Deutsche Bank
Chief Investment Office

PERSPECTIVES

ECONOMIC AND ASSET CLASS OUTLOOK

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Letter to Investors

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Turbulent times; resilient markets to date

Investors face an apparent paradox: despite ongoing geopolitical risks, rising inflation concerns, and the threat of a global energy crisis, equity markets overall have proven generally resilient – at least to date. This is despite the significant burden that the Iran conflict – and, in particular, its impact on oil and gas traffic through the Strait of Hormuz – is placing on the global economy and the resulting fall in economic growth expectations.

There is a simple explanation for this paradox: markets always look forward. And most market participants, ourselves included, anticipate some sort of resolution to the conflict with Iran in the foreseeable future despite recent developments: we expect that the Strait of Hormuz will at least partially reopen to shipping by mid-year. Markets are therefore currently pricing a Brent oil price of around USD85/bbl in December 2026, significantly below current levels. Easing energy markets, combined with ongoing expansionary fiscal policies, should help avoid a recession in the US and Europe, although they will not solve other underlying growth problems here or elsewhere. However, there are still clear risks to growth and markets if the conflict continues and prevents energy flows from resuming after the summer.

This cautious (if fluctuating) optimism about an eventual resolution to the Iran conflict has been reflected in recent moves in equity markets, although there are regional variations. While energy-intensive sectors and cyclical stocks have often been under pressure, energy and technology (particularly artificial intelligence) stocks have generally outperformed. Rising earnings expectations are also delivering a substantial positive impetus to markets.

The market environment will remain volatile, but we still expect further overall market gains over the next 12 months, creating opportunities. In the technology sector, we are particularly focused on hardware. In the energy sector, we look across the value chain (power generation, transmission, and storage). Cyclical stocks are only likely to come back into focus once the situation in the Strait of Hormuz sustainably improves. We also see price potential in high-quality bonds in the coming months, in a declining yield environment. Gold, as a portfolio diversifier, should continue to be in demand – with its appeal also lifted by expansionary fiscal policies and rising government debt.

We will keep you updated about our view – be it in person or via our CIO Update Calls.

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Visit **wealth.db.com** to listen to our Experts In-House: CIO Update Calls.

Macroeconomics: Growth down, inflation up

- Growth moderating as the energy shock weighs on economic activity.
- Inflation picking up as energy costs feed into the real economy.
- Major central banks expected to shift toward a tighter stance.

The Iran conflict has triggered a pronounced energy price shock, creating a trade-off between slowing growth and persistent inflation, forcing central banks to reassess their policy paths. The **US** economy has proven resilient to date, with real GDP expanding at an annualised 1.6% QoQ in Q1, supported by stronger government spending and a pick-up in private investment – notably in equipment and AI-related technologies. Looking ahead, headwinds from higher energy costs and softer consumer spending should be partly offset by continued fiscal support and robust AI investment, which remains a key structural growth driver. Against this backdrop, GDP growth is expected to remain solid at 2.0% in both 2026 and 2027, while CPI inflation is likely to stay above target at 3.2% and 2.3% respectively. With the labour market remaining resilient and inflation proving sticky, the case for near-term monetary easing appears limited. We expect the Fed to remain cautious, bringing rates to 3.00–3.25% by mid-2027.

In Q1 2026, **Eurozone** growth lost momentum, slowing to -0.1% QoQ as rising energy costs began to weigh on activity and private consumption brought the region close to stagnation. With no physical shortages assumed to date, but limited fiscal support failing to cushion the shock, we lower our GDP forecast to 0.9% for 2026 while maintaining 1.3% for 2027, with risks tilted to the downside. As higher energy costs feed into broader prices, we project CPI inflation to peak above 4,0% this year and average 3.1% in 2026 before easing to 2.5% in 2027. Balancing weak growth against inflation pressures, the ECB should retain a tightening bias to keep expectations anchored. We expect the ECB to hike the deposit rate to 2.5% by June 2027.

Japan entered 2026 on a firm footing, with GDP rising 0.5% QoQ in Q1. However, momentum is expected to ease as policy support and accommodative financial conditions are partially offset by higher energy import costs compressing corporate margins. We expect growth to moderate to 0.7% in 2026 before recovering mildly to 0.9% in 2027. Inflation is expected to continue to be dampened in the near term by subsidies and base effects but should firm later as energy pass-through and resilient wage growth take hold, averaging 2.3% and 2.4% in 2026 and 2027 respectively. This should allow the Bank of Japan (BoJ) to continue its cautious normalisation path, with the key rate reaching 1.25% by mid-2027.

After a slowdown in late 2025, **China** entered 2026 with stronger momentum, as GDP growth held at 5.0% YoY in Q1, supported by investment and robust exports. While deflationary pressures ease and the property sector stabilises, domestic demand remains uneven and policy support more targeted toward infrastructure, technology, and green transition. We expect GDP growth of 4.7% in 2026, slowing to 4.4% in 2027. Inflation should stay subdued, averaging around 0.8% in 2026 and 1,0% in 2027, given limited demand-side pressure and modest monetary easing expected.

Fixed Income: Attractive yields, low spreads

- US Treasury and Bund yields likely to move down.
- IG supported, but low spreads limit further narrowing; HY calls for selectivity.
- As with USD and EUR credit, carry remains the driver of Asia/EM bonds.

The repricing of the future monetary policy trajectory has sent **US Treasury** yields rising since the Iran conflict. With the Fed expected to deliver two cuts over the forecast horizon, yields should retrace part of the recent move, especially at the front end. The long end is likely to remain more resilient, however, given fiscal uncertainty, increased issuance and rising inflation-risk premia. Overall, we expect a lower yield curve with a modest steepening bias (June 2027 10-year yield target: 4.2%; 2-year yield target: 3.4%).

Our **German Bunds** view reflects weaker growth, elevated but gradually moderating inflation, and an ECB likely to shift toward an easing bias in the second half of next year, after its two hikes, as growth risks persist. Yields should therefore decline next year, with the front end falling relatively more. Longer-dated Bund yields should remain supported by the same term-premium forces impacting US Treasuries, tougher US policy toward Europe and renewed debate around joint EU debt issuance (June 2027 10-year yield target: 2.9%; 2-year yield target: 2.3%).

Italy's 10Y–Bund spread should remain broadly stable, supported by political stability, attractive carry and contained debt concerns. However, the end of NextGen EU loan support by the end of this year could trigger episodes of volatility.

Japanese government bond yields remain elevated, with 10-year yields near 29-year highs, driven by fiscal expansion, tax cuts and weaker life insurer demand. The BoJ has kept rates unchanged but retains a mild hawkish tilt anticipating gradual normalisation supported by inflation, leading us to expect two 25bps rate hikes – largely consistent with market expectations. We expect 10-year yields to stabilise around 2.4% by June 2027, with upside risks from fiscal slippage and geopolitics.

USD and EUR **investment-grade (IG)** credit remain supported by attractive all-in yields and strong demand. Heavy issuance is being absorbed, while healthy earnings and balance sheets keep the backdrop constructive. However, spreads are tighter than pre-Iran conflict levels, leaving valuations stretched and limiting further tightening potential. EUR IG appears better supported, underpinned by persistent inflows, AI-related issuance without USD risk, and structural reallocation back into fixed income.

High-yield (HY) offers attractive carry, but USD and EUR spreads are historically low, leaving limited cushion against shocks. USD HY defaults should stay contained, but issuance, refinancing needs and AI-linked funding call for selectivity. In EUR HY, rising dispersion leaves real estate, autos and consumer-linked issuers more vulnerable. We therefore remain wary of cyclicals or issuers with underpriced idiosyncratic risks.

Asia credit spreads are near historical tights, supported by strong fundamentals and regional demand. However, Hormuz-linked energy risks limit the margin for error, leaving returns largely carry-driven, supporting a neutral stance. EM sovereign spreads are near historical tights, supported by resilient US growth as US growth spillovers boost demand for export-oriented EM economies, sustaining global risk appetite and capital flows. However, domestic factors such as high energy costs, fiscal pressures and tight valuations reinforce a neutral outlook despite attractive yields.

Equities: Earnings power through the shock

- Equities have proven resilient; rapid rebound since the energy-driven sell-off.
- Strong earnings underpin the outlook, despite rising inflation risks.
- Global fillip from AI-led secular growth; consumer sectors under pressure.

Global equity markets have been shaped by a brief but notable geopolitical shock. The conflict in the Middle East triggered a temporary drawdown, with higher oil prices, increased uncertainty and more hawkish central bank signals weighing on risk sentiment, particularly in regions reliant on oil imports. De-escalation signals and resilient earnings then supported a swift rebound, underlining the strength of global equities.

In the US, the rebound has been driven by earnings continuing to exceed expectations, reinforcing confidence in the durability of corporate profits. However, performance has been led by a relatively small group of stocks, particularly those linked to AI and other structural growth themes. As a result, **S&P 500** market breadth remains narrow, with the average stock lagging the index since end-February. Looking ahead, we think high earnings growth will lead the US stock market higher, although the likelihood of rising valuations has diminished amid the challenging backdrop of rising inflation and declining growth. We increase our 12-month target for the S&P 500 to 8,200 points.

European equities have also recovered following the geopolitically driven dip, although the **STOXX Europe 600** remains below pre-conflict levels. The reporting season delivered resilient earnings, although headline growth expectations are increasingly being driven by the energy sector. While upcoming earning seasons will provide more clarity, corporate profit margins are likely to be challenged by a rise in energy prices, leaving energy-cost-dependent and consumer-facing sectors more vulnerable to oil price developments. Nevertheless, given our assumption of receding geopolitical risks and lower energy prices we see upside for the STOXX Europe 600 to rise to 650 over the next 12 months.

The **MSCI Japan** is supported by strong company earnings, mainly driven by tech stocks and high demand for AI and semiconductor related products. Furthermore, Japanese banks continue to benefit from monetary policy normalisation and rising net interest margins. We maintain a positive outlook for Japanese equities and raise our target for the MSCI Japan to 2,660 points.

EM equities are currently being driven mainly by demand for AI hardware. Just a few Korean and Taiwanese memory chip and chip manufacturing stocks – both essential for AI infrastructure expansion – play a leading role. Strong earnings momentum in these areas are lifting the **MSCI EM** due to the high market capitalisations and therefore high index weightings. Looking forward, apart from continued earnings growth, lower energy prices and a weaker USD could provide a short-term tailwind for EM stocks. We maintain a constructive outlook, expecting the MSCI EM to reach 1,870 over the next 12 months.

Commodities: The oil channel

- Oil prices to remain elevated even if the conflict is resolved.
- Copper's strong structural outlook already well priced.
- Gold prices are poised for renewed upside potential.

With **oil** markets currently driven by the Iran conflict, prices have moved away from the pre-shock equilibrium of roughly USD60–65/bbl. We expect a partial political resolution by the end of the summer, as resuming production after a shutdown takes time due to oil-well pressure management issues. This should keep prices elevated for longer than the forward curve currently implies. However, the market should shift from deficit to surplus by the end of the year as OPEC+ quotas increase and the United Arab Emirates scale output significantly above the level allowed if they were still an OPEC member. Until those surplus supply conditions return and persist, prices are unlikely to fall significantly (June 2027 Brent target: USD82/bbl).

European **gas** prices face a similar duration risk to oil: delayed normalisation could keep risks elevated through the summer refill season. Potential Qatari LNG losses and project delays may also limit downside, reducing the odds of sub-EUR20/MWh prices next year.

Copper's long-term fundamentals remain constructive, but the recent rally means much of the bullish outlook is reflected in prices. Despite strong structural demand from grid expansion, electrification, renewable power, energy storage and data-centre buildout, near-term demand risks have increased as weaker global growth could weigh on consumption. At the same time, inventories are rising and additional mine capacity is coming online. However, supply remains fragile: sulphuric acid shortages linked to the closure of the Strait of Hormuz could force production curtailments, while mine ramp-up delays add further disruption risk. Overall, we expect copper to remain broadly range-bound (June 2027 copper target: USD14,000/t).

After hitting multiple record highs in January, correcting sharply in February and showing volatility amid the Middle East escalation, **gold** prices have stabilised recently. The repricing of expected rate cuts – and in some cases pricing in of hikes – alongside rising yields and a firmer USD, have weighed on prices recently. However, prices continue to hold at elevated levels.

In the medium term, gold prices are set to benefit from strong and sustained demand, driven by the ongoing diversification of US Treasury holdings, particularly by central banks and large institutional investors. Persistently rising global government debt levels are likely to further reinforce gold's role as a strategic asset. At the same time, private investor demand in China has remained exceptionally robust despite elevated price levels. In addition, the USD is expected to weaken through mid-2027, providing further tailwinds for gold. Taken together, these factors point to a firm and sustained uptrend, with gold prices likely to rise significantly to USD5,400/oz by end-June 2027.

Currencies: Diversification continues

- USD: Energy price support waning. ECB to start hiking rates.
- Monetary policy and capital flows point to a gradual JPY appreciation.
- The CNY is expected to keep rising gradually against the USD.

At the onset of the escalation in the Middle East, the USD was in demand, partly because the US is largely self-sufficient in terms of oil and natural gas. Europe's economy is likely to be hit harder by a closure of the Strait of Hormuz than the US economy. Recently, however, the tailwind for the greenback has faded, with markets having priced in 75bps of ECB rate hikes by April 2027. There are some further strong indications that the USD is likely to weaken somewhat over the medium term – driven by factors such as the large US fiscal deficit, reduced petrodollar recycling by Gulf countries, and further diversification away from USD-denominated assets. We expect the **EUR** to appreciate to EUR/USD 1.22 by the end of June 2027.

Despite uncertainty surrounding the domestic political implications of the regional elections in early May, the **GBP** has recently recovered moderately from its early-April, year-to-date low against the USD. While long-dated UK government bond yields (gilts) rose to multi-year highs in the aftermath of the regional elections – currently viewed by financial markets more as a warning signal – the GBP has not come under more pronounced pressure. The currency is being supported by the swap markets' pricing in of around 50bps of rate hikes by the Bank of England (BoE) over the next 12 months. As with the EUR, this implies a shift in the interest rate differential vis-à-vis the Fed in favour of the GBP. Provided that market concerns over the UK's high public debt do not intensify significantly, the GBP may also appreciate, moving towards GBP/USD 1.44 by the end of June 2027. However, this would require general USD weakness, though.

JPY faces near-term pressure from a weaker trade balance driven by elevated energy import costs. However, rising inflation and negative real rates support gradual policy normalisation, thereby narrowing the US-Japan yield differential. Foreign inflows into Japanese assets, alongside a shift by domestic investors away from foreign bonds, could strengthen capital flows. Taken together, these factors point to gradual JPY appreciation. We forecast USD/JPY at 145 at the end of June 2027.

For the first time since February 2023, the **CNY** recently appreciated beyond the USD/CNY 6.80 level. Chinese authorities have prevented depreciation and signalled a preference for stability/strength, via stronger-than-expected fixings, for example. This reflects a broader strategy to bolster confidence, manage capital flows and avoid disorderly FX moves. There is also some structural support: China continues to run a very large trade/current account surplus, boosting FX inflows. Strong exports ensure that the conversion of these FX revenues acts as a tailwind for the CNY. Furthermore, China aims to increase the global role of the CNY by expanding its use in trade settlement, establishing a deeper offshore market and promoting further integration into global capital flows, for example. The managed CNY appreciation within a controlled FX regime might have further upside: we expect USD/CNY at 6.60 at the end of June 2027.

Alternatives: Private markets and hedge funds

- We remain constructive on private markets.
- Preference for an asset class may vary depending on market conditions.
- Hedge funds can provide downside protection during market volatility.

In the current environment, we favour **infrastructure** slightly. Infrastructure often encompasses (essential) services which tend to be more economically independent than other asset classes. Public institutions often invest in and utilise infrastructure, further highlighting its resilient nature. That said, risks exists for example for assets which depend on usage levels and with respect to financing costs if interest rates increase.

While **private equity** saw global record highs in investments and exits by the end of last year, deal activity has been widely muted since Q1 due to the current geopolitical situation, affecting particularly firms in countries that are more reliant on energy imports. With the situation hopefully to improve, select firms with attractive valuations, especially in some parts of the European mid-market, might have potential for value appreciation. At the same time, capital seems to be increasingly concentrating in assets with durable cash flows and clear operational value creation levers.

We expect **private credit** to continue expanding, albeit at a more moderate pace than in previous years. The majority of the market remains dominated by long-term, senior loans which we prefer. The European market for private credit might remain attractively valued and well diversified in terms of sector allocations. Since most private credit agreements are variable rate, investors could benefit from an increase in key interest rates and, thanks to their senior positioning, would be better protected in the event of potential distress. So far, however, we have not seen any material defaults.

Hedge funds play a complementary role, particularly as a more liquid vehicle alongside alternatives. The asset class remains dominated by long/short equity and global macro strategies in terms of AuM, while multi strategy platforms are growing the fastest. Looking ahead, we favour three areas: (1) **long/short equity**, where rising dispersion should support alpha generation and more balanced return profiles; (2) **multi strategy** hedge funds, given their ability to dynamically allocate across return drivers and deliver more consistent performance across market regimes; and (3) **discretionary macro**, which remains well positioned to capture opportunities from policy divergence and elevated geopolitical volatility. The US market remains deeper and more institutionalised, while Europe may offer more attractive relative value opportunities amid higher dispersion. Overall, hedge funds can support portfolio performance and provide downside protection, particularly during periods of market volatility.

Appendix

Macroeconomic forecasts

	2026	2027	Consensus 2026 (BBG[1])
GDP growth rate (%)			
US[2]	2.0	2.0	2.2
Eurozone	0.9	1.3	0.9
Germany	0.7	1.1	0.7
France	0.8	1.2	0.7
Italy	0.8	1.0	0.5
Spain	2.6	2.0	2.3
Japan	0.7	0.9	0.7
China	4.7	4.4	4.6
World	3.1	3.3	3.0
Consumer price inflation (%)			
US	3.2	2.3	3.3
Eurozone	3.1	2.5	2.8
Germany	3.1	2.6	2.7
Japan	2.3	2.4	2.0
China	0.8	1.0	1.0
Unemployment rate (%)			
US	4.7	4.5	4.4
Eurozone	6.3	6.1	6.3
Germany	6.3	6.0	6.3
Japan	2.5	2.5	2.5
China[3]	5.1	5.1	5.1
Fiscal balance (% of GDP)			
US	-6.6	-6.8	-6.3
Eurozone	-3.4	-3.4	-3.3
Germany	-3.4	-3.7	-3.8
Japan	-3.0	-3.2	-2.9
China[4]	-8.5	-8.4	-5.4

[1] Bloomberg consensus.
[2] For the US, GDP growth Q4/Q4 % is 1.6% in 2026 and 2.1% in 2027.
[3] Urban unemployment rate (end of period), not comparable to consensus data.
[4] China fiscal deficit refers to IMF general public sector deficit. It is not comparable with the consensus.

Source: Deutsche Bank AG, Bloomberg Finance L.P.; Data as of May 19, 2026.

Appendix

Asset class forecasts for June 2027

Sovereign bond yields (%)

United States (2-Year US Treasury)	3.40
United States (10-Year US Treasury)	4.20
United States (30-Year US Treasury)	4.95
Germany (2-Year German Bund)	2.30
Germany (10-Year German Bund)	2.90
Germany (30-Year German Bund)	3.50
United Kingdom (10-Year UK Government)	4.40
Japan (2-Year Japan Government)	1.50
Japan (10-Year Japan Government)	2.40

Benchmark rates (%)

United States (federal funds rate)	3.00-3.25
Eurozone (deposit rate)	2.50
United Kingdom (repo rate)	4.00
Japan (policy rate)	1.25
China (1-year lending rate)	2.80

Currencies

EUR vs. USD	1.22
USD vs. JPY	145
EUR vs. JPY	177
EUR vs. CHF	0.92
EUR vs. GBP	0.85
GBP vs. USD	1.44
USD vs. CNY	6.60

Equity indices

United States (S&P 500)	8,200
Germany (DAX)	26,300
Eurozone (EURO STOXX 50)	6,250
Europe (STOXX Europe 600)	650
Japan (MSCI Japan)	2,660
Switzerland (SMI)	13,850
United Kingdom (FTSE 100)	10,800
Emerging Markets (MSCI EM)	1,870
Asia ex. Japan (MSCI Asia ex Japan)	1,245

Commodities (USD)

Gold (oz)	5,400
Crude Oil (Brent Spot, bbl)	82
Copper (t)	14,000
EU Carbon Allowances (Carbon Spot, t)	90

Corporate & EM bond spreads (bps)

EUR IG Corp	65
EUR HY	280
USD IG Corp	85
USD HY	300
Asia Credit	125
EM Sovereign	240

Source: Deutsche Bank AG;
Data as of May 19, 2026.

Appendix

Historical performance

	05.06.2021–05.06.2022	05.06.2022–05.06.2023	05.06.2023–05.06.2024	05.06.2024–05.06.2025	05.06.2025–05.06.2026
Performance					
S&P 500	-1.5%	5.8%	27.2%	12.4%	25.9%
STOXX Europe 600	0.3%	7.9%	17.1%	9.5%	16.3%
MSCI EM	-21.1%	-3.9%	11.1%	14.7%	48.8%
EURO STOXX 50	-4.0%	11.1%	18.5%	13.2%	17.2%
SMI	2.5%	2.1%	9.9%	4.6%	12.1%
DAX	-7.9%	10.4%	16.4%	30.9%	1.8%
FTSE 100	10.6%	4.8%	12.8%	11.0%	21.5%
MSCI Japan	1.5%	17.8%	27.3%	1.3%	49.0%
MSCI Asia ex Japan	-22.9%	-4.0%	12.4%	14.6%	54.5%
2-Year US Treasury	-2.5%	-0.4%	3.8%	5.4%	3.2%
10-Year US Treasury	-10.5%	-2.7%	-0.9%	3.4%	3.5%
30-Year US Treasury	-17.6%	-10.9%	-5.2%	-3.1%	2.7%
2-Year German Bund	-2.1%	-1.7%	2.1%	3.4%	0.8%
10-Year German Bund	-12.3%	-6.9%	1.6%	1.8%	-0.4%
30-Year German Bund	-27.5%	-22.9%	-2.3%	-5.3%	-6.5%
10-Year UK Government	-10.0%	-13.4%	5.2%	1.4%	3.4%
2-Year Japan Government	-0.2%	0.0%	-0.4%	0.0%	0.2%
10-Year Japan Government	-1.0%	2.0%	-3.7%	-2.0%	-7.3%
EUR vs. USD	-11.9%	-0.1%	1.4%	5.3%	0.7%
USD vs. JPY	5.3%	6.6%	13.5%	-3.2%	12.4%
EUR vs. JPY	-0.1%	0.4%	-1.3%	-0.8%	2.4%
EUR vs. CHF	6.0%	6.3%	-0.1%	3.5%	2.3%
EUR vs. GBP	19.5%	6.6%	11.9%	-8.1%	11.7%
GBP vs. USD	-11.8%	-0.4%	2.8%	6.1%	-1.7%
USD vs. CNY	4.1%	6.6%	2.0%	-1.0%	-5.7%
Gold (oz)	-2.0%	5.4%	20.2%	43.2%	29.3%
Crude Oil (Brent Spot. bbl)	71.0%	-39.4%	4.1%	-14.7%	47.2%
Copper (t)	-4.4%	-12.3%	17.7%	0.3%	37.2%

Source: Deutsche Bank AG, Bloomberg Finance L.P., LSEG Datastream; Data as of June 5, 2026.

Glossary

The **Bank of England (BoE)** is the central bank of Great Britain.

The **Bank of Japan (BoJ)** is the central bank of Japan.

Brent is a grade of crude oil used as a benchmark in oil pricing.

Bunds are longer-term bonds issued by the German government.

CNY is the currency code for the Chinese yuan.

The **DAX** is a blue-chip stock-market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange; other DAX indices include a wider range of firms.

A **developed market (DM)** is a country that is advanced economically, with developed capital markets and high levels of per capita income.

An **emerging market (EM)** is a country that has some characteristics of a developed market in terms of market efficiency, liquidity and other factors, but does not meet all developed market criteria.

EUR is the currency code for the euro, the currency of the Eurozone.

The **European Central Bank (ECB)** is the central bank for the Eurozone.

The **EuroStoxx 50 Index** tracks the performance of blue-chip stocks in the Eurozone and includes the super-sector leaders in terms of market capitalisation.

The **Eurozone** is formed of 21 European Union member states that have adopted the euro as their common currency and sole legal tender.

The **Fed funds rate** is the interest rate at which depository institutions lend overnight to other depository institutions.

The **Federal Reserve (Fed)** is the central bank of the United States. Its **Federal Open Market Committee (FOMC)** meets to determine interest rate policy.

The **FTSE 100 Index** tracks the performance of the 100 major companies trading on the London Stock Exchange.

GBP is the currency code for the British pound/sterling.

Gilts are bonds that are issued by the British Government.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Hedge Funds are alternative investment vehicles using pooled funds that may use a number of different strategies in order to earn active return for their investors.

High yield (HY) bonds are higher-yielding bonds with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds.

An **investment grade (IG)** rating by a rating agency such as Standard & Poor's indicates that a bond is seen as having a relatively low risk of default.

JGB stands for Japanese Government Bonds.

JPY is the currency code for the Japanese yen, the Japanese currency.

LNG stands for Liquefied natural gas.

The **London Metal Exchange (LME)** is a major centre for industrial metals trading.

The **MSCI Asia ex Japan Index** captures large- and mid-cap representation across 2 of 3 developed-market countries (excluding Japan) and 8 emerging-market countries in Asia.

Glossary

The **MSCI EM Index** captures large and mid cap representation across 24 emerging markets countries.

The **MSCI Japan Index** measures the performance of around 179 large and mid-cap stocks drawn accounting for about 85% of Japanese market capitalization.

NTM stands for next twelve months in the context of earnings and thus price/earnings ratios.

The **Organization of the Petroleum Exporting Countries (OPEC)** is an international organization with the mandate to "coordinate and unify the petroleum policies" of its 11 members. The so-called "**OPEC+**" brings in Russia and other producers.

Private Equity refers to funds or individuals investing directly in private, non-listed companies.

The **S&P 500 Index** includes 500 leading US companies capturing approximately 80% coverage of available US market capitalisation.

Stagflation refers to a combination of slowing growth and persistent inflation.

The **STOXX Europe 600** includes 600 companies across 17 European Union countries.

The **Swiss Market Index (SMI)** includes 20 large and mid-cap stocks.

Treasuries are bonds issued by the US government.

US is the United States.

USD is the currency code for the US dollar.

Volatility is the degree of variation of a trading-price series over time.

West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing.

Important note

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