

Looking at Q2 — 2026 —



The quarter opened amid headlines of Middle East tensions and the Strait of Hormuz closure, with **oil prices** hovering around \$100 per barrel. The ceasefire continues to be fragile. Elevated energy costs weigh on real incomes, lifting headline inflation and dampening the growth sentiments.

At the same time, **Wall Street stays buoyant**. AI investments continue to rise with top technology firms poised to spend almost \$700 billion on capital expenditure in 2026 alone, up 36% from last year, as per Barclays Bank. While the Magnificent Seven ("Mag 7") companies continue to lead the earnings growth, strong earnings are broadening beyond the highly concentrated group of Mag 7. For Q1 2026, the blended year-over-year earnings growth rate for the S&P 500 is 15.1% as per Factset. If this tracks for the remaining earning announcements, it will mark the sixth-straight quarter of **double-digit earnings growth** for the S&P 500.

The private and public sectors are also ramping up investments in **energy infrastructure**. Global energy investment reached \$3.3 trillion in 2025, driven by the energy transition and grid investment, says Reuters. According to BloombergNEF, total power demand in 2035 is expected to be around 30% higher than in 2025. The main drivers are data centres, electric vehicles and air conditioning systems.

While US growth remains resilient, the rest of the developed world is shifting towards concerns of a "stagflationary" scenario. **Europe** is particularly vulnerable to an energy crisis if the Strait remains closed for a prolonged period of time.



GDP Growth Forecasts

Region	2025A	2026E	Signal
 United States	2.8%	2.1%	 Slowing
 Eurozone	1.1%	1.4%	 Recovering
 China	4.8%	4.5%	 Divergent
 Japan	1.2%	1.0%	 Stable
 United Kingdom	0.9%	1.2%	 Fragile
 Emerging Markets	3.9%	4.0%	 Mixed

Source: IMF, Bloomberg, J.P. Morgan. Forecasts are consensus estimates subject to change.

Inflation Estimates:

- US Core PCE (Mar est.): 3.2%
- US CPI (Mar est.): ~3.5%
- Eurozone CPI: 2.4%
- UK CPI: 3.0%
- Japan CPI: 2.8%

Source: IMF, Bloomberg, J.P. Morgan. Forecasts are consensus estimates subject to change.

Key Macro Risks

Iran-US military conflict - energy price spike



US debt/GDP at 120% - financial repression risk



Trade fragmentation - structural inflation floor



AI capex bubble risk - financial engineering rising



Fed Chair transition
(The transition from Powell to Warsh as the Fed chair)



Housing affordability at worst since 1980s



Key Themes

AI Infrastructure	Power demand surge; 662 TWh AI growth by 2030; 1.6% data centre vacancy record low.	Long
AI Semiconductors	Blackwell sold out 12M. Capacity constrained. Foundry cycle accelerating.	Long
EU Defence	NATO 3.5% GDP target. 20% EPS CAGR expected through 2030. Structural rearmament.	Long
Gold	Central bank buying. Iran war premium.	Long
Real Assets / Infra	Inflation pass-through contracts. Power = 60% of MSCI Infra. Rental 50% cheaper than buying.	Long
Short Legacy SaaS	Market punishing firms not capturing AI value. Half of software index stocks down YTD.	Short

The AI buildout is causing a boom in semiconductors, data center equipment, and utility/power generation companies. The financing needs tied to AI capex far exceed the strong balance sheets of even some of the hyperscalers. That's why we expect companies to keep tapping public and private credit markets.



European defence stocks have been among the market's strongest performers since the Russia- Ukraine war started in February 2022, rising more than 450%, compared with a roughly 40% gain for the MSCI Europe index. More recently, the noise between the Trump administration and NATO has nudged European countries to become more self-reliant in terms of defence.

Gold has declined approximately 10% since the Iran conflict began on 28 February (from ~\$5,200 area to ~\$4,700 today), possibly linked to forced liquidation. With strong central bank demand and economic uncertainty expected to offset risks from surging inflation and any Fed policy bets due to the Middle East conflict, gold as an asset class holds promise.



Private Markets & Real Assets Outlook

Capturing AI value · Infrastructure · Real Estate · Private Credit

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Venture Capital / Growth Equity

↑ Overweight

- Top 10 private AI firms worth ~\$1.5T
- AI = >60% of VC deals (last 12M)
- App/platform layer still private through decade
- OpenAI: \$200B revenue target by 2030
- Manager selection critical; dispersion wide

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Private Credit

↑ Overweight

- ~10% yield on new issues; risk compensated
- >\$500B dry powder available
- Need >6% defaults + <40% recovery for neg. returns
- Hyperscalers moving to credit for AI capex
- Oracle bond 5x oversubscribed

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Infrastructure

↑ Overweight

- 8-12% historical annualised returns
- Power = 60% of MSCI Global Infra Index
- 80% of family offices have ZERO exposure
- Long-term inflation-resilient contracts
- LNG, renewables, grid modernisation in focus



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Real Estate → Neutral to Overweight

- EU: 20–40% below peak - discounted entry
- US: buy cost 50% > rent cost – rental demand surge
- 6M people enter prime homebuying age by 2030
- Higher rates is a dampener
- Focus: rental housing, industrial, logistics



Portfolio Construction

From geopolitical uncertainty to a possibly prolonged energy crisis, markets are figuring out many unknowns. We remain positive on certain themes such as AI, European defence and other select pockets. Despite the upcoming leadership transition at the Federal Reserve, energy price spikes may cause inflationary pressure, and the Federal Reserve is likely to hold rates. Commodities and real assets provide diversification benefits in this situation.

Portfolio Construction for the New Frontier

Blending resolve with agility · Inflation-resilient multi-asset framework

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Core Equities

- US large-cap technology & AI leaders
- EU defence & industrial
- Global financial sector / banks
- Selective EM exposure: India, Taiwan semis

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Fixed Income

- US aggregate bonds / municipal bonds
- Global IG corporate credit (EUR preferred)
- Treasury Inflation-Protected Securities (TIPS) – inflation-linked protection
- Private credit (small part of FI allocation)



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Real & Alternative Assets

- Infrastructure: power, LNG, data centres
- Real estate: rental housing, EU logistics
- Commodities: gold, copper, energy (geopolitical hedge)
- Hedge funds: macro & relative value

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Private Markets

- VC / growth equity: AI application layer
- Private credit: new issue ~10% yield
- Infrastructure: power-focused funds
- Manager selection is paramount

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