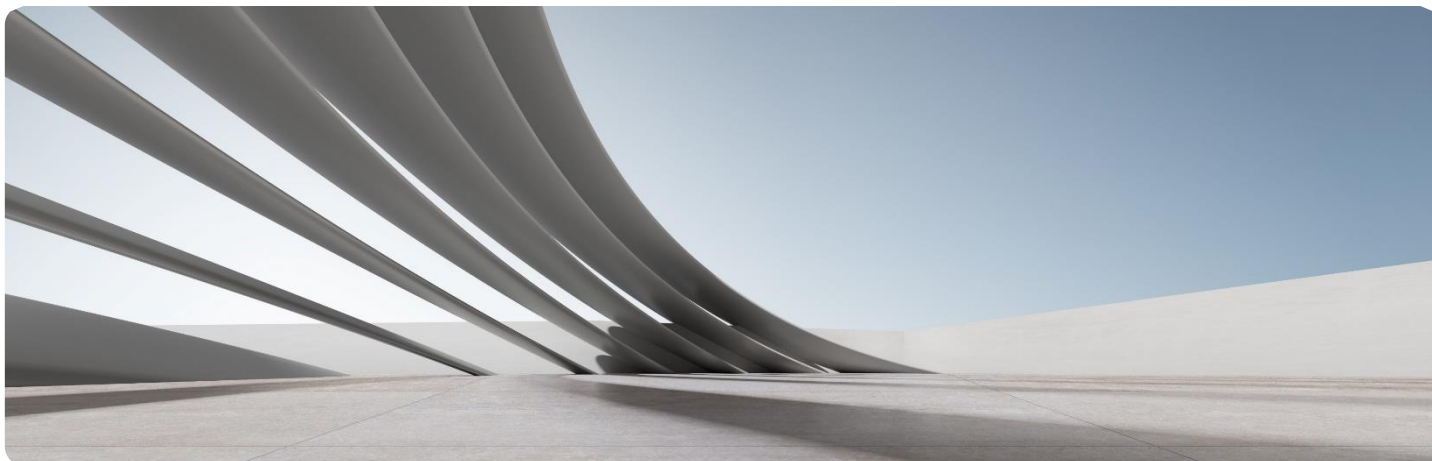


Markets react to the resumption of military action in the Gulf

- The US and Iran traded strikes and heightened rhetorics from last week and into the start of this one
- Parties are playing with fire and market reaction was limited, as talks are not interrupted
- The week ahead will provide an avalanche of economic data and Q2 corporate earnings



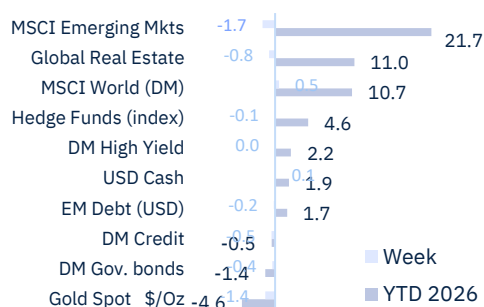
In our recent Mid-Year Outlook, held last week with a replay available on Emirates NBD's YouTube channel, we presented our base case when it comes to geopolitical developments. We said that we expected the fragile ceasefire and the complicated talks to continue, with inevitable sporadic flare-ups. On the one hand, Iran probably has an incentive to secure an agreement which doesn't look unfavourable, on the other, they could consider that maintaining kinetic pressure at a time when the US is in an electoral campaign may be a way to improve their negotiating position. This is obviously an extremely dangerous game, but at this stage we keep our base case unchanged. We hope for some turbulent status-quo, which means that markets would focus on fundamentals.

To that extent, it is interesting to note that while oil prices and US Treasury yields logically rose last week, the broader market reaction was relatively muted. The dollar only marginally strengthened, and while stocks fell in emerging markets, they gained in developed regions led by the US.

Turning to fundamentals, the week ahead will provide a lot of data. Top down releases will include US CPI and PPI inflation reports, the first estimate of China's Q2 GDP, as well as industrial production and retail sales for both superpowers. Bottom up will be equally rich, and maybe even more important with US banks kicking off the real start of the Q2 earnings season. Expectations are high for quarterly profits, with year on year growth forecasts above 20% for the US and 10% for the eurozone. It's a high bar, comparable to Q1, that massively surprised to the upside. While one can pessimistically think that the risk of missing it is high, we also highlight that if expectations are met, current valuations will prove to be justified rather than too expensive.

All it would take for fundamentals to drive markets is an improvement of the geopolitical situation. Let's hope for the best and we wish you a great week.

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



MAURICE GRAVIER
Group Chief Investment Officer
MauriceG@EmiratesNBD.com

GIORGIO BORELLI
Head of Asset Allocation
GiorgioB@EmiratesNBD.com

SATYAJIT SINGH, CFA
Head of Fixed Income Strategy
SatyajitSI@EmiratesNBD.com

NAWAF ALNAQBI
Head of Equity Strategy
NawafALNA@EmiratesNBD.com

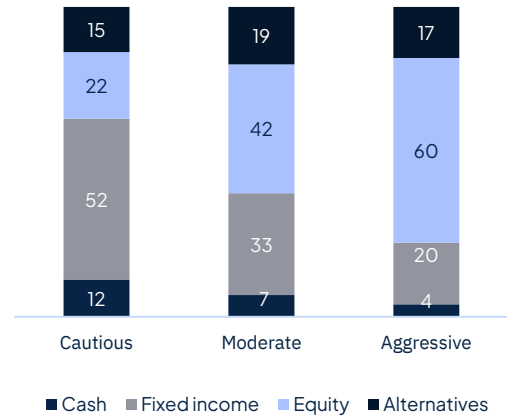
Cross-asset Update

The US economy is in a Goldilocks mode. The labor market is resilient though not strong enough as to cause inflationary pressures. This is what we can infer from the latest jobs report, the direction of inflation, that is up, and that of unit labor costs, headed south. Nonfarm payrolls have been averaging over 100,000 in the last three months, and the percentage of industries with rising employment trends is above 50% and inching higher, that is promising for future labor market trends. Unit labor costs have shown negative growth over a year ago, even as inflation has been rising, with core PCE inflation now at 3.4%. This points to expanding margins for corporations, as well as to the absence of a wage-price spiral.

This kind of economic resilience is to be put down to the massive AI investments that have boosted the manufacturing sector. Outlays for AI infrastructure have positively impacted industrial stocks, that in the United States have returned almost 18% YTD, outperforming the S&P 500 Index, up over 11% for the year. Japan has also been a beneficiary of the global AI boom, as Japanese industrial shares are very relevant globally, and are geared to the AI infrastructure theme. So, the Japanese Nikkei has returned almost 33% YTD, as against more modest gains for the MSCI World, up over 9% for the year. We foresee a continuation of these trends, as long as AI investments do not decelerate. What could pop AI euphoria is rising inflation, that would force the Fed to hike rates. On the opposite side of the spectrum, a Fed enticed to lower rates in the face of modest price pressures would most likely reignite inflation, ultimately curbing the AI cycle as well.

Elsewhere, geopolitical tensions have come back in the Middle East. The Strait of Hormuz is still de-facto closed, despite oil tank levels being dangerously low, in particular in the United States. Also, the US driving season is approaching, that tends to see a seasonal pickup in fuel demand. Despite all of this, oil prices are back to pre-war levels embedding no risk premium. Oil stocks are discounting a depressed crude price and can be considered oversold. Something will have to give, and we suspect that shortly we are likely to see a spike higher in oil prices, as well as a rebound in energy shares. Meantime, dollar and gold will continue to suffer opposite fates during the conflict. Impeded oil flows cause a supply shock that tightens financial conditions, benefitting the global reserve currency while weighing on the yellow metal. Our base case remains that both parties to the conflict have a vested interest in finding common ground eventually, hence we speculate that gold is close to levels that constitute a buying opportunity.

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

Fixed income markets were dominated last week by the renewed US-Iran conflict, which pushed Brent above \$80 per barrel and revived inflation concerns. The shock drove a global bond selloff and more hawkish central bank repricing. The Fed remained in focus ahead of Kevin Warsh's first Congressional testimony and June CPI data. The NY Fed survey showed one-year inflation expectations rising to 3.7% and three-year expectations to 3.3%, the highest since June 2022. US Treasury yields rose for a second week, with maturities up seven to eight bps, while five- to 30-year tenors have climbed 18 to 20 bps over two weeks. The two-year yield reached 4.24%, its highest level since February 2025, as markets repriced Fed hike risk.

Looking purely at inflation data, the case for Fed hikes remains stronger than for other central banks, though lower energy prices give the Fed some breathing room. Risks remain, however, as the Iran situation is unresolved and core inflation is still elevated. Warsh's selected advisers largely appear aligned with his own views, including three AI bulls on the productivity taskforce, which may limit how much hawkish FOMC colleagues trust their conclusions. On the balance sheet, the mix of views supports our expectation that Warsh will proceed cautiously, focusing more on preventing permanent expansions in future crises than on launching a large QT programme soon.

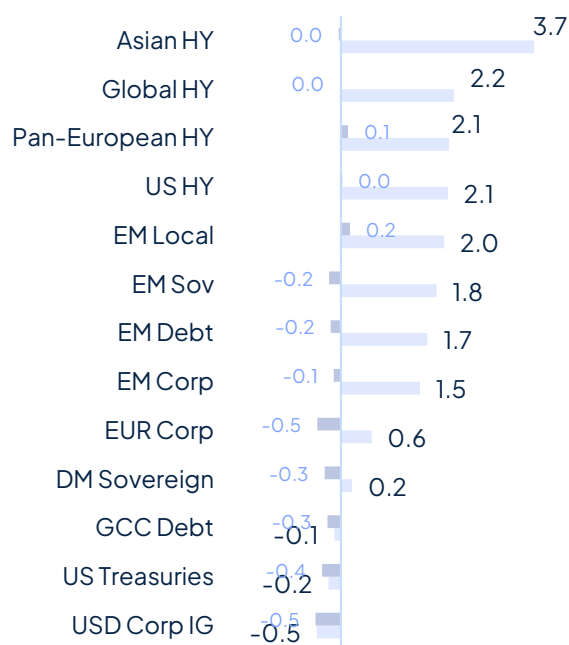
Credit spreads remained resilient despite geopolitical volatility, with US IG OAS at 70 bps and utilities leading the tightening. Issuance stayed strong, led by Amazon's \$25bn debt deal, one of the largest on record, which triggered a tech-sector selloff as credit investors appeared to reach capacity limits. Amazon, Alphabet, Nvidia, Meta, Oracle, and SpaceX have raised \$182bn in US dollar IG bonds YTD, about 14% of total market issuance. S&P downgraded Oracle to BBB- from BBB with a Stable Outlook, citing rising risks from its rapid AI expansion, higher-than-expected spending on AI data centers and infrastructure, weaker cash flow, higher debt, and an expected \$42 bn free cash flow deficit in FY27.

Fitch affirmed KSA at 'A+' with a Stable Outlook, citing strong fiscal and external balance sheets. UAE primary activity included two issuances last week: Ajman Bank's debut \$300 mn Tier 1 sukuk priced at 6.5% and Commercial Bank of Dubai's \$550 mn Tier 1 bond priced at 6.625%. Both were well received, with orderbooks, excluding JLM interest, exceeding issue size by more than 1.3x for CBD and 1.7x for Ajman Bank. YTD GCC \$ issuance has crossed \$93 bn, led by KSA at 46% and the UAE at 30%. We expect primary activity to moderate in the coming weeks as issuers pause ahead of summer.

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)



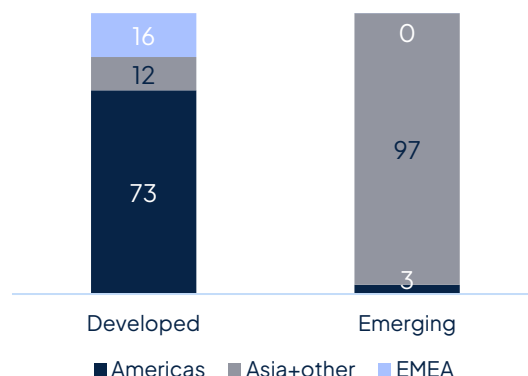
Equity update

Global equities traded mixed along regional lines last week as the Middle East ceasefire broke down and oil repriced higher. The S&P 500 rose 1.2%, taking it to 11.2% for the year, while Europe fell 1.9%, the UK -1.2% and Japan -1.0%, with Europe bearing the brunt of the oil shock as an energy importer trading at 15.3 times forward earnings against the S&P's 20.3. The sectoral level told the same story: Energy led at 3.2%, extending its year-to-date run to 20.4%, Communications added 2.2% and Tech 1.3%, while the cyclicals were pressured by the rise in yields, Materials down 3.0%, Health Care 2.2% and Industrials 2.1%. Underneath, semiconductors did the whipsawing. Samsung fell around 10% in Seoul on profit-taking after results and dragged the complex down with it, before Micron's plan to lift US plant spending to \$250bn by 2035 and a heavily oversubscribed SK Hynix ADR listing turned sentiment, handing the SOX its best day in three weeks on Thursday. On valuation, the hyperscalers have now underperformed the semi names long enough that they trade at a discount to the chipmakers, an inversion, and with hyperscaler's earnings approaching and semis priced for perfection, that dislocation looks like an interesting side of the AI trade.

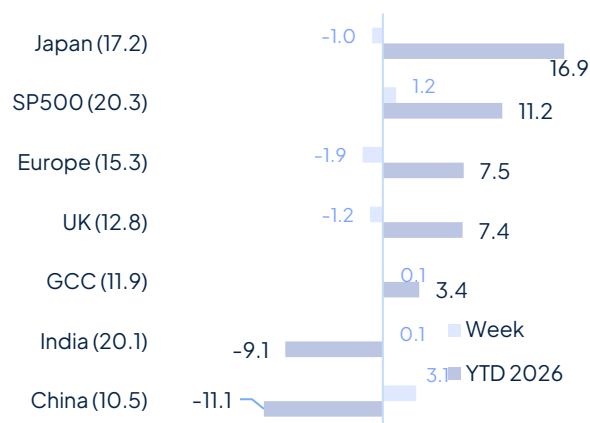
Elsewhere, China was the standout, up 3.1% as money leaving Korean chipmakers turned up in Chinese tech, though that still leaves it down 11.1% for the year and the cheapest market on the board at 10.5 times. Korea took the pain, with the Kospi losing nearly 5% in a single session midweek. India and the GCC were flat at 0.1%. The flow picture was more defensive than the indices suggest, with US equity funds losing \$8.6bn while developed market bond funds took in \$28bn. The other tell was in energy itself: the oil names and crude both faded from their midweek highs into Friday, suggesting the market was positioning for de-escalation, however, the weekend proved it wrong. Even when the shooting stops, the Strait of Hormuz may remain blocked and Gulf supply will be slow to normalise, which makes the catalyst under energy look more structural than a short-term risk premium.

The bottom line is that the market absorbed a genuine geopolitical shock with the S&P still up on the week, but the escalation has followed it into Monday, with SK Hynix down a record 15% in Seoul, the Kospi off 8.9% and oil bid up again. The real test now is earnings. The big US banks report Tuesday with estimates already raised into the print, ASML follows Wednesday and TSMC and Netflix Thursday. TSMC's 36% quarterly sales growth already confirmed AI demand is intact; what will the market deem it is worth? For a market up 11.2% this year and priced for near-record results, expect misses to be punished harder than beats are rewarded. June CPI on Tuesday and Fed Chair Warsh's first testimony before Congress are the macro risks to the asset class, with oil putting a September hike close to fully priced.

Equity Recommended Regional Positioning

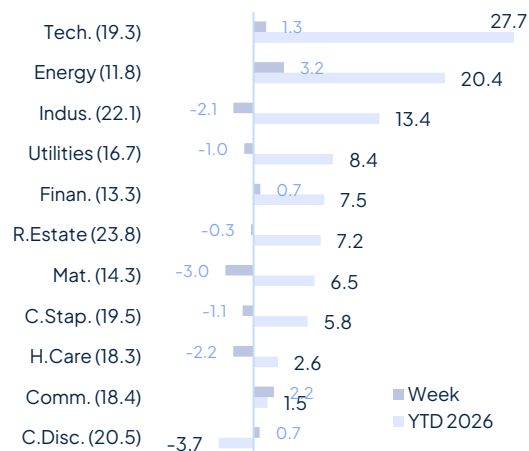


Major Indices Performance (TR, US\$), P/E in brackets



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\$.

Important Information

This document is prepared by Emirates NBD Bank (P.J.S.C) ("the Bank" or "Emirates NBD"), a public joint stock company incorporated in Dubai, UAE and licensed, regulated supervised and controlled by the Central Bank of the UAE ("Central Bank") and the Securities and Commodities Authority of the UAE ("SCA"), having its head office at Baniyas Road, Deira, PO Box 777, Dubai, United Arab Emirates. This document may be distributed and/or made available by the Bank and its affiliates and subsidiaries, including Emirates NBD Capital KSA CJSC ("ENBD Capital") (through its website, its branches or through any other modes, whether electronically or otherwise).

Emirates NBD and its affiliates, subsidiaries and group entities, including its shareholders, directors, officers, employees and agents are collectively referred to Emirates NBD Group. This publication is prepared without regard to the individual financial circumstances and objectives of persons who receive it. Data/information provided in this publication are intended solely for illustrative purposes for the general information or its recipients, irrespective of their customer classification as an Ordinary Investor or Professional Investor under the SCA Regulations. Any person (hereinafter referred to as "you", "your") who has received this document or have access to this document shall acknowledge and agree to the following terms.

Reliance

This publication may include data/information taken from stock exchanges or other third-party sources from around the world, which Emirates NBD reasonably believes to be reliable, fair and not misleading, but which have not been independently verified. The provision of certain data/information in this publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD or any member of Emirates NBD Group makes no representation or warranty and accepts no responsibility or liability for the sequence, accuracy, completeness or timeliness of the information or opinions contained in this publication. Nothing contained in this publication shall be construed as an assurance by Emirates NBD that you may rely upon or act on any information or data provided herein, without further independent verification of the same by you.

The contents of this document are prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors, including those relevant to the determination of whether a particular investment activity is advisable. Emirates NBD does not undertake any obligation to issue any further publications or update the contents of this document. Emirates NBD may also, at its sole discretion, update or change the contents herein without notice. Emirates NBD or any member of Emirates NBD Group does not accept no responsibility whatsoever for any loss or damage caused by any act or omission by you as a result of the information contained in this publication (including by negligence).

References to any financial instrument or investment product in this document are not intended to imply that an actual trading market exists for such instrument or product. Certain investment products mentioned in this document may not be eligible for sale in some jurisdictions, and they may not be suitable for all types of investors. The information and opinions contained in this publication is provided for informational purposes only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated. If you wish to rely on or use the information contained in this publication, you should carefully consider whether any investment views and investment products mentioned herein are appropriate in view of your investment experience, objectives, financial resources and relevant circumstances. You should also independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professional advisers or experts.

Confidentiality

This publication may be provided to you upon request (and not for distribution to the general public), on a confidential basis for informational purposes only, and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal.

Solicitation

None of the content in this publication constitutes a solicitation, offer, recommendation or opinion by Emirates NBD to buy, sell or trade in any security or to avail of any service in any jurisdiction. This document is not intended to serve as authoritative legal, tax, accounting, or investment advice regarding any security or investment, including the profitability or suitability thereof and further does not provide any fiduciary or financial advice. This document should also not be used in substitution for the exercise of the prospective investor's judgment.

Third Party

This publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD or its affiliates, subsidiaries or group entities distributing this document. You should not use the data in this publication in any way to improve the quality of any data sold or contributed by you to any third party.

Liability

Notwithstanding anything to the contrary set forth herein, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. Under no circumstances, including but not limited to negligence, shall Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries be liable to you for direct, indirect, incidental, consequential, special, punitive, or exemplary damages even if Emirates NBD has been advised specifically of the possibility of such damages, arising from the use of this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business.

This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, prospective investors should: (i) ensure that they fully understand the potential risks and rewards of that transaction; (ii) determine independently whether that transaction is appropriate given an investor's investment objectives, experience, financial and operational resources, and other relevant circumstances; (iii) understand that any rates of tax and zakat or any relief in relation thereto, as may be referred to in this publication may be subject to change over time; (iv) consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment; (v) understand the nature of the investment and the related contract (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk; and (vi) understand any regulatory requirements and restrictions applicable to the prospective investor. Where this publication provides any information about Shariah compliant products, the Bank will not have engaged a Shariah board (or similar body) to determine independently whether or not such products are compliant with Shariah principles. The Bank accepts no liability with respect to the fairness, correctness, accuracy, reasonableness or completeness of any such determination or guidance by any Shariah board that has certified or otherwise approved such products as Shariah compliant. Nothing contained in this publication shall be construed as a recommendation by the Bank to invest in such product. In deciding whether to invest in Shariah compliant products, you should satisfy yourself that investing in such products will not contravene Shariah principles. You should consult your own Shariah advisors as to whether investing in such products is compliant or not with Shariah principles.

Disclaimer

Looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute "forward-looking statements". Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "seek", "believe", "will", "may", "should", "would", "could" or other words of similar meaning. Reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

Risk

Data included in this publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk, and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. The use of this publication is at the sole risk of the investor and this publication, and anything contained herein, is provided "as is" and "as available." Emirates NBD makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use. Investment in financial instruments involves risks and returns may vary. The value of investment products mentioned in this document may neither be capital protected nor guaranteed and the value of the investment product and the income derived therefrom can fall as well as rise and an investor may lose the principal amount invested. Investment products are subject to several risks factors, including without limitation, market risk, high volatility, credit and default risk, illiquidity, currency risk and interest rate risk. It should be noted that the value, price or income of securities denominated in a foreign currency may be adversely affected by changes in the currency rates. It may be difficult for the investor to sell or realise the security and to obtain reliable information about its value or the extent of the risks to which it is exposed. Furthermore, the investor will not have the right to cancel a subscription for securities once such subscription has been made. Prospective investors are hereby informed that the applicable regulations in certain jurisdictions may place certain restrictions on secondary market activities with respect to securities.

Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment. In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

Intellectual property

This publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between the investor and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties.

Except as specifically permitted in writing, you should not copy or make any use of the content of this publication or any portion thereof or publish, circulate, reproduce, distribute or offer this publication for sale in whole or in part to any other person over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet or construct a database of any kind. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with this publication, or the names of any individual participant in, or contributor to, the content of this publication, or any variations or derivatives thereof, for any purpose. This publication is intended solely for non-commercial use and benefit, and not for resale or other transfer or disposition to, or use by or for the benefit of, any other person or entity. By accepting this publication, you agree not to use, transfer, distribute, copy, reproduce, publish, display, modify, create, or dispose of any information contained in this publication in any manner that could compete with the business interests of Emirates NBD. Furthermore, you should not use any of the trademarks, trade names, service marks, copyrights, or logos of Emirates NBD or its subsidiaries in any manner which creates the impression that such items belong to or are associated with you, except as otherwise provided with Emirates NBD's prior written consent. You shall have no ownership rights in and to any of such items.

Disclaimer

Important information about United Kingdom

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the London branch of Emirates NBD Bank (P.J.S.C) which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the UK. Some investments and services are not available to clients of the London Branch. Any services provided by Emirates NBD Bank (P.J.S.C) outside the UK will not be regulated by the FCA and you will not receive all the protections afforded to retail customers under the FCA regime, such as the Financial Ombudsman Service and the Financial Services Compensation Scheme. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

Important information about Singapore

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the Singapore branch of Emirates NBD Bank (P.J.S.C) which is licensed by the Monetary Authority of Singapore (MAS) and subject to applicable laws (including the Financial Advisers Act (FAA) and the Securities and Futures Act (SFA). Any services provided by Emirates NBD Bank (P.J.S.C) outside Singapore will not be regulated by the MAS or subject to the provisions of the FAA and/or SFA, and you will not receive all the protections afforded to retail customers under the FAA and/or SFA. Changes in foreign exchange rates may affect any of the returns or income set out within this publication. Please contact your Relationship Manager for further details or for clarification of the contents, where appropriate. For contact information, please visit www.emiratesnbd.com.

Important information about Emirates NBD Capital KSA CJSC

Emirates NBD Capital KSA CJSC ("ENBD Capital"), whose registered office is at P.O. Box 341777, Riyadh 11333, Kingdom of Saudi Arabia, is a Saudi closed joint stock company licensed by the Saudi Arabian Capital Market Authority ("CMA") under License number 37-07086 dated 29/08/2007G (corresponding to 16/08/1428H) to deliver a full range of quality investment products and related support services to individuals and institutions in the Kingdom of Saudi Arabia. ENBD Capital is subject to Capital Market Law, and Implementing Regulations in the Kingdom of Saudi Arabia. ENBD Capital's contact details are T +966 (11) 299 3900 and F +966 (11) 299 3955.

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.