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Investment Outlook 4Q 2026

Multi-Asset Strategies

28.09.2026

Summary: resilient economies, strong corporate profit growth

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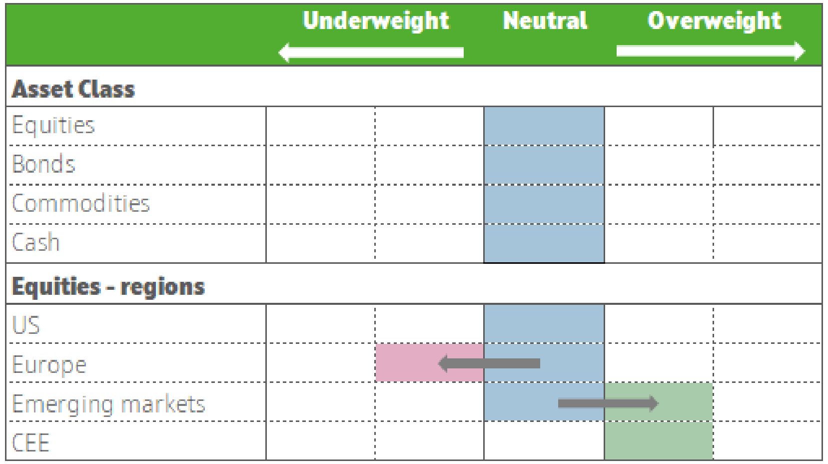
Macro: US economy is resilient to the energy shocks, GDP growth outlook has stabilized around 2%, and the labour market also in a "low-hire, low-fire" mode. The debt trajectory is unsustainable, fiscal policy is loose, the interest burden is rising with above target inflation. For Europe, domestic consumption is expected to remain the growth engine, if energy prices start to normalize, GDP growth could catch up next year. Energy price driven inflation will peak by the end of 2026, second-round effects may remain contained. Fed may hike the base rate 75 bps in the next year, meanwhile the ECB may deliver at least 2 increases this year. We expect short-term rates to fluctuate around 2-2.5% in the euro area and 3-3.5% in the US over the long term, which means 4.5-4.7% range could be the fundamental midpoint for US 10-year bond yield. Hungarian GDP growth is expected to accelerate to 2.5% in 2027 with 2.6% inflation. Further rate cuts will only be possible if Hungarian risk premia continue to decline, the most important catalysts could be the 2027 budget, and the medium-term fiscal and macro outlook. Significant depreciation of HUF is unlikely, however the appreciation potential is also limited.

Equities: Driven by significant surprises and profit momentum, the stock market – which has been stagnant for months –is beginning to reach increasingly attractive valuation levels. For now, we would recommend taking a wait-and-see approach, as the unpredictable situation in the Strait of Hormuz, further rises in bond yields, the U.S. midterm elections, and new tech IPOs all pose downside risks. It remains advisable to stay selective and take advantage of correction phases to buy stocks. In the US, the semiconductor sector has become less overvalued, meanwhile the outlook is still strong, like the cybersecurity or healthcare sectors'. Meanwhile, Europe faces numerous structural challenges, gas prices may remain elevated for an extended period, corporate margins are low, profit growth is relatively weak, and the valuation discount is also narrowing, which could pose headwinds in the coming months. We favour EM with the unprecedented surge in profits, and attractive valuation levels, driven by the AI related regions, like South Korea. CEE weathered this year's rise in energy prices relatively well, and in terms of profit growth, valuation, it remains to be one of the most attractive alternative – besides LatAm - without AI exposure.

Bonds: Fundamentally the rise in long bond yields in developed markets is justifiable, although yields higher than current levels are undesirable. Economic policymakers have the tools to temporarily keep the rise in yields in check, but sustained success would require fiscal adjustment. Corporate bond spreads are surprisingly stable and narrow.

Commodities: We maintain a neutral outlook on commodities, as developments in the Middle East conflict remain the key factor here and the outcome is difficult to predict. In a worst-case scenario, energy prices could rise further, but we see better risk/reward elsewhere: we favor physical agricultural commodities and uranium over the long-term.



The most favored investment topics:

Cybersecurity

Renewables/Storage

Healthcare

Uranium

Agriculture

LatAm

South Korea

Newly added topic to the list

6-12-month market perspective, rebalancing quarterly

Macro overview

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USA: GDP is likely to grow ~2% again in 2026; outlook remains uncertain

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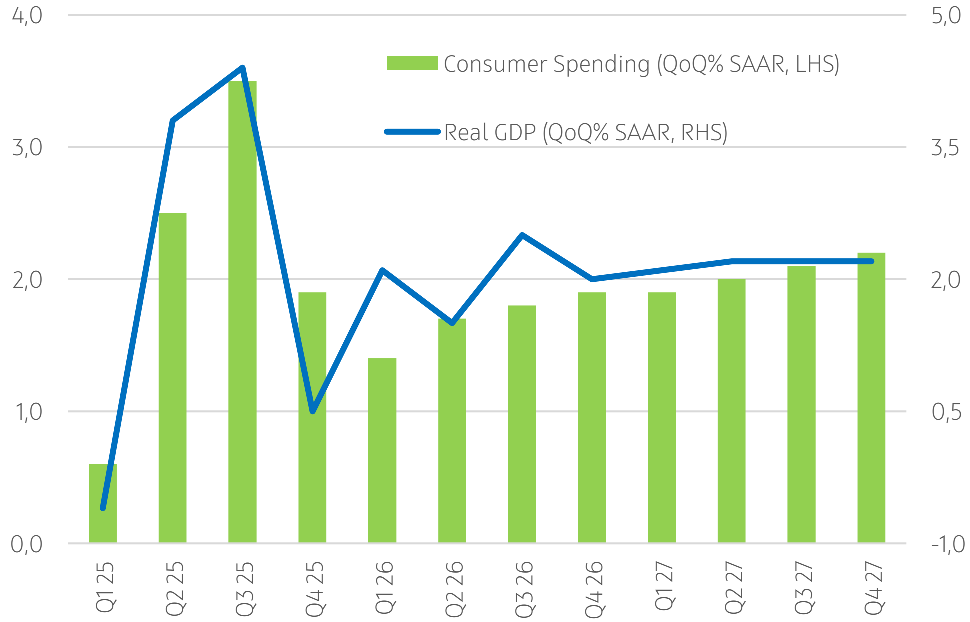
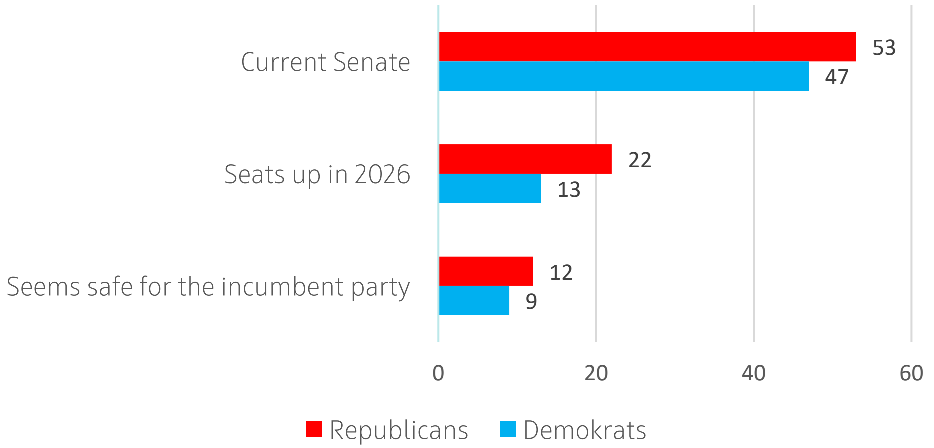
GDP growth, YoY, fact and forecast



2026 Senate Election



2025: solid 2.1% GDP increase; 2026 H1: weaker than expected, yet steady expansion

- 2025: Despite the tariff war, US GDP growth remained around 2%, primarily driven by consumption and investment.
- 2026 Q1: The rebound was weaker than expected (+2.1% QoQ, annualized), following the weak base in 2025 Q4 (+0.5% QoQ, annualized), which was caused by the record-long government shutdown
- 2026 Q2: Economy lost steam (+1.5% QoQ, annualized) as strong demand for AI infrastructure widened the trade deficit. Meanwhile, household consumption increased, which is encouraging for the rest of the year in an economy that relies largely on private consumption.

2026/27: GDP growth outlook has stabilized around 2%; US economy appears to be resilient to the winds blowing from the Middle East

- Growth forecasts have stabilized around 2% for both 2026 and 2027, despite ongoing uncertainty.
- Growth is being driven by household consumption, which is traditionally is the engine of the US economy, and AI Investment Boom.
- Persistently high interest rates due to CPI risks, along with a prolonged and unresolved geopolitical conflict and energy price shock, may weigh on growth.
- Due to its relative energy independence, the US is less affected by global energy price shocks than Europe and Asia; at the same time, global supply shortages in the crude oil market, disruptions in supply chains, and pressure from non-energy import costs continue to weigh on growth and inflation outlook.

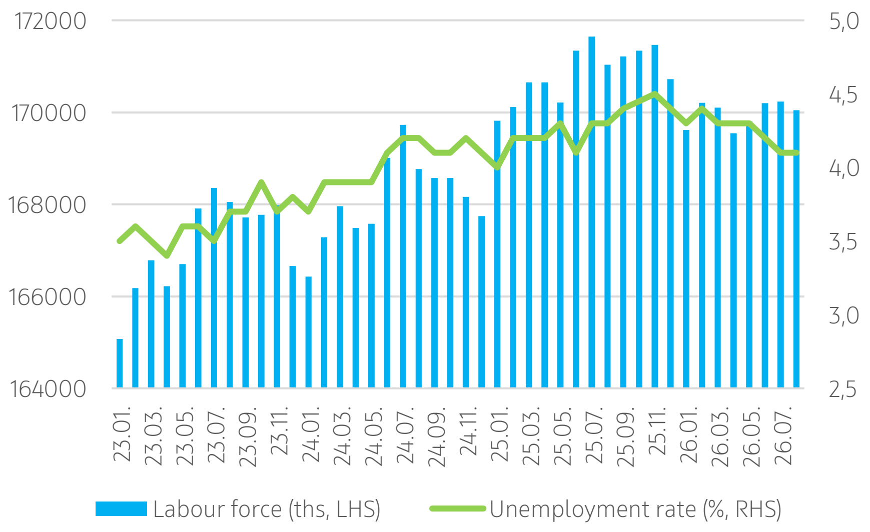
2026 Midterm Elections:

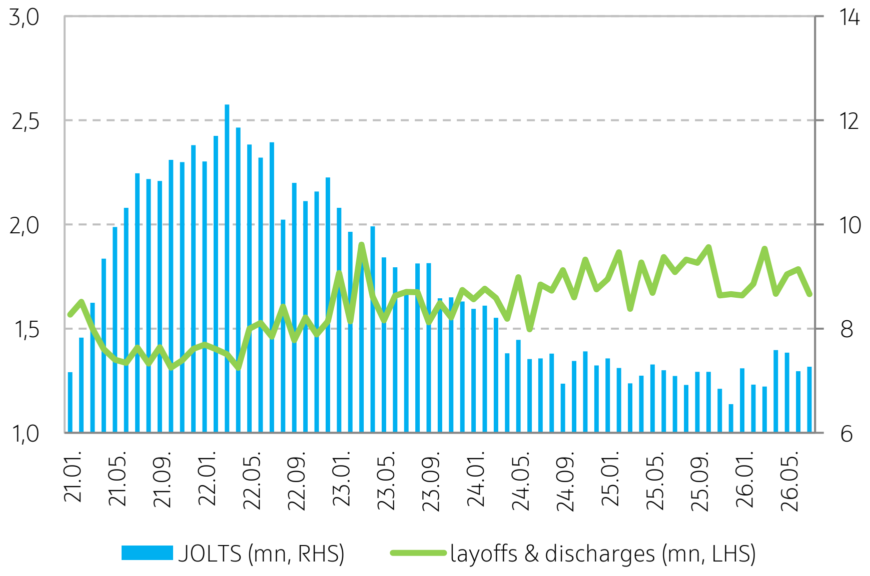
- Trump's approval rating is slightly above 32%, the lowest of his second term and a record low for his entire political life. This could lead to irresponsible promises, as a $5,000 "Trump Dividend" check to every adult American citizen if Republicans keep control of Congress in midterm elections.
- Midterm elections usually don't favor the incumbent president's party, which typically loses seats in the House of Representatives, where voters cast their ballots in all 435 districts.
- In the Senate, where Republicans currently hold a 53-47 majority, 35 seats are up for election this November; of those, 13 are currently held by Democrats and 22 by Republicans.

Source: Bloomberg, 270towin, OTP Research

USA: the labor market has stabilized in a „low-hire, low-fire" mode

Labour market data





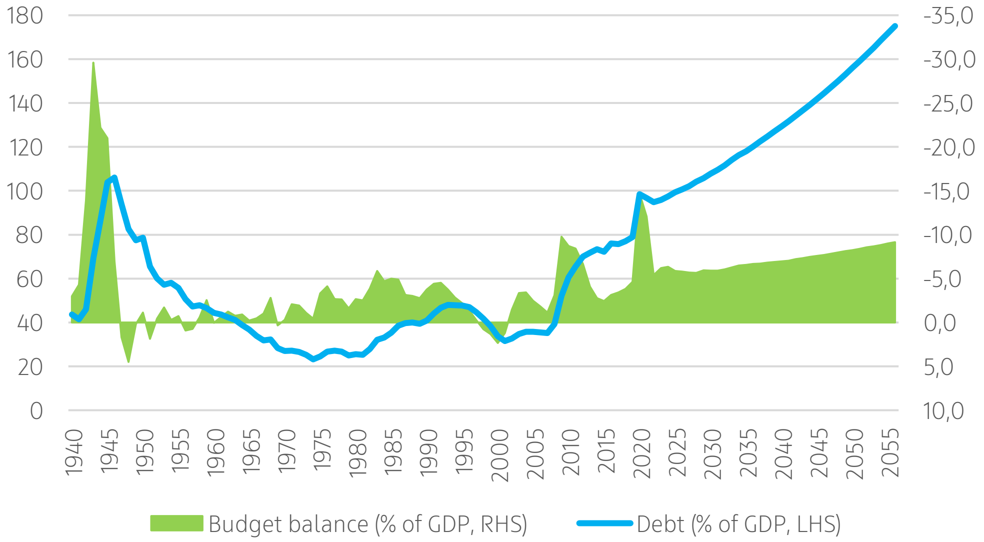
Following the sharp slowdown seen in 2025, the labor market has stabilized this year; labor market is in a "low-hire, low-fire" mode

- The U.S. labor market has stabilized in 2026 after a period of gradual cooling.
- The Trump administration's anti-immigrant policies have drastically reduced the workforce.
- The unemployment rate has remained around 4.1%.
- The monthly increase in non-farm payroll needed to keep the unemployment rate at relatively low level has declined from 150-200 to 50-100 thousand this year.
- Layoffs and unemployment claims have remained relatively low.
- The US labor market is currently stuck in a stagnant "low-hire, low-fire" equilibrium, where both hiring and layoffs remain near historic lows.
- Wage growth has moderated, the YoY dynamic, which was above 4% last year, has now slowed to around 3%.
- In its September forecast, the Fed lowered its projection for the unemployment rate for 2026 from 4.3% to 4.1%, as well as for next year. The Fed characterized US labor markets as "quite stable".
- All in all, job gains have kept pace with the workforce, and the unemployment rate has changed little, reinforcing the view that the labor market has reached a relatively stable position.
- The biggest risks to the labor market are the global uncertainty caused by the conflict in the Middle East and the mass layoffs of workers in positions that could be replaced by AI.

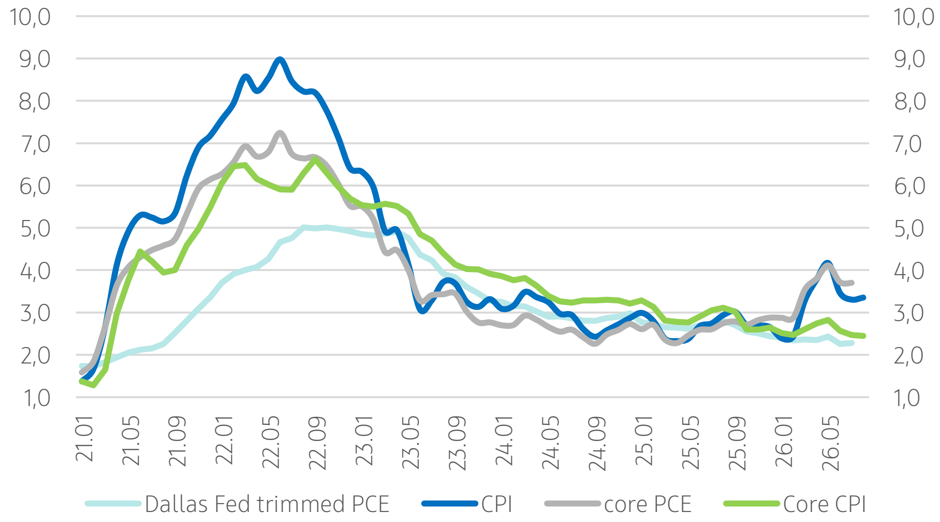
Source: Refinitiv, OTP Research

USA: high debt and deficit, inflation above the target

Deficit and Debt (Actual and Forecast)



Inflation figures (YoY, %)



Source: Refinitiv, CBO, OTP Research

Unsustainable debt trajectory, loose fiscal policy

- Following the 5.9% deficit in 2025 fiscal year (% of GDP), the deficit is expected to remain around 6% this year as well, significantly exceeding the 3.8% average of the past 50 years.
- The Supreme Court has overturned the majority of the tariffs imposed last year, and refunds have begun. The Trump administration is attempting to fill the revenue gap by imposing new tariffs.
- The budget's interest outlays are skyrocketing; by 2036, they will double and exceed $2 billion.
- The US Treasury is attempting to reduce the budget's interest burden by swapping long-term debt for short-term debt, which has lower interest rates, but the Fed has just resumed its interest rate hike cycle.
- The rise in bond yields reached a critical threshold in September, with the 10-year Treasury yield hitting 5%, a level briefly touched in 2023 and otherwise not seen since 2007.

The US has an inflation problem; core PCE has been above target since 2021

- All relevant inflation indicators are above target. The Fed's preferred inflation gauge, core PCE is still above 3%; it has been above the target for more than five years.
- Following the goods price shock seen during the COVID-19 pandemic, services, shelter costs, and strong wage growth became the drivers of inflation, which was exacerbated first by the trade war and then by the Middle East conflict.
- The inflationary impact of the tariffs introduced last year faded this summer, but Trump has just fanned the flames by threatening US trading partners with new tariffs.
- The ongoing conflict in the Middle East has been a source of concern; for now, this is primarily reflected in the CPI through energy prices, but there are already signs in PPI that price increases are increasingly spilling over into other categories.
- Both the Trump administration and the new Fed chair are trying to ease concerns about inflationary pressures caused by the AI boom by arguing that productivity will rise enough to prevent any unfavorable impact on inflation, but so far, the data centers is keeping the YoY growth of electricity prices above 4% and the price of electronic goods is rising rapidly.
- In September, the Fed raised the base rate by 25 bps to 3.75–4.00%, and market pricing indicates a further 75 bps in rate hikes, 25 this year and 50 next year.

Euro area: growth may catch up, if energy prices normalise

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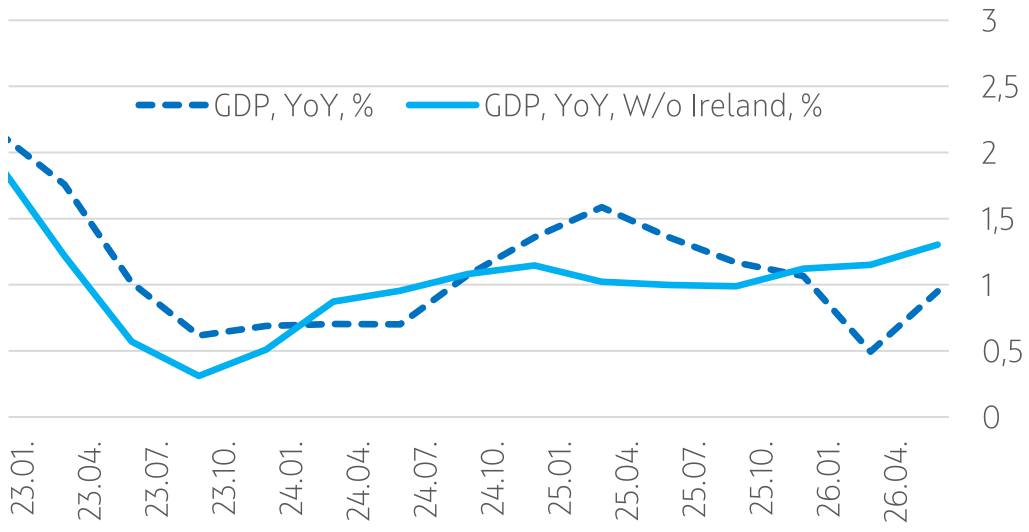
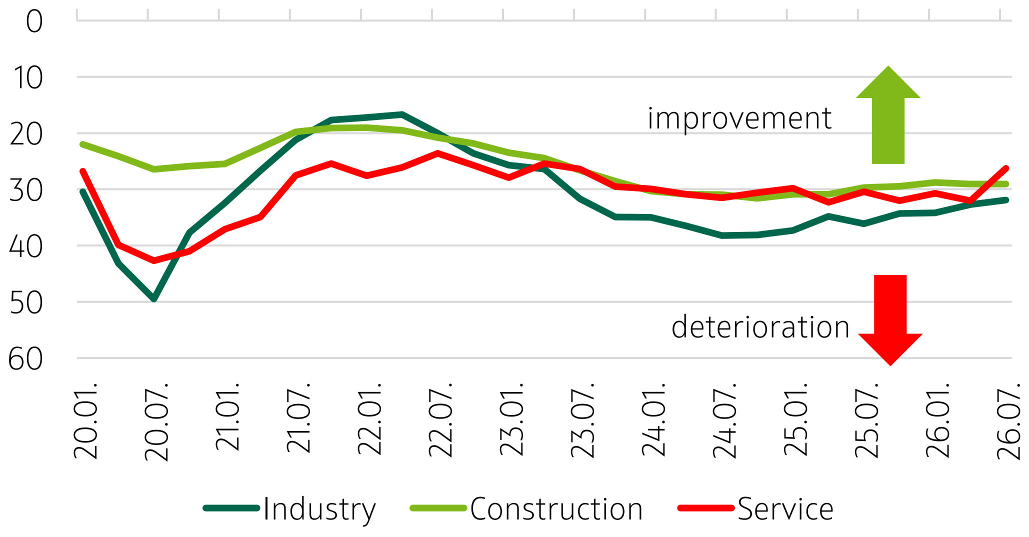
GDP growth rate of the eurozone with and w/o Ireland (YoY; %)



Subindices of the European Sentiment Index (ESI)



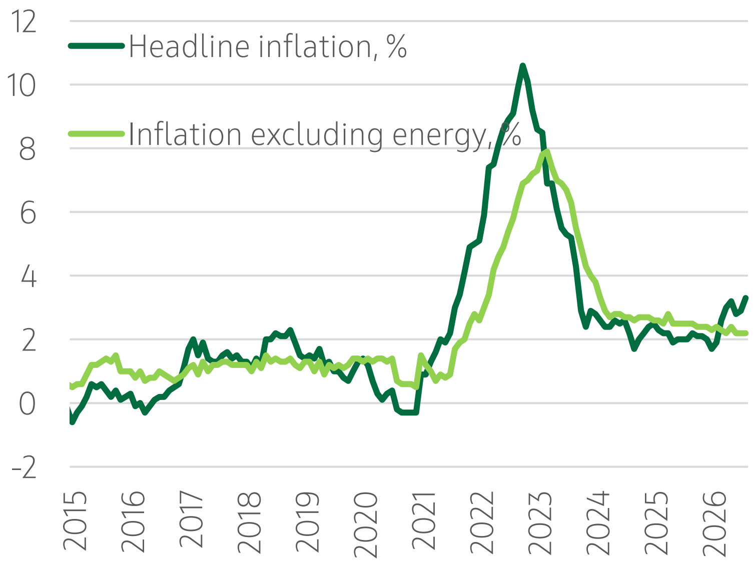
- 2026: GDP growth stood at 1.2% in Q2 2025 (excluding highly volatile Irish GDP). While growth is expected to decelerate to 0.9% by the end of 2026 according to the ECB's expectations, they actually have revised their forecasts slightly upwards in September.
- The underlying narrative is that the Eurozone proves to be unexpectedly resilient against the high energy prices and geopolitical tensions. It is true that business sentiment indices reflect a cautiously optimistic view of the economy, even when recent industrial production and export data recently suggest more sluggish growth.
- Also, while energy prices have been high in September especially with diesel and kerosine hitting records, it seems that supply disruption is not threatening the European economy.
- Since the February-escalation of the Iran-Israeli war, the European diesel production gap has narrowed as a result of moderating consumption and enhanced refining activity. Stocks in June (both emergency and commercial) are at a high level covering potential import needs for a long period measurable in years.

- 2027: the ECB expects the Eurozone's GDP growth to catch up the next year mainly driven by normalising energy prices which would increase the disposable income of households, thus boosting domestic consumption. Also, investments should contribute to the returning growth as more money is expected to be put into AI, defense and infrastructure projects over the next year.
- Government spendings will not be cut back thus no negative financial impulse is on the horizon. Net exports remain a pain point of the European economy as competitiveness issues remain on the agenda. Also, the appreciation of the euro since 2024 has not helped to recover European growth. All in all, domestic consumption is expected to remain the growth engine of Europe – just as it has been for the last 2-3 years,

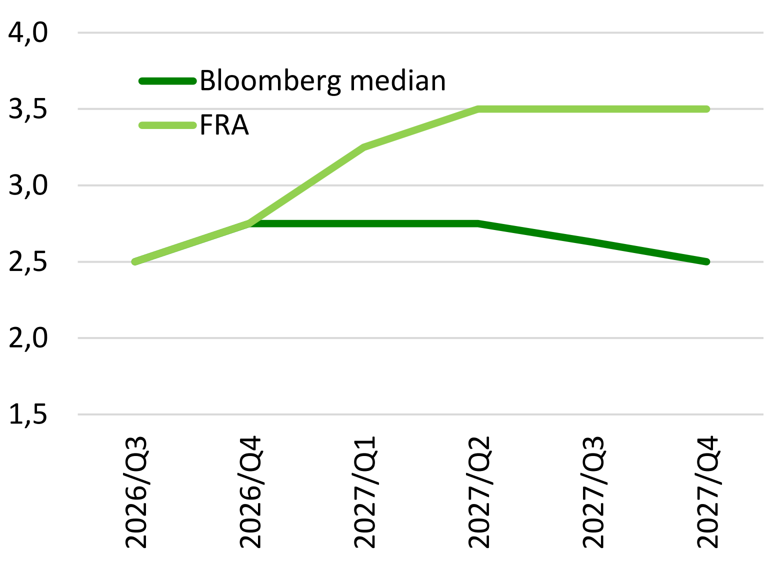
Source: Eurostat, European Commission, OTP Research

Euro area: inflation is to peak at 3.6% by the end of 2026

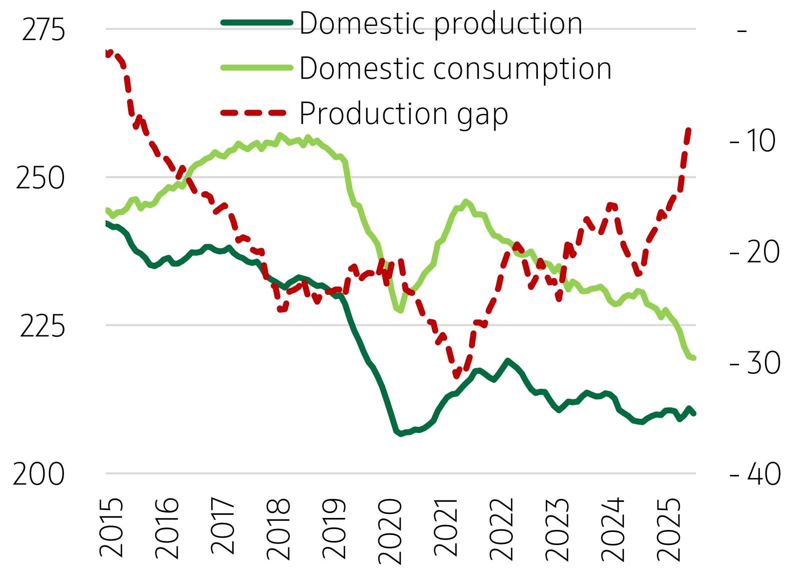
Inflation indicators in the euro area (YoY; %)



ECB kay rate expectations (%)



The EU's domestic production&consumption of diesel



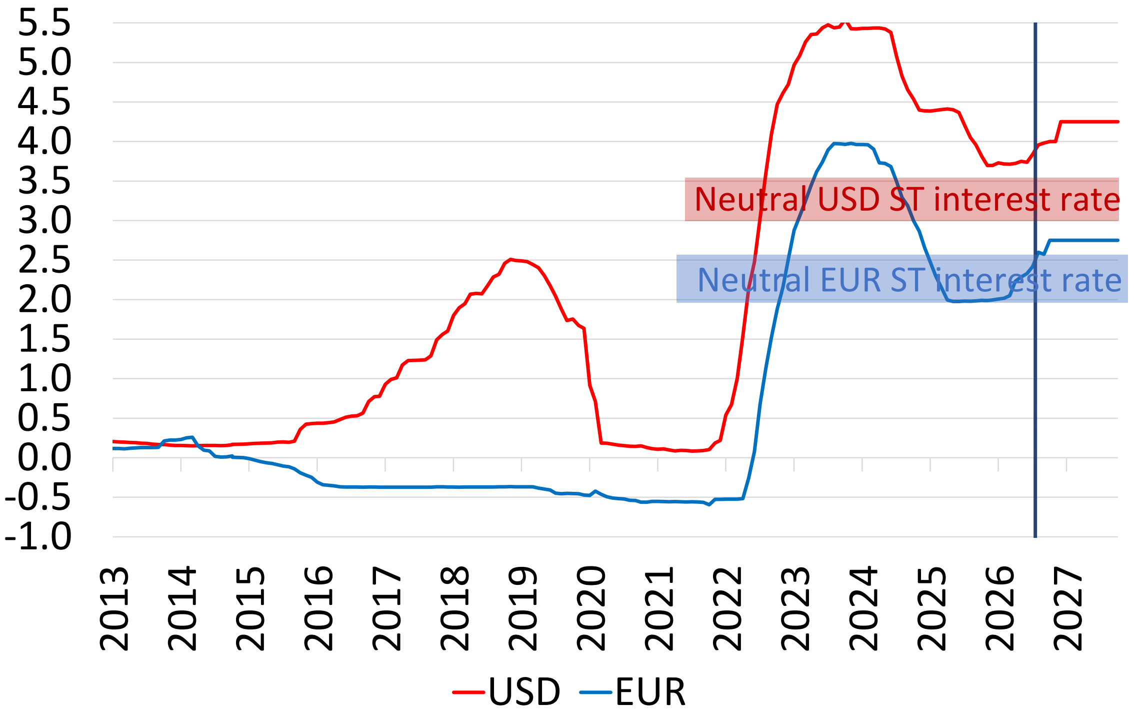
- **Inflation:** Headline CPI reached 3.3% in August and is expected to rise further to 3.6% by the end of the year, according to the ECB's forecast. By contrast, inflation excluding energy stood at 2.2% in August, considerably closer to ECB's 2.0% target, suggesting second-round effects to remain contained for now. Nevertheless, previous energy price shocks have demonstrated that core inflation often responds with a lag to increases in energy prices. The recent price shock is still much more moderated than the one we saw in 2022-2023 after the escalation of the war in Ukraine

- **Policy rates:** The ECB started a new hike cycle by raising its deposit rates in two steps from 2.0% to 2.5% since June. Market expectations foresee at least two additional increases of 25 bps this year. The ECB emphasises that the European economy shows strong signs of resilience against the energy price shocks and geopolitical tensions – with growth to sustain and unemployment remaining at its recent record lows (around 6%) not seen since decades. This provides further options to the ECB to tighten its policy – with interest rate hikes possibly to continue in 2027. But the situation will remain very fragile, exposed to the developments of geopolitical tensions and energy prices

Source: Eurostat, OTP Research

With easing CPI risks and long-term yields rising to multi-year highs

Expected USD and EUR policy rate paths (%)



Our assessment of medium-term bond market outlook

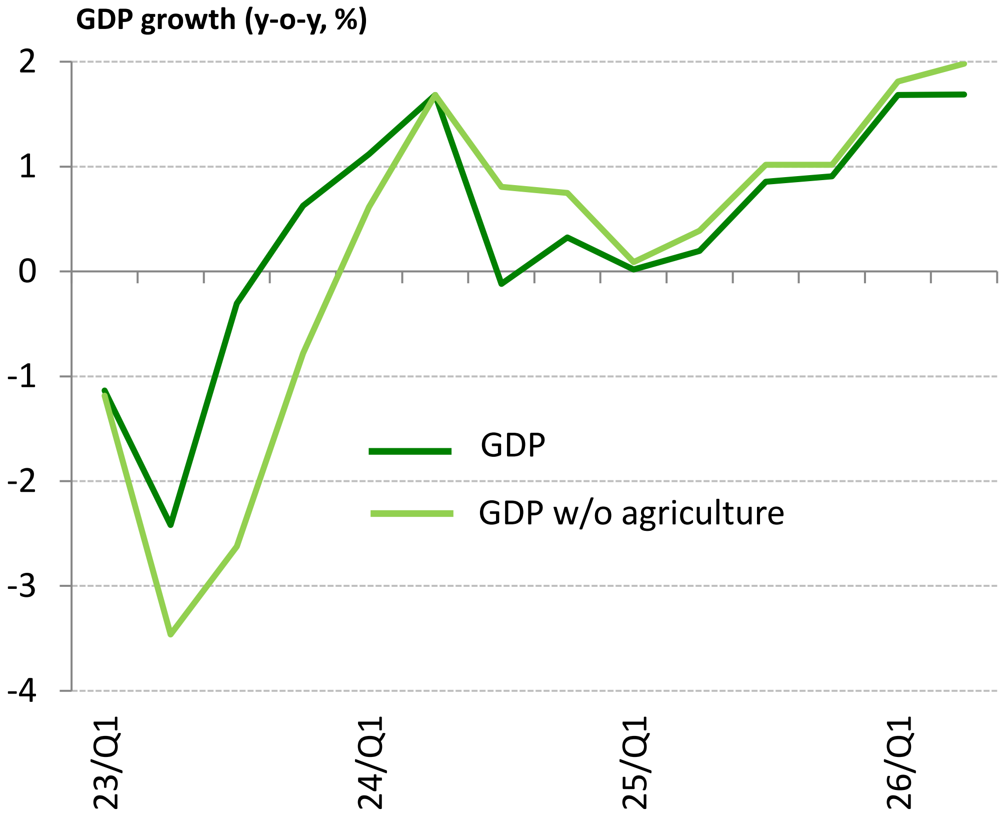
- In a fragmented world marked by tariffs, high deficits, and above-target CPI, positive real interest rates are needed to bring inflation back to target. We expect short-term rates to fluctuate around 2–2.5% in the euro area and around 3-3.5% in the US over the long term. Due to elevated financing needs, a positive term premium is also required at the long end; we expect the 10-year term premium to reach 100–150 basis points.
- There is limited willingness to make fiscal policy sustainable, while there is a strong temptation to constrain central banks' commitment to low inflation and to resort to financial repression.

Short-term outlook: one more hike is expected from the ECB and the Fed

- After Kevin Warsh, Chair of the Federal Reserve, acknowledged at the Jackson Hole Symposium that the United States does not have a growth problem but does face an inflation problem, expectations for further rate hikes strengthened significantly. The inflation data released in September reinforced these expectations even further. In response, the Fed raised interest rates in September, and markets are clearly pricing in one additional rate hike before the end of the year. Meanwhile, the U.S. 10-year Treasury yield has broken above the previously strong resistance level of 4.7% and is now trading above 5%. This development reflects both rising expectations of further near-term policy tightening and growing concerns about the sustainability of the U.S. fiscal trajectory. At the same time, assuming an equilibrium short-term interest rate of around 3.0-3.5% and a term premium of 100-150 basis points, a U.S. long-term yield in the 4.5-4.7% range could be viewed as the midpoint of the range in the new regime.
- FRA pricing is already implying a policy rate of around 3.5% in the euro area by next September. These expectations are being driven primarily by rising energy prices, while the consensus forecast among analysts is for interest rates to end next year in the 2.5-2.75% range. Meanwhile, following the results of the German regional elections and the increase in expectations for further euro area rate hikes, the German 10-year government bond yield has also broken above its previous resistance zone around 3.2%.

Source: Bloomberg, OTP Research

After 3.5 years of stagnation, the Hungarian economy gained momentum in H1



Economic growth accelerated to 1.7% in 2026. Despite a very weak agricultural season, the outage at Paks Nuclear Power Plant, and the impact of the Iran war, growth for the year as a whole is still expected to reach 1.7%.

- Excluding agriculture, GDP expanded at an annualized quarter-on-quarter rate of 2.5% in both the first and second quarters. However, due to the decline in agricultural output, headline GDP growth slowed from 3.2% to 1.6% on an annualized quarter-on-quarter basis.
- This year, household consumption is once again expected to be the main driver of economic growth, expanding by around 4.5%. Exports are likely to return to growth after two consecutive years of contraction. Investment activity, however, remains weak, largely due to significantly lower-than-expected public investment spending. In the private sector, by contrast, there are some encouraging signs beginning to emerge.

Growth is expected to accelerate to around 2.5% in 2027. However, considerable uncertainty remains regarding the composition of the planned fiscal adjustment

- Public investment could receive a significant boost from the inflow of EU funds.
- Exports are expected to continue gaining momentum, supported by recently added export capacities.
- Consumption, however, may moderate somewhat, reflecting slower real wage growth and a deceleration in credit expansion.
- In addition, growth could benefit from the absence of major energy-sector disruptions such as the outage at the Paks nuclear power plant seen this year. A more favorable agricultural season would also provide a meaningful boost to economic performance in 2027.
- The government will need to begin fiscal consolidation as early as next year. However, very little is currently known about the specific measures to be implemented or the overall composition of the adjustment package.

Source: KSH, OTP Research

The fiscal deficit may approach 7.5% in 2026

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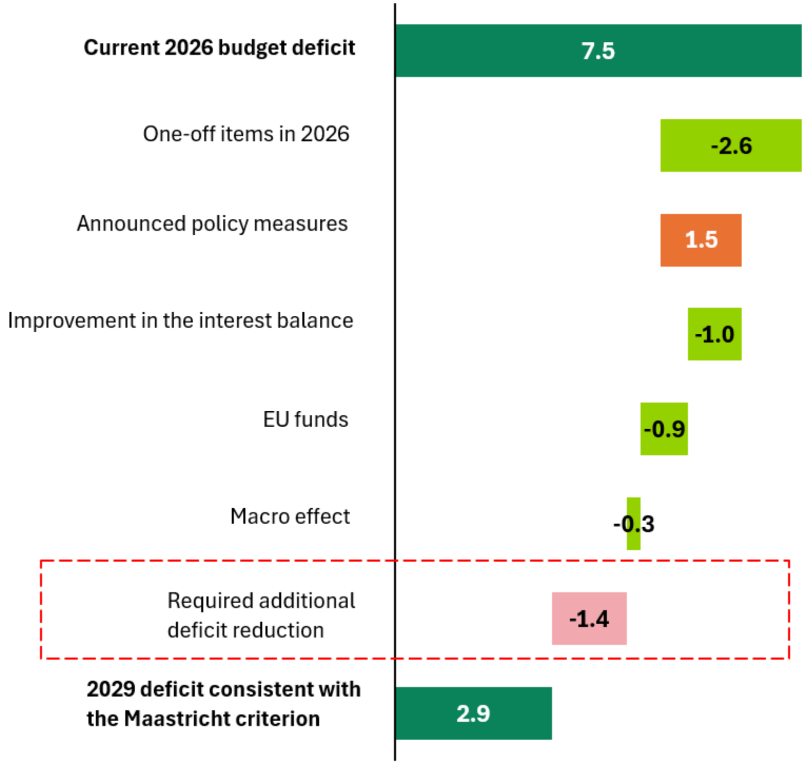
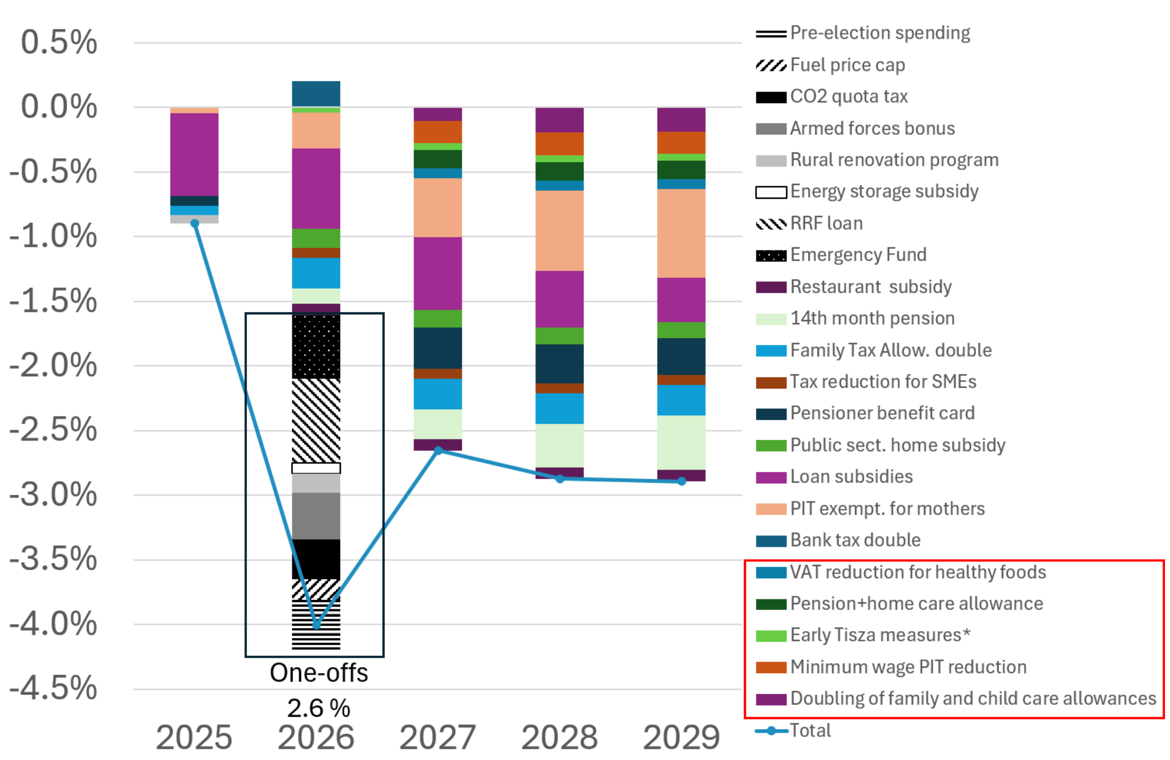
Additionally required deficit reduction to reach the 2029 target (% of GDP)



Medium-term fiscal impact of announced measures (% of GDP)



- 2020–2023: high deficits of 6–8% of GDP, driven by COVID-related and election measures
- 2024: the deficit declined to 5% of GDP, thanks to adjustment measures based on tax increases and cuts in public investment
- 2025: 4.7% of GDP, with tightening at the beginning of the year and increased spending toward the end. Without the latter, the deficit would have barely exceeded 4%.
- 2026: due to the previous government's tax cuts, interest subsidy schemes, pension increases, and several one-off transfers in 2026, as well as pre-election spending, the deficit could approach 7.5% this year.
- Given the effect of currently known measures an additional 1.4% adjustment is needed to reach the 3% Maastricht criterion by 2029.
- The new government will publish the fiscal framework for the coming years in October.

Source: KSH, OTP Research

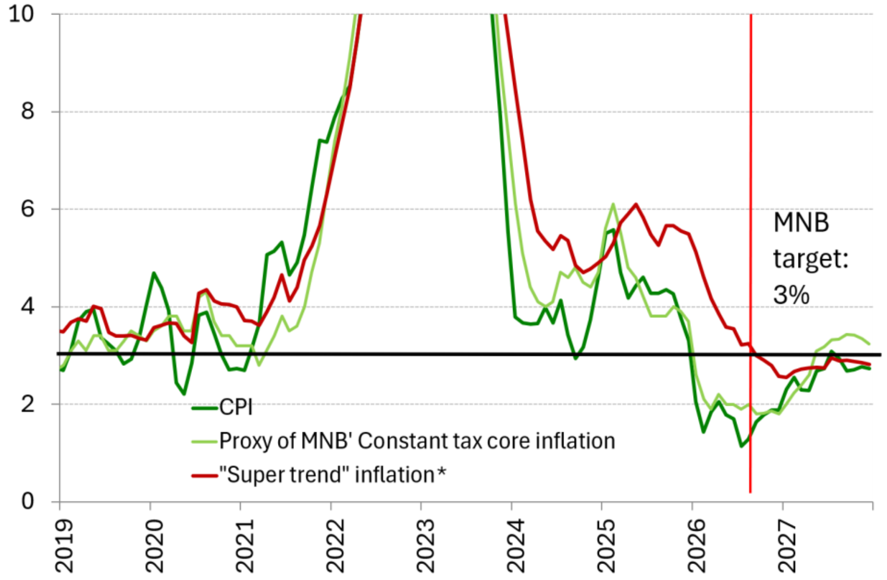
EUR 16.4 bn EU funds are to be released

	EUR bn	Budgetary effect from 2027
Total	**16.4**	
froml: RRF grant	6.5	
RRF loan	3.5	
Cohesion funds	6.4	Deficit reducing and/or growth-enhancing
RRF grant	**6.5**	
from:		
meglévő projektek utófinanszírozás	3.9	Debt reduction,, growth neutral
elektromos hálózat fejlesztés	1.5	Deficit reducing and/or growth-enhancing
MFB tőkeemelés	1.1	Deficit reducing and/or growth-enhancing
RRF loan	**3.5**	
from:		
ROSCO (railway carriages, engines)	1.8	Deficit increasing, growth-enhancing
MFB capital increase	0.7	Deficit neutral, growth-enhancing
IRIS2 (EU satellite system)	0.5	Deficit neutral, growth-enhancing
AI Giga	0.5	Deficit neutral, growth-enhancing
RRF income during previuos administration	0.8	
RRF income till end-2026*	9.2	

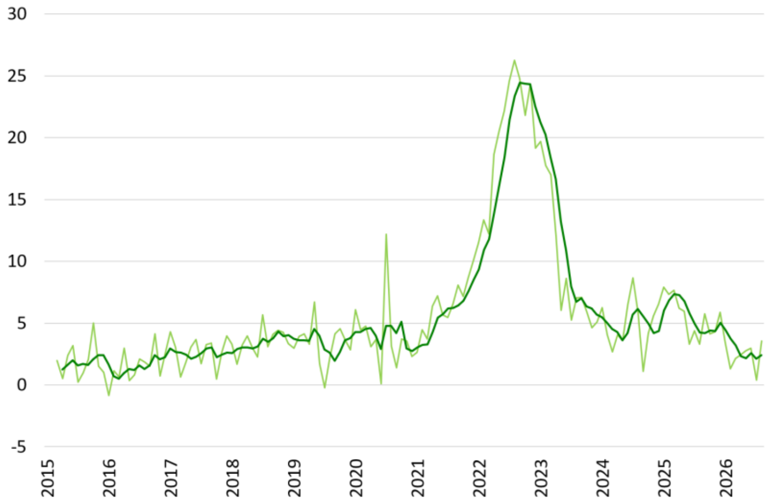
Source: OTP Research

2026 CPI may fall to 1.7% on strong HUF and food prices

OTP inflation forecasts



"Super" core inflation (annualized MoM change) (%)*



** goods and market services excluding backward-looking pricing components*

Source: KSH, OTP Research

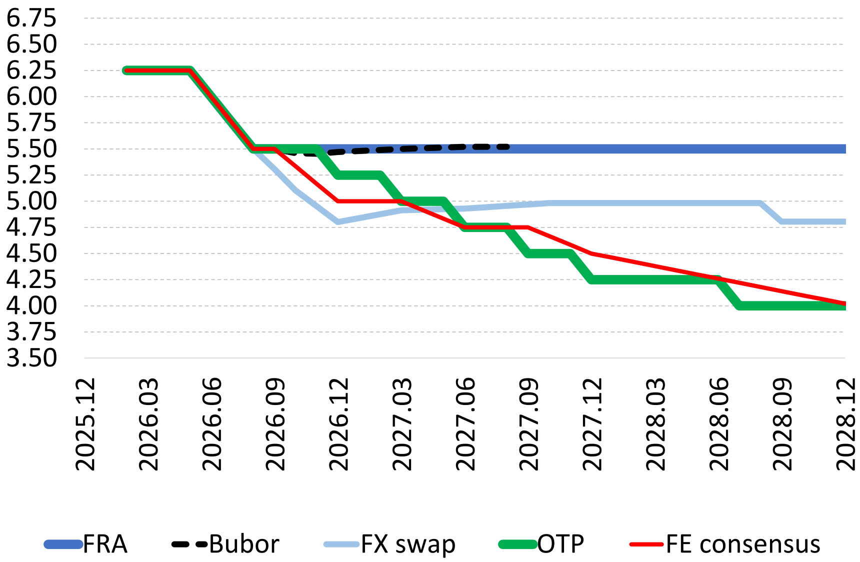
- 2026: Inflation has remained below 2% most of the time so far in 2026, with the latest August CPI reading coming in at 1.3%, while core inflation stood at 2.0%. Both measures are well below the central bank's current 3% inflation target and the euro area's inflation rate of 3.2% (core: 2.6%). The favorable inflation dynamics have been driven primarily by the strong exchange rate, which has reduced the cost of imported goods, as well as by declining food prices. At the same time, services inflation remained elevated in August, even after excluding the impact of price adjustments in the banking and telecommunications sectors following the expiry of voluntary price freezes in June.
- Effects of the war with Iran: as household energy prices in Hungary are regulated, and even with uncapped fuel prices the direct CPI impact of the war with Iran has been limited. Despite energy prices remaining elevated for longer than initially anticipated, and higher diesel prices already feeding through into transport service costs, broader second-round effects across production chains have remained limited, while inflation expectations have stayed well anchored.

Outlook: CPI may reach 1.7% in 2026 and 2.6% in 2027. With persistently high energy prices, sever drought and fertilizer shortages in agriculture, risks are tilted to the downside

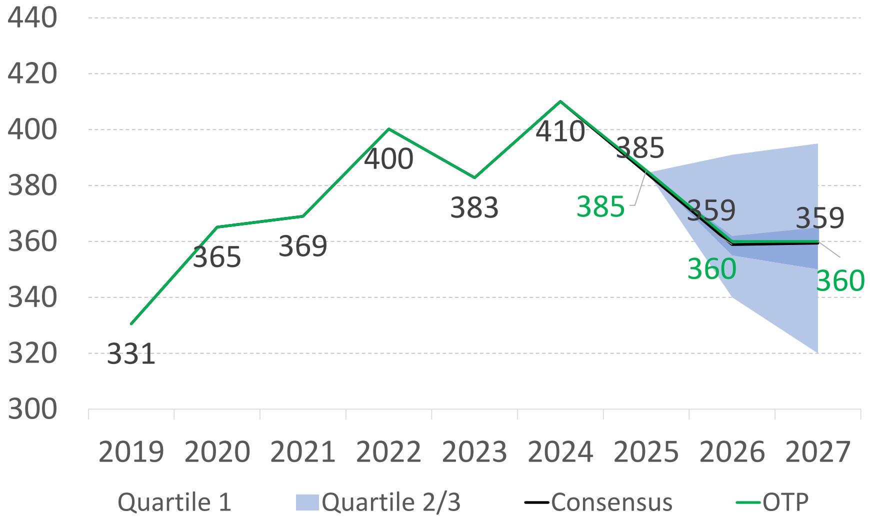
- Beneath the favorable headline inflation numbers, underlying price pressures are still strong, especially in case of wage sensitive services inflation. Added to that, the new government has not cancelled the consumption-supporting measures introduced by the previous Fidesz government, instead introduced additional ones On the other hand, the central bank seems to be committed to stabilize the exchange rate near the current stronger levels. n September, it paused its rate-cutting cycle and announced that the inflation target will be lowered from 3.0% to 2.5% starting in 2028. This implies a more restrictive monetary policy stance going forward, strengthens the euro convergence commitment which could play an important role in keeping inflation expectations well anchored. We also expect that, should the government decide to phase out the current margin caps in the near term, the impact on CPI inflation would likely be limited.
- Risks: Elevated natural gas prices can influence electricity prices, even if most households are protected and the recent spike in diesel prices is also a risk. On top of that, the declining food price cycle can turn next year due to the drought and fertilizer shortages.

The rate-cutting cycle may continue in the last part of the year

Effective interest rate (OTP forecast and market pricing)



EUR/HUF outlook (end of period)



Source: Bloomberg, Focus Economics, OTP Research

The market pricing suggests no more rate cut this year, due to the rising international yield environment and increasing energy prices. Analyst consensus expect at least one cut

Developments prior to the war with Iran:

Amid the steady appreciation of the forint and low inflation, the first 25-basis-point rate cut (to 6.25%) took place in February, in Q4 2025 and early 2026, after the policy rate had been held at 6.5% for 17 months. Rate-cut expectations strengthened, with the market anticipating a decline in the policy rate to 5.5%.

Consequences of the war:

- The forint depreciated rapidly, rate-cut expectations faded, and the market began to price in rate hikes. The MNB did not continue rate cuts after February.
- The bond market rally seen between December and February reversed: yields surged, peaking near 8%, around 150 basis points above the February low.

Current situation and outlook:

- During the summer, the MNB delivered three rate cuts. The central bank paused its mini rate-cutting cycle in September, as the international yield environment and rising energy prices posed asymmetric risks. In September, the central bank also announced that it would lower its inflation target to 2.5% effective from 1 January 2028, as part of its preparations for euro adoption.
- Further rate cuts will only be possible if Hungarian risk premia continue to decline, as additional monetary tightening is expected in advanced markets over the coming months. The most important catalyst for lower risk premia could be the 2027 budget, as well as the medium-term fiscal and macroeconomic outlook, from which investors would like to gain a clear understanding of whether the macroeconomic conditions necessary for euro adoption can be met.

EUR/HUF: no significant forint depreciation is expected

- Despite the sharply narrowing forward-looking EUR/HUF interest rate spread, the forint remained stable around the 360 level. As meeting the inflation criterion required for euro adoption necessitates a strong and stable exchange rate, we believe that a significant depreciation is unlikely. At the same time, the appreciation potential is also limited, as the central bank has already signaled through its previous measures which exchange rate levels it considers undesirable on the strong side.

Asset classes

Equities

As a result of the AI-driven profit boom stock market valuations have come down significantly, but numerous risks remain, which is why it's worth staying selective and taking advantage of pullbacks to buy.

Bonds

Recent peaks in developed-market long bond yields are fundamentally justified; however, given the significant levels of indebtedness, much higher yields are undesirable from both an economic and a political perspective.

Commodities

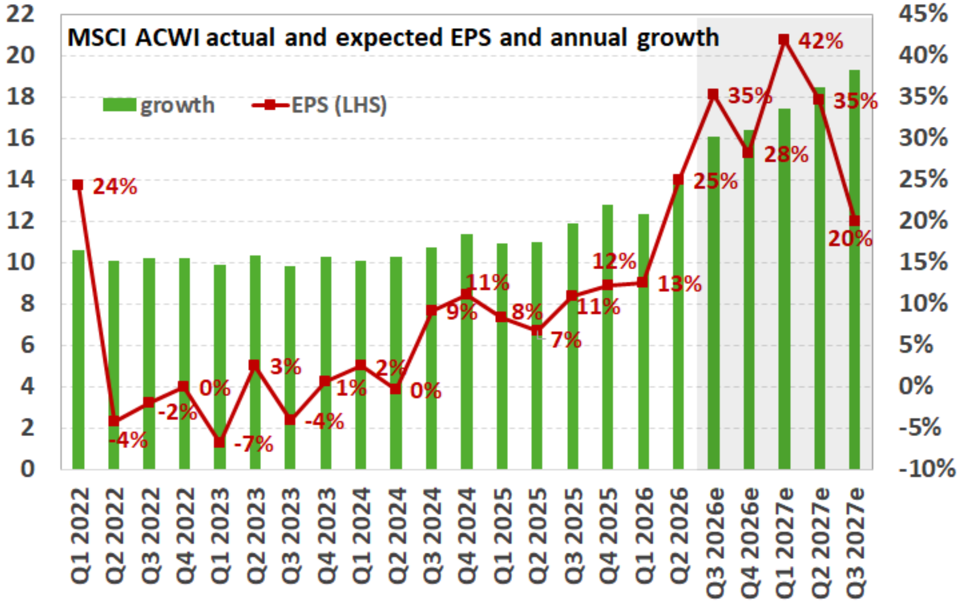
We maintain our neutral view as Middle East conflict remains the key factor, but the outcome is difficult to predict. Worst-case means even higher energy prices. We favor agricultural commodities and uranium.

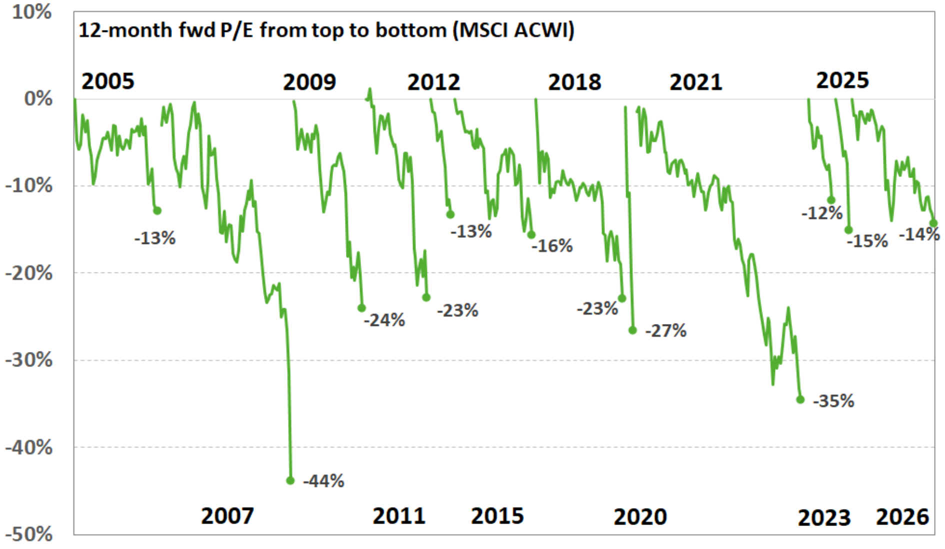
Overweight

Neutral

Underweight

Equities: stocks have become much cheaper



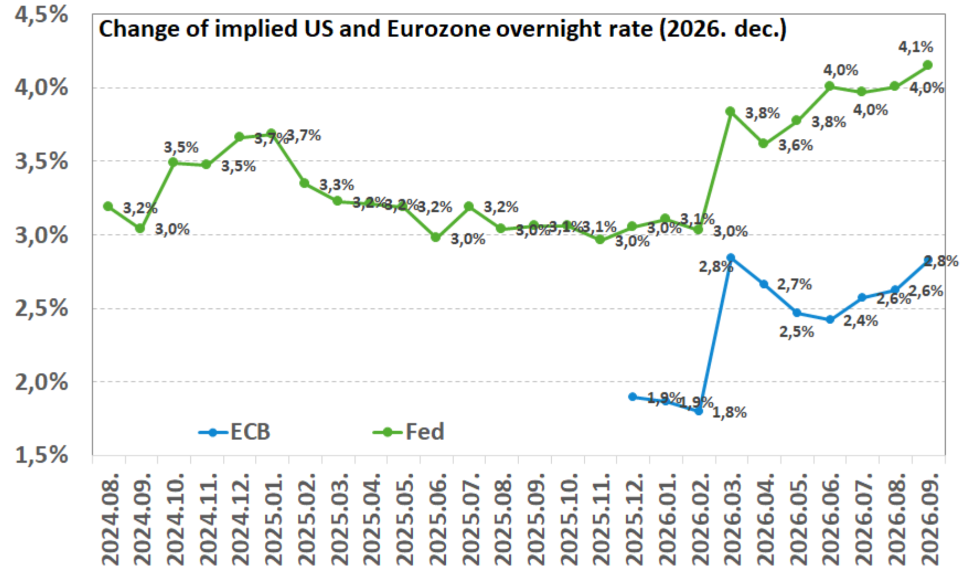


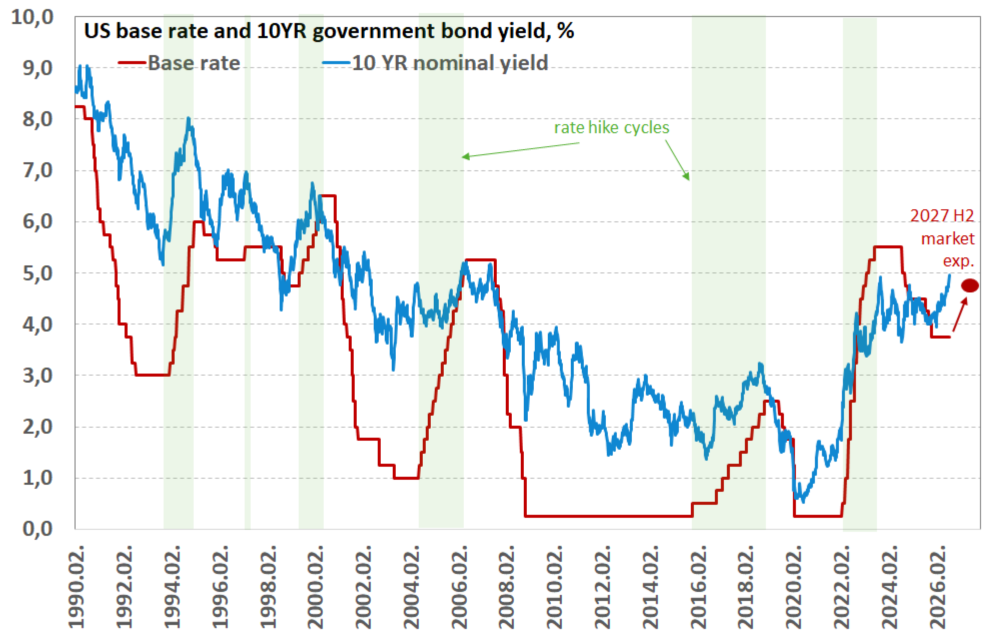
- Although the repeated escalation of tensions between the US and Iran has significantly driven up energy prices, growth in the world's major economies has remained resilient. Looking ahead, this momentum may begin to wane. High energy prices could negatively impact consumers, but profit growth in the corporate sector – primarily driven by AI investments – could continue to provide strong support.
- Global stock market's profit growth is reaching levels around 30%, which is unprecedentedly strong and is expected to continue in the coming quarters. Although there are risks regarding the sustainability of AI-related investment plans, in a base-case scenario, cloud service providers' significant backlogs, the US-China technological rivalry and the growing demand for AI, more complex models, and the resulting increase in computing capacity all support the continuation of the investment cycle.
- Profit expectations are still on an upward trajectory, on a scale rarely seen – up 13–15% YTD – and the range of companies delivering positive surprises is quite broad (not limited to the AI sector). Even if profit growth naturally begins to slow over time (2027H2), there is no need to worry about a profit over the next year.
- The ACWI has been trading sideways since the end of May, so a significant repricing has now taken place (the forward P/E ratio has fallen from 20 to below 17), and we have begun to approach the long-term average. This was driven primarily by the rise in long bond yields in developed markets (~100 bp since March), which the stock market was able to weather with stability thanks to the earnings boom.
- However, a further rapid rise in bond yields from current levels poses an increasingly significant risk, since 1, the necessary repricing would have to occur through falling prices, 2, pace of AI-related investments would slow because of rising financing costs, thereby calling into question current profit expectations. Precisely for this reason, however, the U.S. administration is visibly working to curb the rise in yields, which it will likely be able to achieve temporarily.

Driven by significant surprises and profit momentum, the stock market is beginning to reach increasingly attractive valuation levels. For now, we would recommend taking a wait-and-see approach, as the unpredictable situation in the Strait of Hormuz, further potential rise in bond yields, the U.S. midterm elections, and new tech IPOs all pose downside risks. It remains advisable to stay selective and take advantage of correction phases to buy stocks.

Source: Bloomberg, OTP Multi-Asset Strategies

Bonds: high deficit is the root cause of the problem



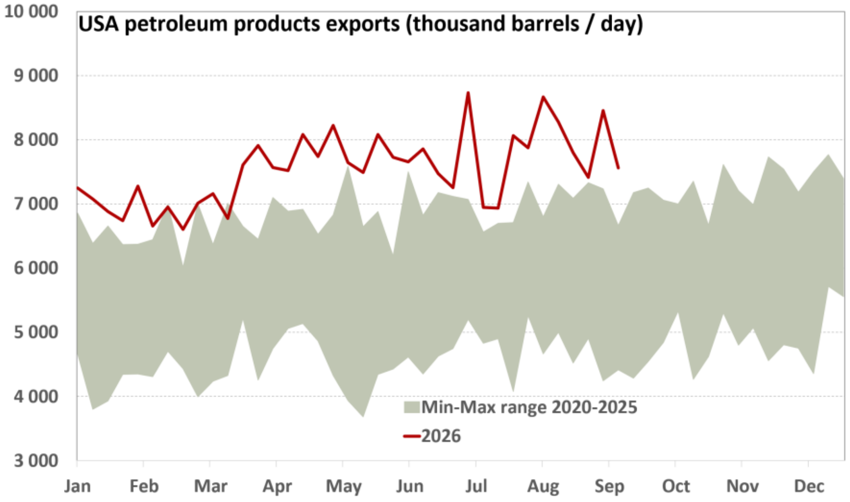


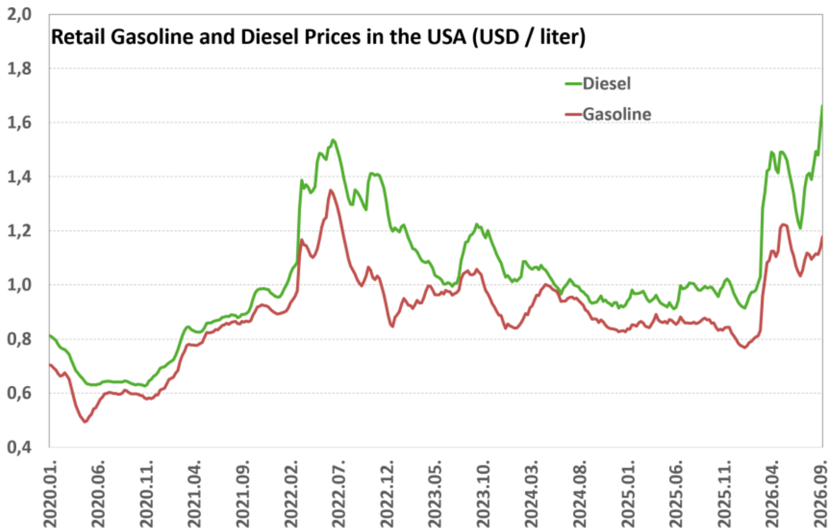
Source: Bloomberg, OTP Multi-Asset Strategies

- The combined effect of several factors played a role in pushing long yields to new local highs in several developed countries: 1, strong economic growth, positive surprises in incoming macro data, improving US labor market, 2, energy prices at their previous peaks, pushing up inflation, 3, AI investments' growing need for external financing draining capital from government bonds 4, high budget deficits and indebtedness, without meaningful signs of consolidation 5, uncertainty regarding the new Fed leadership's shifting approach. 10-year US real yield (TIPS) has risen to a nearly 20-year high of 2.6%, and the term premium is approaching 100 bp last seen in 2016.
- From a fundamental perspective, even the current US and German 10-year bond yields – around 5% and 3.5%, respectively – may seem justified. However, given the significant levels of public debt, higher yields than those are undesirable from both an economic and political standpoint due to the resulting increase in the interest burden.
- The U.S. Treasury Department has therefore increased the volume of long bond repurchases starting in September; while this was an important step for now more in terms of its symbolic significance than its magnitude, it increases the likelihood of interventions, if needed, to cool down bond markets. This could mean de-escalation measures in the Iran conflict, or even larger-than-signaled bond purchases, but in certain cases, it could also mean shifting bond issuances toward shorter maturities. Economic policy has the tools to temporarily keep yields in check; a lasting solution, however, would be to reduce the budget deficit, though the likelihood of this is very low.
- The widening short-term real yield spread is strengthening the dollar for now. The greatest risk for USD could be if the Fed's independence were called into question under the new leadership.
- In the corporate bond markets, despite the volume of bond issuance linked to significant AI investments and the rise of government bond yields, spreads have remained surprisingly stable and narrow, presumably due to healthy corporate fundamentals, however, these no longer adequately compensate for the risks involved.

From a fundamental perspective, the rise in long bond yields to new local highs is justifiable, although yields higher than current levels are undesirable from both an economic and political standpoint. Economic policymakers have the tools to temporarily keep the rise in yields in check, but sustained success would require fiscal adjustment, the likelihood of which is low.

Commodities: the war in Iran remains the focus of attention





- Due to the relatively rapid collapse of the U.S.-Iran framework agreement signed in June and the escalation of the conflict in the Middle East, energy prices have once again surged significantly in recent weeks. Attacks on Russian refineries are also not helping the situation in the energy market. As a result of all this, for example, the price of diesel has risen to new all-time highs in several places, while the prices of gasoline and other petroleum products (e.g., heating oil, motor oil, etc.) as well as natural gas in Europe and Asia have also risen significantly.
- This is a particularly concerning development because rising energy prices typically have many ripple effects and can put numerous sectors of the economy in a more difficult position if the price increase is significant and sustained. Higher diesel prices, for example, increase costs in agricultural production, logistics and transportation, as well as in the construction and manufacturing industries, among others. In turn, these increased costs may negatively impact the profitability of the affected sectors or, if passed on, may burden consumer spending.
- The bad news is that, as far as the war in Iran is concerned, there are no signs yet that the parties' positions are converging. In fact, with the involvement of the Houthi rebels in Yemen, the geopolitical situation has actually worsened. On the one hand, the "closure" of the Bab el-Mandeb Strait is hindering international shipping, and attacks on Saudi oil infrastructure (the East-West oil pipeline, refineries) are reducing oil supply. Meanwhile, international oil reserves are dwindling, although it is difficult to assess how much longer they can continue to support the market, since this depends in part on the volume of unofficial shipping traffic passing through the Strait of Hormuz. Demand-side adjustments also should not be underestimated (although this obviously has economic consequences). Another complicating factor is that governments may respond to high energy prices with subsidies, windfall taxes, or export restrictions, all of which can significantly affect both the supply and demand sides.
- Overall, the situation does not look favorable: higher energy prices may persist for the time being, but it is worth anticipating significant volatility. Within commodities, we continue to favor physical agricultural commodities and uranium in the longer term, while we would adopt a more cautious stance regarding industrial and precious metals.

We maintain a neutral outlook on commodities, as developments in the Middle East conflict remain the key factor here and the outcome is difficult to predict. In a worst-case scenario, energy prices could rise further. Within the sector we favor physical agricultural commodities and uranium over the long-term.

Source: OTP Multi-Asset Strategies, EIA

Equities - Regions

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US

Strong profit growth, falling valuations, but further rapid rise in long bond yields, could pose a risk. Be selective: the semiconductor sector has become less overvalued, we continue to view its outlook as strong, like the cybersecurity or healthcare sectors'.

Europe

Weak corporate margins, sluggish profit growth, and the relative valuation discount has also narrowed. Europe faces numerous structural challenges, gas prices may remain elevated for an extended period, which could pose headwinds in the coming months.

Emerging Markets

Unprecedented surge in profits, while the correction over the past few months has resulted attractive valuation levels, providing a buffer against risks. Market trends in the memory chip sector are likely to remain favourable, which supports South Korean equities.

CEE

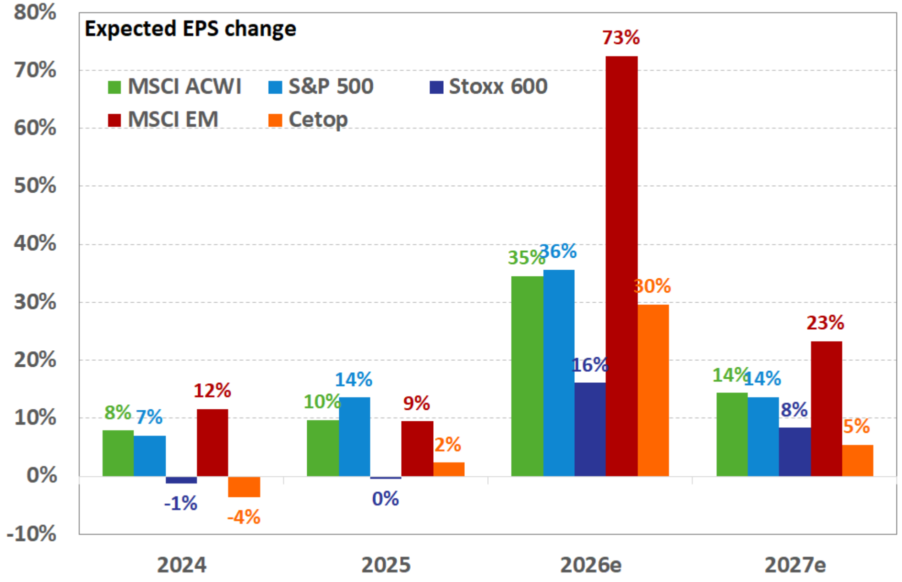
Weathered this year's rise in energy prices relatively well, and in terms of profit growth, valuation, and greater concentration in the financial sector, it remains to be one of the most attractive alternative without AI exposure. BUX index may still outperform.

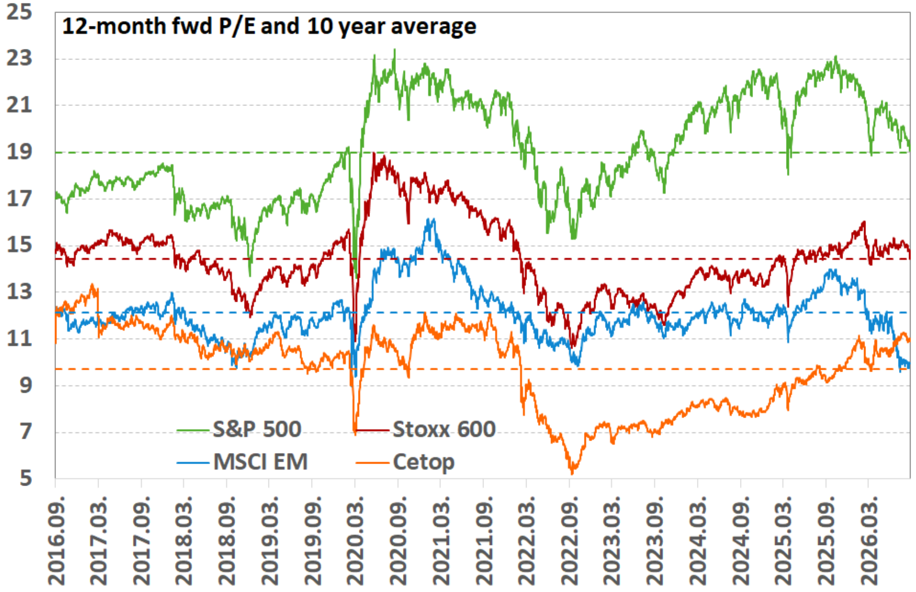
Overweight

Neutral

Underweight

US: profit growth is driving the market

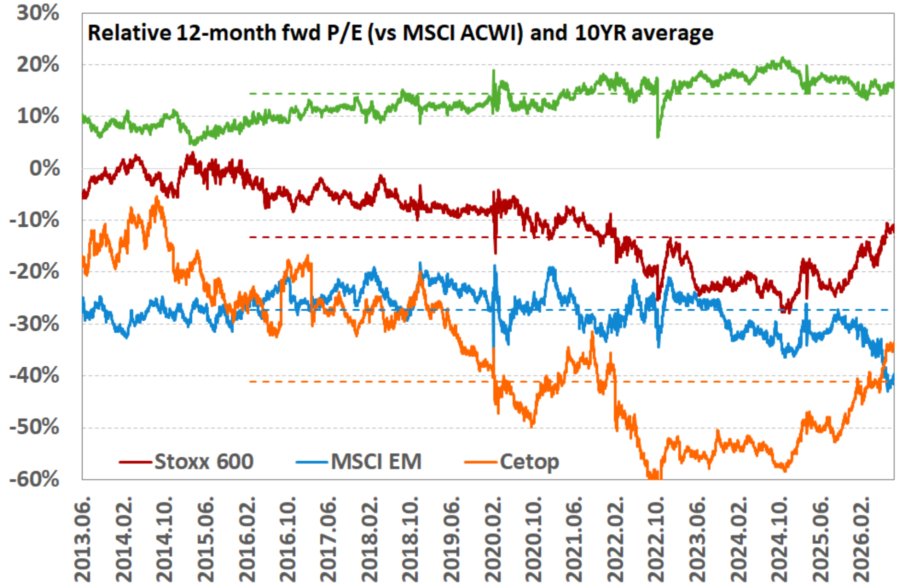


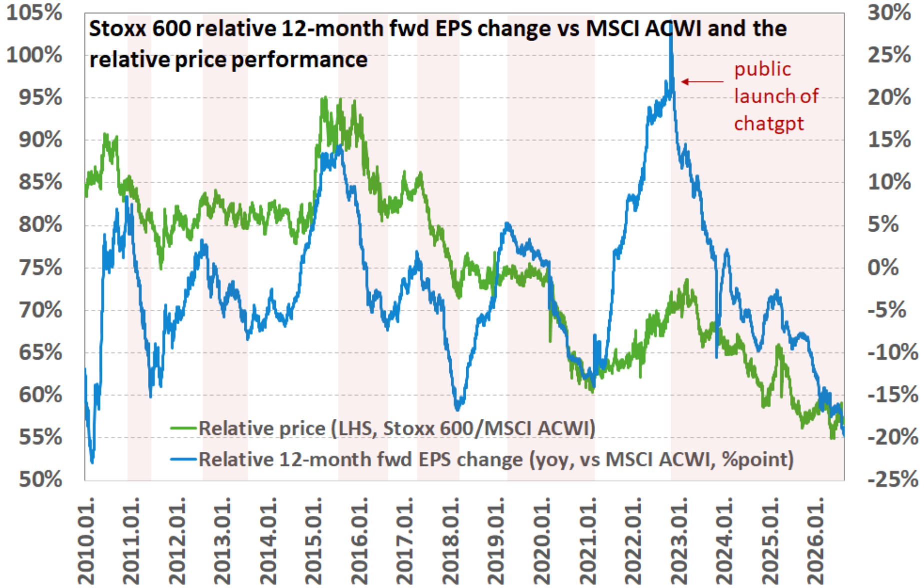


Source: Bloomberg, OTP Multi-Asset Strategies

- By mid-summer, the semiconductor sector began to undergo the expected correction (~20% from the top), so the U.S. stock market as a whole has stagnated in recent months. Meanwhile, the "Magnificent 7" achieved a nearly 120% surge in profits (Q2), even excluding one-time revaluation effects, the growth remains exceptionally high at 43%. The rest of the S&P 500 performed also very strongly, achieving 32% profit growth, a level last seen after the COVID-19 reopening. Since 86% of companies delivered positive earnings surprises, this points to a sufficiently broad-based expansion, which has caused earnings expectations to rise by 15% YTD. Earnings growth of around 35% is still possible this year.
- This growth made it possible for the forward P/E ratio – which had previously been around 23 – to fall to 19, a level consistent with the ten-year average. In other words, profit growth served as a buffer against the rise in long bond yields. Looking ahead, this is unlikely to remain the case; moreover, a further rapid rise in yields could trigger a correction even at the index level (which poses a greater risk to smaller-cap companies), just as the midterm elections, the capital-siphoning effect of new tech IPOs, or Fed rate hikes.
- Over time, however, we can put these factors behind us, and since the probability of a recession is low and we also see the potential for another upswing in the AI story (profit margins have risen to new highs, which could help alleviate concerns about returns), this provides strong support for the stock market.
- Corporate AI adoption is growing rapidly, major cloud service providers are sitting on significant backlogs, which is currently due to supply constraints. This is expected to persist through 2027, and resolving it will continue to require massive investments, potentially even larger than currently projected. If this proves to be the case, further increases in profit expectations for the semiconductor sector would be expected, meaning that annual profit growth rates of around 100% could remain sustainable even over the next 1–1.5 years. In light of this, the forward 12-month P/E ratio for 2018–2019 appears attractive even amid mounting risks (significant external financing needs, rising yields, regulatory issues, public dissatisfaction, strikes).
- While maintaining a neutral exposure, we would remain selective in the U.S. stock market. We continue to view the outlook for the semiconductor sector as strong, and with the correction of the past few months, we once again see opportunities here. The same is true for the cybersecurity segment, which could provide a solution to concerns regarding AI-related security risks. We favor the healthcare sector due to its defensive nature and continue to view it as one of the potential beneficiaries of AI adoption.

Europe: other regions are leaving it behind

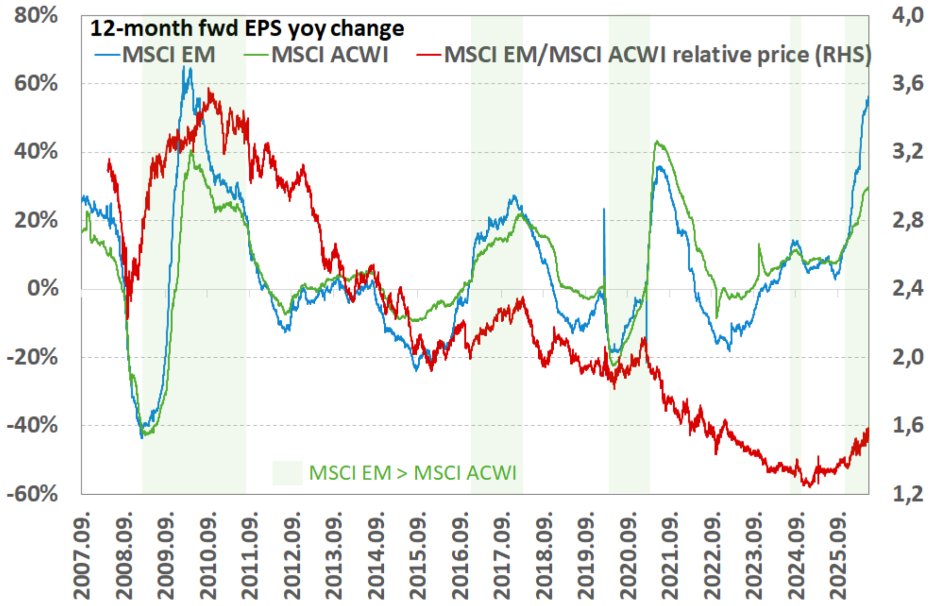


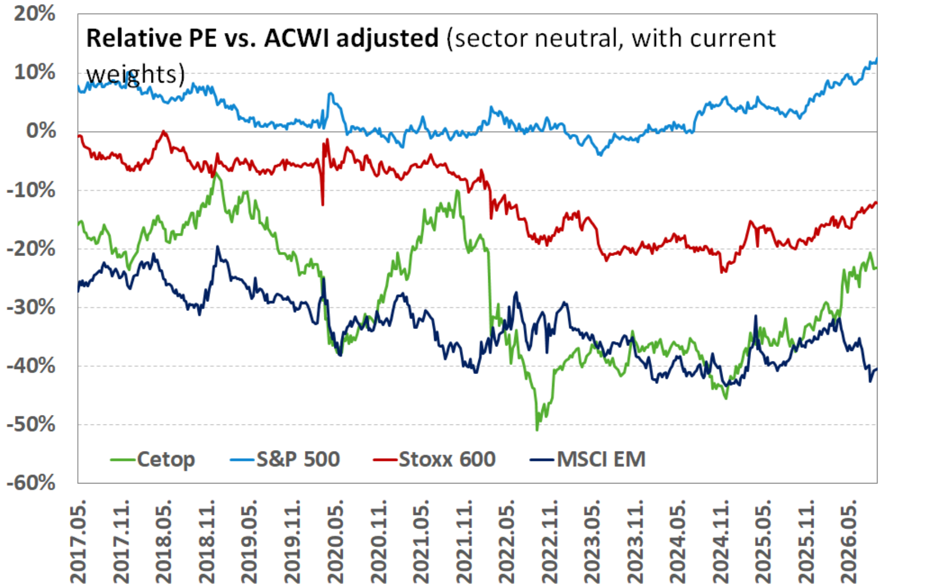


Source: Bloomberg, OTP Multi-Asset Strategies

- Although the performance of the European stock market has not lagged significantly behind US in recent months, the renewed US-Iran tensions, the rise in energy prices back to previous highs, could once again lead to relative underperformance. Although European economies have weathered the energy price shock surprisingly well, and signs of recovery are visible in many sectors of the economy, gas prices may remain at current high levels for an extended period due to the seasonally low fill levels of gas storage facilities and competition for LNG supplies, which could pose downside risk to growth and could lead to higher inflation.
- The continued, overwhelming rise of Chinese competition in key industries, along with Europe's technological lag behind the US and China, combined with significantly higher energy prices, are undermining European companies' prospects. While global profits could rise by 35% this year, profit growth in Europe is expected to be 16%, with the consensus forecast having risen by only about 5% YTD (vs. 15% globally). While companies in other regions are already posting profit margins of 14–15%, in Europe we are still "only" at the 11% level, which isn't bad in and of itself, of course, but is weak compared to the rest. Forward-looking profit growth is underperforming relative to the global average to an extent not seen since the 2010s.
- The most likely way this trend could reverse in the foreseeable future would be if there were a sudden downturn in the technology sector driven by AI investments. Although there are risks, the baseline scenario suggests that this exceptional AI-driven growth momentum could remain with us for at least another 1-1.5 years, which in such a case could permanently dampen the relative earnings growth outlook for Europe.
- Europe remains the cheapest region based on backward-looking valuation multiples; among the regions examined, it is the only one where the Shiller P/E has not yet exceeded its 2021 peak. However, based on forward-looking indicators, the previous significant undervaluation has diminished considerably. The relative P/E discount compared to the global average is around 10%, which is the ten-year average, and the adjusted discount – by sectoral effects – has also been steadily narrowing over the past two years.
- Overall, given the risks that have long defined Europe (demographics, regulation, high energy prices, the rise of extremist parties), valuation levels appear less and less attractive in relative terms. The financial sector, which has been the leading European sector to date, remains attractive based on most of the valuation and growth criteria examined.

Emerging markets: profitboom and cheapness





Source: Bloomberg, OTP Multi-Asset Strategies

- Following a significant outperformance in H1, emerging markets have seen a correction in recent months, primarily driven by the semiconductor segment (South Korea and Taiwan), which had become overcrowded by the end of June. In the meantime, profit growth has continued to rise at an outstanding rate, and EM have managed to catch up with the U.S. in terms of profit margins. As a result, profit growth this year could reach an unprecedented level of over 70%, while profit expectations have already risen by 30% YTD. This is largely driven by the memory chip manufacturer heavy South Korea and Taiwan, which together account for nearly half of the EM index (India and China are underperforming in this regard).
- Since supply-demand conditions in the memory chip market are likely to remain supportive over the next 1.5 years, this could help emerging markets as a whole – primarily through Samsung and SK Hynix stocks – achieve above-average profit growth. This advantage, could also translate into outperformance on the index level, especially since EM has reached attractive valuations.
- The MSCI EM Index is trading at a P/E ratio below 10, meaning it is now cheaper than the CEE region. There has never really been a precedent for valuation multiples significantly lower than current levels. The discount is 20% compared to the 10-year average and 40% compared to the global index–a level never seen before. The sector-adjusted relative discount is similarly steep, hovering near the lower end of the range seen over the past five years.
- Since we believe that AI-driven demand has shifted the semiconductor sector from its previous cyclical nature to a much more structural one, we do not consider the current depressed valuation levels to be justified in this case. Not even if, there are visible risks, like 1, the previously mentioned threats looming over AI investments 2, the Fed's interest rate hikes 3, rising long-term yields 4, strengthening dollar 5, disruptions to traffic through the Strait of Hormuz and soaring energy prices. We believe that, strong earnings growth and the significant valuation discount will compensate for these risks.
- Within the region, we are replacing our previous exposure to India with the South Korean market, which has now also become strikingly cheap. Although India continues to offer long-term potential, the significant economic growth has not yet translated into meaningful corporate profit growth, while AI also poses a growing challenge. However, we remain optimistic about the Latin American region; the Brazilian stock market, which remains inexpensive, is benefiting from rising commodity and agricultural prices, and the October elections could present opportunities.

CEE: pretty good growth and cheapness without AI exposure

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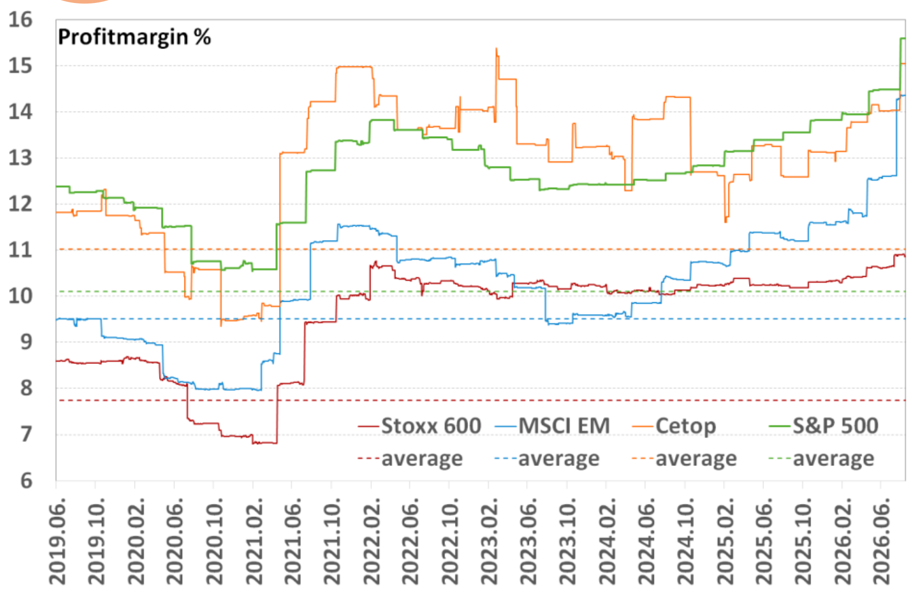

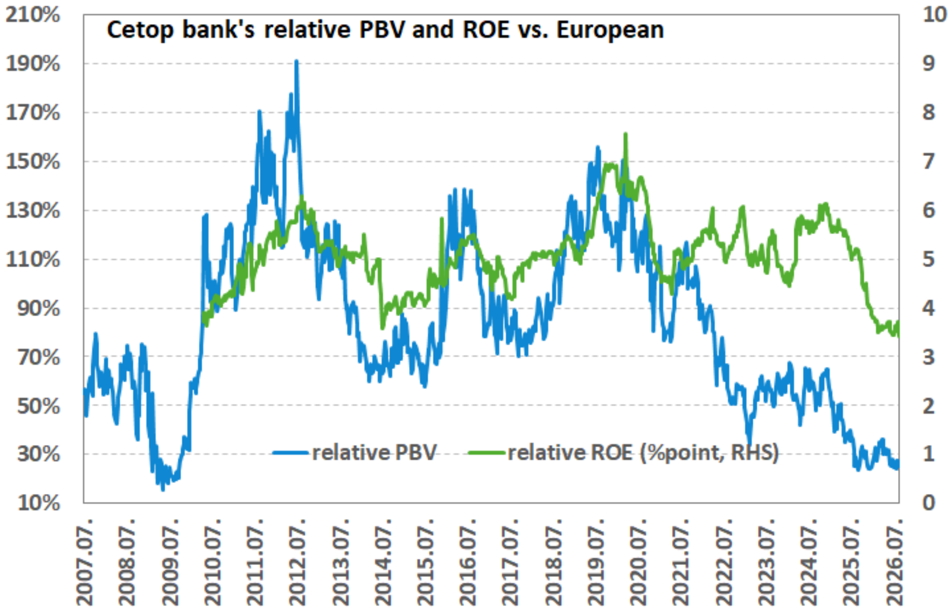

Source: Bloomberg, OTP Multi-Asset Strategies

- The CEE region has also been able to weather the risks posed by rising energy prices relatively well so far this year, supported primarily by domestic consumption and investments aided by EU funds. Furthermore, the eurozone saw improving growth data in the third quarter, which points to upside growth opportunities in the coming quarters; however, high energy prices also pose downside risks. Excluding Romania's unique recessionary situation due to the political crisis, countries in the region are projected to achieve real GDP growth of around 2.5% on average in the next year.
- This is partly driven by significant budget deficits in a few countries (primarily Poland, Hungary, and Romania); however, there are signs of moderate positive trends on this front for the year 2027. The situation in Poland is the most concerning, as fiscal consolidation is not expected before the fall 2027 election; consequently, budget deficits of 7% of GDP are projected to persist, a situation to which credit rating agencies will eventually have to respond. Inflation risks are on the rise again, primarily due to energy prices, which is why central bank interest rate cuts have paused.
- Overall, the European growth, inflation, and interest rate environment remains favorable for the financial sector, which, given its significant weighting, also provides a tailwind for the CETOP index. Although the valuation discount seen in previous years has now narrowed significantly (to 34% relative to the global P/E, vs. the ten-year average of 41%), and the P/E ratio (11), has also reached its long-term average, we would still prefer this region over Europe, as it could also benefit indirectly from favorable capital inflows into EM.
- On the one hand, in the years prior to 2020, the valuation discount was 20–30%; this level may still be achievable. The CEE market remains cheaper than Europe, if we take into account the better growth opportunities. This year, corporate profits are expected to grow by 30%, twice as fast as in Europe, and profit margins are also higher, and are approaching levels seen in the US and EM. In other words, based on these factors, the CEE stock market remains one of the most attractive alternatives for investors seeking to invest in a relatively inexpensive, growth-oriented region without exposure to AI.
- Although the Hungarian stock market has outperformed since the April elections (BUX: +21% vs. others: +4–18%), we continue to favor it, which remains the relatively cheapest in the region. The credibility of the October medium-term budget plan will be crucial for the investment narrative, which hinges on access to EU funds and accession to the eurozone. If it dispels doubts, the convergence trade could continue, with a potential for a further 10–15% relative outperformance of the BUX index.

The most favored investment topics

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Cybersecurity

AI is more likely to act as a catalyst for growth. Following a strong earnings season, there may still be room to raise expectations.

Utilities/Renewables

Rising electricity demand remains a structural tailwind for renewables and energy storage. Utilities seems less attractive here.

Healthcare

Supported by structural demand and defensive earnings, with innovation and GLP-1 growth offering further upside.

Uranium

Supported by long-term demand drivers, especially Chinese nuclear capacity expansion, while supply side seems somewhat weak.

Agriculture

Supported by relatively higher energy and fertilizer prices due to Iran war, and stronger El Niño expected this year is an additional tailwind.

LatAm

The region is driven by trends unrelated to AI, a potential right-wing victory could be a short-term catalyst fot the still cheap Brazilian market.

South Korea

Corrected the H1 overheating, meanwhile the memory chip outlook is still strong. Attractive valuations could serve as a buffer against risks.

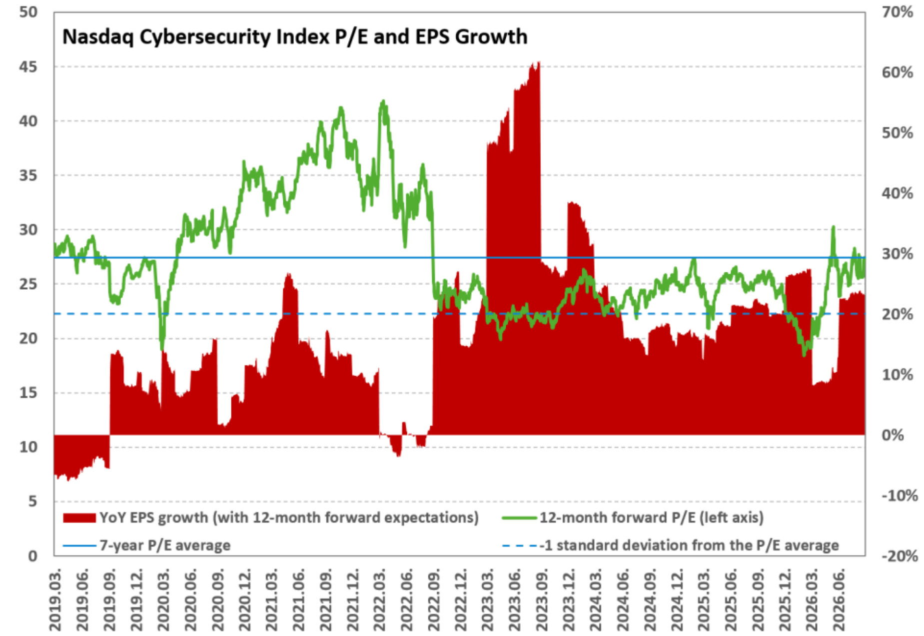
India

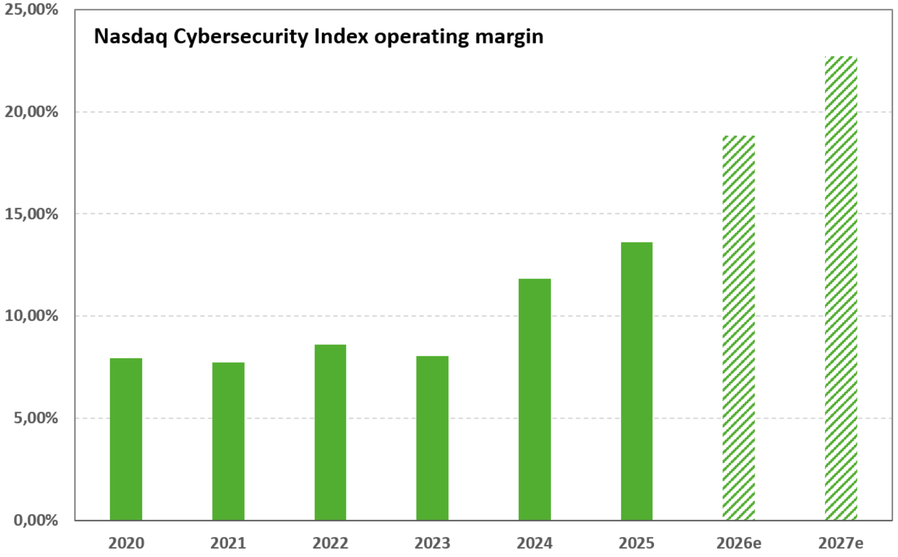
Significant economic growth has not yet translated into profit growth, while AI pose a growing risk with still high valuation levels.

Removed topics from the list

Newly added topics to the list

Cybersecurity: AI-threat can drive accelerating growth



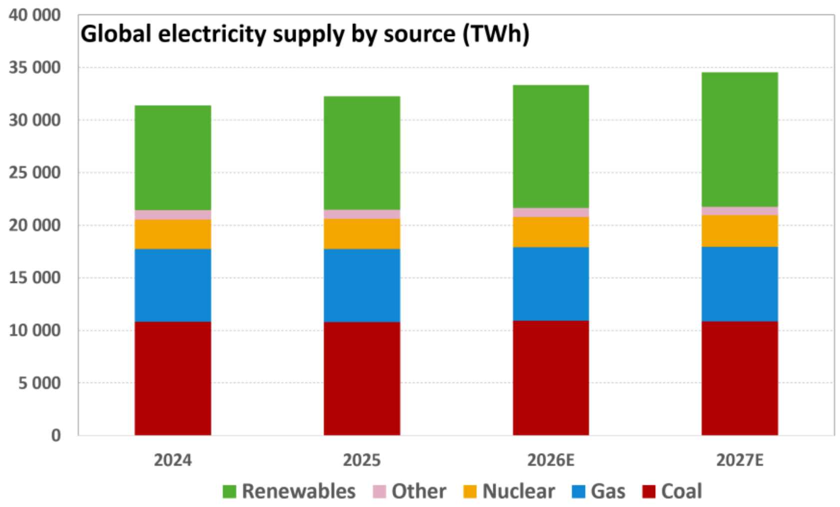


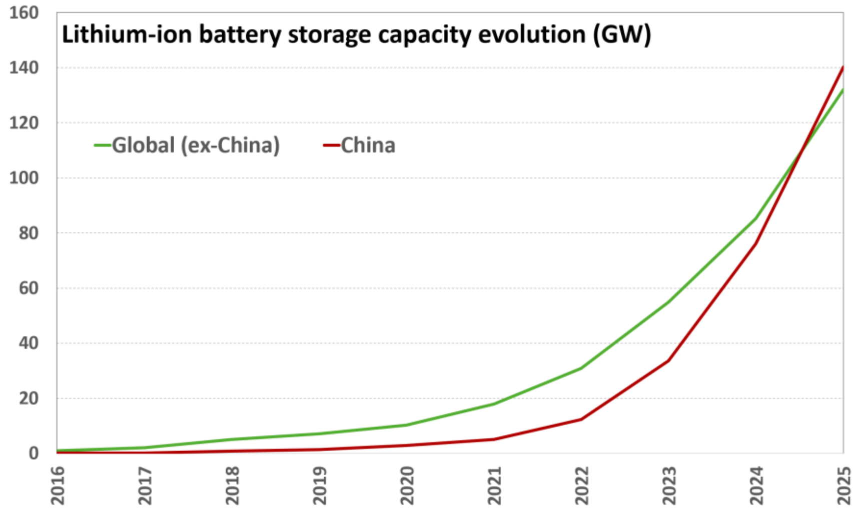
Source: Bloomberg, OTP Multi-Asset Strategies

- Following its Q1 pullback, the cybersecurity sector has decoupled from broader software trends and emerged as one of the best-performing areas within software. Investor concerns around AI-driven disruption have gradually given way to a more constructive view, with artificial intelligence increasingly seen as a demand catalyst for the industry. The segment remains fundamentally more resilient due to its deep integration into IT infrastructure.
- In our view, the spread of AI agents is likely to act as a demand catalyst for the cybersecurity market by expanding the overall attack surface, while rising cloud penetration continues to support demand for cloud security and workflow protection solutions. Cyber threat activity has increased materially, with the number of cyberattacks nearly tripling over the past five years, while incidents involving generative AI could account for 17% of all cyber incidents by 2027, according to Gartner. In addition, AI models' increasingly sophisticated vulnerability discovery capabilities may further incentivize higher security spending.
- The industry has just delivered another strong earnings season, with the vast majority of companies reporting above-consensus growth and raising full-year guidance, primarily driven by AI-related demand. In the near term, this has supported a shift in investor sentiment, with the sector increasingly viewed as an AI beneficiary rather than an AI disruptor victim. Over the longer term, security risks associated with artificial intelligence, including the potential loss of control over autonomous models, could drive demand for real-time monitoring, governance, and independent oversight solutions. In addition, the growing importance of hybrid warfare and rising government spending on cybersecurity could provide further structural tailwinds for the sector.
- Although the industry has undergone a significant rerating over the past six months, driven primarily by multiple expansion, its forward-looking valuation (~27x P/E) still cannot be considered extreme, it is broadly in line with the historical average. However, following a strong earnings season, we still see room for analysts to raise their expectations in the coming period, which could provide further tailwinds for the sector. Meanwhile, consolidation trends in this fragmented industry could continue to support margin expansion and the sector's valuation growth.

Within the software sector, cybersecurity may prove to be one of the relative winners of AI disruption, as artificial intelligence is expected to stimulate demand rather than replace cybersecurity solutions. Security risks associated with AI could support further upward revisions to revenue forecasts, while industry consolidation could improve margins and contribute to a further rise in valuation multiples.

Renewables & energy storage: long-term fundamentals intact





- The renewable energy sector's performance has been mixed this year, as related companies generally performed strongly through May, but a significant correction followed. The weaker performance in recent months can be partially attributed to the Iran war. Due to the surge in energy prices, numerous central banks have decided to raise interest rates and adopt a tighter monetary policy (e.g., ECB, Fed, BoJ, etc.), and long-term yields have also risen significantly. This process is unfavorable for the renewable energy sector because it contributes to rising financing costs, while this is a relatively capital-intensive industry where the rate of return is typically not very high. At the corporate level this could result, among other things, in impairment charges, a decline in backlog and customer interest, and a drop in profitability. In the short-term, therefore, this represents a strong headwind.
- However, in our view, the long-term renewable energy trend continues to be underpinned by favorable fundamentals. The war in Iran and rising energy prices will incentivize many countries to further diversify their energy mix, which provides a tailwind for the electrification process. According to the International Energy Agency (IEA), global electricity demand growth this year and next could be higher than in 2025 (although, higher energy prices will act as a headwind here as well in the short-term). Meanwhile, the share of renewables in the electricity generation mix could reach 37% by 2027, up from 33% in 2025.
- It is also worth highlighting China's 15th Five-Year Plan (2026-2030), unveiled this year, as the country is the world's largest producer of renewable energy. The country has set a target of 50% non-fossil share in electricity generation by 2030 (~42% in 2025), with solar and wind energy having a key role, while nuclear power capacity will also expand a lot. In addition, energy storage will also be a major focus in the coming years, including pumped-storage and battery solutions (e.g., LFP, sodium, vanadium, etc.).
- In fact, due to the rapid expansion of weather-dependent renewable energy generation, there will be an increasing need to expand energy storage capacity, which can help maintain the stability of the power grid. From an investment perspective, certain battery manufacturers and companies that supply raw materials for the batteries and related infrastructure could be of interest (e.g., lithium and copper miners).

We continue to view the long-term outlook for the renewable energy sector positively, and within that, we expect strong growth in the energy storage segment. In the shorter term, however, central bank interest rate hikes and the war in Iran are negative factors.

Source: OTP Multi-Asset Strategies, IEA, EMBER, S&P Global

Healthcare: defensive appeal amid rising volatility

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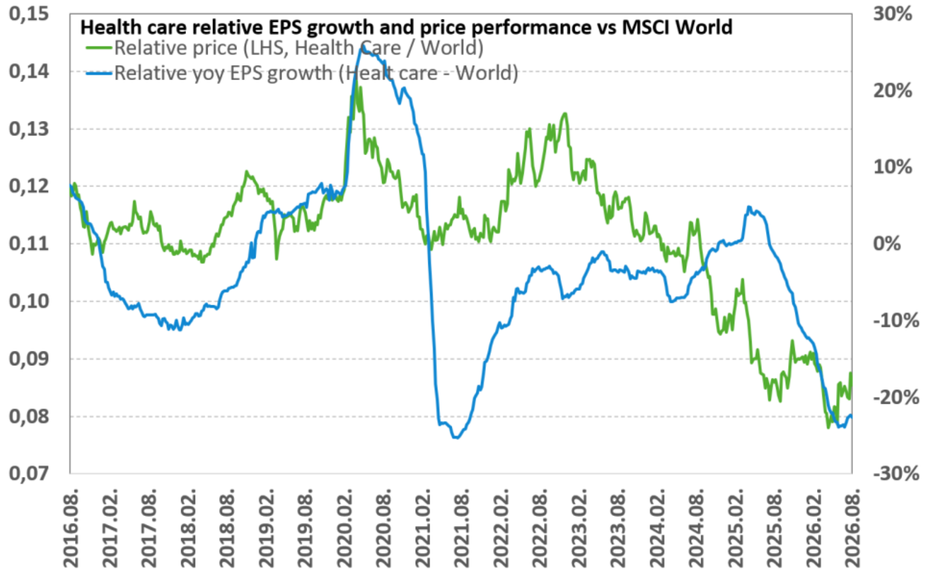
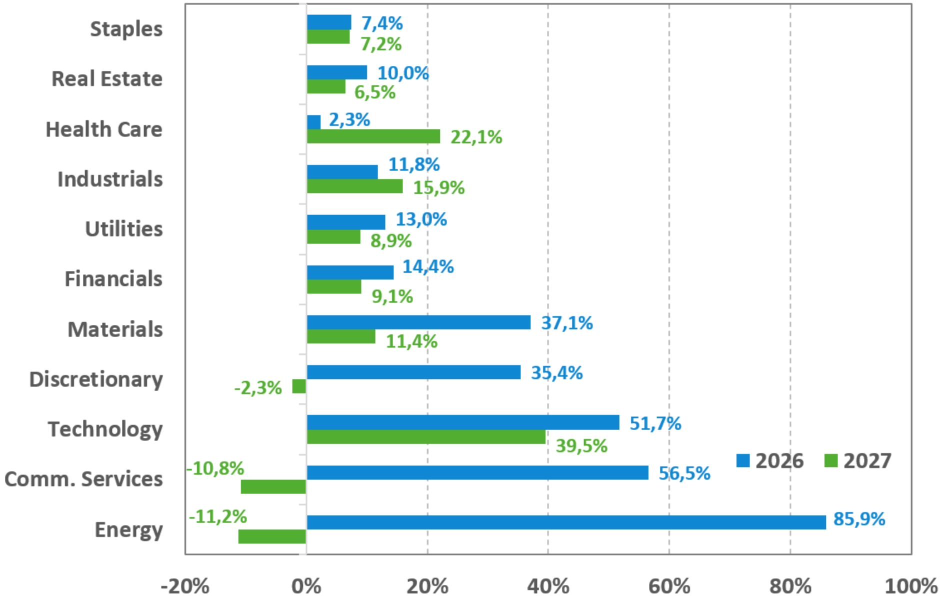


S&P 500 expected earnings growth

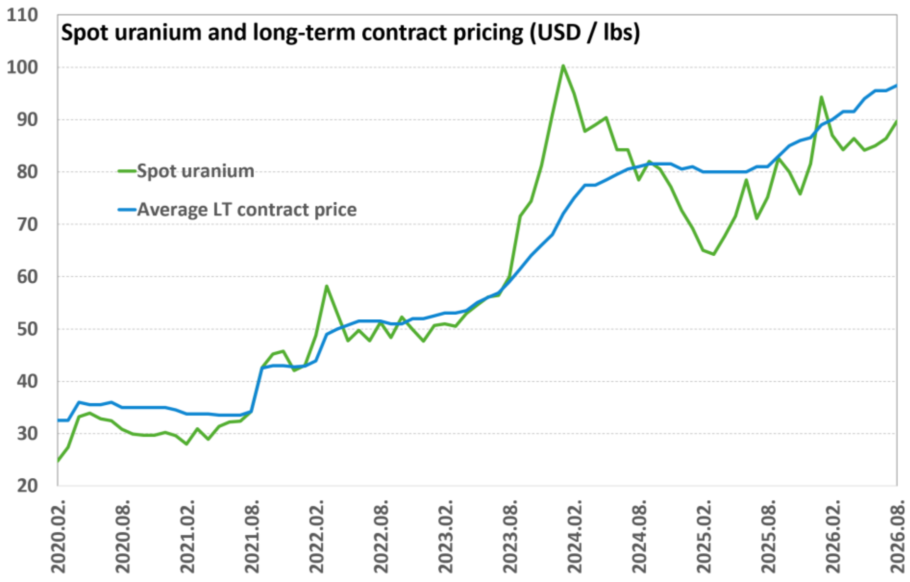


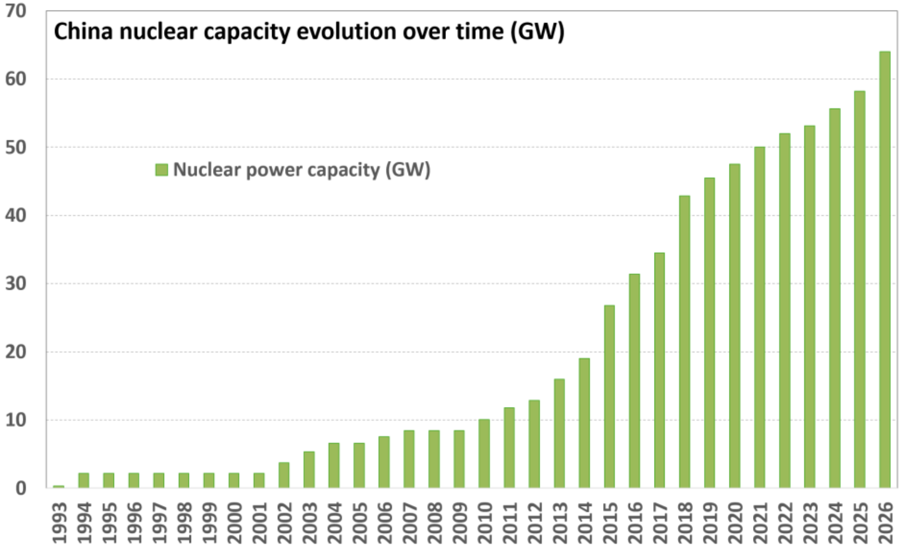
Source: Bloomberg, FactSet, OTP Multi-Asset Strategies

- Healthcare remains one of our favoured sectors for the remainder of 2026. Demographics, rising healthcare costs and innovation continue to support long-term demand, while the sector's defensive earnings profile can provide diversification if market volatility rises. AI is increasingly relevant across drug discovery, clinical development, diagnostics and administration, although measurable, industry-wide productivity gains are still at an early stage.
- Valuation remains supportive, but less attractive than in June. The healthcare sector traded at approx. 18.2x 12-month forward earnings in mid-September, versus 19.1x for the S&P 500. After a mixed 26Q2 earnings season, the investment case increasingly depends on company-specific earnings delivery, pipeline execution rather than a broad-based sector rerating. According to FactSet, the sector's expected earnings growth rate for 2026 is only 2.3%, but this could accelerate to 22.1% in 2027.
- Demand for GLP-1 weight-management therapies remains strong, with utilisation expected to increase by around 25% in 2026. Revenue growth may be slower as net prices decline and competition for formulary access intensifies. Even so, a larger patient base, new oral treatments and potential uses beyond obesity and diabetes could lift the global incretin market to around $200 billion by 2030. The gains are unlikely to be shared evenly, favouring manufacturers with differentiated products, broad reimbursement and sufficient production capacity.
- Policy risk has become more structured, but it has not disappeared. By the end of August, the U.S. administration had announced drug-pricing agreements with 26 manufacturers covering about 89% of the branded market, linking most-favoured-nation pricing and Medicaid discounts with U.S. investment commitments and, in earlier agreements, tariff relief. M&A should remain an important offset to the patent cliff, although buyers are becoming more selective and are favouring clinical assets and proven biology.

Healthcare remains a favoured sector, supported by structural growth, innovation and reasonable valuation. The sector also has defensive characteristics, which provide meaningful resilience during periods of market volatility.

Uranium: Chinese nuclear capacity expansion drives demand





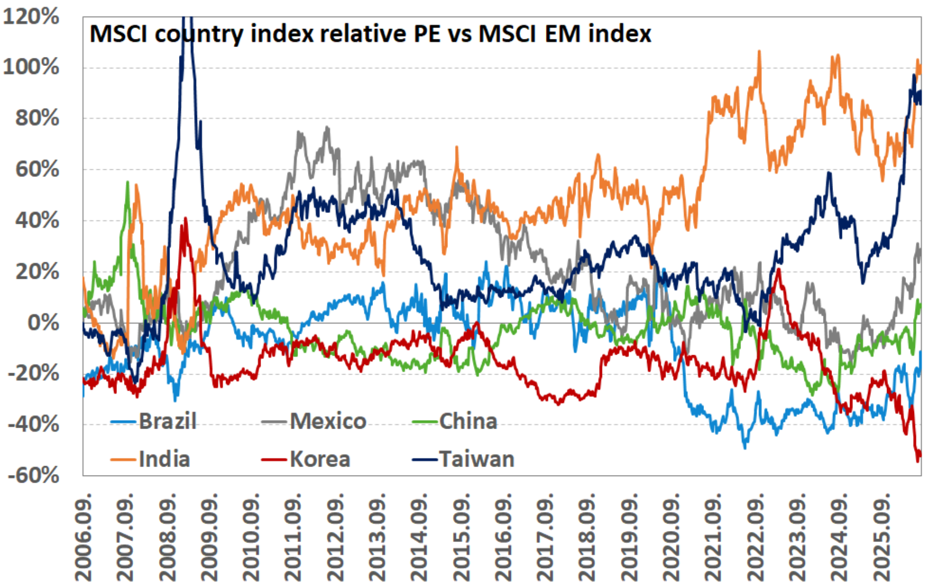
Source: OTP Multi-Asset Strategies, WNA, Cameco

- An interesting picture is emerging in the uranium market this year, as the stock prices of uranium miners have generally trended downward YTD, while the average long-term contract price for physical uranium rose to a nominal record high in August, surpassing the previous peak set in 2007. The apparent discrepancy between the performance of mining companies and that of the underlying commodity is primarily attributable to the war in Iran, valuation factors and company specific events.
- Uranium mining stocks typically have high beta, so the sector tends to exhibit greater volatility than the broader market, and relatively high valuations have not helped the situation. This is important because the increasingly protracted conflict in the Middle East is fundamentally unfavorable for the broader mining sector. This is primarily due to surging energy (e.g., diesel, electricity) and raw material prices (e.g., sulfuric acid, explosives), which drive up production costs. Uranium miners, however, are in a more fortunate position in that demand can be considered basically inelastic: nuclear power plants will not purchase less uranium even if the economy were to fall into a recession. Moreover, the fundamentals of the nuclear energy sector are likely to strengthen in the coming years, mainly thanks to the rapid pace of construction in China.
- In the Western media, nuclear energy is most often discussed in the context of interest in small modular reactors (SMRs), the energy needs of data centers, and the green transition. While these are all important narrative elements in the uranium story, relatively little is said about the staggering growth of China's nuclear power capacity, even though this is perhaps the most important factor on the demand side. By way of comparison, in the early 2000s, the country had minimal nuclear capacity, whereas today it has already surpassed France to become the world's second-largest nuclear power. Furthermore, according to data from the World Nuclear Association (WNA), an additional 38 reactors are under construction, representing ~40 GW of additional capacity. As a result, China will likely surpass the US as well in nuclear energy within a few years.
- This will boost demand for uranium in the coming years, while the supply side still does not appear particularly robust. Although uranium prices have risen significantly in recent years and production has also increased somewhat, there may still be room for further price increases. The long-term fundamentals are therefore strong, but in the short-term (several months) miners may still be vulnerable due to cost inflation.

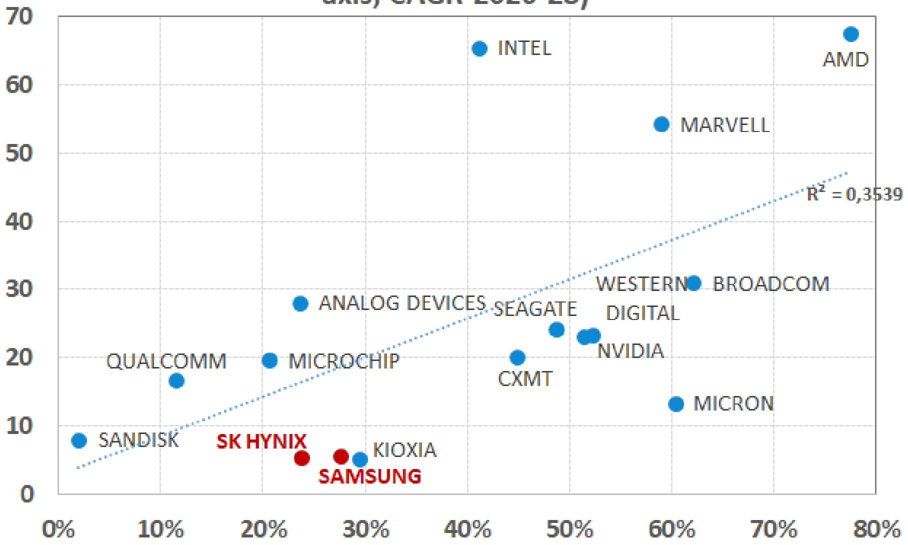
We are optimistic about the long-term outlook for the uranium market, but in the short-term, it may be safer to hold a position in physical uranium funds. At the same time mining stocks are also becoming increasingly attractive due to the significant correction, but some caution may still be warranted due to the Iran war.

South Korea: the semi trade may gain new momentum

otp Global Markets



Global semiconductor's 2026 PE and EPS growth (x axis, CAGR 2026-28)

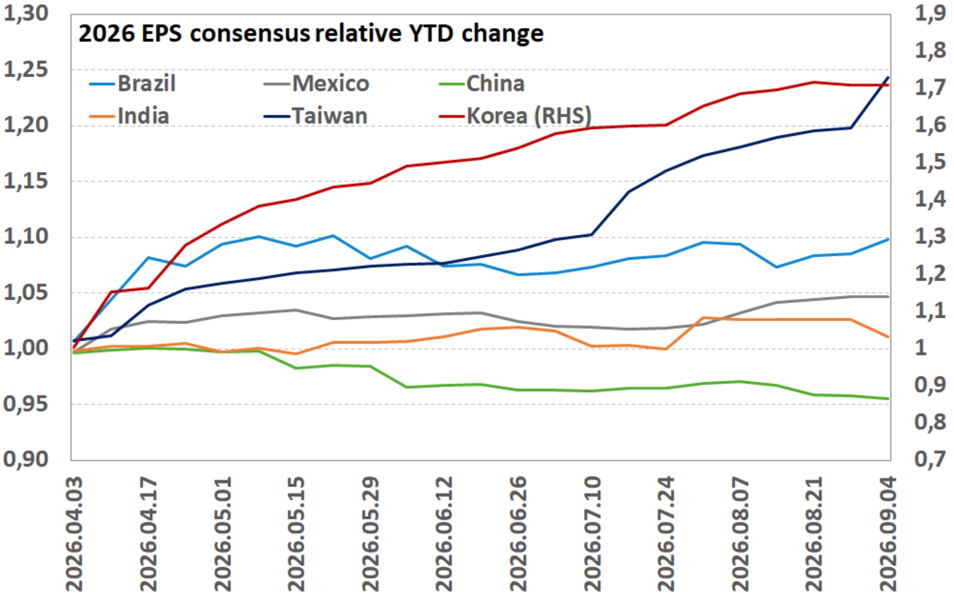


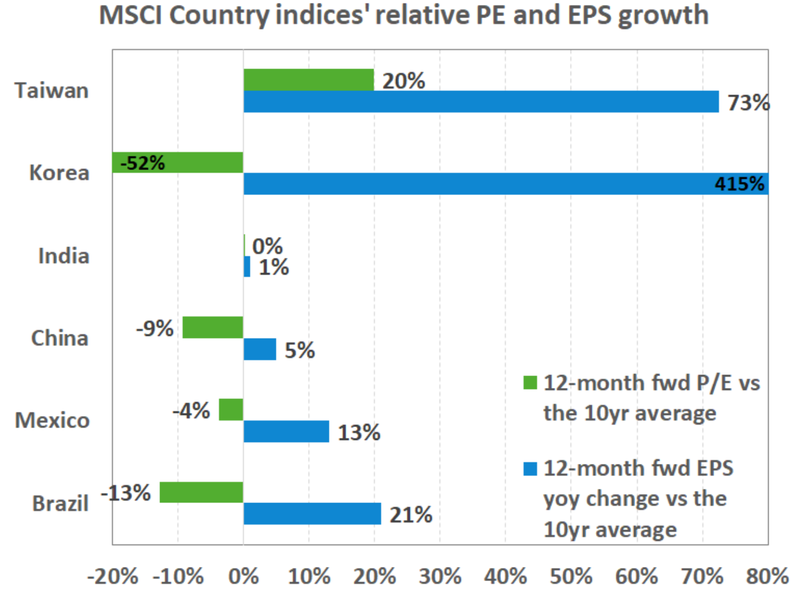
Source: Bloomberg, OTP Multi-Asset Strategies

- By June, a speculative frenzy had developed on the South Korean stock market. Significant foreign capital inflows were coupled with the retail's increasingly active participation through leveraged products, causing local indices to double in just half a year. The story was driven by the explosive profits of memory chip manufacturers such as Samsung and SK Hynix, as these two stocks account for a combined weight of around 50% in most major local indices. Overheated stocks and the Korean stock market as a whole began to correct over the summer, and with declines of 30-40%, the market has now cleared out a lot of excesses. Since the affected companies continued to see profit growth in the meantime, the local market has become cheap enough to compensate for the risks associated with AI related investments.
- Generally speaking, we expect that as AI models grow in size and complexity and AI adoption expands, demand for memory chips will continue to rise; based on current contract volumes, growth could remain exceptional over the next 1 to 1.5 years. 2028 could be the year when the supply side begins to catch up, and the memory shortage starts to ease. While this could lead to a decline in margins, we expect a much smaller drop than in previous periods when the semiconductor cycle turned downward, as the market is likely to remain demand driven amid unabated AI investments. Additionally, market participants are using five-year contracts, whch also mitigate the extreme cyclicality of the sector.
- In contrast, industry players – due to past experiences – and, consequently, the Korean stock market as a whole continue to be priced at a significant discount due to fears of cyclicality. Both SK Hynix and Samsung are substantially cheaper than their peers in the semiconductor sector; similarly, the South Korean stock market is trading at an extreme discount among emerging markets, with a forward P/E ratio below 5, making it the world's cheapest market even when growth prospects are taken into account.
- Even if the outstanding surge in profits doesn't last forever (and it certainly won't), Samsung's and SK Hynix's announced major shareholder return programs (pledging to pay out at least half of their FCF in the form of dividends or share buybacks) could provide a significant cushion for the next few years. This is also a positive outcome of the Value Up program launched two and a half years ago, which was designed to encourage companies–through central government regulations–to use capital optimally in ways that create value for shareholders, thereby helping to reduce the valuation discount of the Korean stock market.

The market has corrected the overheating that developed till June, while major memory chip manufacturers such as Samsung and SK Hynix continue to post outstanding profit growth. The outlook remains positive for now, and although risks have increased, the relatively attractive valuation levels may offset them.

LatAm: supportive trends may help the region



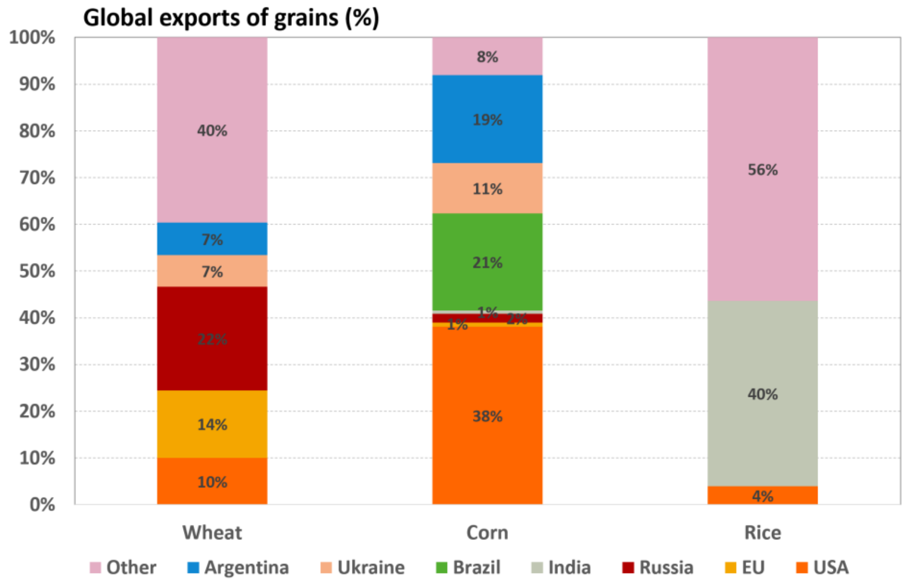


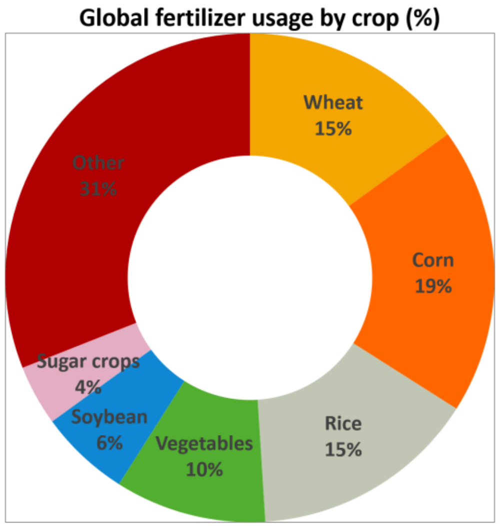
Source: Bloomberg, OTP Multi-Asset Strategies

- The Brazilian elections in October are currently weighing on the local stock market as a source of risk, as the race is tight between the two presidential candidates: the current frontrunner, left-wing Lula, and right-wing Flavio Bolsonaro. According to most polls, Lula's previous lead has now evaporated (dropping from 67% to 44–46%), and some polls even show Bolsonaro with a slight lead. Since one-fifth of voters typically make up their minds in the final week, the election's outcome remains quite uncertain. A shift to the right would likely be viewed more favorably by the stock market, as it could reinforce expectations of greater fiscal discipline and more credible debt management, and could also smooth out U.S. trade relations. However, this optimism may be short-lived if credible plans are not put on the table .
- Such a path could pave the way for faster central bank rate cuts, for which there would be room, given that Brazil continues to maintain exceptionally high real interest rates by global standards. As the economy has begun to slow from the strong growth seen at the start of the year–driven by pre-election stimulus–and inflation is also easing, the central bank has already been able to cut the benchmark rate to 14% for the fourth time; however, a faster pace of cuts would still be conceivable alongside fiscal consolidation. The stock market can still be considered relatively cheap, although its discount to emerging markets has narrowed. However, the Brazilian market is capable of this without AI exposure, while rising commodity and agricultural prices essentially provide a tailwind.
- The Mexican economy is currently experiencing a growth upswing, accelerating to a four-year high, although the 2.1% annual growth rate cannot yet be considered strong. In addition to government support measures aimed at addressing high energy prices, technology export–which have been strengthening due to the construction of US data centers–have also contributed to growth, a trend that is expected to continue into the third quarter. Exports of hardware technology equipments offset the weakness in automotive exports and contributed as much to this year's growth as last year's full-year expansion. Although the outcome of trade negotiations may still cause uncertainty in the short term, the country's deep integration into the US supply chain remains unquestioned in the longer term, which could support investments. Significant potential could be unlocked if progress were made in terms of regulation, competition, and legal certainty.

If we were to see a brief pause in the AI story, capital could flow into regions supported by other factors, such as the nearshoring trend (Mexico) or low valuations (Brazil). Furthermore, a potential change in the Brazilian government could boost investor confidence in the short term; however, its durability will depend on the government's determination to address fiscal issues.

Agriculture: upward pressure remains due to wars and weather





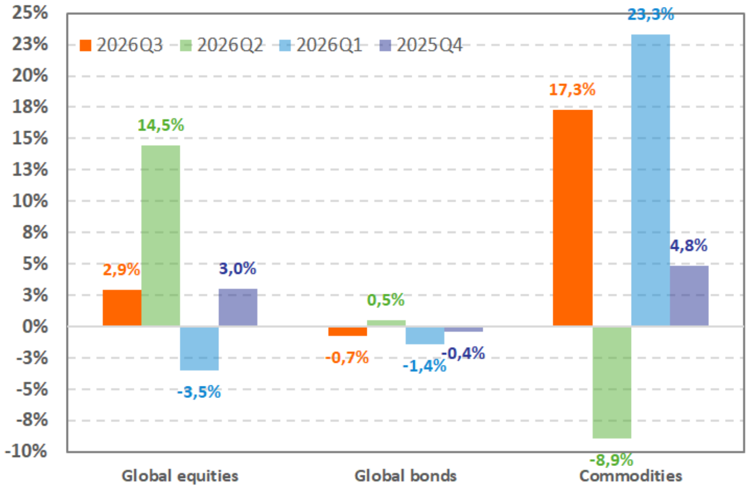
- Physical agricultural commodities have performed exceptionally well in recent months, with significant price increases observed in the markets for grains (wheat, corn, rice), sugar, and other crops (e.g., soybeans, cotton, cocoa, etc.). However, behind the general price increase there are both common and crop specific factors that are worth considering in terms of performance and outlook.
- The most important common factor behind the price increase is the war in Iran, as it has caused energy and fertilizer prices (e.g., diesel, nitrogen and phosphate products) to jump, contributing to a general rise in production costs. Of course, the price increases do not affect all crops to the same extent, as there are significant differences in crop yields, fertilizer intensity, and other factors. According to data from the U.S. Department of Agriculture (USDA), for example, the share of fertilizer costs within operating costs in the U.S. is estimated to be 40% for wheat, 39% for corn, and 24% for rice in 2026. This means that the price of fertilizer has a proportionally greater impact on the production costs of wheat and corn.
- The impact of the Russia-Ukraine war on the agricultural market, however, can be described as much more direct, since Russia and Ukraine together account for 29% of global wheat and 13% of corn exports. Furthermore, the mutual attacks taking place in the Black Sea and the Sea of Azov are significantly hindering the export of these grains to global markets. In addition, attacks on Russian refineries are also limiting the supply of certain fuel products, thereby driving up prices. In the case of diesel, for example, Russia extended its export ban, which was originally set to expire at the end of September, until the end of October.
- The two wars are therefore exerting significant pressure on agricultural commodity prices and production costs, and it remains to be seen how these issues will be resolved. The Russia-Ukraine war has been ongoing for years, although Turkey is attempting to broker a new grain shipment agreement (which, if successful, could lead to a decline in grain prices). At the same time, with regard to the Iran war, there are no signs that the parties' positions are converging, which may keep prices for natural gas, fuels, and some fertilizers high.
- The situation is further complicated by this year's extreme weather conditions (e.g., drought, lack of rainfall), and the El Niño weather phenomenon, which is expected to intensify in the coming months, may also cause additional problems. Among the most vulnerable crops here are rice, coffee, cocoa, and sugarcane.

We remain optimistic about the outlook for the agricultural sector. Due to the significant price increases in recent months, there may be a pause in the short-term, but the long-term outlook remains unchanged.

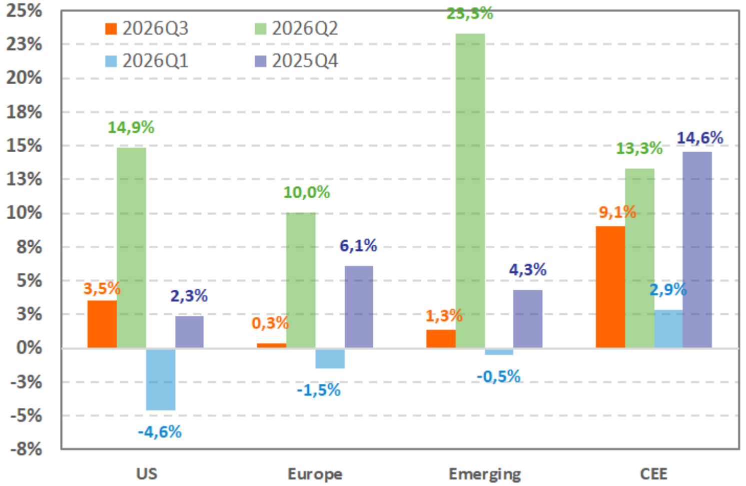
Source: Bloomberg, OTP Multi-Asset Strategies, USDA, IFA

2026 YTD performance review

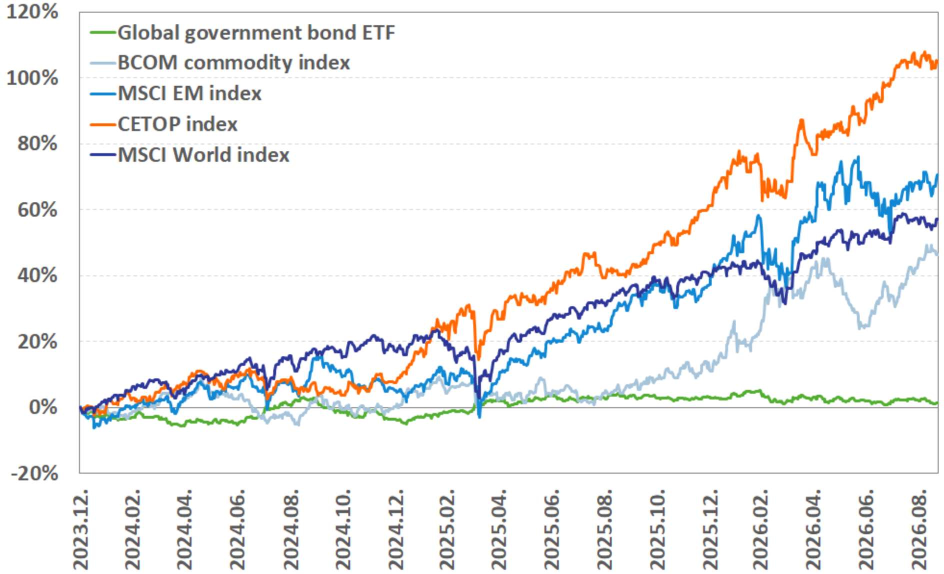
Asset Class performance



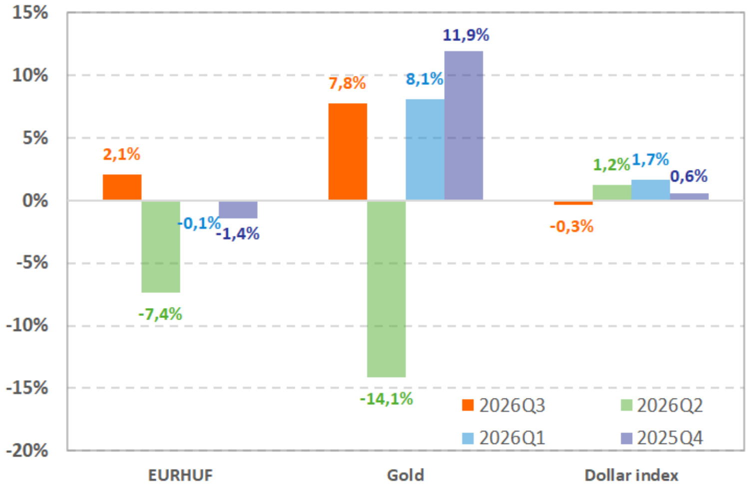
Equity regions' performance



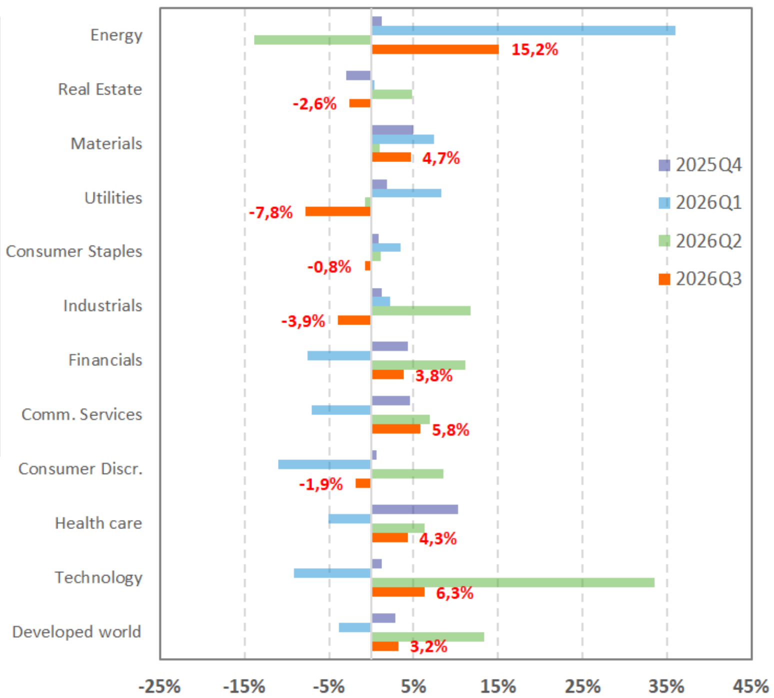
Relative performance of main asset classes



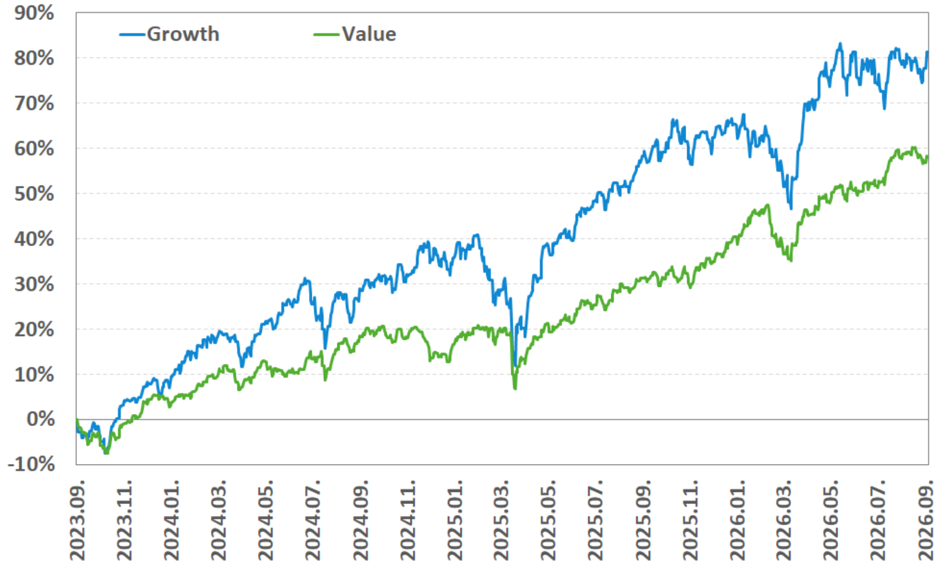
FX and gold performance



Equity sectors' performance



MSCI ACWI growth and value relative performance



Source: Bloomberg, OTP Multi-Asset Strategies

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