the long end of the yield curve around 7.5% looks to be attractive and we recommend it to be overweighted.

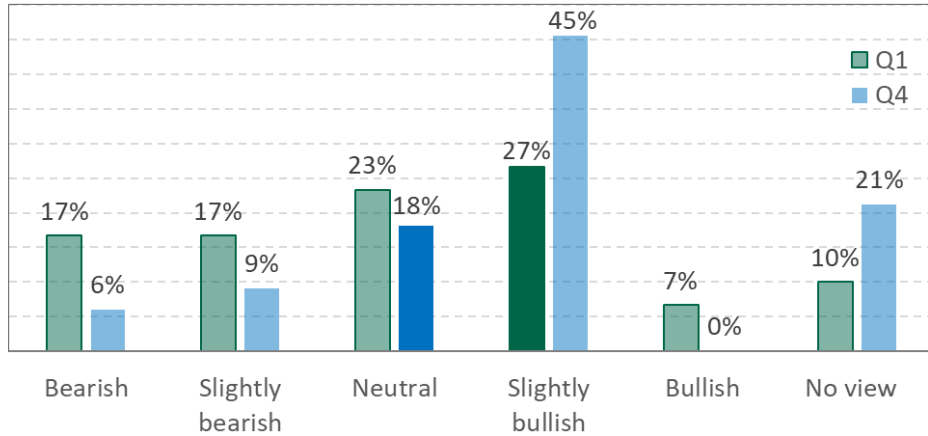
EUR/HUF: We do not expect further appreciation

- Until February, the HUF appreciated solidly, sending the EUR/HUF to around 375. After the war against Iran broke out, the HUF quickly reversed its recent gains against the EUR and returned to 390.
- At this level, the EUR/HUF looks to be fairly priced, considering the current set of energy prices and could be attractive in a case of an energy price correction. The 6.25% base rate could provide some shelter, just like FX reserves, which exceed the adequate levels by a wide margin.
- All in all, we think that holding HUF long positions remains to be attractive as we do not expect further depreciation and the interest rate differential is significant.

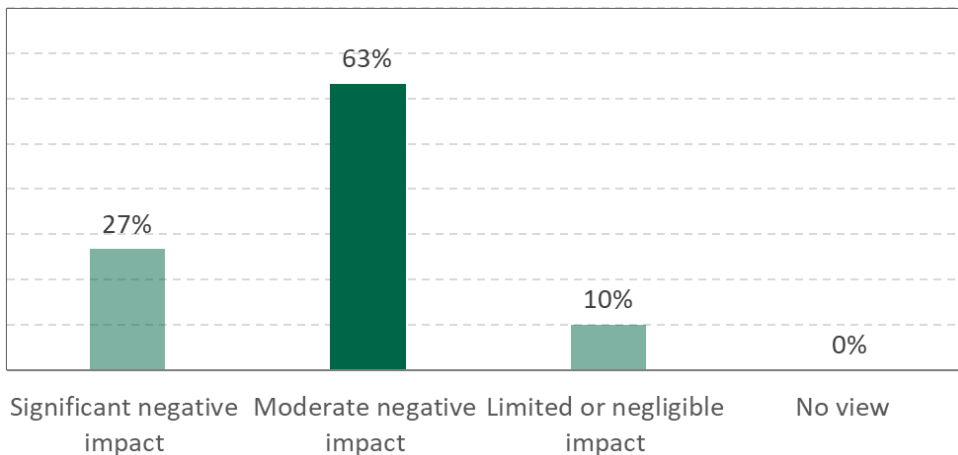
EUR/HUF expectations (EOP figures)



What is your view on CETOP Index in the next 3 months?



How do you expect the Iran-US-Israel conflict to impact the CEE economic outlook over the next 12 months?



- Over 30 senior financial professionals, active in CEE markets and managing more than EUR 6.5 billion in assets under direct control, participated in our survey, which was closed by 20th of March. Here, we highlight the most notable insights. [Access the full report here.](#)
- Investor positioning turns meaningfully more cautious across asset classes. Risk appetite has dropped sharply: the share of investors taking above-benchmark risk fell from 33% to 20%, while low-risk allocations doubled to 30%, pointing to a clear shift toward capital preservation amid geopolitical escalation.
- CEE equity sentiment cools with BUX and CETOP both face a regional risk repricing. BUX optimism collapsed (bullish: 42% → 23%), while CETOP also re-rated lower as its prior valuation discount normalized back to pre-war levels. Rising geopolitical uncertainty – including declining expectations for a near-term Russia-Ukraine peace – is driving a more measured regional outlook.
- FX visibility collapses, while HUF becomes both top potential outperformer and underperformer. EUR/HUF's return to 390-395 and higher oil-driven vulnerability increased dispersion dramatically. HUF and PLN are now tied as expected outperformers (both 30%), but HUF is simultaneously viewed as the most likely underperformer – signaling exceptionally high uncertainty and volatility expectations.
- The survey indicates a decisive shift in investor sentiment along the Hungarian government bond yield curve. Respondents identified the ultra-long end (10+ years) as the least attractive segment of the curve. Market pricing has pushed ultra-long benchmark bonds to levels where their yields have essentially converged with shorter maturities, which now offers limited relative value. The 7-10-year segment offers better risk-adjusted upside, remaining the most attractive part of the curve based on the survey, even though its share declined from 33% to 20%.



Equities

For the time being, the correction has not been sufficient to offset the risks associated with a potential negative outcome of the war (higher for longer energy prices), as equities are expensive, and the profit cycle is in its late stages.



Overweight



Bonds

Upward inflation risks have intensified, and expectations of interest rate cuts by the Fed and the ECB have been priced out. The likelihood of a stagflation-like outcome has increased, in which cash-like assets should be favoured vs. long bonds.



Neutral



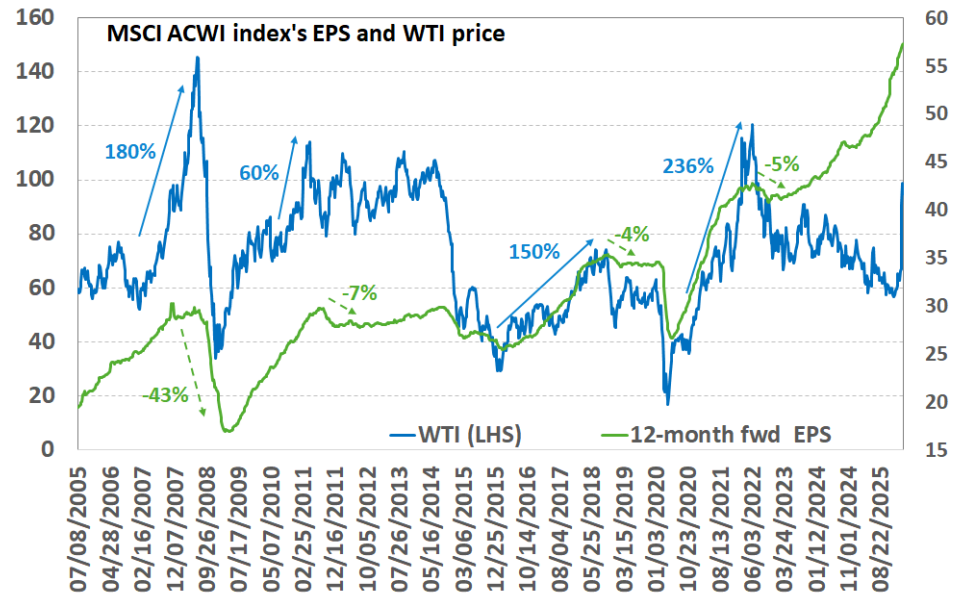
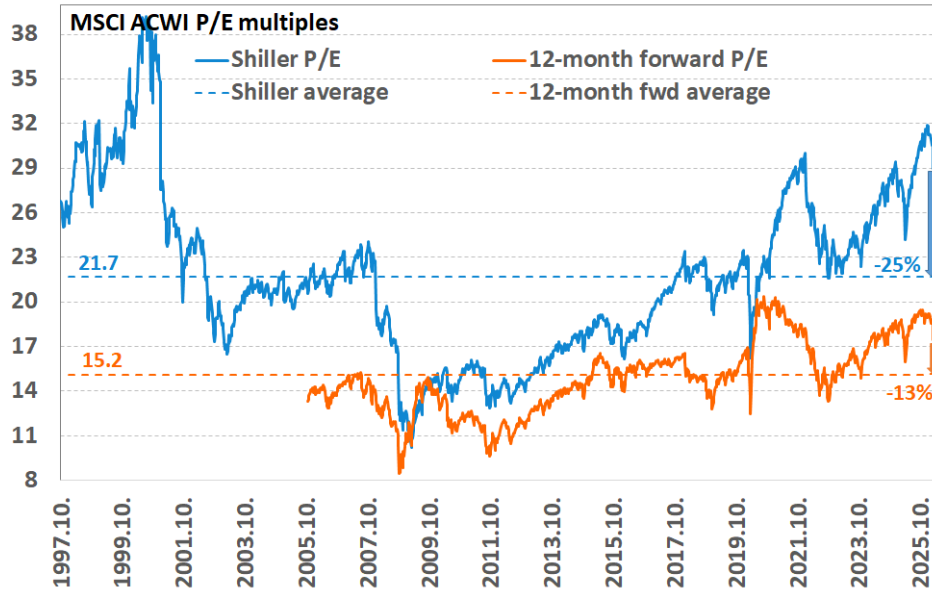
Commodities

We maintain our neutral view, as the long-term outlook depends largely on the duration of the war in the Middle East and the extent of the damage it causes, the upside and downside risks offset each other.



Underweight

Equities: the correction is underway, but still not enough deep



- The global stock market index (MSCI ACWI) closed the first quarter at levels seen at the end of last year; due to the war in Iran, we are currently seeing a 5% correction from its peak. With this, the market is already pricing in a small portion of the negative effects stemming from rising energy prices, but nowhere near as much as the prolonged duration of the situation could cause in a worst-case scenario. For this reason, we would continue to maintain a neutral equity position.
- The longer the war in Iran drags on, the greater the threat to the stock market. This is primarily because rising energy prices are dampening the outlook for economic growth and could bring an early end to a profit cycle that is already in its late stages. Based on data from the past 20 years, oil prices rising at a rate similar to the current one – and sustaining levels above \$100 for 3–6 months – have consistently halted the upward profit cycle, typically resulting in a subsequent decline of profits 0–10%. The slowdown in profit growth, combined with rising interest rate expectations due to inflation risks, may also limit further expansion of valuation levels significantly above the average in the coming period.
- Since Iran has so far successfully blocked shipping traffic through the Strait of Hormuz, and its attacks on neighboring countries are destabilizing the entire region and causing damage to oil and gas infrastructure, energy prices could remain elevated for months even if the situation were to be resolved relatively quickly. According to our calculations, if the situation does not appear to be resolved in the coming weeks, and/or the market consequently begins to price in energy prices remaining elevated for a couple of months, the likelihood of a mild profit recession would also increase, representing a 12–16% downside risk from the current index level. High energy prices for 4–6 months would indicate a 21% downside risk.
- Since none of the parties involved in the war has an interest in a protracted conflict, it cannot be ruled out that the parties will reach an agreement in the near future (however the chances of such an outcome has diminished), which would mean an upside potential of around 14% from current levels.



Depending on how long the war in Iran drags on and the extent of the damage caused to energy markets, a wide range of economic—and consequently stock market—scenarios could unfold in the coming period. Although the market has already corrected from its peak, the decline has not been nearly enough to offset the risks associated with negative outcomes. Given that the stock market is expensive and the profit cycle is in its late stages, we would continue to maintain a neutral stance.

Equities: the correction is underway, but still not deep enough

MSCI ACWI fair value estimates in different scenarios Current: 981

		12-month forward EPS							
		35,5	45,6	48,2	50,8	53,4	57,3	63,5	
12-month forward P/E	8,4	300	385	407	428	451	483	536	Historic low
	9,8	348	447	473	498	524	562	622	2011 low
	11,1	395	506	536	564	593	636	705	
	12,5	445	571	604	636	669	718	795	2014-20 minimum
	13,6	483	619	655	689	725	778	862	2022 minimum
	14,9	530	680	719	757	796	854	946	20 year average
	17,4	619	795	841	885	931	999	1106	Current
	20,4	724	928	982	1034	1087	1166	1292	Historic high
	23,9	851	1092	1155	1216	1279	1372	1520	Avg. upside deration
EPS g:		-30%	-10%	-5%	0%	5%	13%	25%	
when recession avg. if <0									
long avg. avg. if >0 recovery									

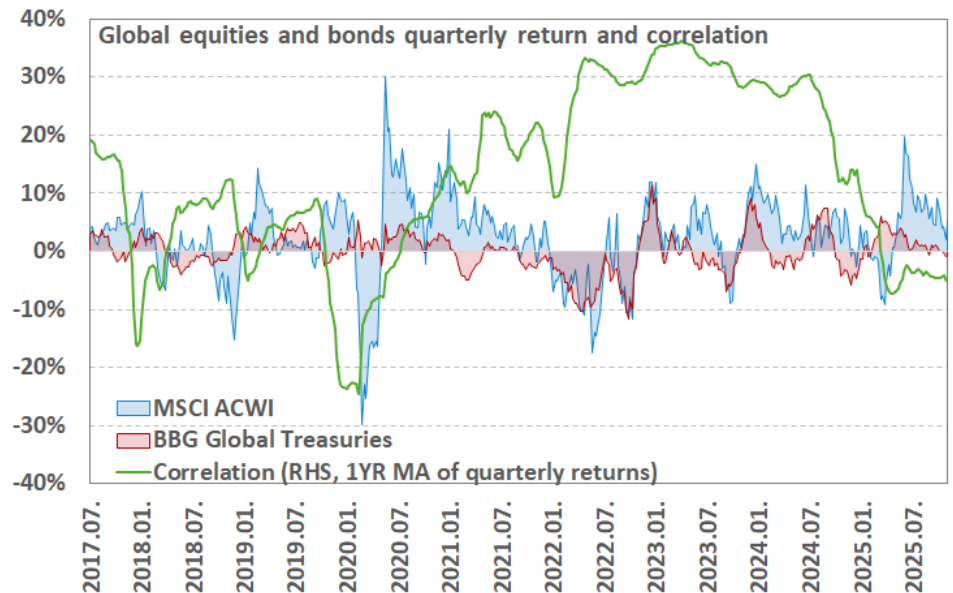
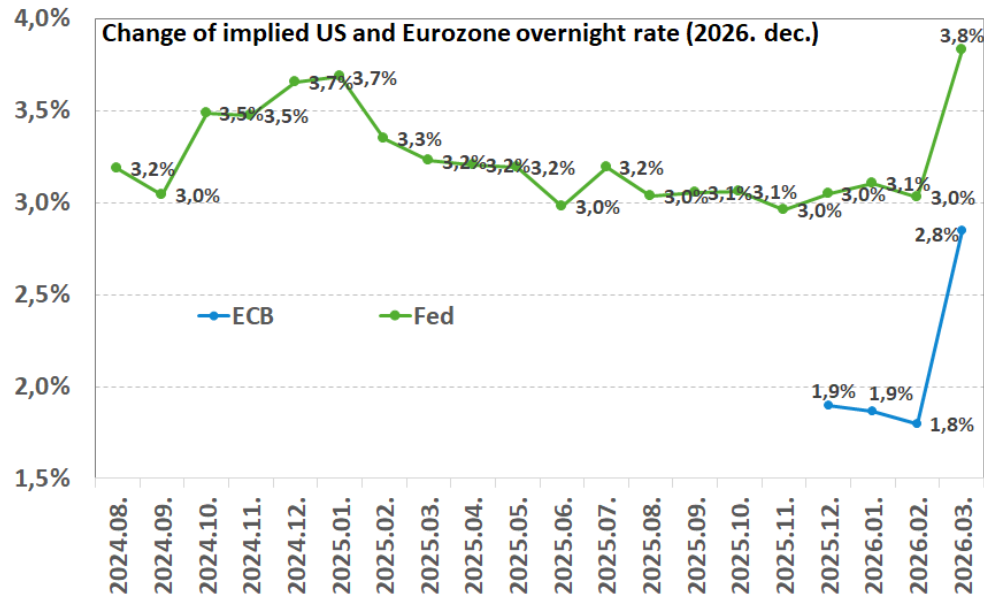
MSCI ACWI fair value estimates in different scenarios

		12-month trailing EPS							
		34,4	41,4	44,0	46,3	49,2	54,2	60,2	
12-month trailing P/E	8,4	288	347	369	388	412	454	505	Historic low
	10,9	376	453	481	506	537	593	658	2011 low
	12,4	498	600	637	670	711	785	872	Avg. downside deration
	14,5	428	515	547	576	611	674	749	2014-20 minimum
	18,6	640	771	818	862	914	1008	1120	30 year average
	20,5	706	851	903	951	1009	1113	1236	current
	22,7	782	942	1000	1053	1117	1232	1368	average +1std
	26,8	923	1112	1180	1243	1318	1454	1615	Avg. upside deration
	31,0	1065	1283	1362	1434	1522	1678	1864	Historic high
EPS g:		-30%	-12%	-5%	0%	5,8%	18%	30%	
when recession avg. if <0									
long avg. avg. if >0 recovery									

MSCI ACWI fair value scenarios with different probability weights

Scenarios (with 12-month forward EPS and P/E)	fair value	P	P	P	P	P	P
25% EPS growth with higher P/E	1406	0%	0%	0%	0%	0%	5%
5-10% EPS growth (above avg.) with current/higher P/E	1049	30%	10%	0%	0%	0%	60%
0-5% EPS growth (avg.) with current P/E	908	50%	50%	30%	15%	0%	30%
-5%-0% EPS growth with slightly lower P/E	802	15%	35%	55%	60%	60%	5%
-10% -5% EPS growth with avg. P/E	699	5%	5%	15%	25%	40%	0%
-30% EPS growth with below avg. P/E	464	0%	0%	0%	0%	0%	0%
Upside/downside risks from probability weighted fair values		-6%	-11%	-17%	-19%	-22%	3%
Scenarios (with 12-month trailing EPS and P/E)	fair value	P	P	P	P	P	P
30% EPS growth with higher P/E	1771	0%	0%	0%	0%	0%	5%
6-18% EPS growth (above avg.) with higher P/E	1280	30%	10%	0%	0%	0%	60%
0-6% EPS growth (avg.) with slightly higher P/E	1085	50%	50%	30%	15%	0%	30%
-5%-0% EPS growth with current/avg. P/E	885	15%	35%	55%	60%	60%	5%
-5% -12% EPS growth with avg/below avg. P/E	667	5%	5%	15%	25%	40%	0%
-30% EPS growth with below avg. P/E	463	0%	0%	0%	0%	0%	0%
Upside/downside risks from probability weighted fair values		11%	3%	-7%	-12%	-19%	25%
Overall upside/downside (from 50% trailing/50% forward estimates)		3%	-4%	-12%	-16%	-21%	14%

Bonds: the likelihood of a stagflation-like outcome has increased



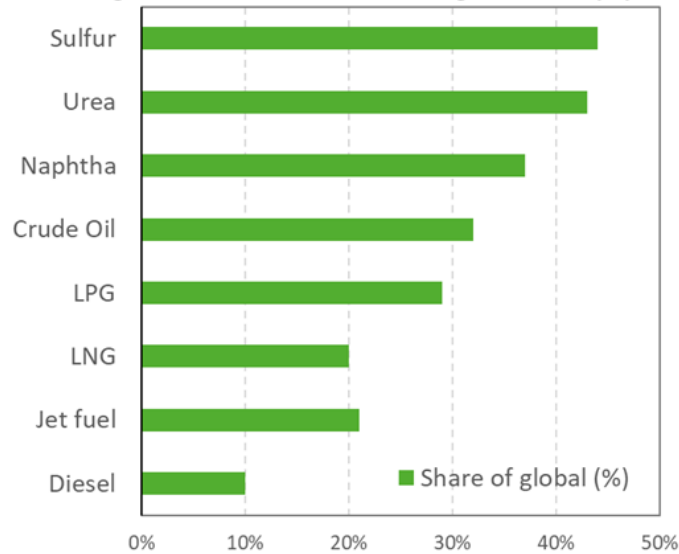
- As a result of the Iran conflict, expectations of interest rate cuts in developed markets have now been fully priced out. Given the growing likelihood that energy prices could remain elevated for an extended period, this could tie the hands of the Fed and the ECB in cutting rates due to rising inflation risks, while significant budget deficits, rising indebtedness, and increased bond issuance volumes have already had a negative impact on long bond yields. In the short term, the likelihood of a stagflation-like outcome has increased, in which long bonds cannot fulfill their diversification role; therefore, it is advisable to shift toward a more cautious stance by overweighting cash-like exposures.
- In the US, high-frequency inflation indicators were already warning of rising risks even before the war, a situation that the energy price shock can only exacerbate, while inflation has already been running above the central bank's target. Even with the arrival of a central bank chair who is more dovish than his predecessor, the likelihood that the Fed could cut rates in this environment has decreased, though the probability of a rate hike is also low due to the slowdown in the labor market.
- In the eurozone, by contrast, the central bank is primarily focused on inflation data. Service inflation already delivered an unpleasant surprise in February, and the continent is much more sensitive to rising energy prices, which will only worsen the situation. Even before the conflict, accelerating economic growth clearly posed an upside risk to long-term yields, which rose to new local highs in EU core countries – levels not seen in over a decade. Risks pointing toward a rise in European long-term yields are greater than in the U.S. Moreover, persistently high energy prices are pushing the short-end real interest rate spread toward a narrowing, which could strengthen the dollar against the euro.
- Corporate bond spreads, which had narrowed to decade-low levels in recent months, have already begun to rise and are typically hovering near one-year local highs. These levels still do not adequately reflect the risks posed by the growth-dampening effects of high energy prices and the rise in non-performing loans already underway in the private credit markets.



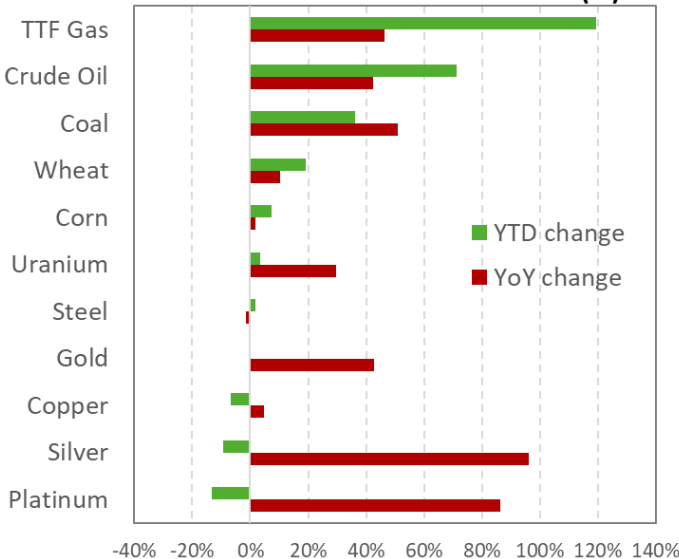
As upside inflation risks have intensified, this could tie the hands of the Fed and the ECB when it comes to cutting interest rates in the coming quarters. In the short term, the likelihood of a stagflation-like outcome has increased, so it is advisable to shift toward a more cautious stance by overweighting cash-like exposures over longer-term bonds.

Commodities: significant shifts due to Iran war

Share of global seaborne trade through Hormuz (%)



Performance of select commodities YTD & YoY (%)



- Last year and in early 2026, industrial and precious metals continued to dominate the broader commodities market, while energy-related and agricultural products performed relatively weak. However, the war in Iran brought about a significant shift, as it effectively halted shipping traffic through the Strait of Hormuz, which is a critically important hub for the global trade of oil, natural gas, and other related products. The disruption of the energy supply chain has already caused significant price increases in the relevant market segments, while the potential ripple effects should also not be underestimated.
- There are numerous possible scenarios regarding the timeline and outcome of the war in Iran, and the outlook for commodity markets and economic consequences vary accordingly. A protracted conflict with more significant damage to oil and gas infrastructure in the Middle East, would essentially mean much higher oil and gas prices, as well as higher costs for fertilizers, electricity, fuel, and various chemical products (e.g., sulfur, naphtha). Similarly, the war could drive up the price of coal, biofuels, and, over time, agricultural goods and numerous other products and services. However, once prices reach a certain level, they can undermine demand and trigger an economic slowdown, with commodity price normalization. The situation is complicated by the fact that governments may respond to these developments with subsidies, restrictions, fiscal stimulus, or other measures that could distort market dynamics.
- On the other hand, it is of course still possible that the parties will manage to resolve the conflict in a relatively peaceful manner without causing even more serious economic damage or disruptions to the supply chain, in which case the economy-damaging impact could be more limited. In this case, the price of oil, gas and related products would fall, but it is quite possible that prices will remain higher than pre-war levels, as it takes time to fully restore supply chains. As a longer-term effect, the most affected countries may rethink their energy mix and procurement routes, which would be beneficial for nuclear energy, renewables, and coal production, among others.
- The outlook for metals is mixed, as some supply chains are disrupted here as well (e.g., aluminum), but rising energy prices and a potential economic slowdown are weighing on demand. From the miners' perspective, the war is largely negative, as it could drive up production costs (fuel, electricity, explosives, etc.), with significant uncertainty on the demand side.



Overall, we maintain our neutral view on commodities, as the longer-term outlook depends largely on the duration of the war in the Middle East and the extent of the damage it causes, which is difficult to assess for the time being. In a worst-case scenario, energy prices could rise further, but a de-escalation and/or demand destruction would lead to price falls from current levels. The upside and downside risks offset each other.



US

As a net energy exporter, the economy is less affected by high prices. Valuations have decreased, and earnings growth remained strong, so it may outperform in the short term, but its high valuation poses a risk should long-term yields start to rise.



Europe

The situation in Iran is not as critical for Europe as the Russia-Ukraine conflict was in 2022, but it is having a more severe impact on growth and inflation than in the US. Profit growth may remain relatively weak, low valuations do not fully compensate for it.



Emerging Markets

The strengthening dollar, rising interest rate expectations, and growth risks posed by rising energy prices, could put an end to emerging markets' recent outperformance. However, strong earnings momentum has improved valuations, providing some cushion.



CEE

Undervaluation has subsided significantly, and risks are also emerging in the profit growth outlook due to rising energy prices, potential price caps, and special taxes, while the prospects for a Russian-Ukrainian peace agreement also appear hard to reach.



Overweight



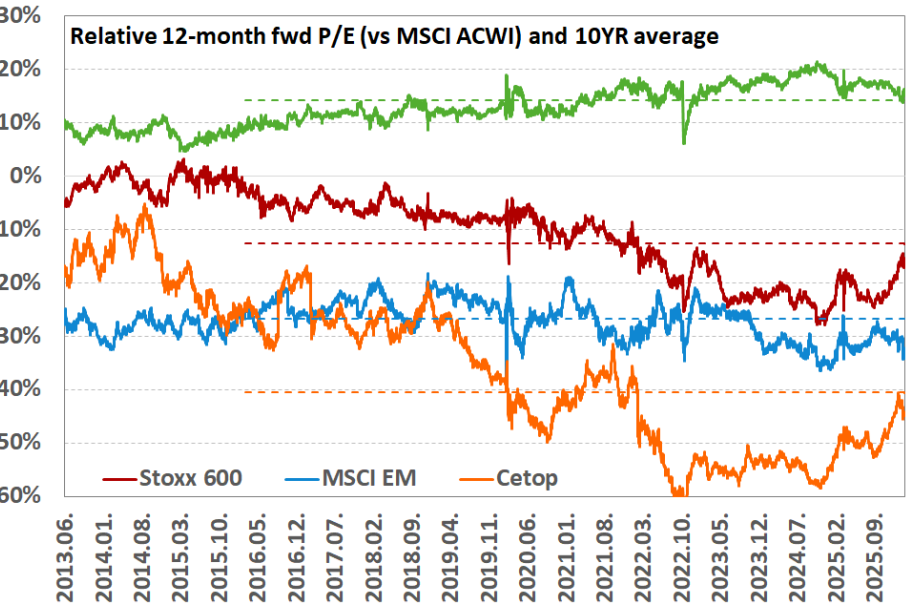
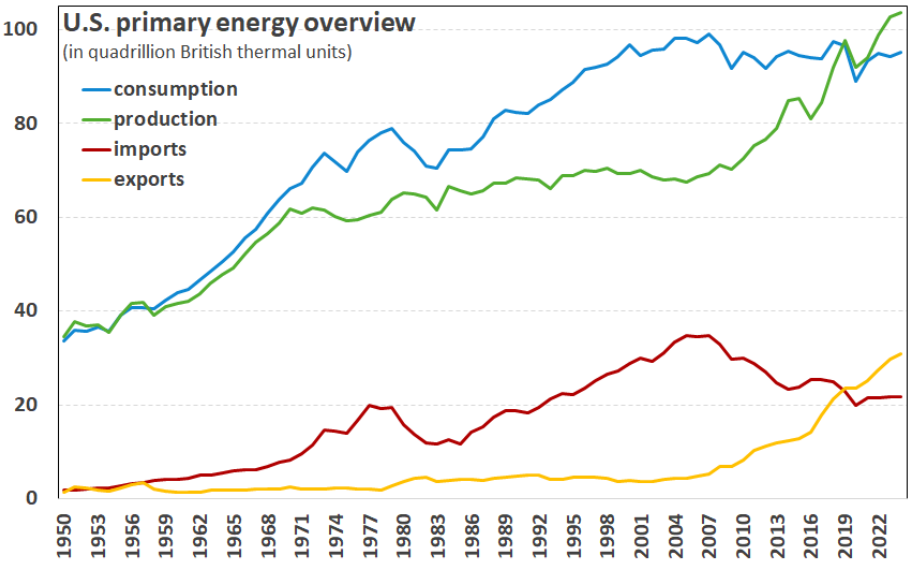
Neutral



Underweight



US: could be one of the relative winners of high energy prices

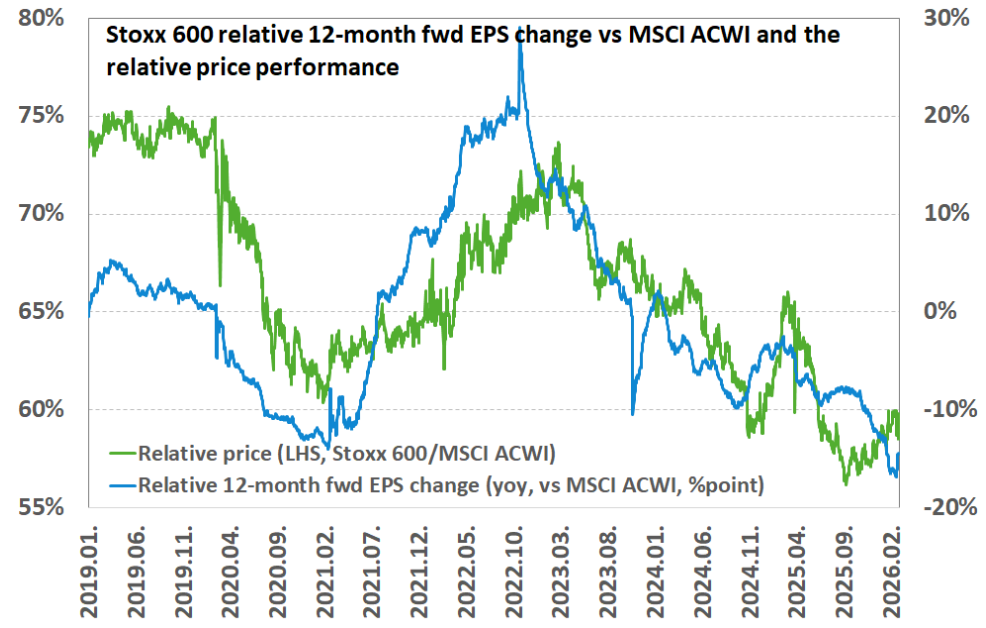
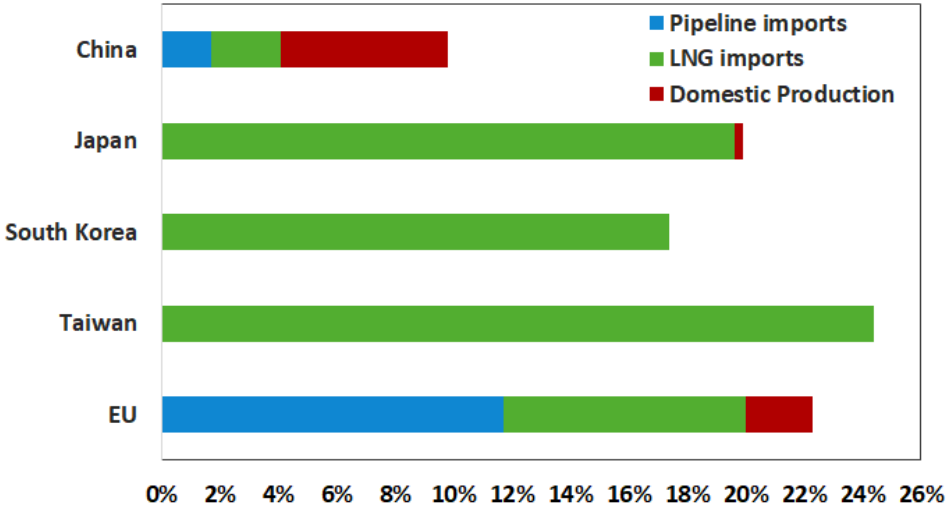


- In recent years, the U.S. has become a net energy exporter, meaning that a closure of the Strait of Hormuz and damage to oil and gas infrastructure in the Middle East would not cause meaningful threat. However, price increases will certainly ripple through here as well, but the risks of dampening growth and driving up inflation are far more moderate than what net energy-importing regions (such as Europe or Asia) are experiencing. Since the war has been ongoing for weeks and a resolution to the situation remains uncertain, this could lead to persistently high energy prices (potentially lasting several months), a period in which the U.S. stock market could emerge as a relative winner.
- In such cases, corporate profit growth – which has consistently outperformed expectations in recent years – could once again take the lead regionally. This is primarily because profit expectations in the rest of the world may decline more significantly, while for the U.S., the greater weight to sectors less exposed to the energy crisis – such as technology – could also help, as could the stock market's higher margin-generating capacity and better quality assessment. The reversal of the ex-US trade that has dominated since the start of the year may also be supported by the somewhat lower valuations (forward P/E from 23 to 20, Shiller P/E from 39 to 34), which brought back the relative P/E ratios (vs. ACWI) to the ten-year average.
- In the current environment, however, it would be difficult to recommend a significant shift toward the U.S. stock market. The reason is that while the U.S. may be a relative winner, there are internal developments that can be identified as risks. Rising energy prices could worsen the growth outlook precisely at a time when the labor market is deteriorating and defaults and capital outflows are increasing in the private credit market. Moreover, upward risks in inflation have already been evident, and the current situation could only exacerbate them, potentially tying the Fed's hands – even under a new, more dovish chair – regarding interest rate cuts. A potential rise in long-term bond yields could also inflict visible damage on the U.S. stock market, as valuation levels remain historically high, and the overweighting of growth sectors would backfire in such a situation (as it did in 2022).
- Precisely for these reasons, we would also strengthen the defensive nature of our U.S. holdings (utilities/renewables, healthcare) and as a result, we are removing the more cyclical and higher-beta copper/uranium mining segment from our list of favorites. For now, we would stick with semiconductors and cybersecurity as longer-term, AI-driven themes, but risks have increased here as well (in semiconductors, the helium shortage could cause serious headaches if the Strait of Hormuz remains closed for longer).



Europe: the spike in energy prices comes at a bad time

Share of natural gas in total energy supply (%)

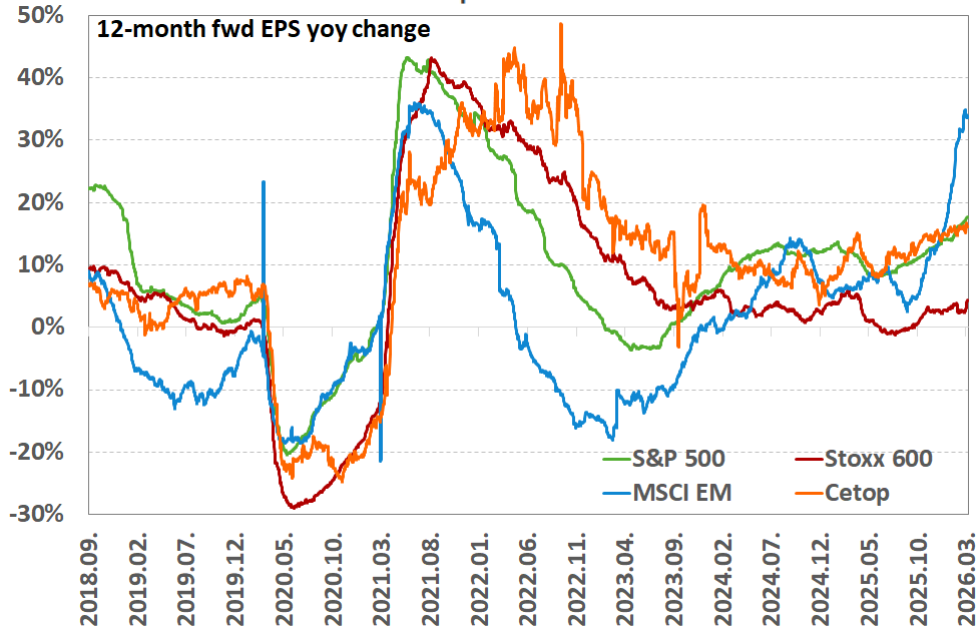
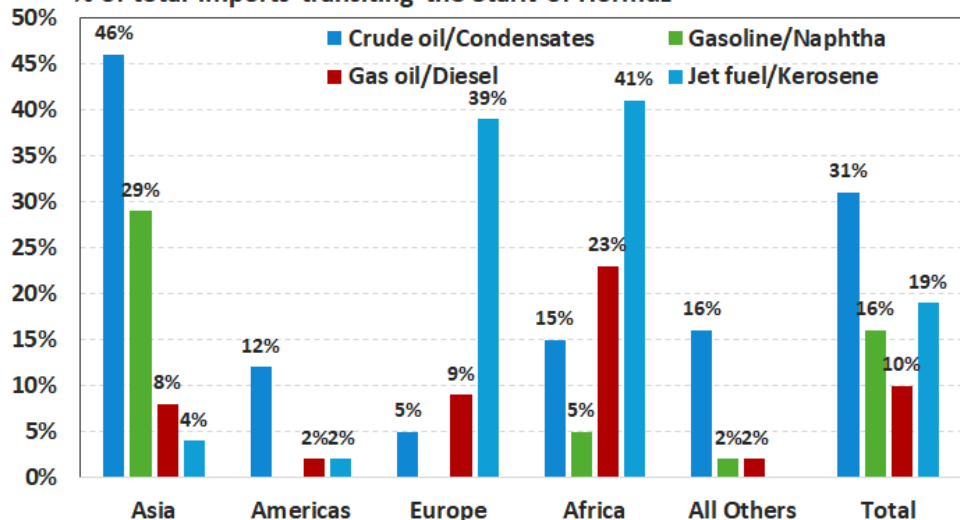


- o Europe relies heavily on energy imports, but for the continent, the war in Iran poses a risk primarily in terms of rising prices rather than supply security. The reason for this is that Qatari LNG accounts for only 4% of gas imports, while U.S. imports already make up a significant 25% of the total. This could spark a price war with Asian buyers, who are more dependent on LNG, which has substantially raised European gas futures prices relative to US's. Within oil product imports, Saudi and Iraqi imports account for 12% of the total, and the U.S. share is also significant at 15%, meaning external dependence is substantial; however, this can largely be managed by releasing strategic reserves and seeking alternative routes. In any case, the price of Brent crude is beginning to diverge upwards from that of US WTI. Overall, even if the situation is not as critical for Europe as it was in 2022 in the event of a decoupling from Russian energy sources, it is having a more severe impact on growth and inflation than in the US, which could eliminate the positive growth effects expected this year from last year's major stimulus announcements.
- o This comes at a bad time, as while the stock market has already been a relative outperformer in recent months –pricing in the expected turnaround in relative earnings growth, which may now fail to materialize entirely due to high energy prices. The European stock market, which is already the weakest region in terms of margins, is unlikely to prove itself on the earnings front this time either, after a poor 2025, characterised by persistently lagging earnings momentum and a continuous downward revision of earnings expectations.
- o Although the stock market is undervalued relative to the U.S., this still does not sufficiently compensate for the risks arising from the current situation. In fact, European stock market valuations have risen in both absolute and relative terms in recent months, returning to their ten-year average levels (from previous larger discounts). Since high energy prices increase inflationary risks and exert stronger upward pressure on European long bond yields, all of this—combined with persistently subdued profit dynamics—poses a significant barrier to the continuation of the repricing as long as energy prices remain at high levels (and, as things stand, this could drag on for months). The argument in favor of the market—which could somewhat mitigate the underperformance—stems from the sector composition, as higher bond yields could also provide relative support due to the overrepresentation of value segments.
- o Although small-cap European companies remain an attractive investment opportunity in terms of valuation, persistently high energy prices are creating an unfavorable external environment for them, which (as was the case in 2022) could lead to underperformance relative to the main index. For these reasons, we are removing them from our list of preferred investment stories for the time being.



Emerging markets: Asia is in a vulnerable position

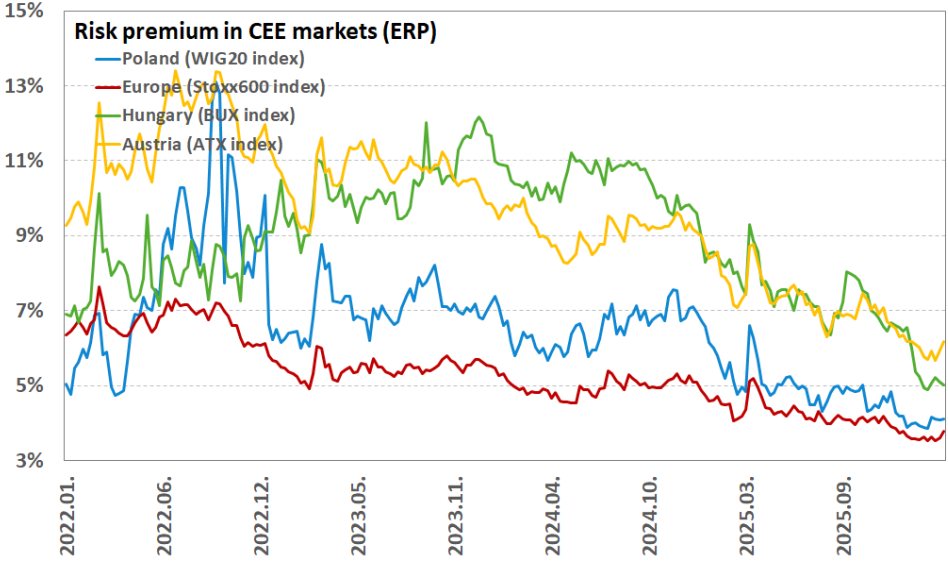
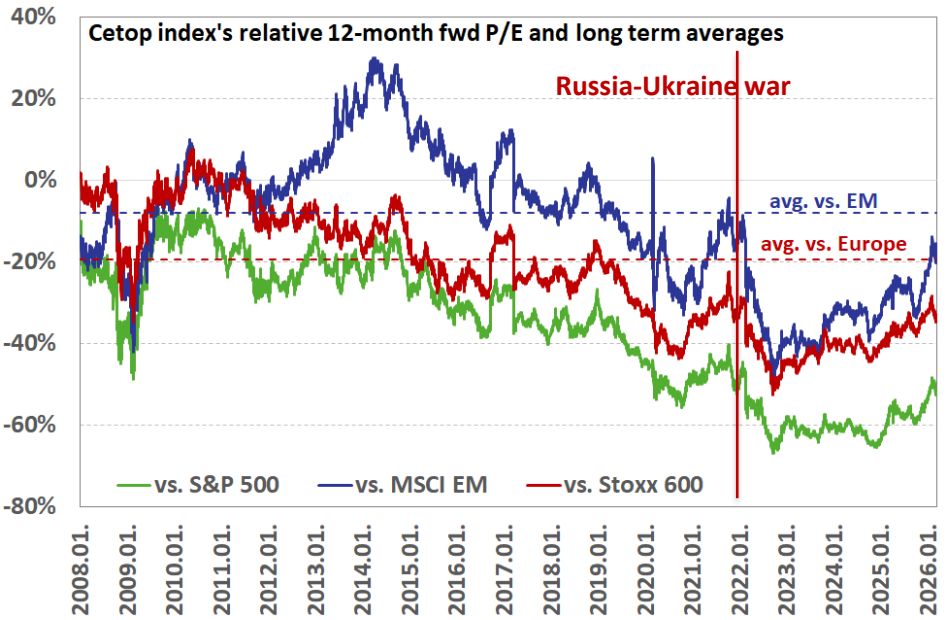
% of total imports transiting the Strait of Hormuz



- The closure of the Strait of Hormuz and attacks on energy infrastructure pose the greatest challenge and supply related security risk to emerging economies especially in Asia, as a significant portion of oil and gas exports from the Persian Gulf is destined for this region. This includes South Korea, India, and Taiwan, which carry greater economic weight in EM, but Thailand, Singapore, and Malaysia are also affected. On the one hand, rising oil and LNG prices would curb economic growth in these countries, creating inflationary risks, while a deterioration in the trade balance would heighten the risk of currency depreciation. Typically, the island nations among them do not have significant strategic reserves, meaning that supply security risks could also arise in their case if the conflict drags on. Alternative routes could be considered, but this represents a significantly more expensive solution for them, as evidenced by the fact that while the Brent oil price is trading at \$100-110, many Asian oil prices have risen to \$150 or higher.
- In any case, it is difficult to treat emerging markets as a single entity, largely due to their geographical and economic fragmentation. Markets reliant on energy imports from the Middle East may suffer from high energy prices in the coming months, while the situation is generally more favorable for Brazil, which is a net oil exporter. China may face neutral or slightly negative impacts in this regard, as although one-third of its oil imports pass through the Strait, the country has significant strategic and commercial oil reserves sufficient for several months thanks to stockpiling in recent years, which may enable it to offset the negative effects of the supply shortfall. In the current situation, the likelihood of an escalation in trade disputes with the US appears moderate (next high-level round of negotiation are expected in the coming weeks), which would be a positive signal from a market perspective.
- The strengthening of the dollar, rising interest rate expectations, and the growth risks posed by rising energy prices could put an end to the recent outperformance of emerging markets. However, earnings momentum has been very strong recently, which is why relative valuations have fallen back to the bottom of their five-year range (a discount of over 30% vs. the ACWI) even as the price index has risen to a new high. Because of this valuation buffer, we maintain our recommendation for a neutral position, despite the short-term headwinds. The greatest risk may come from the earnings growth dynamic side: as the Taiwanese and Korean markets—dominated by (highly energy-intensive) chip manufacturing—contributed significantly to the exceptional earnings momentum, and for them, the situation in Iran poses a risk, as a significant portion of the helium essential for manufacturing—in addition to LNG purchases—comes from the Gulf.



CEE: war is not as big a risk as it was in 2022



- o The surge in energy prices is also having a major negative impact on the region; if the situation drags on, it could undermine business and consumer confidence as well as investment activity, which—as in Europe or Asia—poses a risk of lower growth and higher inflation. However, the negative effects may remain more muted than in 2022, when the start of the transition away from Russian energy sources presented countries with greater challenges and costs. Since regional equity markets are now much less undervalued and risks are also visible in the growth outlook, we would reduce our previously overweight positions to neutral following the significant outperformance of recent years.
- o Several countries in the region (Poland, the Czech Republic, Austria) have been working to reduce their dependence on Russian energy sources in recent years. In the case of natural gas supplies, this has meant that part of their gas imports has been met through LNG purchases, primarily from the US, but to a lesser extent also from Qatar, which is currently affected by the war. In this regard, the region also has direct exposure to the situation in the Middle East, which, however, appears manageable, albeit with gas prices that are higher than in previous years but lower than 2022 levels. Romania is largely self-sufficient, while Slovakia and Hungary rely on pipeline gas from Russia. In the case of oil, the latter countries continue to purchase Russian oil, while many in the region have diversified toward Azerbaijani, Kazakh, Norwegian, American, and, to a lesser extent, Saudi sources.
- o The countries in the region are therefore not experiencing a noticeable supply-side shortfall, but rising European gas and oil prices are still having a negative impact through trade balances. Depending, of course, on how long the energy price shock persists, the growth outlook is shifting toward a slowdown, but a recession can be avoided for now. However, this could negatively impact corporate profit growth; moreover, rising energy prices increase the risks of price caps and the introduction of special corporate taxes. All of this is hitting the region at a time when relative profit dynamics had already begun to deteriorate, and the valuation discount has already narrowed significantly compared to other regions.
- o The Cetop index's valuation has returned to its long-term average following significant price increases in recent years, and the relative discount (over 40% vs. ACWI) has narrowed to around the ten-year average. Since the war in Iran is leading to a partial and temporary lifting of sanctions on Russian energy exports, this currently reduces the likelihood of a Russian-Ukrainian peace agreement, which could have helped the market re-rating further. Adjusted for sector composition effects, the region nevertheless presents a more attractive picture than Europe, taking into account both valuation and earnings growth.

The most favoured investment topics



Semiconductors

AI creates further structural growth opportunities. Semis are expensive, but supply-demand conditions are still favorable for 2026.



Cybersecurity

Recent negative sentiment has created favorable valuations, while cybersecurity may be more resilient in the face of AI disruption.



Utilities/Renewables

Rising electricity demand is a structural tailwind for both. Renewable expansion will continue.



Miners

Uncertain demand side due to global impact of Iran war, while higher energy prices drive up production costs at the same time.



India

Relies heavily on energy imports, with close ties to the Middle East. Getting cheaper, but a short term loser of the war.



LatAm

Among emerging economies, the relative winners of high energy prices, with modest exposure to Middle East.



Europe Small Cap

Remains cheaply valued, but persistently high energy prices are creating an unfavorable external environment (like in 2022).



Gold

Short-term headwinds due to Iran war, but long-term picture remains intact (high and rising debt levels and budget deficits).



Healthcare

Supported by long-term structural drivers; the sector's defensiveness provide resilience during higher market volatility.



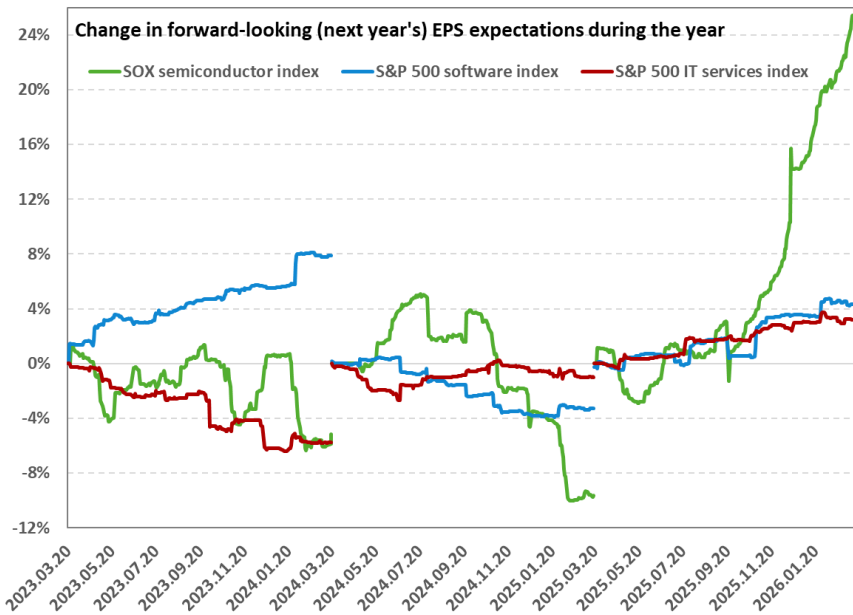
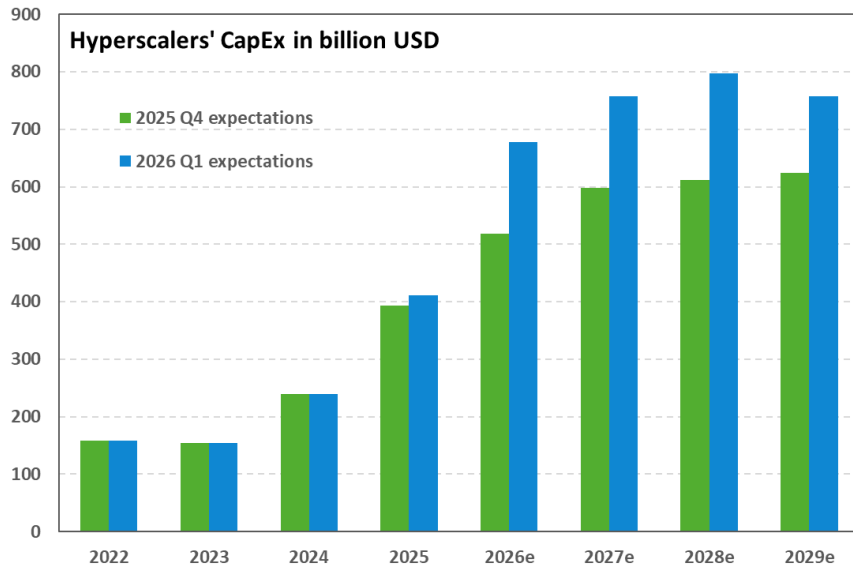
Removed topics from the list



Newly added topics to the list



Semiconductors: Hyperscalers capex boom support growth

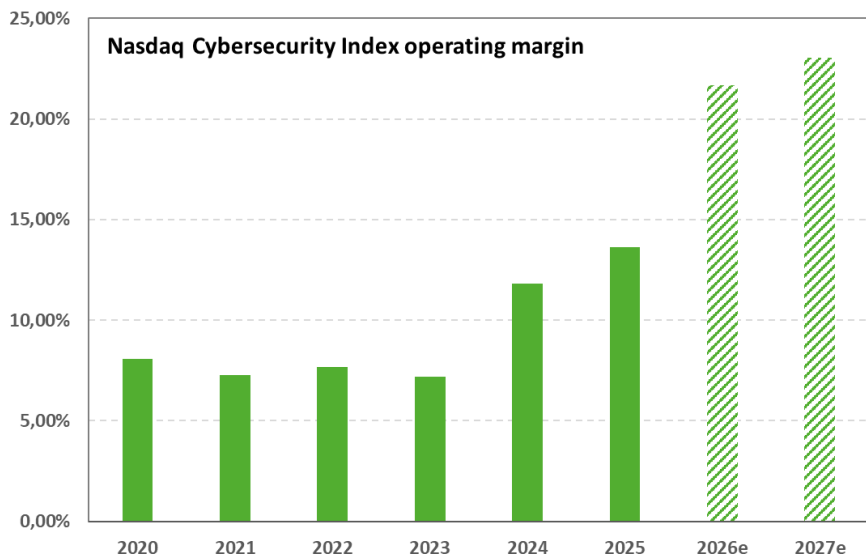
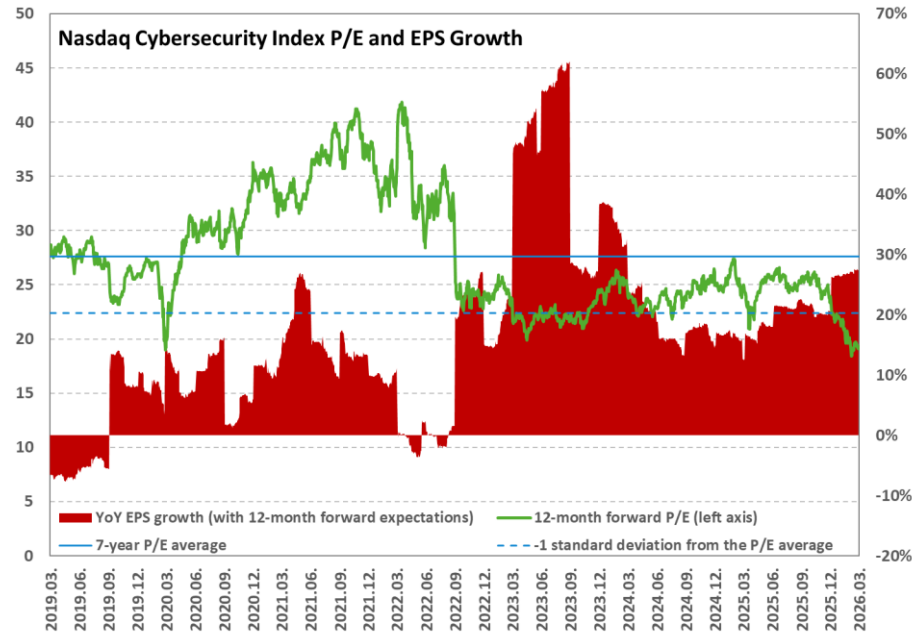


- Momentum remains strong in the areas of AI infrastructure and cloud services. Investments by hyperscalers (Google, Meta, Amazon, Microsoft, Oracle) could rise to ~\$680 billion in 2026 (+66% YoY), while an additional \$3.5 trillion in total capex is expected by 2030 – more than four times the amount for 2023–2025. Based on this, current computing capacities cover only ~20% of the planned infrastructure, indicating a favorable growth trajectory for semiconductor manufacturers. Although capex indicates the typical expansion seen at the early/mid cycle, the stocks of industry companies tend to reflect end cycle performance, which may present opportunities for appreciation.
- AI-driven demand remains robust: Nvidia's latest revenue forecast of at least \$1 trillion for 2025–27—up from its previous projection of \$500 billion through 2026 – further reinforces confidence in the durability of demand. ASIC projects booked years in advance, supported by rising AI capital expenditures from major tech players, provide exceptional revenue visibility in the custom AI chip market, as confirmed by Broadcom and Marvell's Q4 comments. Persistent supply shortages are expected in the memory chip market, as capacities are locked in for years in advance, while new production lines cannot come online until the second half of 2027 at the earliest – and even then, it is uncertain whether they will restore the supply-demand balance. All of this could strengthen the industry's pricing power: the gross margin could reach ~57%, and the net profit margin could rise above 30% this year, which would mark a new all-time high for both metrics. However, a risk factor is that the war in Iran could cause disruptions in the supply of helium to Asian countries; helium is a critical input in semiconductor manufacturing, so a prolonged supply disruption could affect the industry's entire value chain.
- The wave of AI-driven data center construction and the associated demand for chips will remain the sector's primary growth driver, while rising memory prices in traditional end markets (PCs, smartphones) could slow the recovery. Industry revenue growth could accelerate to over 24% in 2026 after ~10% in 2025, while profit could grow by 46% thanks to widening margins (compared to the 30% growth expected three months ago). Over the past six months, analysts have revised their 2026 earnings forecasts upward by 22%, which has supported the decline in valuations since the end of last year, although the industry continues to trade at a relatively high forward P/E ratio of ~23; however, this is accompanied by strong margins and growth.

It is worth maintaining exposure to the hardware side of the technology sector, as artificial intelligence creates structural growth opportunities and favorable supply-demand conditions for semiconductors, which may remain with us during 2026. Although valuations are high and market expectations leave little room for error, we believe that AI, as a supporting megatrend, justifies exposure to the industry.



Cybersecurity: AI is more of an opportunity than a threat

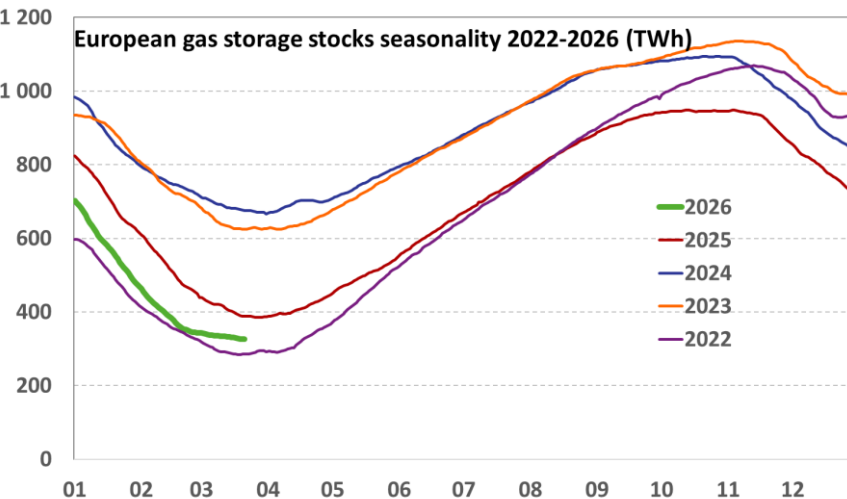
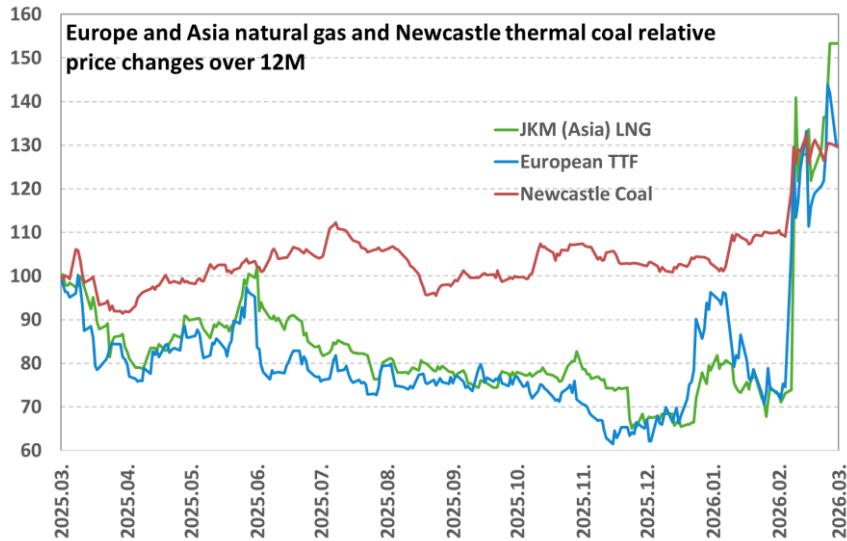


- The cybersecurity sector underperformed alongside the broader software market in the first quarter, after Anthropic's new security feature triggered widespread selling pressure. At the same time, many cybersecurity solutions rely on real-time system logs and telemetry data, which are not necessarily available to large language models during training, making them harder to replace with generative AI tools. Deep integration into IT infrastructure and a strict regulatory environment also reduce the risk of disruption caused by AI.
- In our view, spread of AI agents is more likely to increase rather than decrease demand for cybersecurity, as it creates new attack surfaces. Meanwhile, the expansion of cloud services further reinforces the need for cloud and cloud-based workflow protection. The number of cyberattacks has nearly tripled over the past five years, while the proportion of increasingly complex incidents enabled by generative AI could rise to 17% next year (Gartner). These trends could significantly support revenue growth in the sector.
- Geopolitical tensions are boosting demand in both the short and long term. The conflict in Iran could drive up sales of services offered by providers of multi-cloud security solutions, as companies may diversify their workloads across cloud providers following attacks on multiple data centers in the Middle East. Among the potentially affected companies, CrowdStrike, Zscaler, and CyberArk—which was acquired by Palo Alto—have all seen an increase in their consensus revenue forecasts following the start of the Russia-Ukraine war. Players with FedRamp certification and government connections could potentially benefit from the expansion of U.S. cybersecurity spending as hybrid warfare gains prominence. The U.S. currently spends ~0.1% of its GDP on cybersecurity; a NATO proposal adopted last year calls for 1.5% of GDP to be allocated to infrastructure and cybersecurity spending by 2035, which could have a significant demand-stimulating effect in the longer term.
- The industry's fundamentals are stable: revenue and profit forecasts have been revised upward by 2–4% this year, while valuations have fallen significantly due to negative sentiment. Valuation multiples are trading at a discount of around 30% relative to their own historical averages and also lag behind the broader market. Meanwhile, consolidation processes in this fragmented industry may continue to support margin expansion and industry revaluation.

Within the software sector, cybersecurity may be a more resilient area in the face of AI disruption, while artificial intelligence is more likely to act as a catalyst for growth. Recent negative sentiment has created favorable valuations, while industry consolidation is expected to further improve margins and support rising valuation multiples.



Utilities & Renewables: it is worth being selective with exposure

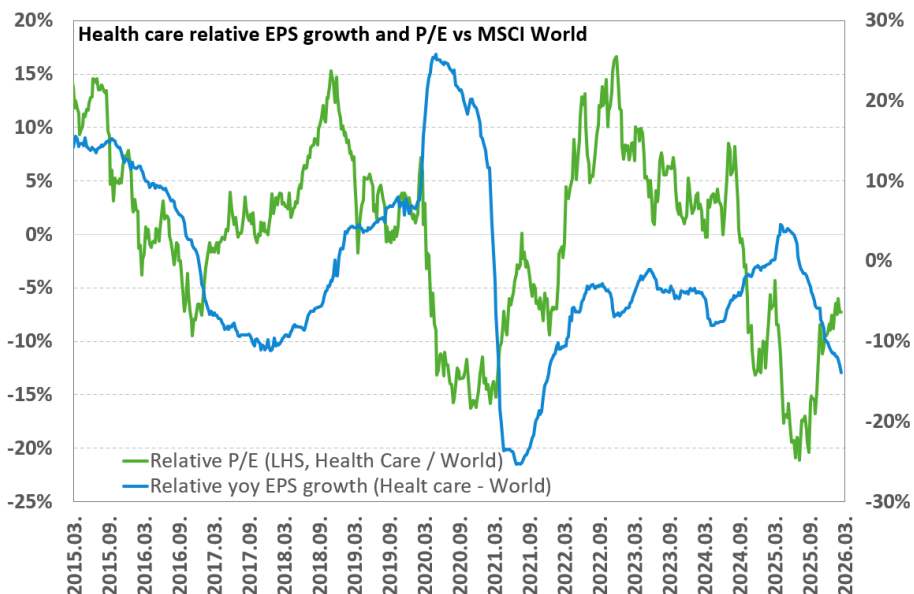


- The utilities sector, traditionally viewed as more defensive, has performed well this year, where the respective US and European utility indices have both outperformed major stock market indices (e.g., S&P 500, DAX, etc.). However, performance since the outbreak of the war in Iran paints a more nuanced picture, as utility companies have fallen along with the broader markets.
- This could be partly due to the fact that a potential stagflationary environment is not necessarily favorable for this sector either. Rapidly rising and volatile gas prices can have an adverse effect on companies operating gas-fired power plants (higher margin requirements and liquidity risks, passing on costs to consumers etc.). On the other hand, due to the war in Iran, interest rate cuts are also off the table for now (the possibility of rate hikes can't be excluded either). This is not good news for the utilities sector, which typically has higher debt (due to the stable income profile), as it could raise financing costs. Of course, the outlook is quite fluid, as it depends significantly on the duration of the war in Iran, the infrastructural damage, and how the conflict is resolved.
- In light of this, it is worth being selective with utility and renewable exposure under the current circumstances. The United States is less affected by the surge in energy prices, as the country has significant oil and natural gas production. Accordingly, for example, the price of U.S. natural gas has barely moved so far, while prices in Europe and Asia have significantly jumped. Of course, the degree of gas dependency varies considerably among individual countries within Europe (and Asia): Italy and the United Kingdom are more exposed, while France, with its large nuclear energy capacity, is in a better position (electricity prices have risen more sharply in the former cases as a result but still far from 2022 highs). High gas prices may similarly drive up the price of coal, which is a cheaper alternative and also ensures flexible production.
- Accordingly, in the current turbulent market environment, U.S. utility companies (provided their valuations are not too high) and/or companies that generate electricity primarily from nuclear or renewable sources may be safer bets, as input costs have not skyrocketed in these sectors. Finally, companies where the debt level is not too high and the maturity and interest rate structure is favorable could be better choices. In Europe, an additional complicating factor is that gas storage levels are also relatively low in 2026 due to the colder winter.

Overall, we remain positive on the sectors' long-term outlook due to the expected growth in electricity demand, which provides a strong structural tailwind. However, in the current turbulent market environment it is worth being selective (e.g., U.S. companies, renewable and nuclear energy generation, favorable debt structures etc.).

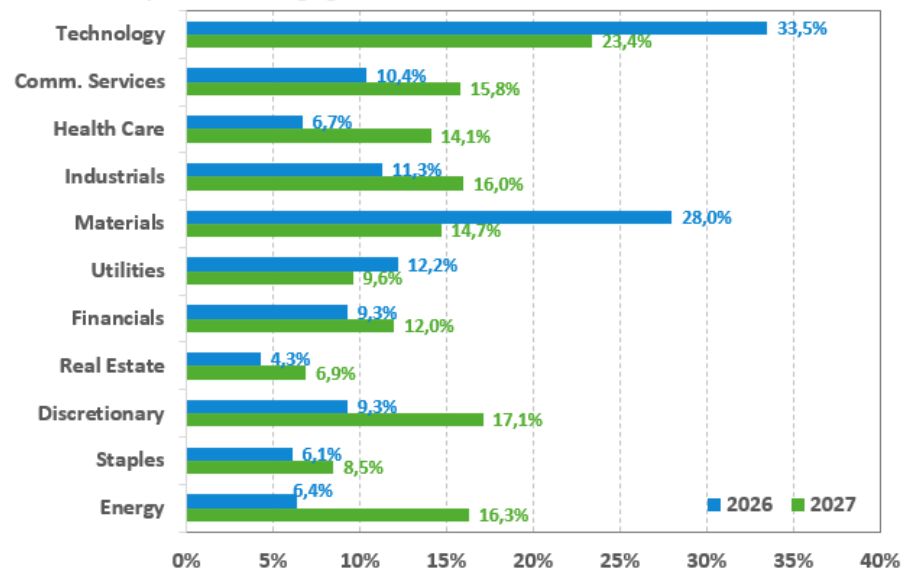


Healthcare: Long-term growth meets defensive strength



- The long-term outlook for the healthcare sector is constructive, supported by structural drivers such as an ageing global population, increasing life expectancy and steadily rising healthcare expenditure. In addition, the industry is experiencing a strategic transition away from treating existing conditions toward earlier intervention and prevention, creating incremental growth opportunities for innovative medical-technology and diagnostics companies alongside traditional pharmaceutical leaders..
- AI is poised to meaningfully enhance efficiency across the healthcare value chain by compressing drug-development timelines, reducing operational costs, and improving R&D productivity. Its ability to increase success rates in early-stage research, enable more precise diagnostics and accelerate the adoption of personalized medicine positions AI as a transformative force, particularly in labour-intensive segments such as healthcare services. Over the long term, a substantial share of routine tasks currently performed by healthcare workers is expected to be increasingly automated, supporting material cost savings.
- The global obesity-drug market is entering an accelerated growth phase, driven primarily by the widespread adoption of GLP-1 therapies and the arrival of oral formulations. Current forecasts indicate that the obesity-drug segment could reach approximately \$100 billion by 2030, while the broader global incretin market may scale to \$200 billion by the end of the decade. The sector is also experiencing record dealmaking activity, with \$20bn in obesity and diabetes R&D partnerships recorded in 2025, indicating intensifying strategic interest. M&A is likely to remain a structural tailwind for the broader pharmaceutical sector, as companies brace for one of the most significant loss-of-exclusivity cycles in over a decade.
- Regulatory uncertainty that previously weighed on the healthcare sector has eased following the implementation of the US administration’s MFN-style pricing directive, which encouraged companies to engage in structured pricing negotiations.
- Healthcare valuations look compelling, trading at a high single-digit discount to the MSCI World Index, while the recent earnings softness is mostly technical: Merck’s one-time Cidara-related charge turns the sector’s 1Q26 EPS to a headline -9% YoY, whereas ex-Merck the sector would deliver roughly +4% YoY growth. Full-year 2026 is similarly affected, but CY2027 earnings growth is expected to re-accelerate to double-digits (+14.1%), reinforcing the sector’s medium-term strength.

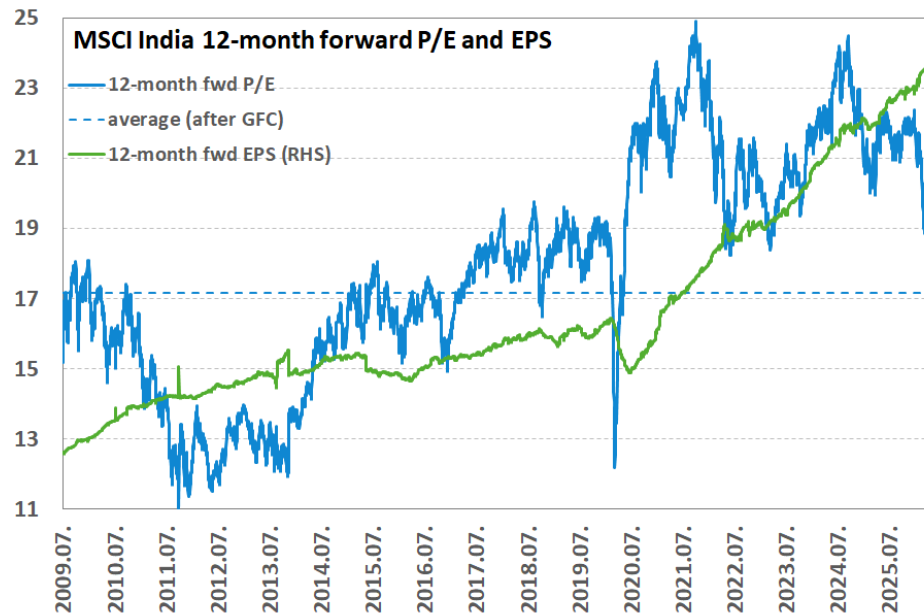
S&P 500 expected earnings growth



Healthcare sector is supported by strong long-term structural drivers – including demographics and accelerating AI adoption –, and the sector’s inherently defensive characteristics provide meaningful resilience during periods of market volatility.

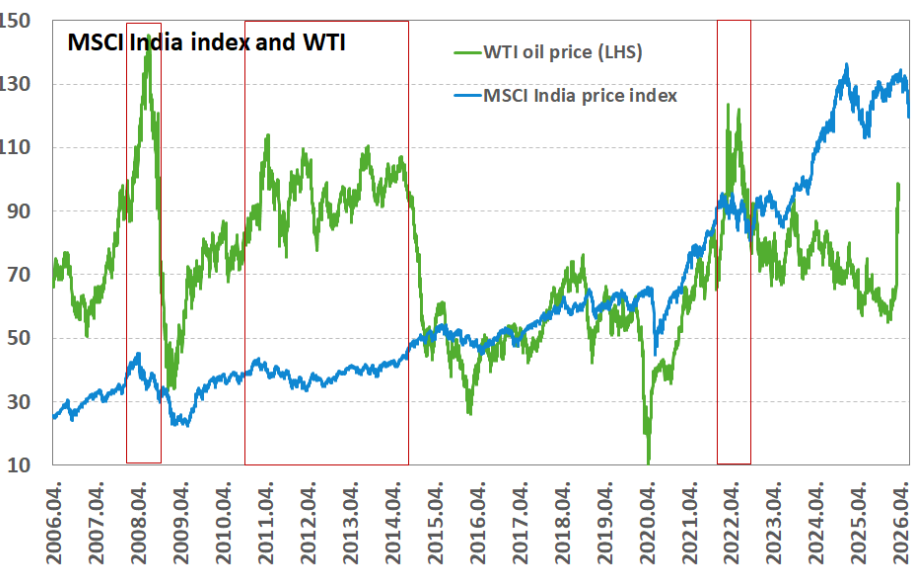


India: things were starting to look good, but then the war happened



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- This year did not start off badly for India: in addition to the free trade agreement signed with the European Union, the U.S. reduced the tariffs it had previously imposed on India, and it appeared that a trade agreement between the two countries might also be reached. This was positive for growth prospects, but the war in Iran intervened shortly thereafter.
- Prior to the conflict in the Middle East, India covered approximately 88% of its oil consumption and about half of its natural gas consumption through imports. Furthermore, half of its oil imports, more than half of its LPG imports, and nearly all of its LNG purchases passed through the Strait of Hormuz. It is no coincidence that India is ranked among the most vulnerable countries in the current situation, as rising energy prices have a negative impact on its trade balance, public finances, and growth prospects. For the time being, the country can offset the supply shortfall by releasing local reserves and diversifying its procurement sources (crude oil purchases from outside the strait had risen to 70% of total imports by mid-March, and the country has shifted toward importing North American LPG and LNG). It is an advantage for India that the Iranians are willing to allow their ships to pass through the Strait, and the U.S. has granted a one-month exemption allowing them to purchase Russian oil.
- There is no doubt that the longer the Strait remains closed, the greater the losses for India, primarily due to significantly higher energy costs. Even so, GDP growth is estimated to slow from around 7% to 6% (according to the central bank, a \$10 increase in oil prices reduces growth by 0.15 percentage points), which is still outstanding by global standards. With the decline of recent months, valuations on the Indian stock market have fallen back to increasingly attractive levels (P/E:19, local low in the last 5 years), and long-term structural factors remain largely positive, even with the challenges posed by AI. In the short term, however, persistently high energy prices are undermining our previous expectations regarding a turnaround in the corporate profit cycle and a strengthening of momentum this year. In the absence of this, the stock market as a whole will not be able to begin a sustained outperformance for the time being.

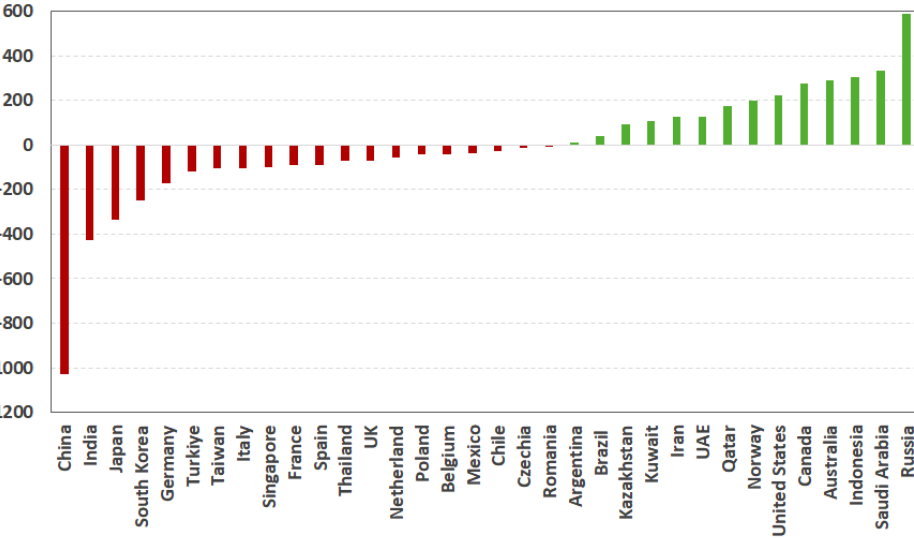


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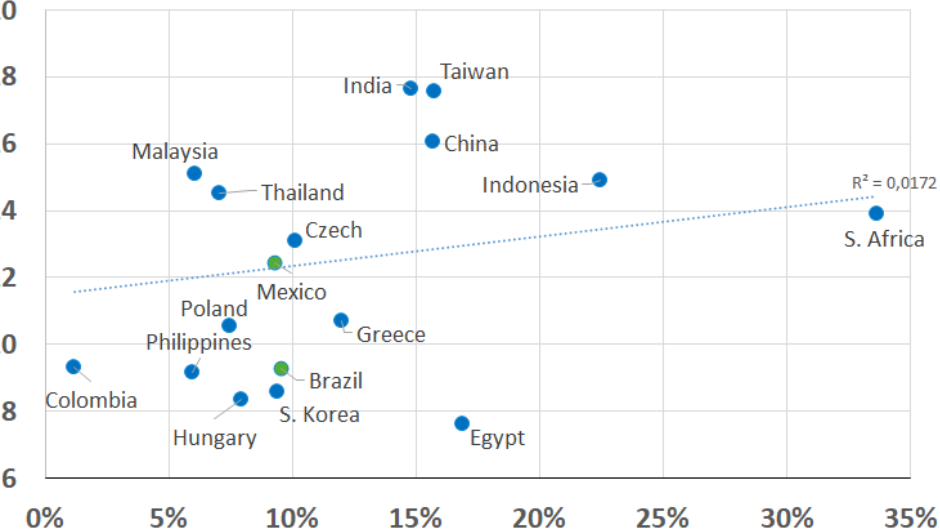
India is one of the biggest losers of the situation in the Middle East, as it relies heavily on imports to meet its energy needs. Persistently high prices are dampening growth prospects, and the turnaround in the corporate earnings cycle may be delayed, which could cause the stock market to underperform in the short term. However, the longer-term outlook remains favorable; GDP growth remains robust even in the current environment, while the stock market's overvaluation has disappeared. At the portfolio level, it may be worthwhile to maintain exposure to assets that would perform well should the situation in Iran improve; India is well-positioned for this.

LatAm: the relative winners of high energy prices

Energy balance of trade (2014, Mtoe)



Emerging markets P/E (2026) and EPS growth (2025-2027, x axis)

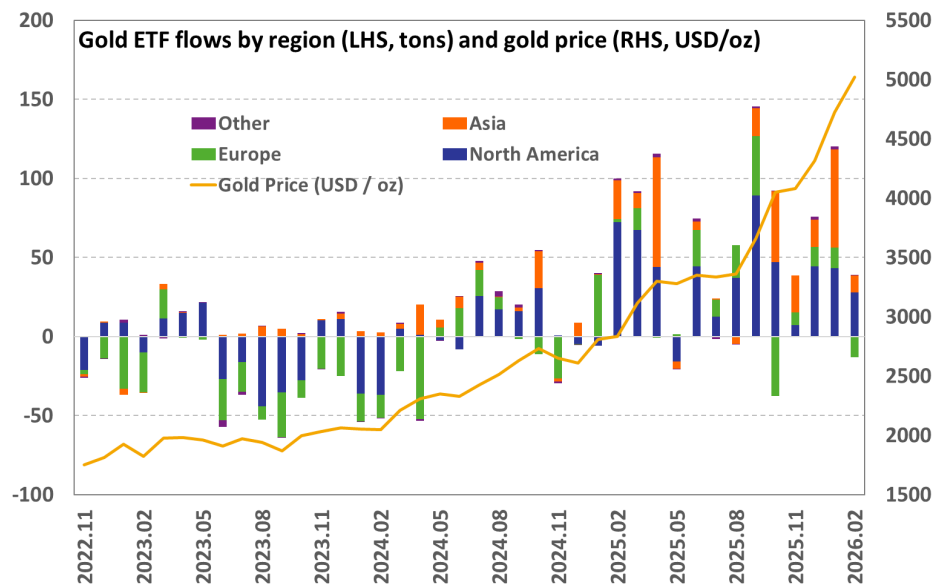
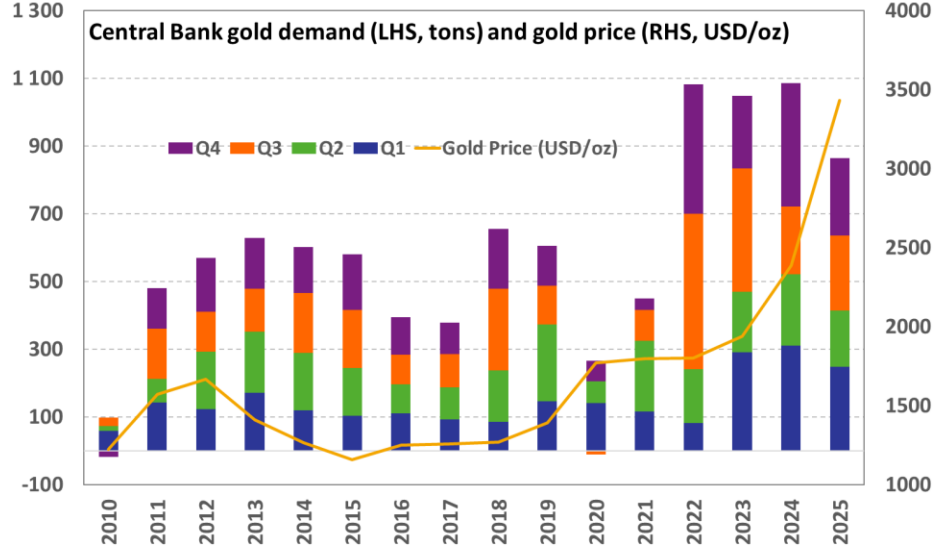


- Brazil and Mexico are both in a relatively more favorable position due to the energy shock caused by the war in Iran. This is primarily because neither country faces the risk of direct energy imports from the region, and both have a positive energy balance. Rising oil prices have a mildly negative impact on Mexico's GDP growth—much smaller than in other emerging economies—, while Brazil, as the world's seventh-largest oil producer, benefits from a positive contribution to GDP growth.
- Since the energy and financial sectors are sufficiently well-represented on the Brazilian stock market, this macroeconomic environment could also have a favorable impact on the local stock market due to its sector composition. In Mexico, by contrast, the picture is more mixed but also slightly favorable, as defensive consumer staples, communications, and also the financial sector carry greater weight. In any case, since the outbreak of the Iran conflict, both the Brazilian and Mexican stock markets have fallen in dollar terms, as have emerging markets as a whole. The reason for this is that since the beginning of the year, they have been popular destinations for capital flows from the US, becoming somewhat overpositioned, and given their high-beta exposures, risk aversion has affected them similarly to others for the time being.
- This may also be due to the fact that, although the environment of higher energy prices is generally favorable for the local market, there are also factors working in the opposite direction. In the case of Brazil, for example: the Gulf region countries are export destinations for agricultural commodities, while on the other hand, Brazil imports fertilizers through the Strait; furthermore, the intensifying inflation risks due to rising fuel prices may dampen expectations of interest rate cuts. Despite all this, in the current situation profit dynamics are expected to develop more favorably than in Asian or European regions, while Brazil remains one of the markets with the most attractive valuations. Overall, many things are in place for Brazil and Mexico to outperform, as relative winners of the high energy price environment.
- One risk worth noting is the Brazilian election in October; although the current president's lead is narrowing, he continues to lead in the polls, so no significant fiscal easing seems to be necessary for the time being. In Mexico, a review of the trade agreement with the US (USMCA) is expected in July; until then, negotiations may be turbulent, with some alarming twists, but the agreement is more likely to remain in place.

Within emerging markets, the sustained rise in energy prices is having a relatively positive impact on both the Brazilian and Mexican economies and markets, primarily due to a surge in oil exports and their moderate exposure to Middle Eastern trade.



Gold: short-term headwinds, but long-term picture is intact

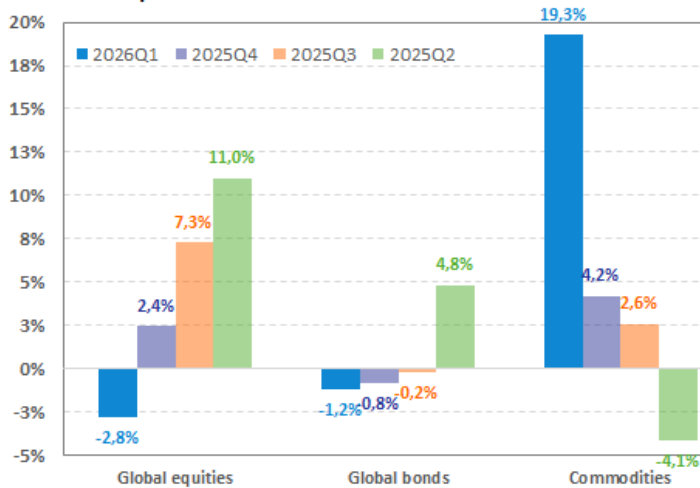


- The price of gold rose to a new all-time high at the end of January, nearly reaching \$5,600, which was followed by a brief period of consolidation. However, the war in Iran that broke out at the end of February did not spare the precious metal either, which is traditionally viewed as a safe-haven asset, while gold mining stocks fell even more.
- Central bank demand declined noticeably last year amid higher prices (-20% YoY). This figure remains significantly higher than the historical average, but 2025 was the first year since 2021 in which net purchases did not exceed 1,000 tons. Demand for gold ETFs was very strong in 2025, setting an all-time record in dollar terms, while in terms of tons, interest was higher only in 2020 (+892t vs. +800t). Capital inflows continued in the first two months of this year, although outflows were already visible in the first two weeks of March. It is also worth noting that the amount of gold held by the funds at the end of February had already far exceeded previous peaks, both in dollar and ton terms.
- Based on the above, it is clear that the gold market was in a relatively euphoric state when the war in Iran broke out at the end of February (high ETF demand and holdings, prices near historic highs, parabolic rise etc.), while central bank demand had already declined moderately. It is therefore easy to assume that, amid the uncertainties caused by the war, several market participants implemented significant profit-taking. At the same time, the dollar strengthened, and further interest rate cuts might be delayed, which is traditionally unfavorable for commodities. The picture is even bleaker for gold miners, as in addition to falling gold prices, costs are rising due to higher energy, logistics, and raw material expenses, which may squeeze margins.
- In the short term, therefore, gold is facing significant headwinds, but the longer-term structural factors supporting it have not disappeared. Debt levels and budget deficits are high, and in fact, due to the war in Iran, these are expected to deteriorate further amid large military spending and high energy prices (the impact of which will be all the more severe the longer the conflict drags on).

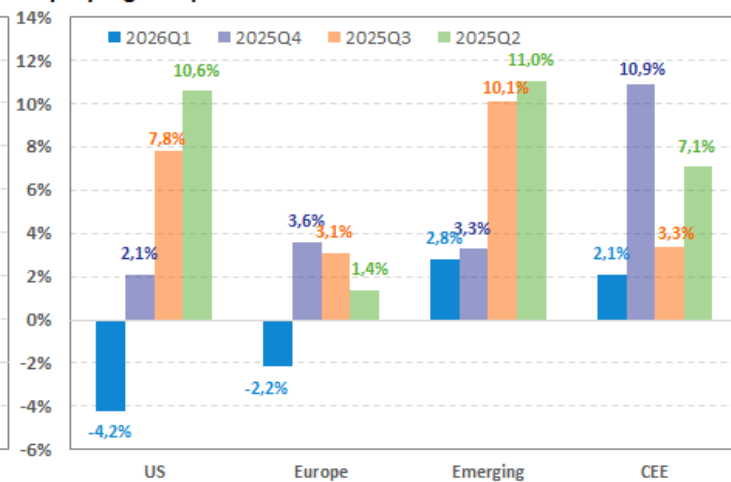
In the current turbulent market environment, physical gold may prove more resilient than gold mining stocks, but further corrections could still occur in the short term, so it is advisable to remain cautious. We continue to favor the sector over the longer term.

2026 YTD performance review

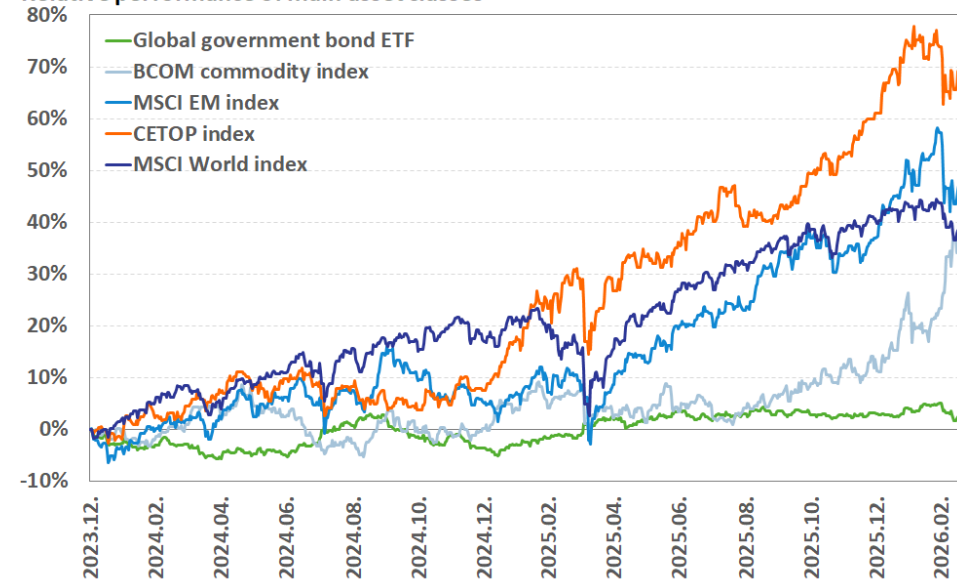
Asset Class performance



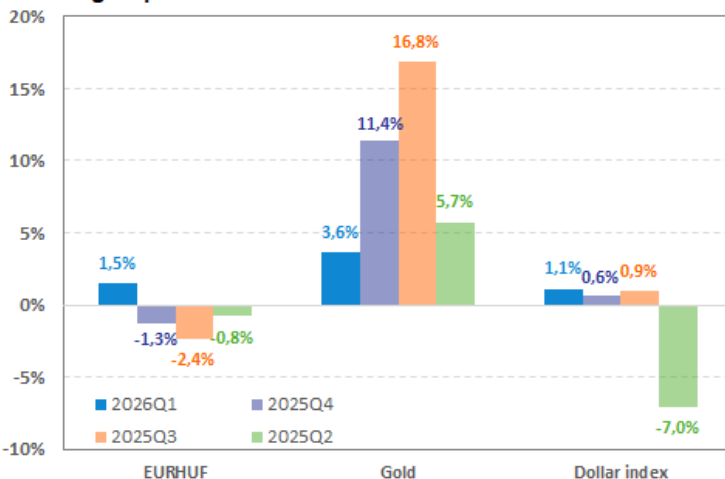
Equity regions' performance



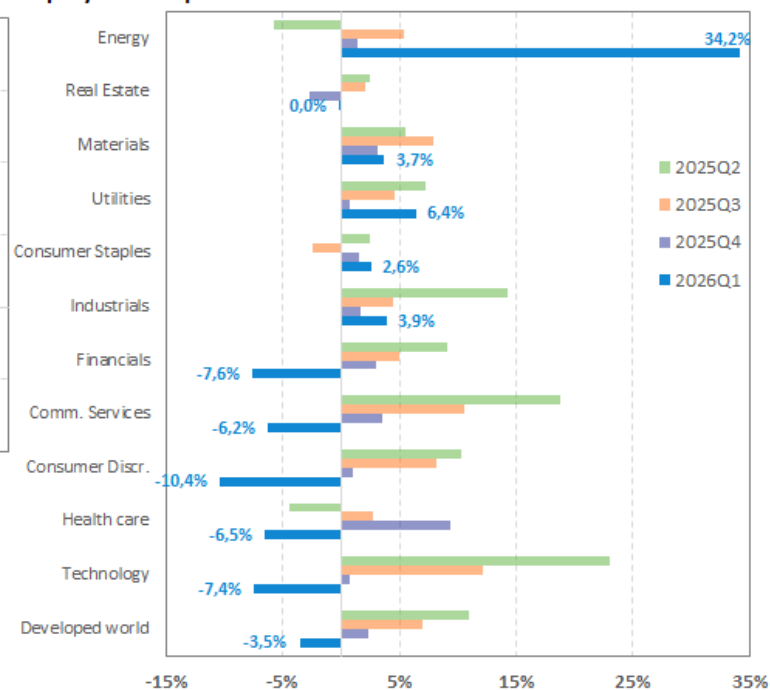
Relative performance of main asset classes



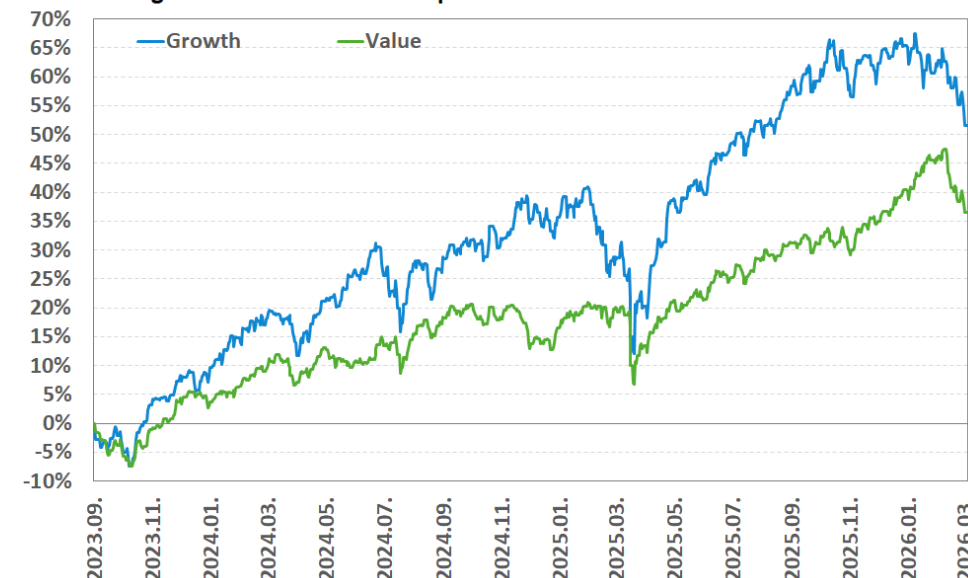
FX and gold performance



Equity sectors' performance



MSCI ACWI growth and value relative performance



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