

## Market Perspectives

Through the Strait

30 April, 2026

### GenAM Macro & Market Research

'Market Perspectives' provide our monthly macro & market outlook and investment recommendations

- With the Iran war now into its third month, the Strait of Hormuz remains closed despite a pivotal ceasefire. We still see good chances of a negotiated reopening over the next weeks, removing a key headwind to stocks. But we acknowledge the risen risks to this view given the inconclusive talks thus far.
- Markets are overpricing the central bank response: we expect only one ECB hike versus three priced in, as energy-driven inflation is unlikely to spark a 2022-style wage-price spiral. This supports a neutral duration stance and underpins credit valuations.
- Amid ample global liquidity and solid earnings growth – particularly in the US – the V-shaped equity recovery has fundamental backing but is already advanced, notably in Tech. European stocks, still below pre-war levels, offer upside in case of a swift de-escalation.

## Content

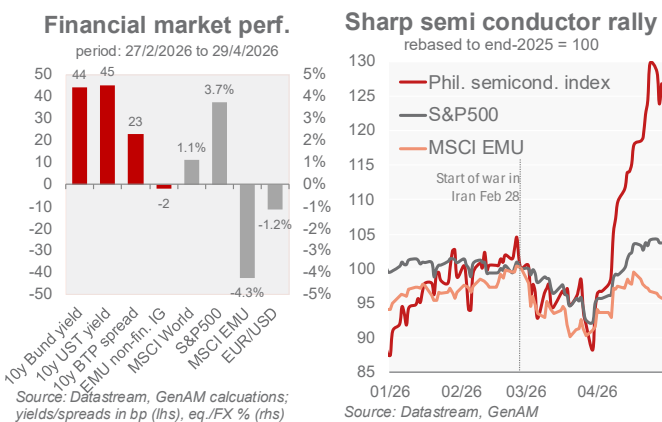
<b>1. Global View</b>	2
<b>2. USA</b>	3
<b>3. Euro area</b>	4
<b>4. Japan</b>	5
<b>5. China</b>	6
<b>6. Central and Eastern Europe</b>	7
<b>7. Government Bonds</b>	8
<b>8. Credit</b>	10
<b>9. EM Sovereign Bonds</b>	11
<b>10. Currencies</b>	12
<b>11. Equities</b>	13
<b>12. Asset Allocation</b>	15
<b>13. Forecast Tables</b>	16
<b>14. Imprint</b>	17

## Global View – Through the Strait

Thomas Hempell

- **With the Iran war now into its third month, the Strait of Hormuz remains closed despite a pivotal ceasefire. We still see good chances of a negotiated reopening over the next weeks, removing a key headwind to stocks. But we acknowledge the risen risks to this view given the inconclusive talks thus far.**
- **Markets are overpricing the central bank response: we expect only one ECB hike versus three priced in, as energy-driven inflation is unlikely to spark a 2022-style wage-price spiral. This supports a neutral duration stance and underpins credit valuations.**
- **Amid ample global liquidity and solid earnings growth – particularly in the US – the V-shaped equity recovery has fundamental backing but is already advanced, notably in Tech. European stocks, still below pre-war levels, offer upside in case of a swift de-escalation.**

Three months into the Iran war, the extended ceasefire has supported our main scenario and pro-risk bias. But negotiations remain stalled and the Strait of Hormuz – the conflict's key transmission channel to the global economy – stays closed. Energy prices have bounced back. This has produced a striking split in markets. Global equities have staged a V-shaped recovery, led by US indices and soaring semiconductor stocks (right chart). Government bonds tell a different story: inflation concerns and higher implied policy rates keep 10-year yields more than 40bp above pre-war levels (left). While US equities seem to look through the energy shock and focus on earnings growth, fixed income remains burdened by elevated near-term inflation risks.



The war's further course remains the key wildcard. We seem to be at a crossroad. In our base case, both sides judge the costs of stalemate too high and agree to reopen the Strait in the coming weeks. Oil prices could then fall toward \$90/bl. But this path has narrowed, and energy supply and transport normalisation will keep any further fall sluggish. In our main

risk case, in a classic 'prisoner dilemma', both the US and Iran may believe they can improve their negotiating position by keeping the Strait closed (the US rightly believes Iran will soon exhaust its storage capacity, while Iran focuses on western economic losses), or worse, re-escalating the conflict. This would cause more damage to regional energy infrastructures and weigh on both bonds and equities.

Economic damage is compounding with each week of the blockade. Europe and parts of emerging Asia are most exposed; we have cut our EA GDP forecast for 2026 by 0.6pp to 0.8% and the global expansion by 0.3pp to 2.8%.

Central banks are standing pat. We expect only one 'insurance' ECB rate hike – versus three priced in – as surging energy and food inflation are unlikely to trigger the wage-price spiral of 2022. Labour markets are less tight today, and central banks are starting from a neutral stance rather than extremely accommodative. The Fed, under its likely new chair Kevin Warsh, is expected to look through the temporary price surge as labour-market risks mount.

10-Year Gvt Bonds	Current*	3M	6M	12M
US Treasuries	4.33	4.35	4.30	4.20
Germany (Bunds)	3.04	3.05	3.05	3.05
Credit Spreads**				
EA IG Non-Financial	77	75	75	75
EA IG Financial	83	85	85	85
Forex				
EUR/USD	1.17	1.18	1.19	1.20
USD/JPY	159	157	155	152
Equities				
S&P500	7159	7235	7290	7400
MSCI EMU	202	201	206	212

\*3-day avg. as of 28/04/26 \*\*ICE BofA (OAS)

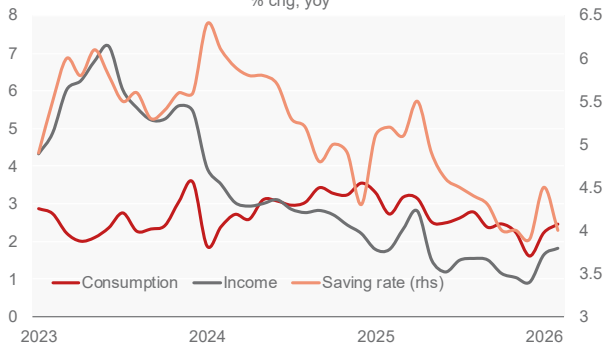
### Pro-risk bias, but near-term hedges recommended

Our base views still offers scope for a moderate pro-risk stance in the portfolios. Near-term hedges are recommended, however, as market strains may be needed before president Trump agrees to Iranian concessions (which we expect to grow). US equities have already recovered strongly, backed by solid earnings growth, and the air for further gains is getting thinner. European stocks, still below pre-war levels, offer scope for a bounce on a Strait reopening amid ample global liquidity. On duration, we favour a neutral stance: yields may ease on de-escalation news, but inflation will remain elevated for longer. Credit remains attractive primarily for its carry, barring a recession. The USD is biased to the downside over the medium term, but the euro area's delayed recovery will cap near-term gains. The main risk to this allocation is a collapse of ceasefire talks and a prolonged Strait closure, which would favour a strong preference for Cash and Inflation Linkers.

## United States

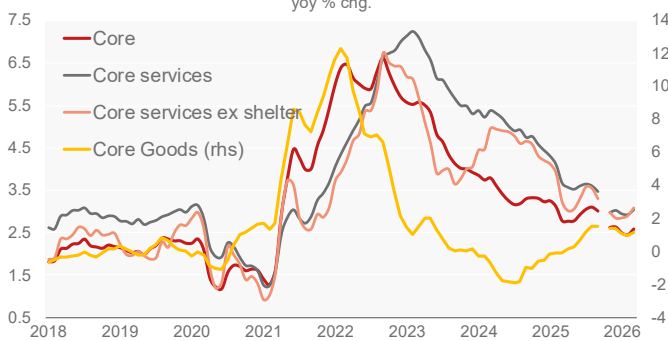
Paolo Zanghieri

**US: income and cons.**  
% chg, yoy



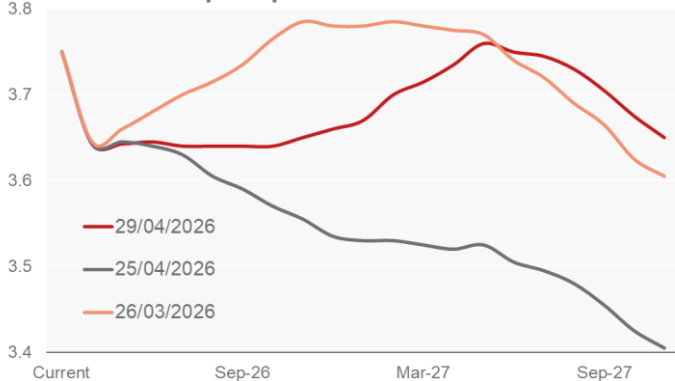
Source: BEA, GenAM

**CPI inflation**  
yoy % chg.



Source: BLS, GenAM

**Market implied path for the Fed Funds rate**



Source: Refinitiv, GenAM

- We lower our 2026 growth forecast to a just below-consensus 2.1%, as the oil shock will more than offset tax refund support. Despite upbeat business surveys, risks are tilted to the downside.
- CPI inflation rose to 3.3% yoy in March; higher energy and commodity prices will gradually feed through to the core rate. We expect core PCE inflation to end the year at around 2.7% yoy.
- The FOMC turned more hawkish at the April meeting. Despite the dovish bias of the incoming governor, inflation will prevent any cut before at least December. But risks of no cuts have increased.

Data for the first two months of the year showed weakening consumption, hit by sluggish real income dynamics. Consumption is increasingly financed by dissaving, as the saving rate dropped to 4%. Tax refunds have provided some relief but are unlikely to fully offset the hit from commodity prices. The March ISM surveys show manufacturing and services still in expansion, with strong new orders and growing backlogs. Manufacturing rose to 52.7, supported by current production, while the services index activity stayed solid at 53.9 and new orders reached the strongest level in nearly four years. Both reports show a sharp jump in the prices indices to the fastest pace since mid-2022. Supplier delivery times also lengthened, signaling emerging fuel-related frictions. Core capital goods orders softened in January, yet equipment investment is still tracking around 3% annualised in Q1, supported by AI-related capex and solid balance sheets. With investment outside the IT sector likely dampened by political uncertainty and high costs, our downwardly revised 2.1% GDP forecast for this year still carries some downside risk.

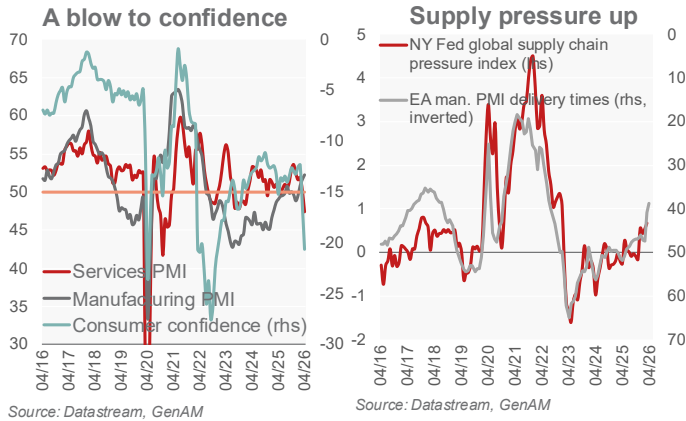
High energy prices started showing up in March CPI inflation, with the headline rate up 3.3% yoy against a relatively stable core rate (2.6% yoy). The latest production and import price data show more inflation in the pipeline, not just from energy but also from AI-related goods. Core PCE should end 2026 at 2.7% yoy assuming the worst in the oil crisis is over by June.

### Fed on hold until at least December, despite new chair

In the April meeting, the FOMC did not change rates but it clearly turned more hawkish. The Senate should confirm Kevin Warsh as the new chair in time for the June meeting. His vow to reduce rates is likely to face strong opposition in the committee given persistent inflation, and we expect the first cut no earlier than December. But risks that the Fed is done cutting for this year are increasing.

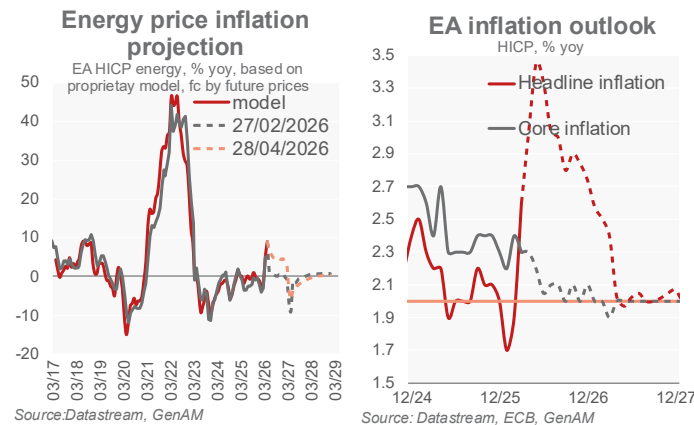
## Euro Area

Martin Wolburg



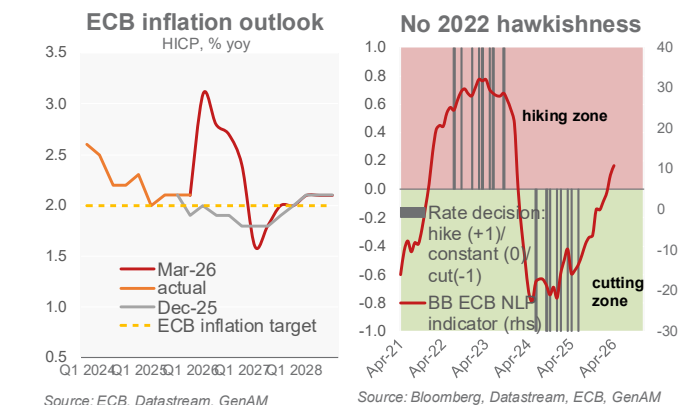
- The Iran war weakened confidence and reduced purchasing power; inflation increased to 3.0% yoy in April.
- We expect activity to stagnate in Q2 and have lowered our 2026 growth forecast to 0.8%, conditional on a timely reopening of the Strait of Hormuz.
- The ECB's hawkish response to the energy price driven inflation spike likely results in one 25 bps insurance hike only.

Just as signs of strengthening activity had been emerging, the conflict involving Iran has started to weigh on the euro area economy. Confidence indicators deteriorated sharply in April: the composite PMI fell below the expansion threshold to 48.6, and consumer confidence dropped to its lowest level since the pandemic. Higher energy prices are eroding real incomes, and inflation accelerated from 1.9% y/y in February to 3.0% yoy in April. Investment is also likely to weaken materially. Policy uncertainty has risen markedly, and the latest Bank Lending Survey points to a sharp decline in demand for loans related to investment.



The outlook now hinges on how the conflict evolves — specifically, when the Strait of Hormuz is fully reopened. Under our baseline assumption of a timely reopening, inflation peaks in Q2 and returns to more normal rates within about a year. If the strait were to remain closed for longer, supply pressures would intensify and amplify the war-induced output loss. We expect the Strait of Hormuz to reopen in due course and activity to recover after a Q2 soft patch. Following disappointing Q1 GDP growth of 0.1% qoq, we forecast annual growth of 0.8% in 2026 and 1.1% in 2027, with war-related risks skewed to the downside.

### ECB ahead of an insurance cut

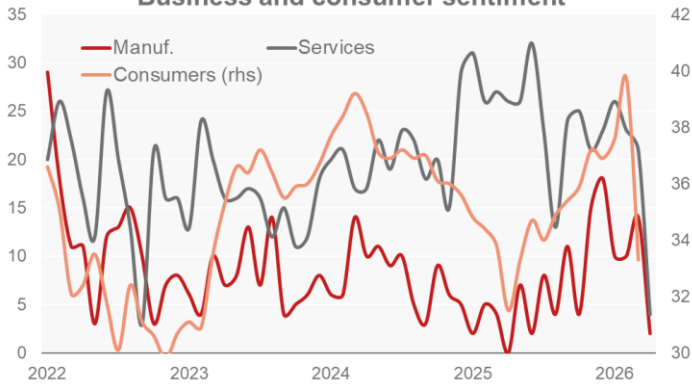


The Iran shifted the ECB policy stance hawkish. The ECB sees the inflation spike to be short-lived in its base case, but President Lagarde signaled in March that even a short inflation overshoot could justify a cautious key rate to keep inflation expectations anchored. Since then, Governing Council members have sounded more balanced: no rush, stay data dependent, and watch for second round effects. Price setting indicators have firmed, but not enough to suggest broadening underlying inflation pressure, and wage growth should remain contained. Softer activity and risk of supply-pressures amplifying the headwinds argues against higher rates too. We see limited fundamental need for tightening, though the ECB's post pandemic lesson may tilt it toward a more decisive stance. At the time of writing just ahead of the April 30 meeting, we look for small **"insurance" hike** by 25 bps, most likely in June, taking rates toward the upper end of neutral.

## Japan

Paolo Zanghieri

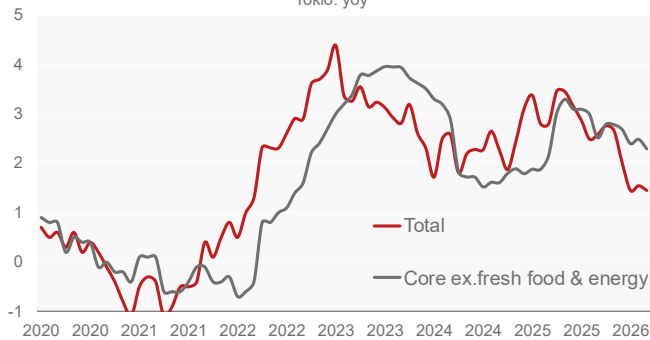
### Business and consumer sentiment



Source: Refinitiv, GenAM

### Inflation

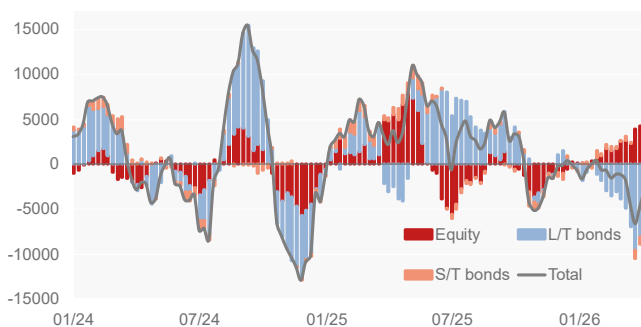
Tokio: yoy



Source: Datastream, GenAM

### Net investment in foreign assets

8-week mov. avg.



Source: MoF, GenAM

- **Growth is moderating amid the energy-driven terms-of-trade shock, and GDP is likely to expand by a modest 0.3% this year while inflation is set to stay above target for longer (2.9% yoy for the whole 2026).**
- **March sentiment has weakened as inflation expectations rose, while activity indicators remain mixed. Manufacturing conditions softened, services held up better, and trade volumes have so far shown limited deterioration, thanks to tech.**
- **While risks to growth argue for caution, underlying inflation progress and yen dynamics point to a further rate hike later this year, most likely in July.**

Higher energy prices have weighed on sentiment, pushing consumer confidence lower in March with inflation expectations revised up. Manufacturing sentiment weakened too, particularly in energy-intensive sectors. We expect GDP to grow at 0.3%, reflecting weaker consumption as higher inflation erodes real incomes. Trade data remain broadly stable, with export volumes holding up, mainly thanks to IT goods and only limited pass-through of higher oil prices into import prices so far.

March data has yet to show the impact of the spike in energy prices, but the core rate still at 2.6% yoy shows that inflation pressures remain elevated and broad-based. We expect inflation to average 2.9% this year as a result of accelerating import prices alone and more by stronger cost pass-through to final prices. Wage growth remains positive but insufficient to offset inflation, the spike in inflation will impact next year's wage negotiation rounds.

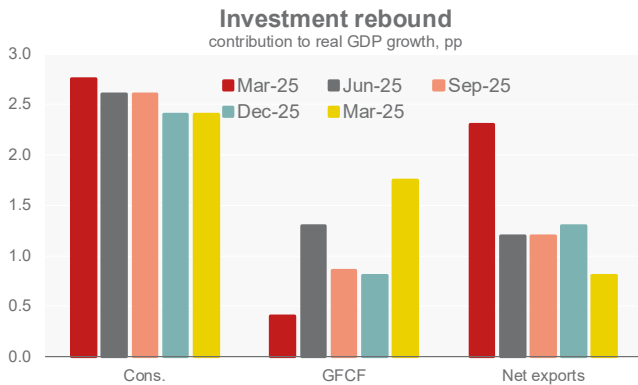
### A cautious BoJ will still raise rates in July

The BoJ left the policy rate unchanged at 0.75% but continues to signal a bias towards further normalisation. The latest Outlook Report revised inflation projections higher for FY2026–27 and trimmed the growth outlook, with risks tilted to the upside for prices and to the downside for activity. Official communication has remained cautious, reflecting uncertainty around the duration of the energy shock and its impact on household purchasing power and small firms' profitability. At the same time, the BoJ has emphasised that underlying inflation is approaching the 2% target and that real interest rates remain clearly accommodative. Our baseline remains for a further rate hike in July.

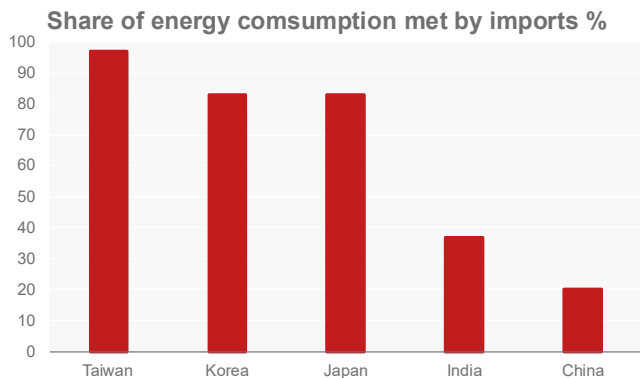
High domestic interest rates and inflation risks are causing a sharp outflows from foreign long-term bonds, while the resilient markets, led to large equity inflows.

## China

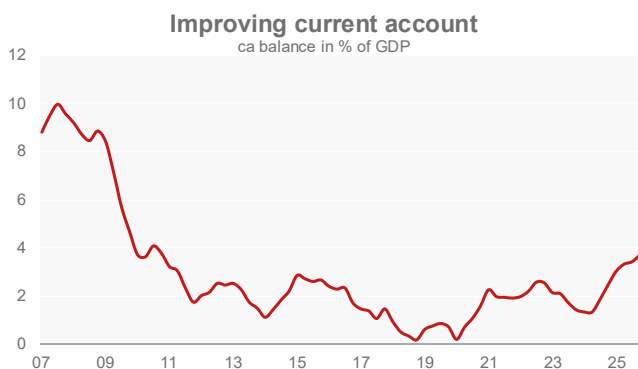
Guillaume Tresca



Source: Bloomberg, SG, GenAM



Source: Morgan Stanley, GenAm



Source: Bloomberg, GenAm

- **China economy has shown resilience in Q1 with an investment rebound but the large imbalances between supply and demand persist.**
- **It is less sensitive to the Iran conflict and higher energy prices than other Asian countries. Policymakers' reaction should remain limited.**
- **The Trump/Xi meeting in mid-May if it happens is unlikely to bring about major breakthroughs.**

China has started the year on a solid footing, and recent data point to continued resilience. It has so far weathered Iran-related economic tensions relatively well, although significant imbalances between supply and demand persist.

Q1 GDP growth accelerated more than expected, to 5.0% from 4.5%, and nominal GDP growth also picked up. This performance was driven primarily by a rebound in infrastructure investment, while consumption remains disappointing. Manufacturing activity has helped offset the drag from consumer services. The latest high-frequency data for March suggest that the consumption recovery has stalled: retail sales growth is slowing and the household savings rate remains elevated.

Policymakers will remain cautious in their support for the economy. The 2026 growth target has been made more flexible and lowered to a range of 4.5–5.0%, reflecting a preference for quality over quantity. Moreover, the April Politburo communiqué did not signal the need for additional stimulus, noting instead the economy's “strong resilience and vitality” despite rising external uncertainties.

Indeed, China is less exposed than other Asian countries to higher oil prices, given its lower dependence on energy imports. Oil accounts for around 30% of its energy mix, the country has sizeable strategic reserves, and it can switch to coal. Until very recently, it also still benefited from Iranian oil imports. On inflation, domestic oil prices are capped, and given already subdued inflationary pressures, the current shock appears manageable. A medium-term risk would stem from weaker global demand, which could weigh on exports.

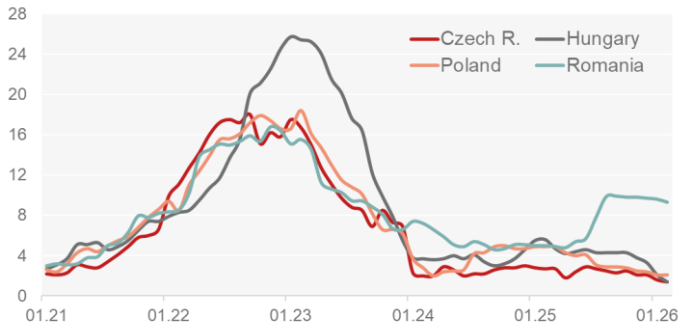
China has remained relatively muted on the Iran conflict, and we do not expect this stance to change, particularly ahead of the Trump–Xi meeting, which has been postponed to mid-May. While the conflict arguably gives China more leverage than before, a major breakthrough appears unlikely. Limited agreements on issues such as agricultural imports, rare earths, or chip exports are possible, but the broader trend toward gradual decoupling between the two countries remains firmly in place.

## Central and Eastern Europe

Jakub Krátký

### Headline inflation

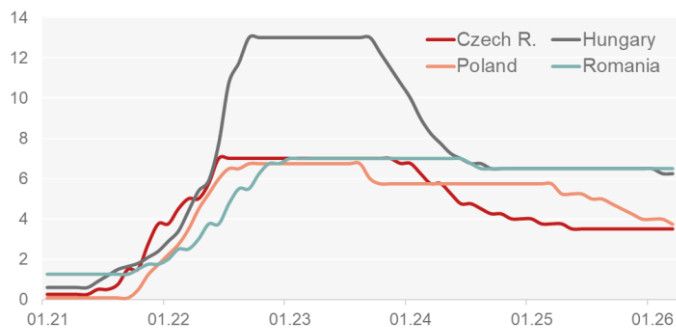
CE-4 countries (CPI yoy in %)



Source: www.czso.cz, www.ksh.hu, www.stat.gov.pl, www.insse.ro, GenAM

### Monetary policy interest rates

CE-4 countries (end-of-month level, in %)



Source: www.cnb.cz, www.mnb.hu, www.nbp.pl, www.bnr.ro, GenAM

### Main Forecasts

Czech Republic	2024	2025	2026f	2027f
GDP	1.1	2.6	1.5	2.2
Consumer prices	2.4	2.5	2.8	2.5
Central bank's key rate	4.00	3.50	3.75	3.50
Hungary	2024	2025	2026f	2027f
GDP	0.6	0.4	1.7	2.5
Consumer prices	3.7	4.4	3.8	4.5
Central bank's key rate	6.50	6.50	6.25	5.50
Poland	2024	2025	2026f	2027f
GDP	3.0	3.6	3.7	2.8
Consumer prices	3.7	3.5	3.1	3.1
Central bank's key rate	5.75	5.75	3.75	3.75
Romania	2024	2025	2026f	2027f
GDP	0.9	0.7	0.3	2.0
Consumer prices	5.6	7.3	8.0	4.2
Central bank's key rate	6.50	6.50	6.25	5.25

Source: www.cnb.cz, www.mnb.hu, www.nbp.pl, www.bnr.ro, GenAM

- CEE central banks adopted a neutral policy stance as inflation within target ranges gives them time to assess the impact of the Middle East conflict.
- Hungary witnessed political alternation as pro-EU Tisza party's landslide victory in parliamentary election ousted PM Orbán after 16 years.
- Romania is back in political crisis as the grand coalition collapsed, a major headwind for austerity reforms.

The CEE economies entered the current crisis in a decent shape, much better vs. 2022. Headline CPI stands in the target ranges in most cases while real rates are positive. However, market pricing shifted from easing to hiking.

March CPI went up across the region, although authorities deployed measures to limit the rising fuels cost with Polish government being the most active with cut of both VAT and excise duties for fuels. Still, headline CPI went up from 2.1% yoy to 3% yoy, above the target (2.5% ± 1pp). Polish NBP delivered a rate cut by 25bp to 3.75% in early March but shifted to a neutral stance and signaled that no hike is on the table as GDP keeps growing strongly: 1% qoq, 4% yoy in Q4.

Hungarian MNB also switched to a neutral stance and kept the base rate at 6.25% as the 25bp cut in February was labelled as one-off in advance. Headline CPI went up to 1.8% yoy in March, still well below the 3% ± 1pp target. While the economy continues to run on a low gear, with Q4 GDP growth at 0.2% qoq, 0.8% yoy, the recent political shift may soon unlock the frozen EU funds and boost capital inflow.

Czech CNB remained on hold at 3.50% for nearly a year. Hints on possible rate hikes diminished and the CNB also switched to neutral mode recently. Headline CPI rose to 1.9% yoy in March from nearly a decade-low of 1.4% yoy but is still a tad below the 2% target.

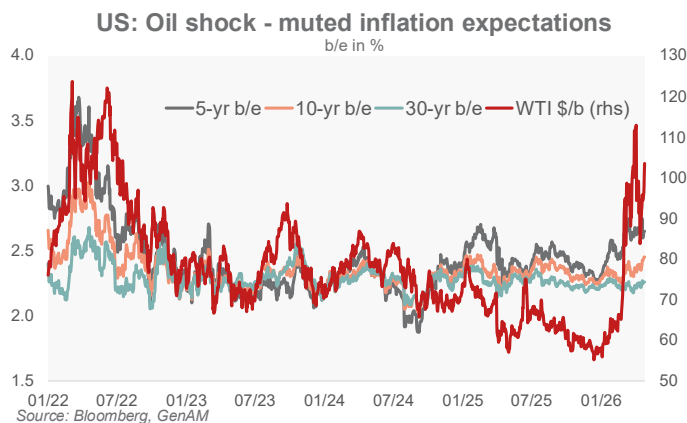
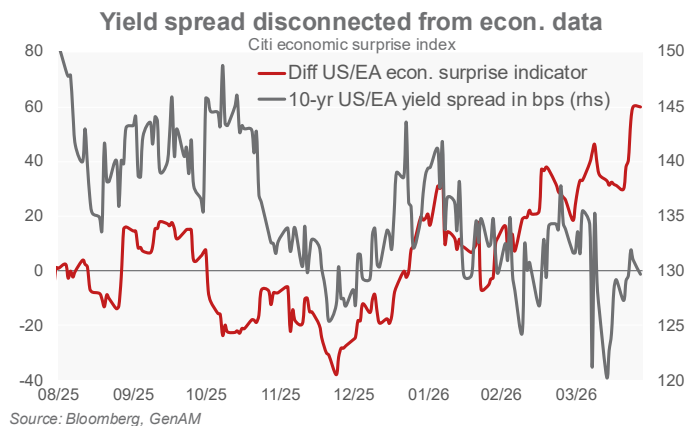
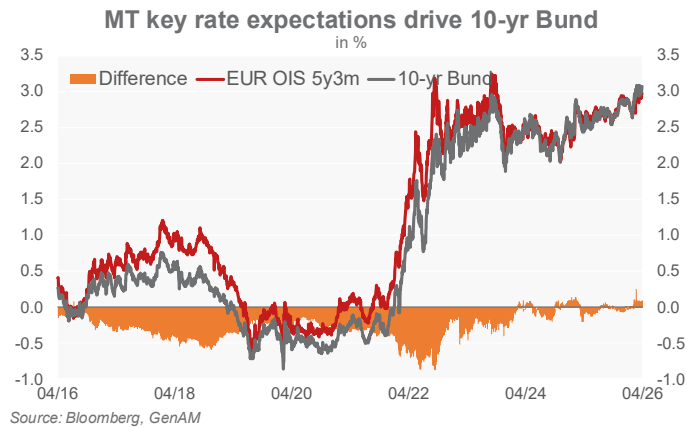
The situation in Romania is different as the ongoing fiscal consolidation and CPI at 9.9% yoy in March is giving the central bank no option just to wait. Meanwhile, the economy fell to recession with Q4 GDP: -1.8% qoq, 0.2% yoy, as the consolidation bites and caused collapse of the government.

### Politics: Good news from Hungary, worse from Romania

Hungary held general election on April 11. The opposition Tisza party won, as expected, but constitutional majority and over 50% of votes outpaced expectations and provided strong impulse to Hungarian assets, pushing the HUF to a year high vs. EUR. Pro-EU stance and much lower Russian influence are expected to come soon, followed by a complete state overhaul and the euro adoption (by 2032). 7

## Government Bonds

Florian Späte



- After yields had already jumped at the outbreak of the Iran war, they continued to grind higher in April. Inflation expectations in particular moved further up, signalling that markets increasingly view the tensions as persistent.
- Further yield moves will be driven primarily by geopolitics. If the oil market eases as we expect, upside potential looks limited. If, however, stagflationary pressures intensify amid further geopolitical escalation, current inflation pricing appears too conservative – and yields would likely continue to rise despite a sharper cyclical downturn.
- Euro area government bond spreads have narrowed again recently. Assuming geopolitical tensions ease, fundamentals should regain prominence – allowing non-core bonds to continue benefitting.

The open-ended ceasefire in the Iran war has materially reduced immediate escalation risks. Still, oil prices have not fallen since late March, and fears of a prolonged conflict have significantly flattened backwardation. As a result, markets have priced in further ECB rate hikes and largely priced out potential Fed cuts – pushing yield curves higher across major bond markets in April.

Assuming hostilities end durably over the course of May – or even give way to a comprehensive ceasefire – and the Strait of Hormuz gradually reopens, oil and gas supply should start to normalise. That said, it will take months, if not years, for infrastructure, logistics, and transport to fully return to normal. As a result, an immediate easing in energy markets is unlikely even in this scenario. Still, the macroeconomic fallout should remain contained: the ECB would deliver only an “insurance” hike in June, while the Fed would cut rates by 25 bps in H2.

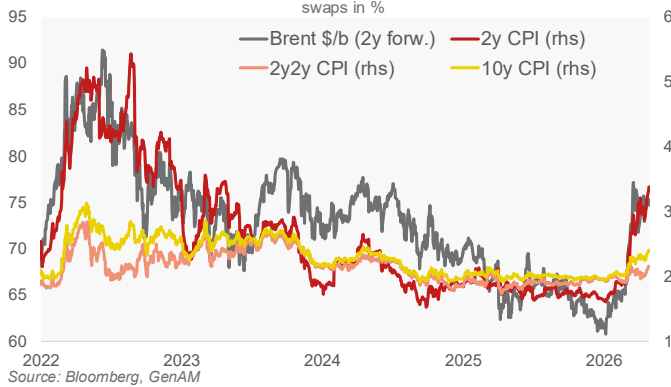
In this scenario, we do not expect large moves in 10-year nominal yields in either the EA or the US. Taken on its own, a ceasefire-related correction of overstretched rate hike expectations would be yield-dampening, but we see market inflation expectations as overly cautious and skewed to the upside.

For example, 10-year US breakevens have risen by just 20 bps since late February and, at 2.45%, sit only slightly above their 5-year average – hardly sustainable. By contrast, the 35% surge in WTI prices during the Ukraine war (from \$90/b to \$120/b) pushed 10-year breakevens up by around 20%, from 2.55% to 3.05%, while the current oil price increase of more than 50% has had only a muted impact on US inflation expectations. In the EA, higher energy prices have left clearer marks, but markets are pricing in a rapid normalisation. Given persistent downstream constraints in

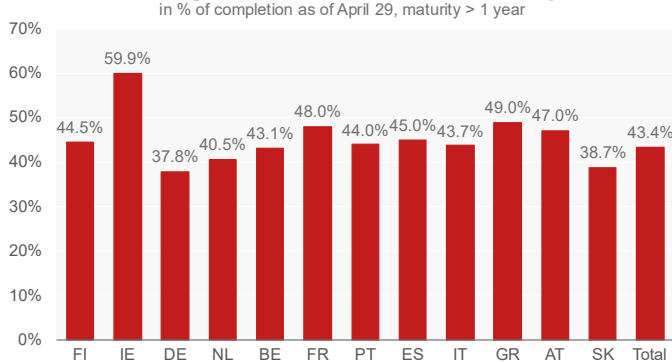
## Government Bonds

Florian Späte

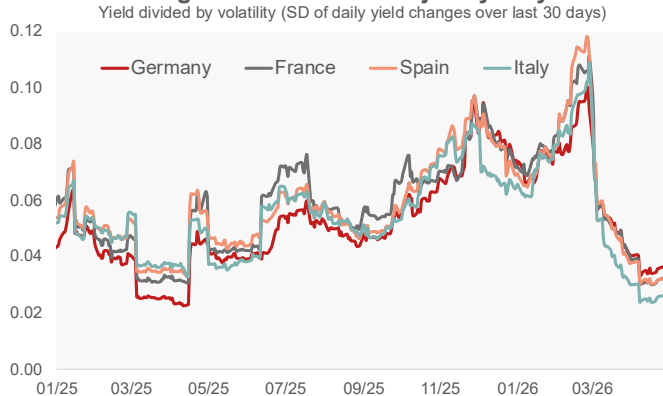
**Brent and EA inflation expectations**



**Sovereign Gross Bond Issuance 2026 ytd**



**Strong decrease in risk-adj. 10-year yield**



processing, transport, and logistics, we view the risks of prolonged elevated inflation in the EA as underpriced, too.

If the Gulf conflict were to escalate further, the Strait of Hormuz would likely remain closed for the time being, pushing energy and related prices higher. The resulting stagflationary shock would force aggressive key rate hikes. Despite the expected cyclical downturn – especially in the EA – this would trigger a bearish curve flattening on both sides of the Atlantic. On a 3-mth horizon, we see a move in 10-year Bund yields to 3.40% and 10-year Treasuries to 4.80% as a likely outcome in this case. Against this risk backdrop, we continue to favour a moderately short duration stance for now, despite the recent rise in yields and the limited upside in the base case.

### Resilient EA non-core government bonds

The primary market for euro area non-core government bonds remains firmly open, with sovereign treasurers continuing to execute their funding programmes successfully despite elevated volatility and a more challenging market backdrop. Solid domestic and foreign demand has allowed issuers to place more than 40% of their targeted full-year issuance volumes year-to-date. Notably, issuance has been skewed towards the long end: bonds with maturities beyond 10 years account for well over 40% of supply so far this year, a share meaningfully above recent averages and particularly striking given the very steep yield curves seen at least up until February. This underlines both issuer confidence and sustained investor appetite for duration in higher-yielding non-core markets. One caveat, however, is worth highlighting. With the escalation of the Iran war, supply risks are now skewed to the upside, as governments may retain flexibility to front-load issuance should market conditions remain supportive.

On the secondary market, non-core spreads stabilised in April and have tightened modestly versus end-March levels, broadly in line with a noticeable improvement in market sentiment. Looking ahead, further spread dynamics will be largely determined by the geopolitical backdrop and bond market volatility. In a scenario of continued stabilisation, additional spread compression remains plausible. Italian BTPs appear particularly well positioned: recent underperformance have left valuations attractive and Italian bonds tend to benefit from declining energy prices in particular. French OATs, by contrast, have outperformed amid a phase of relative political calm. Markets currently price in little political risk, which appears stretched given upcoming presidential elections next spring and persistent medium-term fiscal challenges. Against this backdrop, once geopolitical tensions ease sustainably, we recommend overweighting BTPs relative to OATs.

## Credit

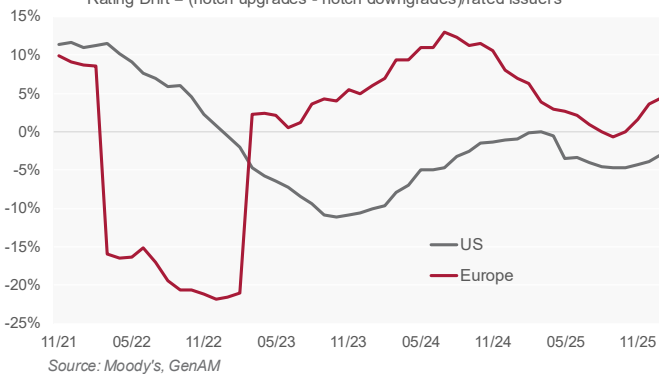
Elisa Belgacem

**Moody's issuer-Weighted Speculative-Grade US Bond vs. US Loan Default Rates**

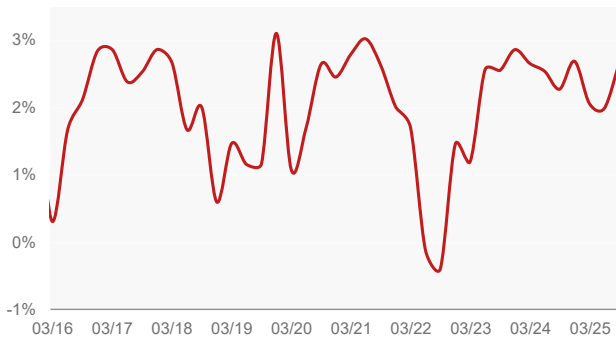


**Trailing 12-month rating drift**

Rating Drift = (notch upgrades - notch downgrades)/rated issuers



**Direct Lending yield premium over Broadly Syndicated Loans in %**



- **Credit markets have absorbed the oil shock with high resilience, with IG now trading below 80bps and HY below 300bps, pointing to contained macro spillovers and resilient demand.**
- **We remain equally long investment grade and high yield, as we expect carry to produce superior returns relative to government bonds.**
- **While maintaining a constructive spread outlook, we favour a selective sector allocation, favouring defensive carry while remaining cautious on Financials and using subordinated indices as hedges.**

Credit markets have absorbed the oil-driven shock with limited dislocation. IG spreads have retraced to the low-mid 80bp range and HY to below 300bp, indicating that markets are not pricing in lasting macro or inflation spillovers. Unlike last April, there has been no material outflow pressure and little incentive for investors to de-risk. Higher all-in yields continue to anchor demand and reinforce confidence in balance-sheet resilience. At current levels, spreads signal that growth headwinds are manageable and that carry will remain an effective buffer against volatility. Our base case is a return to a yield-buyer-led regime and modest further spread tightening, with no need for a broad defensive stance.

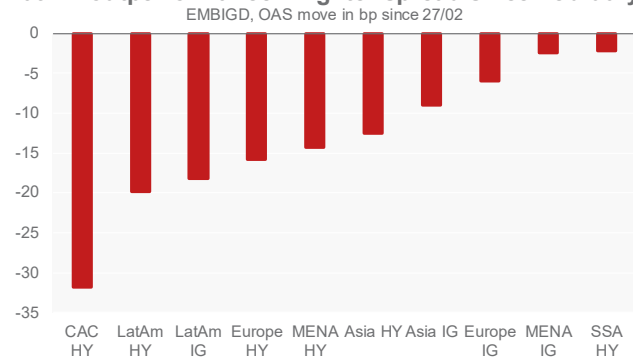
### Selective Carry in a Gradual Tightening Environment

We expect credit spreads to tighten slightly in the coming months, though the pace of compression is likely to remain gradual. Sector positioning is therefore selective rather than defensive, favouring areas with stronger resilience and more stable carry profiles. We remain cautious on Financials, holding Banks at neutral and Insurance underweight, reflecting sustained under-performance versus Non-Financials and their sensitivity to confidence-driven stress, particularly linked to private-asset exposures. While valuations have improved, risk-reward remains balanced at best in a volatile macro backdrop. Conversely, we continue to build exposure to defensive Telecommunications and Utilities, which help stabilise portfolio risk through more predictable cash flows and lower cyclicality. We reiterate iTraxx Subordinated Financials as our preferred hedge and relative-value expression, offering efficient protection against downside risks while capturing dislocations within Financials' capital structures in the current environment.

## EM sovereign bonds

Guillaume Tresca

### LatAm outperformance - Tighter spread since February



Source: Bloomberg, JP, GenAM

- **EM fixed income has remained resilient thanks to stronger macroeconomic fundamentals and healthier balance sheets. The medium-term outlook is still positive.**
- **As oil prices remain high, we maintain a cautious short-term approach and keep a neutral stance on EM local vs external debt.**
- **We keep our preference for Latam over CEE and Asia which is our least favourite region.**

EM fixed income has been resilient since the onset of the Iran conflict and the rise of energy prices. EM countries stand in a healthier position than after the Covid, supported by stronger macro fundamentals, restrictive monetary policies and improved external metrics that leave EMs better prepared to weather geopolitical and oil-related shocks. That said, all EM countries are not immune, and heterogeneity has been rising. It increasingly calls for finer discrimination.

### Too large central bank expectations repricing



Source: Bloomberg, GenAM

EM external debt spreads and EM FXs have retraced all their initial losses with some countries spreads at tighter levels. As the Strait Hormuz remains close, we maintain a cautiously positive approach and keep our preference for Latam over CEE and Asia which is our least favourite region. The room for further spread tightening is limited and performance will be provided by carry and Treasury return. It is also why we keep our neutral EM local vs external debt stance.

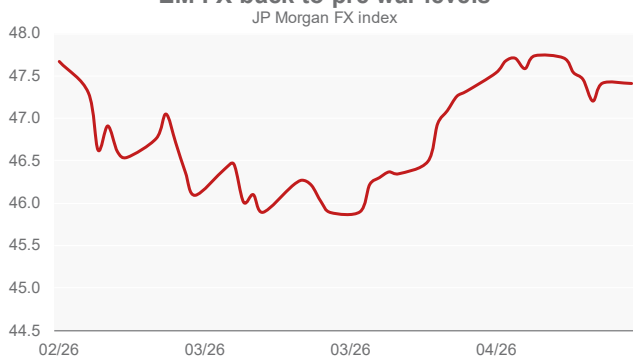
### EM local debt: tactical approach

We maintain a medium-term constructive view on local debt, but it has gradually been more stress tested by the rise of oil prices. EM central banks have leant on a more hawkish side and have been efficient in managing the FX pressure in March at the heights of the conflict. In the short term, we are neutral FX over rates: EM FXs have already fully recovered, and positioning is not light while EM rates offer more compelling value, but the inflationary risk could limit the downside in rates. In FX, we still like the high yielders like the TRY and the BRL. The Hungary elections are a game changer and seal the case for a structural HUF appreciation. For rates, there is some value in the front of the Brazilian rate curve and in the South Africa long end.

### EM external debt: it is all about carry

External debt spreads are close to their all-time lows but still offer a decent pickup in carry over US credit. It should be enough to maintain inflows. We have a preference for HY over IG, as higher carry and lower duration compensate for the still eventful global backdrop. That said we avoid the weakest HY names, especially oil importers such as Pakistan, Kenya which can suffer in an extension of the conflict. Regional preferences remain centred on LatAm. Elsewhere we also favour Hungary, Ivory Coast, the Balkans and Morocco.

### EM FX back to pre-war levels

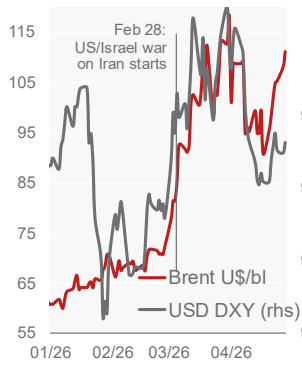


Source: Bloomberg, JP Morgan, GenAm

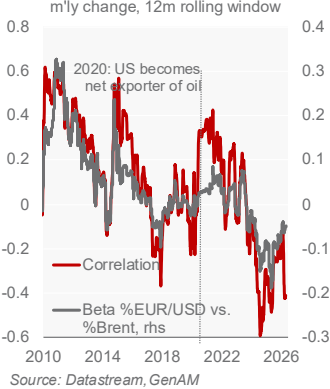
## Currencies

Thomas Hempell

USD DXY and oil price



EUR/USD and oil price



- Oil is still the dominant near-term USD driver. A settlement of the Iran war with oil falling to 90\$/bl could push EUR/USD above 1.18.
- A likely ECB hike in June and ongoing investor diversification out of the USD bias EUR/USD toward 1.20, but Europe's delayed recovery may prevent a sustainable break above that level before 2027.
- The JPY is deeply undervalued on fundamentals and yield differentials; a war resolution would weigh on USD/JPY, but a lasting decline needs further BoJ rate hikes and meaningful investment repatriation by Japanese investors.

Middle East tensions and energy prices will largely dictate the USD's near-term direction. Once tensions ease and the Strait of Hormuz re-opens, the greenback should resume its gradual depreciation.

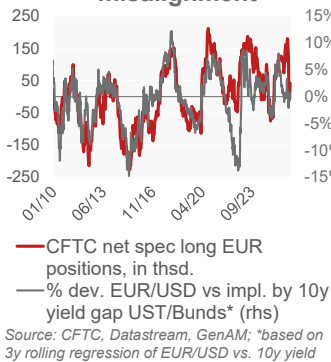
### EUR/USD outlook biased to the upside

The dollar's rebound since the Iran war began on Feb. 28 has been driven primarily by oil-price swings. Since the US became a net oil exporter in 2020, a 10% rise in Brent has been associated with a 0.5% stronger USD – a relationship that has held through recent weeks even if weakened most lately (top charts). Earlier long euro positioning has been largely unwound (mid charts). Yet the EUR/USD impact has remained muted, likely because those positions had not pushed the EUR to overvalued levels relative to rate differentials (mid left chart).

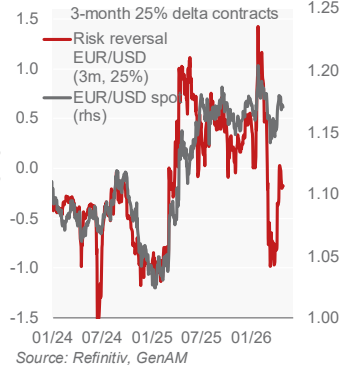
A war settlement and oil falling to around 90\$/bl (–20% from current levels) would lift EUR/USD above 1.18, initially amplified by cyclical relief as the euro area is more exposed to the energy crunch than the US. Beyond that, the path will be choppy: a tighter rate differential – supported by a likely ECB rate hike in June – and ongoing investor diversification out of the USD (with the petrodollar status further questioned by the war) should sustain upward pressures. A post-war global growth rebound also typically weighs on the USD (bottom left chart). Yet the EUR will struggle to benefit fully, given a muted European recovery and external vulnerabilities amid an eroding world order. A sustainable break above 1.20 in EUR/USD may thus not come until 2027.

The JPY remains deeply undervalued, both in fundamental terms and relative to yield differentials (bottom right chart). A war resolution would likely push USD/JPY lower given Japan's acute exposure to the energy crisis. However, a significant and lasting decline in USD/JPY will probably require the BoJ to deliver further rate hikes alongside a meaningful repatriation shift by Japanese investors from their vast overseas portfolio holdings.

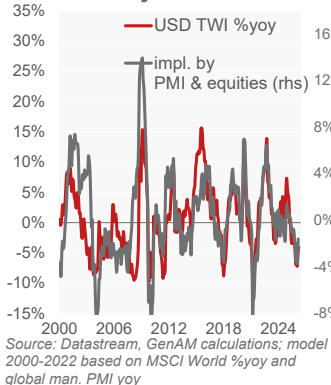
Positioning and EUR/USD misalignment



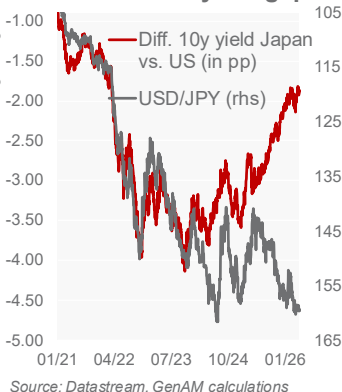
Risk Reversal and EUR/USD



Anticyclical USD

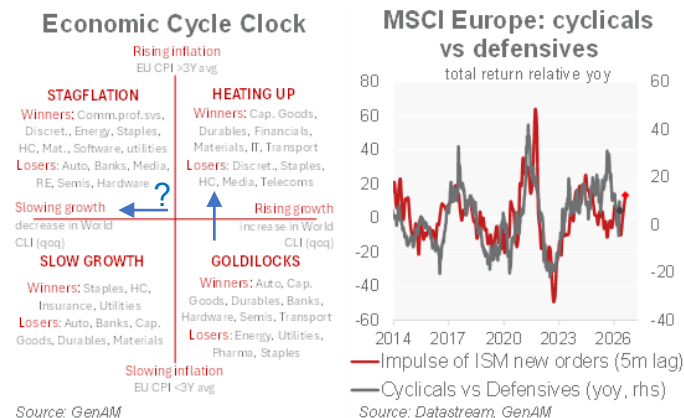
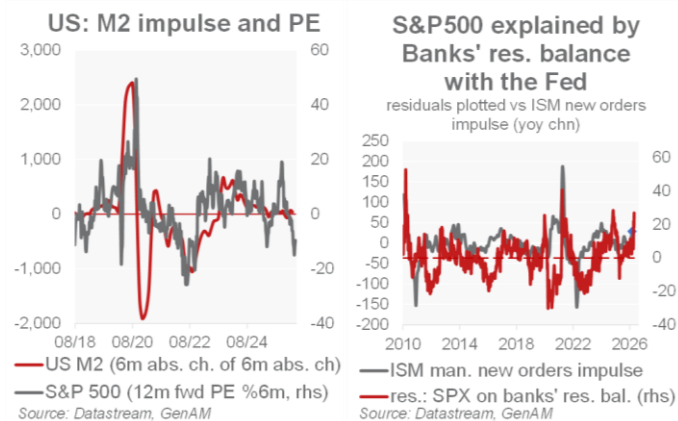
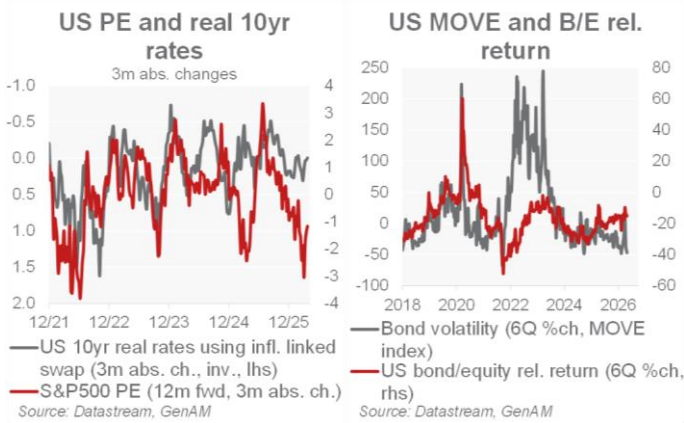


USD/JPY and yield gap



## Equities

Michele Morganti and Vladimir Oleinikov



- We keep our equity OW despite the rally. We would be buyers on a potential sell-off, while acknowledging higher short-term risks stemming from the inconclusive U.S.–Iran negotiations to date.
- Positioning is only slightly above average, financial conditions remain supportive, while buybacks are increasing and M&A activity for strategic reasons has mounted.
- The US Q1 reporting season is largely beating estimates, while Europe is lagging. Both earnings and margin trends remain resilient, with free-cash flow staying positive.
- Despite below-consensus EPS for 2026-27, we see 12-month TR of 9% for EMU and 6% for the US (7,400, rising to nearly 8,000 using consensus EPS).
- We are N Europe vs. US and still OW US technology (undervalued, short positioning) and OW EMs. EU sector OWs: Banks, Insurance, Cap. Goods, A&D, Pharma, Materials, Telecoms, Utilities, Software & Semis, plus AI beneficiaries - users - “Phase 4: enhanced productivity”, Gold basket (very cheap valuation) and Uranium & Nuclear basket.

Below-norm positioning, US Tech undervaluation, and lower US PEs encouraged investors to buy equities after President Trump declared 15-day ceasefire, while firms are delivering a strong Q1 reporting season. Declining MOVE (bond vol) and VIX (equity vol) contributed to the increased optimism. Furthermore, the US economy still gives signs of notable resiliency, the financial condition index remain supportive, together with M2 and ISM momentum, Fed’s liquidity, strategic M&A trend, buyback’s momentum and positive free-cash flow momentum. Still, we acknowledge higher short-term risks stemming from the inconclusive U.S.–Iran negotiations to date.

Overall, the market has substantially followed the average trend that typically occurs during geopolitical crises, including those in the Middle East — turning positive after an initial sell-off. Our machine-learning models still favour equities over bonds and positioning remains slightly above neutral and not a particular concern, provided escalation risks stay contained. Our sector asset-allocation indicator, based on the global leading indicator and EU inflation, is no longer in a Goldilocks regime but remains constructive for now, still favouring some cyclical exposure.

Signals coming from US margin proxies remain positive, too, with regard to CPI on unit labour costs, even after adjusting for taxes, credit yields, trade-weighted USD, and oil prices.

## Equities

Analysis of the median stock: Q1 2026 reporting season

Median stock	Earnings Growth		Sales Growth		margin trend *		availability
	Q4 2025	Q1 2026	Q4 2025	Q1 2026	Q4 2025	Q1 2026	Q1 2026
S&P	9.9 %	14.8 %	7.1 %	8.9 %	2.8 %	5.8 %	33.7%
Stoxx	2.7 %	4.9 %	0.9 %	0.9 %	1.7 %	4.1 %	24.0%
Euro Stoxx	6.3 %	5.0 %	1.2 %	1.8 %	5.1 %	3.2 %	21.9%
Topix	12.9 %	16.6 %	6.3 %	6.5 %	6.7 %	10.1 %	17.5%

Median stock	Earnings Surpr		Sales Surpr		margin trend *		availability
	Q4 2025	Q1 2026	Q4 2025	Q1 2026	Q4 2025	Q1 2026	Q1 2026
S&P	3.0 %	4.1 %	0.8 %	1.2 %	2.2 %	2.9 %	33.7%
Stoxx	1.3 %	1.0 %	0.3 %	(0.2)%	0.9 %	1.2 %	24.0%
Euro Stoxx	1.2 %	0.5 %	0.5 %	0.1 %	0.7 %	0.4 %	21.9%
Topix	8.3 %	12.6 %	0.9 %	0.6 %	7.3 %	12.1 %	17.5%

Note: numbers for Q1 2026 are calculated only for the companies which have so far reported in Q4 2025 proxy for margin trend = earnings growth - sales growth

Source: Bloomberg, GenAM calculations

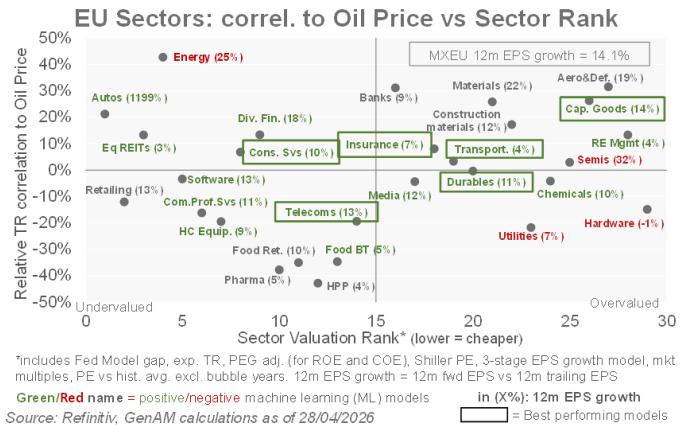
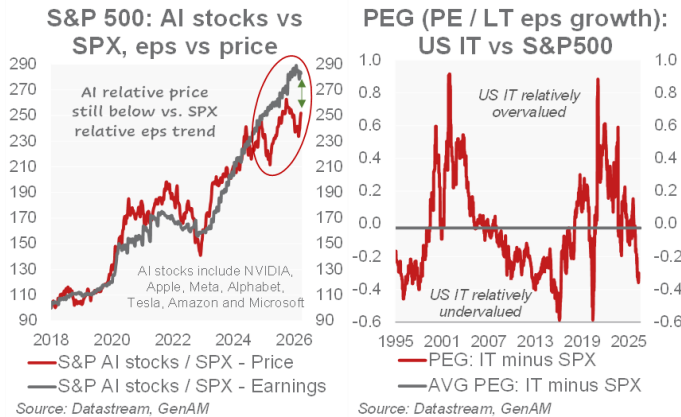
As for Europe, since the end of February, 12-month forward EPS have been revised by 5.5%, mainly driven by Energy (+40%), Semiconductors (12%), Materials (+6%), as well as Banks and Software (both +4.5%): the market has discounted the resilience of the macroeconomic trend and corporate margins before accounting for the negative effects of the war itself. After lowering EMU GDP of about 50-70 bps, we could revise EPS growth by about 3%-4% downwards.

That said, we see a TR of 9% in 12 months (6% for the US), assuming below-consensus EPS for 2026-2027. Of course, short-term risks may trigger temporary set-backs, which we would view as buying opportunities.

In Europe, EPS surprises were positive by 3.7% (10% the US, 4% for the median stock) while sales by 0.8% (2% in the US) after 123 companies reported out of 512. EU companies face greater revenue headwinds from weak Chinese demand, lagged currency pressures, and softer industrial activity, making operational efficiency and restructuring more critical to maintaining profitability.

After the retracement in EMU confidence indicators, we see no margins expansion and EPS growth above around 10% in 2026. In our base scenario, we remain in a heating up cycle phase – albeit with declining momentum - where also due to higher inflation, firms' pricing power is not seen to collapse soon (wages are also declining). Lastly, the strong euro's negative effects have almost exhausted. The S&P 500 index is more sheltered vs. Europe: lower valuations vs. macro trend and energy shock.

We are N Europe vs. US and still OW US technology (undervalued, short positioning) and EMs - recovery in Sentix sentiment, to benefit from superior earnings growth vs DMs, undervaluation, and a weaker TW dollar: within EMs, we favour Brazil, China, China IT, India, Korea, and Poland.



### EU sectors: keep a cyclical tilt with selective defensives

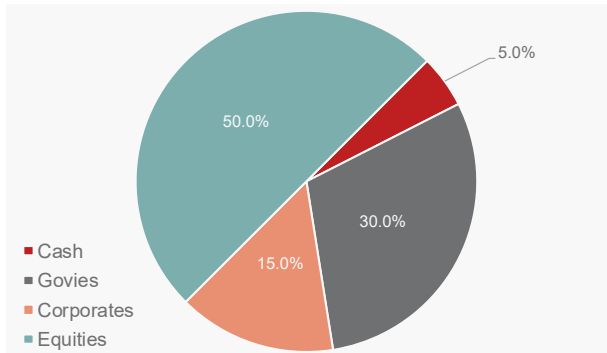
We maintain a cyclical tilt guided by valuation, revisions, ML models and our sector macro model which now signals "Heating Up" (good growth and rising inflation). In such phase, generally cyclical sectors tend to outperform defensive ones. That said, the trend in CPI and growth point at a possible risk of stagflation phase, albeit ceasefire, trend in confidence and liquidity mitigate such negative scenario. So, we complement a cyclical tilt by selective defensives and inflation hedges.

EU sector OW: Banks, Insurance, Cap. Goods, A&D, Pharma, Materials, Telecoms, Utilities, Software & Semis, plus AI beneficiaries - users - "Phase 4: enhanced productivity", Gold basket (very cheap valuation) and Uranium & Nuclear basket.

## Asset Allocation

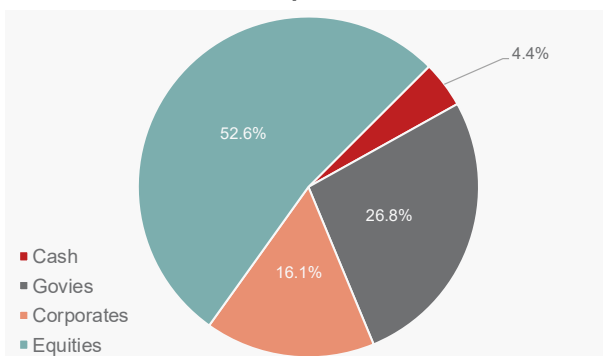
Thorsten Runde

Benchmark



Source: GenAM

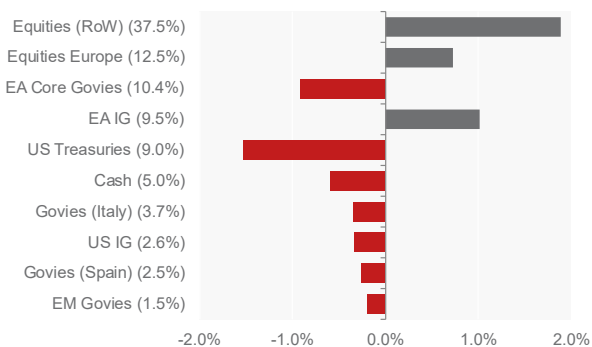
Modelportfolio



Source: GenAM

Modelportfolio: Active Positions

TOP 10 Benchmark Constituents



Source: GenAM; Benchmark weights in parentheses

- In April (28.04.26) Equities moved higher across the board, with the strongest performance of +9% to more than +12% coming from Europe.
- Across all relevant government bond markets, the 10Y+ maturity buckets clearly underperformed; in most cases, returns even slipped into negative territory.
- Within Credit, HY outperformed IG by +110 bps on a total-return basis. Fins edged ahead of non-Fins (+13 bps), and the euro area of the US (+25 bps).
- Pre-war Goldilocks momentum and a fragile Iran ceasefire support a pro-risk tilt, but higher energy prices keep inflation risks elevated.
- We favour OW in Equities and Credit (both IG and HY) and UW in Cash and Government bonds, while keeping duration close to neutral. That said, near-term hedges are recommended, as market strains may be needed before President Trump agrees to Iranian concessions (which we expect to grow).

In April 2026 (28.04.26), our model portfolio outperformed its benchmark by around +17 bps. At the aggregate level, the underweight in government bonds (+10.7 bps) and the overweight in equities (+8.2 bps) were the main drivers. The overweight in corporate bonds detracted again (-2.5 bps). At the position level, US equities (+6.1 bps) and US Treasuries (+4.7 bps) stood out, while no position meaningfully stood out as a negative contributor.

Pre-war Goldilocks momentum (upside growth revisions and easing price pressure) and the ceasefire agreed on April 8 made us assume a more risk-prone stance earlier in the month. However, this positioning look is increasingly challenged by the stalemate in further negotiations and the continued closure of the Strait of Hormuz while markets – notably US equities – have started to look through the stagflationary shock underway.

### Pro-risk tilt, though more prudent very short term

Overall, we still favour an overweight in Equities and Credit (both IG and HY) and an underweight in Cash and Government bonds but for the very near term, we prefer a more prudent stance and look for buying opportunities on set-backs. Duration is kept close to neutral on risk-management grounds, as long-end rally potential has remained limited, while energy-driven inflation risks can still generate material upside pressure on yields. USD exposure is kept close to neutral: safe-haven demand can re-emerge on Iran/energy flare-ups, but recent price action argues against a strong directional stance.

## Forecasts

### Macro Data

Growth <sup>1)</sup>	2025	2026		2027		2028
		forecast	Δ vs. cons.	forecast	Δ vs. cons.	forecast
US	2.1	2.1	- 0.3	2.1	0.1	2.0
Euro area	1.4	0.8	- 0.4	1.1	- 0.3	1.3
Germany	0.2	0.6	- 0.4	1.1	- 0.4	1.1
France	0.8	0.6	- 0.4	0.8	- 0.3	1.5
Italy	0.6	0.4	- 0.4	0.5	- 0.3	0.5
Non-EMU	1.5	1.0	- 0.2	1.3	- 0.1	1.7
UK	1.4	0.6	- 0.3	1.1	- 0.2	1.6
Switzerland	1.6	0.8	- 0.3	1.3	- 0.2	1.8
Japan	1.2	0.3	- 0.5	0.6	- 0.4	0.6
Asia ex Japan	5.3	4.6	- 0.4	4.7	- 0.2	4.7
China	5.0	4.4	- 0.2	4.3	- 0.2	4.3
CEE	1.9	1.7	- 0.3	2.1	- 0.2	2.3
Latin America	2.0	1.7	- 0.4	2.1	- 0.1	2.6
<b>World</b>	<b>3.3</b>	<b>2.8</b>	<b>- 0.4</b>	<b>3.0</b>	<b>- 0.1</b>	<b>3.0</b>

<sup>1)</sup> Regional and world aggregates revised to 2024 IMF PPP weights

Inflation <sup>1)</sup>	2025	2026		2027		2028
		forecast	Δ vs. cons.	forecast	Δ vs. cons.	forecast
US	2.8	3.3	0.6	2.4	0.0	2.2
Euro area	2.1	2.8	0.7	2.1	0.2	2.0
Germany	2.2	2.9	0.8	2.0	- 0.1	2.0
France	1.0	2.0	0.7	1.7	0.2	1.9
Italy	1.7	3.2	1.5	1.8	0.1	2.0
Non-EMU	2.5	2.3	0.3	1.9	0.0	1.9
UK	3.4	3.0	0.4	2.3	0.0	2.0
Switzerland	0.2	0.7	0.3	0.6	0.0	0.6
Japan	3.1	2.9	1.0	2.0	0.2	2.0
Asia ex Japan	0.9	2.2	0.4	2.1	0.1	2.2
China	0.0	1.2	0.5	1.2	0.2	1.5
CEE	12.9	11.4	1.3	8.9	1.2	7.3
Latin America <sup>2)</sup>	4.2	4.7	0.4	4.5	0.6	3.0
<b>World</b>	<b>2.9</b>	<b>3.5</b>	<b>0.5</b>	<b>2.9</b>	<b>0.2</b>	<b>2.7</b>

<sup>1)</sup> Regional and world aggregates revised to 2024 IMF PPP weights; <sup>2)</sup> Ex Argentina and Venezuela

### Financial Markets

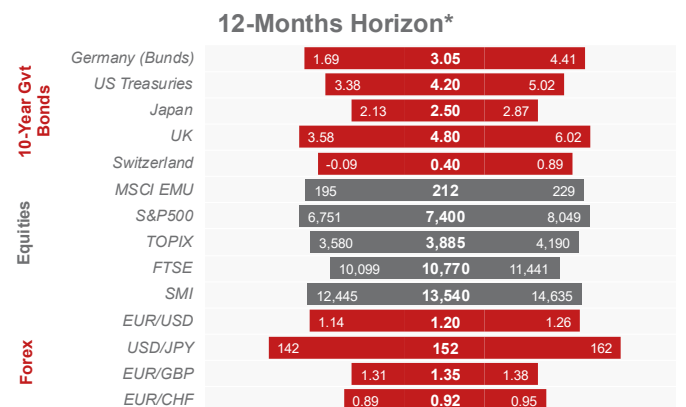
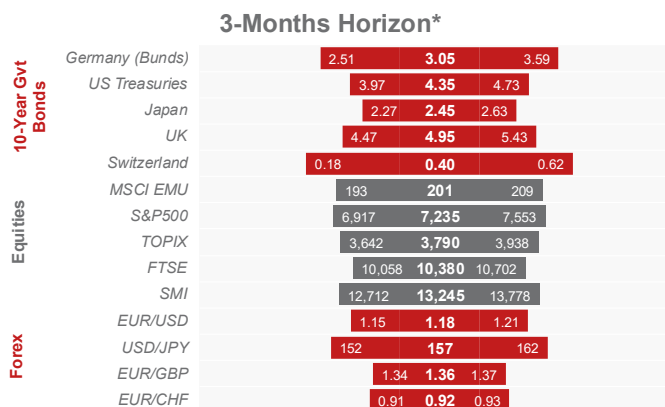
Key Rates	Current*	3M		6M		12M	
		Forecast	Fwd	Forecast	Fwd	Forecast	Fwd
US (upper bound)	3.75	3.75	3.62	3.75	3.58	3.50	3.53
Euro area	2.00	2.25	2.30	2.25	2.51	2.25	2.59
Japan	0.75	1.00	0.96	1.00	1.10	1.25	1.45
UK	3.75	4.00	4.06	4.00	4.28	4.00	4.30
Switzerland	0.00	0.00	-0.03	0.00	0.06	0.00	0.26
<b>10-Year Gvt Bonds</b>							
US Treasuries	4.33	4.35	4.40	4.30	4.45	4.20	4.55
Germany (Bunds)	3.04	3.05	3.10	3.05	3.14	3.05	3.21
Italy	3.85	3.80	3.93	3.75	4.00	3.75	4.12
Spread vs Bunds	81	75	83	70	86	70	91
France	3.69	3.70	3.79	3.70	3.84	3.80	3.94
Spread vs Bunds	65	65	69	65	70	75	73
Japan	2.46	2.45	2.54	2.45	2.61	2.50	2.75
UK	4.96	4.95	5.07	4.90	5.11	4.80	5.20
Switzerland	0.43	0.40	0.45	0.40	0.46	0.40	0.50

\*3-day avg. as of 28/04/26

\*\*ICE BofA (OAS)

Credit Spreads**	Current*	3M		6M		12M	
		Forecast	Fwd	Forecast	Fwd	Forecast	Fwd
EA IG Non-Financial	77	75		75		75	
EA IG Financial	83	85		85		85	
EA HY	284	290		290		280	
EM Sov. (in USD)	175	180		175		175	
<b>Forex</b>							
EUR/USD	1.17	1.18	1.18	1.19	1.18	1.20	1.19
USD/JPY	159	157	158	155	157	152	155
EUR/JPY	187	185	186	184	185	182	184
GBP/USD	1.35	1.36	1.35	1.35	1.35	1.35	1.35
EUR/GBP	0.87	0.87	0.87	0.88	0.87	0.89	0.88
EUR/CHF	0.92	0.92	0.92	0.92	0.91	0.92	0.90
<b>Equities</b>							
S&P500	7,159	7,235		7,290		7,400	
MSCI EMU	202.0	201.0		205.5		212.0	
TOPIX	3,741	3,790		3,820		3,885	
FTSE	10,344	10,380		10,510		10,770	
SMI	13,161	13,245		13,475		13,540	

### Forecast Intervals



\*Forecast ranges of ±1 stdv. centred around point forecasts; based on historical volatilities; length of bars indicative only

 **Imprint**

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