

UOB House View 2Q 2026

Thursday, 02 April 2026

The Team
Global Economics & Markets Research
Private Bank

Global Macro

Geopolitical risks in the Middle East remain elevated and highly uncertain, despite tentative signs of de-escalation. The continued blockage of the Strait of Hormuz and damage to regional energy infrastructure pose significant risks to global growth and inflation, particularly for energy-importing Asia. Sustained high oil prices could materially lift ASEAN inflation and dampen growth over the next 6-12 months, although most regional central banks are likely to look through supply-side shocks unless FX weakness intensifies. Near-term fiscal measures such as subsidies and temporary energy tax cuts are expected to partially offset the macroeconomic fallout.

Asset Allocation

We remain **Overweight** on Equities as the Fed's easing cycle is supportive of risk assets. We recommend using dips to accumulate quality stocks. We stay **Neutral** on Fixed Income given reasonable all-in yields but tight spreads. We prefer an average duration of 5-7 years. We shift **Alternatives to Neutral** (from Overweight) and hold off further allocation to private equity and credit until risk-reward improves. We maintain **Neutral** on Money Market with an eye for tactical deployment during corrective phases.

Equities

We remain **Overweight US equities**, recommending broader market participation as AI adoption drives rising demand for computing power and data centres, boosting energy, grid infrastructure, and industrial beneficiaries of the AI capex cycle. We are **Neutral** on **Europe** and **Japan**. We stay **Overweight EM China**, constructive on China technology and dividend plays, semiconductors in Korea and Taiwan, and within ASEAN we prefer Singapore.

Fixed Income

We remain Overweight Developed Market (DM) investment-grade (IG) credit, positioning portfolios for resilience amid expectations that the Federal Reserve will continue its gradual easing cycle. We stay **Underweight** on DM USD HY as risk-reward remains asymmetric with sector mix being unfavourable. We stay **Overweight** on Emerging Markets (EM) IG and favour Asian quasi-sovereigns/strategic SOEs. We stay **Neutral** on EM HY as selectivity is needed given idiosyncratic balance-sheet risks.

Commodities

Brent crude oil is expected to remain elevated near USD100/bbl in the near term due to Middle East supply disruptions, before gradually easing as conditions stabilize. The current forecast sees Brent averaging USD110/bbl in 2Q26, USD100/bbl in 3Q26, and declining to USD90/bbl by 4Q26 and 1Q27.

FX & Interest Rates

The USD strengthened initially on safe-haven flows and a hawkish repricing of Fed expectations, lifting near-term DXY forecasts. However, DM currencies are expected to recover gradually once the energy shock fades. Asia FX remains pressured in the near term but with a cautiously constructive outlook longer term, contingent on conflict de-escalation. On rates, the Fed is still expected to deliver two 25bp cuts, lowering front-end rates, while higher inflation risk and fiscal concerns keep 10Y UST yields elevated. In Singapore, further MAS policy normalization implies steeper FX policy and higher long-end yields by 1Q27.

Global Macro & Markets Strategy

A brave new volatile world of Brent Crude oil at USD 100 / bbl

Brent Crude oil seen trading around USD 100 / bbl as Strait of Hormuz remains shut

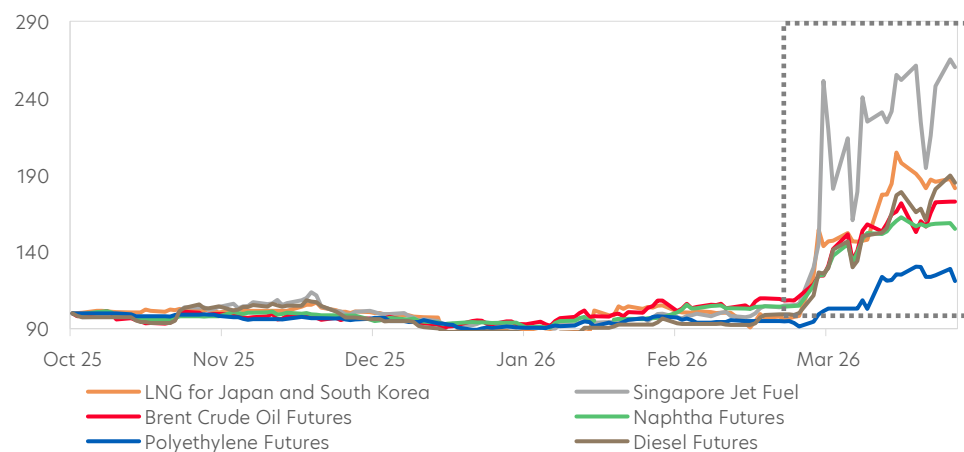
We are now into the second month of the US-Israel War with Iran and the Strait of Hormuz remains blocked to shipping. A back of the envelope calculation suggests that after taking into account various contingency and alternative shipping routes for energy (e.g. Saudi Arabia's East to West pipeline to the Red Sea port of Yanbu), about half of the Strait of Hormuz initial shipping volume of 20 mio bpd, i.e. 10 mio bpd remains blocked.

There is now significant and widespread damage to various crude oil, LNG, and other energy infrastructure across the Middle East. All these damages will take months (in some cases years) to repair and recover. In addition, the geopolitics remains intense and highly uncertain, with the Houthis now seen entering the conflict via a potential blockade of the Bab al-Mandab Strait. Should that happen, it will effectively block off Saudi Arabia's alternative energy shipping route via the Red Sea.

Overall, in terms of Brent crude oil outlook, we remain tilted towards the Worst Case scenario of which the Strait of Hormuz remains blocked and Middle East energy infrastructure is damaged. Our forecast remains that unless there is significant de-escalation with the re-opening of the Strait of Hormuz to shipping traffic, Brent crude oil is likely to stay at elevated levels around USD 100 / bbl for the foreseeable future.

Chart 1: Key energy prices have all jumped over the past month (normalized return %)

Source: Bloomberg, UOB Global Economics & Markets Research



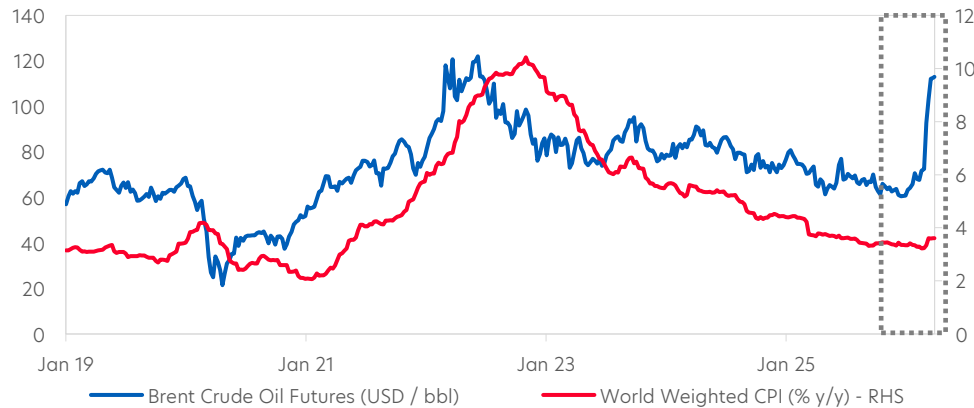
We maintain our current forecast for Brent crude oil at USD 110 / bbl for 2Q26, USD 100 / bbl for 3Q26, and USD 90 / bbl for 4Q26 and 1Q27. And we warn that a further rise in Brent crude oil towards the early 2022 high of USD 120 / bbl (when Russia first invaded Ukraine), could not be ruled out. For more details, kindly refer to Commodities Strategy report, titled "[Iran War supports Brent crude oil above USD 100 / bbl while pressuring gold price below USD 5,000 / oz](#)" dated 22 Mar 26.

In the previous energy price spike across 2022, triggered by Russia's invasion of Ukraine, it was European economies that bore the brunt of the jump in energy costs because of their high dependence on Russian gas supplies. This time round, it is Asian economies that appear to be most at risk, given that about 80% of the energy that used to flow through the Strait of Hormuz is bound for Asia.

Into the second month of the conflict, crude oil and LNG shortages are keenly felt in various economies across Asia. Effectively, some of the local crude oil benchmarks like Dubai crude are trading at significant premium to Brent crude oil futures price. This is effectively pricing in an unprecedented disruption in supply. Consequently, LNG and jet fuel prices have effectively doubled across March. South Korea has instituted various emergency measures to ration and limit the use of fuel. Some Asian economies are said to be fast running out of diesel and jet fuel.

Chart 2: Brent Crude oil vs world weighted CPI

Source: Bloomberg, UOB Global Economics & Markets Research

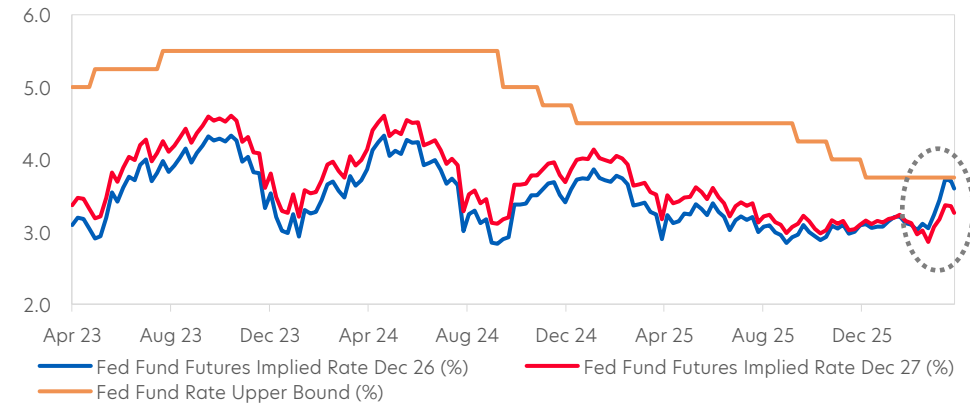


Much uncertainty over the severity of inflation risk and Fed monetary policy outlook

As a result, global investors are now on inflation watch. Opinions remain very divided as to whether the world will witness a similar jump in inflation compared to what happened in 2022. On one hand, this jump and disruption in energy prices is clearly much quicker and more severe than in 2022. On the other hand, Fed Chair Jerome Powell argued that despite this jump in energy prices, “inflation expectations do appear to be well anchored beyond the near term”. He added that it is better to “look beyond the short-term gyrations (of energy prices)” and focus instead on the broader aspect of longer term stable prices and low unemployment. Nonetheless, markets have reacted with three decisive moves since the war started.

Chart 3: Fed Fund Futures have priced out most of the rate cuts for this year

Source: Bloomberg, UOB Global Economics & Markets Research

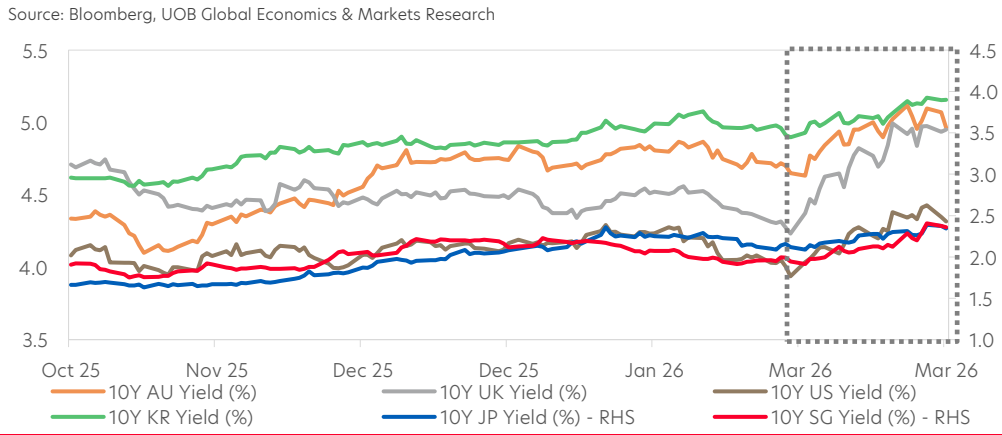


First, Fed Fund Futures have effectively priced out most if not all of the previous expectations of rate cuts for this year. Although stubborn doves would note that Fed Fund Futures have yet to price in any rate hikes in 2026.

Long-term benchmark yields have jumped, reflecting elevated fiscal risks

Second, long-term benchmark bond yields for key economies have jumped. For instance, both AU and UK 10Y yields are now higher, testing the 5% upper bound, while SK 10Y yield now targets 4% and JGB 10Y yield has risen towards 2.5%. Even Singapore’s SGS 10Y yield rose a significant 40 bps across March, from 2% to 2.4%. The jump in long-term benchmark bond yield bears close scrutiny because it reflects the added burden to fiscal cost for various economies amidst this new cycle of elevated security and energy costs. Needless to say, economies which are not self-sufficient in energy, or have weaker fiscal buffers will need to endure further climb in their long-term bond yield.

Chart 4: Long term benchmark yield have jumped across both DM and Asia



USD has strengthened amidst jump in energy costs

Third, the USD has strengthened decidedly as energy import costs across the world rise dramatically. The de-dollarization narrative has now stalled as crude oil, energy and most commodities are still priced predominantly in USD. As such, the USD Index has firmed back towards the psychological 100 level. In Asia, both the KRW and JPY have fallen to new lows against the USD past 1,500 and 160 respectively. The INR continues to slide against the USD towards 95 while the IDR now threatens to fall past 17,000 to the USD. USD/MYR has now traded back above 4.00 while USD/CNY appears to have bottomed near term around 6.90. Finally, while the Monetary Authority of Singapore (MAS) is now widely expected to raise the S\$NEER appreciation path further, USD/SGD is still at risk of rising back to 1.30 over the near term should USD strength intensify.

Chart 5: USD Index (DXY) has strengthened back towards 100



There will be upside inflation and downside growth risks to ASEAN economies

Amidst this backdrop of a sharp jump in energy price, elevated inflation risk and highly uncertain US Fed monetary policy outlook, there will undoubtedly be forthcoming impact on ASEAN economies. A sustained oil shock is estimated to lift ASEAN inflation by about 1ppt for every USD 10 / bbl increase over 6-12 months, and trim growth by about 0.7ppt. Thus, the oil price at USD100 / bbl implies +2ppt gain in inflation (to about 4% in 2026) and -1.4ppt dampener on growth (to about 3.2%), with most regional central banks for now inclined to look past supply-side shocks unless FX weakness forces a response.

Instead, we see significant fiscal offsets in the near-term including subsidies and temporary tax cuts for energy products. Price and growth impacts on various ASEAN economies will take some months to emerge. For more details, kindly refer to Macro Note: "[Asia: Mapping inflation and growth risks from elevated oil](#)" dated 01 Apr 26. For more details on specific FX and rates analysis and forecasts, please see our latest [FX & Rates Strategy Monthly report](#)

Asset Allocation

Asset Class Summary 2Q 2026

The asset class summary below is based on a "Balanced" risk profile

Asset Class Summary				
Asset Classes	U/W	N	O/W	Comments
Equities			▲●	Remain Overweight. Corporate earnings backdrop remains supportive. Buy quality stocks on dips.
United States			▲●	Stay Overweight. Expect leadership to broaden amid buoyant earnings. Diversification remains key.
Europe		●		Remain Neutral. We see selective opportunities in areas like AI infrastructure and utilities amid modest growth.
Japan		●		Stay Neutral. We see structural tailwinds but cyclical risks. Favour companies riding on fiscal-policy driven themes.
EM Asia			▲●	Remain Overweight. Tech-led earnings upgrades are expected to persist while valuations are undemanding relative to DM peers.
Fixed Income		●		Remain Neutral. Stay opportunistic on recent credit spread widening. Prefer an average duration of 5-7 years.
DM IG			▲●	Stay Overweight. Optimise for portfolio resilience amid recent bond sell-off. Expect Fed to continue its gradual easing cycle.
DM HY	▼●			Remain Underweight. Risk-reward remains asymmetric with sector mix being unfavourable.
EM IG			▲●	Stay Overweight. Continue to favour Asian quasi-sovereigns and strategic SOEs.
EM HY		●		Remain Neutral. Selectivity is required given company-specific risks on the balance sheets.
Alternatives	●	←○	▲	Shift to Neutral from Overweight. Hold off on further allocation to private equity and credit until risk-reward improves.
Hedge Funds	●			Stay Neutral. We favour long-short equity strategies amid a volatile market environment.
Private Markets	●	←○	▲	Shift to Neutral from Overweight. Constructive on private real estate and infrastructure. Maintain prudence in private equity and credit.
Precious Metals			▲●	Stay Overweight. Beyond near-term inflation risks, Gold can thrive on safe-haven demand and continued central bank allocation.
Money Market		●		Remain Neutral. Gradually deploy dry powder as market volatility presents opportunities.

▼ Underweight
 ■ Neutral
 ▲ Overweight
 ● Current quarter's position
 ○ Previous quarter's position

Notes:

- The asset class summary above is based on a "Balanced" risk profile (See next page).
- In the headers, "U/W" represents "Underweight", "N" represents "Neutral", and "O/W" represents "Overweight".
- Each black dot indicates current quarter's position. If any, each clear dot indicates previous quarter's position.

Asset Allocation for 2Q 2026

Asset Classes	Very Conservative (%)		Conservative (%)		Balanced (%)		Growth (%)		Aggressive (%)		Comments
	Now	Chg.	Now	Chg.	Now	Chg.	Now	Chg.	Now	Chg.	
Equities			30.0		50.0		65.0		75.0		
United States			18.9		31.5		41.0		47.3		
Europe			4.2		7.0		9.1		10.5		
Japan			1.8		3.0		3.9		4.5		
EM Asia			5.1		8.5		11.1		12.8		
Fixed Income	90.0		65.0		32.5	▲ 2.5	12.5	▲ 2.5			
DM IG	45.0		27.6		13.8	▲ 1.1	5.3	▲ 1.1			Avg. duration: 5 to 7 years
DM HY			4.9		2.4	▲ 0.2	0.9	▲ 0.2			
EM IG	45.0		26.0		13.0	▲ 1.0	5.0	▲ 1.0			
EM HY			6.5		3.3	▲ 0.3	1.3	▲ 0.3			
Alternatives					10.0	▼ -5.0	15.0	▼ -5.0	17.5	▼ -2.5	
Money Market	10.0		5.0		7.5	▲ 2.5	7.5	▲ 2.5	7.5	▲ 2.5	

Notes:

- "Chg." means changes in asset allocation relative to last quarter. If any, these changes will be reflected accordingly (plus weighting in green, minus weighting in red).
- Figures might not add up due to rounding off to 1 decimal place.

This quarter, we remain constructive on risk assets, while recognising a noisier path ahead. Our core stance stays overweight US and emerging market equities, with Japan and Europe near neutral. Fixed income continues to serve as a portfolio stabiliser, and private credit and private equity are approached selectively. The rationale is unchanged: markets ultimately follow earnings, liquidity and policy, even when geopolitical headlines dominate.

That said, our equity overweight is conditional on avoiding a prolonged energy shock. Extended closures of key straits and a sustained surge in oil prices would materially raise earnings risk, particularly across Asia. Even resilient sectors could face higher input costs and supply constraints. Asia Emerging Markets would be most exposed, while China may prove relatively more resilient given lower energy dependence, policy flexibility and strategic buffers.

History shows that geopolitical shocks typically trigger short, sharp drawdowns rather than prolonged bear markets. However, today's backdrop is less forgiving than in prior cycles. Fiscal support has faded, excess household savings have been depleted, and labour markets are cooling. As a result, the key risk this time is less about inflation and more about whether higher energy costs begin to erode corporate earnings, even as consensus still expects solid profit growth.

The risks we are watching most closely are fourfold: a longer-than-expected geopolitical disruption, rising vulnerabilities in non-bank finance, more front-loaded AI-driven job displacement, and the risk of a less accommodative Federal Reserve if inflation pressures persist.

Overall, our message remains balanced but not defensive: stay invested, be selective, and focus on earnings over inflation. Geopolitics may move markets first, but fundamentals ultimately determine where they settle. If the cycle bends rather than breaks, disciplined investors should be rewarded for staying focused on fundamentals rather than fear.

Peak to trough in the S&P 500 around spikes in the Geopolitical Risk Index

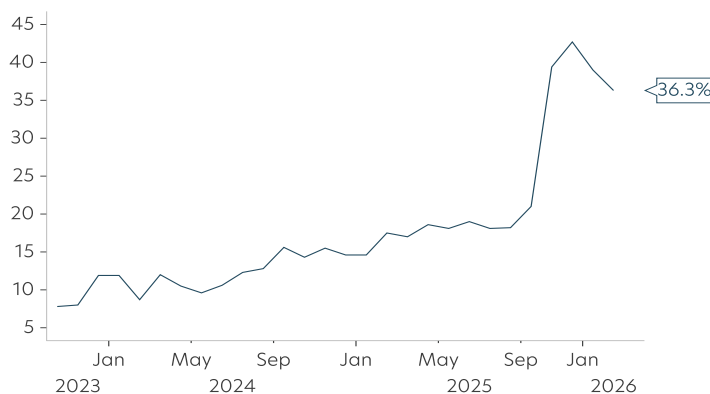
Source: Bloomberg, UOB Private Bank

Peak to trough in the S&P 500 around spikes in the Geopolitical Risk Index

Geopolitical event	Date	S&P 500	US 10y	Gold	Oil	JPY vs. USD	CHF vs. EUR	DXY
Yom Kippur	Oct-73	-14%	1%	-10%	36%	-5%	0%	6%
Soviet invasion Afgh.	Jan-80	-16%	-5%	-32%	3%	-3%	-2%	8%
Falklands	Apr-82	-13%	3%	0%	0%	-12%	-4%	10%
Iraq invades Kuwait	Aug-90	-14%	-4%	11%	54%	0%	6%	-2%
Gulf War	Jan-91	-5%	-1%	2%	6%	0%	5%	2%
9/11 Attacks	Sep-01	-12%	1%	7%	-8%	4%	5%	-1%
US Invades Afgh.	Oct-01	-4%	2%	1%	-4%	1%	1%	-1%
Iraq War	Mar-03	-5%	2%	1%	15%	2%	-1%	-3%
Lebanon War	Jul-06	-4%	1%	4%	3%	-2%	1%	2%
Crimea Annexation	Mar-14	-3%	2%	-1%	1%	2%	0%	0%
Ukraine Invasion	Feb-22	-9%	1%	12%	38%	0%	4%	4%
Hamas Attack Israel	Oct-23	-6%	0%	3%	-1%	0%	0%	0%
Iran Attack	Apr-24	-5%	-2%	8%	0%	-2%	0%	2%
US Attacks Iran	Jun-25	-1%	0%	0%	10%	-2%	0%	1%
Average		-8%	0%	0%	11%	-1%	1%	2%
Median		-6%	1%	2%	3%	0%	0%	1%
Hit ratio		0%	64%	71%	71%	43%	64%	64%

Anticipated AI adoption rate in the next 6 months (firms > 250 employees)

Source: Bloomberg, UOB Private Bank



Equities

US Equities:

Leadership broadens amid buoyant earnings

Stance: We maintain an overweight stance on US equities entering 2Q 2026, supported by resilient corporate profitability, a gradual Fed easing cycle and continued investment in AI infrastructure.

Having said that, the market environment is becoming more complex. Rising geopolitical tensions in the Middle East, energy price volatility and elevated valuations have triggered short-term risk-off episodes.

At the same time, the market is transitioning into a phase characterised by broader leadership beyond mega-cap technology, with increasing participation from cyclicals and infrastructure-related sectors.

Overall, we advocate buying quality companies during periods of consolidation. We maintain diversification across selected cyclicals and structural growth themes (e.g., AI infrastructure-related bottlenecks). Investors should consider taking advantage of recent volatility to gain defensive exposure via structured products.

Macro and rates backdrop

Fed path: While markets have repriced, our base case remains for two 25bps Fed rate cuts in 2026, which would bring the Fed Funds Target Rate to 3.25% (upper bound) by end-2026. Investors should watch for any delays in Fed rate cuts given potential pass-through from energy price surge to inflation amid the ongoing geopolitical turmoil.

US growth: US real GDP growth is projected to be 1.7% for 2026, with labour market weakness likely to emerge in months ahead. Unemployment rate is expected to edge higher to 4.5% and stay elevated through 2026. Meanwhile, headline and core inflation forecasts for 2026 are projected to be at 2.6% respectively. Having said that, the risk to CPI is biased toward upside, given rising manufacturing input costs and gasoline prices.

USD and global spillovers: The dollar received safe-haven bids amid escalating geopolitical tensions in the Middle East. While the USD could stay well-supported against most G10 currencies through 2Q 2026, its broader weakening trend should resume as geopolitical risks fade and monetary policy drivers reassert themselves.

Earnings and valuations: Productivity gains support profit boom

Earnings dynamics: Consensus forecasts point to low- to mid-teens earnings per share (EPS) growth in 2026, suggesting that corporate profits will remain the primary engine of US equity market returns.

Productivity gains from automation and digitalization have enabled firms to maintain strong margins even as hiring moderates. This manifests as a “jobless profit boom”, where earnings growth continues even as employment growth slows.

AI capabilities are expected to diffuse across the wider economy, helping various sectors reap efficiency gains. While the Magnificent Seven (Mag7) companies are still expected to deliver solid earnings growth, market leadership could broaden to include other sectors. In addition, recent share price actions also point to rising investor concerns regarding the returns on investment (ROI) from the Mag7 firms' swelling AI capex.

Valuations: The S&P 500 now trades at a more palatable 19.5x 12MF P/E following recent derating (as of 20 March 2026), just slightly above the 10-year average of 19.0x. With corporate profit margins close to cyclical highs, the US equities can reasonably sustain valuations close to the historical ranges, barring an economic recession.

Market positioning: Investors should maintain discipline on entry points and focus on companies with durable earnings visibility and strong balance sheets. We emphasise diversification and exposure beyond the mega-cap technology names; investors should consider the industrial, financial and healthcare sectors.

Investment Strategy: Ride on broader market participation

Diversification: While the AI theme is not over, we expect market broadening with the diffusion of AI benefitting the economy at large. For perspective, we continue to favour the S&P 500 Equal Weight Index and the low-volatility strategy for US equity exposure.

What to own: While there is still a lot of uncertainty about how AI will reshape industries, demand for computing power and data centres is expected to surge as AI adoption expands. This trend could drive significant investment in power generation, energy infrastructure and grid upgrades. Industrials and infrastructure-related sectors should continue to shine as key beneficiaries of the AI capex boom.

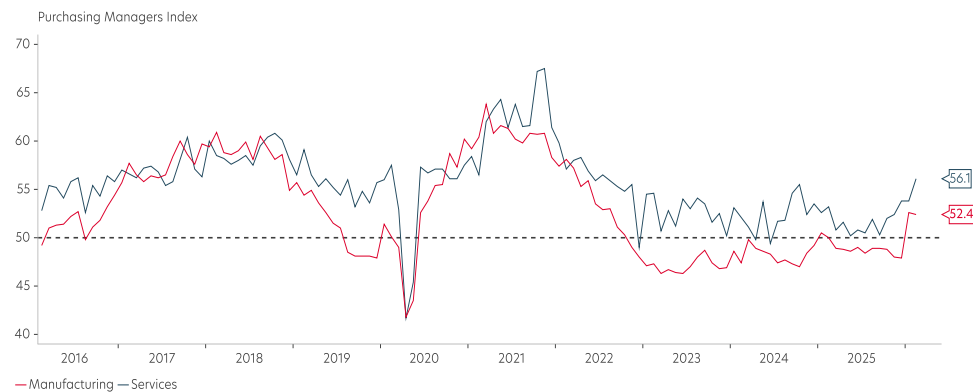
Risk flag: While strains within the private credit market have begun to surface, current indicators point to limited systemic risk to the broader financial system. Importantly, the Fed's easing stance reduces the probability of a systemic financial shock.

Investment takeaways

Investors should maintain disciplined portfolio allocation and diversification to navigate elevated valuations and evolving geopolitical risks. The US equities remain supported by resilient earnings, a gradual Fed easing cycle, and ongoing technological innovation. Looking ahead, the next phase of the market cycle is likely to feature broader market participation across sectors, greater volatility driven by geopolitical developments, and returns increasingly driven by earnings rather than valuation expansion.

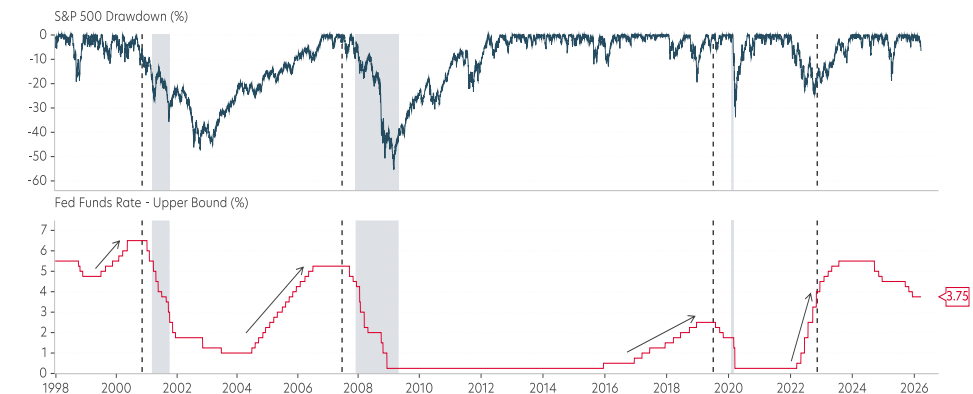
US economy remained resilient

Source: Bloomberg, UOB Private Bank



US equity bull markets do not die of old age; they are limited by the Fed's tightening

Source: Bloomberg, UOB Private Bank



Europe Equities

Selective opportunities amid modest growth

Stance: We maintain neutral on European equities going into 2Q 2026 as improving macro conditions are juxtaposed with lingering structural constraints. The region offers pockets of opportunities, particularly in areas linked to AI infrastructure, fiscal spending, defence and utilities. However, the broader market lacks a decisive catalyst for sustained outperformance. Economic growth in Europe is stabilising but remains modest relative to the US. Concurrently, valuations are reasonable compared with US equities but are no longer undemanding relative to the region's 10-year history. Market leadership also remains narrow, with a limited number of stocks driving index performance.

In this environment, we advocate balanced portfolios that combine selective cyclicals with growth sectors offering earnings visibility. We reiterate our preference for companies leveraged to the energy infrastructure and defence spending themes.

Selectivity and active management will be crucial given rising market volatility from geopolitical events. Investors should monitor shipping rates for signal that crude supply disruption has eased, and inflationary pressures have abated; this could keep any potential European Central Bank (ECB) rate hike at bay.

Macro and policy backdrop: Growth stabilizing, rates on hold

ECB path: The ECB kept its refinancing rate at 2.15%, yet the overall tone leaned hawkish. Communication and projections signalled a stronger emphasis on inflation vigilance, and President Lagarde's remarks suggested a heightened readiness to respond if risks materialise. With forward guidance removed, the reaction function is intentionally more flexible, reflecting both caution and optionality.

EU growth: Euro area GDP growth is projected at 1.2% for 2026, underscoring the bloc's resilience despite ongoing headwinds from tighter financial conditions and external trade frictions. However, the latest US-Iran conflict has led to heightened downside risks to a somewhat fragile Euro area recovery.

EUR & global spillovers: Despite recent consolidation, we retain a constructive medium-term view on the EUR against the USD, underpinned by the prospect of narrowing rate differentials.

A stronger euro tends to support domestically-oriented companies while creating a translation headwind or earnings drag for multinational exporters. The currency effects could cap market-level upside, reinforcing the case for our neutral stance.

Earnings & valuations: Stable growth but narrow leadership

Earnings dynamics: Corporate earnings remain broadly resilient though the growth profile is relatively modest. Consensus expects mid to high single-digit EPS growth for 2026. While this represents steady expansion, the pace remains slower than in other major markets. Earnings leadership is also relatively narrow. For a start, the expected recovery in automotive sector largely reflects base effects following a sharp decline in 2025, rather than a sustained demand rebound.

AI-related productivity gains are real at the company level, but the benefits are unevenly distributed. Leading adopters with pricing power are capturing most of the efficiency gains. Overall, Eurozone's earnings growth lacks the broad-based acceleration that would justify a more bullish regional stance.

Valuations: Following a recent derating, the Euro Stoxx 600 trades at 14.2x 12MF P/E (as of 20 March 2026), hovering around the 10-year average. The valuation discount relative to US equities can be attributed to Europe's slower structural growth profile.

Market positioning: Among major sectors, banks and utilities offer some of the clearest earnings visibility, while industries such as chemicals and autos face structural headwinds. We also favour parts of the industrial sector (e.g., defence spending and energy infrastructure) which still offer upside from fiscal-policy and national-security driven themes.

Investment strategy: Targeted opportunities, not market beta

AI infrastructure bottlenecks: Companies involved in chips manufacturing equipment, advanced lithography and memory supply remain key AI beneficiaries.

Utilities and power infrastructure: European utilities are well-positioned for continued investments in power generation, grid infrastructure and renewable energy projects, while also offering relatively attractive dividend yields and defensive earnings characteristics.

Defence and strategic autonomy: Geopolitical uncertainty and emergence of a more multipolar world are driving increased defence spending across Europe.

Risk flags: Policy disappointments related to European defence spending initiatives may hit sentiment. Meanwhile, a sustained increase in natural gas prices due to supply disruptions could raise input prices.

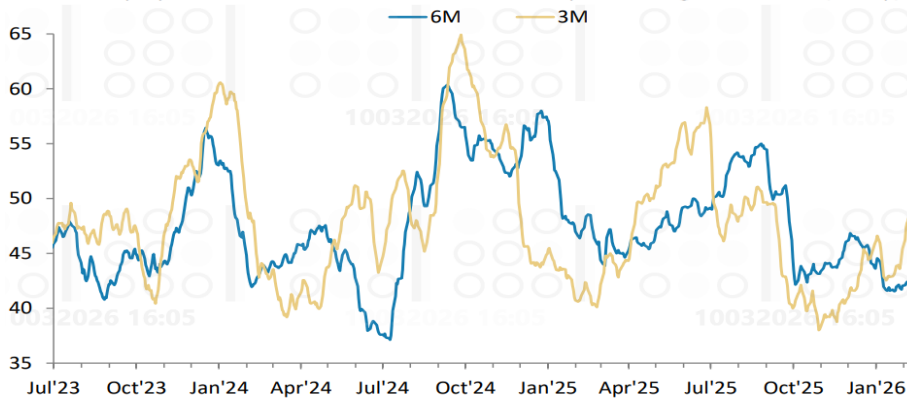
Investment takeaways

European equities offer targeted alpha opportunities in areas such as AI infrastructure, utilities and defence. High stock-level dispersion and relatively narrow market breadth limits the potential for strong performance at the index level. Investors should focus on disciplined stock selection, selectively participating in structural growth themes. Within the bloc, we prefer peripheral regions (e.g., Italy and Spain) to Germany as delayed fiscal relief, structural drags and external headwinds could weigh on cyclical earnings recovery.

Europe's market breadth remains low

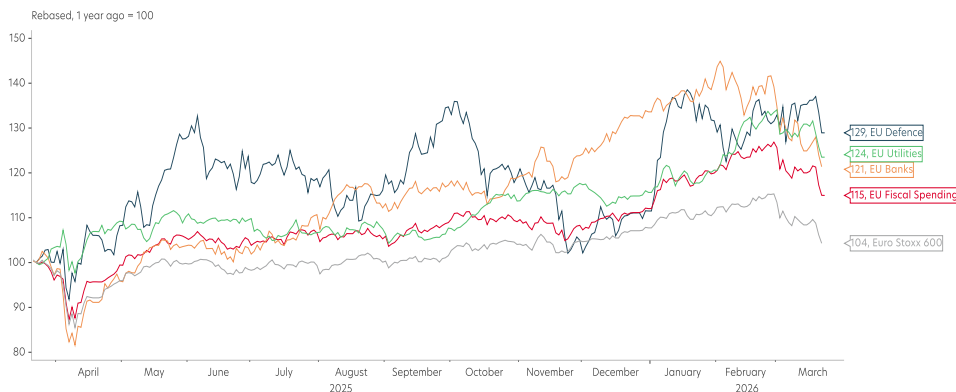
Source: FactSet, Morgan Stanley Research

MSCI Europe performance breadth: % of stocks outperforming the market (today)



Stick to the winning themes

Source: Bloomberg, UOB Private Bank



Emerging Asia

Tech leadership to cement gains

Stance: We maintain overweight on EM Asia equities entering 2Q 2026, supported by improving earnings momentum, structural technology leadership and attractive valuations relative to developed markets.

While geopolitical tensions and higher energy prices have introduced periods of market volatility, the broader fundamentals for emerging markets remain supportive. EM Asia continue to benefit from stronger earnings growth prospects relative to developed markets, exhibiting greater long-term growth potential.

Within the region, several markets stand out for their structural strengths. Tech-driven economies such as South Korea and Taiwan are benefiting from the global AI and semiconductor investment cycle, while China is showing early signs of stabilisation following policy support and structural reform initiatives.

Meanwhile, Singapore offers a defensive and high-quality gateway to ASEAN growth, supported by strong financial institutions, regional capital flows and rising demand for digital and infrastructure investment.

Taken together, these dynamics support a constructive stance on EM Asia equities, with selective opportunities across technology leaders, financials and structural growth sectors.

Macro backdrop and rates: Neutral to mildly supportive

EM Asian growth: China's growth is set to moderate to 4.7% in 2026, with weak private consumption and investment offsetting firm exports and industrial production. China property market pressures are likely to persist in 2026-27 with significant supply glut and unresolved debt issues of the Chinese developers.

Monetary policy: Barring a sharp economic slowdown, our economics team expects a 10bps policy rate cut and a 50bps RRR cut by the PBOC this year. Meanwhile, central banks in South Korea and Taiwan are likely to go on an extended rate pause amid a resilient growth outlook. Policymakers will continue to monitor the situation in the Middle East, and the impact on their GDP growth and inflation.

EM Asian currencies: The CNY, KRW and TWD may remain under pressure against a broad USD rebound amid elevated global risk aversion. However, as geopolitical uncertainty eases, market focus is likely to rotate back to monetary policy dynamics, which should help anchor the EM Asian currencies.

Resilient regional growth and an eventual Fed easing cycle should facilitate a recovery in the EM Asian currencies. This is especially so given the region's robust economic fundamentals, underpinned by strong semiconductor exports in Taiwan and South Korea.

Earnings & valuations: Tech-led earnings upgrades to persist

Earnings trajectory: Consensus projects ~40% EPS growth for EM Asia over the next 12 months. While we expect the regional earnings upgrade cycle to continue, the pace is likely to moderate going forward.

Technology-related sectors remain the strongest contributions to earnings growth. Notably, the tech hardware companies are expected to deliver the most significant earnings revisions, reflecting strong global demand for semiconductor equipment, memory chips and AI computing infrastructure.

At the country level, South Korea and Taiwan are expected to lead earnings upgrades amid accelerating manufacturing activity, rising memory prices and strong semiconductor exports. China's earnings outlook remains more moderate but shows signs of improvement as policy measures aimed at supporting growth begin to stabilise economic activity.

Valuations: EM Asia trades at 12.4x 12MF P/E while HSCEI trades at 9.9x 12MF P/E (as of 20 March 2026); the valuations are at a discount relative to developed markets despite stronger long-term growth potential. We see attractive entry points following recent periods of volatility triggered by the Middle East conflict, but selective positioning remains warranted.

Market dynamics & positioning: Investor positioning across Asia remains relatively balanced, leaving scope for renewed foreign capital inflows should global risk sentiment stabilise.

Structural growth themes: AI, tech supply chains and economic resilience

Semiconductor value chain: Taiwan and South Korea host several of the world's most advanced semiconductor manufacturers, positioning them to benefit from the rapid expansion of AI, high-performance computing and data centre infrastructure.

China tech and industrial transformation: China continues to prioritise technological self-sufficiency and advanced manufacturing as part of its long-term economic strategy. Key focus areas include AI, semiconductor localisation, advanced industrial automation, as well as electric vehicles (EVs) and clean energy technologies.

ASEAN growth and financial hub expansion: Singapore stands out as a regional financial and tech hub, benefitting from strong capital inflows, wealth management growth and expanding digital infrastructure.

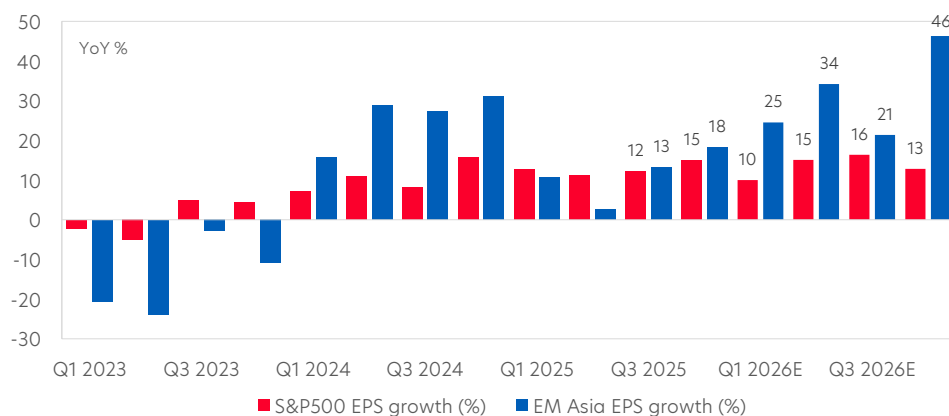
Risk flags: Sustained increases in oil prices could pressure energy-importing economies. Escalation of geopolitical tensions could affect global supply chains. Global tech demand could slow after the current investment cycle.

Investment takeaways

Overall, EM Asia remains supported by strong earnings growth, tech leadership and structural economic transformation. Beyond dividend stocks, we remain focused on China's New-Economy themes including AI, advanced manufacturing and EVs. We continue to favour selected East Asian AI tech hardware names. Finally, we prefer Singapore's equities within ASEAN for their resilient fundamentals and safe-haven qualities.

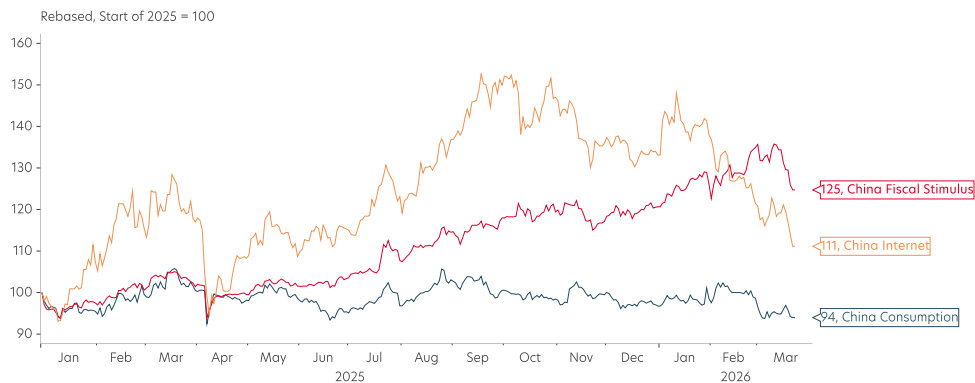
EM Asia poised for outperformance on strong earnings growth and undemanding valuations

Source: Bloomberg, UOB Private Bank



A near-term setback in Chinese tech names presents buy-on-dip opportunities

Source: Bloomberg, UOB Private Bank.



Japan

See structural tailwinds but cyclical risks

Stance: We remain neutral on Japanese equities into 2Q 2026. The market continues to benefit from structural improvements in corporate governance, shareholder returns and strategic investment priorities. However, Japan's outperformance through the first two months of 2026 has pushed valuations back to ~20-year highs (excluding Covid) amid BoJ tightening risks.

Recent geopolitical developments have triggered bouts of risk aversion in global markets, with Japanese equities briefly entering correction territory following its standout performance relative to regional peers. The market could stabilise once uncertainty subsides.

More broadly, Japan's investment case is evolving beyond cyclical recovery toward structural economic transformation, driven by themes such as economic security, supply-chain resilience and technological innovation. We see niche opportunities in these areas.

Notably, we prefer companies which benefit from policy themes including defence infrastructure buildout as well as energy self-sufficiency under the Takaichi administration. Companies demonstrating meaningful improvements in corporate governance and shareholder returns remain favoured. Finally, we like firms which act as critical nodes in the broader AI supply chain. Having said that, investors should maintain discipline on the valuations at entry.

Macro and policy backdrop: Fiscal priorities and rates normalization

Japan's policy environment remains supportive for investment, following the landslide electoral victory of PM Takaichi's administration, which has strengthened political stability and policy continuity.

The government's economic strategy focuses on strengthening national resilience and strategic industries. Key priorities include economic security, supply-chain resilience and AI infrastructure. These initiatives are expected to drive increased investment across sectors, from semiconductors and advanced manufacturing to communications infrastructure.

BOJ path: Our economics team expects BOJ to make a final hike in policy rate to 1.00% from 0.75% in 3Q 2026, supported by positive momentum in spring wage negotiations that is likely to feed through to inflation.

Having said that, current geopolitical developments point to a more cautious approach i.e., a longer pause.

JP growth: Japan's real GDP growth is expected to be 1.3% in 2026, with risks biased to downside from weak private consumption and elevated crude prices. CPI inflation is expected to be 2.0% on average in 2026.

JPY trajectory: While USD/JPY could remain strong near term amid USD safe-haven bids and elevated crude prices, we anticipate a gradual moderation in USD/JPY toward levels more consistent with narrowing US-Japan interest rate differentials.

Earnings & valuations: Resilient profits despite external shocks

Earnings dynamics: Consensus projects low-teens EPS growth for TOPIX in 2026, driven by stronger pricing power, rising real incomes supporting domestic consumption, as well as continued corporate restructuring and productivity gains. We expect corporate earnings to remain broadly resilient despite global volatility. Companies are demonstrating greater ability to pass costs through to end-consumers.

Valuations: TOPIX trades ~16.6x 12MF P/E (as of 12 March 2026), which is above its 10-year average of 14.7x. We see potential for multiple compression as the BoJ looks to normalise policy rates. Having said that, PM Takaichi has greater latitude to pursue her fiscally expansionist economic agenda following her historic snap election victory. Fiscal stimulus support for the corporates and consumers at large could help put a floor to valuations.

Market positioning: Recent market weakness amid rising crude oil prices largely reflects temporary risk off sentiment rather than a deterioration in corporate fundamentals. We reiterate our preference for large-cap quality names with strong pricing power.

In terms of portfolio positioning, sector selection and thematic exposure matter. Investors should favour companies riding on fiscal policy-driven themes, demonstrating improved corporate governance and shareholder returns, as well as occupying critical choke points across the AI infrastructure stack.

Investment takeaways

Japanese equities continue to benefit from structural reforms, strategic industrial investment and improving corporate profitability. However, an increasingly hostile geopolitical environment, currency dynamics and moderate economic growth suggest broad market outperformance may be limited. Thus, we remain neutral on Japanese equities, focusing on companies aligned with structural growth themes such as AI infrastructure, national resilience and supply-chain security.

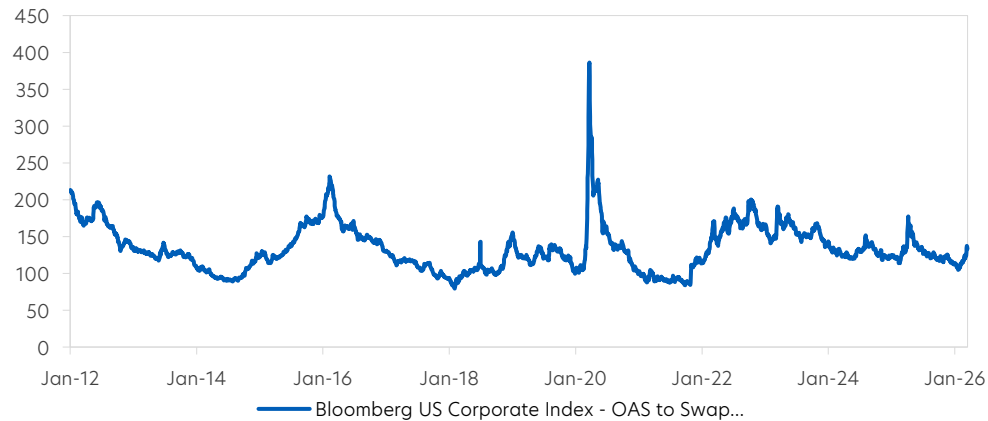
Prefer semiconductors, corporate governance winners and reflation beneficiaries amid stimulus expectations

Source: Bloomberg, UOB Private Bank.



DM IG credit spreads still hovering near decade-tights

Source: Bloomberg, UOB Private Bank.



Developed Markets High Yield: Risk repricing clouds the outlook

Developed Markets High Yield (DM HY) delivered flat YTD returns (as of 19 March 2026), erasing early gains as DM HY credit spreads breached 300bps for the first time since Nov 2025. We had previously cautioned on the risk of credit spread decompression, and markets are now recalibrating credit valuations towards the trailing five-year average of 361bps.

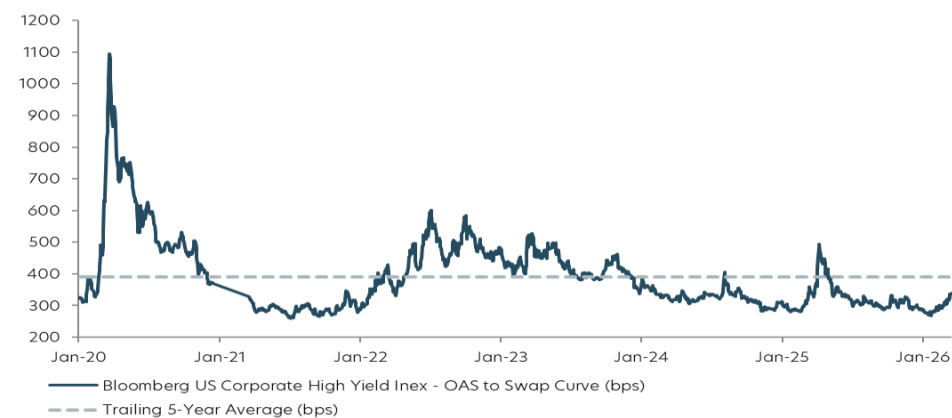
While DM HY default rate estimates remain manageable at 2.7%, sentiment has softened following the collapse of UK specialist lender MFS and the equity market selloff in US software companies. That said, DM HY quality has improved: 58% of the Bloomberg US Corporate High Yield Index is now rated BB, bolstered by more secured issuances and the migration of several buyouts into the leveraged finance market.

Issuance volumes in 2026 should be comparable to 2025 (USD 368bn), though a pickup in M&A and LBO activity could lift net new supply. Energy and power generation companies may also add incremental supply as global electrification accelerates to meet surging data center power demands

We maintain an underweight stance on DM HY, emphasizing credit selectivity by avoiding overextended balance sheets and structurally declining industries. With the DM HY-IG credit spread differentials at 198bps, we find limited value in DM HY (relative to DM IG) and favor defensive DM HY utilities and consumer staples only on the margins.

DM HY credit spreads recalibrating wider

Source: Bloomberg, UOB Private Bank.



Emerging Markets Asia Investment Grade: Source of resilient returns with lower volatility

Emerging Markets Asia Investment-Grade (EM Asia IG) has demonstrated notable resilience, with the Bloomberg EM Asia USD Credit High Grade Index returning -0.1% YTD (as of 19 March 2026) and outperforming US IG. This outcome reflects EM Asia IG's high-quality composition, lower market beta, and robust home-bias technicals.

Sustained local and regional demand has been a structural pillar supporting EM Asia IG's ability to generate stable returns with lower volatility. These attributes continue to make a compelling case for portfolio allocation, given the asset class's dual role as a portfolio stabilizer and a source of geographical diversification.

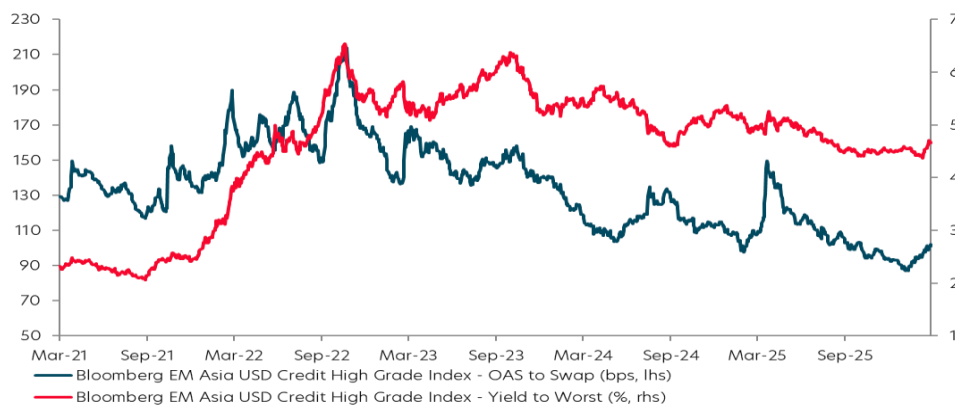
While corporate credit fundamentals have been solid – underpinned by strong earnings and disciplined balance sheet management – a protracted Middle East conflict could spark greater credit differentiation. The credits most exposed include refiners, port operators, and consumer companies with meaningful Middle East operations.

EM Asia IG credit spreads, currently near decade lows at 101bps, leave limited room for further compression given ongoing headwinds. This does not, however, undermine the case for EM Asia IG as a core income-generating asset class, given its yield levels (YTW: 4.7%) and robust technical support.

Our approach focuses squarely on prudent credit risk management. We favor quasi-sovereign and state-owned enterprises, ASEAN financials, Asia-based insurers, and infrastructure and utility credits that offer either greater resilience to exogenous shocks or stronger recovery prospects.

Limited room for EM Asia IG credit spread to compress but yield compensates

Source: Bloomberg, UOB Private Bank.



Emerging Markets Asia High Yield: Not all high yield are created equal – avoid the traps

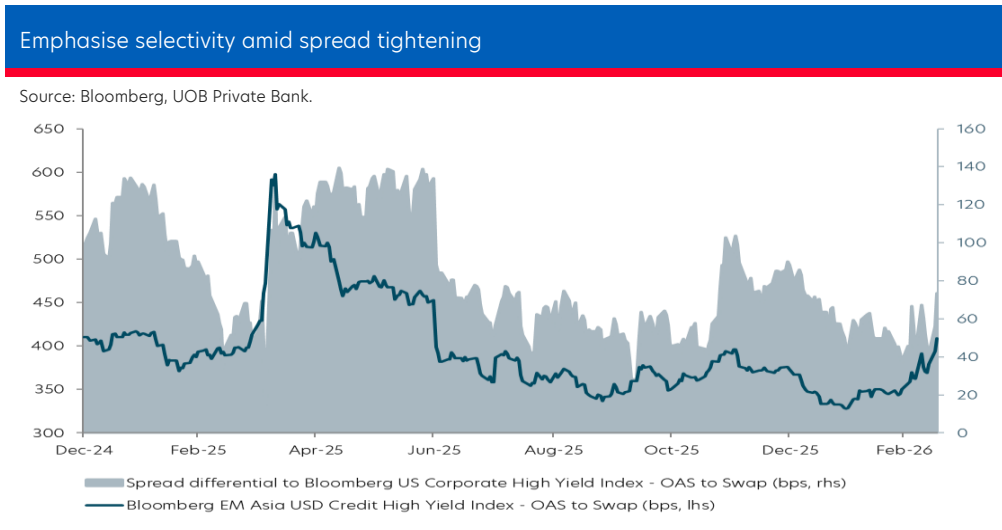
Emerging Markets Asia High Yield (EM Asia HY) has made a strong start to 2026, delivering a YTD return of +1.0% (as of 19 March 2026) and outperforming DM HY. EM Asia HY credit spreads have widened modestly but in an orderly fashion to 393bps, reflecting the asset class's resilience, further supported by encouraging corporate earnings and benign default rates. EM Asia HY offers an attractive carry profile, with the Bloomberg EM Asia USD Credit High Yield Index yielding 7.8%.

Our preference for EM Asia HY over DM HY has been well-founded, with the credit spread differential between the two compressing steadily to 62bps from 88bps at the start of 2026. A repeat of 2025's +9.5% return is a high bar, but EM Asia HY remains a reliable income generator, having moved past the China high yield property and frontier sovereign credit stress events that defined the 2022–24 period.

From a market structure perspective, EM Asia HY's stable investor base should continue to anchor demand while supportive issuance dynamics underpin valuations.

We expect EM Asia HY default rates to remain manageable given solid 2025 earnings and promising forward guidance. Near-term refinancing risks also appear limited. Outside of China property developers, 2026 bond maturities are concentrated in Indian renewables and infrastructure credits and Macau gaming operators. The former benefit from relatively stable business models and diverse funding access; the latter are experiencing steady gross gaming revenue growth, peaking capex, and improving cash generation that have supported leverage reduction.

Although we do not anticipate a broad or abrupt deterioration in EM Asia HY credit fundamentals, rigorous bottom-up credit selection remains essential to avoid exposure to idiosyncratic credit stress.



US Technology Credits and Issuance Supply – Absorbing the AI Capex Wave

As anticipated in our 1Q 2026 Outlook, new bond issuance from US technology companies – AI hyperscalers in particular – has been robust. Led by Alphabet (GOOGL), Amazon (AMZN), and Oracle (ORCL), AI hyperscalers have raised over USD 100b across major currencies so far in 2026. Beyond ORCL’s well-documented concerns, newly issued hyperscaler bonds have performed resiliently in secondary markets; price softness reflects the broader move higher in benchmark rates rather than credit quality deterioration or supply indigestion. This reinforces our view that the market has the capacity to absorb AI-driven bond supply, as evidenced by consistently strong book coverage at issuance.

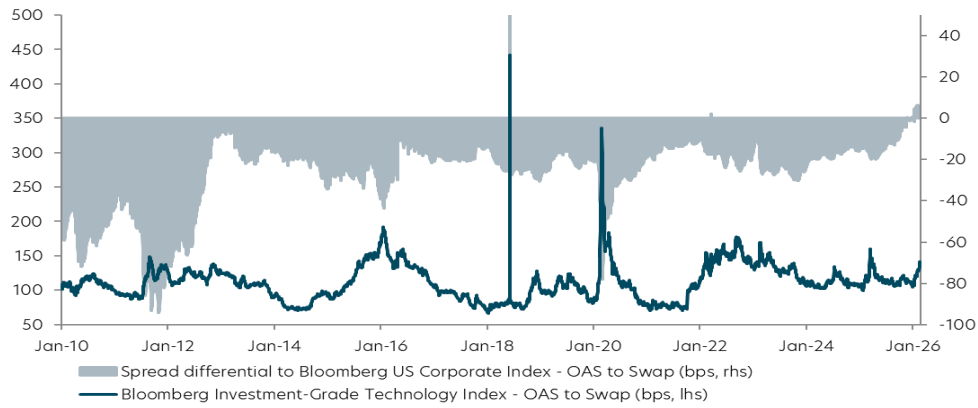
With AI-related capex continuing to exceed expectations, we anticipate hyperscalers will remain active borrowers. We take this opportunity to reaffirm two key uncertainties shaping our view of the sector: first, whether credit markets can continue absorbing supply of this scale without meaningful spread widening; and second, the pace at which AI capex can be monetized and translate into earnings validation.

US IG technology has been affected by concerns in the software segment. Notably, US IG technology credit spreads have moved wider than the broad Bloomberg US Corporate Index – reversing a dynamic that has held since 2005. In our view, this presents a compelling entry point for investors seeking quality exposure to the secular AI growth theme through high-grade hyperscaler credits. While we do not expect bond supply to materially weigh on demand, we continue to favour hyperscalers with strong balance sheets, consistent free cash flow generation underpinned by durable core business models, and ample credit rating headroom. A solid financial foundation reduces reliance on external funding markets and provides meaningful credit buffers as hyperscalers progress through the capex monetisation cycle.

Beyond hyperscalers, the AI theme also presents opportunities through industrials and utilities. As digitalization accelerates and the energy transition gathers pace, structurally rising power demand across data-intensive industries will drive growth in electrical equipment and power infrastructure – an increasingly attractive complement to core hyperscaler credit allocations.

US IG Technology sector offers attractive relative value post recent spread widening

Source: Bloomberg, UOB Private Bank.



FX, Interest Rate & Commodities Forecasts

FX	02 Apr	2Q26F	3Q26F	4Q26F	1Q27F	POLICY RATES	02 Apr	2Q26F	3Q26F	4Q26F	1Q27F
USD/JPY	159	159	156	154	152	US Fed Funds Rate	3.75	3.50	3.25	3.25	3.25
EUR/USD*	1.16	1.14	1.16	1.17	1.18	JPY Policy Rate	0.75	0.75	1.00	1.00	1.00
GBP/USD*	1.33	1.31	1.33	1.35	1.36	EUR Refinancing Rate	2.15	2.15	2.15	2.15	2.15
AUD/USD*	0.69	0.68	0.70	0.71	0.72	GBP Repo Rate*	3.75	3.75	3.75	3.75	3.75
NZD/USD*	0.57	0.57	0.58	0.59	0.59	AUD Official Cash Rate	4.10	4.10	4.10	4.10	4.10
DXY*	99.5	100.3	98.8	97.9	97.0	NZD Official Cash Rate	2.25	2.25	2.25	2.25	2.25
USD/CNY	6.88	6.95	6.90	6.85	6.80	CNY 1Y Loan Prime Rate	3.00	2.90	2.90	2.90	2.90
USD/HKD*	7.84	7.84	7.82	7.80	7.80	HKD Base Rate	4.00	3.75	3.50	3.50	3.50
USD/TWD*	31.9	32.5	32.0	31.5	31.2	TWD Official Discount Rate	2.00	2.00	2.00	2.00	2.00
USD/KRW*	1,511	1,530	1,510	1,490	1,470	KRW Base Rate	2.50	2.50	2.50	2.50	2.50
USD/PHP*	60.2	61.5	60.5	60.2	60.0	PHP O/N Reverse Repo	4.25	4.25	4.25	4.25	4.25
USD/MYR*	4.01	4.08	4.02	3.98	3.94	MYR O/N Policy Rate	2.75	2.75	2.75	2.75	2.75
USD/IDR*	16,980	17,200	16,900	16,800	16,800	IDR 7D Reverse Repo*	4.75	4.75	4.75	4.75	4.75
USD/THB*	32.6	33.3	32.8	32.4	32.0	THB 1D Repo	1.00	1.00	1.00	1.00	1.00
USD/VND*	26,338	26,500	26,300	26,200	26,100	VND Refinancing Rate	4.50	4.50	4.50	4.50	4.50
USD/INR*	94.8	97.0	96.0	95.0	94.0	INR Repo Rate	5.25	5.25	5.25	5.25	5.25
USD/SGD*	1.28	1.30	1.28	1.27	1.26	INTEREST RATES	02 Apr	2Q26F	3Q26F	4Q26F	1Q27F
EUR/SGD*	1.49	1.48	1.48	1.49	1.49	USD 3M SOFR (compounded)*	3.68	3.64	3.34	3.20	3.16
GBP/SGD*	1.71	1.70	1.70	1.71	1.71	SGD 3M SORA (compounded)*	1.07	1.21	1.30	1.40	1.52
AUD/SGD*	0.89	0.88	0.90	0.90	0.91	10Y US Treasuries Yield*	4.33	4.20	4.20	4.30	4.40
SGD/MYR*	3.13	3.14	3.14	3.13	3.13	SGD 10Y SGS*	2.20	2.10	2.20	2.40	2.60
SGD/CNY*	5.35	5.35	5.39	5.39	5.40	COMMODITIES	02 Apr	2Q26F	3Q26F	4Q26F	1Q27F
JPY/SGDx100*	0.81	0.82	0.82	0.82	0.83	Gold (USD/oz)*	4,751	4,400	4,600	4,800	5,000
						Brent Crude Oil (USD/bbl)*	100	110	100	90	90
						Copper (USD/mt)	12,435	13,000	12,500	12,000	12,000

Updated as of 02 Apr 2026

* Forecasts updated as compared to previous report dated 06 Mar 2026

Source for spot rates: Bloomberg

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