C.I.A. NETWORK

Asset Strategy in Brief

May 2026

BNP PARIBAS
WEALTH MANAGEMENT

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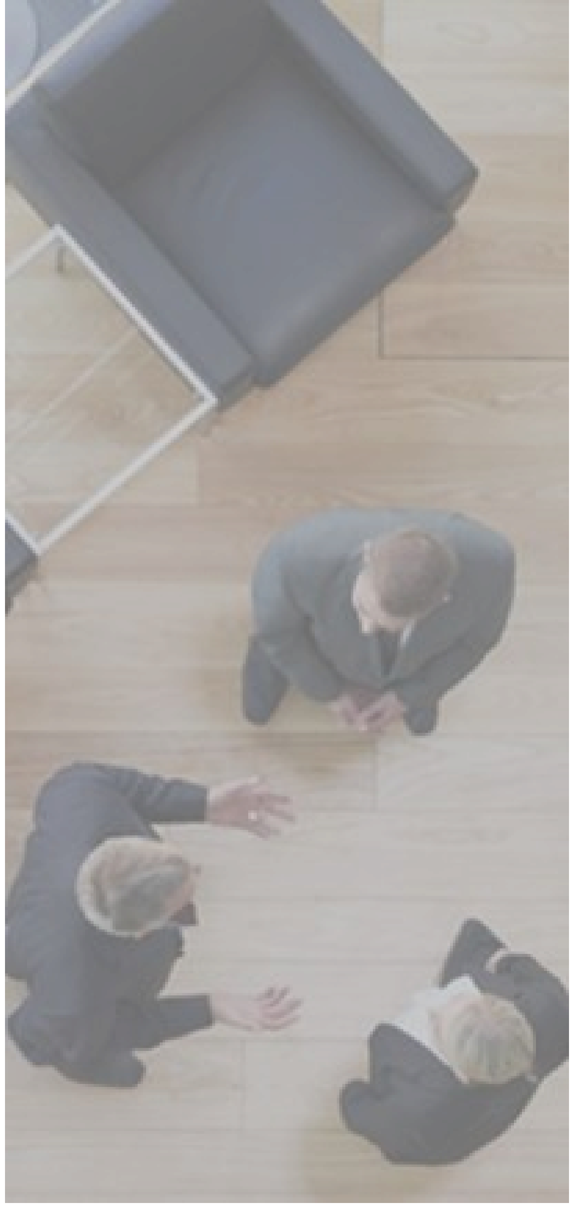
for a changing
world



Contents

01

Macro and market views

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Asset Allocation

Latest allocation changes :

- **Equities:**
  - We upgrade South Korea and Taiwan to Neutral
- **Bonds:** No change
- **FX**:
  - This month we revise some of our targets: AUD/USD to 0.71, USD/BRL to 5.00, USD/INR to 95.00, USD/MXN to 17.00 and EUR/NOK to 10.75 (12-month targets)
- **Commodities:**
  - We downgrade our view on oil to Negative from Neutral
- **Alternative Investments:** No change

Outlook Summary

	Very underweight	Underweight	Neutral	Overweight	Very Overweight
Equities			=		
Government Bonds			+/=		
Corporate Credit				+	
Real Estate			=		
Alternatives				+	
Cash			=		

Macro and Market Views

Asset class	View	Comments
Macro		– Economic growth in energy-importing regions (Europe, Asia) is slowed by the Middle East energy price shock, following the closure of the Strait of Hormuz. The scale of the slowdown will be largely dictated by how long maritime traffic through the Strait remains throttled by Iran. – Geopolitical tensions in the Middle East are weighing on sentiment, and on domestic consumption.
Bonds	+/=	– Positive on UK gilts (12-month yield target is 4.3%). – Positive on core eurozone sovereigns (favour maturities of 7-10 years) but remain Neutral on US Treasuries; prefer shorter-term (ca. 5 year) maturities. – We expect the Fed to keep the policy rate at 3.75% for the remainder of the year as the FOMC has moved to a symmetric bias. We think the ECB will stay on hold this year at 2%. – We see the US 2-year yield at 3.6% in 12 months, 10-year yield at 4.25%. – Our 12-month target on the German 10-year bund yield is 2.75%.
Credit	+	– We prefer EUR and GBP IG corporate bonds (Positive view) to USD IG bonds (Neutral view) given the supply dynamics and the level of spreads. We focus on quality. – Negative on US high yield credit, given the risk of continued spread widening spilling over from US private credit weakness (direct lending).
Equities	=	– Neutral on Equities: with financial conditions tightening on the back of the Iran conflict, and only a modest fall so far in March. – Favour UK, Japan, Brazil and Mexico. – Neutral on the US and Emerging markets, Negative on Europe – Positive on Health Care, Industrials and Mining.
Real Estate	=	– INREV European private real estate funds continue to see steady growth in net asset values, delivering on average a 4.4% return to investors for 2025. – Industrial/logistics exposure preferred for healthy yields, higher expected rental growth on robust underlying demand growth.
Commodities	+/+ /-	– Precious metals: We remain Positive on precious metals. Gold 12-month price target USD 5,500 per ounce and USD 90 per ounce for silver. – Positive view on strategic industrial metals, such as copper, aluminium and tin. – Negative stance on oil, price range for Brent crude oil of USD 70-80; Do not expect oil and gas prices to return to pre-conflict levels even in the event of military de-escalation.
Currencies		– The short-term strengthening of the US dollar in the current risk-off environment is unlikely to persist longer-term, given supplementary US defense spending increasing the US budget deficit and weighing on the USD. – EUR/USD 12-month target USD 1.20 (value of one EUR).

Key macro & market forecasts

	GDP Growth %			Inflation %			Central Bank Rates %				Key Market Forecasts		
	2025e	2026e	2027e	2025e	2026e	2027e		Now	3M	12M		Now	12M
US	2.1	2.4	2.3	2.7	3.3	2.8	US Fed Funds Rate	3.75	3.75	3.75	US 10Y yield %	4.40	4.25
Eurozone	1.5	1.0	1.3	2.1	3.0	3.3	ECB Deposit Rate	2.00	2.00	2.00	Euro 10Y yield %	3.06	2.75
Japan	1.2	0.5	0.4	3.1	2.7	3.2	Bank of Japan Policy Rate	0.75	1.25	1.50	UK 10Y Yield %	4.95	4.30
UK	1.4	0.7	1.2	3.4	3.6	3.3	Bank of England Base Rate	3.75	3.75	3.75	S&P 500	7230	n/a
China	5.0	4.6	4.5	0.0	1.3	1.4	China 7D reverse repo rate	1.40	1.40	1.30	Euro STOXX 50	5849	n/a
											Oil Brent USD/bbl	110	70-80
											Gold USD/oz	4582	5500

Source: BNP Paribas WM. As at 4 May 2026

02

Fixed Income

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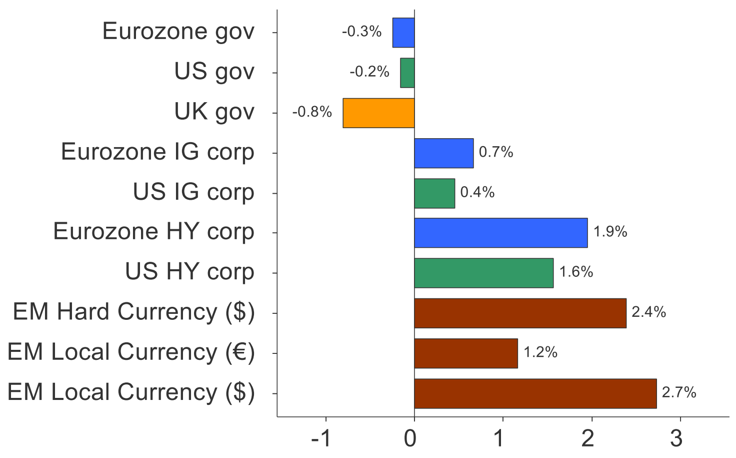
Fixed Income at a glance

Government bond yields moved higher again in late April and were close to the previous peak last month. For Germany, yields are back to the peak of 3.10% reached in late March.

We keep a Positive view on core eurozone govies. We also maintain a Positive stance on Eurozone and UK investment grade corporate bonds. We also like UK govies.

10-year yield	04/05/2026	12-month target
US	4.40	4.25
Germany	3.06	2.75
UK	4.95	4.30

Returns month-to-date



Source: LSEG Datastream, JPM and BofA indices, 29/04/2026

Central Banks

This month, the ECB, the Fed, and the BoE held their policy rates steady at their April meetings. **The Fed will stay on hold throughout 2026.** The next policy move will be driven by the economic outlook. A rate hike could be possible later this year if the unemployment rate falls and the Strait of Hormuz remains closed. **We think the ECB and BoE will stay on hold for the rest of the year.** They will remain data dependent, especially monitoring second-round effects.

Government Bonds

Last month, **we upgraded core Eurozone govies to Positive.** We favour maturities of 7-10 years. **We maintain a Positive view on UK gilts.**

We keep a Neutral stance on US govies with maturities up to 5 years.

EU Peripheral bonds

Periphery spreads rebounded from their historic lows especially since the start of the Iranian conflict. They fell back close to historical lows. **We remain Neutral on periphery debt.**

Corporate Investment Grade (IG) Bonds

We still prefer EUR and GBP IG corporate bonds (Positive view) to USD IG bonds (Neutral view) given the supply dynamics and the level of yields/spreads. We focus on quality.

Corporate High Yield (HY) Bonds

Spreads fell back after the initial rise. They do not remunerate the underlying risk. HY spreads stay close to historical lows. They are unlikely to fall back even in a de-escalation scenario. **We maintain a Negative opinion on corporate high yield.**

Emerging Market (EM) Bonds

We are more cautious on risk assets. EM central banks have less potential to cut rates, and we see less downside for the USD. **We are Neutral on EM bonds in local currency and in hard currency bonds.** Valuations are not attractive.

Our position for this month

Evolution of our position since last month

03

Currencies

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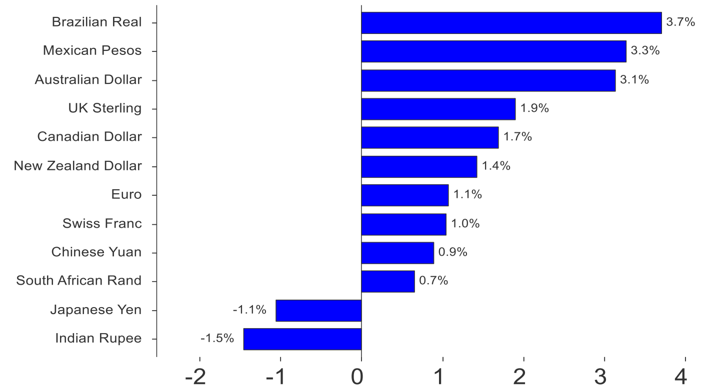
Currencies at a glance

1. **Hawkish central banks are not our base-case scenario:** Central banks are in a data dependency mode, and we consider that the current pricing for the major central banks to be exaggerated given the uncertain impact on second-round effects and the doubts regarding the duration of the conflict. We expect the Fed to keep the policy rate unchanged for the remainder of the year as the FOMC has moved to a symmetric bias. The same is true for the ECB and the BoE.
2. **The EUR/USD** rallied on the cease-fire news, staying fairly correlated with oil prices. De-escalation is still our base-case scenario. The re-opening the Strait of Hormuz remains the key for risk appetite to come back. Medium term, the US still faces tail risks related to debt sustainability. Deficits are high and any further escalation would increase defense spending, while the upcoming mid-term elections in the US could prompt a household stimulus package. The risk related to debt is, in our view, underpriced by the market. The dollar should weaken gradually once the dust settles. **Accordingly, our 3-month EUR/USD target is 1.14 and our 12-month target is 1.20 (value of one euro).**
3. **This month we revise some of our targets: AUD/USD to 0.71, USD/BRL to 5.00, USD/INR to 95.00, USD/MXN to 17.00 and EUR/NOK to 10.75 (12-month targets).**

Currencies against the dollar
Return Month-To-Date



Source: LSEG Datastream, 29/04/2026

>> TARGET 12M USD/JPY: 155

The BoJ kept its policy rate at 0.75% in April. Renewed inflation pressure in Japan could suggest that the BoJ is falling behind the curve. We remain optimistic that the central bank will continue its tightening cycle. We expect the BoJ to hike in June, and then roughly every four-to-five months. We expect the Yen to appreciate. The threat of BoJ intervention creates pullback risks in the USD/JPY. **Our 3-month USD/JPY target is 158 and our 12-month target is 155 (value of one USD).**

>> TARGET 12M AUD/USD: 0.71

The RBA raised its policy rate by 25bps to 4.10% in March. Equity market performance and robust demand for commodities support the currency. While inflation remains a concern, we expect monetary policy to become less hawkish than market expectations imply. We expect one further hike this year, later in May. **We change our 3-month AUD/USD target to 0.73 and our 12-month target is 0.71 (value of one AUD).**

>> TARGET 12M EUR/NOK: 10.75

Norges Bank kept its policy rate unchanged at 4.0% in March. The sharp rally in oil has led to an outperformance of the NOK. The recent upside in inflation has led to a repricing of expectations leading to a sharp appreciation of the NOK. We expect two hikes this year, in May and September. **We change our 3-month EUR/NOK target to 10.80 and our 12-month target to 10.75 (value of one EUR).**

>> TARGET 12M USD/MXN: 17.00

The Banxico delivered a 25bp rate cut to 6.75% in March. We expect the MXN to remain resilient in the near term, supported by demand for high yields and attractive fundamentals. We anticipate a final rate cut in May, ending the easing cycle. **We change our 3-month USD/MXN target to 17.50. Our 12-month target is 17.00 (value of one USD).**

>> TARGET 12M USD/INR: 95.00

The RBI left its policy rate unchanged at 5.25% in April. The INR has risen to new highs, reflecting India's vulnerable position as a large net-energy importer with low oil reserves. Structural pressures from a widening current account deficit, fiscal concerns and weaker growth will continue to keep the INR under pressure. **We change both our 3- and 12-month USD/INR targets to 95 (value of one USD).**

>> TARGET 12M USD/BRL: 5.00

The BCB delivered a 25bp rate cut to 14.75% in March. Terms-of-trade are supportive, and elevated carry should support the BRL. Even though political volatility has eased, we expect the currency to become increasingly sensitive to politics as the year progresses. **We change our 3-month USD/BRL target to 5.30 and our 12-month target to 5.00 (value of one USD).**

Currencies at a glance

FX FORECASTS EUR

Region	Country	Pair	Spot 29/04/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.17	Positive	1.14	Negative	1.20
	United Kingdom	EUR / GBP	0.87	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	187.33	Positive	180	Neutral	186
	Switzerland	EUR / CHF	0.92	Neutral	0.92	Neutral	0.92
	Australia	EUR / AUD	1.64	Positive	1.56	Negative	1.69
	New-Zealand	EUR / NZD	2.00	Positive	1.90	Neutral	2.00
	Canada	EUR / CAD	1.60	Neutral	1.57	Neutral	1.62
	Sweden	EUR / SEK	10.87	Neutral	10.80	Positive	10.60
	Norway	EUR / NOK	10.87	Neutral	10.80	Neutral	10.75
Asia	China	EUR / CNY	7.99	Positive	7.75	Negative	8.16
	India	EUR / INR	110.98	Positive	108.30	Negative	114.00
Latam	Brazil	EUR / BRL	5.85	Negative	6.04	Negative	6.00
	Mexico	EUR / MXN	20.44	Positive	19.95	Neutral	20.40

Source: BNP Paribas, LSEG

FX FORECASTS USD

Region	Country	Pair	Spot 29/04/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.17	Negative	1.14	Positive	1.20
	United Kingdom	GBP / USD	1.35	Negative	1.31	Positive	1.38
	Japan	USD / JPY	160.12	Neutral	158.00	Positive	155.00
	Switzerland	USD / CHF	0.79	Negative	0.81	Positive	0.77
	Australia	AUD / USD	0.71	Positive	0.73	Neutral	0.71
	New-Zealand	NZD / USD	0.58	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.37	Neutral	1.38	Neutral	1.35
Asia	China	USD / CNY	6.83	Neutral	6.80	Neutral	6.80
	India	USD / INR	94.85	Neutral	95.00	Neutral	95.00
Latam	Brazil	USD / BRL	5.00	Negative	5.30	Neutral	5.00
	Mexico	USD / MXN	17.47	Neutral	17.50	Positive	17.00
EMEA	South Africa	USD / ZAR	16.72	Neutral	16.50	Positive	16.00
	USD Index	DXY	98.96	Neutral	100.66	Negative	96.23

Source: BNP Paribas, LSEG

04

Equities

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Defying reality?

Will equities choke on a NACHO?

- **Defying reality? –** With the Strait of Hormuz still closed, the world has already lost over 1bn barrels of oil. And yet, markets have recovered most or all their losses, with the S&P even reaching a new all-time high on the back of renewed optimism around AI. We are seeing rising risks that the markets might choke on NACHO (Not A Chance Hormuz Opens) as the negative consequences from the lost supply are only slowly making their way through the economy.
- **Europe is on the brink (again) –** Economic data in Europe are already weakening substantially on the back of ongoing high energy prices. This points towards slowing EPS growth, which should eventually force the market to reduce its over-optimistic growth assumptions.
- **Positioning is a fading tailwind –** US CTAs have rebuilt substantial exposure already, most likely resulting in a fading bid even if the markets keep going up. More importantly, though, they could turn serious sellers in a falling market. Moreover, equity positioning across all investor types recovered strongly (78 out of 100) from capitulation levels in late March.

Main recommendations

Stay Neutral equities – With most markets still less than 10% below their 52-week highs, we do think that the risk-reward is still skewed to the downside. There is more which could go wrong than well, and the risks are rising with every day that the Strait remains closed.

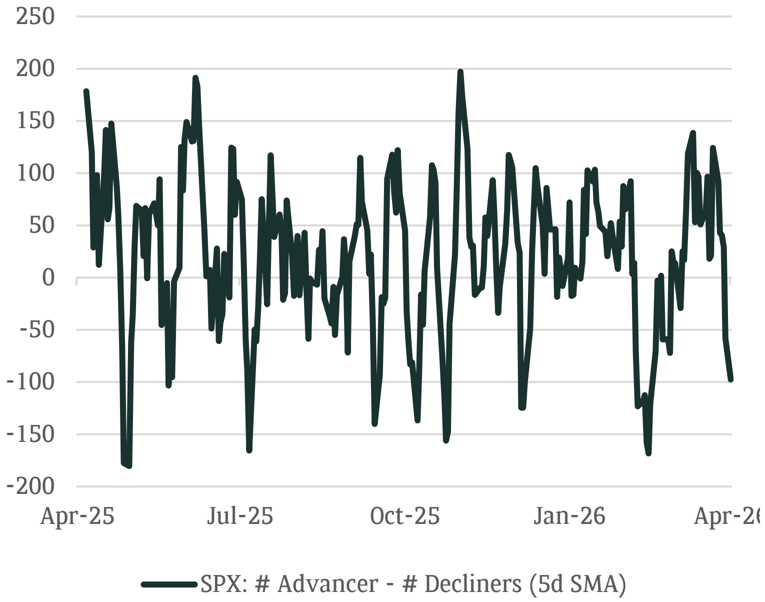
Underweight Europe – Economic data are worsening and the Stoxx50 has recently had its worst run since 2017. Since we still expect future earnings downgrades, we remain underweight.

We upgrade South Korea and Taiwan to Neutral

No changes to sectors – Technology-related sectors emerged as the standout performers in April, finally breaking out to new highs following an extended consolidation phase from November 2025 to March 2026.

Key risks: A prolonged closure of the Strait, and/or a further escalation of tensions in the Middle East with more energy infrastructure being destroyed.

The recent rally in the S&P was driven by a small number of names



Source: BNP Paribas, Bloomberg

Asian Equities view

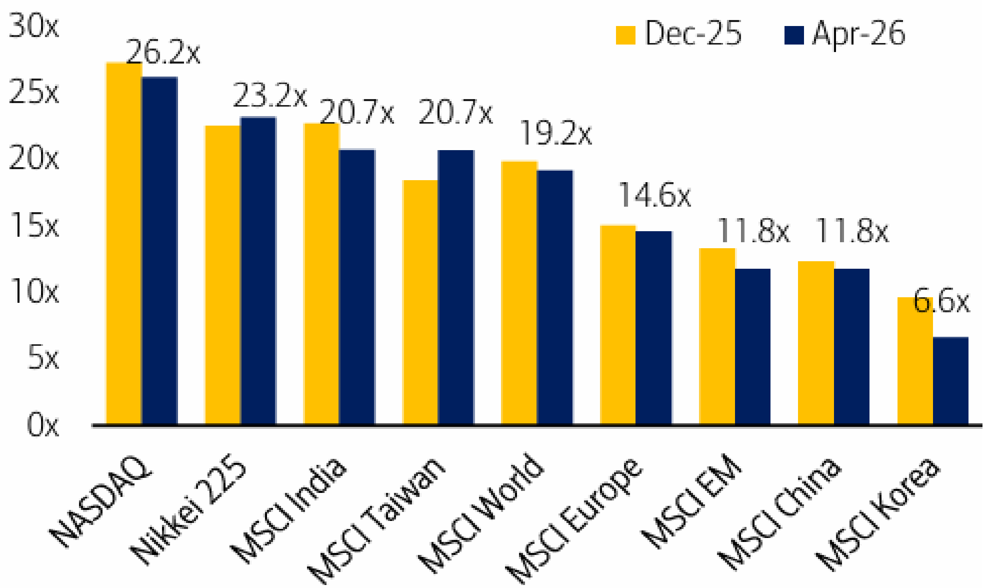
ASIA COUNTRY PREFERENCE

+	=	–
	COUNTRY	
	China ▲ South Korea ▲ Taiwan	Rest of Asia

- **Upgrade South Korea and Taiwan to Neutral:** Earnings growth is expected to remain strong, led by ongoing investment in AI infrastructure and rapid adoption of AI agents. Despite concerns over the disruption to tech supply chains given the reliance on Middle East supplies, latest data suggest a stable intake of oil and gas as well as helium to South Korea and Taiwan, as the US, Australia and Canada have stepped in to compensate for the shortfall from the Middle East.
- For example, South Korean chipmakers recently signed long-term helium contracts with US firms to secure supply in response to the disruption in Qatar. The South Korean market is also supported by themes such as energy storage, shipbuilding, defense and nuclear, where South Korean players have an edge over peers.
- **Neutral on China:** China's dependence on oil and gas is among the lowest in the world, as oil and gas accounted for 27% of China's primary energy consumption in 2024, compared with a global average of 55%. China's oil reserves are estimated to cover 4-6 months in the event of prolonged oil disruptions. With many nations racing to secure enough fertiliser amid supply disruption, as around one third of globally traded seaborne fertiliser passes through the Strait of Hormuz, China is one of the world's largest fertiliser producers with significant fertiliser reserves.

We upgrade South Korea and Taiwan to Neutral

Despite the strong YTD performance, South Korean equity's valuation is lower than end-2025 as earnings growth has outpaced share price gains



Source: Bloomberg, MSCI, FActSet, BofA, as at 28 April 2026

05

Commodities

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Commodities at a glance

Now negatively correlated with the oil price (due to the dominant impact of rate expectations and bond yields), in early April, **gold and silver** recovered somewhat from their March correction thanks to the ceasefire, hopes of Hormuz reopening, some correction in the oil price and easing inflation and easing rate expectations. But due to no progress in negotiations and Hormuz still closed, these moves reversed in the last week of April.

In April **industrial metals** recovered from their March correction, as the fear of an economic slowdown is more than compensated by the expected acceleration in the energy transition (due to high fossil fuel prices and the strategic importance of energy independence), as well as some supply disruptions. YTD copper is up +5%, zinc +10%; nickel +15%, tin and aluminium even 20%. For aluminium, the usual supply from the Persian Gulf is now disrupted.

After **oil prices** pulled back in early April due to the ceasefire and hopes of he Strait of Hormuz re-opening, they now rise to new-year highs (Brent close to USD 120) due to no progress in US-Iran negotiations and Hormuz being closed for nine weeks.

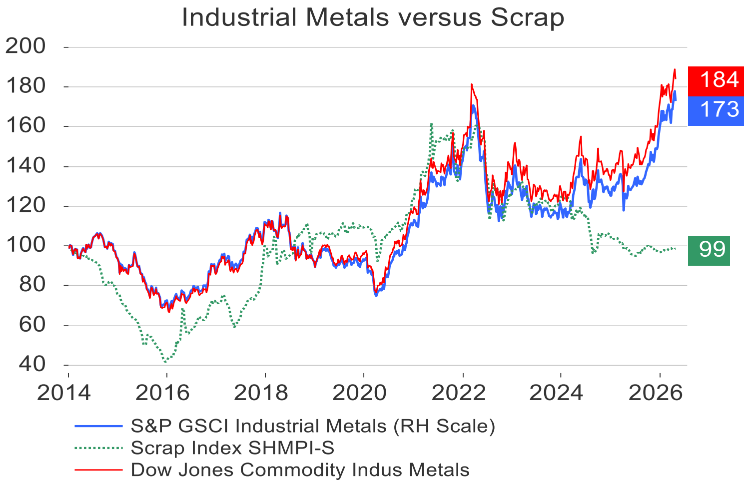
PRECIOUS METALS

We maintain our **target prices** of **USD 5,500 for gold** and **USD 90 for silver** and **confirm our Positive view on precious metals.**

Source: LSEG Datastream, 29/04/2026

INDUSTRIAL METALS

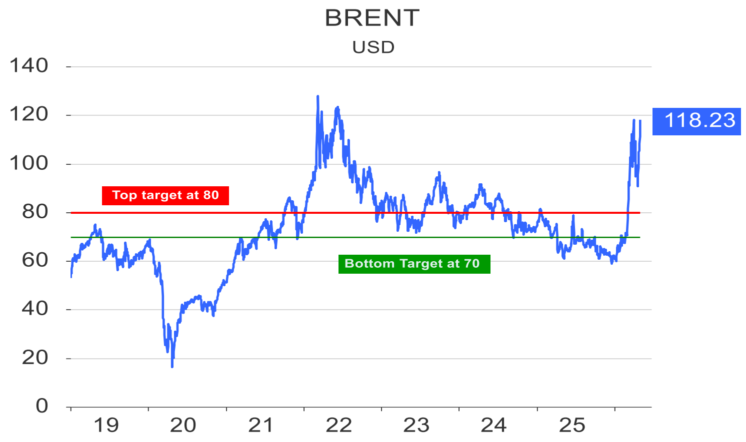
We maintain our Positive view, as a recession is not our base-case scenario, and for the coming next years we expect growing demand for infrastructure and energy transition to outpace expected supply growth. Our 12-month target for copper (LME) is USD 14,000.



Source: LSEG Datastream, 29/04/2026

OIL

We downgrade our view on the oil price to Negative from Neutral, as we expect a correction once the Strait of Hormuz re-opens. Although scarcity will persist for the remainder of 2026, with only a gradual production recovery and a need to rebuild inventories, our 12-month outlook is more bearish. The Brent target range remains unchanged at USD 70 80, given the likely return to global over production and reduced OPEC discipline.



Source: LSEG Datastream, 29/04/2026

Our position for this month

Evolution of our position from last month

06

Alternative Investments

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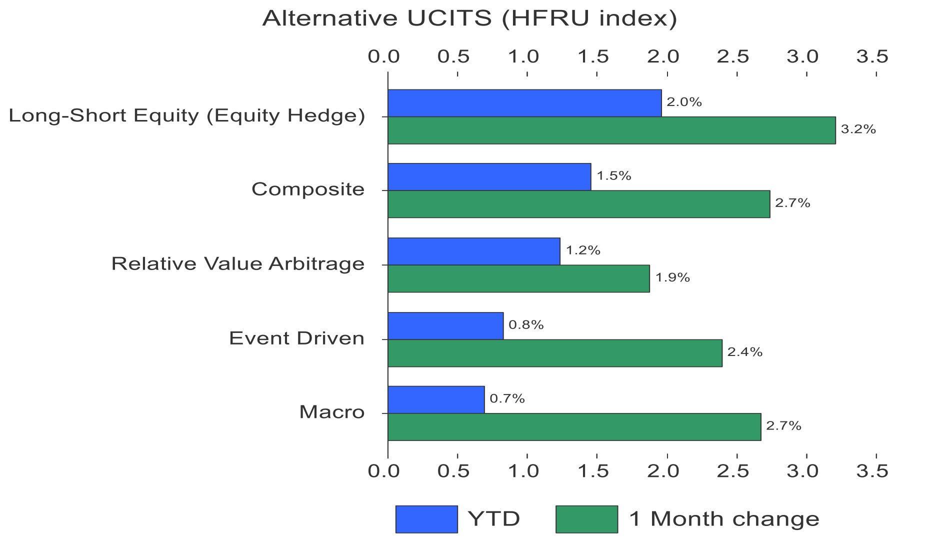
Alternative Investments

The main strategies have recorded strong performances over the past month. The best performer was long-short equity and macro.

Year-to-date, all main strategies remain in positive territory with long-short equity the best and macro the worst performer.

Positive opinion on Macro, Event Driven and Long-Short Equity.



Source: LSEG Datastream, 27/04/2026

Global Macro

Positive: Macro managers have taken advantage of some clear outcomes from the Trump agenda, such as the weaker dollar or the curve steepening. Although not immune to exogenous shocks, macro managers are best equipped to trade risk assets (long or short).

Long/Short Equity

Positive: The rotation away from mega-cap dominance and towards a wider opportunity set has improved market breadth and reduced reliance on a small group of growth stocks to drive returns. Equity valuation dispersion and stock volatility are high. This is positive for long and short stock-picking opportunities.

Event Driven

Positive: The US regulatory environment should remain supportive under Trump's regulatory appointees, bringing clear incentives for large strategic deals to get done. More deals are also expected in Europe, with EU reforms aimed at facilitating the constitution of continental sector champions. Private equity firms are under pressure to deploy capital, which can be put to work through leveraged buyouts.

Relative Value

Neutral: Until recently, corporate credit dispersion had remained muted. However, some cracks seem to be appearing in sectors going out of favour, such as software, but also in private credit. Convertible bond arbitrage benefits from increased issuance and single-stock volatility, especially in the technology/AI sector, without so far any significant deterioration of the creditworthiness of those issuers. Government bond relative value arbitrage benefits from diverging monetary policies and debt-burden stresses.

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