House View

Market Outlook Update

Q3 2026

NBK Wealth

Contents

Executive Summary

❑ The Landscape

- The global macro backdrop has turned more constructive as the second-quarter regional conflict and energy shock gave way to an uneasy de-escalation and the oil premium unwound. But policy has shifted to a more restrictive footing, and the gap between record-high markets and a cooling real economy has widened, leaving the balance of risks distinctly two-sided.

- Tailwinds are led by a broadening AI investment cycle moving from build-out to adoption, the unwinding of the war-driven energy premium, increasingly self-sustaining fiscal and government spending, and resilient corporate profitability as credit stress retraces.

- Key headwinds include the turn from a supportive to a restrictive policy bias, sticky underlying inflation facing fresh pass-through risk, a finite fiscal cushion for squeezed household purchasing power, narrow concentration behind the AI rally, and a fragile geopolitical backdrop where the physical recovery in energy flows lags the improvement in sentiment.

❑ Regional Outlook

- We are cautiously optimistic on GCC equities after a broad post-conflict recovery: we remain Overweight Saudi Arabia (excluding materials and energy), upgrade the UAE to Overweight on banking-sector strength, and upgrade Egypt to Neutral following its re-rating, while staying Neutral on Qatar and Kuwait.

- We continue to favor GCC fixed income, where all-in yields remain attractive, fundamentals are sound, and spreads have retraced to pre-conflict levels; with rates likely to stay volatile and higher-for-longer, we prefer shorter-duration, high-quality exposure and a selective approach to high yield.

❑ Fund Flows

- Through the first five months of 2026, geopolitical risk drove a defensive flight to quality, with investors rotating into active ETFs, US large-cap, and high-quality exposure; combined global ETF flows reached roughly $1 trillion year-to-date (heavily US-concentrated)

- Active strategies held a resilient ~30% share — peaking above 50% during March's market dislocation — underscoring a shift toward managing risk rather than chasing returns.

❑ The View

- The base case remains continued expansion, but risks have tilted further to the downside, with recent tech volatility highlighting how narrow and richly valued market leadership has become.

- Principal risks are increasingly correlated: a broadening AI de-rating, restrictive policy amid a slowing economy, a squeezed consumer, and a fragile geopolitical backdrop—several tied to the same inflation-and-rates trigger that weakens the equity-bond hedge.

- The focus shifts to resilience over participation, favoring quality, shorter duration, and uncorrelated diversifiers while retaining liquidity.

The Landscape

❑ ***Assessment***

The global macro environment has shifted again since our last update, this time in a more constructive direction. The escalation that defined the second quarter with the military conflict in the Middle East and the energy shock transmitted through oil, has given way to an uneasy de-escalation. A negotiated pause has taken hold under a 60-day ceasefire framework and an initial U.S. sanctions waiver, with a roadmap toward a permanent deal. While key disputes remain unresolved and are still under negotiation, the immediate risk of a broader conflagration has receded. While markets have moved quickly to price the relief and the near-term path has improved, the range of outcomes around it has not meaningfully narrowed.

Chart 5: Global Equity Index Performance YTD (Rebased to 100)

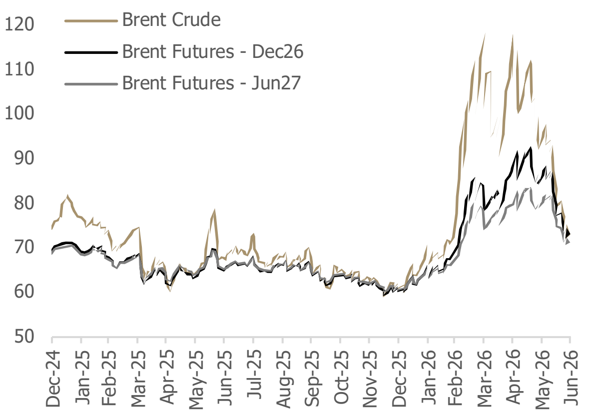
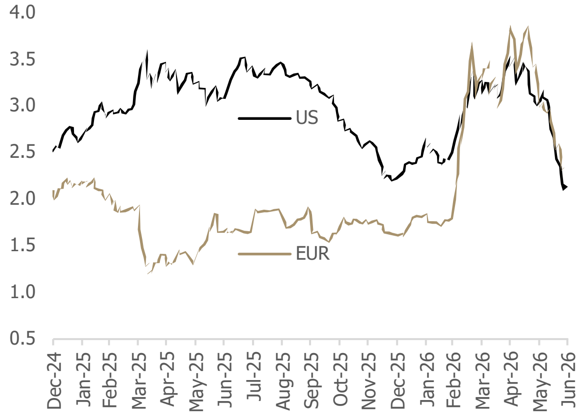


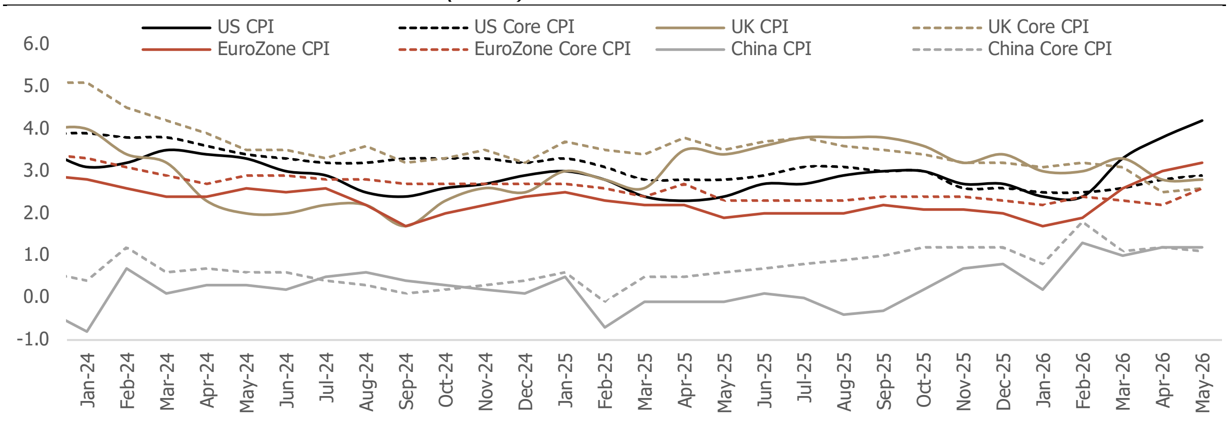
Chart 6: U.S. Consumer Sentiment and Confidence Index



Source: Bloomberg, NBKW

The most immediate transmission channel, as it was on the way up, has been oil. The premium that built into crude at the height of the conflict has largely unwound as the risk of a sustained disruption through the Strait of Hormuz has faded. The dislocation between current and futures deliveries that marked the escalation has narrowed, and the earlier repricing of near-term inflation expectations has partially reversed. The acute supply-security premium has largely come out of market pricing, even as the physical recovery in flows is likely to lag the improvement in sentiment.

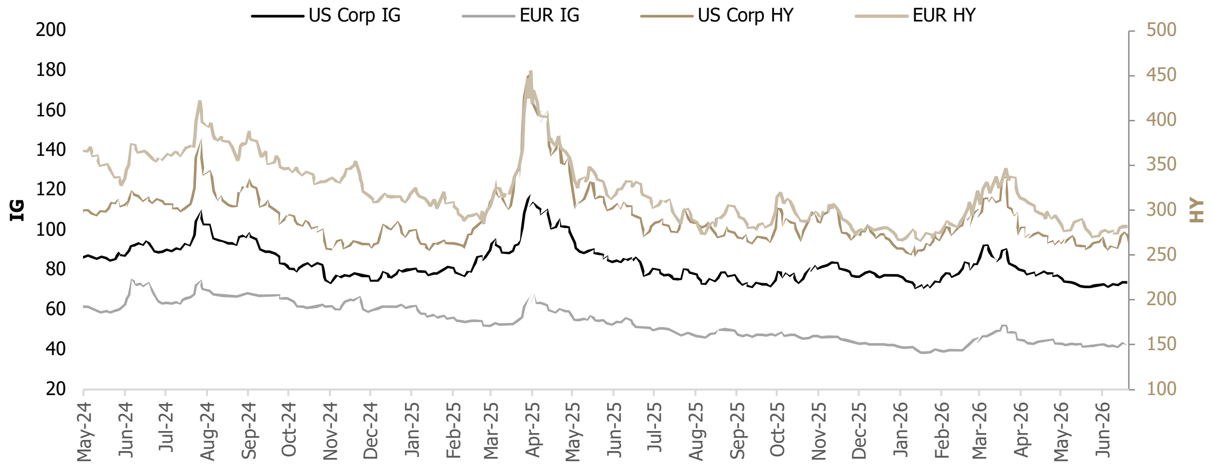
Chart 3: Global Core and Headline CPI Trends (% YoY)



Source: Bloomberg, NBKW

The unwind of the energy premium should not be read as an all-clear on inflation. The spike was a supply shock, and the base case remains that it resolves over the medium term, but the underlying domestic price pressures that were present before the conflict have not gone away. We expect inflation in the U.S. and the Euro Area to run above target over the medium term, broadly in line with consensus, while China continues to experience deflation, albeit gradually easing. The conflict amplified a pre-existing condition rather than creating a new one.

Chart 4: US and Eurozone Corporate Credit Spreads, Investment Grade vs. High Yield (bps)



Source: Bloomberg, NBKW

Market reactions have mirrored the de-escalation, though the composition of the rebound is telling. Risk appetite, which had normalized rather than capitulated through the drawdown, has recovered; the spread widening seen earlier in the year has reversed. Equities, on the other hand, started rallying long before the ceasefire was reached, and were mostly driven by solid second quarter earnings and AI.

What stands out is that the move higher in equities has been driven less by the macro cycle and geopolitics and more by the continued build-out of artificial-intelligence capacity, now accompanied by early evidence that corporate adoption could be starting to translate into gains in productivity and profits. The rally owes more to a structural earnings story than to the geopolitical de-escalation itself.

Beneath that headline, the growth picture has become more uneven, and the expansion is no longer running on all its engines. Higher energy costs and a softer labor market have begun to squeeze household purchasing power, and the consumer is showing signs of losing momentum.

Chart 5: Global Equity Index Performance YTD (Rebased to 100)

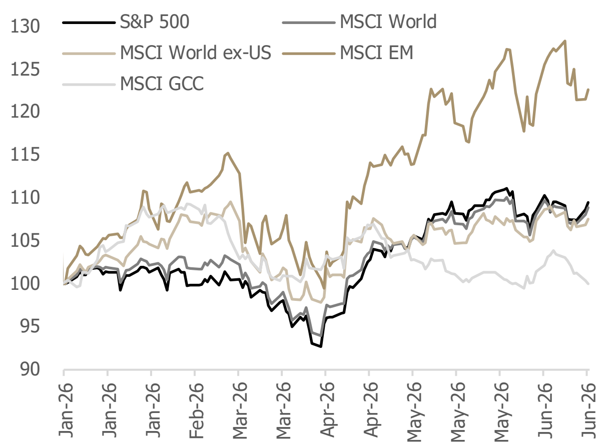
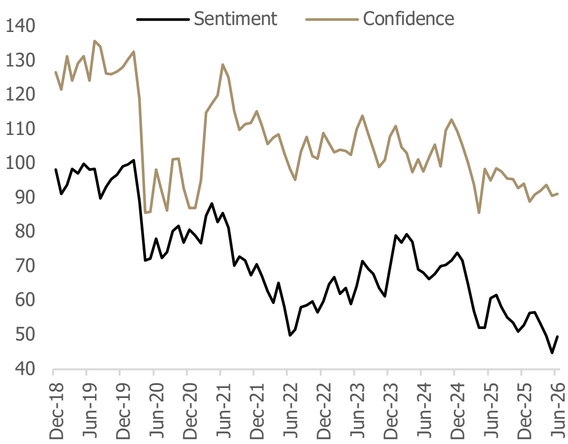


Chart 6: U.S. Consumer Sentiment and Confidence Index



Source: Bloomberg, NBKW

That this has not yet shown through more clearly in activity owes in large part to fiscal support, which has cushioned incomes and which is itself becoming a more important driver as government spending accelerates across the major economies. The capital-expenditure engine, led by technology, continues to run hot. The result is a wider dispersion of outcomes across sectors and regions than the index level alone would suggest.

Critically, the policy backdrop has turned. Where the bias through much of the cycle was toward easing, central banks have moved to a more restrictive footing, weighing persistent core inflation and the second-order effects of the energy shock against an economy that is already cooling. The prospect of further tightening this year, which was barely contemplated a quarter ago, has become part of the base case rather than a tail scenario. The broader conclusion is that, even as the immediate geopolitical risk recedes, the gap between markets trading at or near records and a real economy that is losing momentum has widened. That divergence, rather than the conflict itself, is now the defining feature of the landscape, and it leaves the balance of risks more two-sided than the rally in risk assets would imply.

- ***Tailwinds***

AI investment is broadening from build-out to adoption The most durable support for risk assets is structural rather than cyclical. Spending on AI capacity continues to underpin earnings and investment and is now being joined by early evidence that adoption is spreading beyond the initial infrastructure layer into the broader corporate base, with measurable gains in productivity and profitability beginning to appear, albeit at a significant cost as companies are starting to see their AI expenses increase. This provides a source of momentum that is, to a meaningful degree, insulated from the geopolitical and macro crosscurrents, and it has anchored US large-cap leadership.

The war-driven energy premium has unwound, lowering the inflation and growth tail. The single largest macro-overhang of the second quarter, i.e. the risk of a sustained energy disruption, has receded as the negotiated pause has held. Crude has retraced much of its conflict-driven move and inflation-swap markets have given back part of the premium they had built in. This alleviates the principal upward pressure on headline inflation and restores some of the policy optionality the shock had taken away.

Fiscal and government spending has become an increasingly independent engine of growth. As consumer momentum has faded, public expenditure has taken up part of the slack. Defense and national-resilience budgets are rising, previously announced stimulus is being disbursed, and targeted income support has cushioned households at the margin. This spending is largely decoupled from the cycle and from the political backdrop, and it has been a meaningful part of the wedge between negative headlines and resilient markets.

Corporate profitability is resilient, and credit stress has retraced. Earnings have held up better than the macro backdrop would suggest, supported by productivity gains and leaner inventories, while the spread widening seen earlier in the year has reversed across both investment-grade and high-yield markets. Pockets of stress, including in private credit, appear contained rather than systemic. Credit has thus been restored as a more dependable source of carry, even if it now offers less room for further tightening.

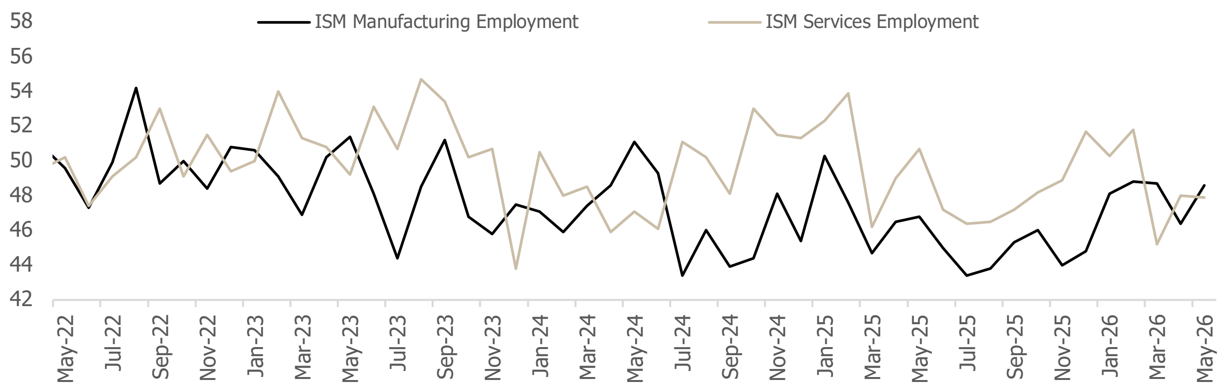
- ***Headwinds***

Policy has shifted from a supportive to a restrictive bias. The most consequential change since our last update is the turn in monetary policy. With core inflation still above target and the energy shock threatening to feed into a wider range of prices, central banks have set aside the easing bias that defined much of the cycle, and the prospect of further tightening this year has moved from a tail scenario into the base case. This tightens financial conditions at a sensitive point in the cycle and is the principal risk to the rally in risk assets.

Underlying inflation remains sticky and faces fresh pass-through risk. Beneath the unwinding energy premium, domestic price pressures have proved persistent. Services inflation remains elevated, goods pressures are building, and trade measures pose an additional upside risk. Because these pressures predate the conflict and are largely structural, they are unlikely to fade as quickly as the oil spike, and they are the proximate reason policy has turned restrictive.

The squeeze on household purchasing power is the US economy's principal soft spot. Higher energy costs and a softening labor market are eroding real incomes, and the consumer has lost momentum. The drag has so far been masked by fiscal support, but the cushion is finite, and the effect of higher fuel costs is likely to be felt more acutely as the year progresses. A more pronounced consumer retrenchment is the most direct channel through which the slowdown could deepen.

Chart 7: ISM Manufacturing vs. Services Employment (Diffusion Index, 50 = Neutral



Source: Bloomberg, NBKW

The concentration behind the AI rally is itself a significant risk. The same dynamic that anchors the bull case is also the market's largest single vulnerability. Leadership is narrow, valuations in parts of the complex are full, and the return on the capital being deployed is not yet proven; segments perceived to be on the losing side of the technology shift have already been heavily repriced. A reassessment of the AI investment case would weigh disproportionately on the major benchmarks, given how much of the advance it has carried.

The geopolitical backdrop remains fragile and physical normalization will lag. The negotiated pause has lowered near-term escalation risk, but the underlying disputes are unresolved, and the arrangement depends on contested details still being worked through. A breakdown in talks remains a real risk, even if not our base case, and the speed with which markets have priced relief leaves them exposed to disappointment. The recovery in physical energy flows, in any event, is likely to take longer than the improvement in sentiment.

Regional Outlook

- ***MENA Equities***

Since our last update, the GCC has recovered and is showing positive performance both YTD and since the start of the conflict. The UAE, initially the most affected market at -10% YTD in mid-March, has since recovered to c.6% YTD. Saudi Arabia has outperformed core GCC markets not only YTD but also since the start of the conflict. The GCC valuations look reasonable within a global context. Though the U.S. and Iran have signed an interim MOU, we remain cautiously optimistic on GCC since we expect markets to remain volatile depending on the news flow surrounding the ongoing negotiations. Oman rallied due to a narrative surrounding its potential upgrade to EM status and inclusion in the MSCI/FTSE indices while strong double-digit earnings growth expectations for 2026 supported the Egyptian market.

Chart 8: MENA Equity Returns since Conflict Start (%)

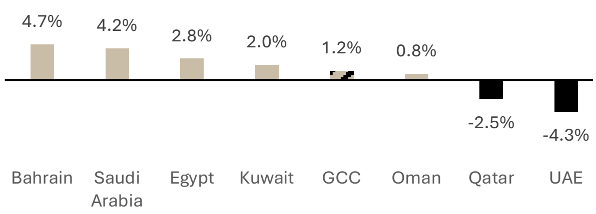
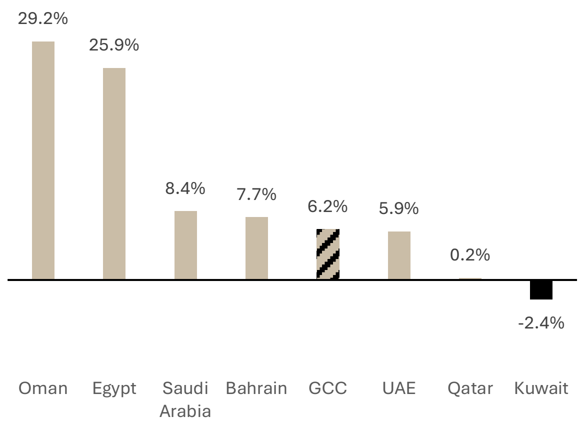


Chart 9: MENA Equity Returns YTD (%)



Source: Bloomberg, NBKW

We remain Overweight on Saudi Arabia excluding the materials and energy sectors. We recently added to the healthcare sector selectively. Our preference in this sector is for companies which can benefit from a ramp-up in utilization of new hospitals that have been opened in the last two years. Such companies should benefit from positive operating leverage during H2 2026 and in 2027 as well. We have trimmed our Overweight in large-cap Saudi banks that are the biggest beneficiaries of an increase in foreign ownership limits (FOL). This is because visibility on the timeline of FOL implementation is lower than before given the YTD outperformance of Saudi Arabia versus other core GCC markets.

We had trimmed our Overweight in UAE real estate in Q1 2026. In Q2 2026, we reallocated some of this weight to the banking sector. We think banks are better geared to benefit from a recovery from the conflict. First, the increase in minimum capital requirements, which was set to be implemented in May 2026, has been postponed. Banks have also found support through a new liquidity injection from the Central Bank of UAE. Finally, there was no evidence of any asset quality issues in Q1 2026 earnings, and management guidance on cost of risk is also benign at this stage. We upgrade UAE to Overweight from Neutral.

In Qatar, we added to a large-cap bank which has underperformed not only the GCC markets since the conflict but also the small and mid-cap Qatari banks. The fundamentals of the bank remain strong, and management guidance on 2026e EPS growth remained unchanged post Q1 2026 earnings release. We think the weak share price performance is most likely due to foreigners pulling out liquidity from the region on the back of the conflict. We remain Neutral on Qatar.
As for Kuwait, we trimmed our Overweight in the banking sector since the last update. This is because of lower loan growth expectations in 2026 due to a slower build-up in backlog for construction companies and potential delays in implementation of the mortgage law. We expect things to normalize from Q4 2026 onwards and hence 2027 should be a loan growth recovery year. We are Neutral on Kuwait within a regional context.

In Egypt, consensus expects the banking sector, which is the main constituent of the local benchmark to grow earnings by 25% in 2026 and 12% in 2027. The EGP/USD also seems more stable now with almost no issues in repatriating USD out of the country. Domestic participation in the equity market also has been increasing, making it less vulnerable to external outflows. However, the market has outperformed core MENA both YTD (+26%) and during the last 12 months (+92%). Post this rally, the market is trading at 8.2x on 2026 earnings, which is in line with the 10-year median multiple of 8.4x. We upgrade our rating to Neutral from Underweight.

Chart 10: MENA Earnings Growth by Country, 2026e vs. 2027e

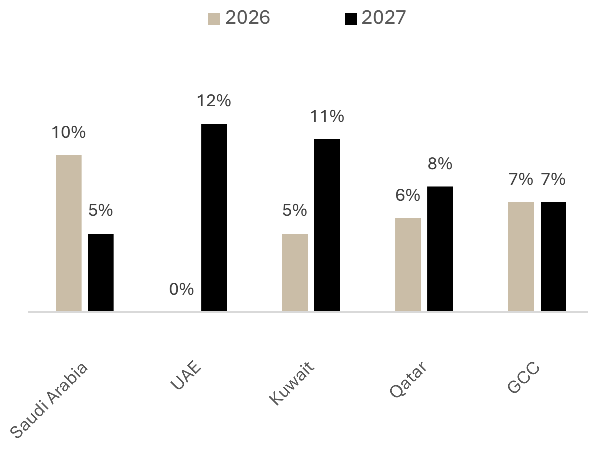
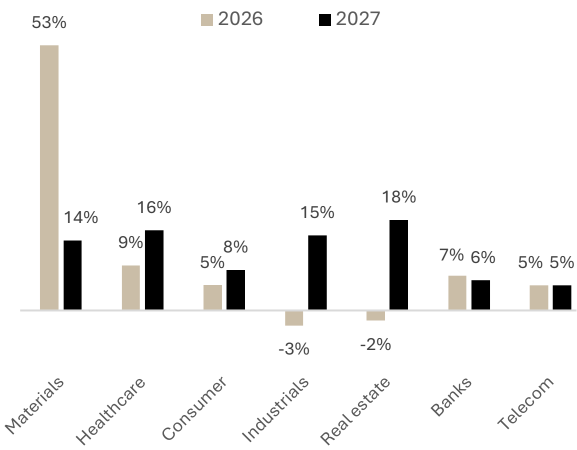
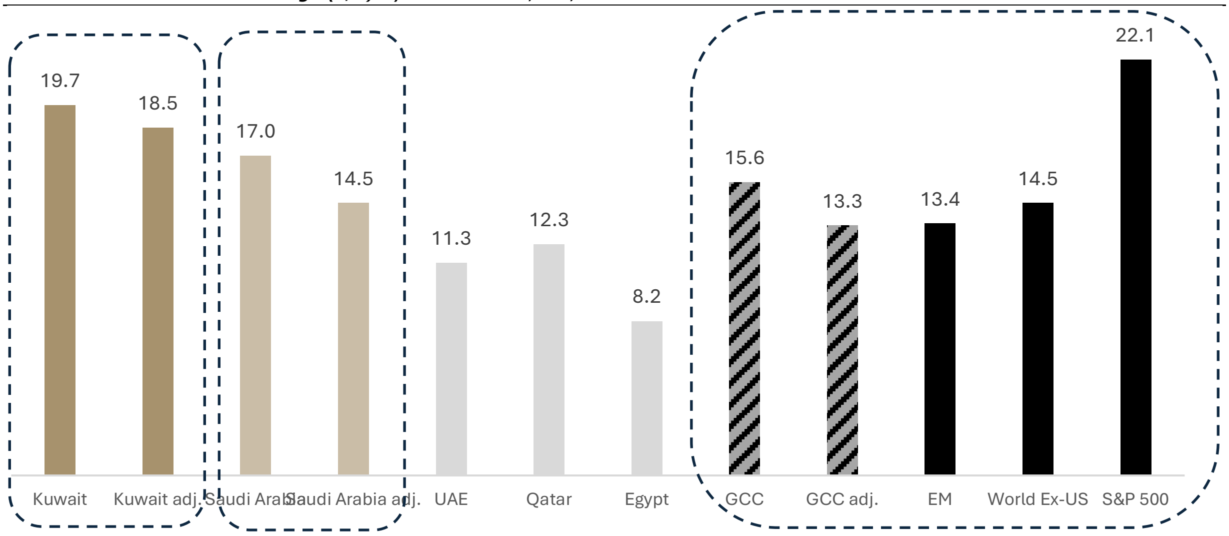


Chart 11: MENA Earnings Growth by Sector, 2026e vs 2027e



Source: Bloomberg, NBKW

Chart12: 2026e Price-to-Earnings (P/E) by Market: GCC, EM, World and S&P 500



** We exclude Materials, ACWA, Mecca Construction & Development, Saudi Research & Media Group, Tadawul Group, Sulaiman Al Habib, Taqa, select mid-cap Kuwaiti banks and ELM to arrive at the adjusted PEs of Saudi Arabia, Kuwait and the GCC overall*

Source: Bloomberg, NBKW

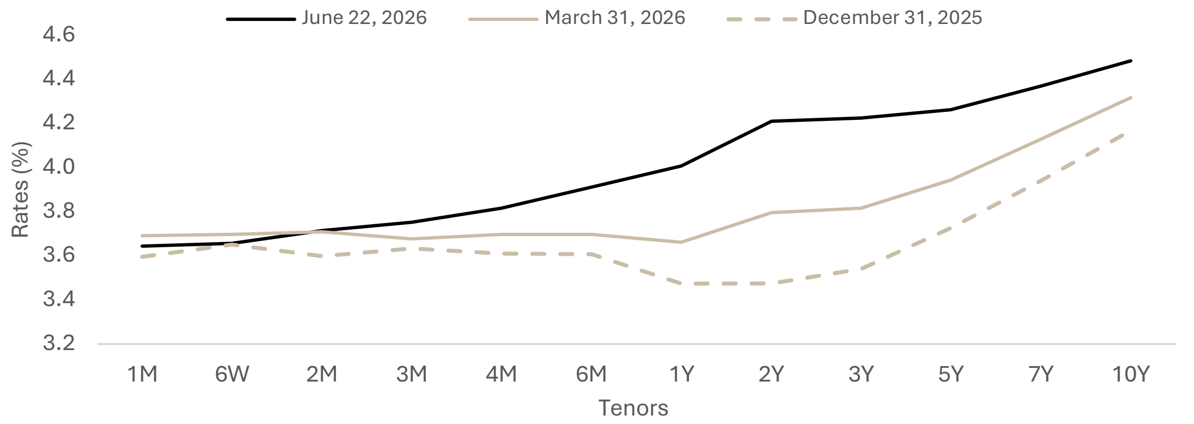
❑ ***MENA Fixed Income***

U.S. Rates and Fed Policy Outlook:

Volatility in U.S. Treasury markets remained elevated during Q2 2026, with yields moving higher across the curve before partially retracing. The rise in yields was driven by a combination of higher oil prices and a resilient labor market. Yield curve dynamics were mixed, with shorter-dated yields rising more sharply than longer maturities, resulting in a curve flattening and an underperformance of the front-end and the belly.

As signs of inflationary pressures are emerging, expectations of monetary easing continued to fade. Investors rapidly scaled back expectations for near-term rate cuts by the U.S. Federal Reserve, with market pricing shifting toward the possibility of additional policy tightening by year-end. Sentiment was further influenced by the appointment of Kevin Warsh as Federal Reserve Chair, adding to uncertainty around the future path of monetary policy.

Chart 13: U.S. Treasury Yield Curve (%)



Source: Bloomberg, NBKW

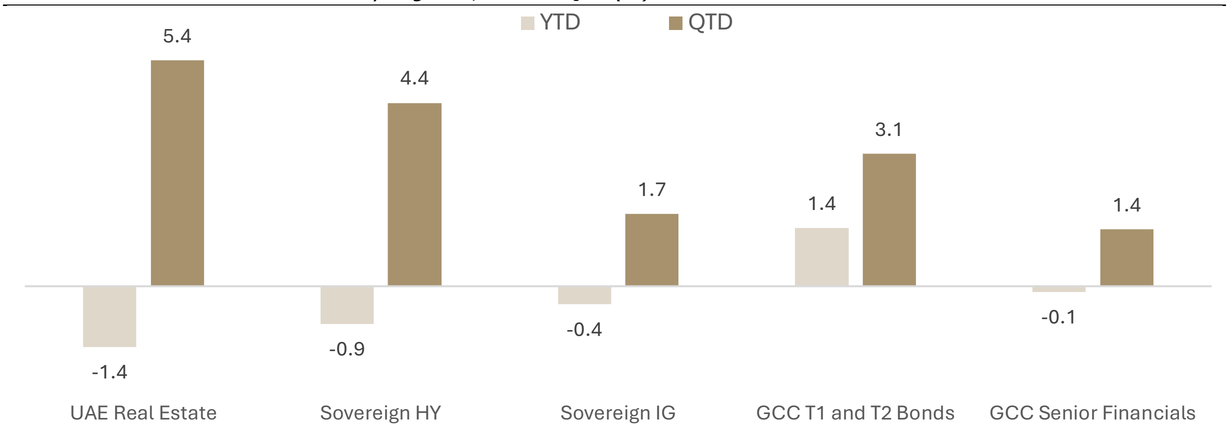
Table 1: GCC Credit: Outperforming global exposures QTD

	FOCUS	RATING FOCUS	QTD	YTD
Bloomberg Global Agg	GLOBAL	IG	0.6%	-0.5%
Bloomberg GCC USD Credit	**GCC**	**IG**	**1.8%**	**-0.3%**
Bloomberg Emerging Markets IG $ Index	EM	IG	1.3%	0.0%
Bloomberg U.S. Corporate High Yield	U.S.	HY	1.8%	1.3%
Bloomberg GCC High Yield	GCC	HY	4.2%	-0.3%
Bloomberg Global Agg USD Sukuk	Global Sukuk	IG	1.3%	0.2%

**Data as of 10 June 2026*

GCC Investment Grade Credit rose +1.8% during Q2, outperforming IG peers both globally and in EM on the back of strong spread compression from the highs during March. The strong performance during Q2 also led to a relative outperformance of YTD vs. global peers. Similarly, GCC HY recovered, rising 4.2% QTD and outperforming Global HY, though it still lags on a YTD basis. Global Sukuk delivered +1.3% QTD, outperforming conventional fixed income, benefiting from its shorter duration profile.

Chart 14: GCC Fixed Income Returns by Segment, YTD vs. QTD (%)

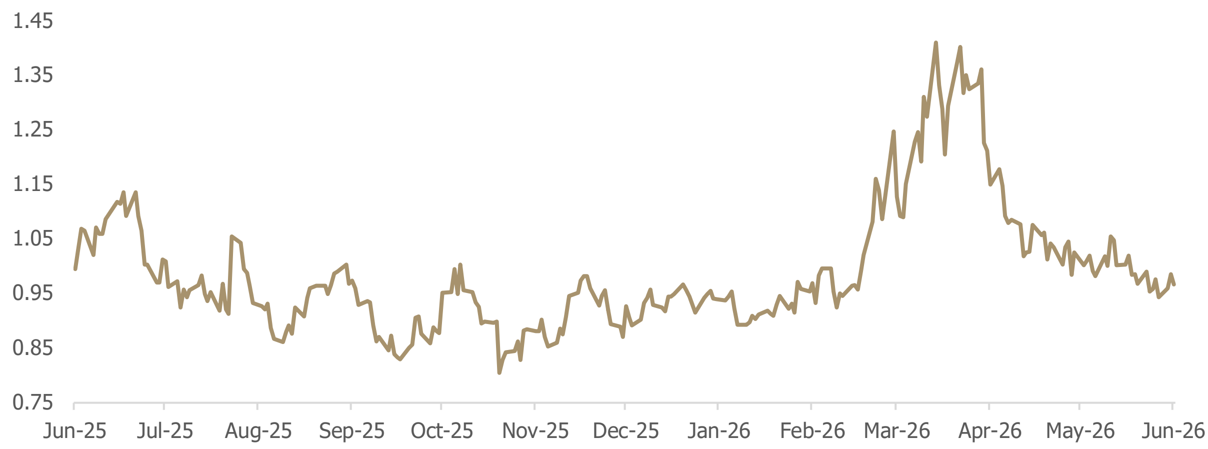


Source: Bloomberg, NBKW

GCC bonds witnessed a strong recovery during Q2, recovering most of the drawdowns seen during the conflict. Subordinated Financial Debt, across Tier I and Tier II bonds, has outperformed YTD.

GCC Credit Spreads: GCC credit spreads retraced from their peak conflict highs of 155bps and are back to pre-conflict levels. The move in spreads was supported mainly by the recent de-escalation of the conflict, higher all-in yields on high-quality GCC paper and low supply.

Chart 15: GCC Credit Spreads (%)

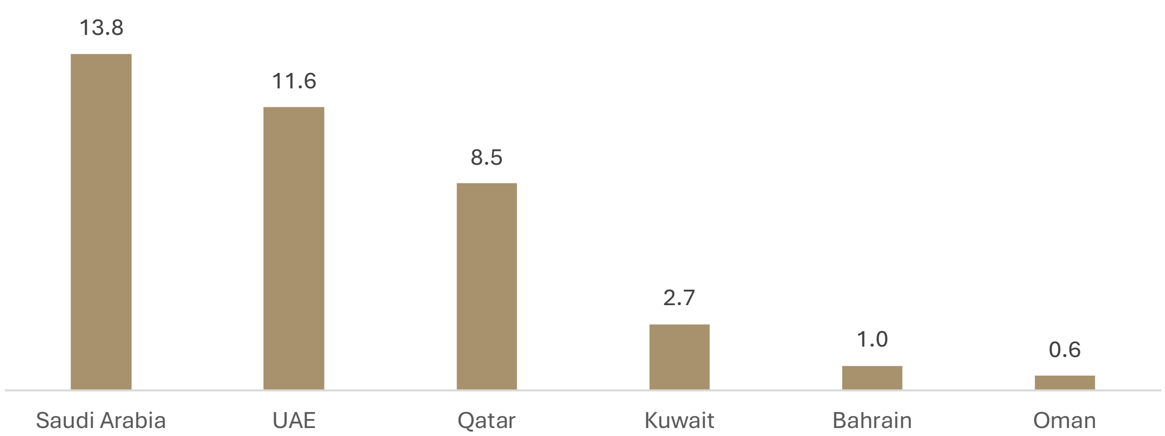


Source: Bloomberg, NBKW

GCC Debt Primary Market: Issuers Turn to Private Placements

Gross USD issuance volumes across the GCC reached USD 38.2 billion quarter-to-date, up by 37% from the same period last year, with Saudi Arabia and the UAE accounting for roughly two-thirds of total supply. Primary market activity evolved in two distinct phases. Between March and April, issuers relied heavily on private placements to satisfy funding requirements while avoiding public market execution amid heightened geopolitical uncertainty. USD-denominated private placements represented 32% of total Q2 issuance, led by GCC sovereigns, including Abu Dhabi, Kuwait, and Qatar as well as several of the region's flagship financial institutions. Market conditions improved notably in May as confidence in the ceasefire strengthened and regional credit spreads retraced from their conflict-driven widening, paving the way for a normalization in public issuance activity.

Chart 16: GCC Debt Issuance by Country (USD Billion)



Source: Bloomberg, NBKW

GCC Credit: Looking ahead

Despite heightened market volatility, we continue to view GCC fixed income favorably. All-in yields remain attractive, while underlying credit fundamentals across the region remain broadly sound. Strong sovereign balance sheets and the substantial financial buffers provided by regional sovereign wealth funds should help GCC economies navigate the current environment. That said, we expect rates to remain volatile and likely higher for longer as inflation risks persist. Against this backdrop, we favor shorter-duration bonds and maintain a highly selective approach to high-yield opportunities.

Fund Flows Trend Analysis

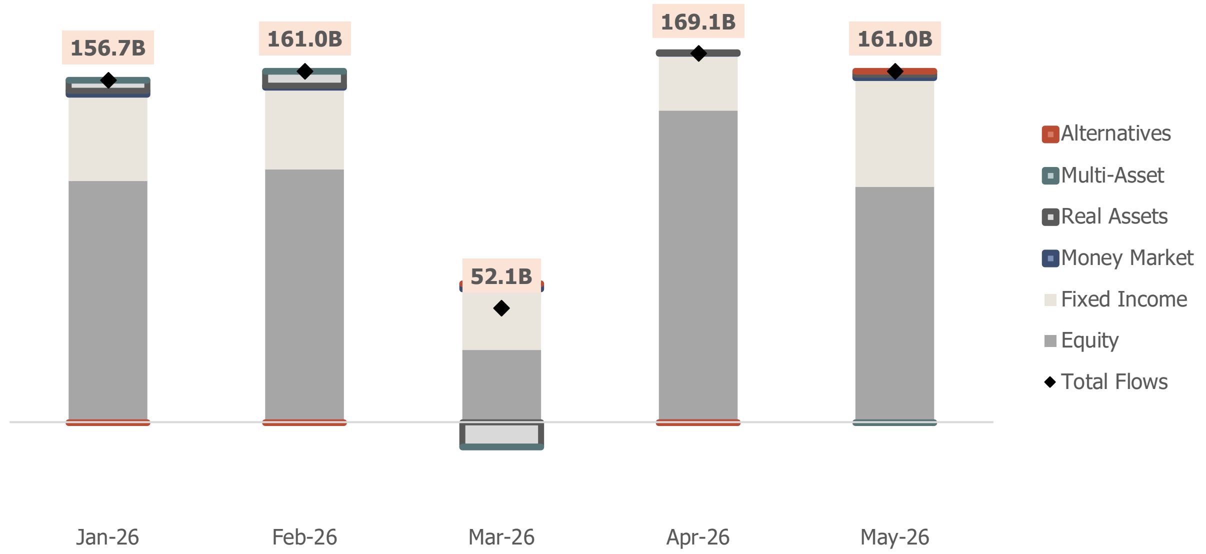
❑ ***Flight to Quality: Geopolitical Risk & The Active ETF Pivot***

During the first five months of 2026, investor sentiment turned highly defensive as allocators focused on protecting capital rather than chasing growth. This shift happened because Middle East conflicts created market uncertainty, raising concerns about oil supplies and persistent inflation. Instead of completely pulling out of the market, investors shifted their money toward active ETFs to stay protected. They rotated capital out of risky, speculative funds and placed it into stable U.S. large-cap stocks, high-quality equities, and short-term cash alternatives using active ETFs, which are, in part, designed to manage risk and protect capital during market downturns.

❑ ***Global Fund Flows & Investor Sentiment (Jan-May 2026)***

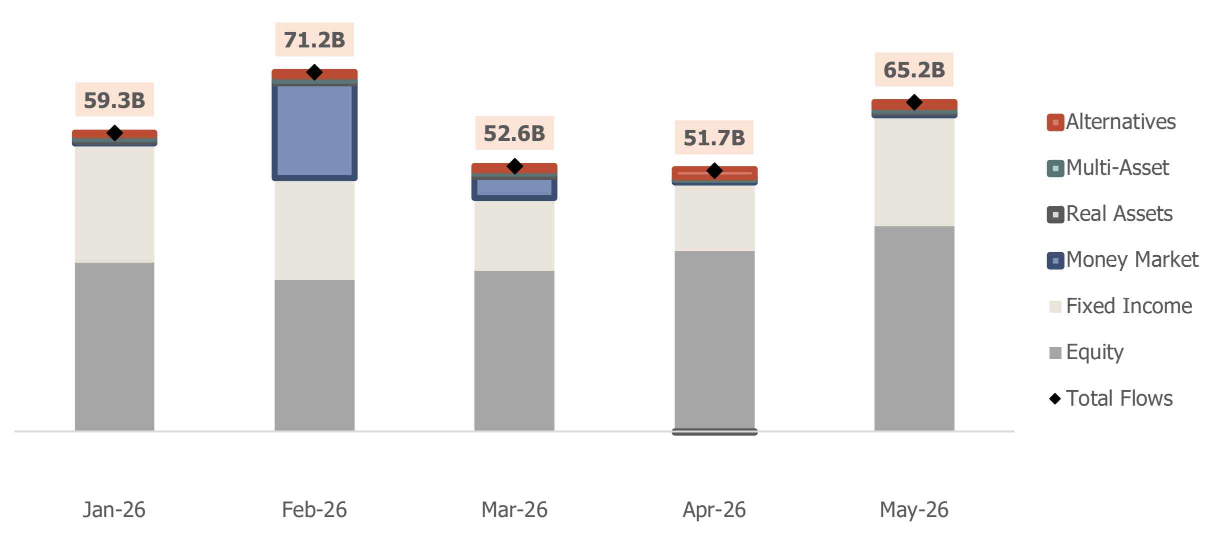
Broader capital allocation trends underscore this clear flight to quality. This allocation behavior is evident in combined global ETF fund flows, which reached an impressive $999.87B Year-to-Date, heavily concentrated in the United States, where passive vehicles commanded a dominant $699.86B in index-tracking funds. Concurrently, active U.S. and European strategies secured a robust $300.01B in inflows, demonstrating that even while seeking low-cost broad index safety, investors maintained strong active mandates to mitigate downside risk and capture alpha.

Chart 17: Aggregate Passive ETF Flows by Asset Class, Jan–May 2026 (USD billion)



Source: Morningstar, as of 31/05/2026; NBKW MSR CIO-Office Analysis.

Chart 18: Aggregate Active ETF Flows by Asset Class, Jan–May 2026 (USD Billion)



Source: Morningstar, as of 31/05/2026; NBKW MSR CIO-Office Analysis.

- ***Key Industry Trends & Sentiment Shifts***

  - **Phase I (Tactical Momentum):** The year began with strong risk-on sentiment. Equity funds captured a combined $144.12B in January inflows, driven overwhelmingly by passive index strategies.
  - **Phase II (Flight to Safety):** Escalating geopolitical tensions triggered an immediate rotation into defensive assets. Passive equity inflows dropped sharply by $77.44B to a period low in March while investors reallocated capital into highly liquid cash equivalents, leading to a $19.7B surge in money market funds and ultrashort bond strategies.
  - **Phase III (Risk-On Re-Entry):** Investor sentiment rebounded sharply in the second quarter. Passive equity funds captured a $109.76B inflow surge between March and April, serving as the primary vehicle for core market exposure, while active fixed-income funds captured $21.94B in renewed net inflows by May.

- ***The Active Strategy Allocation Surge***

A defining characteristic of the 2026 market regime is the flow resilience of active asset management wrappers, with active strategies maintaining a 30.01% average share of total global industry inflows year-to-date.

Table 2: Monthly ETFs Flow Breakdown: Active vs. Passive Vehicle Share

Month (2026)	Active Share	Passive Share	Market Context
January	27.43%	72.57%	Baseline allocation
February	30.66%	69.34%	Rising market stress
March	**50.23%**	**49.77%**	**Peak Risk Dislocation**
April	23.43%	76.57%	Flow normalization
May	28.84%	71.16%	Trend stabilization
YTD Average	**30.01%**	**69.99%**	**2026 Market Regime Baseline**

Source: Morningstar, as of 31/05/2026; NBKW MSR CIO-Office Analysis.

Our observations of recent investor sentiment reveal a pronounced tactical rotation during periods of heightened market volatility. During the peak market shock in March, this dislocation pivot was evidenced by active vehicle flows expanding to 50.23% of total asset allocations ($52.62B Active vs. $52.14B Passive). We observed that as global political tensions triggered a uniform sell-off across the entire market, allocators systematically moved away from pure index-tracking strategies. This flow inflection underscores a defensive regime shift where investors leveraged active mandates to protect bond portfolios from interest rate risk, minimize downside capture, and cherry-pick companies with resilient balance sheets.

The View

Recent volatility in the technology sector has served as a reminder of where the market is most concentrated and most richly valued. Whether it proves a passing bout of profit-taking or the early stages of something broader remains unresolved, and it would be premature to draw firm conclusions while conditions are still in flux. What the episode underscores is clear enough: the rebound to record levels has rested on a narrow base, and the gap between buoyant markets and a cooling real economy leaves limited margin for error.

The base case remains one of continued expansion. The energy shock is fading, corporate profitability has held up, and a recession is not the central scenario. The balance of risks, however, has tilted further to the downside, and the cushions that carried the rally, namely momentum in artificial intelligence and fiscal support to the consumer, are increasingly being tested rather than relied upon. The policy backdrop is no longer supportive, and financial conditions are tightening at a sensitive point in the cycle.

The principal risks are linked rather than independent. A de-rating in the AI complex broadening from leadership into the wider index; a restrictive policy bias colliding with a slowing economy; a consumer being squeezed as fiscal support fades and energy costs bite; and a geopolitical backdrop remaining fragile. Several share the same inflation-and-rates trigger, the regime in which traditional diversification between equities and bonds offers the least protection. With valuations full, breadth narrow, and downside risks more correlated across asset classes, there is little protection embedded in current levels.

In this environment, resilience matters more than participation. That argues for an emphasis on quality over beta; shorter-duration, higher-quality fixed income to limit sensitivity to rate volatility; and a greater reliance on diversifiers whose returns are less tethered to the equity cycle, such as real assets as hedges against inflation and geopolitical risk, and uncorrelated alternative strategies. Retaining liquidity for tactical opportunities remains prudent. Staying invested is appropriate over the long term, but the case for doing so selectively, defensively, and with intentional diversification has rarely been stronger

NBK Wealth
Asset Allocation Guide

Asset Allocation Guide

		Opportunity Set	View	Conviction	
Main asset classes		Equities	↑	Low	Constructive on equities over the long run despite potential for shorter term volatility. Anticipate growth around for 2026. Global fiscal stimulus should continue to support equity markets despite restrictive monetary bias.
		Duration	↓	Low	Turned marginally negative on Duration as policy easing cycles largely done and a restrictive bias emerging. Focus on opportunities along the shorter end of the curve.
		Credit	↔		Maintain a neutral position. Solid corporate balance sheets remain supportive. Continue to prefer high-quality over high-yield exposure
		Cash	↔		Rates seem to have found a floor and with risk of a sticky inflation, bias is upwards. Retain liquidity for tactical purpose
Preference by asset class	Equities	U.S. large cap	↑	Moderate	Supported by resilient earnings and strong balance sheets and continued AI-related capex. Remain selective given high relative valuation and concentration. Broadening earnings growth could contribute to stability
		U.S. small cap	↓	Low	Attractive relative valuation and stabilizing rate environment could be a catalyst, but risks remain. Vulnerability to sticky yields, weaker credit, higher rates, and slower US growth key issues. Balance sheet quality and active selection would generally matter more than beta.
		Europe -ex UK	↔		Generally positive over the longer term, but fiscal stimulus drive could have run its course in the short-term. Look for a meaningful positive move in earnings and more business friendly policy implementation as the next catalyst
		UK	↔		Still attractive valuations and resilient dividends provide major support. Short term catalysts and political stability needed to move higher
		Japan	↔	Low	Continued positive earnings growth outlook remains a key supporting factor in addition to ongoing corporate reforms.
		China	↔		Remain Neutral as policy support builds up and rapid AI and export competitiveness provide a floor
		EM ex-China	↔		Short-term currency headwinds and energy costs could affect performance in the short term performance. Favor selectivity across regions
	Fixed Income	U.S. Treasuries	↓	Low	Deficit/fiscal concerns present a significant LT risk to USTs. With Fed seemingly done with easing cycle, favor short end of the curve
		DM Bonds	↔		Remain selective and prefer high quality issues given most DM central banks at end of easing cycles and fiscal concerns start to emerge in major markets.
		EMD $	↑	Moderate	Outlook across EM continues to improve with high real yields. Declining inflation generally enhances returns and decent potential for some carry pickup relative to DM Sovereigns.
		Corp. IG	↔		Overall yields are still relatively attractive but limited room for further spread tightening. Remain selective and focus on high quality issues as long as recession risk is low
		Corp. HY	↔		Move to neutral as risks of lower growth dissipate. Prefer higher quality HY issues over IG
	Alternatives	Private Debt	↔		Structural tailwinds and refinancing needs are driving growth, positioning private credit as a critical source of flexible capital. Careful due diligence and manager selection remain key
		Real Estate	↑	High	Attractive diversifier given equity concertation, sticky inflation and a potential valuation trough. Demand pickup in selective undersupplied sectors amid improvement in global real assets outlook
		Infrastructure	↑	High	In addition to its cash flow and diversification benefits, infrastructure inflows continue to be driven by long-term structural themes including energy transition, digital infrastructure, and planned government investments globally.
		Private Equity	↔		Exit activity remains muted with prolonged holding periods, while elevated dry powder signals a potential deployment cycle ahead despite fundraising headwinds. Secondaries continue to offer appealing opportunities
		Hedge Funds	↔		Strong outlook for diversification and alpha generation, especially through global macro and relative value strategies, amid persistent macro uncertainty
		Commodities	↔		Cautious on Oil amid renewed geopolitical tensions, and high potential capacity. Still positive Gold as a diversifier and a hedge against weaker USD and fiscal concerns
	Currencies	USD	↓	Low	Despite recent strength, long term outlook still points to potential modest depreciation especially after the recent run. Geopolitical risk and investment inflows could still support short term rallies.
		EUR	↑	Low	ECB easing cycle done with a bias towards tightening. Improving economic growth and potential equity flows remain supportive
		JPY	↔		Recent weakness could continue driven by higher rates differential. Reflationary impulse and stronger tightening policy stance could limit further downside
		EM FX	↔		Stabilizing inflationary pressures and policy rates improve outlook selectively

Market Performance

Equity					
Global	**Q2 26**	**Q1 26**	**2025**	**2024**	**2023**
MSCI ACWI	14.93	-3.20	22.34	17.49	22.20
MSCI World	13.76	-3.57	21.09	18.67	23.79
MSCI Emerging Markets	24.05	-0.17	33.57	7.50	9.83
U.S.	**Q2 26**	**Q1 26**	**2025**	**2024**	**2023**
S&P 500	15.20	-4.33	17.88	25.02	26.29
Dow Jones Industrial Average	13.38	-3.19	14.92	14.99	16.18
NASDAQ Composite	21.60	-6.96	21.14	29.57	44.64
Russell 2000	21.49	0.89	12.81	11.54	16.93
Developed Ex U.S.	**Q2 26**	**Q1 26**	**2025**	**2024**	**2023**
Stoxx Europe 600	10.97	-2.75	36.75	2.63	20.60
FTSE 100	4.04	3.42	25.82	9.66	7.93
DAX	10.21	-7.39	23.01	18.85	20.31
CAC 40	10.09	-3.97	14.28	0.92	20.14
Nikkei 225	37.35	2.18	28.65	21.33	30.96
Emerging Markets	**Q2 26**	**Q1 26**	**2025**	**2024**	**2023**
MSCI Asia ex-Japan	27.71	-1.18	32.26	11.96	5.98
Shanghai Composite	5.78	-6.76	12.90	15.42	-11.73
MENA	**Q2 26**	**Q1 26**	**2025**	**2024**	**2023**
S&P GCC Composite (USD)	0.32	2.15	2.18	5.97	9.98
KSA – Tadawul All Share	-4.00	7.23	-12.84	0.58	14.21
Dubai – DFM General	9.59	-10.13	17.22	27.07	21.69
Abu Dhabi – ADX General	2.98	-4.72	6.09	-1.66	-6.20
Qatar Exchange	0.52	-5.33	1.81	-2.40	1.40
Boursa Kuwait All Share	5.61	-5.12	25.34	12.20	-3.14
Boursa Kuwait Premier Market	2.98	-4.98	25.26	8.79	-4.71
Boursa Kuwait Main Market	19.98	-5.85	25.81	29.58	3.91
Oman – MSM 30	-8.09	39.23	28.19	1.39	-7.07
Bahrain – Bourse All Share	7.56	-8.10	4.06	0.73	4.02
Egypt – EGX 30	11.40	8.35	40.65	19.47	70.53

Fixed Income					
Global	**Q2 26**	**Q1 26**	**2025**	**2024**	**2023**
Global Aggregate	1.30	-0.15	4.86	3.40	7.15
Global Government	1.20	-0.13	3.51	3.61	6.91
Global Investment Grade Corporate	1.83	-0.53	7.08	3.69	9.10
Global High Yield	3.72	-0.87	10.02	10.71	13.66
Leveraged Loans	1.88	-0.55	5.90	8.95	13.32
Emerging Markets Hard CCY	4.17	-0.54	12.38	7.66	10.30
Emerging Market Local CCY	4.19	-2.27	19.00	-2.40	10.91
Regional	**Q2 26**	**Q1 26**	**2025**	**2024**	**2023**
U.S. Aggregate	0.67	-0.05	7.30	1.25	5.53
U.S. Investment Grade Corporate	1.40	-0.54	7.77	2.13	8.52
U.S. High Yield Corporate	2.47	-0.50	8.62	8.19	13.45
Pan European Aggregate	2.22	-0.84	1.30	2.55	7.49
EU Investment Grade Corporate	2.58	-1.10	2.78	4.99	8.84
EU High Yield Corporate	3.43	-1.50	4.86	9.14	12.78
Japan Aggregate	-3.04	-2.94	-5.15	-12.42	-5.38
EM GCC Sukuk	2.82	-1.78	7.62	4.37	5.65
Commodities	**Q2 2026**	**Q1 26**	**2025**	**2024**	**2023**
WTI Crude	-31.45	76.56	-19.94	0.10	-10.73
Brent Crude	-38.39	94.49	-18.48	-3.12	-10.32
Gold Spot	-14.14	8.07	64.58	27.22	13.10

Source: Bloomberg

Glossary

Term	Definition
Alternatives	Non-traditional, private assets investments like private equity, private debt, real estate, infrastructure. They provide diversification and potential for higher returns compared to traditional assets like stocks and bonds but are illiquid and not traded or listed in public markets. Hedge funds invest in public markets but have limited liquidity. Physical commodities (e.g. Gold, Copper, etc.) are only traded in bulk on dedicated exchanges or represented by publicly traded certificates.
Asset Class	Groups of investments with similar characteristics and behavior in financial markets. Common ones include stocks, bonds, cash, and real estate. Diversifying across asset classes helps manage risk and potentially maximize returns.
Bond Yields	The interest rates earned by investors on bonds. They are influenced by factors like interest rates, expectation of inflation, credit risk, and market demand. Higher yields indicate higher risk, while lower yields suggest lower risk or increased demand for bonds.
Bonds	Debt securities that provide fixed income and are considered safer than stocks.
Central Bank	A public financial institution that manages a country's foreign currency reserves, money supply and promotes economic stability through the supervision of the banking system.
Emerging Markets	Developing countries experiencing rapid economic growth and industrialization, offering investment opportunities but also risks.
Federal Reserve (Fed)	Is the central bank of the U.S., which regulates the U.S. monetary and financial system.
Inflation	The sustained increase in the general price level of goods and services in an economy, which reduces the purchasing power of money.
Interest Rates	The percentage charged for borrowing money or the return earned on savings or investments. They impact borrowing costs, investment decisions, and overall economic activity.
Monetary Policy	The actions taken by a central bank to control the money supply and interest rates in an economy, aiming to maintain price stability and promote economic growth.
Private Debt/ Private Credit	A strategy that involves investing in privately held debt securities, such as loans or bonds, issued by non-publicly traded companies. It offers potential income, diversification, and higher yields compared to traditional fixed-income investments.
Stocks	Ownership in a company, potential for returns through appreciation and dividends, but higher risk than bonds due to market and company fluctuations.
Sukuk	A sukuk is a sharia-compliant bond-like instrument
Volatility	Statistical measure of the dispersion of returns for a given financial instrument, reflecting the degree of price fluctuation and uncertainty associated with its value over a specific period of time.

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