

Investment Strategy Focus

Entering the Bond Buy Zone

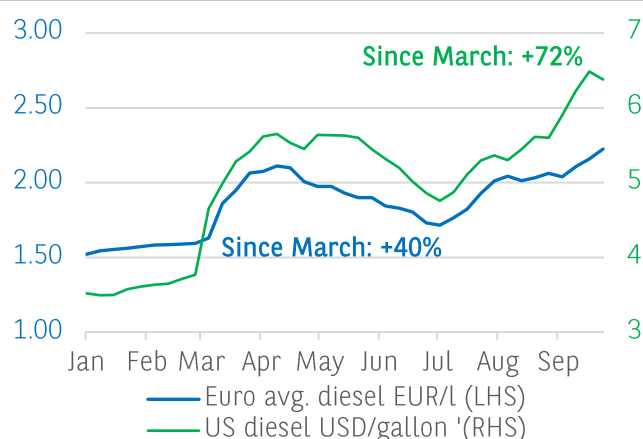
Summary

- European credit buying opportunity:** since mid-August, US IG credit spreads have tightened while European spreads have widened. With the rise in underlying sovereign bond yields, Euro IG credit yields are at their highest in almost 3 years. **Positive on Euro IG credit as BBB bonds now yield 4.4%, i.e. 1.2% higher than in February.**
- Diesel and natural gas prices hold the key to central bank rates:** record refining margins are a bigger global inflation issue than even crude oil prices. Thus, central banks are largely hostages to events in the Gulf. **Increasing Gulf energy exports could trigger lower diesel and natural gas prices, and in turn cool inflation pressures.**
- Bond markets likely overprice central bank hiking cycles:** US 2-year Treasury yields have risen 0.75% and German 2-year yields have gained 0.5% in the last month. Both effectively price 3+ further rate hikes by mid-2027. We feel that this is too much. **We like short-term bonds as cash alternatives at this point.**
- A gradual Fed rate hiking cycle does not kill a stock bull market:** in past Fed rate hiking cycles, US stocks have generally gone up. The key is the speed and extent of rate hikes. Fast/prolonged rate hiking cycles have generally led to recession and bear markets. But we expect a gradual/modest hiking cycle: this can extend a bull market.
- Moving Overweight US, Underweight Europe** on a relative basis, maintaining our overall Positive call on global equities. Technology sector earnings momentum should continue to lead the stock market, benefitting the US and Emerging Markets. Europe remains buffeted by energy prices and sovereign debt concerns.

Contents

Macro and Market Views	2
Update on policy rates and bond yields	3
From famine to feast in yields	4
At the point of maximum energy pain?	5
For how long can growth surprise us?	6
Has good news become bad news for stocks?	7
Overweight US, Underweight Europe	8
Is AI a bubble? Should I sell now?	9
Our main recommendations	10
Economic, FX tables, Team	11
Disclaimer	12

DIESEL PRICES HAVE SOARED SINCE JULY ON TIGHT REFINING CAPACITY



Source: BNP Paribas, Bloomberg.

Edmund Shing, PhD

Global CIO

BNP Paribas Wealth Management



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Macro and Market Views

	Macro		- Global expansion remains on a solid footing, driven by resilient consumer spending, improving business sentiment and a surge in AI-driven capital spending. - In the absence of a clear catalyst to de-escalate the conflict, elevated energy costs are expected to sustain inflationary pressure in the near term, but they are not expected to undermine the overall resilience of global growth.
	Bonds	+/=	- Positive on core eurozone sovereigns (favour maturities of 7-10 years), Neutral on US Treasuries; prefer shorter-term (ca. 5 year) maturities. - Positive on UK gilts (12-month yield target is 4.65%). - The ECB should raise its deposit rate once more in December to 2.75%. The Fed should raise rates in December and January to a 4.5% Fed Funds target rate. - We see the US 2-year yield at 4.35% in 12 months and the 10-year yield at 4.75%. - Our new 12-month target on the German 10-year bund yield is 3.0%.
	Credit	+	- We prefer EUR and GBP (Positive view) to USD IG bonds (Neutral view) given the supply dynamics and the level of yields/spreads. We focus on quality. - Neutral on US high yield credit. Spreads fell back close to their historical lows even though uncertainty remains high. They do not remunerate the underlying risk.
	Equities	+	- Positive on Equities: we are constructive on equities considering the resilience of the global economy so far. - Favour Japan and Emerging Markets, with a preference for Northeast Asia (China A shares, South Korea and Taiwan) and LatAm (Brazil and Mexico). - Overweight US, underweight Europe on a relative basis - Positive on Health Care, Industrials and Mining, EU Utilities. - We upgrade US and EU Information Technology to Overweight - We downgrade European Banks to Neutral
	Real Estate	=	- INREV European private real estate funds continue to see steady growth in net asset values, delivering an average return of 0.9% q/q to investors in Q2 2026 after 1.3% in Q1. - 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. Our 12-month price target for gold is USD 5,000 per ounce and USD 80 per ounce for silver. - Positive view on strategic industrial metals, such as copper, aluminium and tin. - Negative stance on Oil, 12-month price range for Brent crude oil of USD 65.
	Alternative UCITS/ Private Assets		- Positive opinion on Macro. We also like Event-Driven strategies, in particular M&A arbitrage. - Positive on infrastructure, given medium-term structural growth boosted by government spending and emerging market demand.
	FX		- The short-term strengthening of the US dollar in the current risk-off environment is unlikely to persist in the longer term, given supplementary US spending increasing the US budget deficit and a gradual de-dollarisation trend. - EUR/USD 12-month target USD 1.20 (value of one EUR).



Update on policy rates and bond yields

Guy Ertz, PhD

Pressure on central banks continues to build

During the September meeting, Kevin Warsh acknowledged that policy was too loose and inflation remained too high. This was probably intended to signal to the markets that the concerns driving the rise in long-term Treasury yields had been noted. As oil prices and bond yields have continued to climb in recent days, **we have decided to add one rate hike to our forecast. We now expect the FOMC to raise rates in December and January**, thereby unwinding the 2025 “insurance cuts” and returning the real policy stance to a roughly neutral level. In our base-case scenario, the FOMC would hike just enough to maintain a stable unemployment rate before pausing. We believe the markets’ expectation of nearly four additional hikes over the next year is exaggerated.

The underlying tone of the ECB’s September communication reinforces our view that the tightening cycle is not yet over. **We now forecast an additional hike in December**, followed by an extended hold in mildly restrictive territory throughout 2027. While the economy continues to be resilient, both headline CPI and core CPI inflation remain above target (at 3.8% and 2.5% respectively). Although there are no clear signs of the second-round effects suggested by ECB wage data, continued pressure on oil and gas prices, partially due to refinery issues, indicates a shift toward the ECB’s adverse scenario. Market expectations mirror those for the US and appear even more aggressive. **We expect the BoE to deliver a single 25bp “insurance” hike to 4.00% on 5 November.** Regarding the BoJ, **we expect hikes to 1.5% in December 2026 and 1.75% in March 2027.** We forecast a terminal rate of 2.5% in 2028.

Higher bond yield targets

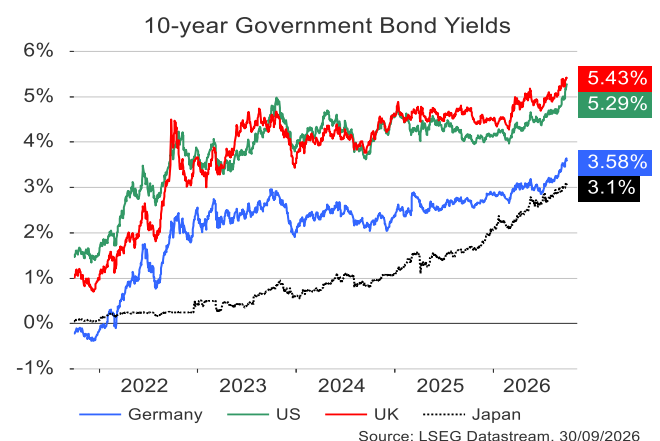
This upward move in bond yields has accelerated particularly over the last few weeks. The resilience of growth was further confirmed by a stronger-than-expected preliminary September Composite PMI index. Meanwhile, oil and gas prices have risen again. The primary driver of US yields remains the real yield, likely reflecting expectations of increased capital demand in the coming years. A higher term premium, growing deficits and debt have likely also contributed. Breakeven inflation remains stable at around 2.25%. The term premium has retraced from its late-August peak. While we believe that US yields are overshooting their fair value, **we have increased our 12-month target from 4.50% to 4.75%.** Investors should remain cautious and patient. A further market push towards 5.50% would offer a more attractive entry point. Indeed, we have some doubts about the latest revisions of the natural rate of interest linked to AI. In the eurozone, the 10-year German government bond yield has also risen significantly, with a move which is similar in magnitude to that of the US since early July. This trend is driven by the same fundamental factors as in the US, namely debt and deficit dynamics. **Consequently, we are raising our 12-month target from 2.75% to 3%,** though we see limited further upside from current levels. We remain Positive on core eurozone government bonds. A similar pattern has emerged in the UK, **where we are raising our 12-month target from 4.4% to 4.65%.** While current levels are above our long-term fair value estimates, we are increasingly confident that the government will take the necessary steps to stabilise debt dynamics. **We upgrade UK government bonds to Positive.**

NEW OUTLOOK FOR CENTRAL BANKS

Central Banks	Previous 12-month target	New 12-month target	Market 12-month expectations *
Fed	4.25	4.50	4.70
ECB	2.50	2.75	3.15
BoE	3.75	3.75	4.68
Bank of Japan	1.75	1.75	2.00

Source: Bloomberg, BNP Paribas

BOND YIELDS MOVING HIGHER



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

From famine to feast in yields

No need to take a lot of risk for reasonable yield

After a desperate decade for income investors (2011-2022) when traditional money market and bond instruments offered little income, the post-2022 renormalisation of interest rates has finally broadened choice for the conservative investor.

There is no longer any need for investors to take a high level of credit risk to achieve reasonable income yields. US dollar-based investors can receive a 5.3% yield in 10-year Treasury bonds, 6% in mortgage-based securities and 6.2% in BBB-rated investment grade (IG) credit. For those seeking inflation protection, a real yield of 2.7% is available in a 5-year Treasury Inflation-Protected bond. Of course, even higher yields are available in listed high yield credit and in private credit. But for an investor looking to achieve a long-term return of inflation + 2%, there are now plenty of choices without resorting to riskier asset classes such as stocks.

Euro-based investors may not be quite as spoilt for choice in terms of nominal yields but can still achieve over 4% in the ECB basket of 10-year euro sovereign bonds, 4.4% in BBB-rated IG credit (average maturity of 5 years) and 4.5% in short-dated high yield credit. For those willing to accept some currency risk to sterling, a 5-year UK gilt offers an even higher 5.1% yield and UK IG corporate bonds offer 6.1%. Again, this can be boosted further with an allocation to euro private credit, but this is not necessary in principle to meet a long-term inflation + 2% target.

Eurozone credit spreads have widened of late

Since mid-August, US IG credit spreads have tightened while European spreads have widened. This is surprising, since there has been a flood of Technology sector IG credit issuance this year as hyperscalers look to increasingly fund their AI investments via debt.

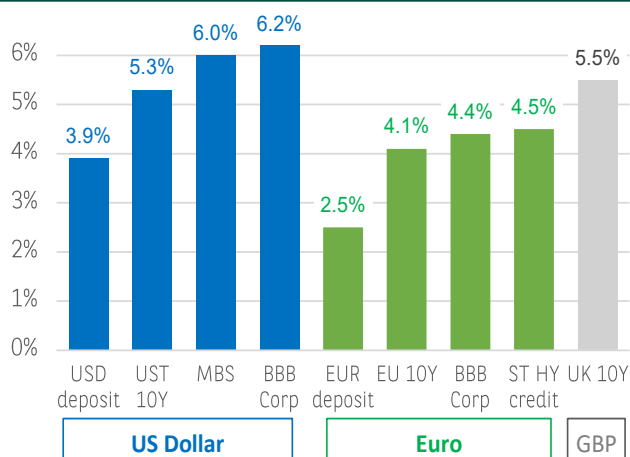
Interestingly, in spite of the estimated USD279bn – USD350bn IG credit issuance expected from technology companies in total this year, the Technology sector IG credit spread has tightened from 1.4% at the end of July to 1.25% at end-September, narrowing the gap to non-Technology sector IG credit spreads.

With the rise in underlying sovereign bond yields, Euro IG credit yields in absolute are at their highest in almost 3 years, 0.6% higher than their 2023-26 average of 3.8%. This rise comes at a time when corporate profit margins, cash flows and balance sheets are strong by historical standards.

From a risk viewpoint, bear in mind that the European IG credit universe has been very resilient, experiencing an annual default rate of below 0.3% in most years since 2010 except for the 2020 COVID pandemic, when it rose marginally to 0.4%-0.6%. Even then, recovery rates post-default have averaged 50%-60%, resulting in a very low final hit to the investor.

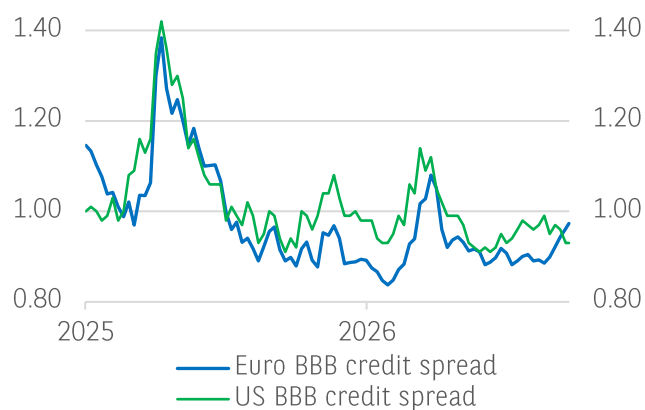
We remain Positive on Euro IG credit as BBB bonds now yield 4.4%, i.e. 1.2% higher than in February.

INCOME INVESTORS HAVE A WIDE CHOICE OF YIELD FROM BONDS



Source: Bloomberg, BNP Paribas

US BBB CREDIT SPREAD HAS TIGHTENED, WHILE EURO SPREADS HAVE WIDENED



Source: Bloomberg, BNP Paribas



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

At the point of maximum energy pain?

We pay refined product, not crude oil prices

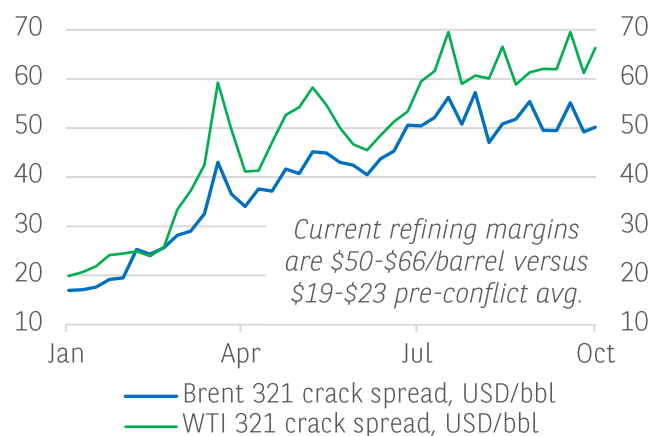
Even as the Brent crude oil price eases back around USD100/barrel, there is little respite in sight for European and US consumers. Unfortunately, our means of transportation run on refined products, such as diesel and petrol, rather than crude oil. In Europe, diesel refining margins sit at a record USD85/barrel over the price of Brent crude, i.e. USD185/barrel.

The result is that European consumers pay 42% more for a litre of diesel today than at the start of the year, while US truckers pay 85% more today for a gallon of diesel. So far, there has been no pause in the rise of diesel and petrol prices at the pump, given the very tight state of global refining capacity. It should be no surprise then that the biggest contributor to inflation is energy at +14% y/y in Europe and +17% y/y in the US as of August.

While this situation can always get worse, I am tempted to think that we may already be at the point of maximum energy pain for several reasons. Firstly, data suggest that up to 18 million barrels of oil per day are now being transported out of the Gulf via the Strait of Hormuz. While not quite the pre-conflict level of 20 million barrels exported per day, it is a lot more than previously thought.

Secondly, there is no doubt that global oil demand has fallen in response to much higher prices, as one would expect. According to the International Energy Agency, world oil demand is forecast to fall by 2.5 million barrels/day in 2026 (around 2.5% of total 2025 oil demand).

REFINING MARGINS AT HISTORICAL HIGH DUE TO LACK OF GLOBAL REFINING CAPACITY



Oil & Gas stocks no longer rise

Energy stock prices are beginning to consolidate after a 40% rise since the start of the year in Europe and the US. Market participants are starting to price a potentially less bullish outlook for oil & gas companies, especially for speciality refining companies which have risen 72% since January 1. This suggests that we have potentially already seen the best of operating conditions for oil companies.

Sector rotation from Energy back to Technology

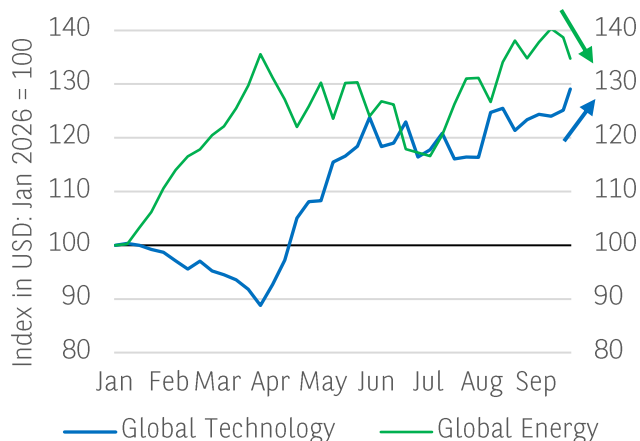
Global sector leadership has passed from Energy back to Technology since mid-September, led by the Magnificent 7 stocks and memory chip makers as the AI investment theme returns to favour. This rotation is underlined by the fresh all-time high hit in late September by the tech-heavy Nasdaq Composite index.

Have central bank rate hike expectations overshot?

Any easing of energy prices should reduce the pressure on central banks to increase benchmark interest rates further, after September rate hikes by the Federal Reserve, European Central Bank and Bank of Japan. Currently, interest rates futures price an expectation of 3+ rate hikes by the Fed and ECB between now and mid-2027, far more than we expect on the basis of underlying inflation dynamics.

Confirmation of an energy price peak will come in the form of lower global oil and natural gas prices, together with an easing in short-term bond yields.

ROTATION OF MARKET LEADERSHIP: FROM ENERGY BACK TO TECHNOLOGY



For how long can growth surprise us?

Economic growth withstands multiple headwinds

The global economy has been hit by multiple headwinds in the past year, including two conflicts, US import tariffs and a surge in global energy prices. In addition, both short- and long-term interest rates have risen substantially across the world, increasing borrowing costs for governments and the private sector alike.

And yet, surprisingly global economic activity continues to grow steadily in the US, Europe and Asia. US GDPNow estimates for Q3 GDP growth range from 3.1% (St. Louis Fed) to 5.1% (Atlanta Fed), powered by technology-related investment spending. The eurozone has seen an acceleration in economic activity over August-September judging by the Eurocoin Growth Indicator and PMI surveys. Importantly, despite all the doom and gloom surrounding Germany and car manufacturing, German PMI readings improved markedly this month and are in solid growth territory (well above the 50 breakeven level).

This is rather encouraging, but with energy prices still worryingly high and central banks raising benchmark rates, how long can this surprisingly strong economic momentum last? In our view, this will come down to energy prices. For economic activity to remain robust even as rate-sensitive sectors, such as residential construction, weaken, diesel and natural gas prices need to come down. This, in turn, implies that sustained growth depends on a further increase in energy exports from the Gulf region.

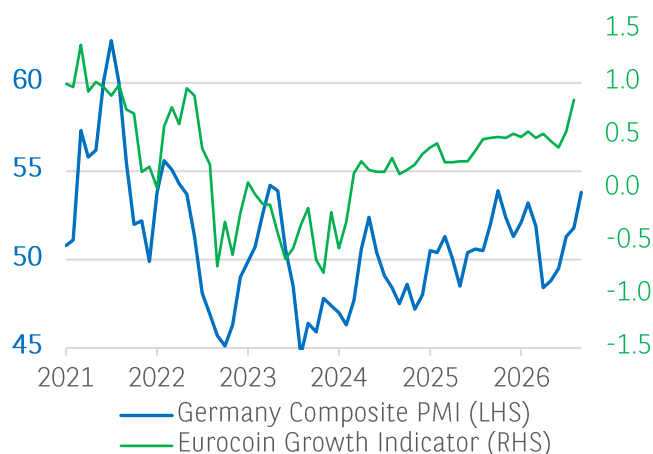
Investment spending spreads to Energy

Up to now, it has been clear that the main motor of US growth continues to be investment spending related to Artificial Intelligence. But with energy prices persistently high, leading the US government to consider a further release of crude oil from its Strategic Petroleum Reserve, energy companies are increasing investment spending on global offshore projects. Remember that 86% of US oil & gas demand is today satisfied by supply from the US and Canada. There is a strategic imperative for the US to maintain their energy independence, which entails further growth in the energy supply in the face of ever-growing demand.

The International Energy Agency estimates that global energy investment will grow 5% over 2025 to reach USD3.4 trillion in 2026, roughly two-thirds dedicated to clean energy and infrastructure and one third to fossil fuels. Given persistently high global energy prices, this IEA investment spending estimate may prove too conservative both for fossil fuel and renewable energy/energy storage capital expenditure.

There is no doubt that this business cycle continues to be driven by corporate investment spending rather than consumption. But consumption could surprise to the upside in the coming months, should prices at the pump fall substantially from current elevated levels and allow headline inflation to ease.

EUROZONE ECONOMIC ACTIVITY PICKS UP,
GERMANY RECOVERS IN SEPTEMBER



Source: Bloomberg, BNP Paribas

NEARLY 50% INCREASE IN GLOBAL ENERGY
INVESTMENT SINCE 2020



Source: International Energy Agency



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Has good news become bad news for stocks?

Is the US economy too strong?

The trigger for the decisive break of 10-year US Treasury yields above 5% in late September was the surprisingly strong 58.4 S&P Global US PMI Composite survey reading (versus 55.2 expected), led by a jump in manufacturing activity. This represented the strongest reading in over 5 years, unsettling a bond market which was already on edge following recent central bank rate hikes. Remember the following logic:

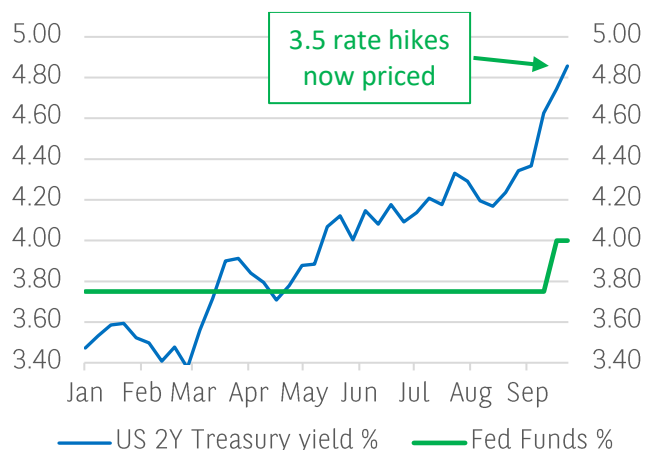
- the stronger economic growth is,
- the more persistent inflationary pressures are likely to be, and thus
- the more likely that the Federal Reserve will have to increase interest rates further.

In turn, the move to 5.3% on 10-year US Treasuries has cooled momentum in global stocks, with the more rate-sensitive segments such as US small-caps, REITs and Utilities suffering most.

Has the bond market overreacted to this data?

The US 10-year real yield has just touched 2.9% for the first time since mid-2002 (outside of a brief period during the 2008 Global Financial Crisis), up 1.2% since the beginning of March. Sentiment on long-term government bonds is extremely negative, unsurprising given their very poor momentum: the US long-term Treasury ETF has lost 15% since March. In the very short term, markets can overshoot as always. But in our view, this does look like an overreaction to the survey data and suggests good value at the short end of the US yield curve.

SINCE AUGUST, BOND MARKET HAS PRICED A FURTHER 2.5 25BP FED HIKES



Source: Bloomberg, BNP Paribas

US stocks generally prefer Fed rate hikes to cuts!

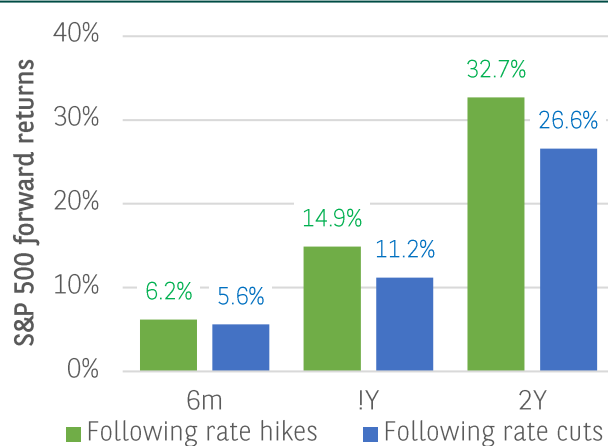
This sounds counterintuitive: how can interest rate hikes be good for stocks? Since 1982, the S&P 500 index has returned nearly 15% in the 12 months after a rate hike and nearly 33% after 2 years, substantially better on average than in the 1 and 2 years after each rate cut.

So, it is not the case that stocks always perform poorly when the Fed raises rates to cool inflation. What stock markets do not like is a fast rate hiking cycle during which the Fed hikes rates consistently, meeting after meeting for a prolonged period. Examples of a fast rate hiking cycle include March 2022 to July 2023 when the Fed Funds rate climbed from 0.25% to 5.5%, or January 1994 to February 1995 when the benchmark rate tightened from 3% to 6%. Over more gradual Fed tightening cycles such as 1986 to 1987 and 2015 to 2019 when real GDP continued to grow, stocks managed to rise steadily even as rates rose.

We still see this current environment as one where the Fed will only increase rates gradually. Thus we do not think that this current hiking cycle is a threat to the stock bull market. Note that the Fed's own dot plot of future expected rates is far less aggressive than the 3.5 further rate hikes that the SOFR interest rate futures market is currently pricing. Fed policymakers expect a mid-2027 cycle peak at 4.25%-4.50%, which implies 2-3 further rate hikes over the next 9 months.

Stay Positive on Global Stocks.

US STOCKS HAVE PERFORMED BETTER AFTER A RATE HIKE THAN AFTER A CUT



Source: Charlie Bilello, Creative Planning. Note: for 1982-2026



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Kissed by the Muse: Overweight US, Underweight Europe

Stephan Kemper

Earnings Growth Defies Rising Yields

Global equities continue to display remarkable resilience in the face of rising sovereign bond yields. From a valuation perspective, this dynamic reflects the mechanics of the Gordon Growth model: while higher discount rates weigh on multiples, superior earnings growth more than offsets this headwind across most major regions. Earnings growth is outpacing the increase in risk-free rates. Furthermore, robust ETF inflows and positive equity-bond correlations confirm that widespread capital reallocation into fixed income has not materialized. With historical post-midterm seasonality shifting from a headwind to a tailwind, we maintain our overweight stance on global equities.

Upgrading US Equities to Overweight

We upgrade US equities and the Technology sector to Overweight, while recommending an unwinding of existing large-cap underweights. Corporate earnings momentum in the United States remains exceptionally strong, characterised by the second-highest rate of upward guidance revisions in fifteen years heading into the third-quarter reporting season. This strength is predominantly driven by the accelerating deployment of artificial intelligence infrastructure, which is now meeting real-world end-user demand. In particular, the transition toward agentic AI architectures requires an exponential increase in compute and data processing capacity, reinforcing capital expenditure across enterprise and consumer workflows.

We also adjust our internal allocation within the US equity complex: we move to a Neutral view on US

small caps versus large caps and no longer prefer the equal-weighted over the market-cap-weighted S&P 500. While large-cap balance sheets remain insulated by long-term fixed debt locked in during the low-rate era, small caps carry significantly higher floating rate debt, exposing them to direct pressure from the prevailing higher-for-longer rate regime.

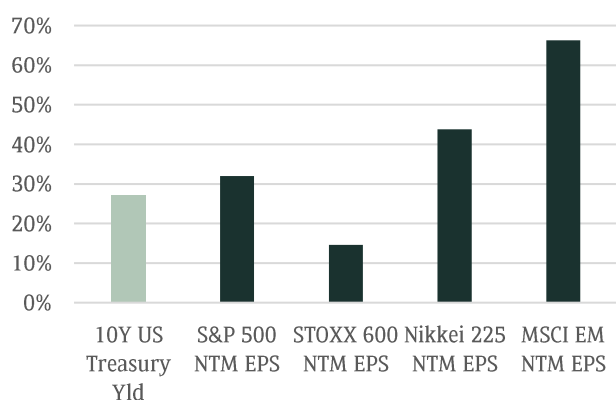
Downgrading Europe to Underweight

In contrast, we downgrade European equities to Underweight. This adjustment does not reflect a bearish stance, but rather our view that Europe represents the weakest link among global peers. The region faces persistent headwinds, including elevated energy prices, weak domestic consumption, logistical bottlenecks caused by critical low water levels on the Rhine at Kaub, and a sharp contraction in industrial manufacturing orders. Wider sovereign yield spreads against German bunds further challenge the domestic financial sector. As Europe lacks structural exposure to the secular AI hardware buildout, its compressed valuation multiple serves as a defensive cushion rather than a catalyst for relative outperformance. We view Europe as a market for selective stock-picking rather than broad index allocation.

Reaffirming Japan's broadening AI exposure

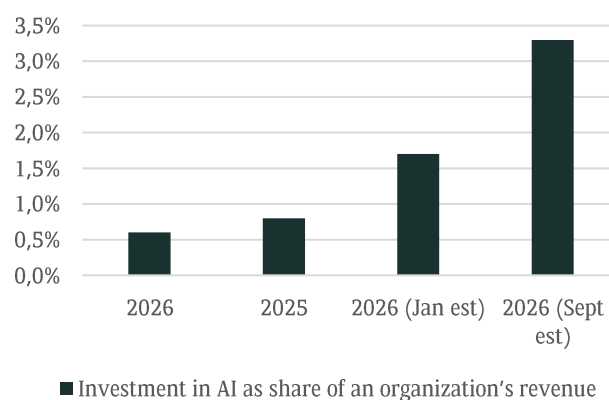
We reiterate our Overweight stance on Japanese equities, with a clear preference for the Nikkei 225. Japan offers concentrated exposure to critical bottlenecks across the broader AI ecosystem, including advanced thermal management, optical interconnects, specialised materials, and industrial robotics.

EARNINGS ARE GROWING STRONGER THAN THE RISK FREE RATE



Source: BNP Paribas, Bloomberg.

CORPORATE INVESTMENTS IN AI ARE GROWING STRONGLY



Source: BNP Paribas, BCG.



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Is AI a bubble? Should I sell now?

New technology waves prompt overinvestment

Historical technology booms, from railroads in the 1840s to the internet bubble of the 1990s have all involved some degree of overinvestment and stock market euphoria, then followed by deflation of investor sentiment as stock markets then correct.

These major technology-driven investment cycles have typically lasted somewhere between 4 and 6 years. If we start the AI investment clock at the launch of ChatGPT in November 2022, we are today approaching the 4-year cycle mark. By historical standards then, this AI investment boom is already getting long in the tooth.

US technology spending already accounts for 5% of GDP as of mid-2026, far higher than the 3.3% peak during the late 1980s PC investment boom and the 4.5% touched at the end of the 2000 Y2K/internet bubble. However, the base line for tech spending prior to ChatGPT's launch was far higher than in previous cycles at 4.2% of GDP, thanks to COVID pandemic-era IT spending as remote working became commonplace.

The acceleration in tech spending from the late 1980s PC era to the 2000 internet boom was worth about 1.5% of GDP. In this cycle, tech spending has increased 0.8% from 2022 to mid-2026. Viewed from this perspective, AI-related investment is likely to remain a major driver of overall GDP growth well into 2027. Note that US hyperscalers now project total 2027 capital expenditure of USD 0.9-1.1 trillion, representing growth of 20%-40% over 2026.

Not a valuation but perhaps an earnings bubble

Unlike 1999-2000, the Magnificent 7 tech leaders of today are not trading at stratospheric P/E multiples. At the 2000 peak, networking giant Cisco traded at a 200x P/E. The equivalent AI infrastructure leader today, Nvidia, trades at a mere 14x January 2028 estimated P/E.

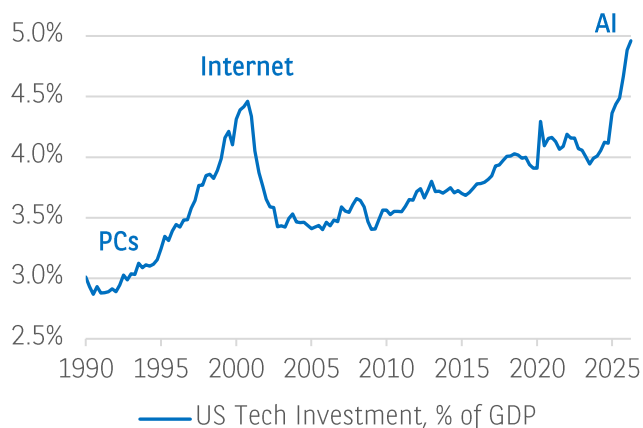
However, the Magnificent 7 group of mega-cap tech stocks have seen estimated EPS grow by nearly 280% since late 2022, averaging an annual 42% growth rate in profits. This does not seem sustainable in the longer term. We would suggest that some of this earnings growth is being fuelled by one-off revaluations of private stakes in AI companies such as OpenAI and Anthropic, while there is also evidence of increasing circular and vendor financing between chip manufacturers like Nvidia and their hyperscaler customers.

What might slow this investment cycle?

Current AI-related investment spending increasingly depends on debt issuance, given that the majority of hyperscalers are already investing more than they generate in operating cash flow, not to mention loss-making private companies OpenAI and Anthropic. The increasing cost of this debt financing, combined with the rising risks of far-reaching AI regulation and insufficient electricity power supply, are three factors that could interrupt this technology investment cycle.

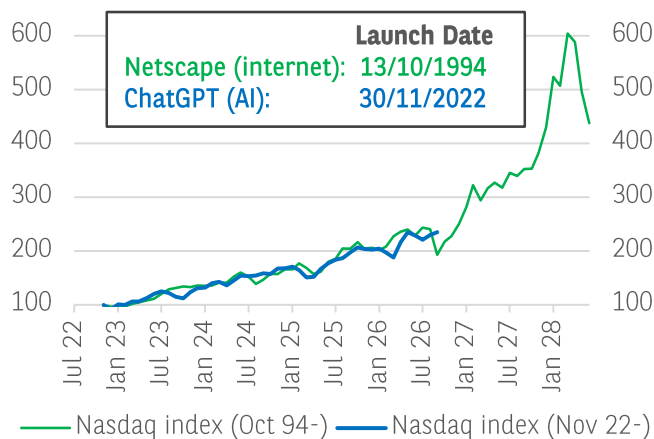
But investment bubbles are notoriously hard to time. Taking the internet boom as a guide, the Nasdaq index could still rise for 18 more months before peaking.

AI-RELATED INVESTMENT ALREADY FAR EXCEEDS THE 2000 DOT COM BUBBLE



Source: Bloomberg, BNP Paribas

COULD THE AI BOOM FOLLOW THE DOT COM HYPE CYCLE, PEAKING IN MARCH 2028?



Source: BNP Paribas, Bloomberg



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Summary of our main recommendations, by asset class

	Current Recom	Prior Recom	Segments	We overweight	We underweight	Comments
EQUITIES	+	+	Markets	US, Japan, EM (Brazil, Mexico, China A shares, Taiwan, South Korea)	Europe	Overweight Equites: despite potential volatility surrounding the US midterm elections, historical trends and strong earnings growth support a resilient equity market, particularly for high-quality tech.
			Sectors	Global Health Care, Information Technology, Industrials and Mining, EU Utilities,	Consumer Staples	Industrials: re-shoring, reindustrialisation, defence, AI and other infrastructure (re)development are major tailwinds. But higher energy prices have been a headwind for some. Health Care is still undervalued, given the promising new drugs, AI benefits, and the current surge in M&A activity. Information Technology: our confidence in hyperscalers' ROI has increased, while global IT equity valuations are currently attractive.
			Styles/ Themes	Metals & Mining, Electrification, defence electronics		Commodity-related stocks
BONDS	+/=	+/=	Govies	Core Eurozone sovereign bonds UK Gilts		Positive on core Eurozone sovereign bonds, favour maturities of 7-10 years. Neutral on US Treasuries (ca. 5 years). 12-month US 10Y yield target 4.75%, German 10Y bund yield 3.0%, UK 10Y gilt yield 4.65%.
	+	+/=	Credit	Euro and GBP IG		We prefer the EUR and GBP corporate bonds (Positive view) to USD bonds (Neutral view) given the supply dynamics and the level of spreads. Focus on quality.
	=	=	EM bonds			EM central banks have less potential to cut rates, and we see less downside for the USD. We are Neutral on EM local and hard currency bonds.
CASH	=	=				The ECB is expected to hike rates in December to 2.75%. The Fed should raise rates in December and January to a 4.5% Fed Funds target rate.
COMMODITIES	+ / +/-	+ / +/-		Copper (+) Gold (+)		Oil (-) Negative stance. Our view in 12 months is USD65, due to a likely return to global overproduction combined with less OPEC discipline. Base Metals (+) The outlook for the industrial sector is favoured by rising demand and constrained supply. Gold (+) The last correction offers higher upside potential for gold, our 12m target is USD5000. Silver (+) USD80 for our 12m target.
FOREX			EUR/USD			Our EUR/USD 12m target is USD 1.20.
REAL ESTATE	=	=		Residential, Health Care, logistics/ warehouses		A slow improvement in net asset values post 2022-24 NAV adjustment should support unlisted real estate.
ALTERNATIVE UCITS				Global Macro, Event Driven		Rising M&A volumes should support event-driven arbitrage strategies.
INFRA STRUCTURE	+	+		Energy, transportation, water		Excellent long-term returns expected from private and listed infrastructure given the long-term underinvestment.



Economic and FX forecast tables

BNP Paribas Forecasts			
GDP Growth %	2025	2026	2027
United States	2.1	2.2	2.3
Japan	1.2	1.0	1.2
UK	1.3	1.2	1.3
Switzerland	1.8	2.0	1.7
Eurozone	1.3	1.1	1.5
Germany	0.3	1.1	1.3
France	0.9	0.5	1.0
Italy	0.7	0.9	0.8
Emerging			
China	5.0	4.6	4.5
India*	7.8	6.7	6.9
Brazil	2.3	1.9	1.3
* Fiscal year			
Source : BNP Paribas - 01.10.2026			

BNP Paribas Forecasts			
CPI Inflation %	2025	2026	2027
United States	2.7	3.4	2.3
Japan	3.1	2.0	2.5
UK	3.4	3.2	3.2
Switzerland	0.2	0.6	0.7
Eurozone	2.1	3.0	2.8
Germany	2.3	2.7	2.6
France	0.9	2.4	2.3
Italy	1.6	2.9	2.1
Emerging			
China	0.0	1.0	1.2
India*	2.1	5.0	4.6
Brazil	5.0	4.5	4.6
* Fiscal year			
Source : BNP Paribas - 01.10.2026			

	Country	Spot 02/10/2026	Target 3 months	Target 12 months
Against euro	United States	EUR / USD 1.13	1.12	1.20
	United Kingdom	EUR / GBP 0.85	0.84	0.87
	Switzerland	EUR / CHF 0.93	0.94	0.92
	Japan	EUR / JPY 178	177	186
	Sweden	EUR / SEK 11.30	11.00	10.80
	Norway	EUR / NOK 10.84	10.80	10.60
Against dollar	Japan	USD / JPY 158	158	155
	Canada	USD / CAD 1.42	1.40	1.35
	Australia	AUD / USD 0.70	0.70	0.73
	New Zealand	NZD / USD 0.56	0.57	0.60
	Brazil	USD / BRL 5.23	5.20	5.0
	India	USD / INR 96.29	95.0	95.0
	China	USD / CNY 6.71	6.70	6.60

Source: BNP Paribas, Refinitiv Datastream. As at 5 September 2026

THE INVESTMENT STRATEGY TEAM

FRANCE

Edmund SHING

Global Chief Investment Officer

Hiba MOUALLEM

Investment Strategist

Isabelle ENOS

Senior Investment Advisor

Charles GIROT

Senior Investment Advisor

ITALY

Luca IANDIMARINO

Chief Investment Advisor

BELGIUM

Philippe GIJSELS

Chief Investment Advisor

Alain GERARD

Senior Investment Advisor, Equities

Mathias DEMETS

Senior Investment Advisor, Commodities

GERMANY

Stephan KEMPER

Chief Investment Officer, Germany

LUXEMBOURG

Guy ERTZ

Deputy Global Chief Investment Officer

Gurminder SINGH

Investment Strategist, Forex

ASIA

Prashant BHAYANI

Chief Investment Officer, Asia

Grace TAM

Chief Investment Strategist

Dannel LOW

Investment Services Analyst



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

CONNECT WITH US



wealthmanagement.bnpparibas

DISCLAIMER

This marketing document is communicated by the Wealth Management Métier of BNP Paribas, a French Société Anonyme, Head Office 16 boulevard des Italiens, 75009 Paris, France, registered under number 662 042 449 RCS Paris, registered in France as a bank with the French Autorité de Contrôle Prudentiel et de résolution (ACPR) and regulated by the French Autorité des Marchés Financiers (AMF). As marketing material, it has not been prepared in accordance with legal and regulatory requirements aimed at ensuring the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It has not been submitted to the AMF or any other market authority.

This document is confidential and intended solely for the use of BNP Paribas SA, BNP Paribas Wealth Management SA or their affiliates ("BNP Paribas") and the persons to whom this document has been delivered. It may not be distributed, published, reproduced or disclosed by any recipient to any other person, nor may it be quoted or referred to in any document, without the prior consent of BNP Paribas.

This document is provided solely for information and shall not constitute an offer or solicitation in any state or jurisdiction in which such an offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer, solicitation or sale. It is not, and under no circumstances is it to be construed as, a prospectus.

Although the information provided herein may have been obtained from published or unpublished sources considered to be reliable and while all reasonable care has been taken in the preparation of this document, BNP Paribas does not make any representation or warranty, express or implied, as to its accuracy or completeness and does not accept responsibility for any inaccuracy, error or omission. BNP Paribas gives no warranty, guarantee or representation as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of any product or transaction. Investors should not place undue reliance on any theoretical historical information regarding such theoretical historical performance. This document may contain or refer to past performance; past performance is no guarantee for future performance.

The information contained in this document has been drafted without prior knowledge of your personal circumstances, including your financial position, risk profile and investment objectives.

Prior to entering into a transaction each investor should fully understand the financial risks, including any market risk associated with the issuer, the merits and the suitability of investing in any product and consult with his or her own legal, tax, financial and accounting advisors before making his or her investment. Investors should be in a position to fully understand the features of the transaction and, in the absence of any provision to the contrary, be financially able to bear a loss of their investment and willing to accept such risk. Investors should always keep in mind that the value of investments and any income from them may go down as well as up and that past performance should not be seen as an indication of future performance. Any investment in a product described herein is subject to the prior reading and understanding of the legal documentation concerning the product, and in particular the one which describes in details the rights and obligations of investors as well as the risks inherent to an investment in the product. Save as otherwise expressly agreed in writing, BNP Paribas is not acting as financial adviser or fiduciary of the investor in any transaction. The information, opinions and projections expressed herein reflect the opinion of their author at the time of writing; they are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by anyone, and are subject to change without notice. Neither BNP Paribas nor any BNP Paribas Group entity accepts any liability whatsoever for any consequences that may arise from the use of information, opinions or projections contained herein.

As distributor of the products described herein, BNP Paribas may receive distribution fees on which you can obtain more information upon specific request. BNP Paribas, their employees or administrators may hold positions in these products or have dealings with their issuers.

By accepting this document, you agree to be bound by the foregoing limitations.

© BNP Paribas (2026). All rights reserved.

Pictures from Getty Images.



BNP PARIBAS
WEALTH MANAGEMENT

**The bank
for a changing
world**