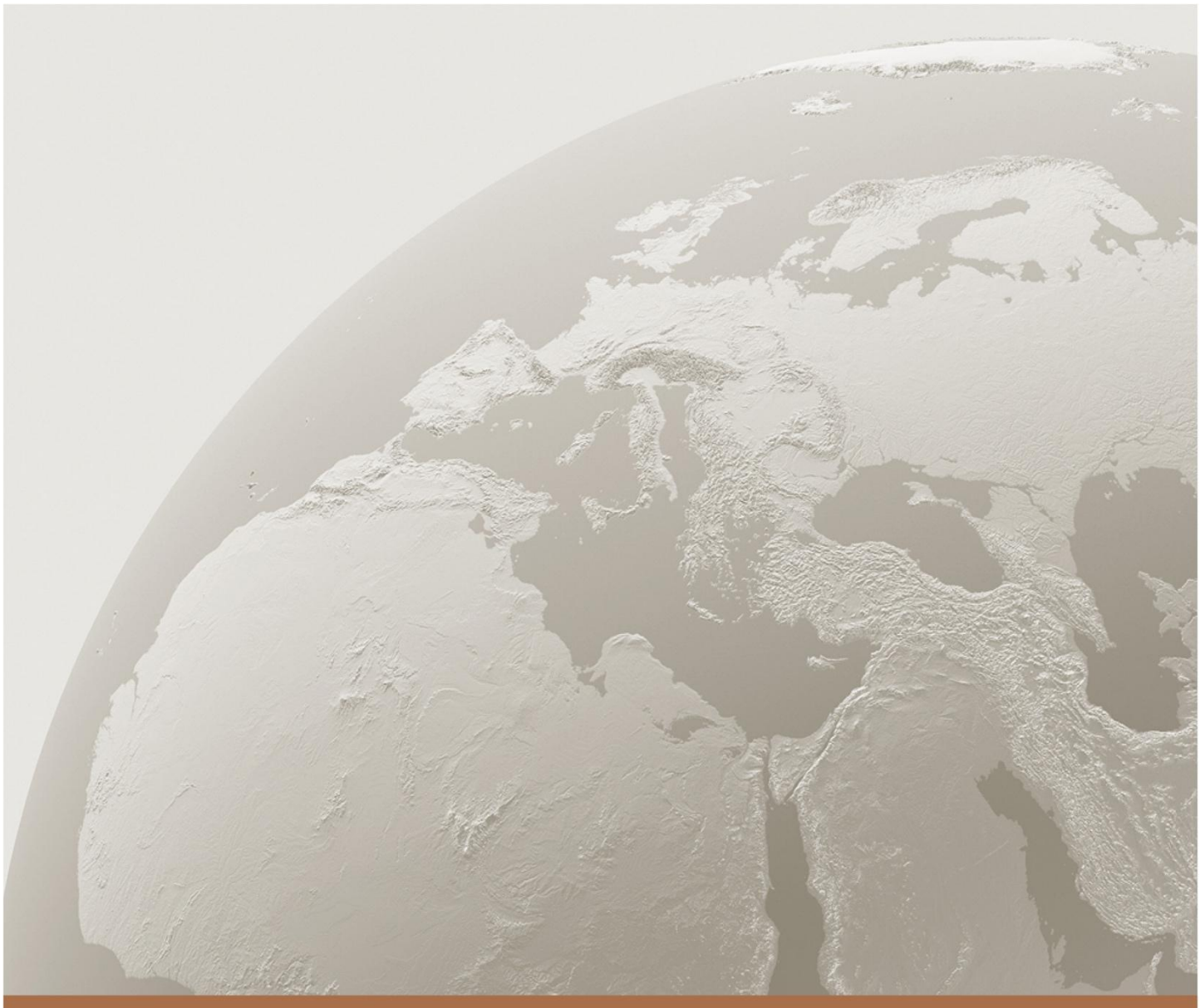
J.P.Morgan

PRIVATE BANK

The Global Investment Strategy View

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



OCTOBER 2026

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The View in Brief

Rising bond yields reflect a global repricing of capital. Governments and private firms are issuing more debt, growth has been resilient, central banks are buying less, and investors are requiring more compensation for uncertainty. Our base case is that the economy remains stable rather than accelerates, but the range of possible risks have widened. A diesel shock could make recession our base case; meanwhile, stronger growth could force the Fed to raise rates more than expected. Against that backdrop, earnings remain the key support for equities, while higher yields make fixed income more attractive.

Conviction snapshot

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

EQUITIES

GEOGRAPHY	NEG	NEU	POS	MOM
U.S.			●	
Europe		●		
Japan		●		
EM			●	
US SIZE/FACTOR				
Large Cap			●	
Small/Mid Cap			●	
US SECTORS				
Staples	●			
Energy	●			
Financials			●	
Industrials			●	
Info Tech			●	
Utilities			●	
Materials		●		
Healthcare		●		
Real Estate	●			
Other: Con Disc & Comm Svcs		●		

FIXED INCOME

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

FX & COMMODITIES

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

Three high-conviction opportunities

1

EQUITIES - STRATEGIC INDUSTRIES

Heavy asset-low obsolescence

Artificial intelligence (AI) driven demand for semiconductors, hardware, power infrastructure and automation is fueling the next wave of global capital investment.

2

EQUITIES - BANKS

Banks

Looser capital requirements, healthy credit conditions, upcoming IPOs and stable loan growth should propel bank stocks for the next few quarters.

3

MUNICIPAL AND HIGH GRADE CREDIT

Fixed Income

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

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The View

Macro, Yields, and Geopolitics – Making Sense of it All

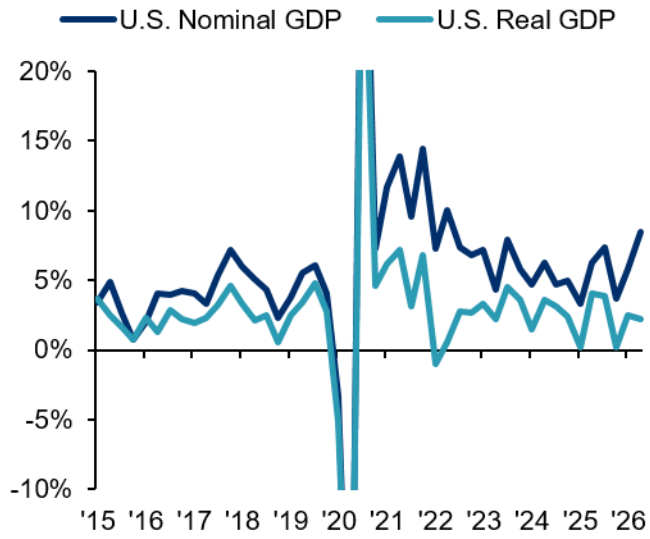
It's an understatement to say bond markets have been volatile lately, and a key driver has been uncertainty over the direction of the economy. Is it weakening amid higher fuel prices, and set to weaken further as the one-off boost from tax rebates wears off? Or is the economy on the verge of a cyclical uplift driven by exceptional corporate profits, resilience to the oil shock, and an improving labor market? The answer matters enormously for investors, and the range of potential outcomes is widening.

Our base case is that growth remains stable rather than accelerates, and the economy is not in need of aggressive rate hikes. Why? The labor market is steady, consumption should slow as tax rebates fade, and inflation should subside once Hormuz normalizes. But this is not a normal cycle. A historic investment boom is colliding with a historic energy shock, creating unusually fat tails on both sides of the outlook. A sustained diesel shock could turn recession into the base case, while a stronger cyclical upswing could force the Fed to tighten more than markets expect.

There are three key things to watch.

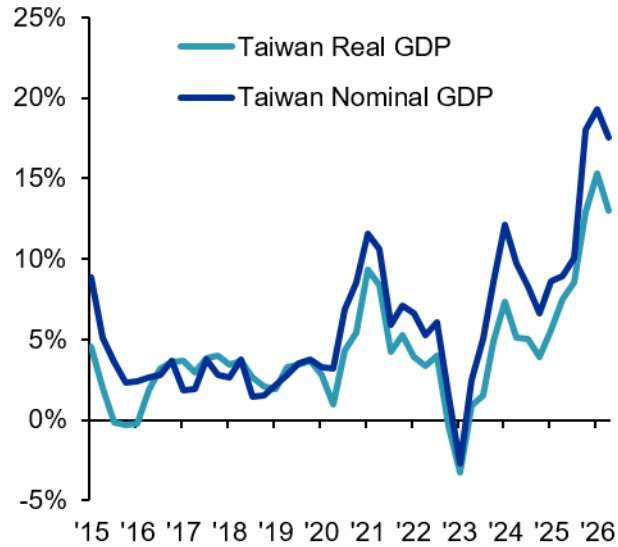
First, the economy has been stronger than expected. We expected higher fuel prices to slow consumption and higher diesel prices to slow broad activity. To the contrary, recent revisions put US first-half real growth at 2.4%, and nominal growth at over 7.0% (see Chart 1). It's not just the US — Taiwan, among the most energy-import-dependent economies, was expected to suffer under higher prices yet saw first-half real growth of 14.2% y/y (See Chart 2). This resiliency is one reason bond markets are repricing: yields have to account for a stronger nominal growth outlook than anyone penciled in.

Chart 1: U.S. real vs. nominal GDP growth
QoQ change, annualized %



Sources: BIS, Haver Analytics. Data as of Q2 2026.

Chart 2: Taiwan real vs. nominal GDP growth
YoY change, %



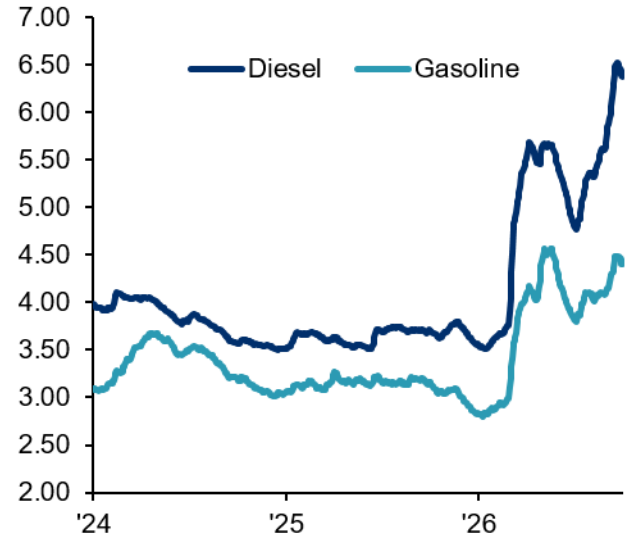
Source: BIS, Haver Analytics. Data as of Q2 2026.

But there are two caveats -- much of that strength is nominal rather than real, and much of the real strength is concentrated in the tech and AI capex cycle rather than broadly distributed. The consensus "k-shaped" framing still holds – a fast-growing tech sector, with nearly everything else growing slowly. Meanwhile some forward-looking consumer indicators are rolling over: payroll growth has flattened, real income growth is slowing, and interest-rate sensitive sectors are under pressure from higher rates. Strong prints for a quarter that has already ended are not the same as momentum into 2027.

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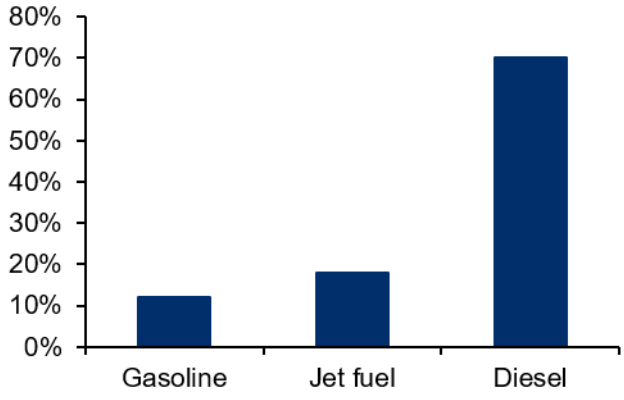
Second, there is a serious negative tail from diesel. Refined fuels, not crude, have become the chokepoint. U.S. retail diesel has risen to roughly $6.50/gallon from about $3.75 before the conflict began in late February (see Chart 3), and distillate inventories have continued to decline, now sitting decisively below recent-year norms. The risk scenario we are watching would be diesel sustained above roughly $10/gallon for a quarter or more. Unlike gasoline, which works through household consumption, diesel is predominantly a business input — trucking and freight, construction machinery, agriculture, waste management, and the broader goods distribution system (see Chart 4). If diesel were to move into double-digit territory and remain there, we would expect U.S. economic activity to slow sharply, with a meaningful chance that recession becomes the base case.

Chart 3: Diesel has risen to roughly $6.50/gallon
$/gallon



Source: EIA, Haver Analytics. Data as of October 1, 2026.

Chart 4: Diesel is an important production input, implying upward pressure on costs
Fuel shares of total petroleum used to produce U.S. goods and services, %



Note: Bars show estimated fuel shares of petroleum use attributed to intermediate inputs in the U.S. economy. Sources: Deutsche Bank Research, EIA. Data as of September 10, 2026.

The Fed's FRB/US[1] modeling suggests a 100bp rise in rate could subtract about 50bp from growth. That is broadly the move we've seen this year, with the 10-year now about 100bp above its 2024–25 average. A sustained diesel shock of the magnitude described would, on our working assumptions, be two to three times more damaging, because it hits the industrial, transportation, and goods-producing sectors directly – precisely the sectors that have been a source of growth as manufacturing PMIs improved over the last year. In our baseline we expect 2027 Q4/Q4 GDP growth of 1.5%–2.0% and core PCE of 2.4%–2.6%. Under a sustained diesel shock we would mark growth down to 0.0%–0.5% and core PCE up to 3.0%–3.2%, and the impacts would be more adverse on most other global economies.

We remain cautiously optimistic this risk won't materialize, but acknowledge the possibility of near-term escalation. According to alternative data sources, more oil and products have been exported from the region, suggesting Iran's blockade is becoming less effective. This coupled with pending U.S. midterm elections raises the risk of near-term Iranian escalation to restore leverage and increase political and economic pressure on the U.S. and global economy.

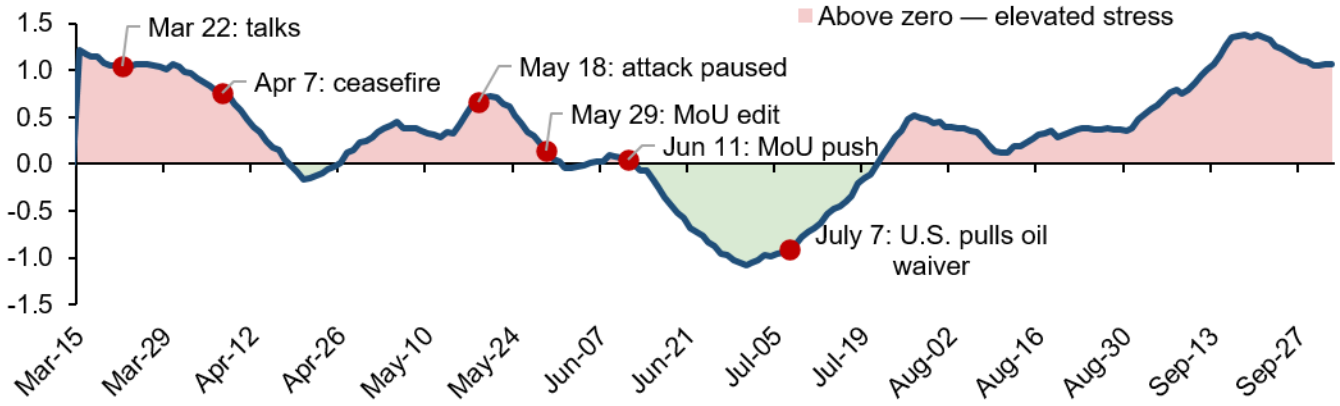
But there are reasons to think we could see a resolution in coming months: pressure is not abating; on Tehran, it is building as inflation and product shortages hit the economy, for the U.S. and global economy it builds as diesel and yields rise (See Chart 5). The U.S. embargo, while effective, is not indefinitely sustainable and must be leveraged into a non-military-dependent solution. And the alternative to a deal is not the status quo, but escalation: Iran's attack on Saudi Arabia's East-West pipeline signaled that Tehran will not watch its leverage erode on an open-ended basis. Taken together, we are

[1] https://www.federalreserve.gov/econres/notes/feds-notes/overview-of-the-changes-to-the-frb-us-model-2018-20181207.html

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cautious on the prospect of near term escalation, but remain optimistic of an eventual resolution. The conflict and its impact on global supply chains remains the key risk to the outlook and portfolio hedges against a further spike could be prudent.

Chart 5: Conflict stress levels near all time highs
Hormuz stress index. Seven-day average of the weighted component z-scores; positive values indicate unusually elevated cumulative stress relative to the war period observed previously.



Note: Each input - oil, 10-year Treasury yields, tanker disruption, S&P 500 performance, presidential approval and diesel prices - is measured cumulatively from February 27, 2026. Each cumulative move is standardized against the expanding mean and standard deviation of prior war-period observations, capped at ±3, weighted 1.0/0.8/0.6/0.5/0.1/1.0, divided by the 4.0 total weight and smoothed using a seven-day average. The first valid seven-day reading is March 15, 2026. The index is a weighted standardized-stress score, not a probability or a single statistical z-score.
Sources: Bloomberg Finance L.P., Signum Global Advisors. Data as of September 16, 2026.

Third, there is a tail on the other side. The Fed is priced for moderate hikes, not the full cycle that would be necessary if growth materially accelerates. A surprise pickup that tightens the labor market would put upward pressure on inflation and force a faster Fed response. Here the signals have shifted: global PMIs, global corporate profits, and CEO confidence surveys have all turned up, occurring after upward GDP revisions, with many nowcasts indicating strong Q3 growth. If the economy accelerates rather than stabilizes, current Fed pricing may be too benign. Stronger growth, tighter labor markets, and stickier inflation would imply a higher terminal rate and renewed pressure on duration.

Where that leaves us. We acknowledge a nascent upturn in some data points, but we do not think the economy is overheating. We believe that inflation should fade when the Strait normalizes, and current Fed pricing is already above what is needed to stabilize inflation under our base case. But the distribution around that base case is unusually wide in both directions, and the market is struggling to price it. Rates have moved to reflect a stronger nominal path while volatility has increased reacting to a wider set of distributions. If the base case is stability but markets are increasingly trading the tails, mispricing should emerge across rates, inflation, and volatility.

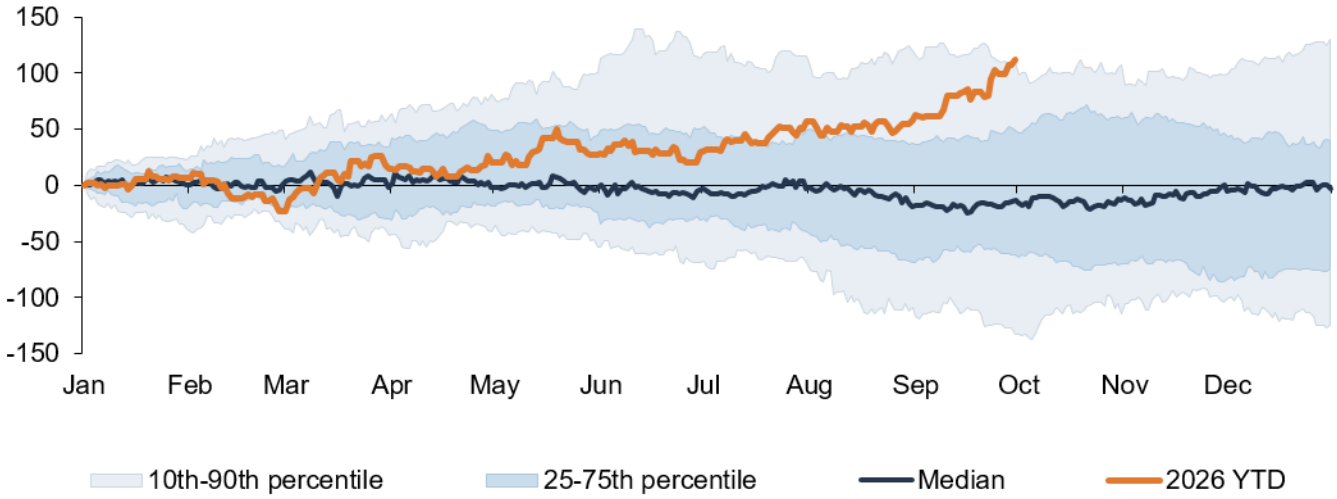
Now is a good time to consider adding fixed income exposure

We believe the case for adding high-quality fixed income is strong. At current yield levels, high-quality bonds can provide attractive income, which also provides a cushion against any potential declines in value. Meanwhile, high-quality fixed income also offers protection against a slowdown in growth and inflation, and timing those exactly is difficult. The medium-term outlook for rates is still balanced. But the near-term risks are skewed toward lower yields, creating a compelling entry point for investors.

The recent rise in yields has been sharp. Ten-year Treasury yields increased by 50 basis points (bp) in September, placing the move in the top decile of monthly increases since 1962. That brought the year-to-date increase to roughly 110bp, the fourth-largest rise by the end of the third quarter over that period (see chart 6).

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Chart 6: This year's >100bp rise in Treasury yields historically happens less than once a decade
10-year Treasury yield, year-to-date rise, bps (1996-2025)

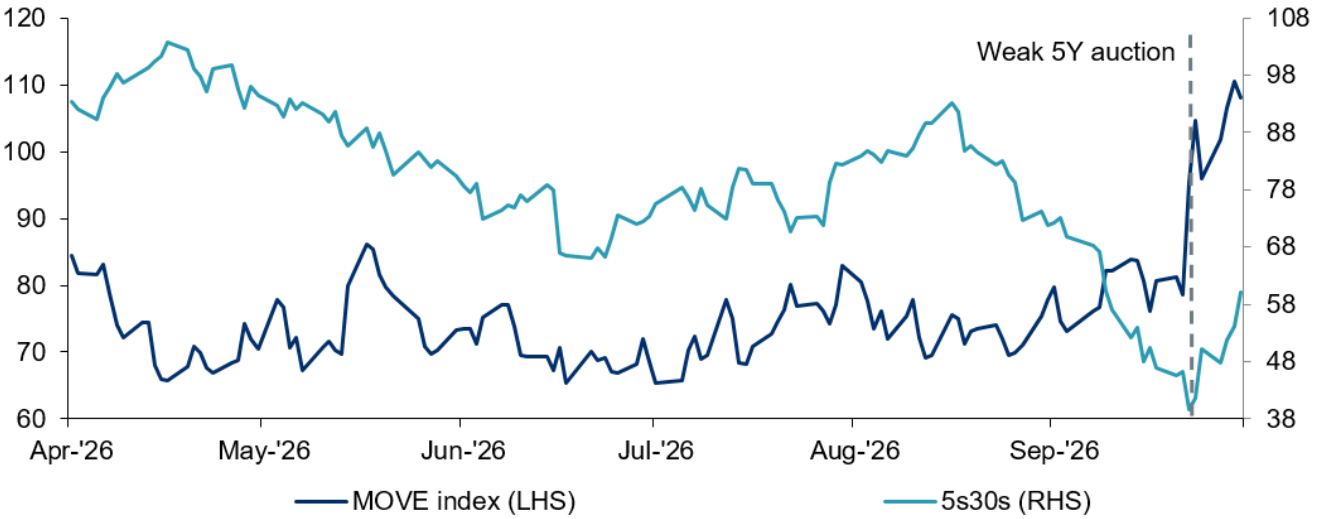


Note: Covers data from 1996-2025. Source: Bloomberg Finance L.P. Data as of October 2, 2026.

We have expected yields to remain in an uptrend this year, driven by three main factors. First, ongoing conflict in the Middle East, boosting energy prices. Second, central banks have maintained a hawkish stance, reflecting both inflation concerns and resilient growth globally. Third, global borrowing needs have increased, including higher public-sector borrowing and elevated U.S. corporate bond issuance, pushing up yields across fixed income through a 'crowding out' effect.

The yield rise in September was therefore partly continuity, with geopolitical risks and heavy issuance continuing to put upward pressure on yields. However, there were new developments: the sharp move was also driven by markets pricing in stronger growth prospects (as mentioned above), and a very weak Treasury auction added further pressure. Since then, Treasury markets have been characterized by higher volatility, reduced liquidity and early signs of dislocation, while the yield curve has begun to steepen again (see chart 7). Elevated volatility made it harder for buyers to step in consistently.

Chart 7: Strong business survey and weak Treasury auction pushed up rates volatility
Rates volatility (level) vs U.S. Treasuries 5s30s (30Y - 5Y)



Note: Rates volatilty is MOVE index. 5s30s is spread between 30-year Treasury yield and 5-year. Source: Bloomberg Finance L.P. Data as of October 2, 2026.

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Markets repriced Fed expectations materially higher. Current pricing, as of writing, implies roughly 100–110bp of total hikes, including the 25bp increase at the September FOMC meeting. Our central forecast is now for 75bp of total hikes, or an additional 50bp from here. That said, we do not view current market pricing as conclusively "overpriced." Rather, it appears to reflect a wider range of possible outcomes and greater uncertainty around the outlook, which can be seen in the pricing of options in Treasury markets (see Chart 8).

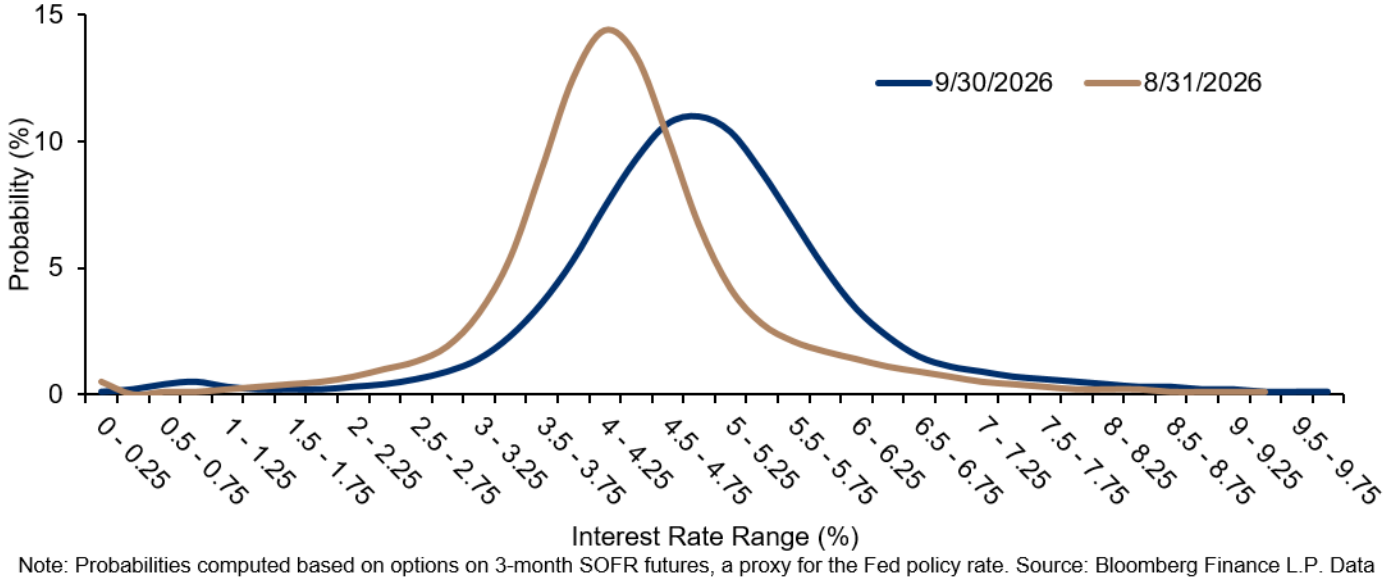
It is important to put the scope for additional Fed tightening in context. As highlighted above, Standard Federal Reserve models suggest that 100bp of rate hikes would lower growth by 0.4-0.5 percentage points (pp) for the following year but lower core PCE inflation by just 0.1pp. Put differently, from challenging starting points, if the Fed were to see unemployment falling modestly and inflation staying modestly above target, it could justify a more aggressive path for rates.

Our macro forecasts do not currently point to meaningful upside risks to inflation or meaningful downside risks to unemployment. This suggests that a fair amount of optimism on growth, and a meaningful degree of uncertainty, is already reflected in Fed pricing and broader yields.

The good news is that resilient growth and firm risk appetite suggest that yields around 5% could be sustainable for as long as growth and the stock market are driven by capital-hungry firms, leaving the medium-term outlook for yields more balanced. We forecast 10-year Treasury yields around 5.25% by mid-2027, within a 5.0–5.5% range. Our bear case is 5.75% (5.5-6%), while our bull case is 4.5% (4.25-4.75%).

In the very near term, we believe risks are in fact skewed toward lower yields. The move higher has already been extended, investor positioning is bearish, and risk premia have risen. There are also signs that financial conditions may be tightening, at least over the short run. For example, market pricing of Fed hikes (proxied by one-year, one-year forward swap yields) has been above medium-term market pricing of policy rates in recent weeks. Rates volatility has moved higher, credit spreads have widened, particularly for lower-quality borrowers, and equities tied to smaller and more cyclical sectors have weakened. Globally, higher-risk borrowers have also seen pressure, e.g. highly-indebted Eurozone sovereigns.

Chart 8: Markets priced a wider range of uncertainty for Fed policy rates during September
Probability of policy rate in September 2027



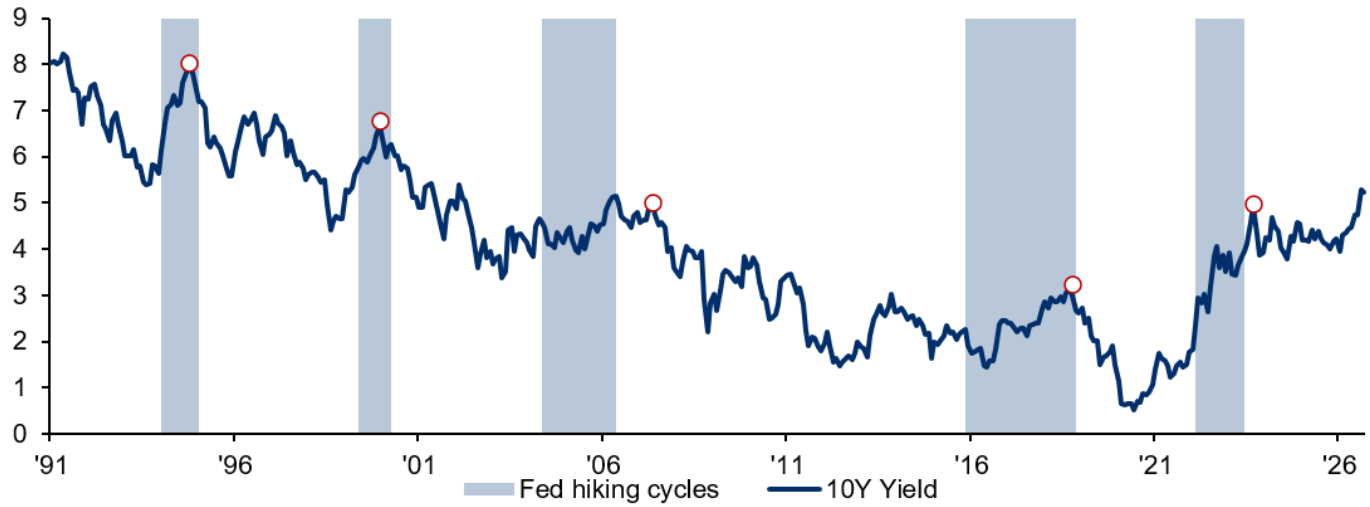
Note: Probabilities computed based on options on 3-month SOFR futures, a proxy for the Fed policy rate. Source: Bloomberg Finance L.P. Data

These factors point to a near-term stabilization in yields and perhaps some retracement. And it's important to keep in mind that tipping points for yields and financial conditions are difficult to call in real time, and can be abrupt. We continue to believe yields are likely to peak around the time the Fed is nearing the end of its hiking cycle (see Chart 9). That probably coincides with a peak in capital expenditure momentum. But the exact timing remains uncertain and we think now is a good time to use bonds as a source of protection against such risks.

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We stress once more that the case for fixed income is anchored in income and diversification rather than making a call for cycle-highs in yields or cyclical turning point. For investors, the key takeaway is that while the medium-term outlook for rates is balanced, the combination of elevated yields, bearish positioning and higher risk premia creates a strong case for adding high-quality fixed income today.

Chart 9: Treasury yields tend to peak around the time of last Fed hike in cycle
10-year Treasury yield, %



Note: Cycles (5) 1994-95 (Greenspan); 1999-2000; 2004-06 (measured pace); 2015-18 (liftoff); 2022-23 (inflation). | 04 Feb 1991 to 15 Sep 2026.
Source: Bloomberg Finance L.P. Data as of October 1, 2026.

How to position in fixed income.

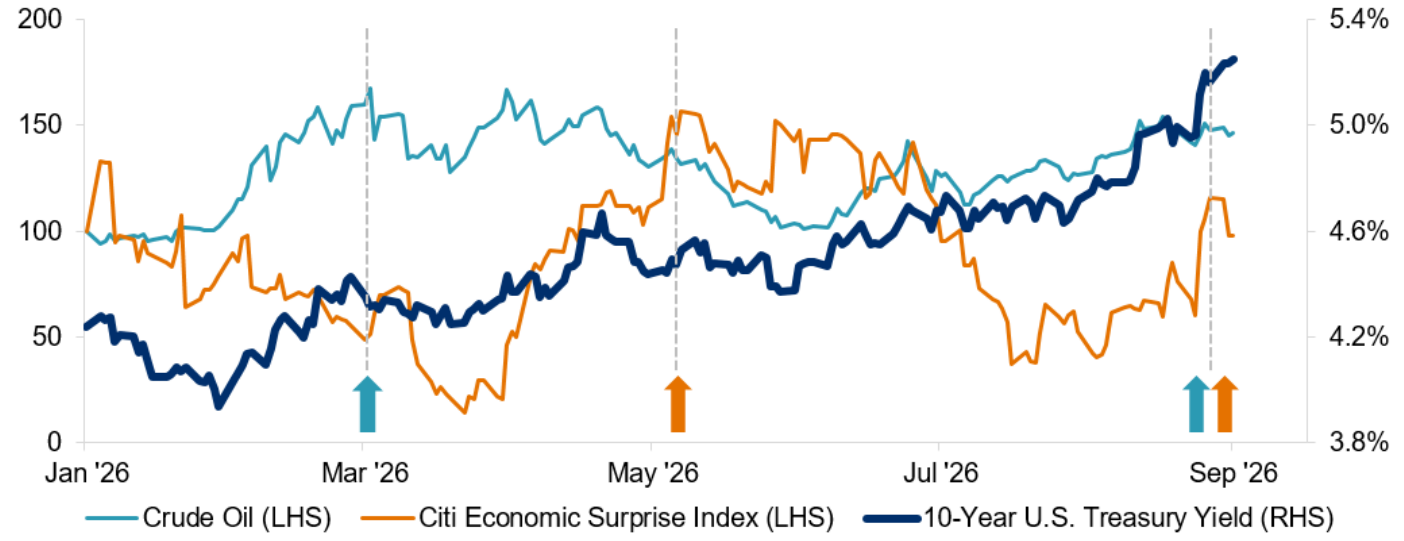
We continue to favor investment grade credit, where yields have reached the highest level since the Global Financial Crisis. At approximately 6.3%, yields provide a meaningful income cushion and improve forward total return potential. For example, it would take roughly a 100bp rise in yields to fully offset a year of carry, an outcome we view as unlikely. Fundamentals also remain constructive: U.S. investment grade credit metrics strengthened in 2Q26, with revenue growth of 10.5% year-over-year and EBITDA growth of 15.8%—both the strongest since 3Q22—while gross leverage improved modestly to 3.0x, the lowest since 4Q23. Importantly, despite elevated rate volatility, credit spreads have remained remarkably stable. Under our base case that geopolitical tensions ease over time, we expect spreads to remain range-bound, supporting an attractive total return profile from current levels that looks particularly compelling on a risk-adjusted basis. In the US, municipal bonds are attractive, having underperformed Treasuries during their recent sell-off. Municipal bonds are as inexpensive as they've been in more than two decades, with value evident across the curve. Long-end yields are around **5.10%**, which translates to an approximate **8.61% taxable-equivalent yield (TEY)** for U.S. investors. Long-end yields haven't been at these levels since **October 2008**, and in our view that combination creates an attractive entry point to add municipal exposure.

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Equity resilience in the face of higher rates

U.S. equities have demonstrated resilience as interest rates have moved higher throughout the year, but index performance masks growing pressure beneath the surface. The rise in yields initially coincided with higher oil prices and more recently has been reinforced by stronger economic data and a repricing of Fed expectations.

Stronger growth data AND higher oil prices have pushed rates higher this year
Crude Oil & Citi Economic Surprise Index Price, Indexed to 100 vs. 10-Year U.S. Treasury Yield



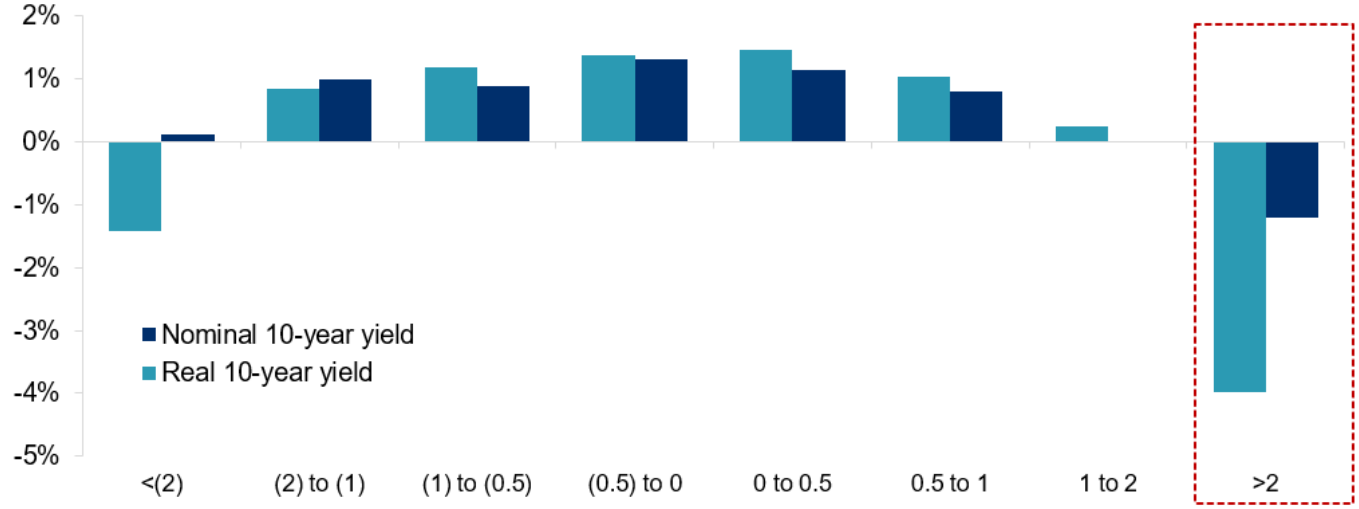
Source: Bloomberg Finance L.P. Data as of September 30, 2026.

The implications of rising interest rates on equity markets vary based on the underlying driver of the move. For example, are rates higher because of risk premium, stronger economic growth, or, as we are seeing today, a combination of both? Higher yields caused by better growth can coexist with equity gains because stronger revenues and earnings can offset some of the valuation pressure. Conversely, a rise driven mainly by inflation, fiscal concerns, or more restrictive monetary policy is more difficult for equities to absorb because it raises the cost of capital without necessarily improving the earnings outlook. This helps explain why there is no single interest-rate *level* at which equities must decline. Historically, the magnitude and speed of a rate move have mattered more than the absolute yield. Equities tend to fall when rates move over two standard deviations in either direction, imply rates volatility matters than the absolute level.

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Equities tend to fall when rates move over 50 bps in a month, which is what we experienced

Rolling 1-Month S&P 500 Return vs. Z-Score of Interest Rate Change (1-Month vs Past 3 Years)

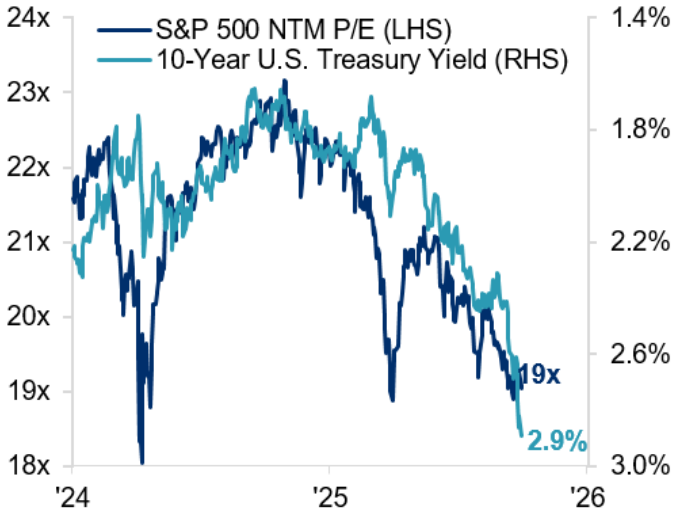


Source: Bloomberg Finance L.P. Data as of September 30, 2026. Note: Real yields use 20-year history while nominal yields use history back to 1965. 2 standard deviation move = 50 bps.

S&P 500 valuations have contracted to 19.0x next-twelve-month earnings from closer to 22.0x at the beginning of the year. Much of that compression had already occurred prior to the recent rate move, reflecting multiple uncertainties. The market's resilience is largely supported by continued strong earnings growth. S&P 500 earnings have continued to be revised higher year-to-date for this year and the next two, with 2026 growth now expected to exceed 20%, providing a significant cushion against multiple compression. At the same time, the S&P 500 earnings yield has risen to approximately 5.3%, improving the amount of earnings investors receive relative to the price paid. This suggests that equities have absorbed some of the increase in yields through valuation contraction rather than a collapse in prices. Financial conditions have also not tightened materially, indicating that economy-wide conditions in credit, liquidity, or market access remain fairly benign.

Valuations had already contracted prior to the rate move, reflecting numerous uncertainties

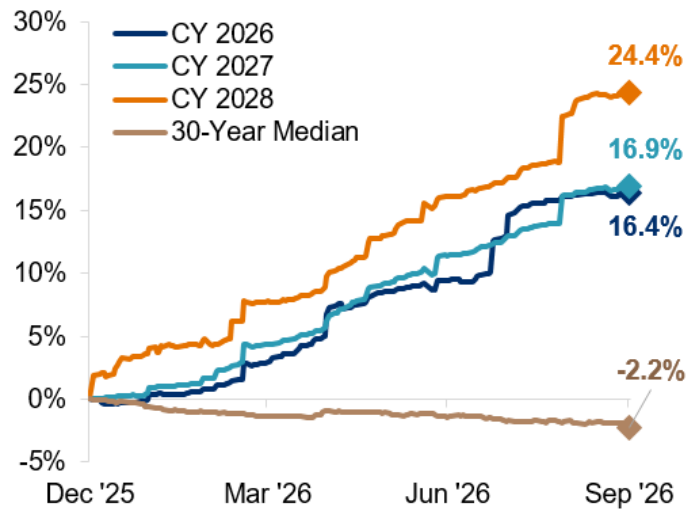
S&P 500 NTM P/E vs. Real 10-Year US Treasury Yield



Source: Bloomberg Finance L.P. Data as of September 30, 2026.

Earnings growth has driven the market higher despite contracting valuations

S&P 500 YTD EPS Revisions (CY 2026 – CY 2028)

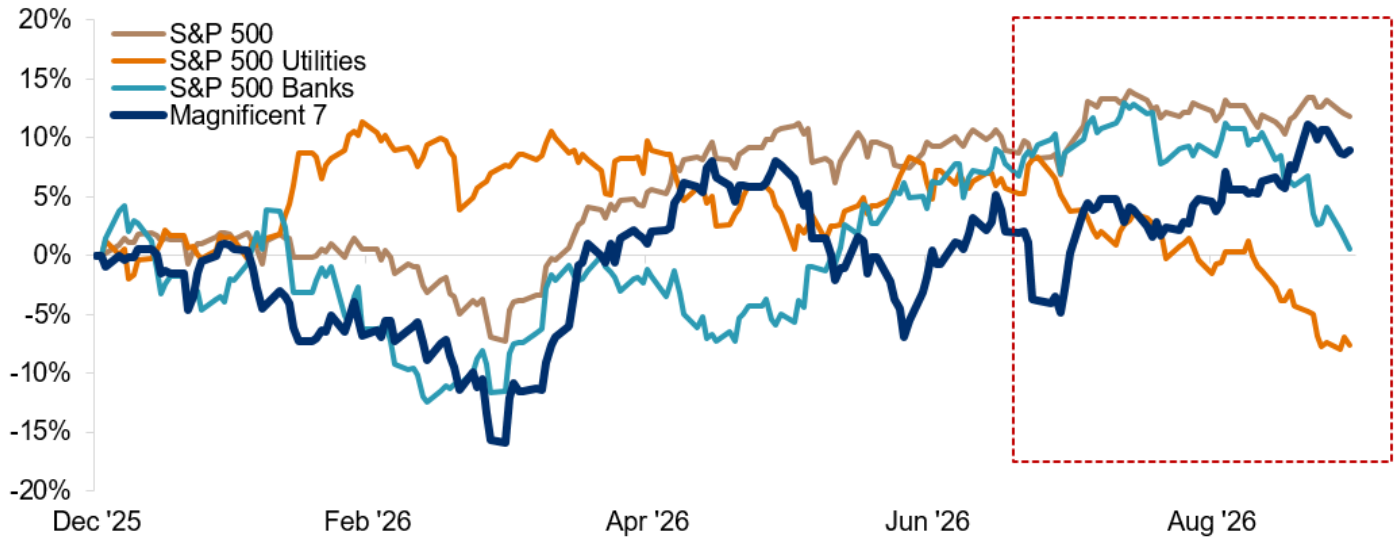


Source: FactSet. Data as of September 30, 2026.

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At the index level things seem calm, but underneath the surface there is pain. Rate-sensitive groups like Utilities have lagged as yields have risen. Within the large-cap index, breadth has weakened significantly, with the aggregate S&P 500 holding up better than the median constituent. This suggests that index resilience is being supported by a comparatively narrow group of large companies (the Magnificent 7) rather than broad-based equity strength.

With the recent rate move, performance has again become concentrated in the Magnificent 7
Price Performance, Indexed 0% = 12/31/2025



Source: Bloomberg Finance L.P. Data as of September 30, 2026.

Ultimately, higher rates are creating headwinds for equity valuations, but strong growth and a higher earnings yield are providing valuation support which helps explain the S&P 500's ability to withstand rising yields. While it is normal to see equities struggle around the start of Fed tightening cycles, we continue to see upside from current index levels and believe opportunities remain in rate-sensitive sectors supported by both cyclical and secular tailwinds. **Banks** remain one of our top ideas this month. The group has underperformed in recent weeks, down over 10% from the mid-August highs, due to a flurry of concerns around the re-spike in oil, Fed hike, conference commentary on slower capital markets activity, and Muse. In our view, weakness coming from near-term concerns should not overwhelm the constructive fundamental backdrop. Looser capital requirements, healthy credit conditions, upcoming IPOs and stable loan growth should propel the group over the next few quarters, with any steepening of the curve an incremental positive. We also continue to like **Semiconductors**, where the AI investment cycle continues to support superior earnings growth and positive revisions.

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High Conviction Opportunities

1 HALO: Heavy Asset Low Obsolescence

AI investment is driving a powerful buildout cycle across semiconductors, hardware, power infrastructure and strategic industries. Rising demand for data centers, grid capacity, automation and domestic manufacturing is creating opportunities for companies positioned at the center of the next wave of capital spending.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
Semis should likely continue to see strong growth from the continuation of the AI build-out. A significant networking and hardware upgrade cycle will likely aid growth in 2026-2027.	Companies benefiting from AI infrastructure, power demand, industrial capex and reshoring trends, with an emphasis on semiconductors, hardware and strategic industries.	Valuations of HALO sectors have compressed each of the last two years as investors question sustainability of growth.
30% 2026 S&P 500 expected capex growth	+66% Increase y/y in semiconductor sales	4/4 HALO sectors in which valuations have compressed in 2026

2 Banks

Banks remain one of our top ideas. Looser capital requirements, healthy credit conditions, upcoming IPOs and stable loan growth should propel the group over the next few quarters. Any steepening of the yield curve is an incremental positive. Recent performance has made valuations more attractive and should not overwhelm the continued potential for earnings upside and multiple expansion.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
Weakness from near-term concerns shouldn't overwhelm the strong fundamental backdrop. We expect Q3 earnings to be the next catalyst.	In the U.S., we continue to favor select large cap, global systematically important banks (GSIBs).	Down more than 10% from their mid-August highs, valuations look attractive and we expect expansion from current levels.
+9.8% y/y C&I loan growth as of August 2026	$3.8 trillion M&A transactions ytd	>20% More capital returned ytd (y/y)

3 Municipals and High Grade Credit

High quality fixed income looks attractive now because higher yields boost income potential, and improve forward total return potential. In Munis, the tax exemption makes the taxable-equivalent yield compelling versus other high-quality fixed income asset classes. Across high grade credit, fundamentals look solid, offering an attractive risk/reward proposition.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
The ytd sell-off has pushed yields to multi-year highs, creating a compelling entry point.	We favor 20+ year maturities in munis complemented by short portfolios. In corporates, we prefer up to intermediate maturities. Select hyperscaler debt looks attractive.	In munis, October 1 reinvestment coupons support the market; rates could drift higher as new issuance continues. For corps; risk/reward looks attractive, implying mid-single-digit returns in our base case.
5.16% / 6.3% 30-year municipal rate / IG yields	93% / 93bps 30-year muni-Treasury ratio/IG spreads	0.001% / ~A Ytd muni default rate / average IG rating

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Outlook Numbers – MY 2027

Macro^		
Inflation	**2027 YE**	Old 2027 YE
U.S.	2.30-2.50%	
Eurozone	2.20-2.40%	
China	0.9-1.1%	
Real GDP Growth		
U.S.	1.50-2.00%	
Eurozone	0.85–1.35%	
China	4.20-4.70%	
Equities		
S&P 500	**2027 MY**	Old 2027 MY
Price	$8,300-8,500	
P/E forward multiple	20.5x	
Stoxx Europe 50		
Price	€6,700-6,900	
P/E forward multiple	15.5x	
TOPIX		
Price	4,300-4,400	
P/E forward multiple	16.5x	
MSCI Asia ex-Japan		
Price	1,385-1,455	~~1,265-1,325~~
P/E forward multiple	11.5x	~~12.5x~~
MSCI China		
Price	77-81	
P/E forward multiple	10.5x	

Currencies		
	2027 MY	Old 2027 MY
U.S. Dollar Index (DXY)	98 (96 - 100)	
EUR/USD	1.17 (1.15 - 1.19)	
USD/JPY	158 (156 - 160)	
GBP/USD	1.35 (1.33 - 1.37)	
USD/CNY	6.60 (6.50 - 6.70)	

Rates & Credit Spreads		
U.S.	**2027 MY**	Old 2027 MY
Eff. Fed Funds rate	4.38	~~3.88~~
ON SOFR	4.38	~~3.88~~
2-year UST	5.00%	~~4.15%~~
5-year UST	5.05%	~~4.40%~~
10-year UST	5.25%	~~4.70%~~
30-year UST	5.50%	~~5.15%~~
2s/10s spread	0.25%	
JPM U.S. Investment Grade	80-110 bps	
JPM U.S. High Yield	325-375 bps	
Europe	**2027 MY**	Old 2027 MY
ECB Deposit rate	3.00%	~~2.50%~~
5-year German Yield	3.20%	~~2.60%~~
10-year German Yield	3.40%	~~2.90%~~
BoE Bank Rate	4.25%	~~3.75%~~
10-year UK Gilt	5.30%	~~4.60%~~
EUR IG	75-105 bps	
EUR HY	260-310 bps	
EM	**2027 MY**	Old 2027 MY
EM Sovereign Index (EMBI)	155-205 bps	~~225-275 bps~~
EM Corporate Index (CEMBI)	140-190 bps	~~155-205 bps~~
JPM Asia IG (JACI IG)	50-80 bps	
JPM Asia HY (JACI HY)	250–300bps	~~350-375bps~~

Commodities		
	2027 MY	Old 2027 MY
Gold ($ / oz)	$4,850 – $5,150	
Brent ($ / barrel)	$78-$83	~~$62-$68~~
Commodity Index (BCOM)	123-129	

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

Asset Class Views

The details behind our Macro and Asset class outlooks.

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



MACRO VIEWS

U.S. Growth

Recent GDP revisions for H1 were favorable, and the US economy now appears to have been growing faster than our assumptions implied. Official H1 growth stands at 2.35%, up from 1.8% pre-revision, driven largely by stronger data center investment and consumption. Q3 data have also been solid — notably recent PMIs and the August retail sales report — with nowcasters trending near 3%. Even so, we aren't changing our 2027 growth assumption of 1.5–2.0%. Most importantly, both monetary and fiscal policy are turning restrictive. Fiscal policy should act as a 70–80bp headwind through 2027 as the 2026 OBBBA supports fade, and with the 10-year Treasury yield roughly 100bp above its 2024–2025 average, that rates shock alone implies an additional 50–70bp drag under conventional models. Higher oil and fuel prices have had minimal growth impact so far, but diesel's move to near $6.50/gallon will likely weigh on growth — and a move into double digits would magnify the drag materially. In short, recent growth has outpaced our assumptions, yet we still see solid evidence of moderation ahead. Recession remains a risk rather than our base case, though we recently raised our 12–18 month odds to 30% on Middle East escalation and energy prices.

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

Our view: YE '26: 1.50-2.00%, **YE '27:** 1.50-2.00%



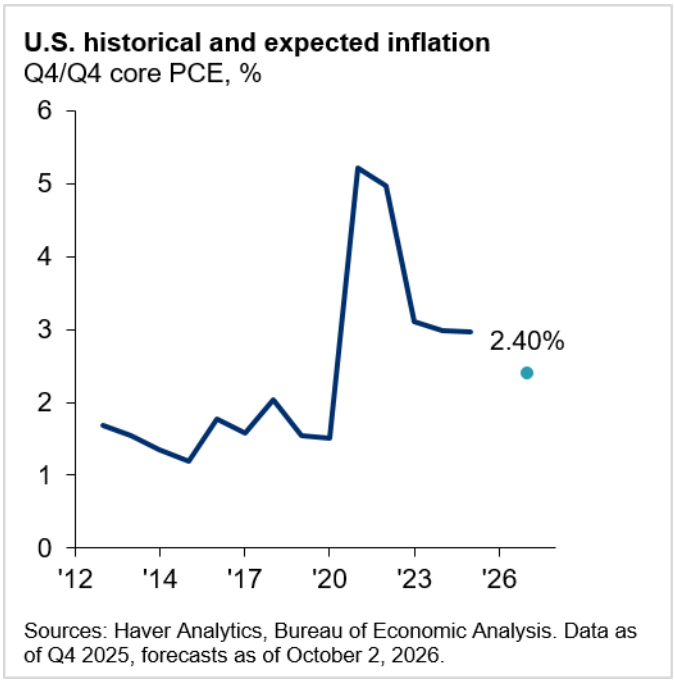
U.S. Inflation

Recent inflation data has come in favorable. The August core PCE print was cooler than expected at 0.25% MoM, and revisions to PCE as a whole lowered YoY core PCE to 3.0%, from 3.3% pre-revision. Those revisions were tied to the portfolio management (-0.23pp), computer accessories and software (-0.11pp), and legal services (+0.01pp) components. Favorable news also came from the NY Fed's multivariate core trend (MCT) estimate, which fell in September to 2.29% — the lowest reading since before the 2021/2022 inflation shock. Against this backdrop, Fed officials have stressed patience on further increases in the policy rate, and the rates market has priced out an October hike, now expecting the next move in December.

Risks nevertheless remain, mainly tied to the Middle East conflict and energy prices. With diesel rising toward $ 6.50/gallon, the risk is that it begins to ripple through the economy — diesel is used in everything from trucking and freight to construction machinery, agricultural production, waste management, and the broader goods distribution system. The latest September ISM Manufacturing data highlights this risk, with the prices component moving sharply higher to above 80 (seasonally adjusted).

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

Our view: YE '26: 3.00-3.20%, **YE '27:** 2.30-2.50%



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Europe Growth

Eurozone activity has proven more resilient than feared in the face of the ongoing Middle East conflict. The latest GDP data was stronger than expected, and survey indicators suggest growth momentum will remain positive – despite elevated energy prices. Average consensus growth expectations have round-tripped back to 1%, exactly where they started the year – before the conflict. This lends strong evidence to an economy that is resilient to both higher energy prices and higher rates. The dual support from AI and defense spending is taking effect. The major downside risk stems from a continued energy price shock and LNG prices will get more attention going into winter heating season. We maintain our long-held forecast of 1.0% GDP growth for 2026.

The UK economy has shown similar signs of strength over the summer in both soft and hard data. Final Q2 GDP growth figures released this week surprised positively and stand above the BoE's projections. Downside risks could emerge over time as the BoE is turning more hawkish, the labor market continues to soften, and the Iran conflict is dragged out.

What we're watching: Middle East developments and energy prices; monetary and fiscal response; French & UK Autumn Budget.

Our view: YE '26: 0.75-1.25%, **YE '27:** Euro area GDP: 0.85–1.35%



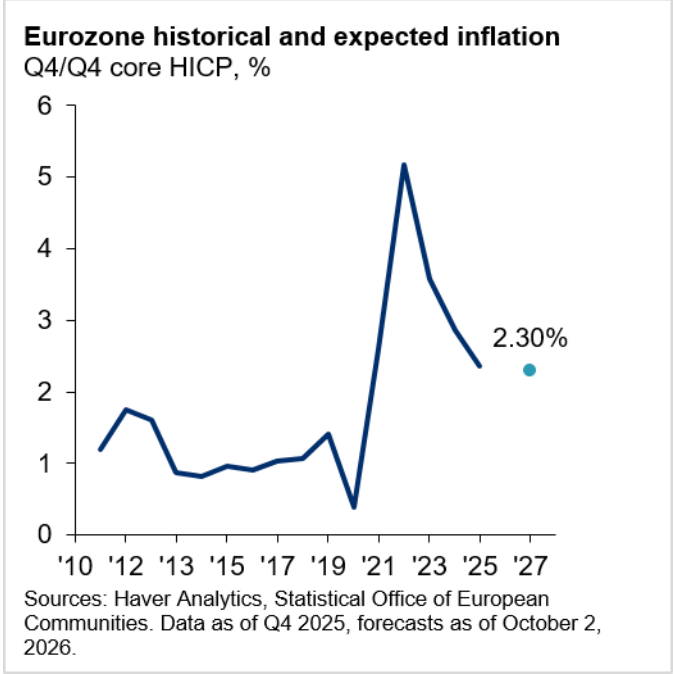
Europe Inflation

The preliminary September inflation data suggests a larger-than-expected increase in prices, especially in the headline measure. Most of that was driven by the energy component but prices for food and tech equipment also edged higher in some member states. The latest PMI survey data also suggests inflationary pressures across sectors. With energy prices elevated for longer than initially anticipated, the risk of spillover effects into other components has increased, even though it might not be as clearly visible yet. This should have the ECB on its toes, and we expect them to continue their policy tightening after they implemented a second hike in September. Inflation expectations have been anchored, suggesting that markets expect the ECB will live up to their inflation mandate.

Across the Channel, UK inflation pressures are also building, albeit with a lag. CPI rose to 3.1% in August, with the BoE projecting inflation to slightly above 4% in early 2027. Services inflation remains sticky, and private-sector wage growth is running above the BoE's target-consistent estimate, likely to keep inflation elevated even beyond an eventual energy prices normalization.

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

Our view: YE '26: 2.20-2.40%, **YE '27:** Euro area Core HICP: 2.20-2.40%



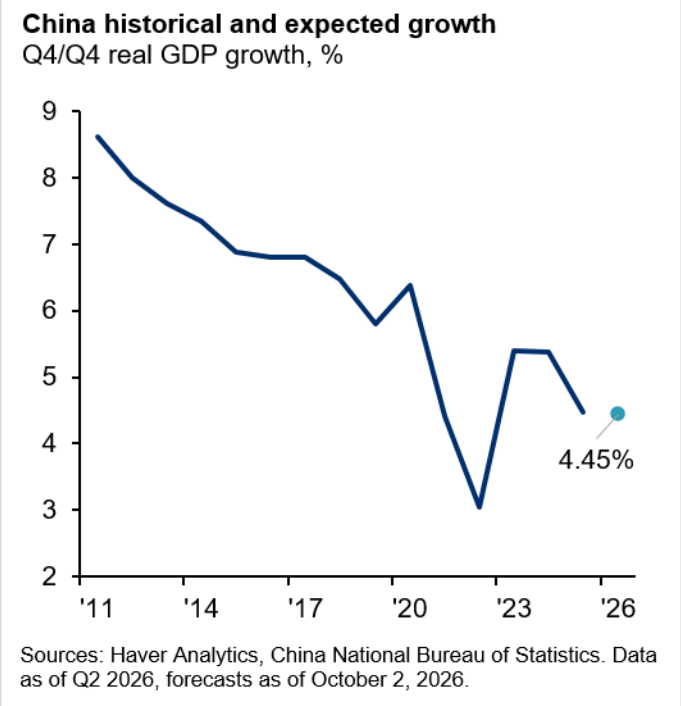
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China Growth

The production-consumption gap widened further in August. Industrial production rebounded to 5.2% y/y, while retail sales growth slowed to just 0.4% y/y. The bright spot remains technology-related manufacturing, with industrial robot and semiconductor output rising 34.6% y/y and 20.6% y/y, respectively. In sharp contrast, demand for related consumer durables is weakening materially: smartphone output and automobile sales declined sharply. The slowdown in household demand this year has been striking, with year-to-date retail sales growth of just 1.1%, down sharply from the 2025 full year growth of 3.7%. despite recent stimulus announcements, we continue to expect the scale of the policy package to be modest and the impact on China's economy to be small, as the space for conventional stimulus measures is limited. Looking ahead, we do not expect a meaningful growth turnaround into year-end. However, a pickup in government bond issuance and accelerated spending of approved fiscal allocations could provide modest support to activity in Q4.

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

Our view: YE '26: 4.30-4.80%, **YE '27:** 4.20-4.70%



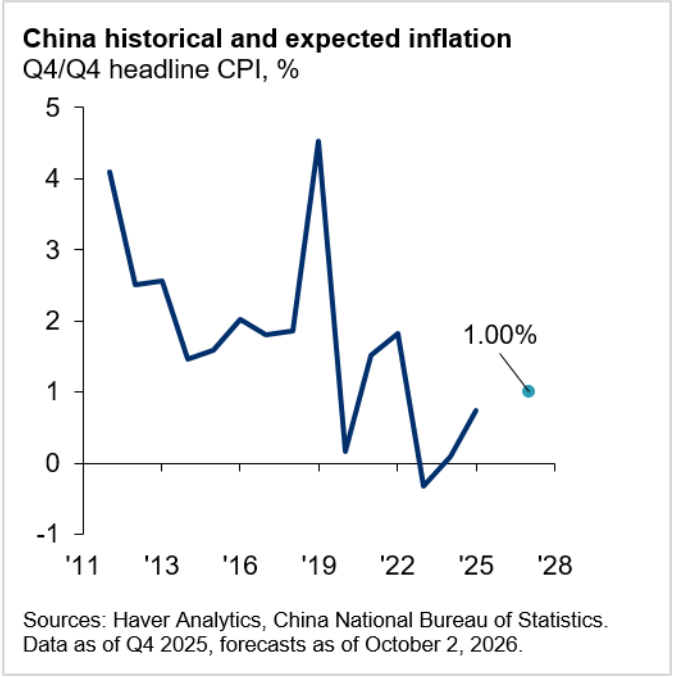
China Inflation

Inflation picked up modestly in August, though the underlying story remains one of technology-led industrial resilience. CPI rose to 0.8% y/y from 0.5% y/y, supported by higher energy and transportation service prices. PPI accelerated to 3.8% y/y from 3.5% y/y, driven primarily by gains in downstream manufacturing prices. Semiconductor-related products alone accounted for around half of the increase, highlighting the growing importance of high-tech manufacturing in China's inflation and growth dynamics.

Looking ahead, inflation forecasts are unusually uncertain due to volatile oil prices and domestic fuel price adjustments. Policy-wise, the PBOC is likely to keep interest rates lower for longer, with incremental fine-tuning through targeted liquidity operations.

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

Our view: YE '26: 0.40-0.60%, **YE '27:** 0.9-1.1%



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EQUITY VIEWS

U.S. Equities

Hopping on one leg. September S&P 500 Index performance was propped up by technology. Despite the rapid rise in bond yields, the tech sector rallied almost 5% for the month, contributing just under 2% to the index, which was down about 2% when excluding the sector. Under the hood, semiconductors advanced ~9.5%, hardware increased ~6% while software was flat. These relative returns mirror the subsector's experiences year-to-date but are a reversal from the August experience. Outside of tech, which continues to experience positive forward earnings revisions, 9 of the other 10 sectors were down for the month, reflecting negative interest rate correlations at these levels. We believe some negativity is creeping into the index which has witnessed valuation compression in 9 of 11 sectors this year, including tech.

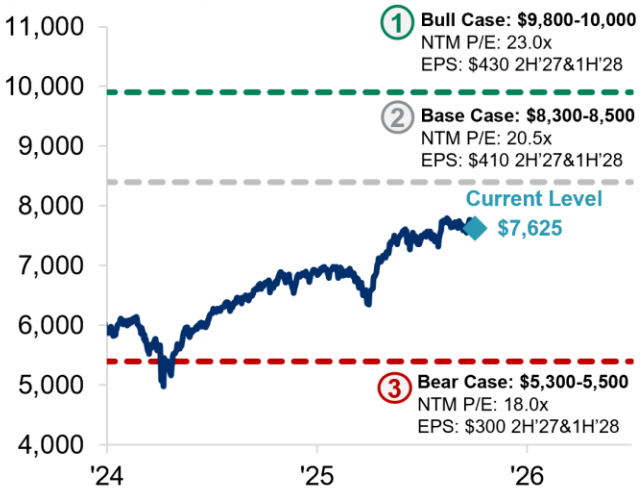
Lots of cross currents, but no change to our views. We don't believe markets will remain narrow. The third quarter earnings season is right around the corner and our expectation is that the combination of moderating bond volatility, passing of the mid-term election, and strong (and broad) earnings, should propel markets to new highs sometime in Q4. Investors will focus on where revisions are positive and can provide further upside. We reiterate our end-of-2026 Base Case S&P 500 outlook of $7,800 and affirm our mid-2027 Bull, Base and Bear case views of $9,900/$8,400 and $5,400, respectively.

Where to invest now. Despite the narrowness of the domestic markets this past month, we believe the improved relative price action of the hyperscalers is important for the future of the AI supply chain. We continue to like biggest 4 hyperscalers, the semis that benefit from the shortages in compute and memory and the hardware firms that "put it all together". The industrial companies that construct and provide power to the DCs, as well as the defense companies pressured into the mid-terms, look timely to us. We also reiterate our positive view on financials, with a focus on large-cap banks. Banks' earnings revisions should remain positive off strong loan growth and better-than-expected credit conditions. Utilities remain an inexpensive, though disappointing, defensive sector supported by the accelerating demand for power. We underestimated the impact of voter negativity toward DCs but still believe state and local governments will prefer the growth provided by DC construction over power cost concerns provided the hyperscalers compensate the regions where they are building.

What we're watching: Financial conditions (equity valuation, yields and spreads). AI ROIs. Policy shifts.

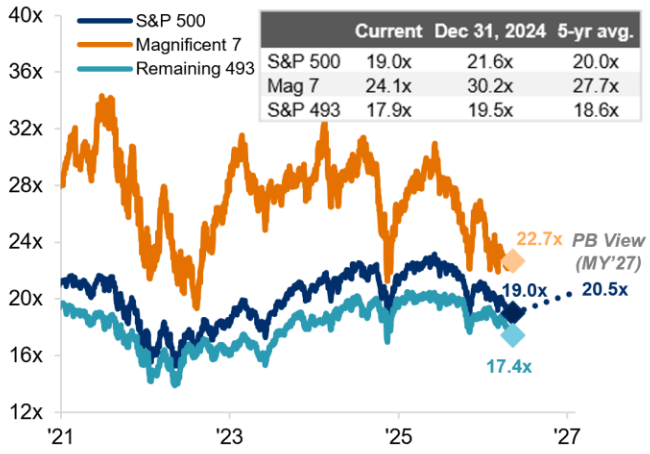
Our view: MY '27: $8,300-8,500

Our base case, mid-year '27 outlook ranges from $8,300-$8,500 (mid-point $8,400)
S&P 500 Index level with J.P. Morgan WM 2027 mid-year outlook ranges



Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of October 1, 2026.

Valuations have compressed reflecting the middle eastern conflict, inflation, fed policy, and debt issuance
Next-twelve-months price-to-earnings ratio (NTM P/E)



	Current	Dec 31, 2024	5-yr avg.
S&P 500	19.0x	21.6x	20.0x
Mag 7	24.1x	30.2x	27.7x
S&P 493	17.9x	19.5x	18.6x

Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of October 1, 2026.

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Europe Equities

September was a weak month for European equities: the SX5E fell 3.2% versus a 0.7% decline in the S&P 500. The main drags were Brent rising from ~ $ 90 to above $ 105, alongside higher global yields. Within the SX5E, only two sectors finished in positive territory: Technology (following a recent pullback) and Energy (supported by strong energy prices). Consumer Discretionary was the worst-performing sector, pressured by higher oil prices; as a reminder, we downgraded the Luxury sector in August.

The rise in global yields is also showing up in valuations. The European market now trades at 14.8x, down from 15.2x at the end of August, and from just above 16x when we downgraded Europe to Neutral at the end of January. We saw modest downgrades to 2026 earnings revisions during September, driven almost entirely by the autos sector. While we increased our earnings expectations last month and now forecast 14-15% earnings growth in 2026, we remain below consensus, which had been closer to 20%—a level that looked too high to us. The market is now pricing just over 17% earnings growth in 2026. We continue to expect 14–15% earnings growth in 2026, followed by high single-digit growth in 2027 and 2028. We are keeping our valuation multiple unchanged and still believe the SX5E can trade at 15.5x by mid-2027. Global yields remain the key variable to watch; stabilisation in the rates market will be important to put a floor under valuations.

We are keeping our mid-2027 target range unchanged at €6,700–6,900. Our bull case remains €7,700–7,900, assuming double-digit earnings growth in all three years. Our bear case is €4,600–4,800, assuming a mild earnings recession.

Where to invest now?

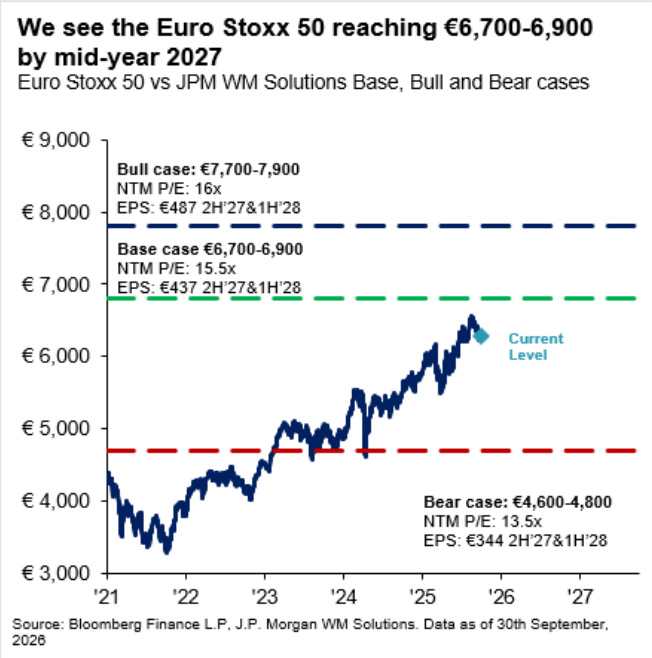
Industrials (still preferred): The AI infrastructure capex cycle continues, with US hyperscalers increasing spend—supporting European names with exposure to data centres and electrification. Aerospace is benefiting from a strong aftermarket. Beyond AI infrastructure and aerospace, we continue to see a multi-year defense investment cycle, supporting selected European defense companies.

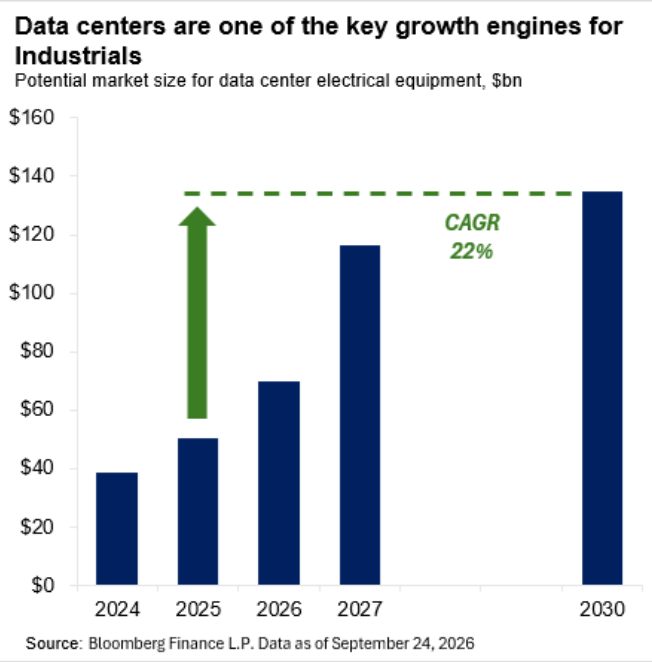
Semis (still preferred): Semis had a strong September, and we continue to recommend the sector despite the strong performance. We favour demand-driven beneficiaries and equipment companies expanding capacity over the coming years.

Banks (still preferred; upgraded in July): Loan momentum remains solid, and rising Euribor is supportive for earnings. We see both structural and cyclical tailwinds, with the sector trading at ~10.4x NTM earnings.

What we're watching: We continue to monitor developments in Eastern Europe and the Middle East, the trajectory of oil and natural gas prices, the sustainability of AI infrastructure spending and memory pricing trends, as well as the upcoming French presidential election cycle

Our view: MY '27: €6,700-6,900





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Asia Equities

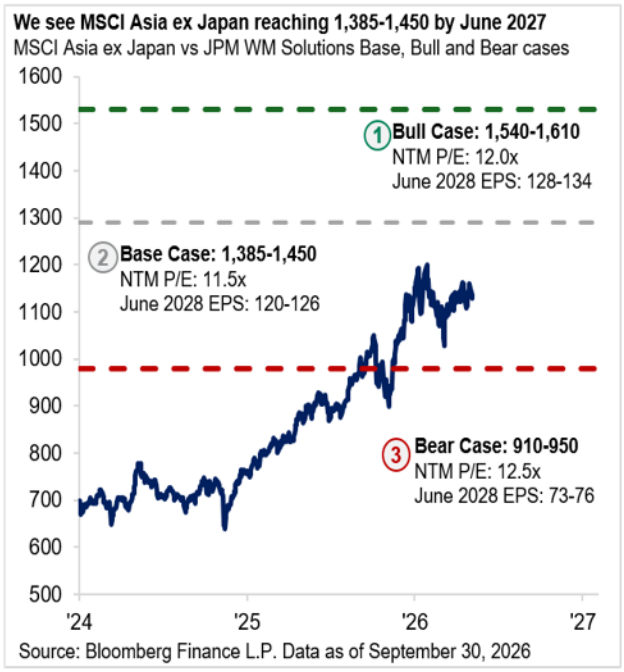
Much of the trends in August such as higher oil prices due to the unresolved US/Iran conflict, and the continued rise in US treasury yields have begun to sour sentiment in the more economically sensitive economies and sectors across Asia. India is particularly vulnerable to this negative mix of both higher energy prices and a weaker currency. Unsurprisingly, India was amongst the worst performing markets during September and we reiterate our neutral stance. In the face of these macro headwinds, strength continues to be found in the AI infrastructure theme. While there have been several negative headlines such as frontier AI labs considering a slowdown in model development due to safety issues, AI adoption and demand continues to grow. All signs continue to point to a shortage in compute, strength in frontier US AI lab revenue growth, and likely upside to consensus AI capex estimates. We reiterate our positive view towards both Taiwan and South Korea This month, we increase our June 2027 MSCI Korea target by 8-9% to 3,500-3,560, as we revise our 2026/2027 earnings higher by 20-22%/32-34%. Consequently, we also raise our MSCI Asia ex. Japan target up by 9-10% to 1,385-1,455. Valuation remains compelling at 10x forward P/E for an estimated 74-76%/22-24% earnings growth in 2026/2027.

Chinese economic data continues to underwhelm. With MSCI China particularly exposed to the consumer discretionary sector, it was unsurprisingly amongst the worst performing indices during the month. While Chinese exports have been a bright spot, rising risks of additional trade barriers are emerging. We see earnings downside risk for Onshore China, reduce our June 2027 CSI300 outlook to 4,430-4,470, and lower our rating for Onshore China to neutral. We are now neutral both Onshore and Offshore China and highlight that valuation remains high relative to MSCI Asia ex. Japan. The BOJ threaded the needle with a dovish rate hike at their September meeting that was net positive for Japanese equities. While earnings growth in Japan at 20-22%/10-12% in 2026/2027 is above historical average levels, a protracted period of higher oil prices and rising rates could start turning into a cyclical headwind that weighs on non-AI exports. With just moderate upside to our TOPIX target, we retain our neutral view towards the broad market. Select opportunities in industrials, technology, and banks remains preferred.

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

Our view: MY '27: MSCI AxJ: June 2027: 1,385-1,455 Topix: June 2027: 4,300-4,400 MSCI Taiwan: June 2027 2,430-2,520 MSCI Korea: June 2027: 3,400-3,550 MSCI China: June 2027: 77-81 CSI 300: June 2027: 4,430-4,470 MSCI India: June 2027: 3,350-3,450 MSCI ASEAN: June 20





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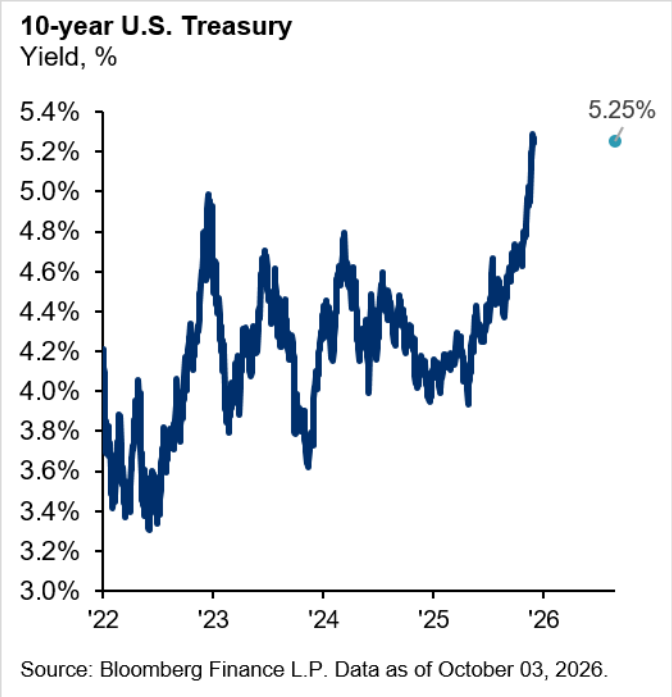
RATES VIEWS

U.S. Rates

US yields rose across the curve in September, with 10-year Treasuries up around 50 basis points, and underperforming global bonds modestly. A hawkish September FOMC, upside surprises to growth and a very weak 5-year bond auction drove the increase. While most of the rise was relatively orderly, volatility, illiquidity and risk premia rose in the final week, and the yield curve steepened. At this point we think yields are approaching a local stabilizing point and we think it's a good time to add to fixed income across the curve, with a focus on income, and diversification, but also seeing good risk-reward in the near-term, too. We still don't see a Fed hike in October but now pencil in 75bp of hikes overall (50bp more), but stress that there is two-way risk.

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

Our view: MY '27: FFR: 4.38. 30Yr: 5.50%; 10Yr. 5.25%; 5Yr. 5.05%; 2Yr. 5.00%;



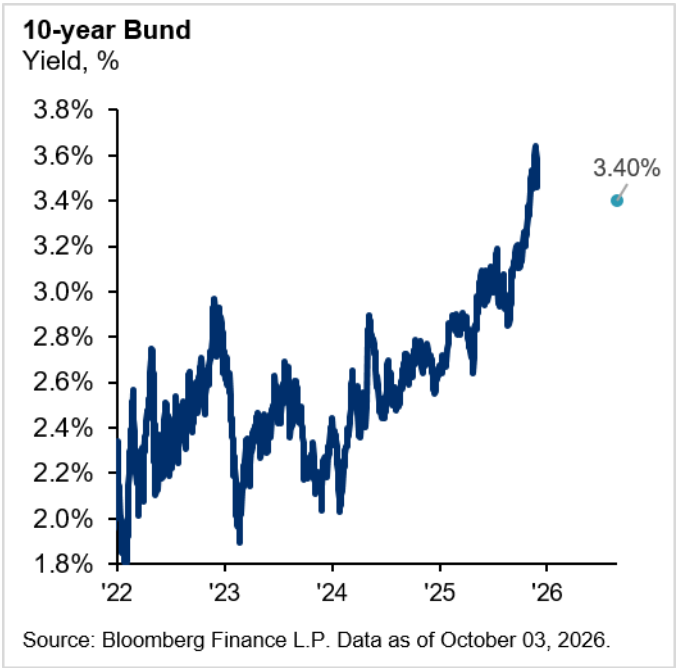
Europe Rates

The ECB delivered another 25bp hike in September and reiterated a data-dependent, meeting-by-meeting reaction function. With the Middle East conflict proving more protracted than initially expected – and energy prices remaining a key upside risk – the Governing Council has been clear it will tighten further if inflation persistence re-emerges via indirect or second-round effects. We think additional action will be needed and now expect two more hikes: one likely in December and a second in Q1 2027, consistent with their quarterly hiking cadence. In parallel, we have revised our Bund yield forecasts higher to reflect the higher-for-longer energy backdrop and other upward pressures on global rates.

In the UK, the BoE left rates unchanged in September but leaned hawkish, emphasizing ongoing inflation risks linked to energy and the conflict. Our base case is now two hikes – one in November and one in early 2027. We have also raised our Gilt yield forecasts in line with our global outlook.

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

Our view: MY '27: ECB Deposit Rate: 3.00%, 5Y Bund: 3.20%, 10Y Bund: 3.40%; BoE Bank Rate: 4.25%, 10Y Gilt: 5.30%



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CREDIT VIEWS

U.S. Credit

Munis: The municipal bond market experienced a volatile quarter with the 2y, 5y, 10y & 30y segments of the curve cheaper by 122-119-124-112 basis points (bps) respectively. The broad municipal bond index (Ticker: LMBITR) returned -6.35% on for the quarter and -4.36% on the month. September was the second biggest underperforming September since September 2008, during the financial crisis, when the index logged in -4.69%. The bankruptcy filing of Brightline, the high speed train in Florida added additional fuel to the volatility as negative media attention likely triggered incrementally more outflows from the high yield municipal funds that owned the debt. In order to meet these cash redemptions, these funds then sold their higher quality paper. Other than recent outflows, year-to-date fund flows remain a bright spot in the market. YTD inflows continue to track towards their third-highest level on record for the comparable period, trailing 2021 ($83.6bn) and 2019 ($69.7bn). YTD Long Term (10yr+) funds have received the lion share of flows, taking in $39.3bn or 57%, followed by Intermediate (5-10yr) with $18.6bn (27%). Short / Intermediate (3-5) and Short (1-3yr) each taking in ~$5bn respectively (8%). On October 1st market participants received $27 billion of coupon and maturities. If this capital is reinvested, the market could settle here and the volatility could ease in October. All that said, we are positive of municipal credit at these levels.

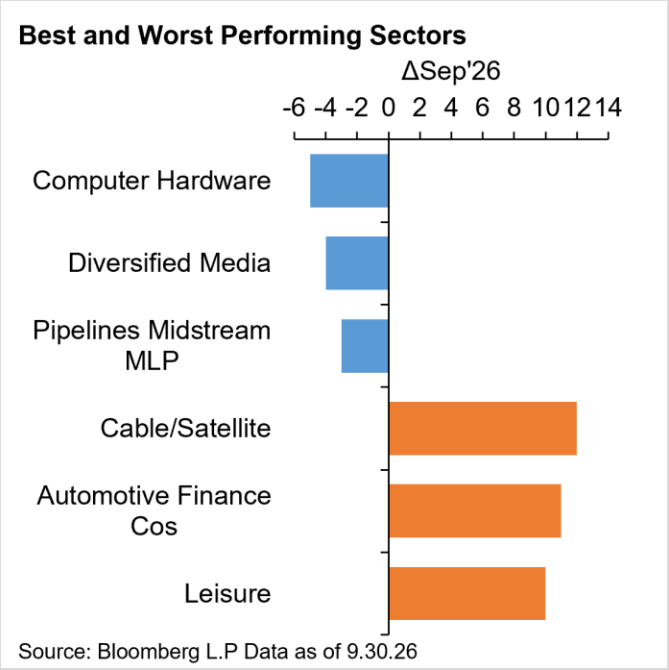
IG: Investment grade credit navigated a difficult rates environment relatively well over the past month. Long-end Treasury yields moved sharply higher, with the 10-year Treasury rising more than 50 bps during September, driving negative total returns across fixed income markets. Despite this backdrop and another month of heavy issuance, IG spreads were largely unchanged, widening only modestly to roughly 92 bps and remaining near historically tight levels. Corporate balance sheets remain healthy and leverage trends are stable. Importantly, the combination of higher Treasury yields, and slightly wider spreads have pushed all-in IG yields above 6%, among the most attractive levels available in high-quality fixed income in the post GFC period. We remain constructive on investment grade credit and would use periods of volatility as opportunities to selectively add exposure. Our preference remains the front-to-intermediate portion of the curve.

HY: High yield spreads remained near historic tights, supported by healthy corporate fundamentals, a still-benign default environment, and strong demand for income. Amid persistent tensions in the Middle East and more hawkish commentary from the Fed, risk-off sentiment appeared to permeate markets, causing spreads to widen 40 bps to 338 bps in the latter half of the month. High yield's higher carry and shorter duration have provided a buffer against drawdowns—the index has returned 0.33% year to date, compared with Investment Grade, which is down 3.00%. We remain constructive on the asset class, as current all-in yields remain attractive and continue to provide a meaningful cushion against volatility.

Hybrids/Prefs: We remain positive on preferreds and hybrids. Banks are experiencing record fee-based revenue generation, healthy asset quality trends, and technicals for the asset class remain supportive. Hybrids offer attractive yield enhancement above traditional senior unsecured bonds, and BB like yields with relatively lower loss rates than high yield despite the subordination. We continue to find value in Energy hybrids, which offer similar yields as HY Energy with an investment grade fundamental profile. Preferreds have returned 1.2% year-to-date, while U.S. hybrids are flat, compared with CCC credit, which is down 1.9% year-to-date.

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

Our view: MY '27: US IG (Spread): 80-110 bps by MY'2027; US HY(Spread): 325-375 bps by MY'2027



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Europe Credit

European Investment Grade credit delivered negative returns in September, leaving year-to-date performance in negative territory across the curve, the 1–3 year segment alone excepted. The month's drag came predominantly from rates, with spreads joining in on the widening only towards month-end: Investment Grade closed 12bps wider, High Yield 43bps. European High Yield index returns, by contrast, are essentially flat year to date — a function of its higher carry and structurally shorter duration.

The German sovereign curve sold off by a further 20–30bps over the month of September, while French OATs saw upwards of 70bps of move, carrying the OAT–Bund spread to its historical wides of 120–150bps in the 5–10 year segment. In doing so, it established a genuine alternative to Investment Grade credit, which trades at <100bps to Bunds at the index level. So alongside the unresolved geopolitical situations in the Gulf and Ukraine, September saw idiosyncratic sovereign concerns reappear on the European side: the French curve repriced on looming budget negotiations and elections. And spillover began to register in Italian BTPs and along the Spanish sovereign curve: while neither country's fiscal deficit is currently projected to run as wide as France's, both rank among the five highest Debt-to-GDP ratios in the Eurozone and carry substantial annual refinancing requirements.

Euro-area economic activity, for its part, remains more resilient than feared through the energy shock. This is visible in real GDP growth and the upward revision of forward growth expectations, in expansionary manufacturing and services PMIs, and in robust corporate earnings accompanied by guidance revised higher.

Earnings momentum in Europe was indeed the standout. Investment Grade corporates' Q2'26 **EBITDA grew 17%** year on year and **EBITDA margins reached an all-time high of 21.3%**. Net Leverage held flat at approximately 3x, while Interest Coverage improved to 11.5x. **European Banks turned in strong results of their own:** Net Interest Income rose further on a higher-for-longer rate backdrop, and healthy gains in Fees & Commissions Income point to a durable shift towards less capital-intensive Revenues. Cost/Income ratios kept trending lower, and banks registered meaningful PBT growth and higher RoTEs. Banking sector fundamentals, strategically strengthened over recent years, remained robust: CET1 buffers to requirements stand at no less than 200bps, loan books show no signs of deterioration with Cost of Risk predominantly below 50bps, and NPL ratios sit below 2%.

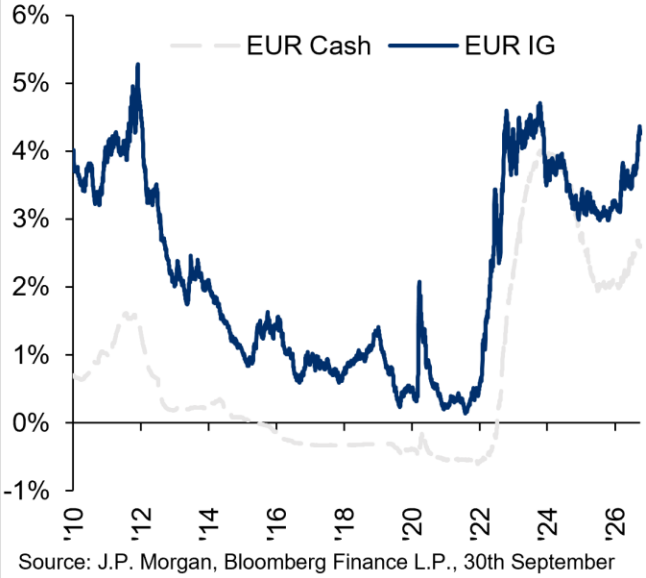
10Y Bunds now yield 55bps more than their 2023 highs. European Investment Grade credit accordingly offers yields close to those seen only fleetingly across 2022–23 and not since the Global Financial Crisis.

This month, therefore, **we lean into EUR Investment Grade to lock in that carry, high relative to history**. **IG yields range from 3.9%** at the three-year point of the curve to **4.7%** at ten year, with the index currently offering 4.25% — sufficient to absorb 100bps of move in rates and/or spreads before 12-month returns would turn negative from here. We do not envisage a move of that order; indeed, we expect credit spreads across both European Investment Grade and High Yield to stabilise and remain anchored by healthy underlying corporate fundamentals. In the meantime, the combination of higher rates and modestly wider spreads affords an opportunity to lock in yields in the 94th percentile since the Global Financial Crisis.

What we're watching: Senior IG European Upstream, Junior Subordinated Banks, Corporate Hybrids, Corporate BB-s

Our view: MY '27: EUR IG (Spread): 75-105 bps by YE'2027; EUR HY (Spread): 260-310 bps by YE'2027

EUR Investment Grade yields: currently at the 94th percentile since GFC



Source: J.P. Morgan, Bloomberg Finance L.P., 30th September

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EM Credit

Even against a backdrop of rising volatility, we think EM debt remains an attractive—and relatively defensive—way to take credit risk, offering higher all-in yields (7.2% for Sovereigns and 6.9% for Corporates) and better carry than most DM credit alternatives. September was ultimately dominated by the global rates impulse: U.S. Treasuries sold off sharply across the curve by ~55bps, overwhelming spread moves and driving negative total returns. EM sovereign spreads tightened -10bps over the month, while EM corporate spreads widened +13bps. Total returns reflected the duration headwind: Sovereigns -3.3% and Corporates -2.0%. EM HY remains our preferred way to express exposure, but September was a reminder that even with supportive fundamentals and carry, the path of U.S. rates can dominate near-term outcomes. We do expect rates to stabilize, and for clients to start earning +0.6% in monthly carry. Further, at these level of rates, forward looking returns are starting to resemble equity like returns in EM Fixed Income.

September was another reminder that the geopolitical backdrop remains unresolved - amid ongoing U.S.-Iran disagreement - and with U.S. rates breaking through 5%, the pressure on risk assets continues to build. In the face of that, the message from EM debt was clear: it can live with a noisy headline tape and a tighter global financial-conditions impulse. Geopolitics drove episodic volatility and risk sentiment wobbles, but it did not translate into a sustained deterioration in EM risk premia; buyers remain ready to re-engage on weakness and carry did much of the heavy lifting. China remains the main macro weak link, but EM ex-China growth has been firm enough to absorb periodic shocks. That backdrop leaves us constructive, with an emphasis on being paid for risk rather than chasing beta.

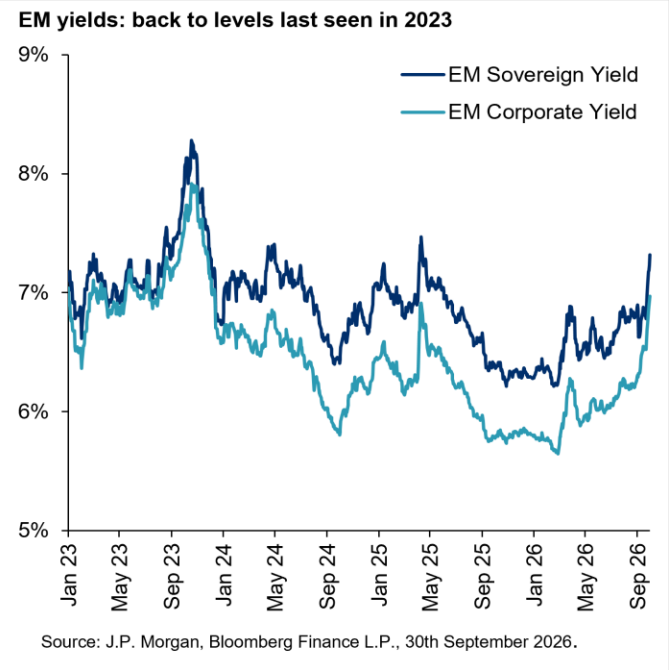
Earnings remain the anchor for the EM credit story, and September didn't do much to change that. The market continues to differentiate between issuers where earnings are translating into cash generation and balance-sheet strength versus those where growth is more optical, which is why the fundamental bid has held up better than the macro noise might suggest. The earnings impulse is still being led by cyclicals tied to the real economy—industrials and commodity-linked credits in particular—while banks have stayed steady, and balance sheets broadly reflect that resilience (net leverage still around ~1.1x for IG and ~2.7x for HY). EM ex-China demand has been firm enough to keep the earnings-to-cash conversion intact. Practically, that keeps the focus on issuers where EBITDA strength is clearly converting into free cash flow and improving leverage - i.e., fundamentals doing the work while rates and headlines create the entry points.

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

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

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

Our view: MY '27: EMBI (Spread): 155-205 bps by MY'2027; CEMBI (Spread): 140-190 bps by MY'2027



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Asia Credit

Asia credit sold off in September as the global rates repricing outweighed the market's positive fundamentals. Despite shorter duration, a larger buy-and-hold investor base, and limited supply, Asia credit was not immune from the global rates sell-off, with Asia IG down -1.69% and Asia HY down -1.36%. YTD returns now stand at -1.49% for Asia IG and +3.87% for Asia HY. While performance was weak, the move has improved the entry point: Asia IG yields are now approaching 6%, while Asia HY yields are around 7.8%, making Asia credit—and fixed income more broadly—an increasingly attractive option for investors.

Asia IG remains a defensive carry allocation, supported by shorter duration versus US IG, a high-quality quasi-sovereign issuer base, and resilient fundamentals. While spreads remain tight, this month's rates-driven repricing has made Asia IG more attractive from an all-in yield perspective. We highlight Japan lifer hybrids as an attractive pocket of value, with yields now reaching around 6.5% for A-rated names after a 3–4pt pullback. We remain mindful of higher JGB yield risk, which can pressure lifers' bond portfolios through unrealized losses, although stronger equity markets may help offset part of the impact. Overall, we believe the sector now offers more compelling carry for high-quality credit risk.

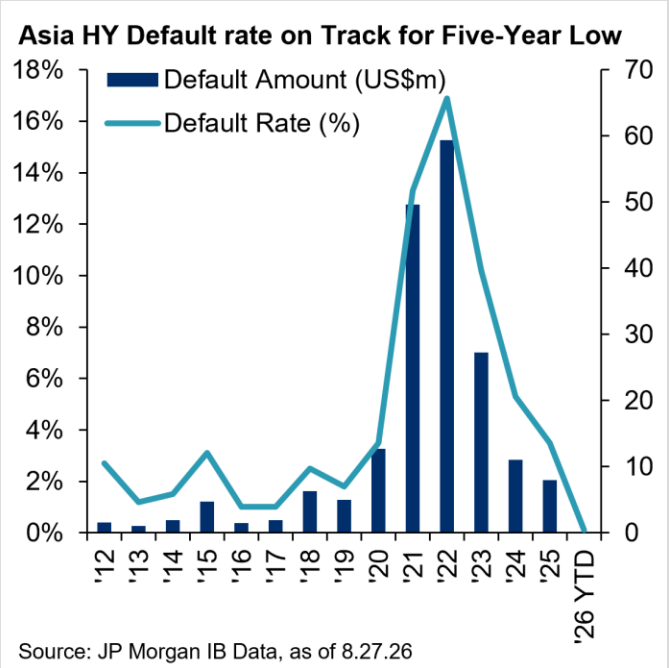
Asia HY remains the more compelling opportunity set. The market is higher quality after the China property default cycle, with the universe shrinking from roughly $250bn to below $120bn. Defaults are near zero YTD, yields remain attractive at around 7.8%, and technicals are supported by limited supply, coupon reinvestment, and renewed EM debt inflows. Spreads have tightened to around 270bps, so the easy money has likely been made, but structural improvement supports a tighter range than the old 350bps-plus “fair value" level. Within Asia HY, we like opportunities in Macau gaming, India metals and mining, and Japan AI-related credits. China property fundamentals remain weak, although policy support is moving in the right direction after the government unveiled a new mortgage subsidy policy, the first nationwide housing-market support measure since September 2024. The near-term impact is likely to be mild, and with China property now only around 7% of Asia HY versus roughly 40% at the peak, we do not expect it to change the broader landscape for the sector.

Separately, we are increasingly constructive on AUD fixed income. The RBA delivered another rate hike in response to elevated inflation, but we believe emerging signs of weakness in the housing market could lead the RBA to become one of the first major central banks to cut rates. As a result, we are bullish on AUD bonds and Australian duration, with yields of 6–6.5% remaining attractive after the RBA hiking cycle.

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

Our view: MY '27: Asia IG Spread: 50–80bps by mid-2027. Asia HY Spread: 250–300ps by mid-2027

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



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FX VIEWS

U.S. Dollar

The dollar index rebounded strongly, reaching new year-to-date highs across many currency pairs. Upside surprises to US growth, a hawkish Fed, a worsening Middle East conflict, and negative positioning all contributed to the appreciation, while equity flows were driven by tech and AI outperformance. These developments now point to near-term upside risks to the dollar. But we leave our forecasts unchanged, as i) for the most part the dollar remains within the ranges we have projected and ii) we think the current move is maturing and we are at or close to places where we'd fade them, similar to how we see near-term prospects in US yields.

Overall, we continue to see the dollar peak in the near-term (in Q4 or H1 2027) and depreciation during 2027, linked to receding dollar supports from the Middle East conflict, and AI spending, while rest of world (RoW) risks may also recede.

We think diversification away from excessive US concentration therefore remains a prudent investment principle for building balanced medium-term exposure.

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

Our view: MY '27: 98 (96 - 100)



Euro

EURUSD has sold off materially over the past month, breaking out of its 1-year range below 1.13. Most of these dynamics have been dominated by the USD leg: strong US data and higher US yields, alongside geopolitical risk, supported broad dollar strength. However, the most recent leg lower was more EUR-centric, reflecting a repricing of Eurozone risk premia (most visible in EUR/CHF), with elevated volatility and positioning effects amplifying the move. From here, are inclined to add as EURUSD hits the lower end of our expected range. We think near-term downside is increasingly harder to extend as 1) positioning looks more stretched, 2) Fed pricing appears to close to peak hawkishness, and 3) geopolitical risks are more fully reflected. We therefore maintain a range-trading bias into year-end, with 1.12–1.16 as a reasonable working range, and would be inclined to add EUR exposure on dips toward the low end (including via put-selling strategies, where suitable). Longer term, USD weakening forces persist, but may be tempered by continued AI-related US capital inflows.

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

Our view: MY '27: 1.17 (1.15 - 1.19)



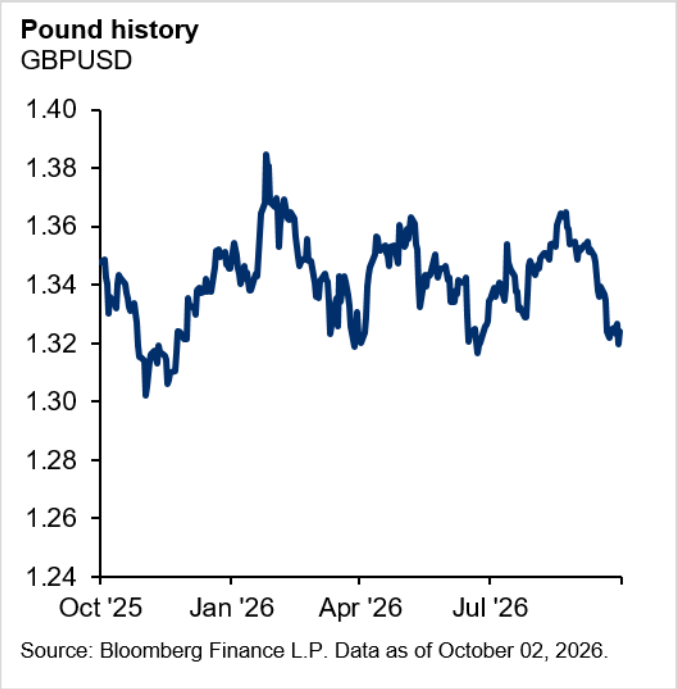
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British Pound

GBPUSD has fallen sharply over the past month, at times briefly breaking below 1.32, driven primarily by broad USD strength (firmer US data, higher US yields and continued conflict in Middle East, all supporting the dollar), rather than a clear deterioration in UK fundamentals. In fact, UK activity has been more resilient than many expected: recent GDP data surprised to the upside, even as the energy supply shock continue to pose downside threats. On the policy side, the BoE has turned more hawkish. While it held rates at the last meeting, the tone suggests the Committee is increasingly prepared to tighten later this year if energy-driven inflation pressures linger. Looking into October, the key domestic catalyst is the Autumn Budget. With limited concrete guidance so far, fiscal signaling is likely to be a focus for markets and could spark renewed volatility in UK rates and sterling. Our forecast remains unchanged at 1.35 by mid next year.

What we're watching: UK fiscal policy plans & Autumn Budget, institutional credibility, global risk sentiment, monetary policy.

Our view: MY '27: 1.35 (1.33 - 1.37)

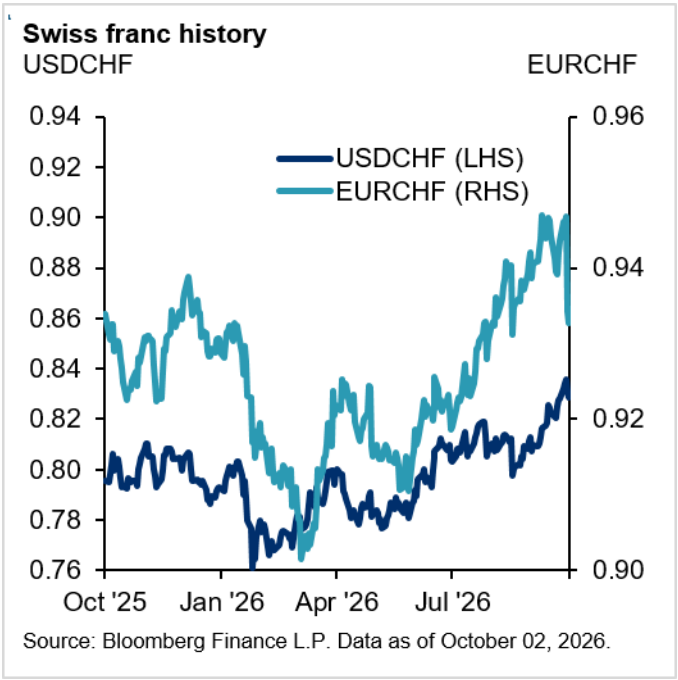


Swiss Franc

USDCHF traded higher over the past month, largely for the same broad USD-driven reasons that weighed on EURUSD and GBPUSD: firmer US data, higher US yields and elevated geopolitical risk supporting the dollar. That said, CHF's safe-haven characteristics remain intact and came back into focus during the recent Eurozone risk-premium repricing, when CHF rallied sharply – once again behaving as a bellwether for perceived Eurozone fragmentation risk. Our base case is that this episode does not escalate materially from here. From an allocation perspective, CHF remains our preferred funding currency in Europe. The SNB has held policy rates at 0% in their September meeting and, with inflation still benign (latest print at 1%), we see little urgency for the SNB to tighten in the foreseeable future. This keeps CHF rates structurally low and supports CHF-funded strategies as a high-conviction theme in our framework. Reflecting the stronger USD backdrop, we have nudged our USDCHF forecast slightly higher to 0.81.

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

Our view: MY '27: USDCHF: 0.81 (0.79-0.83) EURCHF: 0.95 (0.93-0.97)



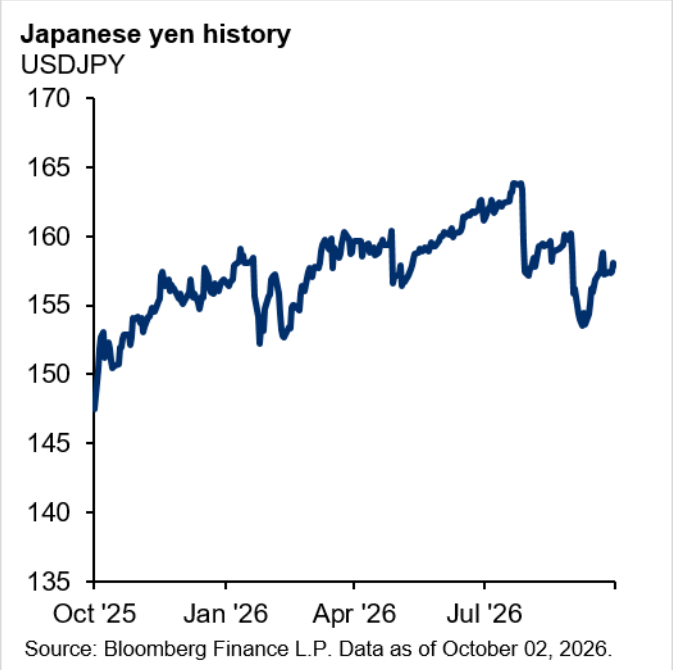
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Japanese Yen

USDJPY briefly dipped into the 153s before rebounding to its familiar 156-160 range in September. The Bank of Japan delivered another rate hike, just three months after the previous move, effectively doubling the pace of tightening seen over the past two years. This is consistent with our view that the BOJ needs to accelerate tightening meaningfully to narrow short-end rate differentials and help stabilize the yen. Early-month yen strength was driven in part by repatriation flows from Japanese institutional investors. Higher domestic yields and growing pressure from policymakers are improving incentives for large foreign asset holders, including pension funds, insurers, and corporates, to rebalance toward domestic assets. We continue to view deeply negative carry and fiscal overhang as the key drivers of yen weakness. Costly energy subsidies, higher defense spending, and planned tax cuts are adding to concerns about Japan's already stretched public finances. Repeated FX intervention and signs of institutional repatriation reinforce our view that authorities can defend the 160 "line in the sand." However, durable yen stabilization ultimately requires higher policy rates. We continue to expect quarterly BOJ hikes, with a terminal rate around 2%.

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

Our view: MY '27: 158 (156 - 160)

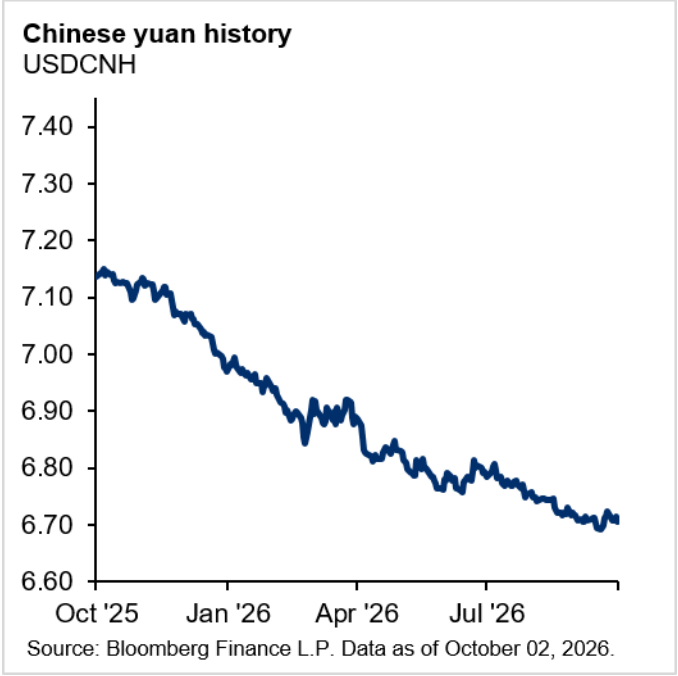


Chinese Yuan

USDCNH hovered around the 6.70 level in September, with volatility continuing to decline. We are turning neutral on the yuan as it reaches our outlook range. While we maintained a bullish view for much of this year, we now believe the appreciation cycle is nearing maturity. Policy divergence has widened. While the Federal Reserve and most major central banks ramp up tightening, the PBOC remains in easing mode, resulting in a more negative carry backdrop for the yuan. At the same time, exceptionally strong export growth is likely to moderate amid unfavorable base effects and a potential pickup in broader trade frictions. The PBOC has also stepped up its pushback against one-sided appreciation. Widening rate differentials have pushed the 2-year USDCNH forward below 6.30, among the lowest levels since the 2015 renminbi reform, improving the risk-reward for long USDCNH positions. For investors with CNH assets, revenues, or future conversion needs, current forward levels offer an attractive opportunity to lock in favorable exchange rates. Risk-reward profile of CNH as a funding currency also improves with low FX volatility and attractive funding costs.

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

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



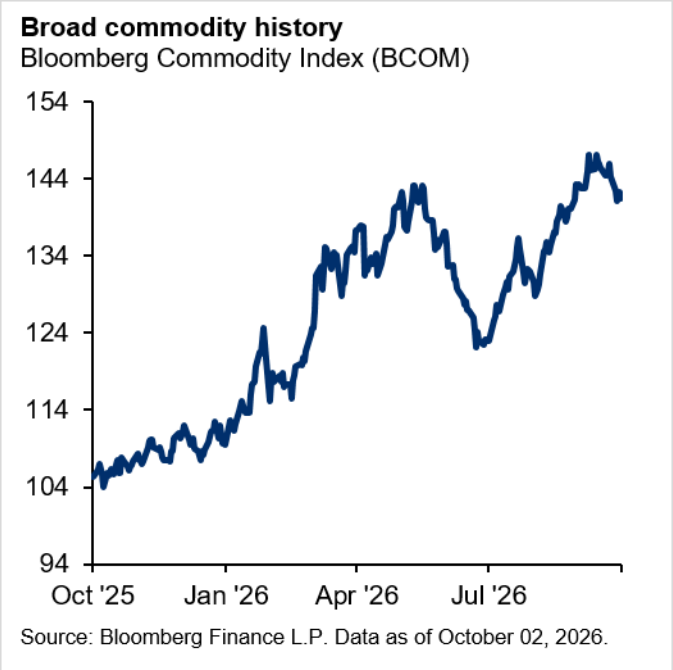
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G10 Commodity FX

The commodity bloc retraced in September on riskoff sentiment and broad USD strength. While the medium-term outlook for AUD remains supported, we would look to re-enter long positions on a pullback. **CAD**: Turned neutral from bearish after the recent decline. Near-term pressures remain, reflecting the negative impact of trade negotiations with the U.S., a lukewarm growth outlook, and relatively low carry. That said, terms of trade, potential repatriation flows, and a benign fiscal backdrop should provide medium-term support. **AUD:**Neutral. We expect the RBA to turn relatively dovish following its September hike, given the ongoing housing downturn and policy rates now above their 2023 peak. That said, AUD remains an attractive destination for USD diversification, supported by favorable carry and a solid fiscal backdrop. **NZD:** Bullish. NZD has lagged due to weak domestic economic conditions but has scope to catch up, especially as RBNZ embarks on a relatively steep tightening path next 6-12m.

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

Our view: MY '27: CAD*: 1.39 (1.37-1.41) AUD: 0.70 (0.68-0.72) NZD*: 0.59 (0.57–0.61)

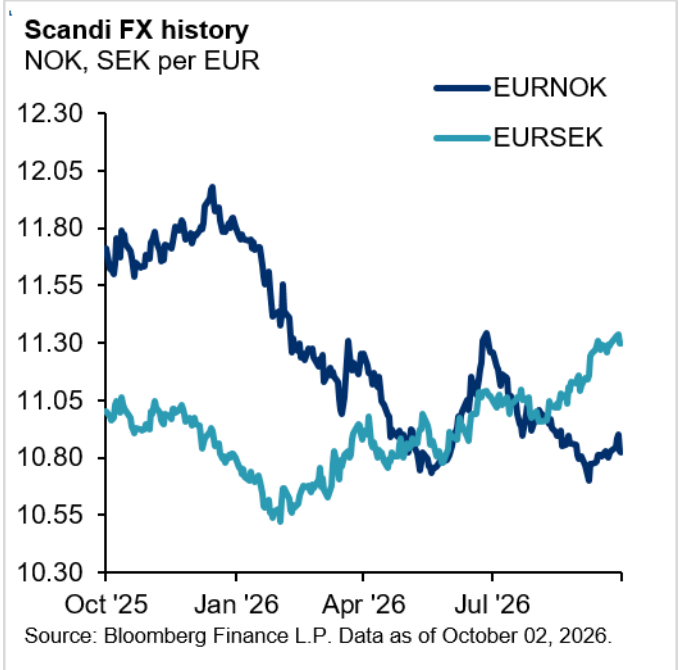


Scandi FX

Over the past month, NOK and SEK were among the weakest performers in G10. Importantly, NOKSEK itself has been relatively steady, and we do not expect a material break from here. Structurally, the cross continues to be driven by (1) energy terms-of-trade and (2) rate differentials. Norway's status as a large net energy exporter means higher oil and European gas prices tend to support NOK, while Sweden lacks that commodity tailwind. This is evident year-to-date: NOK is up 14% versus SEK, a notable move that has been reinforced by the energy shock. Carry has also favoured NOK. Norges Bank has already hiked twice this year from a higher starting point, while the Riksbank has stayed on hold, leaving NOK as one of the high-yielders in G10 versus SEK among the low-yielders. Against this backdrop, we still see NOKSEK holding above parity, with limited near-term directionality beyond energy and risk sentiment.

What we're watching: European and domestic growth, commodity prices, rate differentials, global risk sentiment and FX volatility.

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



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Emerging Market FX

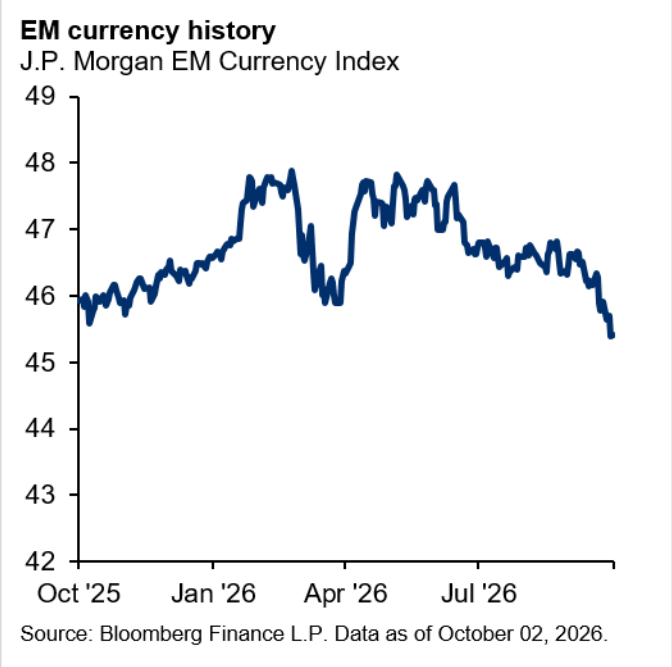
The bloc outperformed in August. We expect increasing divergence in carry dynamics, alongside rising idiosyncratic political risks.

Latam: We are bullish on this bloc given carry advantage. **BRL**: Higher oil prices support both the fiscal and current account balances, while real rates remain among the highest in the region. MXN: Bullish. Despite of trade negotiation uncertainties, a robust balance of payments and growth outlook should provide support. **EMEA:** We are neutral on this part of the complex. **ILS**: Bullish. Outlook turning more constructive on high gearing to AI/tech and defense sectors.

Asia: This bloc see high sensitivity to capital flows. **INR**: Neutral as capital outflow pressure may have peaked. **TWD:** Neutral. Capital inflows stay robust but carry remains disadvantaged. **KRW**: Bullish on AI-related equity inflow potential and strong exporter conversion. **SGD:** Bullish. Supported by safe-haven inflows and expectations of meaningful MAS tightening.

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

Our view: MY '27: BRL*: 5.15 (4.95 – 5.35) MXN*: 17.30 (17.10–17.50) ILS*: 2.75 (2.65-2.85) INR*: 97.00 (95.00-99.00) TWD*: 30.90 (28.90–32.90) KRW*: 1,310 (1,290-1,330) SGD: 1.26 (1.24–1.28)



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COMMODITY VIEWS

BCOM Index

September saw momentum stall where positioning was most crowded, with precious metals yet to regain traction.

Energy. Crude rallied through triple digits before hitting a positioning ceiling rather than a fundamental one. Brent settled at USD $102/bbl on 2 October, with CTAs at maximum long across crude and products. Partial Saudi pipeline restarts and tentative Hormuz headlines added pressure. Products diverged: US diesel above USD $6.50/gal, up 83% YTD, signals a physical market yet to normalize. TTF fell 8.5% w/w to EUR 73.25/MWh on warmth not yet visible in storage, with EU27 inventories at 69.9%.

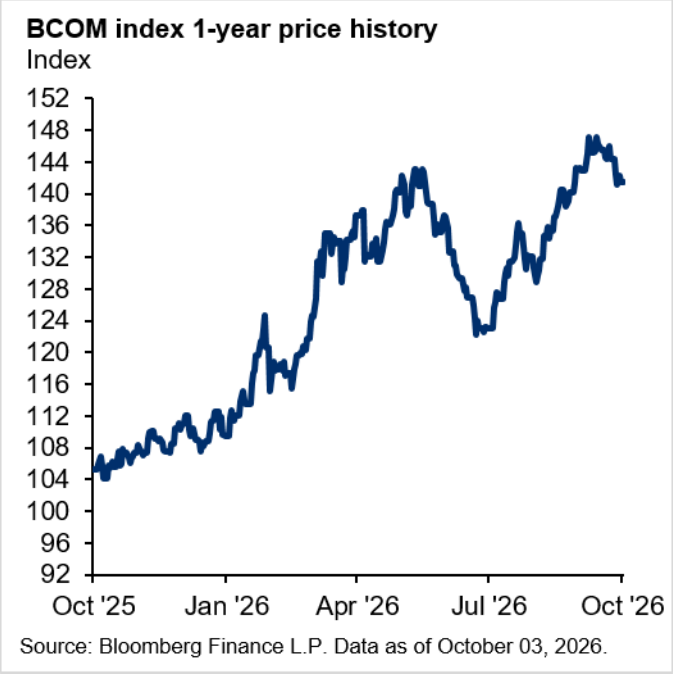
Industrial metals. Copper held USD 14,000/t, then recovered to just shy of record highs despite a firmer USD; the nearby backwardation doubled to USD 49/t.

Precious metals. Gold remains under pressure at USD 4,137/oz, weighed by rate-hike expectations, though inflows resumed and China YTD imports hit 1,142t. Target USD 5,000/oz.

Agriculture. Grains firmed, softs weakened; crowded positions keeps our bias lower.

What we're watching: The path of the Iran conflict.

Our view: MY '27: 130-136

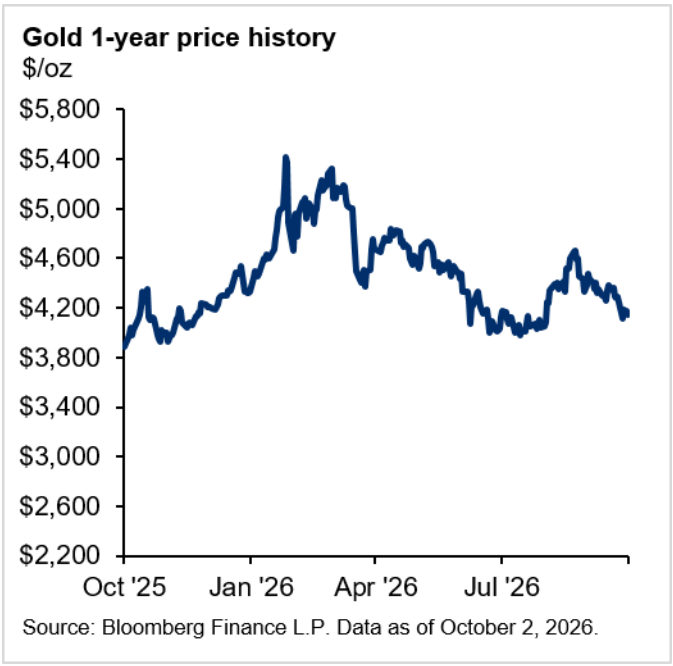


Gold

Gold retraced in September, pressured by a sharp rise in real yields. While central bank buying remained robust, 10-year U.S. real yields rose by 50bp during the month to 2.9%, surpassing the 2023 peak of roughly 2.5% and creating near-term headwinds for gold prices. We remain bullish on gold over the medium term and expect its safe-haven characteristics to re-emerge as market narratives shift from inflation risks toward growth/debasement concerns. Our outlook into 2027 implies an attractive average 12-month return profile under the "new regime", anchored by sustained central-bank purchases, albeit without meaningful tailwinds from rates, the USD, or a resurgence in retail participation. Our medium-term constructive view is unchanged, underpinned by reserve-manager demand, rising global fragmentation, and long-term debasement risks. That said, we have moderated our upside ranges to reflect a higher-for-longer interest rate environment. Crucially, we do not view gold as a tactical trade, but as a strategic portfolio allocation with clear diversification benefits. Our analysis of asset-class returns over the past two decades suggests that a 5% allocation to gold in a balanced portfolio can effectively improve the overall Sharpe ratio, enhancing risk-adjusted returns.

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

Our view: MY '27: $4,850 – $5,150



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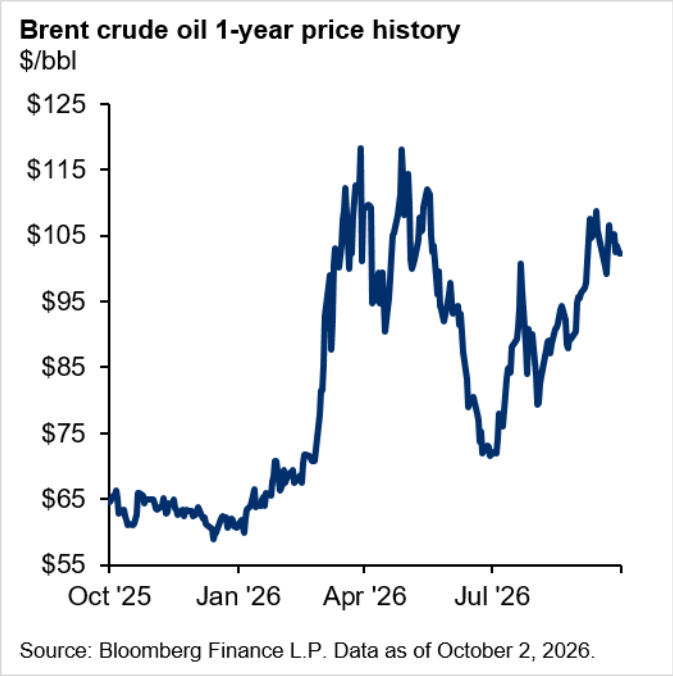
Crude Oil

Oil markets spent September caught between a softening headline futures price and a physical market that kept tightening. Brent briefly pushed toward $110/bbl after the September 10 attacks on Saudi energy infrastructure before easing to roughly $104/bbl, yet the physical signal told a different story: Dated Brent reached almost $127/bbl, lifting the premium over front-month Brent above $20/bbl from just $3.5/bbl in August. Supply-side damage did the work. The closure of Saudi Arabia's 7 mb/d East-West pipeline may take up to eight weeks to repair, Russian refinery outages remain near 4.6 mb/d, and global refinery runs are tracking about 78 mb/d — roughly 8 mb/d below year-ago levels. Product exports fell across the barrel while US crude stocks including the SPR dropped to their lowest since 1984, leaving almost no buffer against a further shock.

Looking forward, we expect these disruptions to prove temporary rather than structural, with non-OPEC supply growth and moderating demand restoring balance. Our forecast ranges remain WTI $72–78 and Brent $78–83, though prompt-market scarcity keeps upside spike risk elevated near term.

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

Our view: MY '27: WTI: $72-$78 Brent: $78-$83



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ALTERNATIVES VIEWS

Private Credit

(As of September 2026) We guide to a structural allocation to private credit within a diversified private markets portfolio. The question in today's environment is why we still hold that view, and whether private credit can climb the wall of worry. **Why do we still believe in a strategic allocation to private credit?** Four pillars underpin the case. First, an alternative source of income: corporate direct lending, asset-backed finance and secondaries give portfolios multiple income engines beyond public fixed income, with opportunistic and distressed strategies layering in capital appreciation. Second, resilient income in a higher-inflation regime—direct lending is floating-rate, so coupons reset higher as base rates rise (based on our Long Term Capital Market Assumptions (LTCMAs), direct lending is projected to carry a 0.15 correlation to US inflation). Third, structural credit protection: senior-secured first-lien positions with maintenance covenants, LTVs and tight lender groups enable faster workouts and higher recoveries than high yield. Fourth, excess return versus public extended credit, which has held historically as direct lending (for example) has outperformed higher yield over the past 10 years. **What about the impact of higher rates?** "Higher for longer" cuts both ways. Higher base rates reset coupons higher; the flip side is pressure on borrower fundamentals. In our view, the asset class has repriced year to date (~100bps of spread/OID widening) to better compensate for that risk, so the question is less whether higher rates hurt and more whether investors are being paid for it. We think they are. **Loan fundamentals have held up through 2026 at the aggregate level**, with EBITDA growth, leverage and interest coverage all resilient. Pockets of stress exist, but we view them as isolated rather than systemic. The real watch item is the maturity wall building in earnest in '28/'29/'30, where refinancing at higher rates could bite—particularly in software, where AI-disruption scrutiny is elevated. **Private credit defaults sit at ~2.5% and have been rangebound.** Stress is concentrated in three places: smaller businesses (sub-$25M EBITDA borrowers clocking low-teens default rates), micro-cycles in secular industries (8.8% of KBRA Direct Lending Index meets criteria for default risk radar, pockets of stress bubbling up in software, HC, consumer), and lower-rated credit (using BSL as a proxy, CCC LTM defaults were >7% vs. single-B <1%). Importantly, Cliffwater's unrealized-loss data shows trailing 4Q unrealized losses at -1.6% as of 2Q26—elevated versus 2024/2025, but not near broad-stress levels. Software markdowns tied to AI disruption drove nearly two-thirds of 1Q26 markdowns, which is isolated vs. systemic in our view. Trailing 4Q realised losses were just 47bps, the lowest in thirteen quarters. **Playing out an elevated default scenario:** yields in direct lending today are ~10%. Assume a 5% default rate and 50% recovery, and credit losses run ~2.5%, leaving a loss-adjusted yield near 7.5%—still ~120bps above high yield. Note: this does not include mark to market risk. **What does this mean for private credit portfolios today?** Outcomes will be manager-specific. The best managers negotiate higher recovery rates and sidestep the sectors driving stress. Index-level numbers tell you where the water line sits; manager selection determines whether you are above or brelow it. **We would also diversify beyond corporate direct lending, where three complements stand out. Opportunistic and distressed** strategies offer counter-cyclical exposure to emerging micro-cycles. **Asset-backed finance** has the potential to diversify the collateral pool away from corporate-linked cash flows, de-risks via self-amortizing structures and shorter duration, and delivers genuine correlation benefits versus corporate direct lending, public fixed income and public equities. **Secondaries look compelling:** H1 2026 volume hit $20bn, already matching full-year 2025 and up 2.2x year on year. Activity is predominantly GP-led, driven in part by redemption pressure forcing high-quality first-lien paper into the market. Given this, discounts have widened to the mid-90s in some cases, offering a compelling entry point, a reduced J-curve and visibility into what is already in the portfolio.

What we're watching: Default and non-accrual trajectories, PIK usage, dividend coverage, AI disruption impact, yields vs. public markets, and whether redemptions shift from sentiment- to credit-driven

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Private Infrastructure

(As of September 2026) **Core infrastructure offers two critical characteristics portfolios value right now.** Core infrastructure can play a dual role in portfolios: delivering stable, contractual, inflation-resilient cash flows while also providing less-volatile exposure to multi-year secular trends. Since 2Q08, core infrastructure has generated annualized high-single- to low-double-digit returns across varied inflation regimes, and it has meaningfully outperformed CRE over the past three years. In a world of elevated inflation volatility and concentrated public equity markets, those attributes increasingly look like portfolio essentials, not optional features. **Power is a defining theme, but sub-sector selectivity matters.** After two decades of near-zero growth, estimates indicate that US power demand will grow ~2.5% CAGR through 2030, driven by industrial reshoring, data centers, and electrification. Indeed, given the amount of demand and lack of supply, a US power deficit is plausible by 2029. The opportunity set is broad, but entry points and risk profiles vary meaningfully by sub-sector. Transmission and grid stand out as the cleanest expression: a multi-hundred-billion-dollar capex gap utility balance sheets cannot fund alone, paired with long-duration, regulated cash flows. Natural gas midstream and LNG are well-positioned as US gas supply doubles over the next five years and exports rise, where we would emphasize take-or-pay contracted assets. In power generation, we prefer low-cost, dispatchable brownfield assets with operating history. We remain cautious on scarcity-priced gas-generation valuations, nuclear given long lead times, speculative data-center development without contracted tenants, and unsubsidized renewables in a shifting policy environment. **Resilient infrastructure is now a matter of national security.** Securing reliable energy, both for essential services and to power AI, has become a national-security priority. NATO's defense-spending guidelines include a 1.5% of GDP target for resilient infrastructure, and the tailwind extends beyond power to ports, roads, rails, bridges, and telecom. The implication is twofold: investment is supported by long-term secular forces, and global diversification matters because asset exposures differ meaningfully by region. **Digital infrastructure is nuanced, not all datacenters are created equal.** In datacenters, we prefer experienced operators of existing platforms building at reasonable multiples with contracted tenants. We are more cautious on greenfield speculative development, buying stabilized platforms at peak multiples, and fiber overbuilds. Towers have shifted toward more "core" return profiles. A meaningful share of AI-buildout financing is expected to come from alternative capital, which could expand opportunity through asset-backed and hybrid structures. Across digital infrastructure, we would favor cycle-tested managers underwriting target returns within the initial contract life, rather than relying on aggressive terminal-value assumptions. The risk embedded in many datacenters is tech obsolescence risk, and the ultimate question is whether the investment is compensating the investor for that risk. **Build a holistic allocation, not just a power trade.** Power is only one component of a well-constructed infrastructure allocation. Core exposures such as asset leasing (cargo/LNG ships, railcars, chassis), industrial infrastructure, waste & water, and select transportation and logistics (e.g., short-line rail tied to reshoring; toll roads) can add income reliability, inflation resilience, and diversification. **The allocation gap remains wide:** we believe real assets should represent ~15% of a diversified private investments portfolio, yet the JPM 2026 Private Bank Family Office Report found 79% of family offices have 0% infrastructure exposure. **Bottom line:** Core infrastructure can offer consistent returns anchored by contractual cash flows and durable exposure to the power super-cycle and resilient-infrastructure investment, provided implementation is selective, valuation-aware, and built as a diversified allocation rather than a single-theme trade.

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

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Private Real Estate

(As of September 2026) We believe real assets (real estate and infrastructure) should represent approximately 15% of a core private markets portfolio. After a period of significant repricing, we believe US commercial real estate is in the early stages of a recovery. Prices troughed in 2023 and have been recovering steadily. Unlike the post-GFC recovery, which was amplified by cheap debt, performance at this point in the cycle will hinge on property fundamentals and asset management, particularly as rates stay higher for longer. A sustained recovery will likely be nuanced, and sector and market selection will be essential. **Demographic tailwinds are reshaping demand for housing.** Long-term structural forces are driving durable demand for rental housing across the US Homeownership affordability remains stretched, supply deficits persist, and an aging population is accelerating demand for needs-based housing formats. Senior housing in particular is benefiting from rising occupancy, healthy rent growth, and muted new supply, and is forecasted to generate the highest NOI growth of any property sector over the next three years. These are not cyclical trends—they are decade-long shifts that we expect to underpin resilient, inflation-linked income for investors. **Supply discipline is creating a recovery in fundamentals.** Across cyclical sectors, the setup is increasingly being shaped by fewer new starts and improving operating momentum. Industrial vacancy likely peaked near 6.4% in 2025, starts are down approximately 60% from 2022 highs, and occupancy should recover toward 95% by 2027. From there, we expect rent growth to move to an inflation-plus profile. Retail has been the top NCREIF performer for twelve consecutive quarters and delivered the strongest 2025 returns at 6.8%, ahead of residential at 5.3% and industrial at 4.5%, led by grocery- and shadow-anchored formats. In both retail and logistics, a large share of tenants remain on below-market rents, which creates meaningful mark-to-market opportunity as leases roll. Within logistics, power access is becoming a decisive differentiator. Median interconnection-to-operation time has risen from 22 to 54 months, and newly built, power-adjacent assets should increasingly separate from legacy boxes. **Office is bifurcating, not disappearing.** Office is not moving in one direction. After roughly three years of record-low starts, absorption is turning positive. At the same time, demand is concentrating. AI-driven office demand is up about 85% year-over-year nationally and 179% in major hubs, and it is highly concentrated, with San Francisco, Silicon Valley and New York accounting for 41% of active AI companies and 63% of active AI square footage. The market outcome is a K-shaped recovery. Trophy, transit-oriented assets are achieving rent growth at or above inflation, while lower-quality buildings continue to lag materially. White-collar automation is a real long-term risk, but we think the near-term impact is overstated relative to return-to-office mandates and flight-to-quality dynamics. We favor Class A in supply-constrained AI and finance hubs. The broader national office market remains challenged. **The maturity wall is reshaping opportunity sets.** The refinancing cycle is becoming a central driver of market activity. Hundreds of billions in real estate loans mature over the next two to three years, requiring refinancing at higher rates. Regional banks have materially reduced CRE lending activity, and the resulting capital gap is supporting a broader set of recapitalizations and structured solutions. **Bottom line, real estate is undergoing a selective, fundamentals-driven reinvention.** The conditions for a sustained recovery are increasingly in place—improving income growth, rising transaction volumes, and a capital gap that is creating attractive entry points across both equity and credit. Investors who are selective about sectors, geographies, and asset quality are well-positioned to capture the next leg of returns. **Net lease** also stands out as a high-cash-yield format, with compelling entry cap rates and 2%-plus annual rent escalators, and limited exposure to cost inflation.

What we're watching: Datacenter and industrial valuations, signs of a macro slowdown, impact of tariffs on input costs, and impacts of immigration policy on labor

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Private Equity

(As of September 2026)

Near-term pain, long-term case intact. Over the past three years, the median buyout manager has trailed public equities, pressured by limited exposure to the AI infrastructure buildout, muted growth across non-AI segments of the economy, and a slower exit environment that has dampened the historical realization "pop." While concerns that PE has "lost its way" are overstated, the industry is stratifying. Public markets, by contrast, have been powered by a narrow set of winners: roughly half of S&P 500 returns since ChatGPT have come from the Mag-7, and tech+ now exceeds 50% of the index with top-10 correlations near historic highs, creating meaningful single-factor risk that PE is well-suited to offset (~60% of global PE is non-US, ~75% outside of the tech sector).

The return equation has changed: operations, not leverage. The 2008–2019 era of multiple expansion and leverage is giving way to a post-ZIRP environment where revenue growth and EBITDA margin expansion matter more. Let's play out the math: a ~20% IRR and 2.5x MOIC over five years today requires ~12% annual EBITDA growth, versus 5% a decade ago (source: Bain 2026 Global Private Equity Report). AI may be the "golden ticket" enabling that operational step-change in labor-intensive businesses that embed it well, while 2020–2022 SaaS vintages underwritten on peak multiples face real obsolescence risk.

Rates bite through cash flow first, valuation second. Floating-rate debt lifts interest expense and compresses free cash flow to equity; higher discount rates then weigh on long-duration assets. Vintages matter. 2021 and 2022 deals, underwritten at peak multiples with higher leverage, are most exposed, with broader risk across 2018–2021 depending on underlying sector exposure. Newer vintages show greater discipline, with debt now ~35% of capital structures versus ~60% in 2013. What's more, PE multiples sit at their widest discount to public equities in 15 years.

The opportunity set is deepening. Core PE can provide diversification and alpha potential through differentiated exposure. By sector, buyout generally has more exposure to areas like industrials, healthcare, and financial services—sectors we are constructive on over the long run. By geography, international buyout has typically outperformed public markets. Europe rivals US returns at lower valuations, supported by market fragmentation, a deep mid-market, fewer competing managers, and secular exposure (~30% of European PE deal activity is in tech/telecom vs. ~10% of MSCI Europe). Pockets of Asia (India, Japan, Korea) are increasingly compelling given growing market, consistent alpha vs. public market counterparts, and access to structural alpha opportunities that cater towards PE (e.g., carve-outs). For example, carve-outs accounted for ~30% of buyouts over 100M since 2013 in Korea as chaebols rationalize non-core units. A higher rate environment will continue to spur this kind of activity globally, in our view.

Distributions are turning, but mega-IPOs don't end the private markets thesis. Capital markets activity has recovered despite higher rates, industry cash flows broke even last year, and liquidity is broadening beyond IPOs and strategic sales to GP-led secondaries and continuation vehicles. Gains won't be evenly distributed: deal count remains down and activity is concentrated in the highest-quality assets and sponsors. The shift toward longer private holding periods remains intact; what's changing is the role public markets play. The median tech company at IPO is ~1.5x older and ~4.5x larger than in the '90s, and today's AI leaders (if they list) may do so at trillion-dollar valuations. Public equity exposure alone isn't enough, particularly given that 85–95% of companies globally with revenues above $100M are private.

VC/Growth: back the disruptors, spread the stage risk. VC and Growth managers are backing disruptors in a potential $6T "services as software" market, and leading frontier LLM companies added more net new ARR in 2025 than the rest of public software combined. Early-stage valuations haven't run as far as later-stage, leaving them more insulated from a reset, while later-stage offers access to category leaders at scale.

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

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

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Hedge Funds

(As of September 2026) We believe hedge funds can serve as a critical diversifier, one that is increasingly necessary in today's market environment, where stock-bond correlations have grown volatile amid elevated inflation and interest rate swings driven by geopolitical fragmentation, persistent rolling inflation shocks, and fiscal activism. **A supportive macro backdrop.** The environment for hedge fund alpha generation is shaped by three key drivers: realized rate and equity market volatility, stock dispersion, and risk-free rates. Elevated volatility creates trading opportunities for statistical arbitrage and multi-strategy managers—and notably, single-stock volatility in the US is at its highest level since COVID. High dispersion, currently above the 90th percentile of its 10-year history, enhances alpha opportunities for fundamental stock-pickers. Meanwhile, risk-free rates remain elevated, providing a tailwind through cash balances and short-interest rebates. Taken together, the current environment is well-suited for a broad range of hedge fund strategies, as the key ingredients for alpha generation are firmly in place: elevated volatility, elevated dispersion, and risk-free rates above 2%. **History supports the thesis.** Hedge funds have historically provided solid diversification benefits, with some sub-strategies (like macro hedge funds) providing less correlated return streams and the ability to generate alpha in volatile markets. Over the past decade, adding a 10% allocation to a top-decile hedge fund manager within a 60/40 (funded from fixed income) would have improved the overall Sharpe ratio (from 0.48 to 0.6) thanks to a smoother ride through lower drawdowns. It is worth noting that these figures reflect top-decile manager outcomes and are not representative of the broader hedge fund industry—who you invest with is the single most important variable in determining outcomes. A useful case study is 2022: top macro and relative value managers were up (some generating double-digit returns) while equities and fixed income fell anywhere from 15–30%, and the broader hedge fund universe was down ~5%. **Performance.** As a reminder, 5 of 8 hedge fund industry categories outperformed the Bloomberg Global Aggregate in 2025. That momentum has carried into 2026: The first half of 2026 was off to another strong start for hedge funds, continuing the momentum of 2025 with average gains of 7%—well above the 10-year half-yearly average of 4.1% (2016–2026 H1), matching the prior half year and surpassed only by 2020 H2 and 2021 H1 in the post-COVID recovery. H1 2026 marks the sixth consecutive half-year period of hedge fund performance above that 10-year average, helping drive rising allocator enthusiasm toward the space. What's more, through July, 8/8 hedge fund categories have outperformed public fixed income (as measured by the Bloomberg US and Global Agg) this year, despite a volatile March and July for the asset class. **Where we have conviction.** Within hedge funds, we are most constructive on strategies well-positioned for the current environment: relative value and macro (e.g., statistical arbitrage, discretionary macro). High dispersion enhances alpha opportunities for stock-pickers and relative value managers, while elevated volatility creates additional trading opportunities across systematic strategies. **Additionally, beyond hedge funds' diversification role, they offer a powerful vehicle for capturing thematic opportunities.** Implemented through hedge funds, thematic investing becomes a dynamic, risk-aware approach to capturing alpha, combining long-term structural themes (such as Japan corporate governance reform, biotechnology innovation) with shorter-term opportunistic and event-driven themes (such as merger arbitrage) within a disciplined portfolio framework.

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

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VOLATILITY VIEWS

Equity Vol

September's equity vol tape was a tug of war between AI optimism and macro risk. Rates volatility picked up as flash PMIs and hawkish central banks pushed yields higher. Add geopolitical headlines, and it's a more complex backdrop than VIX on a 16 handle implies for the S&P 500. And while SPX vol looks low, it's not "cheap". Dispersion has kept index moves muted: winners (Tech) and losers (rate-sensitive housing/utilities) offset, and the SPX moved only ~45bp on the month. Even the upcoming U.S. midterms are not being treated as much of a catalyst, with less SPX volatility priced vs historical midterm windows. The gap between implied vol on the average S&P 500 stock and the index is historically wide in 6-month+ tenors, reinforcing the view that the stocks inside the basket are priced to move more than the basket itself, especially relative to history. **Our view**: SPX put-writing remains a core overlay for suitable investors. Structured notes can help leg into rate-sensitive themes with guardrails, including large-cap banks, where the Equity Strategy team is constructive.

What we're watching: Rate of change in interest rates, spread between single name and index volatility, blockbuster IPOs

Macro Vol

Macro volatility in September was overwhelmingly a rates story. Hotter U.S. data, a hawkish Fed, and weaker U.S. Treasury auctions pushed the market further toward "higher for longer," with term premium doing more of the work. The result was another leg of bond selling, led by the long end, and a re-rating higher in rates volatility. Swaption vol (options on interest rate swaps) moved sharply, with 1-year options that settle into 10-year SOFR swaps near the highs of the past year, and pressure across longer-dated parts of the curve. Still, even after the move, rates vol remains below what we saw at the start of the hiking cycle. Cross-asset, the repricing has been an outlier: 3-month implied vol on TLT is now above 3-month SPX implied vol, unusual. Despite the rate shock, investment-grade credit spreads have stayed tighter than one might expect. We've seen investors selectively monetize higher rates vol via structures with buffers, given how hard it has been to call the top in yields. For pay-fixed swap holders, this may be a moment to revisit the position's objective.

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

Cross Asset Volatility Monitor

Underlier	1 Month			1 Year		
	Vol	MoM Change	Historical	Vol	MoM Change	Historical
Equities - 100% Strike Implied Volatility						
S&P 500 Index	11.90	-0.24		15.33	-2.48	
EURO STOXX 50 Index	13.75	0.69		17.02	-0.27	
Tokyo SE (TOPIX) Index	19.64	-0.34		18.96	-0.77	
Rates - SOFR Swaptions ATMF Strike Implied Volatility (BP, Annualized)						
1Y	80.43	1.55		104.08	9.23	
5Y	85.51	3.35		93.48	6.01	
10Y	73.14	0.92		85.57	3.59	
Commodities - ATMF Strike Implied Volatility						
Oil (Brent)	61.05	14.55		32.63	0.75	
Gold	19.94	-4.84		22.01	-0.89	
Currencies - ATMF Strike Implied Volatility						
EUR/USD	4.90	-0.50		6.40	0.20	
USD/JPY	7.69	0.36		8.53	0.28	
USD/CNH	1.69	-0.15		3.17	-0.07	

1) Source: J.P. Morgan. Data as of September 22, 2026
2) ATMF refers to "At the Money Forward"
3) The illustration references the historical implied volatility over the last year.
Green dot denotes high, red dot low, and blue dot current
4) Historical 1 year window observed for the range

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THIS DOCUMENT

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

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DEFINITIONS OF INDICES AND TERMS

Currencies and Central Banks

- USD – US dollar
- DXY – U.S. Dollar Index indicates the general initial value of the USD. The index measures this by averaging the exchange rates between the USD and major world currencies.
- EUR – Euro
- JPY – Japanese yen
- GBP – British pound
- CHF – Swiss franc
- CAD – Canadian dollar
- AUD – Australian dollar
- NOK – Norwegian krone
- MXN – Mexican peso
- BRL – Brazilian real
- CNH – Offshore deliverable renminbi
- CNY– Onshore non-deliverable renminbi
- RMB – Chinese renminbi
- KRW – Korean won
- INR – Indian rupee
- SGD – Singapore dollar
- SEK – Swedish krona
- XAU – Gold
- RUB – Russian ruble
- TRY – Turkish lira
- BCB – Central Bank of Brazil
- BoC – Bank of Canada
- BoE – Bank of England
- BOJ – Bank of Japan
- CBR – Central Bank of Russia
- CBRT – Central Bank of the Republic of Turkey
- CBRA – Central Bank of the Republic of Argentina
- ECB – European Central Bank
- Fed – Federal Reserve
- SNB – Swiss National Bank

Additional abbreviations

- Bbl – Barrel
- Bps – Basis points
- Bcf – Billion cubic feet
- BoP – Balance of Payments
- BTP – Italian government bonds
- Bund – German government bonds
- CFTC – Commodity Futures Trading Commission
- COVID-19 – Coronavirus disease 2019
- DM – Developed Markets
- EM – Emerging Markets
- EMEA – Europe, Middle East and Africa
- FDI – Foreign Direct Investment
- FX – Foreign Exchange
- G10 – The Group of Ten is made up of 11 industrial countries that consult and cooperate on economic, monetary and financial matters
- GDP – Gross Domestic Product
- HY – High yield
- IG – Investment grade
- JGB – Japan government bond
- LATAM – Latin America
- OPEC – Organisation of the Petroleum Exporting Countries
- Oz. – Ounce
- REER – Real Effective Exchange Rate
- SPX – S&P 500
- UK – United Kingdom
- UST – U.S. Treasury note
- WTI – Western Texas Intermediate
- YTD – Year-to-date

Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool. All indices denominated in U.S. dollars unless noted otherwise. All data sourced from Bloomberg Finance L.P. as of May 09, 2025, unless noted otherwise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990. See MDY US Equity <GO> for the tradeable equivalent.

The **Standard and Poor's 500 Index** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941–43 base period.

The EURO **STOXX 50 Index**, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the region. The index covers 50 stocks from 11 Eurozone countries. The index is licensed to financial institutions to serve as an underlying for a wide range of investment products such as exchange-traded funds (ETFs), futures, options and structured products.

The **STOXX Europe 600 Index (SXXP Index):** An index tracking 600 publicly traded companies based in one of 18 EU countries. The index includes small cap, medium cap, and large cap companies. The countries represented in the index are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Iceland, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange.

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Key Risks

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

- Investments in commodities may have greater volatility than investments in traditional securities. The value of commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in commodities creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

- Investing in alternative assets involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

- The price of equity securities may rise or fall due to the changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

- Investing in fixed income products is subject to certain risks, including interest rate, credit, inflation call, prepayment and reinvestment risk. Any fixed income security sold or redeemed prior to maturity may be subject to substantial gain or loss.

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

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

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

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

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

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- Not all option strategies are suitable for all investors. Certain strategies may expose investors to significant potential risks and losses. For additional risk information, please request a copy of "Characteristics and Risks of Standardized Options." We advise investors to consult their tax advisors and legal counsel about the tax implications of these strategies. Investors are urged to carefully consider whether options or option-related products or strategies are suitable for their needs. In discussion of options and other strategies, results and risks are based solely on hypothetical examples cited; actual results and risks will vary depending on specific circumstances. Investors are urged to consider carefully whether option or option-related products in general, as well as the products or strategies discussed herein are suitable to their needs. In actual transactions, the client's counterparty for OTC derivatives applications is JPMorgan Chase Bank, N.A. and its affiliates. For a copy of the "Characteristics and Risks of Standardized Options" booklet, please contact your J.P. Morgan Advisor.

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