Wealth Management

Global Investment Views

Quarterly Report – 2Q 2026

2026

Asset Class Views

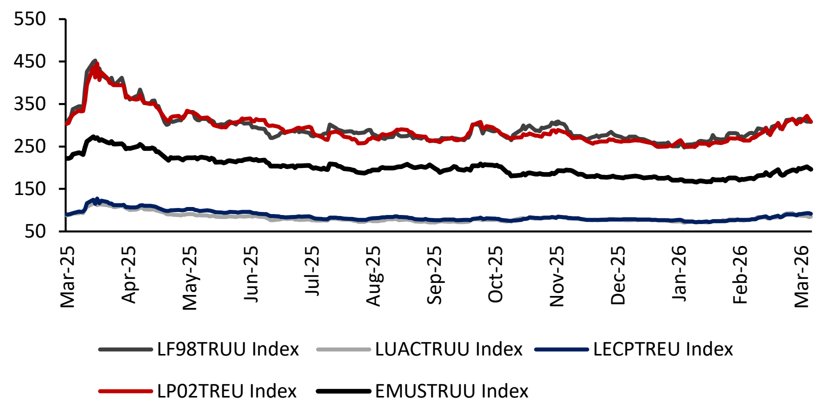
Summary

2026

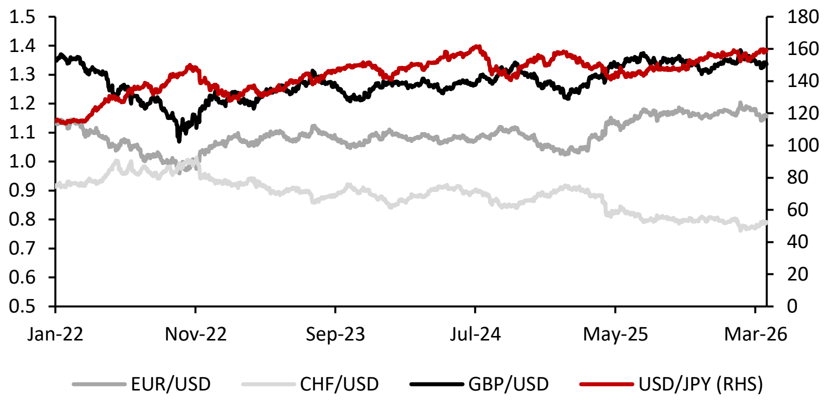
In Brief

- Global markets in 2026 are shaped by cautious risk sentiment, sticky inflation and delayed policy easing. Equities are earnings-led, fixed income constrained by yields, commodities diverge on supply dynamics, and FX reflects safe-haven demand. Selective opportunities remain across regions and asset classes.
- **Equities:** Sentiment remains cautious in Q2 2026 amid elevated Middle East tensions, higher energy prices, and tariff uncertainty. Returns are earnings-driven, with tighter financial conditions and a strong US dollar limiting multiple expansion. The US is execution-driven, Europe supported by fiscal policy, while UK, EM, and GCC offer selective, fundamentals-led opportunities.
- **Fixed Income:** Global fixed income markets were shaped by sticky inflation and delayed easing expectations. US yields rose, Europe faced issuance pressures, and UK gilts lagged. IG credit lost appeal, HY relied on carry, EM faced headwinds, while GCC bonds remained relatively resilient.
- **Commodities:** Commodity performance diverged sharply since the beginning of 2026. Oil surged on Middle East supply risks, while natural gas fell amid US oversupply. Precious metals corrected as yields firmed. Platinum stayed supported. Base metals consolidated, with electrification metals outperforming amid softer Chinese demand.
- **Currencies**: Global FX markets since the beginning of 2026 were driven by safe-haven flows, policy divergence and uneven growth. The US dollar stayed firm on delayed Fed easing, while the euro and sterling lagged on weak growth. The yen underperformed but signals recovery potential. EM FX was mixed, with high-carry and commodity currencies more resilient.

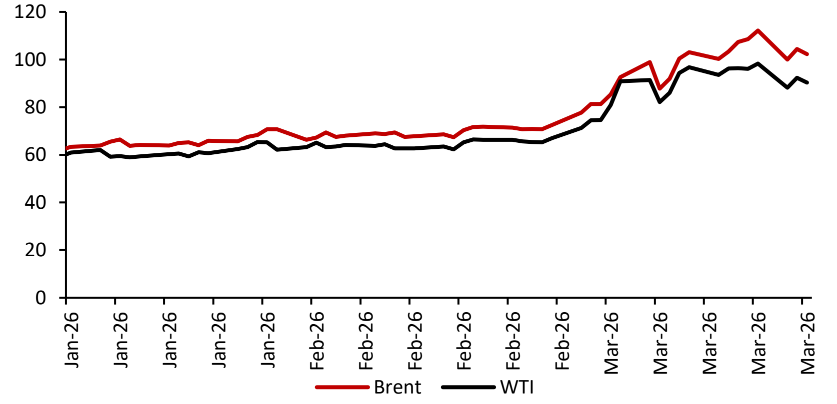
Global Corporate Credit-Option Adjusted Spread (OAS)



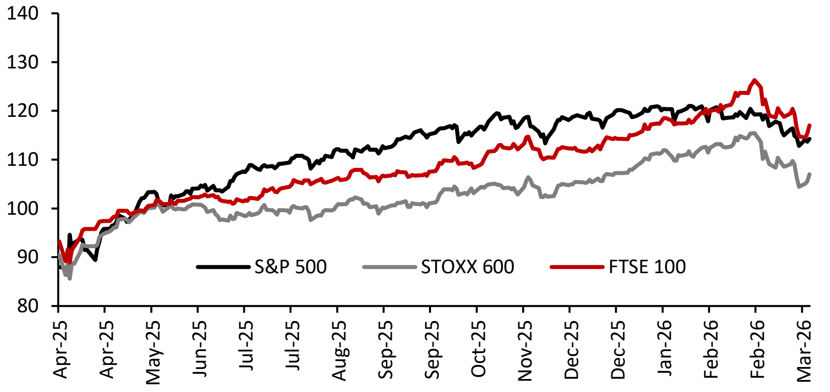
USD vs DM currencies



Brent vs WTI



Major DM equity benchmarks



Source: Bloomberg, U Capital Research, data as of 25 March 2026

Detailed Asset Class Views

Asset class	Sub-class	View	Recommend	Rationale
Equities	US	=	Neutral	Entering Q2 2026, US equities are in an execution-heavy phase as the AI trade pivots from infrastructure build-out toward monetisation. While earnings growth is gradually broadening beyond mega-cap technology, concentration risks remain elevated. Meanwhile, escalating Middle East tensions have reintroduced a “war premium” to energy prices, keeping inflation firm and potentially delaying the easing cycle from the Federal Reserve (Fed). As a result, returns are likely to remain primarily EPS-driven with limited scope for further multiple expansion.
	Europe ex-UK	▲	Positive	Fiscal expansion and improving earnings momentum support European equities heading into Q2 2026, particularly across industrials and capital goods. Higher defence and infrastructure spending in Germany underpins cyclicals, while attractive valuations remain supportive. However, Middle East-driven energy volatility and renewed tariff uncertainty add risks, even as easing from the ECB remains gradual.
	UK	=	Neutral	UK equities enter Q2 2026 with a broadly neutral outlook, balancing supportive valuations and strong dividend yields against a soft growth backdrop. Recent GDP data point to subdued economic activity, while higher energy prices linked to Middle East tensions may keep inflation elevated. As a result, policy easing from the Bank of England (BoE) is likely to remain gradual, supporting steady income-driven returns.
	EMs	=	Neutral	Emerging market equities enter Q2 2026 with a broadly neutral outlook as capital allocation becomes more selective. Strength in the US Dollar is tightening global financial conditions and moderating portfolio inflows. China’s recovery remains gradual and innovation-led, while recent market correction and resilient domestic demand improve valuation attractiveness in India. In the GCC, higher oil revenues provide fiscal support, though elevated Middle East tensions and energy-price volatility pose near-term risks to sentiment.
Fixed Income	US Treasuries	▼/=	Neutral with Negative Bias	For 2Q 2026, we revise the outlook for US Treasuries to neutral with a negative bias from negative, as markets adjust to persistent inflation and expectations for higher short-term rates. However, the energy-driven inflation shock continues to push long-end yields higher, keeping downside risks in place.
	Euro (bund)	▲/=	Neutral with Positive Bias	We revise the euro area government bonds to neutral to positive bias from neutral, as markets rapidly reprice expectations of ECB rate hikes, boosting demand for high-quality duration buffers and supporting inflows into short-dated Bunds.
	UK Gilts	=	Neutral	We revise the UK Gilts to remain neutral in 2Q 2026 as near-term volatility is expected. Limited gas storage leaves the UK highly exposed to any resurgence in energy-driven inflation, tempering conviction despite stable policy settings.
	US IG	=	Neutral	We revise our outlook on US investment-grade credit to neutral from negative in 2Q 2026. strong corporate fundamentals keep spreads tight, but limited compensation for duration risk and potential spread widening from increased issuance constrain upside.
	US HY	=	Neutral	We maintain our outlook for US HY to be neutral across 2Q 2026 as it offers attractive carry and short duration. However, rising issuer dispersion and a softer macro backdrop increase differentiation risks across weaker balance sheets.
	Europe	=	Neutral	European credit remains neutral, supported by solid fundamentals and reasonable yields, though tight spreads and lingering inflation pressures limit additional upside as markets adjust to the ECB’s tightening outlook.
	EMs	▼/=	Neutral with Negative Bias	Stronger US dollar and tighter developed-market policy will pressure EM fixed income, keeping local-currency returns subdued

Asset class	Sub-class	View	Recommend	Rationale
Commodities	Oil	▲	Positive	Global crude oil prices are expected to remain elevated in Q2 2026 as the prolonged Middle East conflict strains supply. Continued attacks on regional oil and gas infrastructure and heightened risks around the Strait of Hormuz keep markets tight, despite the IEA's historic release of reserves.
	Precious Metals	▲/=	Neutral with a positive bias	Gold is poised for a strong year in 2026, with prices above $4,000/oz. Apart from central bank purchases, the gold is expected to remain strong as a safe haven as well due to the heightened geopolitical shocks. However, with Fed rate cuts reduced to one within the year, the US dollar is expected to perform strong as well, thereby tempering the upside of gold.
Currencies	USD	▲/=	Neutral with a positive bias	We revise US dollar outlook from a negative bias to a neutral stance with a positive tilt in Q2 2026, supported by safe-haven demand amid persistent geopolitical tensions. Yet limited prospects for further Fed tightening, alongside expected ECB and BoJ hikes, should cap additional gains as tensions eventually ease.
	EUR	▲/=	Neutral with a positive bias	The euro maintains a neutral-to-positive stance, supported by markets pricing an 80% chance of an ECB rate hike in April. However, weaker ZEW sentiment and a soft growth outlook limit momentum, keeping euro gains modest despite the expected policy tightening
	GBP	▼	Negative	We revise GBP to a negative stance in Q2 2026 as the BoE holds Bank Rate at 3.75% amid easing inflation and stagnant labour conditions. With the ECB expected to maintain policy rates in near future, the relative rate support weakens, leaving the pound vulnerable in a slowing economic backdrop.
	JPY	▲	Positive	We maintain a positive bias on the Japanese yen in Q2 2026, supported by expectations of upcoming BoJ rate hikes as policymakers move toward further normalization. Yet, with inflation easing and risks of softer price momentum ahead, the currency's appreciation path may be somewhat constrained
	EMs	▼/=	Neutral with a negative bias	We revise EM currencies to a neutral stance with a negative bias, as the US dollar is expected to remain firm in the coming months. Heightened geopolitical uncertainty should continue to favor established safe-haven currencies over EM FX, limiting appreciation potential.

Chart of the Quarter

2026

Oil Reasserts Its Role as a Global Macro Anchor Amid Geopolitical and Policy Shifts

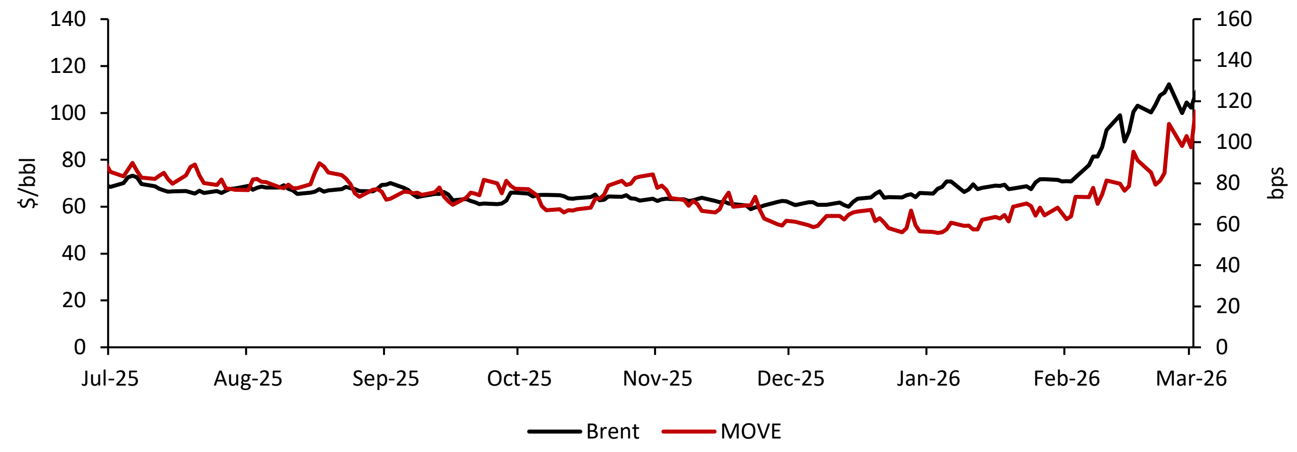
Oil markets emerged as the dominant macro driver in early 2026, with Brent crude repricing sharply higher as geopolitical tensions, supply risks and monetary policy dynamics converged. From January through late February, Brent traded largely within the USD 60–75 range, moving alongside a firmer US dollar and cautious global demand as expectations for Federal Reserve rate cuts were repeatedly pushed back. As the Fed, ECB, BoE and BoJ all reinforced data-dependent and slower easing signals, the dollar stayed supported near the 98–100 range on the DXY, limiting oil's upside despite disciplined OPEC+ supply management.

This backdrop changed abruptly in March. Escalating Middle East tensions centred on Iran, persistent Red Sea shipping disruptions and growing concerns over the Strait of Hormuz triggered a sharp rise in geopolitical risk premia. Brent prices surged from the low-USD 70s in late February to above USD 110 per barrel by late March, briefly peaking near $119, even as the dollar remained firm. Markets increasingly priced in tail risks to supply, with nearly 20% of global oil flows transiting Hormuz, leaving prices highly sensitive to escalation headlines.

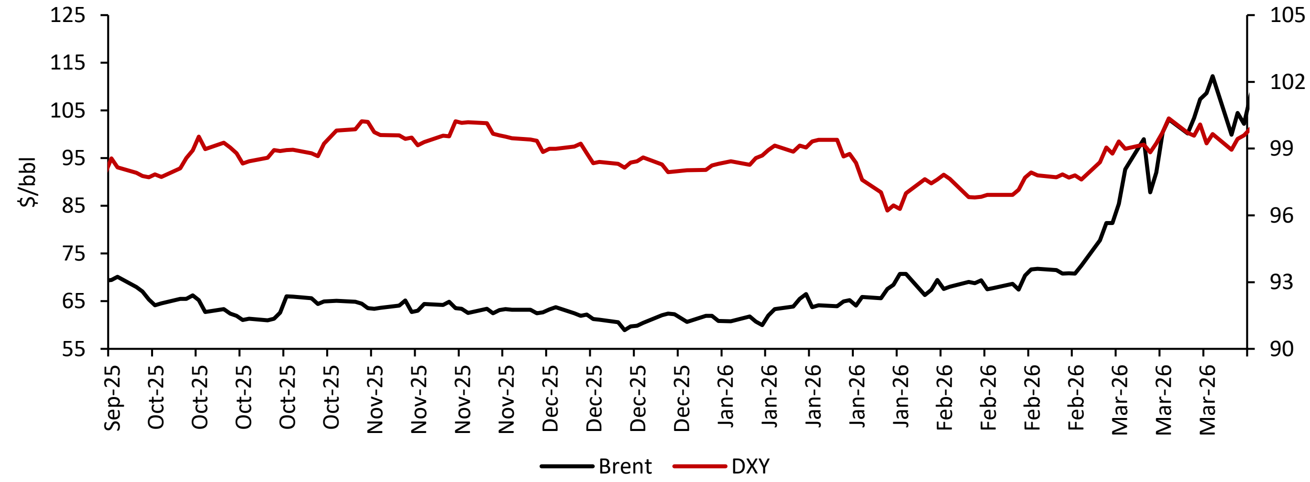
On the supply side, OPEC+ spare capacity remains limited and concentrated, reducing flexibility in the event of shocks, while US shale growth continues to slow due to capital discipline. However, resilient US activity, steady Asian consumption and energy-intensive defence and transport demand have offset weaker European growth. Elevated oil prices have also reinforced global inflation pressures, further delaying rate-cut expectations and strengthening the higher-for-longer policy narrative.

Looking ahead, oil volatility is likely to remain elevated. Prolonged disruption around Hormuz or renewed regional escalation could keep prices near recent highs, while de-escalation would likely result in partial retracement to levels structurally higher than those seen at the start of 2026. Oil has once again asserted itself not merely as a commodity, but as a central macro force shaping currencies, rates and inflation expectations worldwide.

Oil Prices Track Rising Macro and Risk Volatility



Brent Strength Persists Alongside Dollar Resilience Amid Global Uncertainty



Source: Bloomberg, U Capital Research

Asset Class Views

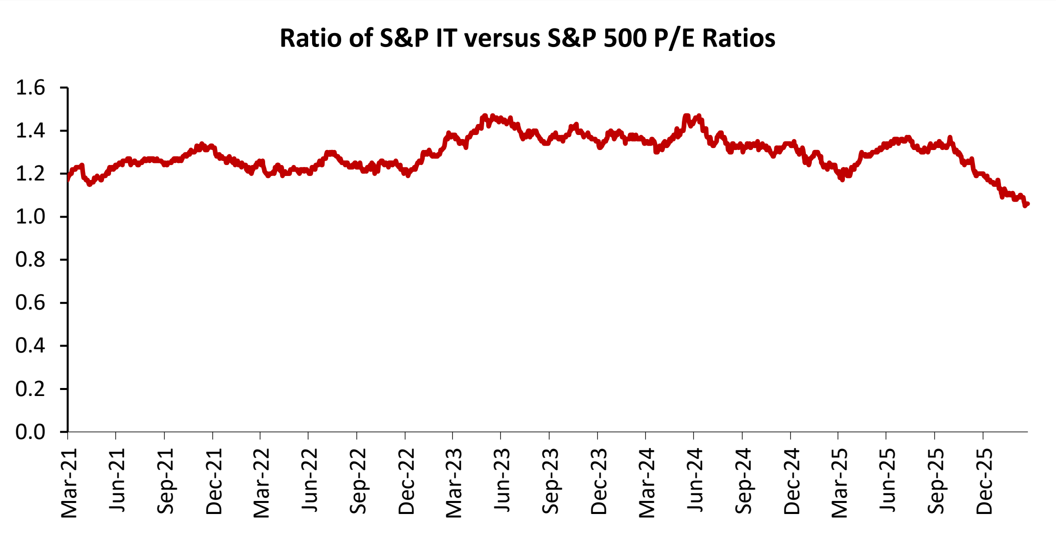
Detailed

2026

Summary: Global equities enter 2Q26 against a backdrop of heightened geopolitical uncertainty, with escalating tensions in the Middle East involving the US, Israel, and Iran raising risks of broader regional spillovers. Increased military activity and associated disruptions have introduced a higher risk premium into energy markets, with energy trending higher amid concerns over supply constraints, particularly through key shipping routes. At the same time, tariff-related uncertainties and tighter financial conditions are weighing on global trade and corporate visibility. This combination is contributing to a more cautious risk environment, with volatility elevated and upside limited by persistent inflationary pressures. As a result, equity returns remain primarily earnings-driven, with investors increasingly focused on resilience, policy credibility, and balance-sheet strength across regions. Overall, the environment supports a selective, fundamentals-led approach to global asset allocation.

US: AI shift, geopolitics and sticky inflation to drive earnings-led returns

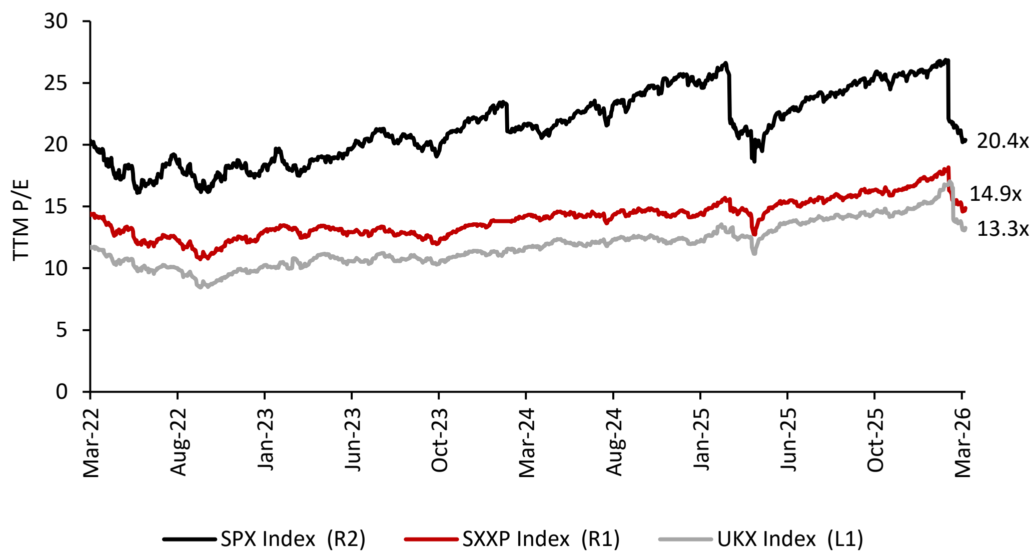
The S&P 500 declined -3.7% during 1Q26, reflecting a more volatile start to the year as markets adjusted to moderating growth expectations, persistent inflation, and heightened geopolitical risks. Entering 2Q26, US equities are in an increasingly execution-heavy phase as the AI trade shifts from infrastructure build-out toward monetisation and return on capital, with earnings growth gradually broadening beyond mega-cap technology but concentration risks remaining elevated. Escalating tensions in the Middle East have reintroduced a war premium into energy prices, keeping inflation firm and reinforcing supply-side risks, particularly around key routes such as the Strait of Hormuz. This backdrop, alongside resilient but moderating growth, is expected to keep the Feds cautious and delay policy easing, maintaining a higher for longer rate environment. With margin pressures persisting and real rates remaining restrictive, scope for multiple expansion is limited, leaving equity returns primarily earnings-driven amid elevated volatility and increasing dispersion.



Source: Bloomberg, U Capital Research

Valuations remain elevated entering 2Q26, with the next twelve-month P/E at 20.4x versus a 5-year average of 21.6x, despite the recent tech correction, limiting scope for further multiple expansion. Returns are therefore expected to be primarily earnings-driven. Earnings growth remains solid, supported by resilient demand, AI-led productivity gains, and improving sector breadth. However, sticky inflation, restrictive real rates, and rising energy, and power costs continue to weigh on margins. Combined with geopolitical tensions and tariff uncertainty, the overall risk-reward remains balanced, supporting a neutral stance on US equities.

NTM P/E Comparision



Source: Bloomberg, U Capital Research

Europe: Navigating policy support amid energy and growth headwinds

The Stoxx 600 index declined -0.8% during 1Q26, reflecting a softer start to the year as external trade headwinds, geopolitical risks, and uneven growth dynamics weighed on sentiment. Entering 2Q26, the outlook is increasingly shaped by policy support rather than a broad cyclical recovery. While inflation had moderated earlier, renewed energy price pressures linked to Middle East tensions and disruptions around key routes have complicated the disinflation path. The ECB has adopted a cautious, data-dependent stance, with limited visibility on rate cuts and openness to tightening if inflation proves persistent, keeping real rates restrictive. Fiscal expansion, particularly in defence, infrastructure, and energy transition programmes, continues to support industrial activity, capital goods, and utilities, partially offsetting weak external demand. Earnings growth remains concentrated in policy-aligned sectors, while consumer-facing segments stay subdued. Relatively attractive valuations versus global peers help anchor downside risk and support a constructive allocation stance, with returns expected to remain selective and primarily earnings-driven.

European equities' valuation (NTM P/E: 14.9x versus a 5-year average of 14.3x) reflects a modest premium while remaining supportive relative to peers. Fiscal expansion, led by Germany's defence and infrastructure spending, underpins industrials and utilities, offsetting energy and trade headwinds. Limited monetary tailwinds and persistent inflation risks cap re-rating, keeping returns selective, with valuations anchoring a constructive outlook for 2Q26.

UK: Valuation support offsetting slower growth and policy caution

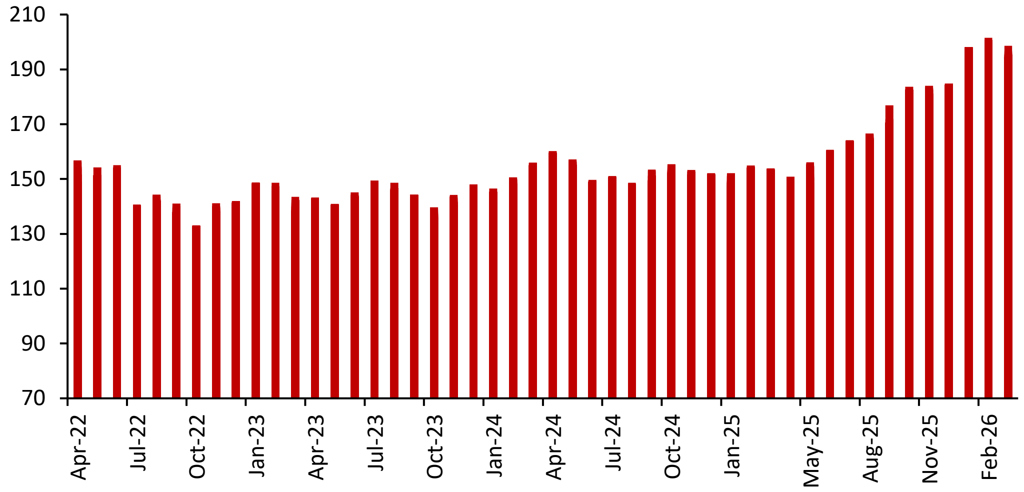
The FTSE 100 delivered a positive start to 2026, gaining +1.8% in 1Q, with performance driven by globally exposed constituents and high-yielding defensives, while domestically oriented and cyclical sectors came under pressure amid uneven growth signals and elevated macro uncertainty. Central bank policy remained a key driver, with the BoE holding Bank Rate at 3.75% as it balanced persistent inflation, elevated by energy disruptions, against slowing economic momentum. Into 2Q26, UK equities are expected to reflect a mixed environment, with valuation support and income strength offset by subdued domestic demand, cautious policy settings, and modest earnings growth.

The current UK equities valuation (NTM P/E: 13.3x versus a 5-year average of 12.1x) remains relatively attractive versus developed market peers, supported by strong income yields and resilient earnings from globally exposed sectors. The BoE's decision to hold Bank Rate at 3.75% reflects a cautious policy stance amid persistent inflation. This backdrop underpins a measured outlook for 2Q26, with valuation support and income resilience offset by subdued domestic growth and modest earnings expansion.

EM: Remain selective amid dollar strength, energy volatility and policy divergence

The MSCI Emerging Markets Index delivered a +4.9% in 1Q26, reflecting a mixed performance backdrop marked by significant dispersion across regions and sectors. Entering 2Q26, the outlook for emerging markets remains neutral, with performance likely to be driven by selective opportunities rather than a broad-based advance. Tight financial conditions, a resilient US dollar, and central banks maintaining a measured, data dependent policy stance as inflation remains above target in key economies continue to constrain liquidity and limit broad based risk appetite. This backdrop reinforces a differentiated environment where country specific fundamentals are increasingly important. Investors are focusing on policy credibility, growth visibility, and external balance strength when allocating capital. China's recovery remains gradual and policy supported, with targeted measures offsetting structural challenges, while India is undergoing valuation normalisation despite strong structural growth drivers and improving earnings visibility. Overall, emerging markets are expected to favour selective positioning, with outcomes driven by fundamentals and policy differentiation.

EM capital flows decline amid stronger dollar and elevated geopolitical tensions

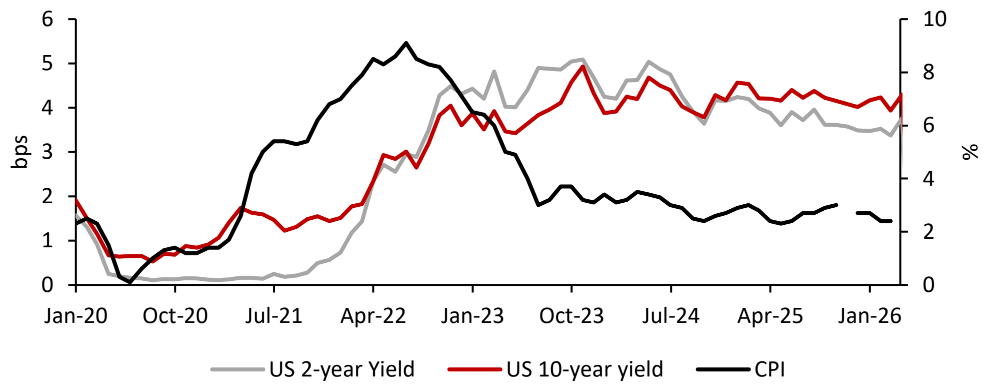


Source: Bloomberg, U Capital Research

GCC equity markets enter 2Q26 with a mixed YTD performance backdrop, reflecting significant dispersion across the region. Saudi Arabia has delivered a +5.6% YTD return, while Oman (+36.8%) and Egypt (+13.6%) lead gains, supported by stronger momentum driven by rising oil prices, improving macroeconomic conditions, easing inflation pressures, and increased investor confidence alongside supportive liquidity dynamics. The UAE markets faced a downward trend, as Abu Dhabi and Dubai retreated -2.1% and -5.8%, respectively. This underperformance was mirrored across the broader region, with Qatar sliding -4.4% and Bahrain posting a steeper decline of -7.6%. Looking ahead, GCC equities are expected to remain supported by resilient oil prices, strong fiscal positions, and ongoing reform momentum, particularly in Saudi Arabia and the UAE. However, elevated geopolitical tensions in the Middle East, energy price volatility, and a stronger US dollar continue to weigh on sentiment, reinforcing a more selective and fundamentals-driven investment environment..

Summary: Global fixed income markets faced a challenging yet nuanced backdrop in early 2026. US Treasury yields rose and stayed volatile as sticky inflation, resilient labour markets and delayed Fed rate-cut expectations reinforced a higher-for-longer outlook, weighing on duration. European sovereign yields were modestly higher as easing inflation was offset by heavy fiscal issuance and cautious ECB guidance. UK gilts underperformed amid persistent inflation, energy price volatility and policy uncertainty. In credit, investment-grade bonds lost appeal due to tight valuations and supply pressures, while high yield was supported by attractive carry but constrained by rising issuer dispersion. Emerging markets faced dollar and policy headwinds, while GCC bonds remained resilient.

CharSticky Inflation Keeps US Treasury Yields Elevated



Source: Bloomberg, U Capital Research

US Treasury Yields Reprice Higher as Fed Easing Moves Further Out

US Treasury yields were volatile in 1Q26 but ultimately moved higher as markets reassessed inflation persistence and the Fed's easing trajectory. Early optimism around slowing growth and policy normalization faded as inflation remained sticky at 2.0%, while labour-market conditions proved more resilient than expected, with unemployment holding near 4.4% and wage growth firm at 4.6% in January. As a result, expectations for near-term rate cuts were progressively postponed, reinforcing a higher-for-longer policy outlook. This repricing pushed the 10-year Treasury yield towards 4.33%, while the 2-year rose toward 2.88%, flattening the curve as short-end yields adjusted more sharply. Elevated Treasury issuance and reduced appetite for duration added further upward pressure. Overall, inflation risks and geopolitics outweighed softer growth signals.

Looking ahead to 2Q26, US Treasury yields are likely to remain under upward pressure as inflation stays sticky and the Federal Reserve maintains a cautious, data-dependent stance. With rate-cut expectations pushed further out, resilient labour-market conditions, elevated energy prices and heavy Treasury issuance should limit downside in yields. While slower growth could offer episodic support, persistent geopolitical risks and inflation uncertainty are likely to keep duration demand constrained, reinforcing a higher-for-longer rates environment.

We maintain a neutral stance with negative bias on US Treasuries, as delayed Fed easing, sticky inflation and elevated issuance continue to limit duration upside despite moderating growth signals.

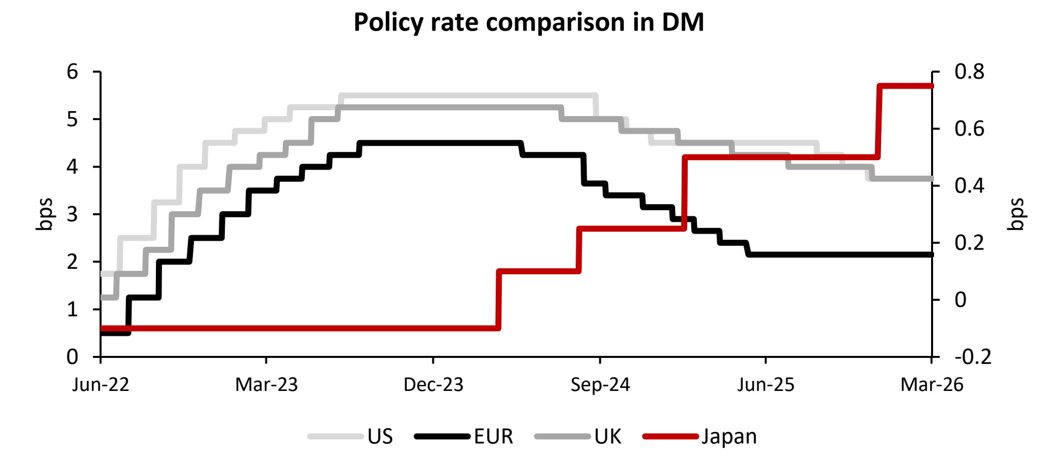
European Bond Yields Face Supply Pressures Despite Disinflation Progress

In 1Q26, the Eurozone economy navigated a complex backdrop of easing inflation pressures, rising fiscal demands and renewed geopolitical risks, which shaped European sovereign bond performance. While early progress on disinflation supported demand for duration, this was increasingly offset by cautious ECB (ECB) communication and expectations of heavier sovereign issuance to fund fiscal spending. As the quarter progressed, elevated energy prices and intensifying geopolitical tensions revived concerns around inflation persistence, prompting markets to scale back expectations for aggressive ECB easing. German Bunds illustrated this dynamic, with the 10-year yield rising toward 2.96%, despite weakening growth and sentiment indicators. Overall, euro-area bond markets were driven less by softening macro data and more by fiscal supply considerations and a repricing of term premia, leaving yields biased modestly higher into quarter-end. Looking ahead to 2Q26, European sovereign yields are likely to remain range-bound with a modest upward bias, as fiscal issuance pressures, energy-driven inflation risks and cautious ECB guidance continue to limit duration upside despite soft growth signals.

As a result, we remain neutral with a positive bias on European bonds, as easing inflation supports valuations, but elevated fiscal issuance, energy risks and cautious ECB guidance limit the scope for sustained bond rallies.

UK Gilts Under Pressure as Inflation Risks and Policy Uncertainty Persist

UK Gilts remained volatile in 1Q26, with yields ending the quarter higher as inflation sensitivity and policy uncertainty dominated market pricing. Early support from improving European sentiment and easing domestic growth momentum faded as UK inflation remained stagnant at 3.0% since the turn of the year, reinforcing concerns over persistence. A flat unemployment rate and softer activity data initially raised expectations of earlier BoE, offering brief support to duration. However, this proved short lived as escalating Middle East tensions pushed energy prices higher, intensifying concerns over inflation pass through and driving yields higher into quarter end. Consequently, the 10-year gilt yield rose towards 4.8%, reflecting reduced confidence in near term rate cuts. Elevated fiscal uncertainty and ongoing political risks further weighed on demand, leaving gilts more exposed to inflation shocks.



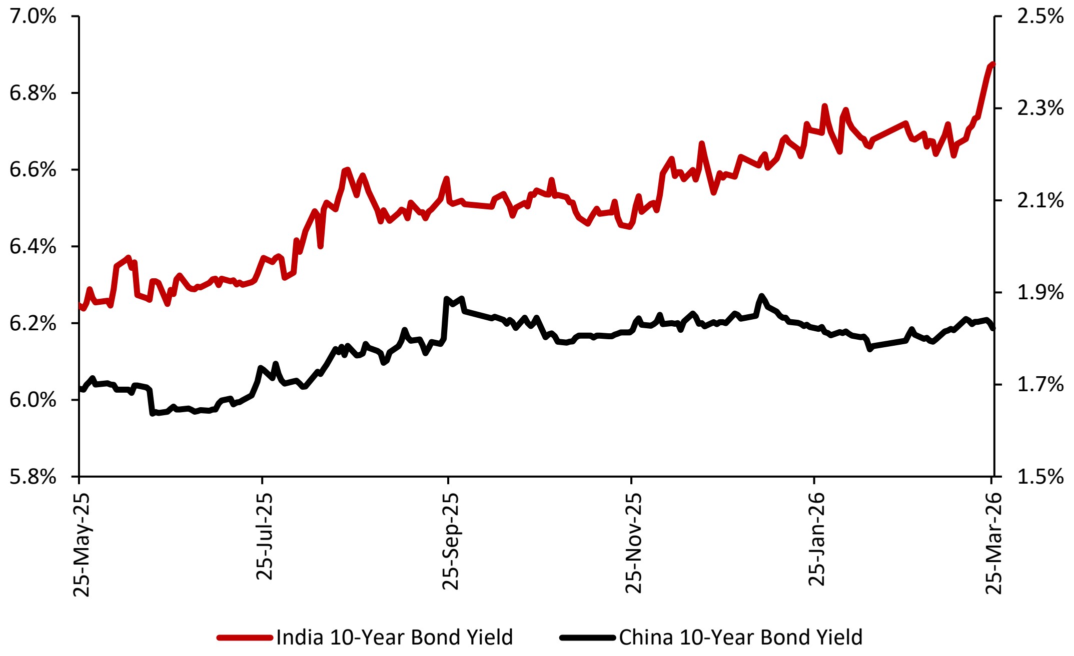
Source: Bloomberg, U Capital Research

Looking ahead to 2Q26, UK gilt yields are likely to remain range-bound, as persistent inflation risks, energy price volatility and cautious BoE (BoE) guidance offset softening growth and labour-market cooling. We maintain a neutral stance on UK Gilts.

IG loses some lustre while HY carry persists

IG corporate bonds saw mild spread widening and negative price momentum in Q1 2026, with both US and EUR IG spreads widening by around –0.5% over three months. Tight starting valuations, elevated issuance, and uncertainty over the pace of Fed and ECB easing weighed on sentiment. ***We revise our outlook on US investment-grade credit to neutral from negative in Q2 2026.*** HY should outperform IG on an income basis in Q2 2026 as elevated carry and shorter duration remain supportive. However, spreads are already tight and provide limited buffer against macro shocks. We maintain a neutral stance on HY in 2026, as attractive carry is offset by rising issuer dispersion and a softer macro backdrop. This increases differentiation risk, particularly among lower-quality issuers with weaker balance sheets and refinancing needs ***We maintain a neutral stance for HY as well.***

EM bond yields for India and China widens



Source: Bloomberg, Option Adjusted Spread data, U Capital Research

Divergent EM bonds face subdued returns amid energy shocks and tighter policies

Emerging market bonds in early 2026 reflected divergent domestic dynamics amid global energy shocks. China's 10-year yield compressed to 1.80%, anchoring its first-quarter baseline, as robust PMI data offset geopolitical concerns. In India, the 10-year yield climbed to 6.9%, its highest level since July 2024, spurred by rising oil and fiscal pressures. Brazil's 10-year yield surged above 14.25% to a 10-month high as eroding fiscal credibility compounded violent sovereign risk repricing. ***In 2026, EM bond yields are expected to face pressure from a stronger US dollar and tighter developed market policies. We stay neutral with a negative bias on EM bonds. Consequently, these headwinds will keep local currency fixed income returns subdued throughout the year.***

GCC bond stability reinforced as fundamentals offset geopolitical volatility

GCC bonds entered 2026 demonstrating robust momentum, driven by record sovereign and financial issuances across Saudi Arabia and the UAE. Strong global demand for premium risk initially supported markets. Although Middle East conflicts dampened primary activity and constrained liquidity in March, spreads rapidly retraced after widening. Alongside elevated oil prices, solid banking fundamentals anchor the market, showing resilience amid regional volatility. ***With elevated oil prices and robust fundamentals expected through mid-2026, GCC bonds should remain well-supported, offering defensive appeal amid persistent regional geopolitical uncertainty.***

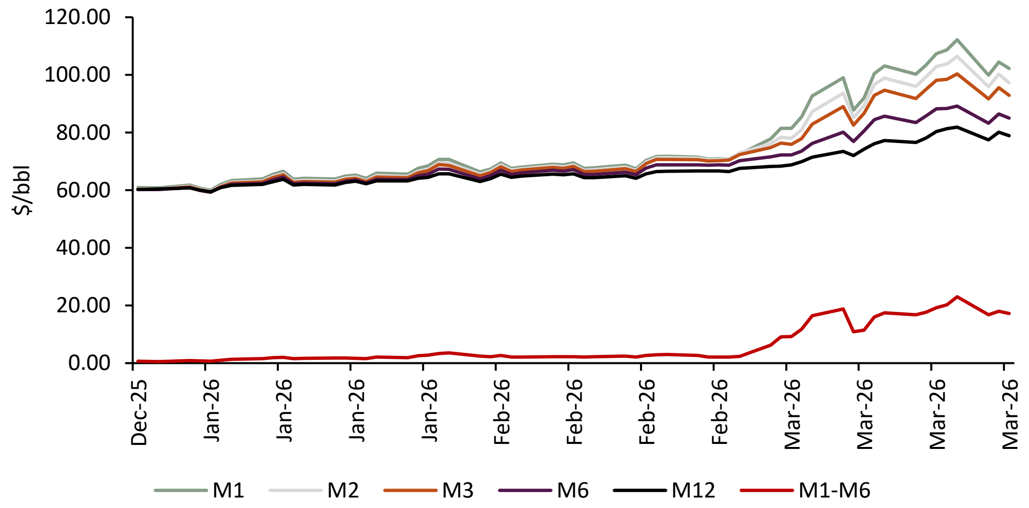
Summary: In 1Q26, commodity performance diverged sharply across sectors. Oil prices surged and remained elevated as escalating Middle East tensions and repeated supply disruptions outweighed structural oversupply concerns. In contrast, natural gas reversed sharply after a weather-driven spike, with record US production and surplus storage weighing heavily on prices. Precious metals experienced heightened volatility, as gold and silver corrected following speculative rallies, with firmer yields and fading rate-cut expectations capping upside. Platinum and palladium also reset after January surges, although platinum remains structurally supported by ongoing supply tightness. Base metals moved into consolidation, with electrification-linked metals outperforming construction-dependent commodities amid softer Chinese demand and tighter global financial conditions.

Oil Prices Stay Elevated as Geopolitical Risks Override Structural Oversupply

Crude oil prices rallied sharply in 1Q26, driven by escalating geopolitical tensions and repeated supply disruptions. Brent crude rose to highs of around $118.58 per barrel, while WTI climbed to $101.23, marking strong quarterly gains. Early quarter weakness from oversupply concerns, rising non OPEC+ output and swelling inventories was quickly overshadowed by intensifying Middle East conflict. Disruptions linked to US Iran tensions, outages in Kazakhstan, weather related production losses in North America and repeated threats to shipping through the Strait of Hormuz tightened near term supply conditions. Despite intermittent pullbacks on diplomatic headlines and reserve release proposals, oil prices remained elevated as markets repriced geopolitical risk premium.

Looking ahead, global crude oil prices are expected to remain elevated as the prolonged Middle East conflict continues to strain supply chains. Ongoing attacks on regional energy infrastructure, risks around the Strait of Hormuz and uncertainty over Iraqi and Iranian exports keep markets tight. While non-OPEC+ supply growth and the International Energy Agency's reserve releases may cap extreme upside, they are unlikely to offset geopolitical disruptions, keeping volatility high and prices sensitive to headlines.

Brent Curve Highlights Rising Geopolitical Risk Premium



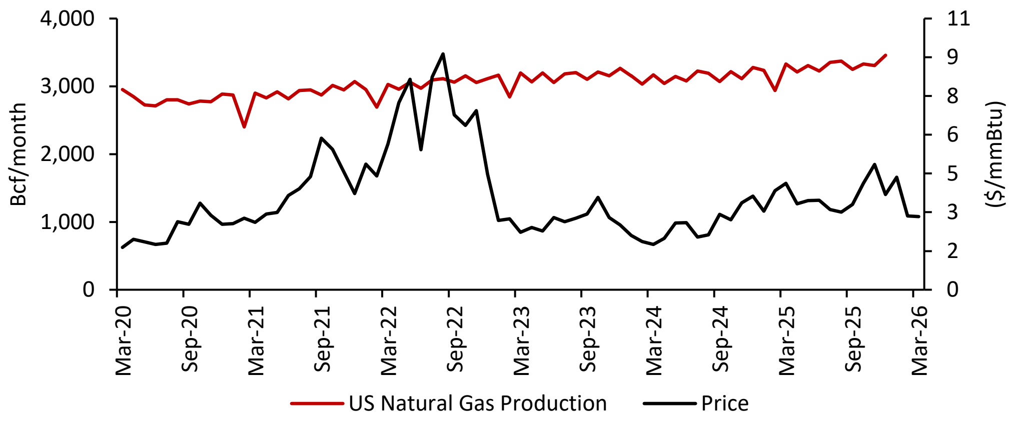
Source: Bloomberg, U Capital Research

We expect oil prices to remain elevated in 2Q26 and therefore maintain a neutral stance with a positive bias, as heightened geopolitical supply risks outweigh structural oversupply concerns despite increased volatility

Natural Gas Slides as Supply Rebounds Overwhelm Weather-Driven Volatility

The natural gas market in 1Q26 was marked by extreme short-term volatility followed by a sharp price correction. The quarter opened with a historic supply shock as Winter Storm Fern triggered record freeze-offs of 18.1 Bcf/d, surpassing levels seen during Winter Storm Uri and driving the natural gas price to $5.045/mmBtu in late January. However, the rally proved unsustainable as by February, US production rebounded rapidly to record highs near 118.0 Bcf/d, driven by surging associated gas output from the Permian Basin and improving operating conditions. This supply surge, combined with milder-than-expected late-winter weather, led to a growing storage surplus and sustained downward pressure on prices. By late March, natural gas had fallen to around $2.95/mmBtu, down 19.9% YTD. While geopolitical tensions in the Strait of Hormuz disrupted global LNG flows and lifted prices in Europe and Asia, US markets remained largely insulated as export capacity was already operating at full utilization. ***Overall, we maintain a negative outlook for natural gas.***

Strong US gas supply weighs on prices despite volatility



Source: Bloomberg, U.S. Energy Information Administration , U Capital Research

Gold Retreats from Record Highs as Macro Headwinds Cap Upside

Gold prices surged to record highs in 1Q26, briefly breaking above $5,600/oz in January, driven by persistent inflation, a weaker US dollar, strong central-bank buying and heightened geopolitical risks. However, the rally short-lived. Profit-taking, stabilizing US Treasury yields and reduced expectations for near-term Fed rate cuts triggered a sharp correction. By late March, gold had fallen back to around $4,505/oz, giving up earlier gains despite continued geopolitical uncertainty.

Entering 2Q26, gold is expected to trade range-bound as opposing forces balance out. Ongoing geopolitical risks and structural central-bank demand should provide downside support, while firmer yields, a steadier US dollar and fading rate-cut expectations are likely to cap upside. Volatility may persist, but sustained directional momentum appears limited without a renewed macro or geopolitical shock. ***Hence, we maintain a neutral stance towards gold.***

Silver Volatility Surges as Speculative Rally Unwinds

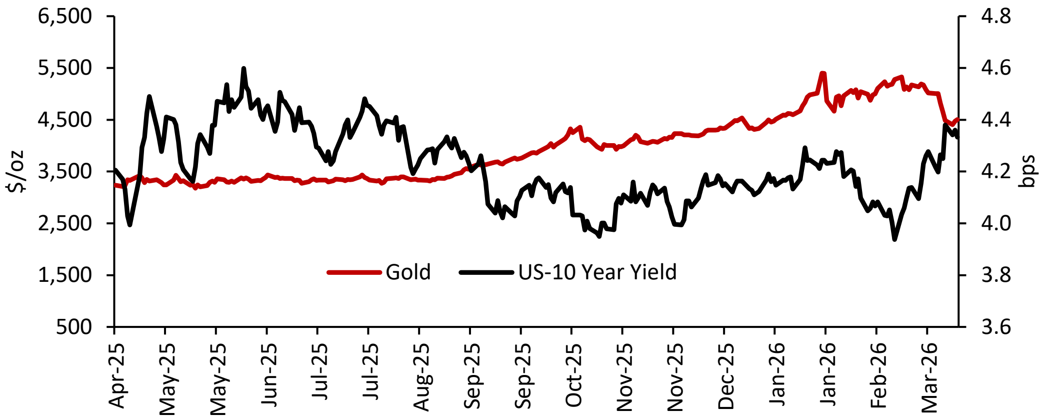
Silver experienced extreme volatility in 1Q26, initially surging nearly 68.0% in January to a peak near $120.0/oz, driven by strong industrial demand, speculative inflows and expectations of a dovish Federal Reserve. The rally reversed sharply as tighter liquidity, shifting Fed expectations and aggressive margin calls triggered rapid deleveraging. Prices stabilized briefly in February but weakened again in March amid rising US yields, a firmer dollar and softer industrial sentiment, ending the quarter marginally above $70.0/oz.

Heading into 2Q26, silver is expected to remain volatile with limited directional conviction. Industrial demand from the solar and electronics sectors should provide intermittent support; however, upside is likely capped by elevated US Treasury yields, a steadier US dollar and reduced expectations for near-term rate cuts. Following the sharp correction in 1Q26, investor positioning remains cautious, increasing sensitivity to incoming macroeconomic data. As a result, silver prices are likely to trade within a broad $65–85/oz range unless a material shift in growth dynamics or monetary policy expectations emerges. ***We maintain a neutral stance on silver, as industrial demand offsets tighter financial conditions.***

Platinum and Palladium Reset After Speculative Surge

Platinum and palladium experienced extreme volatility during the quarter. Both metals surged sharply in January as investors rotated into precious metals amid persistent inflation concerns, fiscal risks and heightened macro uncertainty. Platinum rallied to a record high near $2,852/oz, supported by a fourth consecutive year of structural supply deficits, constrained South African mine output and rising demand from hydrogen-related applications and jewellery substitution. Palladium also remained elevated, buoyed by supply risks linked to Russia and renewed investor interest after prolonged underperformance. However, the rally proved unsustainable. As financial conditions tightened and profit-taking intensified, prices corrected sharply into late March, with platinum ending near $1,920/oz and palladium retreating towards $129.24/oz. While volatility is set to endure through 2Q26, Platinum should find a floor around $2425/oz in persistent supply constraints. In contrast, Palladium's outlook appears more neutral as it contends with the dual headwinds of substitution shifts and cooling end-user demand.

Gold supported by geopolitical risks despite yield fluctuations



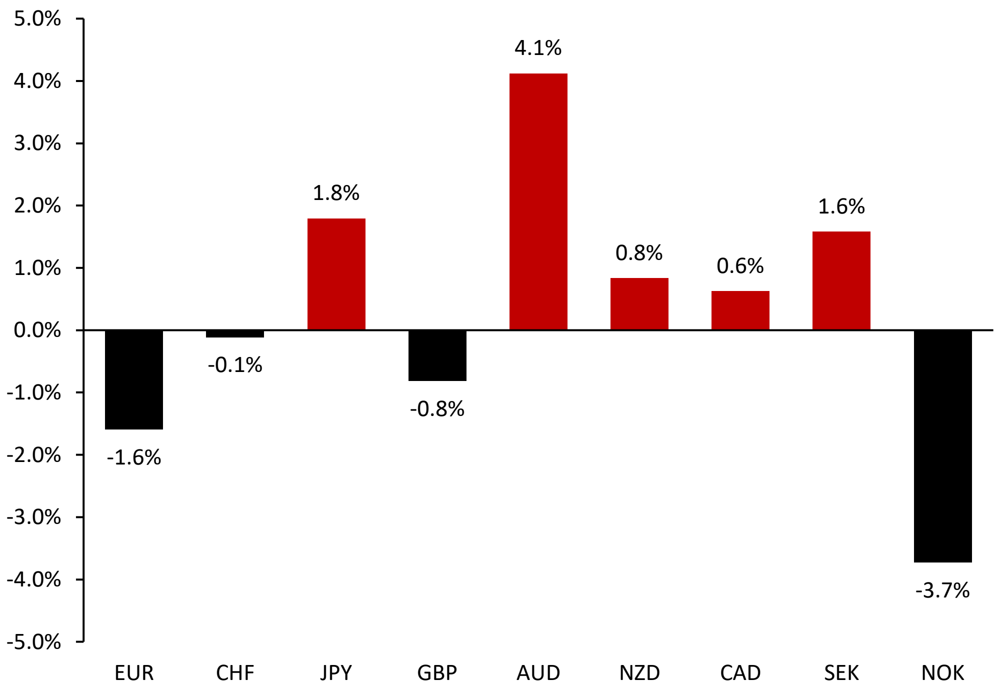
Source: Bloomberg, U Capital Research

Base Metals Look to Structural Demand as Liquidity Tailwinds Fade

Base metals transitioned from a speculative breakout in January to a phase of consolidation by the end of 1Q26, reflecting evolving macroeconomic and supply-side dynamics. Early-quarter momentum was underpinned by ample global liquidity, a weaker US dollar and front-loading of demand ahead of potential US tariffs, lifting sentiment across the complex, particularly for metals linked to electrification and data-centre investment. By February, attention shifted to supply constraints, with aluminium prices rising to around $3,240 per tonne by late March as Chinese production approached capacity limits. However, firmer US rate expectations and persistent weakness in China's property sector prompted profit-taking and broader consolidation into quarter-end. Late-quarter geopolitical tensions offered selective support, though overall performance remained mixed, with structurally tight green-transition metals continuing to outperform construction-linked commodities.

Summary: Global FX markets in 1Q26 were dominated by safe-haven demand, policy divergence and uneven growth dynamics. The US dollar stayed elevated amid geopolitical tensions and delayed Fed easing, though momentum is expected to stabilize as risks ease and policy paths converge. The euro and sterling underperformed on weaker growth, soft confidence and political uncertainty, with limited near-term catalysts despite constrained easing expectations. The Japanese yen lagged on wide yield differentials but is poised for recovery as BoJ normalization and easing energy pressures provide support. Emerging market currencies showed mixed performance, with high carry and commodity linked FX resilient while others faced domestic pressures.

DM currencies show divergent performance amid volatile risk sentiment



Source: Bloomberg, U Capital Research

US Dollar remained elevated through safe-haven demand

The US dollar concluded 1Q26 on a stronger footing, underpinned by sustained safe-haven demand amid heightened geopolitical tensions in the Middle East. The Federal Reserve (Feds) maintained its policy rate at 3.50%, reflecting persistently sticky inflation at 2.4% since the start of the year. A resilient labour market, with unemployment holding near 4.4%, reinforced the Fed's cautious approach, signalling only one potential 25-basis-point rate cut in 2026. Elevated global uncertainty continued to favour the greenback, while the absence of near-term easing expectations from the ECB, BoE and BoJ presents limited relative policy divergence.

Entering 2Q26, we expect the US dollar to remain neutral, as delayed Fed easing can be offset by easing geopolitical risks and growing policy convergence

Euro to remain low with softer macroeconomic outlook

The euro ended 1Q26 on a weaker note, declining 1.6% to around 1.1600, largely driven by broad US dollar strength. Momentum faded amid cautious ECB communication, uneven growth signals and persistent energy-price volatility. A sharp deterioration in confidence in Germany falling to 24.8 in March, alongside a -1.2% contraction in industrial production, weighed on sentiment despite intermittent support from firmer inflation prints.

Entering 2Q26, we expect the euro to remain neutral with a positive bias as reduced market consensus for Fed easing, coupled with renewed inflation risks from Middle East-driven energy pressures, may revive expectations of ECB tightening, limiting downside risks.

Sterling Pressured by Weak Growth, Political Risks and Policy Uncertainty

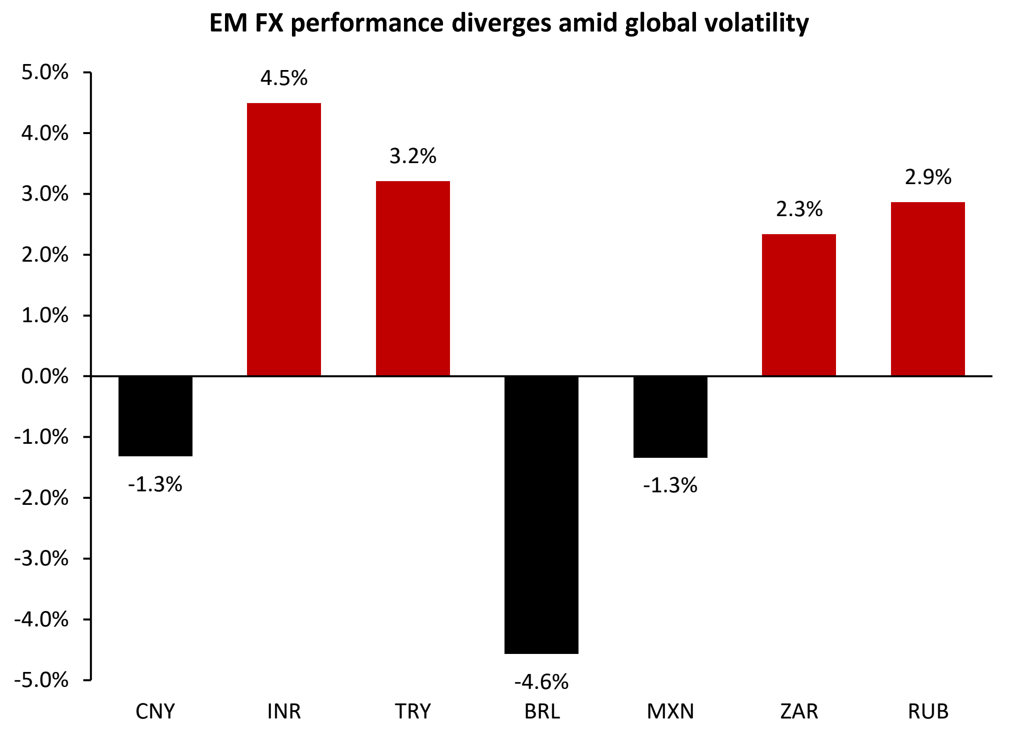
Sterling ended 1Q26 lower, declining 0.8% to around 1.3400, despite a strong start driven by broad US dollar weakness. Sentiment deteriorated as rising political uncertainty and softer economic data undermined confidence in the UK outlook. Growth concerns intensified through February and March, with weakening PMIs, falling consumer confidence and persistently elevated inflation near 3.0% complicating the BoE's (BoE) policy path. While sticky inflation and higher energy prices limited expectations for aggressive BoE easing, ongoing geopolitical risks and subdued domestic momentum capped any sustained recovery in sterling. ***We present a negative outlook for sterling, as weak domestic momentum outweighs support from the BoE's decision to hold rates***

Yen Pressured as Wide Yield Differentials Offset Intervention and Policy Signals

The Japanese yen (JPY) remained under pressure through 1Q26, with the currency ending near 159.4600 per US Dollar as widening US–Japan yield differentials and renewed US dollar strength outweighed intermittent support from intervention rhetoric. After a strong January rally driven by speculation of coordinated FX intervention and dollar weakness, the yen weakened in February and March amid softer domestic growth, cooling inflation and rising energy import costs. While hints of near-term BoJ (BoJ) tightening provided episodic support, wide yield spreads continued to cap gains. ***We revise our view on the yen to positive, as expectations of gradual BoJ policy normalization and easing energy pressures should support the currency in the coming quarter.***

EM Currencies Diverge as Domestic Risks and Strong US Dollar Cap Upside

Emerging-market (EM) currencies remained mixed in 1Q26, reflecting diverging domestic fundamentals, policy paths and exposure to global trade uncertainty. While select high-carry and commodity-linked currencies showed resilience, others faced pressure from capital outflows and inflation risks. The Indian rupee (INR) and Turkish Lira (TRY) depreciated. In contrast, the Chinese yuan (CNY) remained stable, supported by strong official fixings. Commodity-linked currencies such as the Brazilian real (BRL), Mexican peso (MXN) and South African rand (ZAR) benefited from carry dynamics, while the Russian rouble (RUB) stayed supported by high rates. ***We maintain a neutral stance on EM FX with a negative bias, as country-specific risks, and a resilient US dollar cap upside in 2Q26.***



Source: Bloomberg, U Capital Research

Global Asset Class

Performance

2026

Key Forecasts

	March 2026#	12-month forward estimates (Bloomberg)	Change
S&P 500 Index	6,592	8,293	25.81%
Stoxx Europe 600 Index	587	692	17.85%
FTSE 100 Index	10,107	11,738	16.14%
10-Year US Treasury (Yield)	4.33%	4.33%	-1 bps
10-Year UK Gilt (Yield)	4.84%	3.99%	-85 bps
10-Year German Bund (Yield)	2.96%	2.71%	-25 bps
Brent ($/bbl)	109.4	71.9	-34.25%
WTI ($/bbl)	91.9	69.5	-24.42%
Gold ($/oz)	4,506	2,760	-38.75%
Silver ($/kg)	71.2	33.1	-53.46%
GBP/EUR	1.1563	1.1319	-2.11%
GBP/USD	1.3365	1.3187	-1.33%
EUR/USD	1.1559	1.1651	0.79%
USD/JPY	159.4700	155.0189	-2.79%

Global Equity Indices

	Close	1 Month	3 Month	YTD	Y/Y	10-Y Avg. PE#	Best P/E
Developed Markets Indices							
S&P 500 Index	6,592	-4.2%	-3.7%	-3.7%	14.1%	22.8x	27.7x
Stoxx Europe 600 Index	587	-7.3%	-0.8%	-0.8%	6.3%	16.3x	14.9x
FTSE 100 Index	10,107	-7.4%	1.8%	1.8%	16.7%	14.7x	13.3x
DAX	22,957	-9.2%	-6.3%	-6.3%	-0.7%	16.7x	14.9x
CAC 40 Index	7,847	-8.6%	-3.7%	-3.7%	-3.2%	16.7x	14.9x
Nikkei Index	53,750	-8.7%	6.8%	6.8%	42.3%	21.2x	21.5x
ASX 200	8,534	-7.2%	-2.1%	-2.1%	7.5%	14.3x	13.1x
Emerging Markets Indices ex MENA							
Hang Seng	25,336	-4.9%	-1.1%	-1.1%	8.5%	12.1x	11.0x
Shanghai Composite	3,932	-5.6%	-0.9%	-0.9%	16.7%	16.8x	16.0x
Korea Stock Exchange	5,642	-9.6%	33.9%	33.9%	115.7%	18.1x	7.8x
BSE Sensex	75,273	-7.4%	-11.7%	-11.7%	-3.5%	20.4x	18.7x
Taiwan SE	33,439	-5.6%	15.5%	15.5%	50.1%	24.1x	16.9x
Ibovespa Brasil	1,85,424	-1.8%	15.1%	15.1%	40.4%	13.1x	9.4x
Micex Index	3,216	0.0%	0.0%	0.0%	0.0%	NA	NA
JSE Africa All Share	1,14,313	-11.0%	-1.3%	-1.3%	27.4%	15.2x	16.6x
MENA Indices							
Abu Dhabi Securities Market	9,778	-6.5%	-2.1%	-2.1%	4.7%	19.1x	10.2x
Dubai Financial Market	5,698	-12.4%	-5.8%	-5.8%	11.3%	10.3x	9.2x
Egyptian Exchange	47,498	-3.5%	13.6%	13.6%	49.5%	8.1x	7.3x
Tadawul All Share	11,080	3.5%	5.6%	5.6%	-5.3%	18.8x	15.4x
Qatar Exchange	10,290	-6.9%	-4.4%	-4.4%	1.3%	11.5x	10.4x
Bahrain Bourse	1,910	-7.3%	-7.6%	-7.6%	-2.4%	16.3x	6.17x
Muscat Securities	8,028	8.6%	36.8%	36.8%	82.1%	9.3x	14.4

Source: Bloomberg, U Capital Research, data as of 25 March 2026

Corporate Credit Total Returns

	Close	1 Month	3 Month	YTD	Y-o-Y
US IG Corp	3,526.43	-1.8%	-0.5%	-0.5%	5.1%
US HY Corp	2,903.53	-1.2%	-0.2%	-0.2%	6.3%
EUR IG Corp	264.12	-1.8%	-0.5%	-0.5%	2.5%
EUR HY Corp	406.29	-1.9%	-0.9%	-0.9%	3.1%
USD EM Index	1,374.63	-2.4%	-0.8%	-0.8%	7.5%
USD UAE Liquid Index	147.31	-3.0%	-2.0%	-2.0%	3.6%

G-10 Currencies Performance

	Close	1 Month	3 Month	YTD	Y-o-Y
EUR/USD	1.16	-2.2%	-1.6%	-1.6%	7.1%
USD/CHF	0.79	3.0%	-0.1%	-0.1%	-10.3%
USD/JPY	159.46	2.2%	1.8%	1.8%	6.4%
GBP/USD	1.34	-0.9%	-0.8%	-0.8%	3.2%
USD/AUD	1.44	-2.3%	4.1%	4.1%	10.3%
USD/NZD	1.72	-3.2%	0.8%	0.8%	1.3%
USD/CAD	1.38	1.2%	0.6%	0.6%	-3.3%
USD/SEK	9.34	3.7%	1.6%	1.6%	-6.9%
USD/NOK	9.68	2.1%	-3.7%	-3.7%	-7.8%

Commodity Performance

	Close	1 Month	3 Month	YTD	Y-o-Y
Brent ($/bbl)	102.22	41.0%	68.0%	68.0%	40.0%
WTI ($/bbl)	90.32	34.8%	57.3%	57.3%	30.9%
Natural Gas ($/MMBtu)	2.95	3.3%	-19.9%	-19.9%	-23.1%
Gold ($/oz)	4,505.06	-14.6%	4.4%	4.4%	49.2%
Silver ($/kg)	71.28	-24.0%	0.0%	0.0%	111.2%
Platinum ($/oz)	1,919.73	-18.8%	-6.5%	-6.5%	96.6%
Aluminium ($/ton)	3,242.50	3.3%	8.6%	8.6%	24.3%

EM Currencies Performance

	Close	1 Month	3 Month	YTD	Y-o-Y
USD/CNY	6.90	0.6%	-1.3%	-1.3%	-4.9%
USD/INR	93.89	3.1%	4.5%	4.5%	9.7%
USD/TRY	44.33	0.9%	3.2%	3.2%	16.8%
USD/BRL	5.23	1.9%	-4.6%	-4.6%	-8.3%
USD/MXN	17.76	3.2%	-1.3%	-1.3%	-11.4%
USD/ZAR	16.95	6.4%	2.3%	2.3%	-7.1%
USD/RUB	81.00	4.8%	2.9%	2.9%	-4.3%

Source: Bloomberg, U Capital Research, data as of 25 March 2026

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