

Better clarity ahead, hopefully.

- **Abundant data, from earnings to central bank meetings and economic releases, help building a clearer picture**
- **Geopolitical status-quo is a concern, but reports of a fresh proposal from Iran could create some hope**
- **Our positioning doesn't take a strong bet against such an uncertain backdrop**



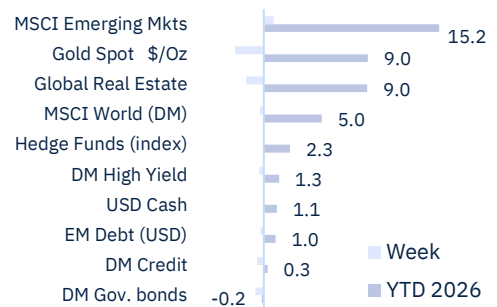
Last week didn't confirm the euphoria of the previous one. With no geopolitical breakthrough, and even no direct negotiations at all, oil prices sharply rebounded, lifting US Treasury yields and the dollar in their aspiration. Most asset classes delivered negative returns over the course of the week, especially expressed in US dollars.

Having said that, the drawdown was not that severe, with pockets of outperformance: energy was logically sought after, while semiconductors shone, following Intel's spectacular update. Staying on bottom-up, the earnings season, still in early days, continued to exceed relatively high expectations. Switching to top-down data, April flash PMIs were far from catastrophic. European consumers have a low morale, understandably so, taking a toll on services, but manufacturing surprised to the upside in all regions, while the US printed strong leading indicators in both. If we forget geopolitics for a second, the picture is favourable, even more so as Kevin Warsh's confirmation as the next Fed chair is progressing, mitigating another potential uncertainty.

Of course, geopolitics are not to be forgotten, the single most important market driver for now. To that extent, Axios reported that Iran submitted a fresh proposal to split the negotiations between Hormuz opening on one hand, and nuclear topics on the other. This reminds us that if the world urgently needs a functioning trade route, with severe and rapidly spreading consequences, Iran needs it even more than anyone else on earth. We continue to hope that the clock is ticking towards some agreement rather than re-escalation, which supports our current "risk-neutral" positioning.

The week ahead will be extremely rich, from big tech earnings to all major central banks holding their policy meeting, and major economic data releases. Let's hope for the best and have a great week.

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



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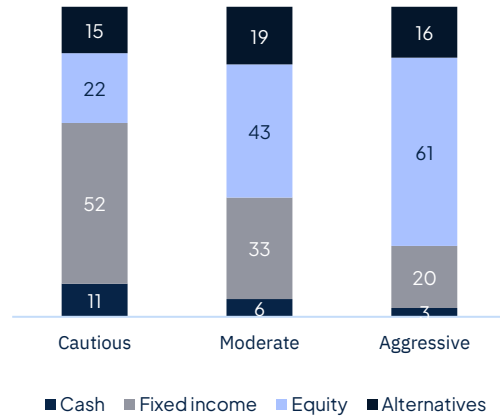
Cross-asset Update

The liquidity-driven rally continues, despite the unresolved Gulf crisis. The S&P 500, EM stocks, and gold returns remain highly correlated in the shorter term, suggesting that a common factor is driving different asset classes. Indeed, the momentum of global money supply has been strong since mid-2025. We would tend to think that the Washington administration has quite a vested interest in keeping this going as the midterm elections loom larger. The rally that is puzzling to most market participants seems thus set to continue. Easing financial conditions have nicely distracted investors from the closure of the Strait allowing them to focus on the resilience of the US economy and the strong earnings. US manufacturing confidence printed well above expectations in April in the wake of unabated AI investments, an occurrence well telegraphed by the outperformance of semiconductor stocks. Also, the upcoming confirmation of Kevin Warsh to Fed chair is clearing the path for at least one rate cut, we would suspect. Treasury yields are likely to be capped or headed lower from here, being highly sensitive to the future direction of monetary policy. With growth and financial conditions headed in the right direction, markets are likely to remain supported until shortages from the closure of the Strait hit the global economy.

And herein lies the rub. At some point shortages will impact economic growth in a more significant way that it has so far been the case, in turn affecting financial markets. It is a matter of when, not if. The floating crude stockpile available on ships that were in transit when the Strait was blockaded has largely reached its destinations. It provided critical but temporary relief to global markets, a buffer that has now been mostly absorbed in Asia and Europe. For now, shortages have been mostly of a financial type, under the form of price increases for crude oil, LNG, fertilizers, shipping costs, and so on, rather than physical. But shortly, just-in-time inventories could be hit. Farmers are scaling back planting, flights are being cancelled, several Asian nations are reaching critical levels of stockpiles of refined products. Hopefully, a new round of negotiations will be conducive to a quick reopening, that in the best case would anyway take two months to reestablish pre-conflict flows of goods.

The events in the Gulf are threatening to cause a scarcity of energy, food, and materials. This is exacerbating the ongoing bid for basic resources already in place and driven by ongoing AI and rearmament investments. Materials stocks will stand to benefit in the immediate future and for the longer term. In particular, long-forgotten energy stocks should have a bright secular outlook. Their market cap to GDP has historically proven to be a good leading indicator of 10-year ahead real returns. Low levels of market cap to GDP have been consistent with high-single digit real returns, that is currently the case.

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

Geopolitical developments continue to exert significant influence on the fixed income markets. According to Axios, Iran has submitted a new proposal to reopen the Strait of Hormuz, contingent upon the postponement of nuclear negotiations until the United States lifts its blockade of the Strait. Last week, the US Treasury yield curve experienced a bear flattening, with the 2-year yield increasing by 8 basis points and the 30-year yield rising by 4 basis points, reflecting the prevailing geopolitical circumstances. The 10-year yield traded predominantly within the 4.25% to 4.35% range over the course of the week. Meanwhile, the five-year, five-year forward inflation swap remains anchored below 2.4%.

This week's FOMC meeting may mark Jerome Powell's final appearance as Chair of the Federal Reserve. The consensus expectation is that the Federal Reserve will maintain its current policy stance. Senator Tillis has announced the withdrawal of his opposition to Kevin Warsh's nomination as Chair of the Federal Reserve, following assurances from the Justice Department that the criminal proceedings against Mr Powell will be concluded. It is our view that Kevin Warsh is unlikely to support further interest rate increases. This perspective is shared by the swap markets, which are currently pricing in a flat policy rate from the Federal Reserve through to the end of the year.

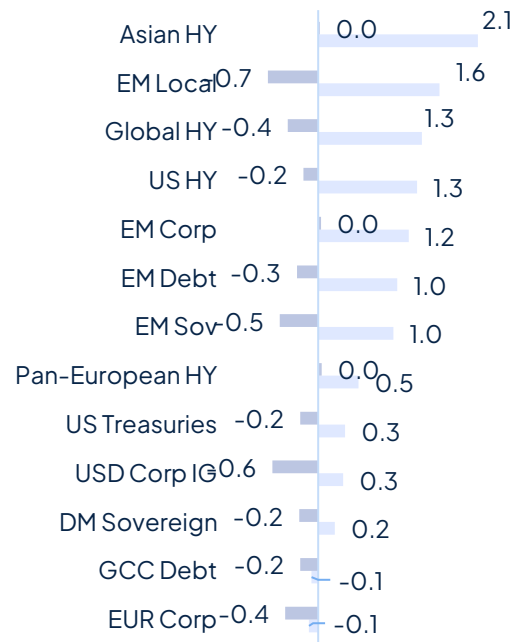
Credit spreads remained within a narrow range across various segments, coinciding with a robust start to the first quarter earnings season. Bloomberg Credit Aggregate spreads closed at 73 basis points last week. Global high yield spreads fluctuated within a 4 basis point band, and emerging market debt exhibited similar stability. Given the current environment of tight spreads and range-bound yields, we believe that a buy-write strategy could be advantageous for enhancing income generation. Writing covered calls is generally not advisable when yields are declining, as call options are more likely to be exercised, thereby limiting potential gains had the underlying securities been held. The same principle applies during periods of spread tightening. However, when yields are stable or increasing, the income from option premiums can augment returns.

JPMorgan is reportedly considering the inclusion of Saudi Arabian local currency bonds and sukuk in one of its global emerging market bond indices from early 2027, as part of efforts to diversify funding sources and increase foreign participation in Saudi Arabia's local debt market. This initiative is expected to improve the liquidity of Saudi issuances, which are often challenging to trade in the secondary market. However, demand will ultimately depend on how lucrative these securities are for international investors vs their dollar counterparts. High yield debt continued to experience pressure, with particular weakness evident in the real estate sector bonds and sukuks from the region. Emirates NBD has mandated the issuance of US dollar perpetual bonds, marking the first public transaction within GCC since the start of the recent 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)



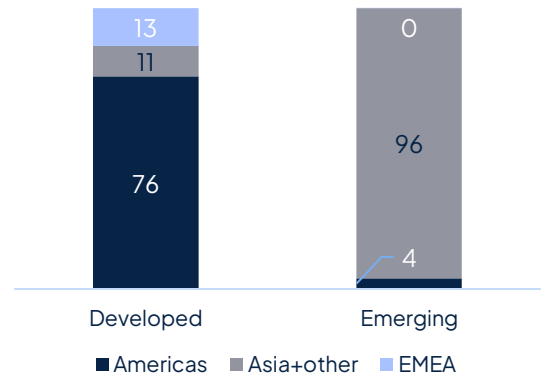
Equity update

Markets spent the week navigating two competing equity narratives, with earnings on one side and constantly shifting geopolitical headlines on the other, and that left the final index moves looking much calmer than the trading actually felt. MSCI ACWI slipped 0.2% over the week, with developed markets down 0.3% while emerging markets still managed a 0.9% gain. The split across regions was quite clear. The S&P 500 rose 0.6% and closed the week at all-time highs, while MSCI Europe fell 2.2%, MSCI China lost 1.7%, TOPIX declined 1.2% and Dubai dropped 2.1%. The pattern through the week was fairly simple: every sign that US-Iran talks might move forward helped equities stabilize, while every setback around Hormuz pushed markets back toward inflation, growth and margin concerns. By the end of the week, the US had again done most of the heavy lifting, while Europe and parts of Asia looked much less convincing. The US market was still being carried by technology, and more specifically semiconductors. Intel's blowout forecast was the standout moment, with the stock surging about 24% on Friday in its best day since 1987 and lifting AMD, Arm and the rest of the chip complex with it. The semiconductor index is now on an 18-session winning streak, which says a lot about what is still carrying US equities. The broader earnings season has been good, but not broad enough on its own to fully drive the tape. Roughly 80% of S&P 500 companies reporting so far have beaten expectations, and first-quarter earnings growth is tracking around the mid-teens, but markets are still rewarding a fairly narrow set of winners, mainly chips, AI and selective large-cap tech. That was also clear in the reaction to other names this week. IBM struggled because its results did not really calm AI disruption concerns, while Tesla showed again that even a beat is not enough when the market is more focused on capex, margins and whether the AI and robotics pivot can justify the valuation.

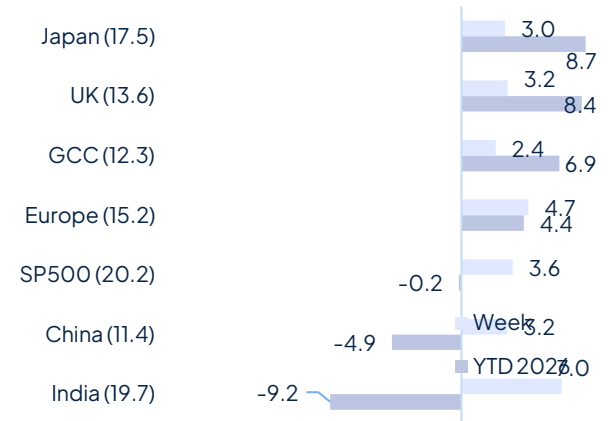
Outside the US, the picture was weaker. Europe looked the most fragile because higher oil, softer PMIs and a less compelling earnings season are now starting to bite at the same time. Sales growth in Europe is running at just 1.1% year on year versus 8.6% in the US, beat rates are trailing both US and global peers, and Goldman noted that while very few European companies are missing, the ones that do are being punished quite hard while beats are getting only limited reward. That is not a great setup for a market that had been trading on the idea of a broader rerating earlier in the year. China was mixed rather than outright weak. The headline move was negative, but the underlying AI and tech story is still active, with DeepSeek launching its new flagship V4 model and local chipmakers rallying as markets try to assess what stronger domestic AI competition could mean for the region's technology complex. Dubai eased back as well, in line with the more cautious regional tone.

Looking ahead, this now becomes a very important week for equities because the market is moving into one of the busiest stretches of the earnings season. More than 160 S&P 500 companies are set to report in total, including five of the Magnificent Seven, and this is the point where big tech has to validate the recent move in the index. Markets will be looking for earnings delivery, AI spending discipline, cloud and advertising momentum, and, most importantly, guidance that can keep supporting the narrow leadership the market is still relying on.

Equity Recommended Regional Positioning

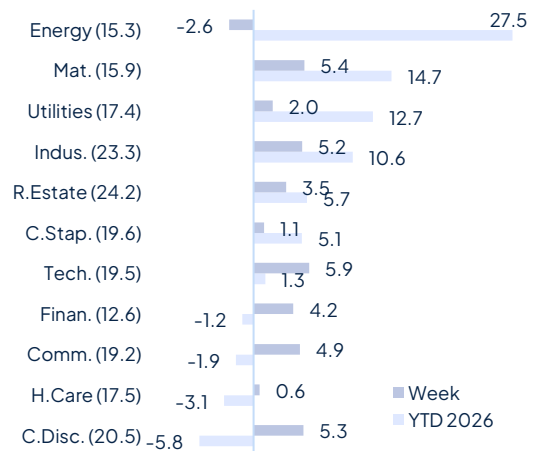


Major Indices Performance (TR, US\$), P/E in brackets



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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