

AI-led economy amidst geopolitical stalemate

- Both US GDP and IT earnings confirmed it is mainly an AI driven economy carrying all the rest along
- Geopolitical stalemate has continued with each side convinced the other will be capitulating first
- The UAE exited OPEC+ gaining degrees of freedom to accelerate investments



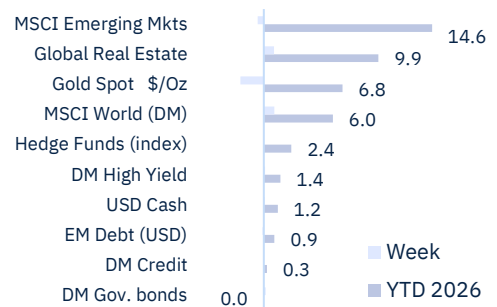
US markets led global equities higher amidst an AI-driven economy. The Nasdaq outperformed alongside Telecommunication Services with both Q1 GDP and IT mega-cap earnings confirming that AI investments remain the growth engine. Business sentiment in the manufacturing sector was also robust, though inflationary pressures from unabated tensions in the Gulf became more pronounced. Despite higher crude prices that spiked above \$125/bbl to then settle below \$115, markets remained unperturbed. Investors were buoyed by S&P 500 earnings on track for 27% growth in Q1, blending in earnings already reported with expectations for companies yet to report.

The stalemate in the Gulf persisted. President Trump said the US will begin guiding some ships out of the Strait of Hormuz, providing some hope for the dampening of supply shocks. He also suggested the latest piece proposal was not enough to show actual progress. Amidst lingering uncertainty, the UAE authorities decided to exit OPEC+ to increase crude production and accelerate investments that would serve "national interest and long-term strategic objectives".

Central banks, while keeping rates unchanged, leaned hawkish across the board. At the FOMC on Wednesday three officials dissented with the final press statement signalling the next move would likely be a rate cut. At the BOE Governor Bailey said it would be a "mistake to wait to see second-round effects before acting". And, even ECB President Lagarde, that should be cautious after Q1 GDP printed an anaemic 0.1%, said the Council is considering a June hike.

In the week ahead investors will be still focusing on Q1 earnings, as well as on the US jobs report, with the projection of 65k payrolls being created for the month of April. We remain slightly cautious tactically in our global portfolios amidst heightened uncertainty.

Asset Classes USD % total. Return, week and YTD 2026



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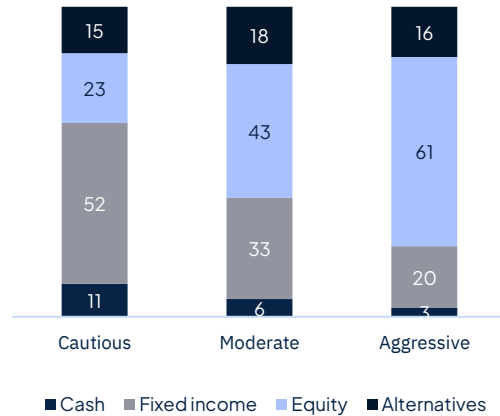
Cross-asset Update

The greatest uncertainty is still about the reopening of the Strait of Hormuz, with the United States holding onto the blockade of the blockade to force the other side to eventually give in. Is there any rush to reopen? President Trump described the blockade as “100% foolproof” and “genius”. According to most recent studies global crude inventories, the market’s primary balancing mechanism, will hit operational stress levels in June, and operational floor levels in September. So, never mind that a new peace proposal was submitted and that President Trump cast doubts on that as well. A few months down the line doubts will have to be lifted for the world, and the economy as we have known it, to continue to spin smoothly. We continue to think that eventually an agreement will be achieved, although smooth resumption of the flow of goods is likely to take months from the moment hostilities end.

The decision of the UAE authorities to exit OPEC+ will allow the government to focus on the strengthening of the economy following disruptions from the neighboring conflict. From a broader point of view, this is to be seen as a straight consequence of global fragmentation. With deglobalization countries, to stave off threats to economic security, cut links with global supply chains. Likewise, a link with OPEC+ was severed to enhance economic security and increase domestic crude production. With increasing capacity built across years, sacrificing volumes for price stability was no longer paying off for the UAE. In the same way that de-globalization has increased fault lines, the leaving of OPEC+ has crystalized increasingly diverging interests within the Arabic peninsula. The Washington administration is likely to view the split in OPEC+ under a positive light, with inflationary pressure historically driven by higher oil prices.

We would tend to view last week’s hawkish tone of the major DM central banks as being conducive to a policy mistake if it translated into rate hikes down the road. Officials focused on the unanchoring of inflation expectations although the first-round effect from what is looming to be the largest energy shock ever would be a negative impact on growth. Being a tax on companies and consumers higher oil prices represent a tightening of financial conditions. Higher rates would be just exacerbating the hit on aggregate demand. Markets are well ahead in discounting tighter policy into year-end, with more than two hikes seen for the BOE, and about three for the ECB. They are much less confident about the Fed tightening, as no change is priced into December this year. And rightly so, as Kevin Warsh is set to replace Fed chair Powell anytime from mid-May once he is confirmed. Given the high US debt load the easiest path for the new chair would be to look through the temporary supply shock and cut rates to cap Treasury yields. Warsh would be implicitly acting under the purview of the Treasury Secretary Bessent that is obviously keen to keep the cost of servicing debt in check. During times of fiscal dominance Fed independence has historically hit the wall of stricter limits, and in our view this time would be no exception.

Tactical Asset Allocation: Simplified Positioning



TAA – Relative Positioning – Moderate Profile

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>
DM Gov.			>
DM Credit		=	
DM H. Yield		=	
EM Debt		=	
DM Equity	<<		
EM Equity			>
Gold			>
Hedge Funds	<<		
Real Estate		=	

Fixed Income Update

Last week, the FOMC maintained a hawkish stance, opting to hold rates steady. Three members dissented over the language used in the press release, which was taken as hawkish by markets. This week's refunding announcement may exert a mildly bearish influence on Treasury yields, and, when combined with the current technical positioning, introduces near-term risk of higher yields. JPMorgan expects the Treasury to leave nominal coupon auction sizes unchanged on Wednesday. The existing issuance calendar ensures the Treasury is well-financed through the 2026 fiscal year, although larger financing gaps are anticipated from 2027 onwards. The US Treasury yield curve has bearishly flattened, underpinned by persistently high oil prices. Overall, risks remain tilted towards higher yields.

Inflation breakevens have been highly volatile, driven by surging oil prices, with Brent crude briefly exceeding \$110 per barrel for the first time since the ceasefire. Notably, 1Yx1Y inflation swaps have increased by more than 20 basis points over the past fortnight, approaching the widest levels seen in the last year. In contrast to the shorter maturities, the subdued widening in longer-term forward breakeven expectations has stalled recently as concerns about unfavourable growth scenarios permeate the market. Over the week, 5-, 10-, and 30-year breakevens widened by 9, 7, and 3 basis points respectively, net of carry. JPMorgan projects that OECD crude inventories may reach operational stress levels by early June. Should energy prices continue to surge, further outperformance is expected at the front end, but longer-dated forward inflation expectations are likely to narrow as recession risks become more pronounced. It is unlikely that Warsh will encounter a compliant Committee willing to lower policy rates in the near term.

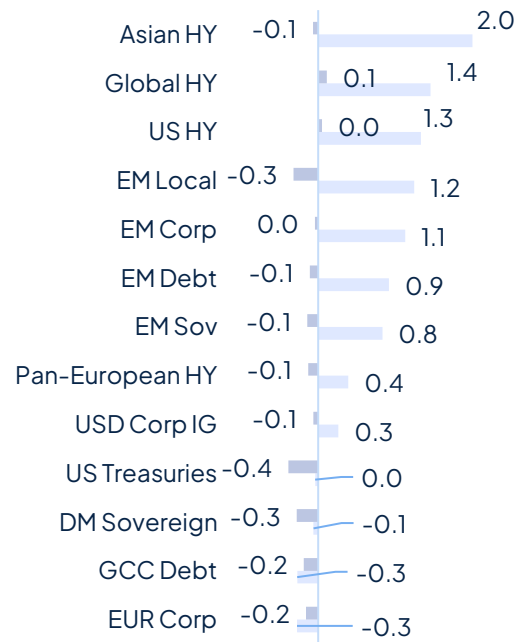
Standard Chartered's global risk indicator signals a shift towards risk-on sentiment, as evidenced by net inflows of USD 576 million into emerging market local currency debt funds. These inflows, marking the first positive movement in six weeks, the week ending 22 April and follow the outbreak of the Middle East conflict. Furthermore, cross-border foreign investment activity in emerging market bond markets indicates that the outflows seen in March have abated. Nevertheless, while inflows into local markets have resumed, they remain comparatively modest. Credit fundamentals in emerging markets are robust, and spreads have reverted to levels last observed in February 2026.

Financial institutions in Asia and the GCC have also reported strong results. Emirates NBD successfully issued \$750 million in AT1 notes at a coupon rate of 6.25%, with the order book exceeding \$2.5 billion, reflecting strong investor demand. The recent recall of several bank perpetuals in the UAE during the ongoing conflict has bolstered client sentiment towards the country's D-SIB banks. This issuance represents the first public debt offering since the onset of the Middle East conflict.

Fixed Income Key Convictions

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

Fixed Income Sub Asset Class Returns
(US\$ TR, week, YTD 2026)



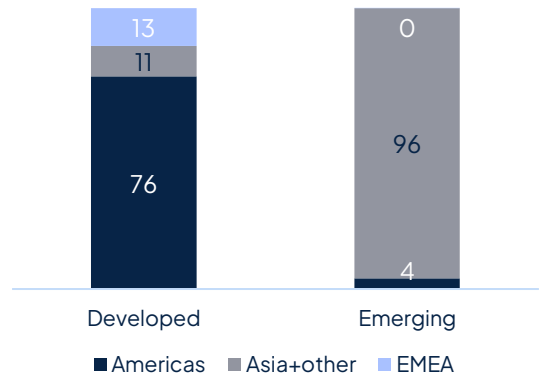
Equity update

Markets moved higher last week to hit fresh records, pushing through the busiest week of the earnings season. MSCI ACWI gained 0.8%, with developed markets up 0.9% and emerging markets down 0.5%, but underneath that, equities were really trading around one question: are earnings strong enough to justify both the recent move in indices and the scale of AI spending now embedded in valuations. The US answered that more convincingly than the rest. The S&P 500 rose 0.9% and closed at fresh highs, while Europe barely moved at +0.2%, TOPIX gained 0.3%, China fell 1.6% and Dubai declined 0.9%. What stood out was not just the performance gap, but what was driving it. The US was supported by earnings and delivery from large-cap technology, while other regions lacked the same momentum. The index moved higher, although the underlying story stayed the same. Leadership is still narrow, and global equities are still leaning heavily on the US to carry the tape. The major hyperscalers delivered strong numbers on paper, but the market reaction was very different across names. Alphabet gave the cleanest positive read, with cloud growth accelerating and AI demand still looking strong, which helped the stock rise 12.0% over the week. Amazon also confirmed that demand for AI compute remains healthy, with AWS growing 28% and backlog up 93%, and the stock gained 1.6%. Microsoft's Azure grew 39%, slightly ahead of expectations, but the stock fell 2.4% as investors focused more on whether returns are coming through fast enough relative to the size of the capex plan. Meta showed that tension more clearly. It raised full-year capex guidance again to \$125 billion to \$145 billion, roughly 7% above its prior range, but still did not give investors enough clarity on how that spending translates into returns, and the stock fell 9.8%. Apple then gave the market a different kind of positive surprise. Sales rose 17%, guidance for the current quarter came in well ahead of expectations, China revenue jumped 28%, iPhone sales rose 22%, services revenue rose 16%, and the company announced a new \$100 billion buyback, helping the stock rise 3.3%.

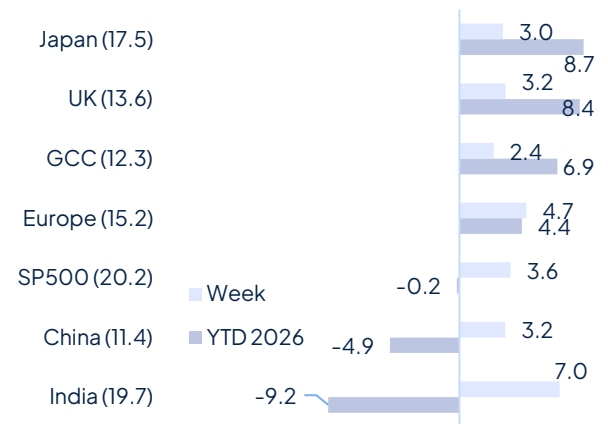
With 63% of S&P 500 companies having reported, 84% have beaten on earnings and 81% have beaten on revenue. First-quarter earnings growth has moved to 27.1%, up sharply from 15.0% last week and 13.1% expectations, with three Magnificent 7 companies pushing index-level growth to the strongest pace since 2021. What changed is not the level of earnings, but the market's reaction function. The bar is higher, and strong results now need to come with evidence that growth is converting into returns.

Elsewhere, Europe looked stable at the index level, but the underlying picture remained uneven, with telecoms and banks holding up while autos, retail and healthcare lagged. The earnings season has been decent rather than strong, and guidance is becoming more cautious, which limits the scope for a broader re-rating. Japan saw selective strength from earnings, but the stronger yen weighed on exporters and capped broader gains. Looking ahead, AMD, Palantir and Uber will test whether AI and platform strength can spread beyond the largest names, while Disney, Block, Airbnb, Expedia and Cloudflare will give a cleaner read on margins, consumer demand, travel and enterprise software. The global setup remains constructive, but more conditional, more selective and still heavily dependent on US earnings delivery.

Equity Recommended Regional Positioning

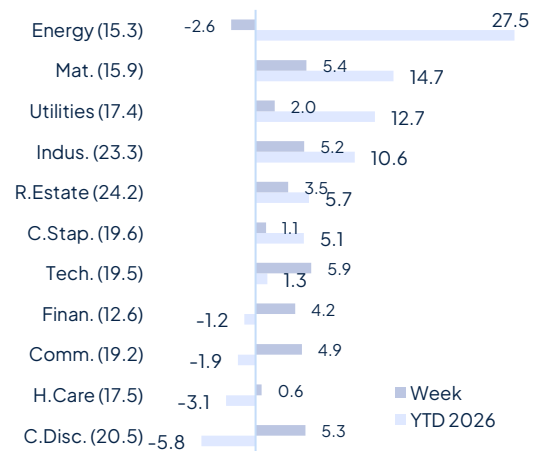


Major Indices Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

Global Sector Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US\$.

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