



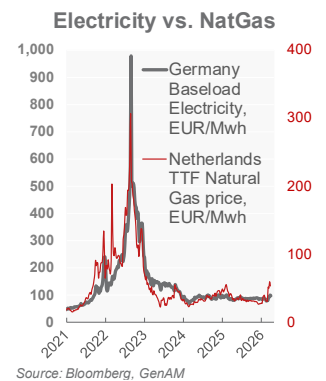
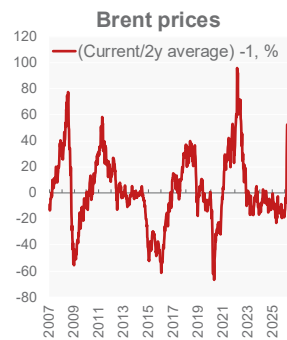
Investment View

Low on fuel, high on intelligence

31 March, 2026

'Investment View' provides our quarterly macro & market outlook and investment recommendations

- Investors need to navigate two structural shocks – a changing world order currently magnified by the war in Iran, and a technological revolution (AI). The war makes the near-term investment outlook uncertain, suggesting a preference for a risk-management approach. The AI capex boom may cushion the economic headwinds from the negative supply shock (war, energy) and offers the longer-term promise of higher productivity and corporate margins.
- Our base scenario sees a near-term peak in oil prices around \$120/bbl, followed by slow de-escalation. The main risk sees escalation and a surge towards \$150 – a far more severe stagflationary shock. The 'known unknown' is whether the US and Israel will first need to escalate the war, to weaken Iran's negotiating position. The unilateral end of the US military operations, without a full reopening of the Strait of Hormuz, would be an in-between scenario.
- The pre-war global economy was on a strong footing; this offers hope of resilience. Inflation pressures are multi-pronged (energy, food, memory chips) but the risks of second-round effects appear moderate. The reference to 2022 – an awful year for balanced portfolios – looks exaggerated at this stage; we see stark differences, not least the fact that monetary policy starts from a neutral, rather than a super-accommodative position.
- In our risk-management framework, we continue to favour Credit. The war has confirmed the losing appeal of Govies as safe haven. Long rates are more attractive but would not rally much on a ceasefire; we have reduced, not cancelled, our defensive duration position. We recommend a cautious equity overweight, balancing cyclicals and defensives: the 10% drawdown in EA stocks reflects fears of a slowdown, not a recession. The unwinding of USD shorts may not be over yet, but we will be seller on strength; the war has increased the de-dollarisation threat.



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LOW ON FUEL, HIGH ON INTELLIGENCE

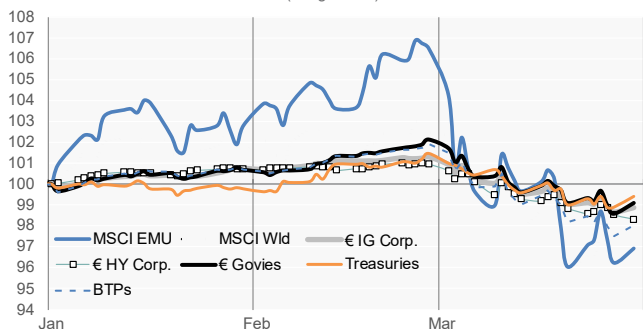
Vincent Chaigneau

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Another war. Shortly after the four-year anniversary of Russia invading Ukraine (February 2022), the US and Israel attacked Iran. This has ruined the solid financial start to 2026, particularly for European equities, down 10pp from their February peak (left chart). The war has taken over other prominent themes, namely AI disruptions (software sector the poster child) and private debt woes. Those three themes are interdependent. The AI boom has caused a shortage of memory chips, which the war-related supply chain disruptions will aggravate. More generally, the war creates a stagflationary shock; in case of a further escalation, central banks may need to raise rates, at the risk of complicating the roll-over of debt, especially in Private Credit (PC), where issuance is largely at floating rate. Though liquid credit spreads have been so far been resilient to headwinds from the war, Fixed Income markets are closing Q1 on a sour note; yet again, government bonds are failing to act as safe-haven assets.

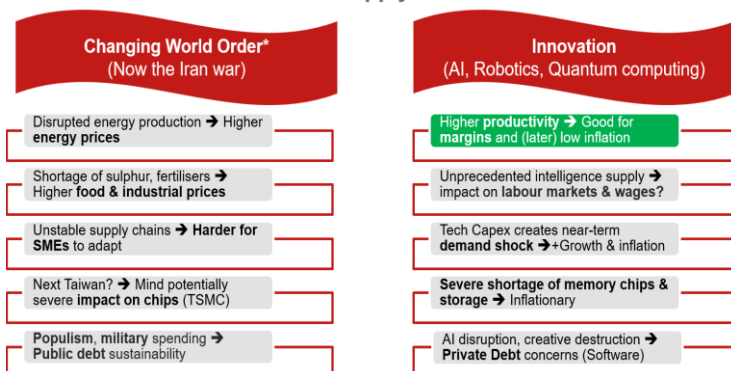
Strong interconnections between Iran, AI and Private Credit

2026 YTD total return (hedged in €)



Source: Bloomberg, GenAM calculations

Two supply shocks



Two supply shocks

One positive, one negative. Investing in 2026 will partly consist in navigating what we see as two supply shocks, which the table above summarises.

The war in Iran inflicts a negative supply shock, which has the potential of reviving inflation pressures, not so long after the 2022-2023 crisis. Wars tend to be inflationary and complicate the fiscal equation: governments around the world are pressured to increase military spending, when already public finances face challenges from the demographic shock, the energy transition and populist pressure.

AI can be seen as an unprecedented supply of intelligence. Longer term, this will support productivity, a positive development for both wealth and corporate margins. Near term, however, the AI boom has also created a positive shock on demand, causing shortages that are inflationary, e.g. boosting the cost and price of electronic goods such as mobile phones and laptops. AI may also hurt labour markets. Historically, technological progress has not destroyed employment, but the US jobless recovery, the falling share of IT (the fastest AI adopter) in total US employment and rising unemployment among young workers (16-24, bachelors and above) all point to some pressure, at least through the adoption phase.

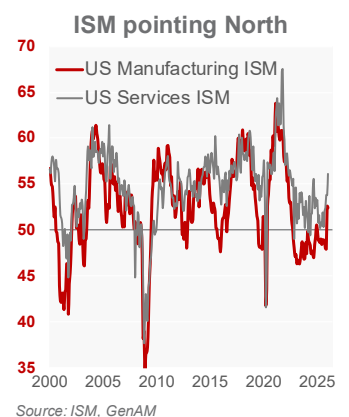
Global economic resilience a function of war intensity and duration

War for how long? Both the impact on growth and inflation will depend on the intensity and duration of the war. Initially, many thought the war would be short, given the proximity of the US mid-term elections (November 2026). The Iranian resilience and strategy to inflict maximum economic costs to the US and allies have challenged that idea. Iran will demand security and economic concessions before flows through the Strait of Hormuz can return to normal. The intensity and duration of the war will depend on whether the three belligerents can agree on a ceasefire, or the US and Israel first need to intensify military operations to further weaken the Iranian negotiating position. This is a difficult prediction. Our base scenario assumes that war will slowly de-escalate in Spring, so that oil prices pull back from a peak around \$120/bbl. Damages and residual uncertainties, however, would keep Brent above 85\$ until then end of summer. The central scenario has different shades of grey, e.g. the unilateral end of US military operations would be less market-friendly than a negotiated agreement leading to a reopening of the Strait of Hormuz. In the base scenario, the shocks on growth and inflation are limited, about -0.5pp and +1pp respectively for the euro area. Our main risk scenario sees an escalation, with oil prices rising towards \$150/bbl and causing a much larger inflation shock and a moderate recession in the euro area.

War is stagflationary, and further complicates the global public finance equation

AI boom will eventually boost productivity, but may add to inflation and employment issues in the near term

Near-term risk lies in intensification of military strikes to further weaken the Iranian negotiating position

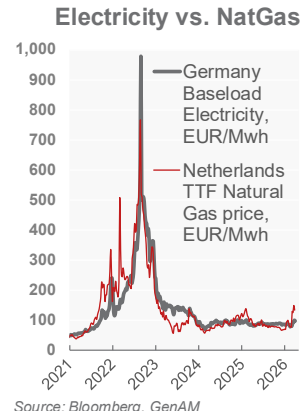
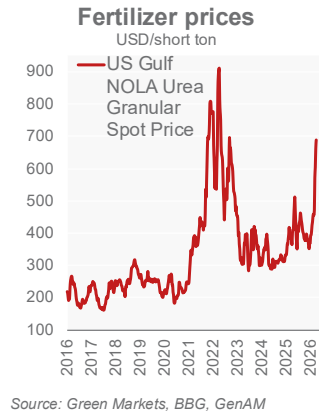
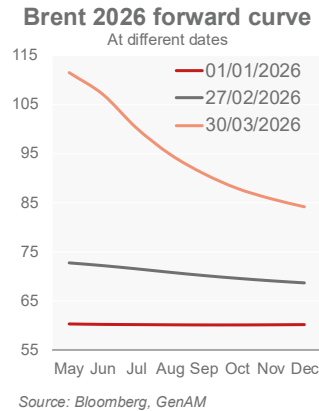


Solid pre-war economic momentum will soften the blow

Multi-pronged inflation pressures, but second-round effects will be more muted than in 2022-23

On a positive note, the world economy was on a solid trajectory before the war started, which may make it more resilient to the negative supply shock. As the charts above show, leading indicators were firmly pointing to the upside, while very easy financial conditions were suggesting an upcoming acceleration in growth. Those conditions have tightened over the past month, but not yet dangerously so. The AI boom was also contributing to a global manufacturing revival, and the US ISM surveys were sending a message of strength. In all, the war will surely impact growth negatively, but the global economy may be able to yet again defy the doom and gloom. Then dominant US economy is also energy self-sufficient, hence less exposed.

The inflation threat might be more tangible, and problematic for central banks. The supply shock has not only pushed energy prices up but may also fan other inflation pressures. The war has disrupted the flow of fertilizers and pushed their prices much higher, which will impact crops. This will inevitably cause a rise in food inflation. Sulphur and helium flows have also been reduced, which will aggravate the shortage of memory chips and boost industrial good inflation. Of course, inflation will eventually depend on the severity of the disruptions, and their duration. On a more comforting note, the shock on natural gas in Europe has been far more muted than in 2022. With power prices closer linked to natural gas prices, the shock on businesses and households has so far been much less severe. Also, labour markets on both side of the Atlantic appear less tight than in 2022, and wage growth is cooling. Strong productivity gains are also helping to contain US unit labour costs. Hence second-round effects should be smaller than in 2022-23, and inflation is unlikely to reach the same dizzy levels.

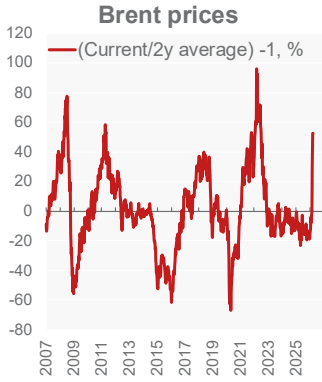


2026 is not 2022

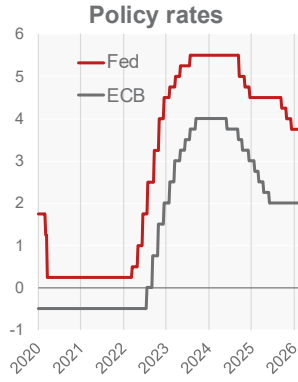
Comparisons with 2022 are exaggerated: expect better economic resilience, and a smoother inflation shock

Bad memories. The war, and energy shock, inevitably remind the events of 2022, when Russia attacked Ukraine. The comparison is unnerving, since 2022 proved extremely painful for balanced portfolios, with stocks and bonds selling in sync. That said, we see significant differences. First, the energy price shock was larger in 2022, with oil prices peaking at near twice their 2-year rolling average and natural gas prices surging to above €200/Mwh. Second, the economy was more imbalanced then, as the pandemic had constrained supply, while government support around the world had underpinned demand. Labor markets were generally tighter, and second-round inflation effects more likely. Third, the Fed and the ECB, along with many other central banks, were erring in extremely accommodative territory by early 2022, and had to tighten policy aggressively to lean against inflation; in contrast, they started 2026 near neutrality. Fourth, the global economy was already losing momentum while the

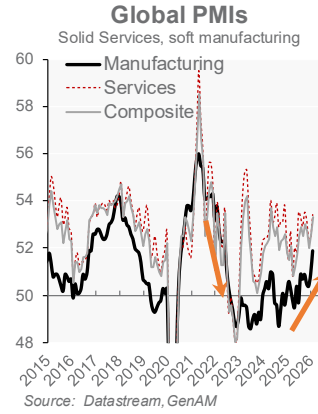
Ukraine war started, in contrast to the upswing of early 2026. The ongoing AI capex boom is also providing support and likely to cushion the slowdown, while expected productivity gains and concerns about softer employment trends will contribute to anchoring inflation expectations.



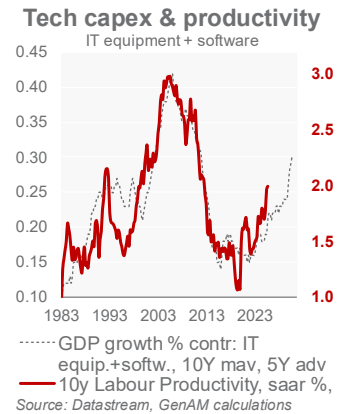
Source: Bloomberg, GenAM



Source: Bloomberg, GenAM



Source: Datastream, GenAM



Source: Datastream, GenAM calculations

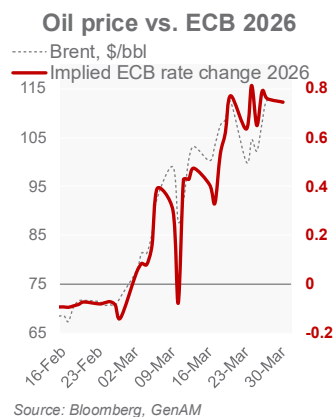
Central banks between a rock and a hard place

No room for complacency. While the risk of an inflation spiral appears smaller than in 2022, central banks will be wary of protecting credibility, which the previous inflation crisis damaged among the public. The left chart below shows the close link between the oil price and the market-implied ECB rate moves in 2026. ECB rates expectations over the next couple of years have moved in sync with inflation swaps. Fed rate cut expectations have mostly vanished, though the dual mandate and concerns about employment imply that implied market pricing has fallen short of pricing any meaningful Fed tightening. As we go to press, Fed chairman Powell noted that inflation expectations seem to be “well anchored beyond the short term”.

In our base scenario, we still assume one Fed cut in Q4, which is currently not fully priced in the markets. We also now assume one 25bp precautionary hike from the ECB – still much less than the nearly three hikes priced in the markets. In the escalation scenario, however, we assume the ECB might raise by as much as 100bp. Still, at about +70bp, we see the current implied ECB pricing for 2026 as somewhat exaggerated.

The EUR yield curve flattened has flattened sharply over the past two months, bull flattening in February, then bear flattening in March. We would expect a corrective

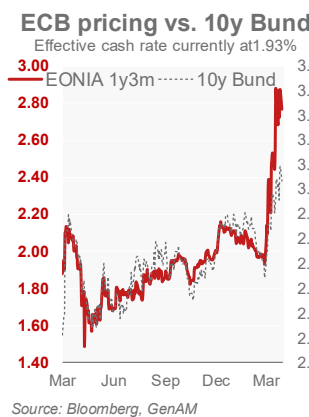
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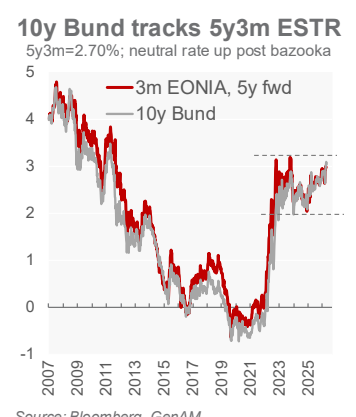
Source: Bloomberg, GenAM



Source: Bloomberg, GenAM calculations



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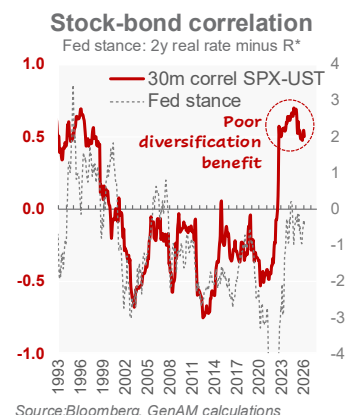
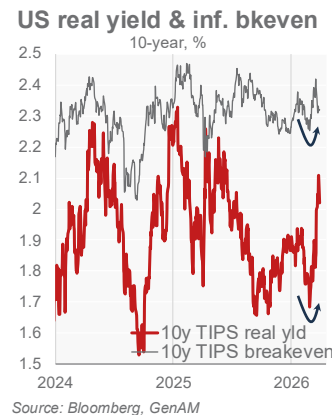
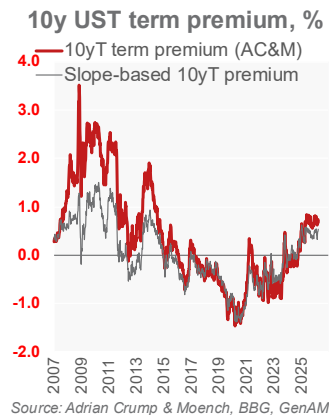
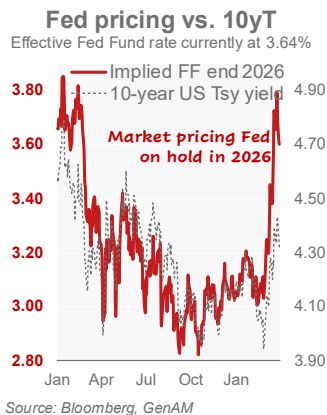
Source: Bloomberg, GenAM

steepening in a de-escalation scenario and the pullback in long yields to be limited, in the context of residual inflation pressure and deteriorating fiscal positions.

Government bonds are increasingly less acting as safe-haven assets, especially in the context of supply shocks

In Treasuries, the 10-year term premium is now trading at over a decade high. On a long-term horizon, however, that premium does not appear particularly high, especially in the context of repeated supply shocks, deteriorating public finances and reduced international appetite – foreign official holdings have been falling steadily over the past couple of years, i.e. some less price-sensitive buyers are disappearing. Remarkably, the Treasury sell-off since the start of the Iran war has largely come from real interest rates, rather than inflation breakevens, vindicating our view that government bonds are increasingly less acting as safe-haven assets. The rolling 30-month correlation between monthly S&P and US Treasury total return indices has been positive for more than 3 years, most often above +0.5. In other words, stock-bond diversification has been poor; if Govies can no longer be reliable as a portfolio diversifier, then term premia should be structurally higher. Stock-bond correlation tends to be negative when cyclical and/or risk conditions dominate but often switches to positive when monetary policy does. In the present case, the fear of an Iran-born stagflationary shock has hurt both stocks and bonds. In this context, it is not surprising that term premia are higher. Whilst yield levels are getting more attractive – a moderate buying opportunity in the central scenario – they could still go higher in the escalation case. We have reduced but not fully cancelled our defensive duration recommendation.

We have reduced but not fully cancelled our defensive duration recommendation

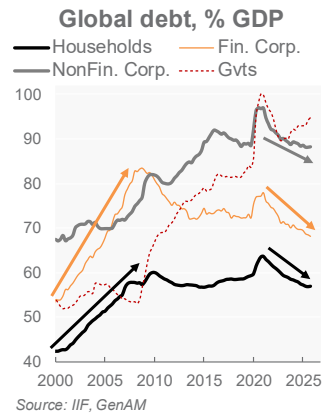
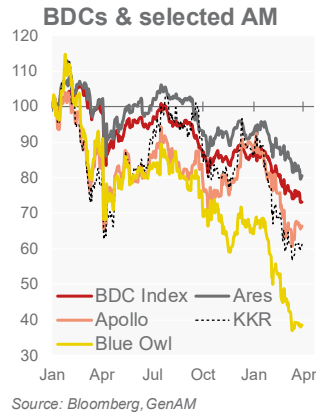
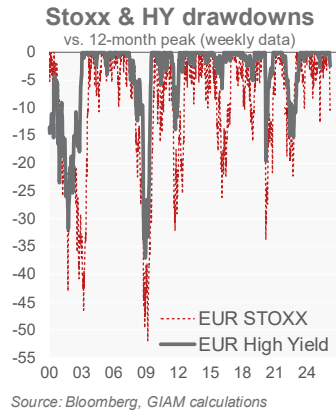
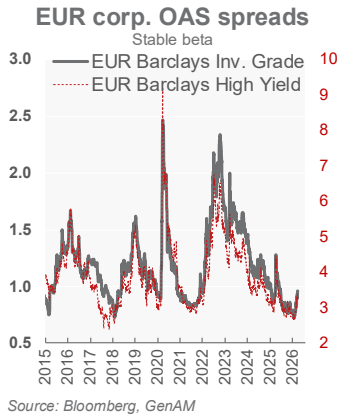


Cautiously constructive on cyclical assets, sell USD on strength

We expect credit spreads, especially in the IG space, to offer more resilience in the future than they have historically through economic downturns

Corporate credit has been resilient on various metrics. Spreads have widened, but in an orderly fashion. While the EuroStoxx500 has suffered a drawdown of 10%, the EUR High Yield index only 2.5%. This confirms the idea that Corporate Credit tends to be resilient until recession shows its ugly face. Investors, who like us, expect some resilience from the economy, will hesitate to go short Credit. In our (EA-recessionary) risk scenario, the asset class would be exposed. Indeed, central banks would need to raise rates, potentially aggravating stress in Private Credit, with a risk of propagation towards liquid Credit. This is a risk, not our central view. In a resilient economic environment, Credit will remain attractive, e.g. the Bloomberg EuroAgg Corporate IG index offers a yield to worst of 3.80%. In our base scenario, we doubt the Private Credit issues will become systemic. Global leverage among households, non-financial and financial corporations has declined over the past few years, very much in contrast to both government debt and developments seen into the Great Financial

Crisis. In other words, we expect credit spreads, especially in the IG space, to offer more resilience in the future than they have historically through economic downturns.

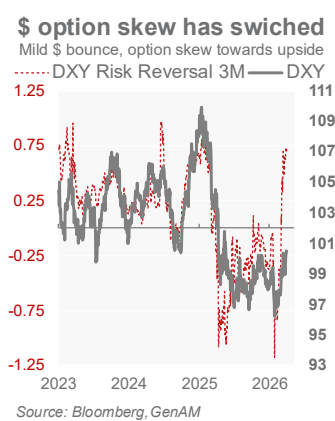
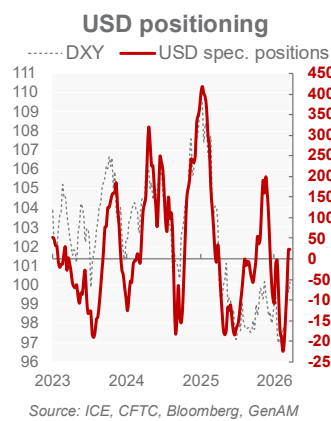
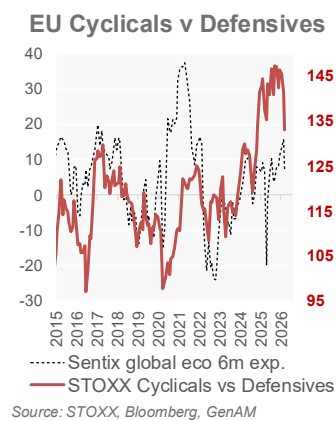
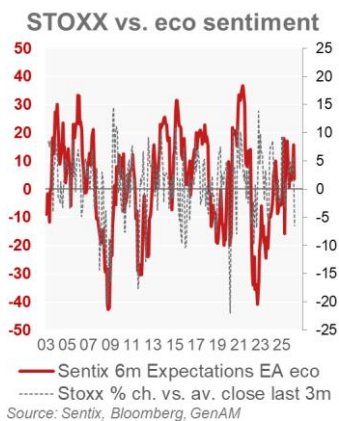


Cautious overweight in equities, with a good balance between defensives and cyclicals

Equity markets have priced a significant hit on growth, if not a full-blown recession (left chart below). Euro cyclicals have clearly underperformed, along with EM indices, as early 2026 consensus trades have been unwound. Historically, geopolitical events tend to be a buying opportunity, and based on 'average' patterns, now is the time to buy. This is a difficult call, however, given that equities tend to perform poorly in stagflationary episodes. In other words, the drawdown would get potentially much worse in an escalation scenario. We recommend a balanced approach, combining cyclicals – especially those offering an inflation hedge (long Banks, Metals & Mining, Capital Goods, Infrastructure) – and defensive (Pharma, Utilities, and Telecoms), and retain a small overweight following the 10% drawdown.

Dollar positioning not extreme, but elevated option skew. Sell USD on strength

Sell the dollar on strength. The dollar has bounced over the past month. We attribute this move almost entirely to the surge in oil prices. Speculative positioning has gone from short (another consensus trade punished) to marginally positive; there is still upside room for the dollar as the war continues. However, we will be sellers on strength. First, options are already strongly skewed towards further dollar strength. Second, any war de-escalation pushing the price of oil down would reduce the US relative economic advantage (vs. net energy importers). Third, the fast-changing world order will exert some de-dollarisation pressure; a long-lasting impact of the Iran war may be a weakening of the petrodollar regime (price denomination largely in USD). EMFX has been a diverse group, with a clear separation between energy importers and exporters, e.g. Asia more exposed than Latam. We would be strong buyers of EM currencies and equities on a ceasefire announcement.



MACROECONOMIC OUTLOOK

Thomas Hempell, Guillaume Tresca, Martin Wolburg, Paolo Zanghieri

- **The global economy faces a stagflationary shock from surging energy prices amid the war in Iran. Elevated uncertainty and supply-chain risks are weighing on activity, with Europe and Japan particularly exposed due to heavy reliance on energy imports. The scale and duration of energy disruptions are decisive for the outlook**
- **In the base case, the war ends in April and oil and gas supply is gradually restored. Energy prices fall from current levels but remain well above pre-war futures pricing. Inflation will temporarily spike, delaying the euro area recovery but not derailing global growth. The US is less exposed as a net energy exporter, though confidence will suffer.**
- **Central banks are likely to look through the temporary inflation shock. Compared with 2022, the bar for aggressive tightening is higher given less tight labour markets and better-anchored inflation expectations. The Fed may still deliver a final 25bp cut in H2. An ECB 'insurance hike' by 25 bps seems now more likely than not.**
- **Downside risks dominate. A prolonged conflict with durable closure of the Strait of Hormuz and lasting damage to energy infrastructure would likely trigger a mild euro area recession. Stronger second-round effects could force the ECB into aggressive tightening, with the Fed still likely to react more cautiously.**

The thus far resilient global economy is facing a stagflationary shock from rising energy prices

The global economy, while resilient so far, faces a stagflationary shock from surging energy prices linked to the war in Iran. Elevated uncertainty and risks of supply-chain disruptions are weighing on activity. Europe and Japan/Asia are particularly exposed due to their heavy reliance on energy imports. The duration and severity of energy supply disruptions are therefore pivotal for the global outlook.

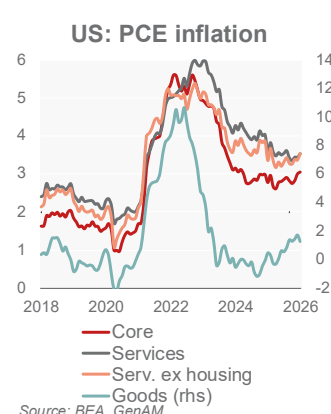
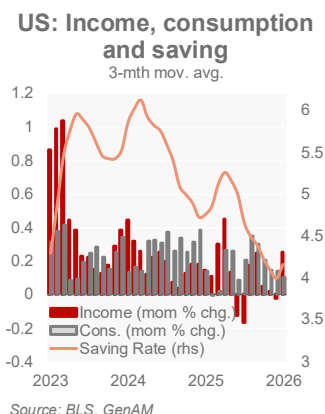
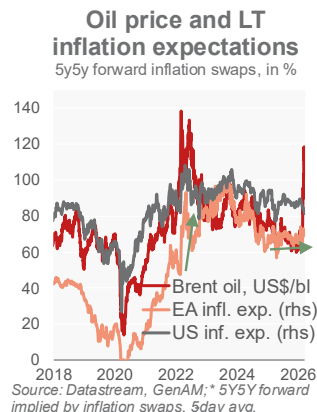
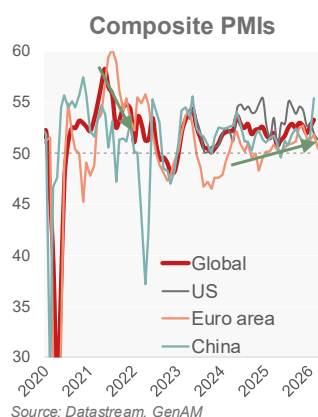
If the war ends soon, central banks are likely to largely look through the temporary inflation surge

In our base case, the war ends in April and oil and gas supply is gradually restored. Energy prices would fall from current levels but still end the year well above the roughly USD 60/bbl priced by futures at the start of the year. Higher energy prices, and with some delay food prices, will temporarily push inflation sharply higher. In the euro area, inflation had only just fallen below the ECB's 2% target before the war. The shock should dent but not derail global growth: the euro area recovery will be delayed, but not fully choked off. The US, as a net energy exporter, is less exposed, though confidence will suffer.

Risks are tilted towards a prolonged war inflicting greater damage and more forceful rate hikes, notably in Europe

Central banks are likely to look through the temporary inflation spike. The bar for aggressive tightening is much higher than in 2022, reflecting key differences: the global economy is expanding solidly, energy price increases are thus far more moderate (especially for gas), and the risk of second-round effects is lower given better-anchored inflation expectations and less accommodative policies (see left charts next page). The Fed may still deliver a final 25bp rate cut later in the summer. The ECB could stay on hold for fundamental reasons but will more likely than not nevertheless deliver a 25 bps 'insurance hike' to not appear complacent.

Risks are clearly skewed to the downside. A prolonged conflict lasting two to three months, with a durable closure of the Strait of Hormuz and lasting damage to regional energy infrastructure, would likely trigger a mild euro area recession. Stronger second-round effects and de-anchored inflation expectations would force the ECB into aggressive tightening, while the Fed would also likely react, albeit more cautiously.



US: high inflation weighs on consumption

The US economy faces a milder, yet still notable, shock from the Gulf war. We have cut our growth forecast by 0.2pp to 2.3%, with downside risks dominating. Weak consumer demand stands out as the principal obstacle. High inflation (we now expect 3.2% for 2026) will squeeze real incomes, particularly among lower-income households, forcing the saving rate even lower. Meanwhile, affluent consumers may benefit from OBBBA tax cuts, but their spending hinges on equity market gains – putting it at risk if stocks continue to slide. Corporate investment, aided by tax breaks, should extend beyond AI, but policy uncertainty will dampen the overall impact.

While our GDP outlook remains cautiously optimistic, prospects for the labour market are less encouraging. The fragile equilibrium between stagnant job creation and limited layoffs is increasingly under strain. We now expect the unemployment rate to peak at 4.7% by Q3, reflecting slower growth and heightened uncertainty. To date, AI's negative impact has been confined to sectors such as IT, but a surge in youth employment signals the risk of wider disruption.

AI-driven spending is pushing up prices. A spike in demand for computers and components has propelled production price inflation above 3% in January. This rise will offset the benefits of robust productivity and restrained labour costs. Combined with secondary effects from oil prices, this is set to keep core PCE inflation near 3% by the end of 2026.

Persistent core inflation will limit scope for rate cuts. Market predictions of rate hikes in the second half seem overstated to us given the Fed's dual mandate and signs of labour market weakness. Nonetheless, we now expect the final rate cut only for December (from June thus far), with the risk of further delay into 2027. The appointment of Kevin Warsh as Chair may also be held up, as the Department of Justice's investigation of Powell drags on. Warsh is unlikely to muster quick consensus within the FOMC for the looser monetary policy he advocates.

Euro area: recovery merely postponed if Iran war ends in due time

We lowered our euro area growth forecast as weak data preceded the Iran war and its expected fallout. Q4/2025 growth was cut to 0.2% qoq, and early 2026 data disappointed (Jan. ind. prod. -1.5% mom, retail sales -0.1% mom). Amid soared energy prices and worsening sentiment, key indicators like the PMI show activity near stagnation at the end of Q1. The outlook hinges on whether escalation continues. If the war ends in April, energy prices will lift inflation to above 3% yoy in Q2 before easing. No major supply shortages are expected, sentiment should recover, and pent

US growth forecast revised down on weaker consumption...

...but sticky inflation is likely to delay further Fed policy easing

2026 growth of only 0.9% but no recession if war is short-lived

up demand would support activity later in the year. Inflation would average 2.8% in 2026, GDP 0.9%. If the war lasts longer, inflation could temporarily exceed 4% yoy, averaging 3.5% this year and 2.6% next. Real incomes would suffer amid uncertainty and shortages, pushing activity into recessionary territory, with GDP rising only 0.2%/0.5% in 2026/27.

The upcoming inflation spike has put the ECB on alert. At its March meeting, it acknowledged a temporary inflation overshoot and emphasized that it stands ready to raise rates at any time. The key question is how far the energy-price shock will spill over into broader price pressures, with wage growth in particular focus. The ECB's communication has turned more hawkish, and we consider it more likely than not that it will raise rates by 25 bps to credibly signal its determination to avoid a repeat of the 2022 mistake of hiking too late.

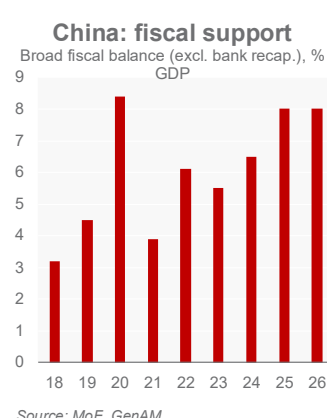
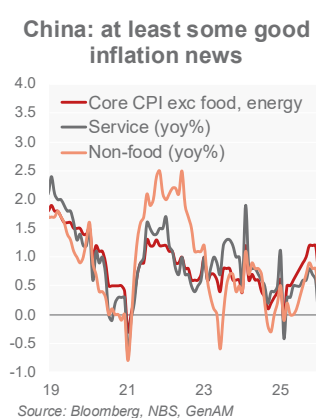
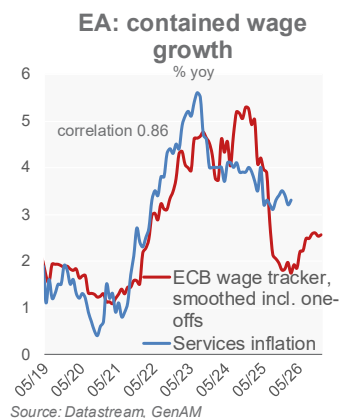
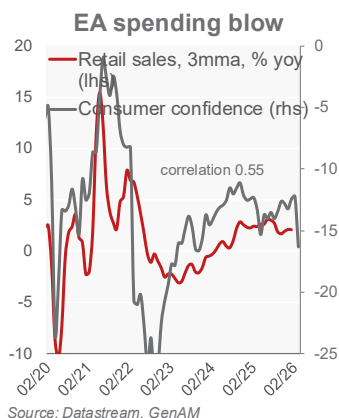
If the war ends in April (base scenario) we see no need for rates to rise beyond 2.25%, the upper bound of the neutral range. Inflation expectations remain contained, and the ECB's own indicators point to moderating wage growth. However, if the conflict drags on, stronger second-round effects would likely force additional tightening. In that scenario, we expect cumulative hikes of around 100 bps.

China: stronger start to the year but lower growth forecast

The economy has started the year on a solid footing. Recent data point to resilience supported by strong exports. Industrial production, notably investment, surprised on the upside. Credit growth has stabilised, and inflationary pressures are gradually firming, although they remain subdued. The growth mix, however, is still unbalanced, and the property sector continues to lag.

Pre-emptive 25 bps rate hike in base case

China: lower and more flexible official growth target



We revise our growth forecast down to 4.5%, reflecting the new, more flexible 4.5–5.0% growth target, a stable fiscal deficit, and the impact of the oil shock. The new 5-year plan suggests policymakers are prepared to tolerate slower growth if it supports economic rebalancing. The effect of higher oil prices should be more contained than for other Asian peers, with most of the impact on inflation, which we now see at 1.2% in 2026. China is less oil-dependent than other Asian countries: oil accounts for 30% of its energy mix, and Iranian oil remains available. Domestic oil prices are capped, and given the already low inflation, the current impulse is manageable.

On the Iran conflict, China has remained muted, and the Trump–Xi meeting has been postponed to mid-May. We do not anticipate breakthroughs, but a limited agreement on agricultural imports, rare earths, or chip exports. For now, there is no indication of progress on the Iran issue.

GOVERNMENT BONDS

Florian Späte

- **Government bonds failed to serve as a safe haven when the Iran war broke out. Rising energy prices pushed yields – particularly at the short end – higher. While losses in US Treasuries were mainly driven by higher real yields, euro area core yields suffered from surging inflation expectations.**
- **The base case implies only limited further upside in yields, but risks remain asymmetric. De-escalation would support curve steepening as short-term yields fall, while an escalation dominated by rising inflation expectations leaves material upside risk—justifying a moderately short duration stance.**
- **Euro area non-core government bond spreads widened since early March – but moves remained orderly. BTPs underperformed but look attractive if geopolitical risks ease, while OATs price little political risk.**

Government bonds not a safe haven. Since the outbreak of the Iran war, yields across global government bond markets have risen markedly. Government bonds have not acted as a safe haven; instead, as is typical in geopolitical shocks involving energy supply risks, they have also recorded losses. This has been most evident in US Treasuries, where the pronounced rise in real yields points to a further erosion of investor confidence in the US-dominated global financial market. The move reflects higher energy prices, rising inflation expectations, and a sharp repricing of key rate expectations. Unlike in the US, rising inflation expectations were the main driver behind rising nominal yields in the euro area. Since the outbreak of hostilities, 10-year yields have risen by around 45 bps in both regions, while the increase at the short end – particularly in the euro area – has been even more pronounced (US: 50 bps; euro area: 70 bps).

The base scenario leaves limited scope for further yield increase. In our base scenario, hostilities end in April, damage to energy infrastructure remains limited, oil prices fall back below 100 \$/b within three months, and the resulting growth losses remain contained. Accordingly, in this scenario the drivers behind the recent rise in yields should gradually lose momentum. While yields at the long end of the curve could still rise somewhat in the very near term, further upside potential from current elevated levels appears increasingly limited.

Stabilising geopolitical environment to support a steeper yield curve. Over a 3-month horizon, this change in focus should translate into a slight downward pressure on long-term yields. Importantly, this effect is likely to be even more pronounced at the short end of the curve. Key rate expectations currently remain elevated and appear – in our base scenario – to overstate the need for further tightening. As incoming data begin to reflect softer growth momentum and central banks gain more confidence that inflation pressures are no longer accelerating, short-dated yields should come under significant downward pressure. Taken together, this configuration implies that any further increase in long-term yields should prove temporary, while the short end offers substantially greater downside potential. As a result, we expect a pronounced steepening of yield curves in both the euro area and the US once key rate expectations begin to adjust.

Inflation expectations take centre stage in the escalation scenario. The escalation scenario, however, continues to represent a key source of asymmetric risk. A sustained disruption to energy markets would likely lead to persistently high or even rising energy prices, triggering second-round effects and a renewed increase in

After the rise in yields, upside potential in the base scenario is now limited

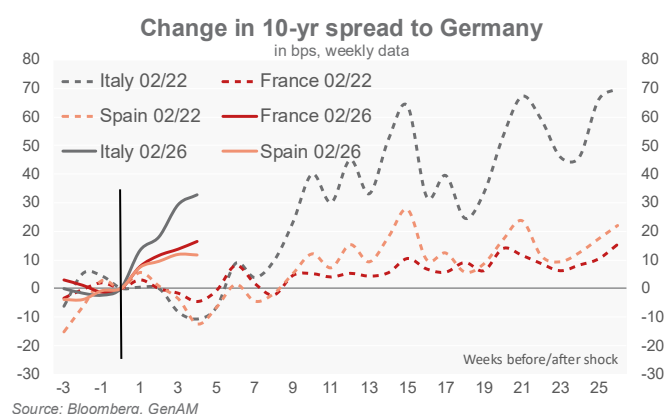
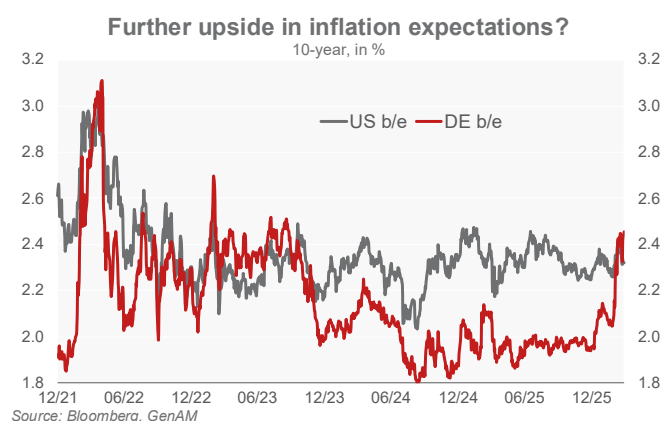
In the geopolitical escalation scenario, higher inflation could push yields up

inflation expectations. While growth prospects would deteriorate in such an environment characterised by plummeting consumer spending and reduced hiring, disruptions in the supply chains, weaker activity would only dampen – rather than prevent – the upward pressure on inflation and yields. In this scenario, inflation dynamics (not least because of second-round effects) would dominate bond market pricing, leaving considerable upside potential for yields, including the front end of the yield curve.

Leeway for even higher inflation expectations. Even after the recent repricing, inflation expectations have not reached the levels observed in 2022 (see chart below). 10-year break-even inflation rates remain well below the peaks above 3% seen in 2022, at around 2.35% in the US and 2.45% in the euro area, underscoring the asymmetric nature of the risk profile. An escalation scenario therefore still allows for a material upward adjustment in inflation compensation, despite already higher yield levels.

A short duration is still warranted on risk considerations. Against this backdrop, the balance of risks remains skewed. While the base scenario points to limited near-term upside at the long end and increasing downside potential over the coming months – accompanied by a meaningful steepening of yield curves – the escalation scenario implies substantial inflation upside risks that needs to be considered. From a risk management perspective, we therefore continue to recommend a cautious stance. A moderately short duration remains appropriate in both the euro area and the US, reflecting the still significant risk of further yield increases should geopolitical tensions intensify.

Given the current market environment, we continue to favour a moderate short duration for risk management purposes



Euro area government bond spreads will continue to follow headlines

Orderly spread widening. Higher bond market volatility has temporarily weighed on euro area non-core government bonds, with spreads widening since early March amid elevated volatility, weaker growth expectations, fiscal concerns and higher ECB rate expectations. The move was orderly and broadly in line with credit spreads, not a sign of renewed fragmentation. BTPs have underperformed given their higher credit beta and energy sensitivity, though issuance continues to be well absorbed.

Outperformance of OATs unlikely to last. In our base case, spreads should stabilise over the next three months, allowing non-core bonds to outperform Bunds on higher carry. Near-term risks remain geopolitical, as past episodes show spreads can widen sharply in a prolonged risk-off environment. Fundamentally, BTP valuations look attractive if conditions stabilise, while OATs appear more exposed, pricing little political risk despite fiscal challenges. We therefore recommend an overweight in BTPs relative to OATs once geopolitical tensions ease.

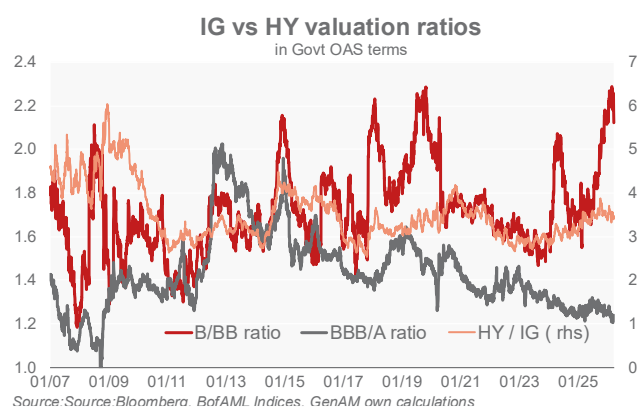
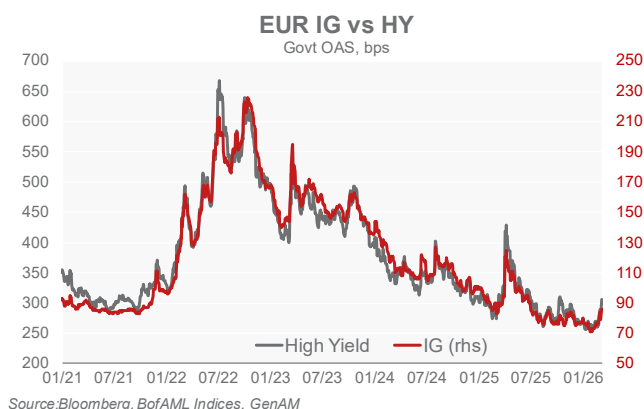
BTPs are the first choice when sentiment improves sustainably

CREDIT

Elisa Belgacem

- The escalation of the Iran conflict has slightly deteriorated the macro outlook and lifted inflation risks, mainly through the energy channel. This is not a regime change, however. Growth remains resilient and corporate fundamentals broadly sound, limiting the risk of a sharp repricing in credit.
- Geopolitical uncertainty and private-asset concerns have triggered modest spread widening, but moves remain orderly and consistent with a gradual, fundamentals-led adjustment rather than systemic stress. Elevated carry continues to provide an effective buffer for credit performance.
- Sector dispersion remains pronounced. Financials continue to underperform Non-Financials, reflecting confidence effects, private-credit linkages and technical pressure, despite solid underlying balance sheets. By contrast, Non-Financials have shown better resilience, supported by stable fundamentals and continued primary market access.
- We remain constructive on credit overall, maintaining balanced exposure across IG and HY, while being selective at the sector level. Defensive sectors are preferred to mitigate macro and geopolitical tail risks, while targeted hedges within Financials remain appropriate given the current risk configuration.

Since our previous monthly publication, the macro environment has deteriorated modestly following the intensification of the conflict involving Iran. Growth expectations have softened at the margin, while inflation risks have increased, primarily



Geopolitical tensions have increased macro uncertainty, but credit fundamentals remain sufficiently robust to absorb the shock.

through renewed uncertainty around energy prices and supply-side dynamics. This shift has weighed on overall risk sentiment and contributed to higher volatility across financial markets.

Against this backdrop, European credit markets have proven relatively resilient. While credit spreads have widened modestly in recent weeks, price action has remained orderly, with no signs of disorderly deleveraging or liquidity stress. Spread moves continue to appear fundamentally driven, reflecting a recalibration of risk premia rather than a deterioration in market functioning.

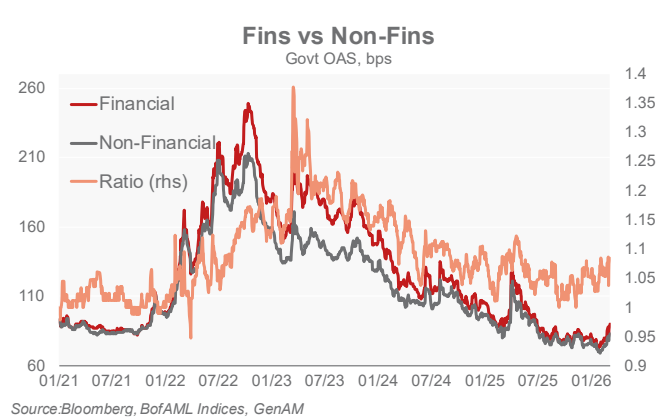
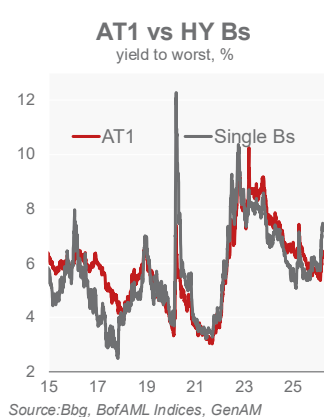
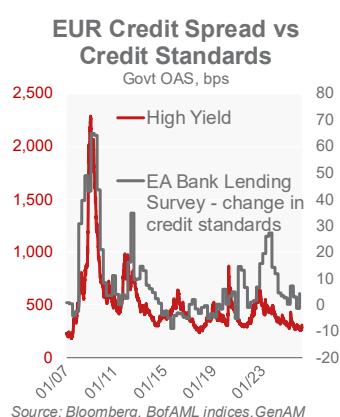
Importantly, carry remains a powerful stabilising force, absorbing bouts of volatility and helping to cushion total returns. At the same time, corporate behaviour remains disciplined, with issuers maintaining conservative balance-sheet management and showing limited appetite for aggressive financial policies. Technical conditions also

remain supportive, as demand for yield continues to outstrip available supply despite intermittent outflows.

Spreads: modest widening, with continued sector dispersion

Recent spread widening has been driven by a combination of geopolitical uncertainty and ongoing concerns around the private credit ecosystem, particularly its growing interlinkages with parts of the technology sector. That said, spread levels remain consistent with a scenario of contained macro slippage rather than a sharp deterioration in fundamentals.

Within credit, Financials continue to underperform Non-Financials in spread terms. While bank fundamentals remain stronger than in previous episodes of stress, the sector remains more exposed to confidence effects, private-asset spillovers and in-



vestor positioning. By contrast, Non-Financial corporates have shown greater resilience, supported by solid balance sheets and continued access to primary markets.

Positive spread backdrop, selective sector positioning

We therefore maintain targeted sector adjustments to better account for potential spillovers from the private asset space and AI-related disruption. We retain our preference for Europe over the US, as the US credit market is structurally more cyclical and higher-beta, leaving it more exposed to swings in growth expectations and confidence at this stage of the cycle. By contrast, European credit benefits from a more defensive sector composition and a larger share of regulated, balance-sheet-driven issuers, which should help mitigate volatility despite persistently high energy prices.

Within sectors, we remain cautious on Financials, with Banks held at neutral and Insurance underweight, reflecting ongoing underperformance versus Non-Financials and heightened sensitivity to confidence-driven stress linked to private asset exposures. That said, within Financials, we continue to favour subordination risk over outright senior credit risk, as capital instruments offer more attractive compensation for risk and benefit from still-solid capital buffers, regulatory backstops and a high tolerance for distribution flexibility. In this context, sub-financials provide a more efficient way to express risk premia than senior bank spreads.

At the same time, we continue to increase our allocation to defensive sectors, notably Telcos and Utilities, as a way to stabilise portfolio risk. Finally, we reiterate the iTraxx Subordinated Financials Index as the most appropriate hedge and relative-value tool in the current environment, allowing for targeted protection while preserving carry.

Subordinated instruments offer better risk-adjusted value than similarly rated senior credit at current spread levels.

EM SOVEREIGN BONDS

Guillaume Tresca

- **EM fixed income has been resilient amid the rise in volatility thanks to stronger macroeconomic fundamentals and healthier balance sheets. The medium-term environment remains positive but increasingly calls for finer discrimination mostly driven by the difference in terms-of-trade terms and a more prudent investment approach.**
- **Local debt becomes a more tactical call and we turn neutral vs. external debt. Rates offer better asymmetry than FX, with opportunities in Brazil, Czechia and Hungary.**
- **External debt stays supported by solid fundamentals and technicals, with a continued preference for HY over IG. LatAm and oil exporters are favoured, while caution is warranted for weaker HY oil importers.**

Resilience but rising heterogeneity. While uncertainty stands at high level, 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. It explains why the overall EM fixed income complex has proved resilient so far with contained spread widening and even sometimes some outperformance to US credit.

We have adjusted our macroeconomic forecasts to consider the more volatile environment. Inflation forecasts have seen the largest upward revision while growth forecasts have been moved a tad lower. We would expect more differentiation mostly driven by the difference in terms-of-trade terms. Indeed, around 55% of the EM complex are net oil importers, creating a wide range of outcomes with Asian countries being the most vulnerable while LatAm is more insulated. CEE and Asia will see the largest inflation impact while the GCC—despite traditionally benefiting from higher oil prices—may see softer gains due to risks to logistics and supply chains. Meanwhile, some EMs could face second-round effects through food prices if the conflict persists, notably Egypt and lower-rated SSA HY countries. Overall, the medium-term environment remains positive but increasingly calls for finer discrimination across regions and a more prudent investment approach. Therefore, we turn neutral EM local vs external debt and maintain our preference for HY over IG.

EM local debt: more selective

Turning tactically neutral. Local debt has seen most of the inflows over the past months and it is more vulnerable to risk aversion. Thus, we now adopt a more balanced stance tactically being neutral vs external debt. It remains the medium-term case for local remains supported by high real rates, improving fiscal anchors in several large EMs, and the prospect of renewed inflows once volatility stabilises.

In the near term, we favour rates over FX. Indeed, rate expectations have been aggressively repriced, creating more asymmetry to the downside for yields than to the upside for currencies. We maintain receiver positions in Brazil, Czechia and Hungary, where the combination of high real rates, improving inflation dynamics and supportive positioning remains compelling.

FX risk premia is not high, with risk reversal levels only back to their 2024 averages, suggesting that directional FX exposure offers limited protection. Relative value opportunities look more attractive: we favour BRL vs MXN and HUF vs PLN, where asymmetries in positioning and policy paths are better expressed through crosses. We remain cautious on FX high-yielders such as the EGP and, to a lesser extent, the

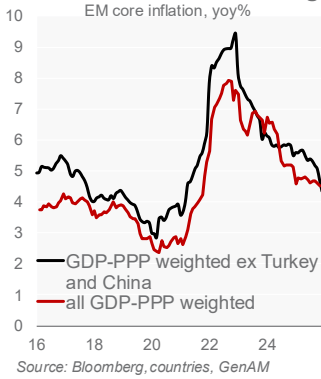
Resilience driven by healthier balance sheets

More discrimination driven by terms -of-trade terms

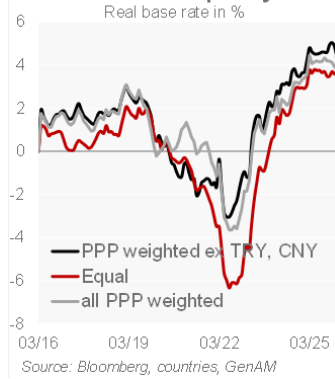
Preference for rates over FX

TRY, where local vulnerabilities and policy uncertainty still warrant prudence. At the same time, idiosyncratic catalysts could offer selective opportunities: elections in Hungary and Colombia could deliver supportive outcomes, while some technical recoveries may emerge in markets where flows have been excessively one sided.

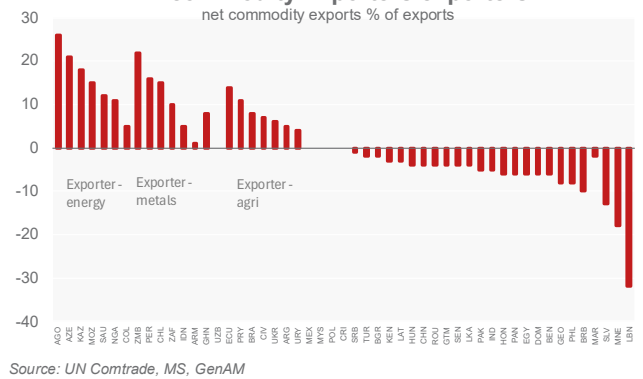
EM inflation was declining



Restrictive policy



EM commodity importers/exporters



EM external debt: resilience

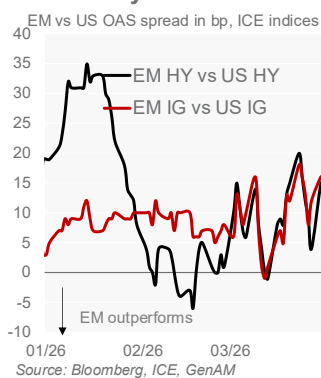
Positive stance on strong fundamentals. External debt continues to benefit from the combination of robust fundamentals and healthier starting positions. We maintain a preference for HY over IG, as higher carry and lower duration compensate for the still eventful global backdrop. Likewise, technicals remain broadly supportive, and the valuation gap vs US credit remains manageable.

Regional and country preferences remain centred on LatAm—which benefits both from US policy alignment and from higher commodity prices—and on regional oil exporters such as Argentina, Ecuador and Pemex, which benefit from the improved oil backdrop. Beyond LatAm, we also favour Hungary, Ivory Coast, the Western Balkans and Morocco, which combine improving fundamentals with solid technicals. Conversely, we remain cautious on Saudi Arabia and Peru, where valuations look less compelling, and avoid weaker HY oil importers such as Pakistan, Kenya and Sri Lanka, where terms of trade pressures could intensify and policy buffers remain thin.

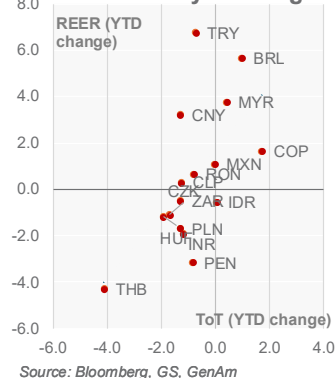
For GCC countries, survey data continues to show EM investors underweight the GCC but overweight the rest of MENA, reinforcing the divergence in regional flows. This low positioning and the local demand should lead to some GCC outperformance.

LatAm less vulnerable

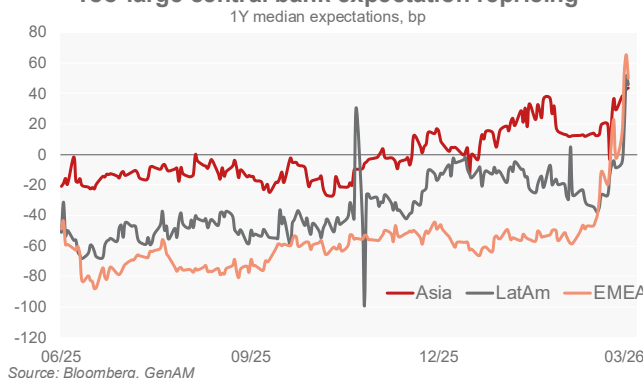
Stability vs US credit



ToT vs REER ytd change



Too large central bank expectation repricing



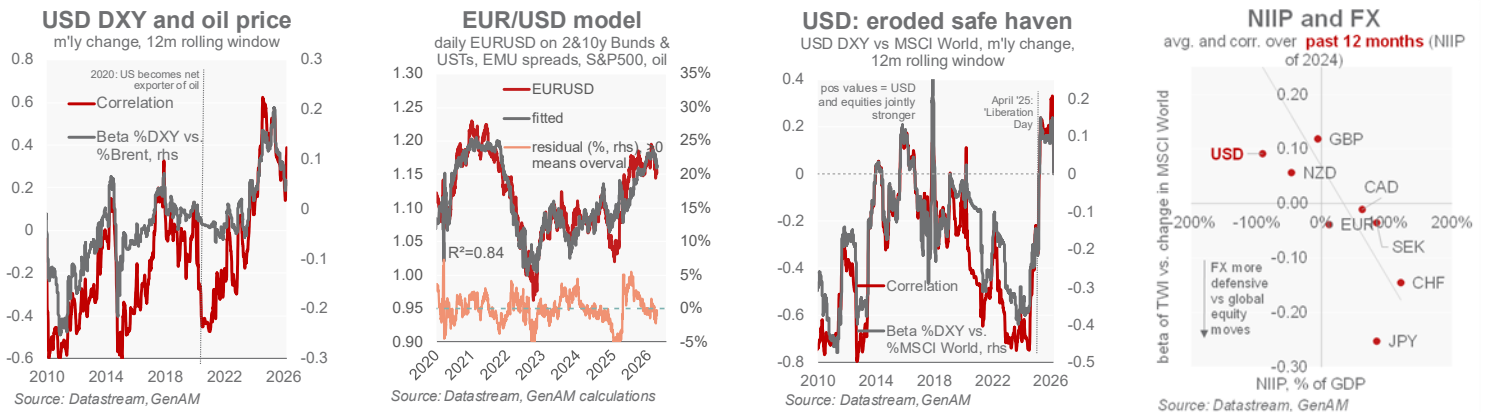
CURRENCIES

Thomas Hempell

- The war in Iran has boosted the US dollar – in sharp contrast to last year when the USD sold off amid sharply rising risk aversion in the wake of ‘Liberation Day’.
- Has the USD been restored as a safe haven? We don’t think so. While risk aversion may have helped, the dollar rally can be almost entirely explained by soaring energy prices.
- This leaves high two-sided risks to EUR/USD near term which remains closely tied to the oil price. Once the dust settles, we still see the USD descent to resume amid ongoing diversification effort.
- Yet due to the ensuing economic damage and the persistent term-of-trade headwinds, we trim EUR/USD 12-month forecasts to 1.18. And the longer global energy supply remains disrupted by the Iran war, the bleaker also the mid-term outlook for the EUR/USD as the euro area recovery is increasingly at risk.

Unlike after ‘Liberation Day’, the USD has been boosted by geopolitical uncertainties around the Iran war

The EUR/USD remains exposed to two-sided risks driven primarily by the oil price. The upside is capped unless energy prices fall materially, while a prolonged energy disruption would tilt risks toward further USD strength. The war in Iran has lifted the US dollar, which has risen by around 2½ % since the conflict began – standing in sharp contrast to its sell-off during the market turmoil following “Liberation Day.” This rebound has prompted claims that the USD has regained its safe-haven status. We disagree. The move is better explained by surging energy prices, which represent the primary transmission channel of the war to the global economy and financial markets.



Recent USD strength is mostly due to the sharp rise in energy prices which will partially reverse when the war in Iran ends

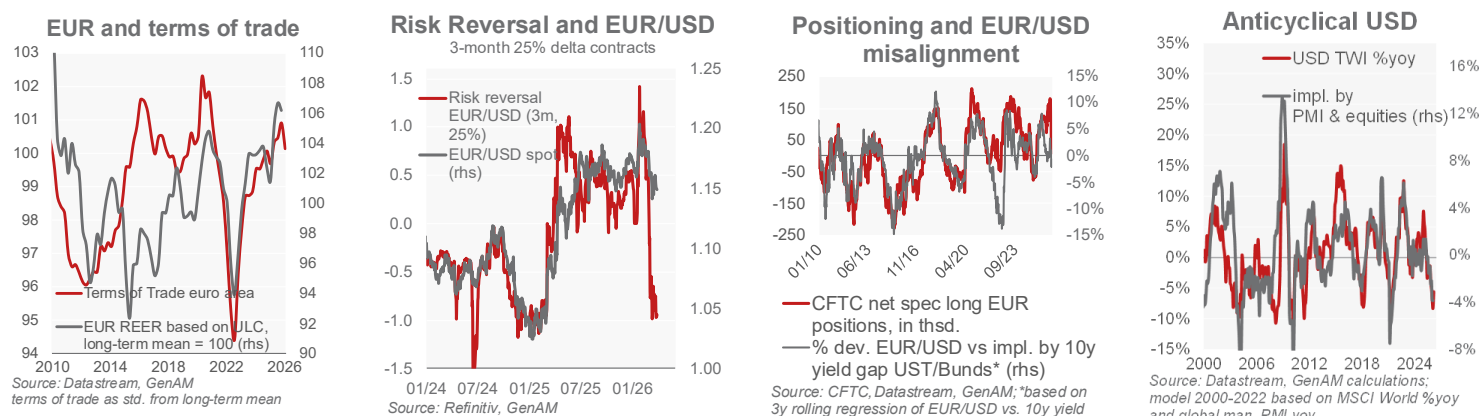
Higher oil prices tend to support currencies of energy exporters while weighing on those of importers. Since the shale oil boom turned the US into a net oil exporter in 2020, the USD has exhibited a positive relationship with oil prices (left chart). Prior to the war, a 10% increase in Brent was typically associated with a 0.5–0.6% appreciation of the USD DXY. By this metric, the dollar’s recent gains can be fully explained by the > 50% rise in oil prices since the start of the conflict. Consistent with this interpretation, our EUR/USD model does not point to a meaningful USD risk premium (2nd chart). Moreover, since President Trump’s inauguration, the USD had been moving positively with global risk sentiment (3rd chart), reinforcing the view that its traditional safe-haven role has eroded. In this respect, the dollar now resembles the broader G10 pattern, where safe-haven currencies are typically supported by strong external balance sheets, notably a positive net international investment position (NIIP), as seen for JPY and CHF (right chart). The recent underperformance

The USD is set to resume its decline after the Iran war ends, even though in a much more gradual way

of these traditional havens further underscores the dominance of the oil price channel in the current setting. A prolonged conflict would continue to support the USD while a decline in energy prices after a ceasefire would unwind much of the recent strength.

Shallower USD descent

While we continue to expect the USD to resume its decline should the Iran war end soon, as assumed in our base case, we now see this move as more limited than before the war. First, energy prices are likely to remain elevated for longer relative to the pre-war outlook, implying more persistent terms-of-trade headwinds for the euro and the yen (left chart below). Second, the euro-area recovery in the current year – critical for a sustained EUR appreciation – will be shallower even in the base scenario.



Market indicators reinforce this assessment. Option markets have reversed their EUR-positive skew (2nd chart), while bullish EUR positioning appears vulnerable to further unwinding. That said, the impact on spot EUR/USD may remain contained, as the exchange rate responded only marginally to the earlier positioning build-up (3rd chart). Finally, a weaker global growth backdrop continues to provide cyclical support to the USD (right chart). Taken together, these factors lead us to trim our 12-month EUR/USD forecast from the pre-war level of 1.21 to 1.18. In the event of a prolonged conflict, the balance of risks would remain tilted towards sustained USD strength.

Undervalued JPY to rebound after energy disruptions fade

High energy bills are burdening the yen though its fundamental undervaluation and BoJ hikes point to some USD/JPY downside after energy disruptions end

The USD/JPY has climbed back to just below 160 since the Iran war, prompting sharper intervention warnings from Japanese authorities. As with EUR/USD, we attribute the bulk of recent JPY weakness to surging energy prices, which raise Japan's import bill and worsen its terms of trade. Fundamentally, however, the yen is deeply undervalued. With the BoJ on course to raise its policy rate further, we expect the USD/JPY to retrace once global energy disruptions begin to fade.

The war's adverse impact on GBP has been more muted, reflecting a sharp 120bp upward correction in rate expectations for year-end 2026, underpinned by the BoE's hawkish March meeting. Given the UK's lower energy import dependency relative to the euro area, a further increase in oil and gas prices could even lend some support to GBP. That said, a full-blown escalation of the energy shock into broader global recession risks would likely overwhelm this effect. Beyond the Iran war, we continue to expect a modest EUR/GBP rebound as tensions ease and with UK fiscal concerns and political uncertainty coming to the fore again.

EQUITIES

Michele Morganti and Vladimir Oleinikov

- We keep a slight OW on equities, retaining a cyclical tilt while balancing it with defensives such as Pharma, Utilities, and Telecoms, which offer solid fundamentals and attractive valuations. We add a Gold basket, Uranium and other inflation hedges like Banks, Metals & Mining, and Cap. Goods – Defence, Physical AI-Infrastructure, plus Software & Semis. We are neutral on EMU versus the US, overweight EMs, including Chinese IT, and OW US IT vs. SPX.
- Although risks have recently increased, markets used to recover quite well from past Middle East crises, delivering positive TR in 3, 6, and 12 months. Compared with 2022, central banks have fewer reasons to pursue aggressive rate hikes; moreover, firms' net cash flow is currently higher and the US Tech index appears undervalued.
- In our base scenario of a relatively short-lived conflict, we see attractive 12-month TR of around 11%, including dividends and buybacks. While EU is structurally undervalued vs. the US and less owned, on a short-term view we stay neutral regionally, as energy prices and higher PEs vs. macro trend leave EU more exposed.

The risks of the Iranian conflict have increased compared with one to two weeks ago, particularly when factoring in the damage to Gulf oil production, which is likely to have repercussions for oil prices in the coming months.

That said, history suggests that markets tend to recover quite well from the Middle East crises. Both the S&P 500 and the EMU index have typically delivered positive returns over 3, 6, and 12 months following such events. In the first two months of the crisis, they recorded maximum losses of about 5% for the US index and 9% for EMU, which are now already exceeded.

During the energy crisis in 2022 following the outbreak of the war in Ukraine, the EU index managed to achieve a positive 12-month price performance of 4% to which we



DJ Stoxx 600 price perf. after energy-related events

Middle East / war events	event date	+1M	+3M	+6M	+12M
Early 1990s Recession - IRAQ/KUWAIT WAR (JUL 1990)	01/06/1990	0.8	-10.9	-18.0	-2.5
Operation Desert Storm *	17/01/1991	9.0	20.4	18.8	17.7
Iraq war	20/03/2003	3.9	12.0	17.7	26.4
2011 Arab Spring	11/01/2011	2.1	-0.4	-4.3	-11.4
Invasion of Ukraine (Feb. 22)	24/02/2022	3.2	-1.7	-1.6	4.3
Israel-Hamas war (07/10/2023)	07/10/2023	-0.5	7.1	13.8	16.8
avg performance (Stoxx 600)		3.1	4.4	4.4	8.5
avg performance (S&P 500)		4.1	4.4	7.4	14.7
avg performance (MSCI EM)		4.0	8.4	7.4	23.4
avg perf. (Stoxx 600), ex. Desert Storm		1.9	1.2	1.5	6.7
avg perf. (S&P 500), ex. Desert Storm		2.4	1.5	5.6	12.1
avg perf. (MSCI EM), ex. Desert Storm		0.9	3.3	2.2	15.0

Source: Datastream, GenAM calculations

* Operation Desert Storm was the coalition offensive to end the Iraq-Kuwait conflict.

In our base scenario of a relatively short-lived conflict, we see attractive 12m TR of around 11%

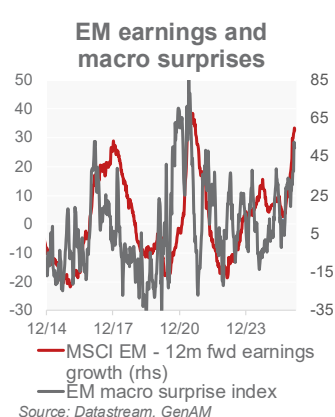
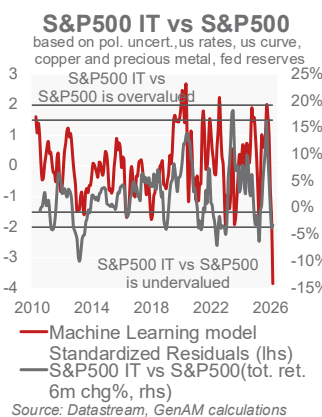
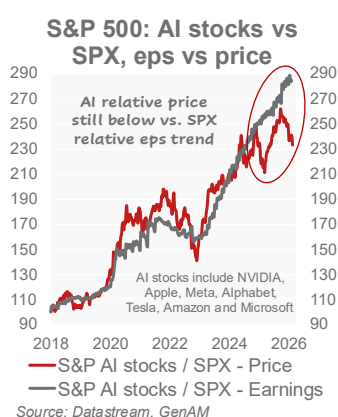
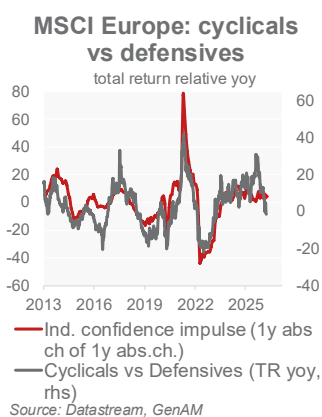
must add dividends of at least 3%. By contrast, the S&P 500 index did worse (-7% in price, plus 1.5% dividends). This relative weakness reflected the higher starting valuation of US equities. In particular, EU banks were trading at approximately a 20% valuation discount to their US peers, while the US Tech sector was overvalued across several metrics at the time. Overall in 2022, EU stocks appeared attractively valued relative to the US, with a price-earnings adjusted for future EPS growth (PEG = PE/expected long-term EPS growth) 1 SD relative to the US vs. norm.

Compared to then, the level of rates, wage trends, firms' pricing power and margins variations would suggest that central banks may need to tighten policy less aggressively to counter the inflationary impact of higher energy prices. Furthermore, the EU

gas price increased by 100% this time vs. +400% in 2022. In addition to this, the net cash flow of the main listed companies - net of capital expenditures - is higher than what we had at the start of 2022. Lastly, US Tech index is currently undervalued compared to a pronounced overvaluation at that time.

In our base scenario of a relatively short-lived conflict - even after a possible US ground intervention - we still see attractive 12-month returns of around 11%, including dividends and buybacks. In the negative scenario marked by escalation with rising stagflationary pressures, equity indices could remain in negative territory. In such an environment, economies may slip into recession, albeit for a short time.

In our base case, the S&P 500 could offer an attractive entry level from around 6,100 - 6,300, which would correspond to a drawdown of roughly 10% from last February's highs (from the current -8%), reaching a quite low investor positioning level. The EMU index, on the other hand, could temporarily fall by a total of about 15% from its highs - compared to the current -10%. Indeed, Europe has more to lose from this crisis, for two main reasons. First, energy costs are significantly more punitive for Europe than for the US. Second, ahead of the conflict, the US equity market had already underperformed the EMU index, thus becoming cheaper on a short-term view: when we correlate the level of multiples (PEs) with the level of the macroeconomic trend (macro surprises index), US PEs look less expensive than EMU ones. For the rest, we note



that financial conditions remain supportive, as does confidence, although currently downsizing.

We keep a slight OW on equities, retaining a cyclical tilt but balancing it with defensives such as Pharma, Utilities, and Telecoms, which offer solid fundamentals and attractive valuations. We add Gold basket, Uranium and other inflation hedges like Banks, Metals & Mining, and Cap. Goods – Defense, Physical AI - Infrastructure, plus Software & Semis. Given the already strong outperformance, we maintain the UW in Energy, while acknowledging potential short-term headwinds. We are neutral on EMU versus the S&P 500, overweight US IT versus the S&P 500, and OW EMs, including Chinese IT.

In the past six energy related events, EMs recovered losses consistently, delivering >23% on average over 12 months (vs 15% US and 9% EU). Beyond the short-term shock, EMs should rebound as negative sentiment fades and benefit from USD depreciation and pronounced relative undervaluation.

ASSET ALLOCATION

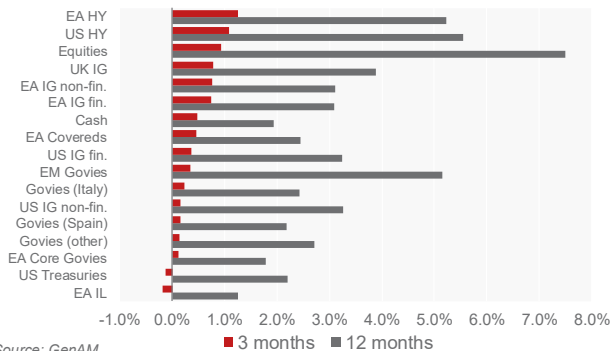
Thorsten Runde

- The global economy has thus far remained resilient, absorbing geopolitical and energy-price shocks without a material derailment of activity. That said, uncertainty has risen sharply as stagflationary risks re-emerged.
- Looking ahead, risks appear more two-sided. Elevated energy prices and the erosion of government bonds' safe-haven properties argue for caution, while still-solid activity, resilient liquid credit and AI-driven productivity gains support a selective pro-risk stance. That said, stretched equity valuations and highly concentrated leadership point to a higher-volatility environment with greater cross-asset and cross-sector dispersion.
- In this context, we uphold a moderately pro-risk approach in portfolio positioning. Our preference remains for Credit and Equities over Govies, supported by attractive carry and solid fundamentals. We maintain a slight short stance on EA duration and a bit more for the US. The US dollar is still fundamentally expensive and boosted mostly by high oil prices. We anticipate depreciation to resume once the war in Iran is over.

In Q1 2026, the global economy likely remained broadly resilient, even as the escalation of the Iran conflict triggered a sharp energy-price shock and renewed stagflationary concerns. Higher oil prices and elevated uncertainty weighed on sentiment, but underlying activity, labour markets and corporate fundamentals held up, limiting downside risks to growth. Markets reacted with higher volatility, rising yields and a stronger US dollar, reflecting inflation and duration concerns, while credit markets proved resilient and equities corrected only modestly, with dispersion increasing across regions, sectors and styles.

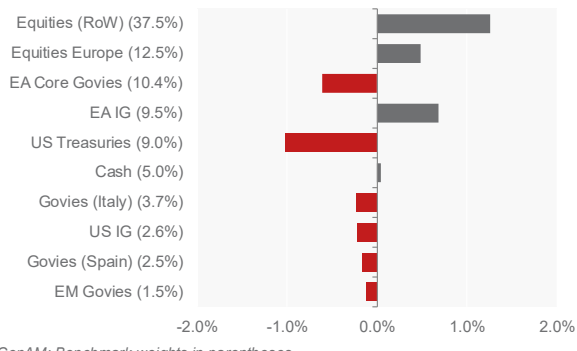
Aggregated Total Return Forecasts

hedged into EUR



Modelportfolio: Active Positions

TOP 10 Benchmark Constituents



We maintain a small OW in Equities and Credit, supported by resilient growth, solid earnings fundamentals and attractive carry across IG and HY. While geopolitical risks and energy-price uncertainty warrant caution, risk assets continue to benefit from global expansion and the absence of acute macro imbalances. Government bonds offer less diversification than in past cycles, as rising term premia and inflation uncertainty limit their defensive properties, arguing for a cautious duration stance, particularly in US fixed income. Within equities, we favour a selective mix of cyclical exposure and AI-driven productivity themes, complemented by defensive hedges. EM assets remain supported by improved fundamentals and relative valuations, albeit with higher dispersion. Finally, while the US dollar may retain near-term energy-related support, fundamental overvaluation and fading yield support point to medium-term depreciation.

FORECASTS

Macro Data

Growth	2025	2026		2027		2028
		forecast	Δ vs. cons.	forecast	Δ vs. cons.	
US	2.1	2.3	- 0.1	2.1	0.1	2.0
Euro area	1.4	0.9	- 0.3	1.2	- 0.2	1.3
Germany	0.2	0.7	- 0.3	1.3	- 0.2	1.1
France	0.8	0.6	- 0.4	0.9	- 0.2	1.5
Italy	0.6	0.4	- 0.4	0.6	- 0.2	0.5
Non-EMU	1.5	1.2	- 0.1	1.3	- 0.1	1.5
UK	1.4	0.8	- 0.1	1.1	- 0.2	1.4
Switzerland	1.6	1.0	- 0.1	1.3	- 0.2	1.8
Japan	1.2	0.3	- 0.5	0.6	- 0.4	0.6
Asia ex Japan	5.4	4.7	- 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	- 0.4	2.1	- 0.2	2.3
Latin America	2.0	1.7	- 0.3	2.2	0.0	2.6
World	3.3	2.9	- 0.3	3.0	- 0.2	3.0

Inflation	2025	2026		2027		2028
		forecast	Δ vs. cons.	forecast	Δ vs. cons.	
US	2.8	3.2	0.5	2.0	- 0.4	2.2
Euro area	2.1	2.8	0.7	2.0	0.1	2.0
Germany	2.2	2.9	0.8	2.0	- 0.1	2.1
France	1.0	2.0	0.7	1.7	0.2	1.9
Italy	1.7	3.1	1.4	1.8	0.1	2.0
Non-EMU	2.5	2.3	0.3	1.9	0.0	1.8
UK	3.4	3.0	0.4	2.3	0.0	2.0
Switzerland	0.2	0.7	0.3	0.6	0.0	0.7
Japan	3.1	2.5	0.6	1.7	- 0.1	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	1.8	8.9	1.5	7.3
Latin America	4.2	4.7	0.5	4.5	0.7	3.0
World	2.8	3.5	0.6	2.8	0.1	2.7

Regional and world aggregates revised to 2015 IMF PPP weights; Latin America Inflation excluding Argentina and Venezuela

Financial Markets

Key Rates	Current*	3M		6M		12M	
		Forecast	Forward	Forecast	Forward	Forecast	Forward
US (upper bound)	3.75	3.75	3.68	3.75	3.73	3.50	3.67
Euro area	2.00	2.25	2.33	2.25	2.61	2.00	2.73
Japan	0.75	0.75	0.96	1.00	1.09	1.25	1.43
UK	3.75	4.00	4.08	4.00	4.37	3.75	4.40
Switzerland	0.00	0.00	0.02	0.00	0.18	0.00	0.37
10-Year Gvt Bonds							
US Treasuries	4.39	4.35	4.45	4.30	4.51	4.30	4.60
Germany (Bunds)	3.04	3.00	3.10	3.00	3.13	3.05	3.20
Italy	3.97	3.85	4.06	3.80	4.12	3.80	4.24
Spread vs Bunds	93	85	96	80	99	75	104
France	3.76	3.70	3.85	3.70	3.91	3.80	4.00
Spread vs Bunds	72	70	76	70	77	75	81
Japan	2.30	2.30	2.39	2.30	2.46	2.35	2.59
UK	4.93	4.85	5.02	4.80	5.06	4.75	5.12
Switzerland	0.37	0.40	0.39	0.40	0.41	0.45	0.43

*3-day avg. as of 27/03/26
**ICE BofA (OAS)

Credit Spreads**	Current*	3M		6M		12M	
		Forecast	Forward	Forecast	Forward	Forecast	Forward
EA IG Non-Financial	89	80		80		80	
EA IG Financial	95	85		85		85	
EA HY	312	300		300		300	
EM Sov. (in USD)	196	185		180		175	
Forex							
EUR/USD	1.15	1.16	1.16	1.17	1.16	1.18	1.17
USD/JPY	160	157	158	155	157	152	155
EUR/JPY	185	182	184	181	183	179	181
GBP/USD	1.33	1.33	1.33	1.33	1.33	1.33	1.33
EUR/GBP	0.87	0.87	0.87	0.88	0.87	0.89	0.88
EUR/CHF	0.92	0.91	0.91	0.92	0.91	0.92	0.89
Equities							
S&P500	6,479	6,545		6,730		7,100	
MSCI EMU	191.6	188.5		196.0		210.0	
TOPIX	3,648	3,675		3,770		3,970	
FTSE	10,015	10,035		10,350		10,990	
SMI	12,644	12,525		12,975		13,750	

Forecast Intervals

3-Months Horizon

10-Year Gvt Bonds	US Treasuries	3.97	4.35	4.73
	Germany (Bunds)	2.46	3.00	3.54
	UK	4.37	4.85	5.33
	Switzerland	0.19	0.40	0.61
Credit Spreads*	EA IG Non-Financial	71	80	89
	EA IG Financial	74	85	96
	EA HY	267	300	333
	EM Sov. (in USD)	169	185	201
Forex	EUR/USD	1.13	1.16	1.19
	USD/JPY	152	157	162
	GBP/USD	1.32	1.33	1.35
	EUR/CHF	0.90	0.91	0.92
Equities	S&P500	6,257	6,545	6,833
	MSCI EMU	181	189	196
	TOPIX	3,530	3,675	3,820
	FTSE	9,723	10,035	10,347
	SMI	12,013	12,525	13,037

*ICE BofA (OAS)

12-Months Horizon

10-Year Gvt Bonds	US Treasuries	3.47	4.30	5.13
	Germany (Bunds)	1.69	3.05	4.41
	UK	3.53	4.75	5.97
	Switzerland	-0.02	0.45	0.92
Credit Spreads*	EA IG Non-Financial	61	80	99
	EA IG Financial	62	85	108
	EA HY	230	300	370
	EM Sov. (in USD)	141	175	209
Forex	EUR/USD	1.12	1.18	1.24
	USD/JPY	142	152	162
	GBP/USD	1.29	1.33	1.36
	EUR/CHF	0.89	0.92	0.95
Equities	S&P500	6,513	7,100	7,687
	MSCI EMU	193	210	227
	TOPIX	3,673	3,970	4,267
	FTSE	10,341	10,990	11,639
	SMI	12,698	13,750	14,802

*ICE BofA (OAS)

*The forecast range for the assets is predetermined by their historical volatility. The volatility calculation is based on a 5-year history of percentage changes, equally weighted in the case of the 12-month forecast and exponentially weighted in the case of the three-month forecast. The length of the bars within each asset group is proportional to the relative deviations from their mean forecasts.

 **IMPRINT**

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Società di gestione del risparmio, Research Department

Head of Research: Vincent Chaigneau

Head of Macro & Market Research: Dr. Thomas Hempell, CFA

Team: Elisabeth Assmuth | Research Operations
Elisa Belgacem | Head of Cross-Asset Quant & Dev, Senior Credit Strategist
Radomír Jáč | GI CEE Chief Economist
Jakub Krátký | GI CEE Financial Analyst
Michele Morganti | Head of Insurance & AM Research, Senior Equity Strategist
Vladimir Oleinikov, CFA | Senior Quantitative Analyst
Dr. Thorsten Runde | Senior Quantitative Analyst
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Guillaume Tresca | Senior Emerging Market Strategist
Dr. Martin Wolburg, CIIA | Senior Economist
Paolo Zanghieri, PhD | Senior Economist

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