

Geopolitics continue to drive markets

- Last week was very positive across markets with favourable geopolitical developments announced on Friday
- The weekend however brought some flare-ups in the Strait of Hormuz. We still expect talks to continue
- We have adjusted our recommended positioning, now closer to risk-neutrality



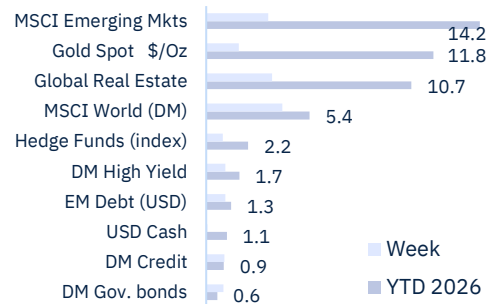
Last week was one of the best of 2026 across asset classes, as both US and Iran officials announced the full opening of the Strait of Hormuz on Friday. Oil fell and the dollar weakened, but stocks gained more than 3%, while bonds benefitted from both moderating inflation fears, and some slight spread compression as risk appetite came back.

We held our monthly tactical asset allocation committee on Tuesday – a bit later in the month than usual as we decided to wait for the developments around the previous ultimatum. We decided to adjust our exposure by reducing the successful defensive stance we had taken in early March. We continue to overweight cash, although only slightly by one percentage point across profiles. We are now overweight on government bonds, while being neutral on all other segments of fixed income. Within equity, we are back to an overweight on emerging markets (+1 percentage points) but maintained our underweight on developed ones. Finally in alternatives, we remain neutral listed real estate, underweight hedge funds but are back to a +1pp overweight on gold, with a revised year-end fair value of \$5,200.

The situation remains fluid and we cannot be surprised by the events of the weekend. These events are impossible to “trade” over the short-term. Yet, on our investment horizon, we think an excessively defensive stance is not appropriate. Stakes are high, mutual leverage is significant between parties; we thus expect talks to continue and lead to some form of agreement.

We also took comfort in overall constructive forecast from the IMF, including for the UAE, and in a strong start to the earnings season. The latter will continue in the week ahead, which will also bring flash PMIs, US retail sales and a potentially interesting hearing from Kevin Warsh on his road to becoming the next Fed chairman. Volatility should continue but we are reasonably constructive, as expressed by our risk-neutral positioning. Have a great week.

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



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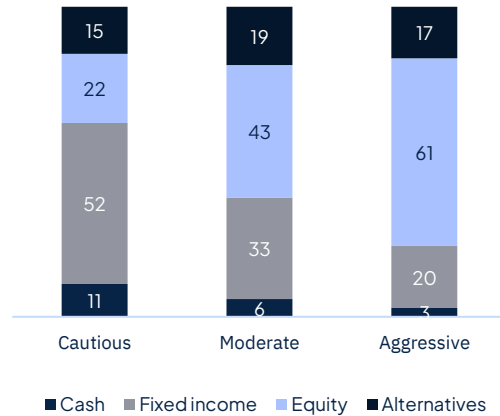
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Cross-asset Update

Fluctuating geopolitical tensions have kept the Middle East in a state of flux, especially in relation the reopening of the Strait of Hormuz. It should not be lost on investors that this remains the ultimate gauge of the crisis via the potential for a global supply shock. Shipments of crude, petrochemicals, sulphur, and helium must be restored, even as the rest drags on in its own fashion. Indeed, delegates at the International Monetary Fund and World Bank in Washington cautioned that markets are underestimating the economic damage from the hampered transit of goods. Our base case remains that incentives on both sides are such that the conflict should not drag on for long. For President Trump, post-war ratings are now lower than prewar, quite unusual for a US president as during critical times voters have historically rallied around the commander in chief. Gasoline prices surged over 30% in March to get close to record highs set to further depress consumer sentiment, in turn weighing on the president's ratings. Hence our baseline case that eventually the market will rebalance as the throttled production across Gulf countries is restored. It is estimated that production would be recovering sufficiently in one month, and then it would take few weeks for supplies to arrive. Though relief would not be immediate, crude prices would be falling further to find a bottom that is unlikely to be much lower than \$80/bbl given the disruption to energy infrastructure. A built-in premium should be reckoned with. In the new reality of a fractured world where security comes first, resources are coveted as a means to the end of strengthening national security tied to the availability of those resources. Resource scarcity is only exacerbated by the events related to the blockade of the Strait and is set to continue in the years ahead amidst the AI race and the data center race that will persistently drive investments and the related demand for resources. Hence, our expectation that as we get closer to the winding down of the conflict investments in cyclical market themes, from EM market to materials, will only accelerate.

Our gold's fair value for 2026 was upgraded from \$4,700/oz to \$5,200/oz. We see peak conflict uncertainty behind us, and we foresee an easing of financial condition in H2 tied to the stabilization of crude prices and a more constructive Fed under Kevin Warsh's new leadership. The longer-term drivers of central bank buying and yields repression on elevated debt levels remain firmly in place, in our view. The deflating of the real value of debt in place of allowing for the necessary economic contraction with the reining in of public expenses is a boon for the yellow metal.

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

Over the past week, front-end Developed Market (DM) yields have generally rallied, buoyed by initially positive developments such as ongoing US-Iran negotiations, the reopening of the Strait of Hormuz, and a softening in energy prices. However, this optimism was swiftly eroded over the weekend following the announcement of the strait's closure and the US seizure of an Iranian cargo vessel. The retracement in DM rates markets has thus far lagged behind that of energy and other sectors, with yield curves continuing to price in the likelihood of a prolonged conflict or a persistently unresolved situation. Meanwhile, US Treasury yields have remained within the mid-range of their post-conflict levels, reflecting ongoing uncertainty. Two out of three probable scenarios regarding the conflict should result in lower yields and hence we went OW government bonds in our last Tactical Asset Allocation meeting.

The confirmation hearing for Kevin Warsh as Federal Reserve Chair is scheduled for Tuesday. Senator Tom Tillis has repeatedly stated that he will not support Warsh's confirmation until the investigation into the renovation of the Federal Reserve's headquarters concludes. During the hearing, Warsh is expected to face scrutiny on both rate and balance sheet policy, especially given his advocacy for shrinking the balance sheet while simultaneously cutting rates.

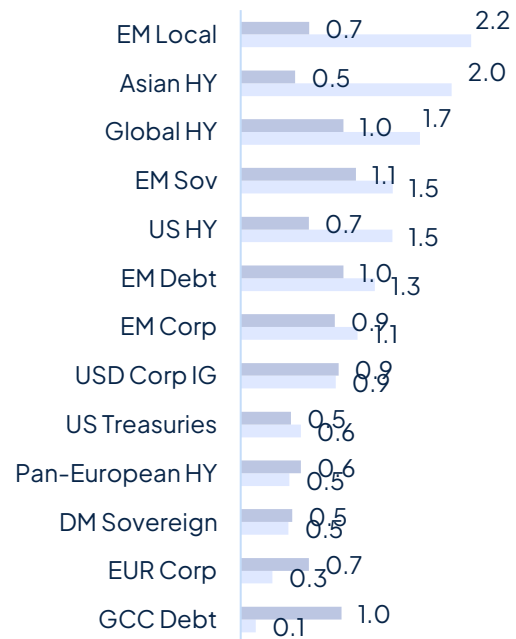
The first quarter earnings season in the United States has demonstrated robust performance, with 80% of the 46 S&P 500 companies reporting results that surpassed analyst expectations. Despite these widespread earnings beats, corporate guidance has remained measured. Investment grade (IG) spreads are only 7 basis points off their tightest levels, with BBB-rated bonds driving the latest tightening. Yields remain elevated, supply is substantial yet well absorbed, and demand continues to be reasonably strong. Markets are fully pricing in both a swift end to the conflict and a favourable earnings season. Sales of dollar- and euro-denominated bonds from developing nations this month are already running at approximately 200% above volumes recorded in April of the previous year, according to Bloomberg data. We are neutral credit across different segments, removing our overweight in EM Debt during the last TAAC.

S&P affirmed the Republic of Turkiye's long-term foreign currency rating at BB-, while Turkish gold and foreign exchange reserves remained broadly stable in the week ending 10th April. Moody's revised Bahrain's outlook to negative from stable, maintaining the B2 rating and highlighting mounting downside risks to the sovereign's already weak credit fundamentals, primarily driven by ongoing regional tensions and disruptions to key export channels. In the UAE, Moody's changed the outlook for Arada Development to negative due to concerns over high leverage and slower deleveraging, compounded by geopolitical tensions affecting real estate markets. High beta sovereigns such as Bahrain, Egypt, and Turkey demonstrated resilience, with CDS tightening and cash prices rising. The UAE real estate sector continued its recovery, with notable gains in Arada, Binghatti, Damac, and Omniyat papers, although liquidity remains scarce and bid focused. CDS spreads across the region have retraced from their March highs.

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)



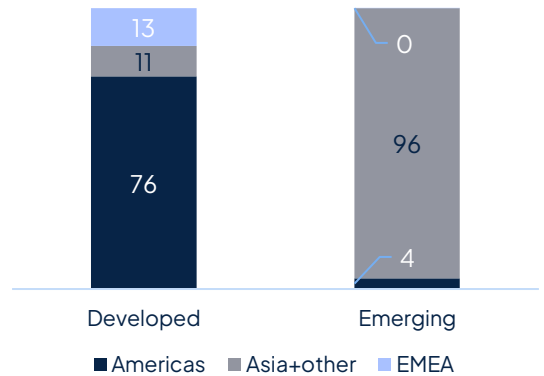
Equity update

Global equities had another strong week, and the key difference this time was that the move became a broader re-risking across regions and sectors rather than just another recovery from the previous drawdown. MSCI ACWI rose 3.9%, developed markets gained 4.0% and emerging markets added 3.2%, while the S&P 500 jumped 4.6% and closed at record highs. Europe gained 1.9%, China rose 2.5%, TOPIX added 0.6% and Dubai was again one of the stronger markets, with DFM up 5.0%. In the US, the S&P 500 and Nasdaq both hit fresh highs, and the Nasdaq extended its winning streak to 13 sessions, its longest run since 1992. Positioning also added fuel to the move, with a basket of the most shorted stocks up 14% for the week, while Goldman estimated another \$70 billion of CTA buying could still come after \$86 billion had already moved into global equities.

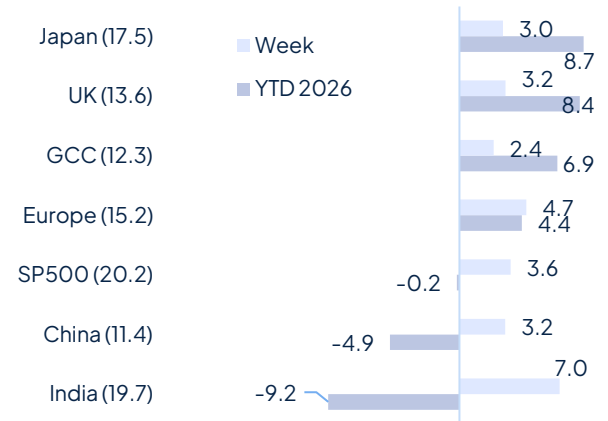
On the corporate side, earnings season started with enough strength to support the rally, but also enough warnings to show that the market is becoming much more demanding. Software had its best week since 2001 after being one of the main casualties of the AI disruption debate earlier in the year, while large technology and consumer discretionary names helped push the US market higher. TSMC's results showed that AI demand is still very strong, second-quarter sales guidance ahead of consensus, and 2026 capex guided toward the high end of its \$52 billion to \$56 billion range. But the stock only rose 1.5% for the week and slipped after results, which tells you investors are now asking whether too much of the earnings story depends on a small group of hyperscalers and AI chip designers continuing to spend at the same pace. Elsewhere, big banks kicked off earnings season and Goldman Sachs rose 2.0%, Morgan Stanley jumped 6.3%, Bank of America gained 2.6% and BlackRock rose 5.3%. Together, the largest US banks delivered nearly \$50 billion in combined first-quarter profits as volatility lifted trading activity. Across JPMorgan, Bank of America, Citi, Goldman and Morgan Stanley, capital markets revenue rose nearly 20% year on year, advisory revenue jumped 68%, investment banking fees rose 31% and equities trading increased around 26%. But the market still stayed selective, because FICC was uneven, JPMorgan lowered its net interest income outlook, and Netflix was the clearest reminder that guidance matters more than backward-looking beats. Netflix fell 5.5% for the week and almost 10% on Friday despite beating first-quarter revenue and EPS expectations, because second-quarter guidance disappointed and Reed Hastings stepping down added another reason for investors to take profit.

Looking ahead, the market now moves into a much heavier earnings week, with Tesla, IBM, Intel, UnitedHealth, Boeing, Blackstone and several defense names including Northrop Grumman, Lockheed Martin and GE Aerospace all reporting. The focus will be less on whether companies beat first-quarter numbers and more on what management teams say about demand, margins, tariff costs, energy costs, AI spending and guidance for the rest of the year. Geopolitical developments still matter as well, especially any follow-through on the US-Iran talks, the durability of the Hormuz reopening and whether recent supply chain disruptions leave any lasting impact on corporate margins. So, the rally has momentum, but next week needs to prove that earnings and guidance can carry the market now that a lot of the relief trade has already happened.

Equity Recommended Regional Positioning

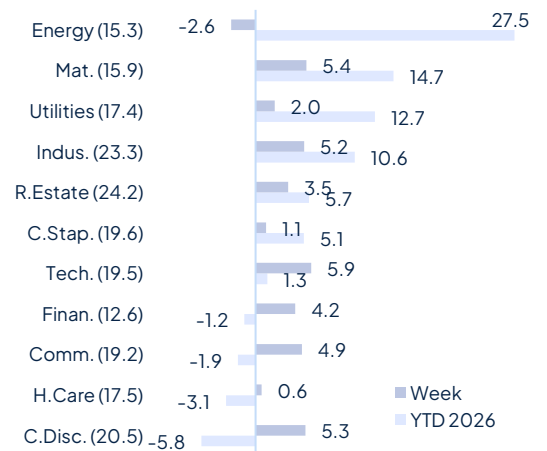


Major Indices Performance (TR, US\$), P/E in brackets



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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