BNP PARIBAS
WEALTH MANAGEMENT

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MARCH 2026

Investment Navigator
Asia Edition

Double Disruption: Oil Shocks and AI's Labour Revolution?

In this Investment Navigator, we address two top-of-mind questions from investors which had been the key sources of market volatility recently: (1) oil disruption amid Iran conflict, and (2) AI disruption amid global software selloff.

1 Will Oil Price Shock Become a Reality?

We discuss the latest changes in our asset allocation views given the rising risk of a prolonged Iranian conflict that could keep oil and gas prices elevated for longer, and a more stagflationary economic scenario leads us to take a more prudent view on risk assets.

2 Bots vs Jobs: The Great AI Disruption Debate

For years, the idea that artificial intelligence (AI) could disrupt labour markets remained largely theoretical, a topic for futurists, economists, and policymakers. But in recent weeks, that narrative has moved from a simmering concern to action, driving cross-sector rotation, especially with the "sell software, buy semi-conductors" rotation.

The shift raises urgent questions: What triggered the cross-sector rotation? Is this a temporary market overreaction, or the beginning of a fundamental economic realignment? And if AI reshapes industries faster than expected, what does that mean for growth, employment, and corporate earnings?

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Will Oil Price Shock Become a Reality?

Given the uncertainty over the Iran conflict remains very high, as reflected in the jump in implied volatility on oil, stocks and FX markets recently, we have decided to integrate the risk of a prolonged Iranian conflict into our asset allocation views. As the Strait of Hormuz is still constrained, we may enter the realm of oil demand destruction if the elevated oil and gas prices persist over the next few months, as was the case in 2022. Such a stagflationary economic scenario leads us to take a **more prudent view on risk assets**, notably both global equities, the high yield credit as well as emerging bond markets.

The risk of high oil prices for longer

The Brent crude oil price surged to above USD 100 per barrel on 9 March, up over 70% year-to-date. It is still highly uncertain when the conflict would end. With the effective closure of the Strait of Hormuz, combining with tanker traffic disruption and attacks on oil production and refining facilities, several Gulf states are temporary halting or reducing their oil and gas production. Thus, this supply disruption is real, and production could take longer than initially expected to return to pre-conflict levels. Even if President Trump blinks (due to pressure from markets and from Gulf state allies), will the Iranians allow the Strait of Hormuz to reopen to seaborne traffic?

Given the likeliness of ongoing supply disruption for longer, oil price spikes to USD 120 is still possible. Once there is some perspective on de-escalation, oil and gas prices could quickly pull back. But our initial scenario of Brent returning to its USD 60-70 trading range before year-end has become less realistic, as the original oversupply will now be absorbed by current temporary production outages. So, a more realistic 12-month target would be a range of USD 70-80.

Risk of a more staflagtionary scenario

The economic consequences of higher oil prices depend not only on the magnitude of the increase but also on the price level and, especially, on the duration of the energy shock. A price level above USD 100 — and in particular above USD 120 — for more than two months would dramatically raise the probability of a stagflation and even a recession. Net energy importer regions such as Europe and Asia (such as Japan, Korea) are more vulnerable than the US and Latam (net oil exporters). China with significant oil reserves is also expected to fare better.

Tactically trimming risks to a more Neutral positioning, while preparing the shopping list

The risks of a prolonged conflict causing a more sustainable rise in energy prices have increased, and the risk-reward picture for risk assets has deteriorated. The situation might well become materially worse before it gets better. Hence, we tactically trimming some risks to a more neutral positioning in the short term. At the same time, **investors should also prepare a potential buy list of opportunities to action IF the US do decide to "declare victory" and de-escalate the conflict, AND if ships begin to pass through the Strait of Hormuz once again.**

Summary of our changes in asset allocation views

Fixed Income

- Downgrade High Yield to Underweight
- Downgrade EM local currency bonds to Neutral

Equities

- **Downgrade Overall Equities to Neutral**
- Downgrade Japan to Neutral
- Downgrade EM to Neutral (Downgrade Asia to Underweight with China turning neutral and rest of Asia Underweight; Keep Latam OW)
- Downgrade Europe to Underweight
- Downgrade US Financials to Underweight and Europe Financials to Neutral

Forex

Expect USD to strengthen in the short term, and less USD downside in the medium term)

- EURUSD 3-month target 1.14 (from 1.18), 12m target 1.2 (from 1.24)

2

Bots vs Jobs:
The Great AI Disruption Debate

The catalyst: A viral narrative

The sector rotation was not triggered by a broad earnings miss or a hawkish central bank pivot, but rather by a viral blog post on X. The piece, authored by independent researcher Citrini and titled "The 2028 Global Intelligence Crisis," quickly amassed millions of views, hardly surprising given its timely subject matter and the fact that it is both well-written and thought-provoking.

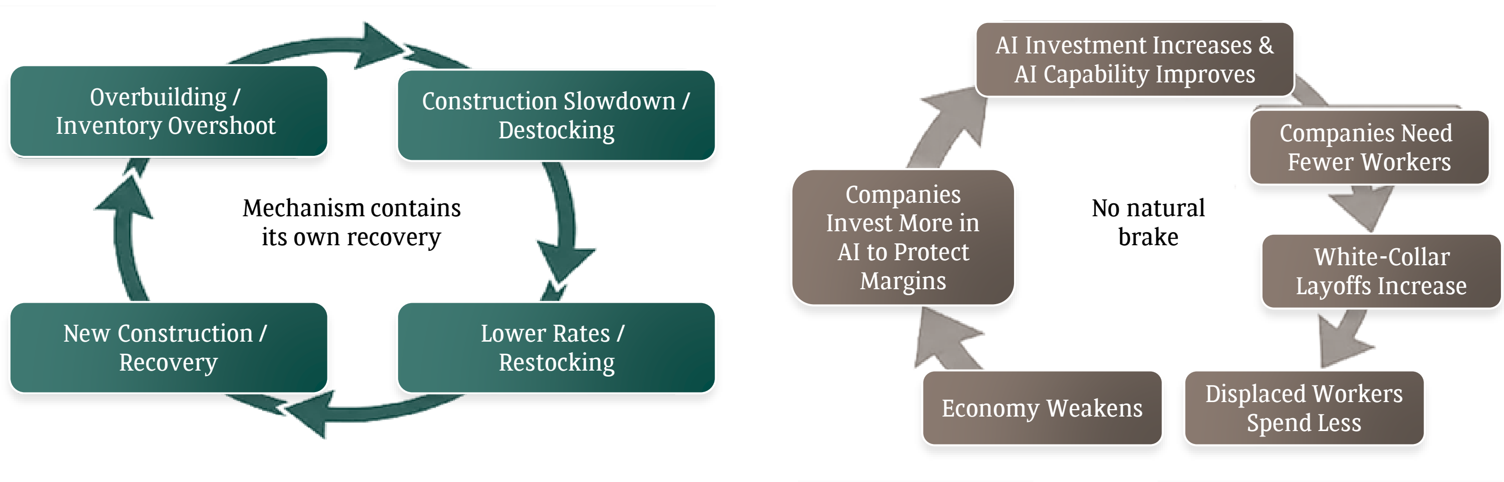
Despite the authors explicitly stating at the outset that the post is not a prediction but rather an exploration of an underexamined scenario, it appears to have been received as something it was never intended to be—namely, in the authors' own words, "AI doomer fan-fiction."

At its core, the scenario outlines a future in which AI disrupts the vast majority of white-collar service jobs, as companies increasingly adopt AI to cut costs (and ensure survival), rendering more workers redundant. With declining incomes, the consumer economy weakens, prompting further cost-cutting through AI—which, in turn, displaces even more workers. The result is a self-reinforcing negative feedback loop.

Figure 1: **Citrini's report highlighted the difference between traditional cyclical recession vs. AI-driven economic feedback loop**

Traditional cyclical recession (self correcting)

AI-driven economic feedback loop (no natural brake)



Source: Citrini Research, as of 23 Feb 2026.

Let's separate signal from noise…

Fears of an AI-driven economic collapse assume an unlikely sequence of events: extremely rapid labour displacement, minimal reinvestment of corporate profits, no meaningful policy response, and unconstrained technological scaling. Economic history suggests this combination is improbable. Previous general-purpose technologies, from electricity to computing, raised productivity and ultimately created new industries, new forms of demand, and new employment.

Artificial intelligence is therefore more likely to act as a productivity amplifier, rather than a macroeconomic destabiliser. In a world facing demographic aging, supply-chain fragmentation, and rising fiscal pressures, AI could instead help sustain trend growth. Industries will be disrupted and the speed of diffusion will be key. **The real uncertainty is not whether AI will generate economic value, but how that value is distributed across labour, capital, and institutions.**

Which sectors are AI benefiting, and which are AI disrupting?

Artificial Intelligence is transitioning from a research breakthrough to a broad economic platform comparable to the advent of the internet or the industrial revolution's adoption of electricity in the past. Generative AI alone is estimated to add **$2.6–4.4 trillion annually to global GDP** through productivity gains across industries. Meanwhile, up to **300 million jobs globally could be partially automated by AI technologies** over time. For equity investors, this shift is already creating clear winners and potential structural losers. That said, it is likely that displacement won't be that swift, but how to parse these conflicting signals?

Sector winners

1. Semiconductors & Compute Infrastructure

AI models require massive computational power. Training large models can require tens of thousands of GPUs, driving demand for advanced chips and networking.

Key beneficiaries:

- The whole value chain from semiconductor capital equipment to semiconductor companies (the global AI semiconductor market is projected to exceed **$400 billion by 2030**, growing at over **25% CAGR**)
- Data center networking
- Memory manufacturers (HBM)
- Power and cooling infrastructure

This sector represents the **"picks and shovels"** of the AI boom. However, keep in mind the sector is cyclical and the length of the capex boom is key. The **ROI on AI** will also be the key determinant of the length of the cycle.

2. Cloud Platforms & Hyperscalers

AI deployment requires large-scale compute infrastructure and model hosting. Major platforms, such as the hyperscalers, are embedding AI into **cloud services and enterprise software**.

These companies are also benefiting from:

- recurring AI infrastructure revenue
- software productivity tools
- enterprise AI platform ecosystems

Cloud AI spending is expected to grow from roughly **$50–60 billion in 2023 to over $300 billion by 2030**. Enterprise customers are increasingly integrating AI copilots, automated coding tools, and customer-service models directly into workflows. However, competition among hyperscalers is also picking up and they will likely generate less free cash flow and will have lower buybacks going forward if capex remains elevated (rising capital intensity). Hence, stock picking will be crucial.

3. Software Automation & Productivity

AI is disrupting knowledge work by automating coding, marketing, legal drafting, and analytics. Software companies incorporating AI into productivity platforms can expand margins while increasing product value. **The key will be first movers in software space that incorporate agents and have proprietary data that will not be commoditised by AI in general.** This sector will be disrupted but rising stock dispersion means **stock selection can generate alpha.**

Examples include:

- coding copilots
- automated customer support
- AI marketing and design tools

4. Robotics & Physical Automation

AI is moving from digital automation into physical environments such as warehouses, logistics, and manufacturing.

Advances in machine vision and reinforcement learning are enabling:

- warehouse robotics
- autonomous delivery
- industrial automation

This creates long-term demand for robotics hardware, sensors, and automation software.

Possible sectors disrupted

1. Business Process Outsourcing (BPO)

Customer service, call centers, and data processing are among the most automatable tasks.

Generative AI chatbots can now handle 60–80% of customer queries, potentially reducing demand for large offshore service providers. Countries heavily reliant on outsourcing labour may face employment disruptions.

2. Entry-level Knowledge Work

AI can automate tasks such as:

- legal research
- basic financial analysis
- marketing content generation
- software debugging

This may compress margins for professional services firms and reduce demand for junior roles.

3. Legacy Software Vendors

Companies relying on traditional SaaS models without AI integration risk disruption. AI-native platforms could replace expensive enterprise tools by providing more automated workflows and decision-making. The winners will be the ones having proprietary data and agentic AI integration.

Overview of our CIO Asset Allocation for March 2026

<table>
<tr><th rowspan="2"></th><th colspan="2">Views</th><th rowspan="2">Constituents</th><th rowspan="2">We like</th><th rowspan="2">Comments</th></tr>
<tr><th>Current</th><th>Prior</th></tr>
<tr><td rowspan="3">EQUITIES</td><td rowspan="3">=</td><td rowspan="3">+</td><td>Markets</td><td>LATAM</td><td>■ We downgrade Global Equities to Neutral.
■ We downgrade Japan and EM to Neutral (China turns Neutral and rest of Asia turns Underweight)
■ We downgrade Europe to Underweight</td></tr>
<tr><td>Sectors</td><td>Overweight Healthcare, Industrials.
For Europe: Healthcare, Industrials, Utilities</td><td>■ We downgrade US Financials to Underweight
■ We downgrade Europe Financials to Neutral</td></tr>
<tr><td>Styles/ Themes</td><td>Megatrend Themes</td><td>■ Diversification, income, AI, infrastructure, commodities and Asian themes.</td></tr>
<tr><td rowspan="2">BONDS</td><td>=</td><td>=</td><td>Govies</td><td>UK</td><td>■ We are Neutral on US and German government bonds, favouring maturities less than 5 years. We downgrade US TIPs to Neutral.
■ Our 12-month US 10Y yield target remains unchanged at 4.25%.</td></tr>
<tr><td>+</td><td>+</td><td>Segments</td><td>EUR and GBP Investment grade</td><td>■ We downgrade EM bonds (local currency) to Neutral and remain Neutral on US IG, EM bonds (USD)
■ We downgrade High Yield to Underweight</td></tr>
<tr><td>CASH</td><td>=</td><td>-</td><td></td><td></td><td></td></tr>
<tr><td>COMMO-DITIES</td><td>+</td><td>+</td><td></td><td>Copper
Aluminium</td><td>■ Precious Metals – Overweight Gold ($5,500/oz) and Neutral Silver ($90/oz)
■ Oil – Turn Neutral (Brent short term $100, 12m $70-80).
■ Base Metals – Overweight, especially like Copper ($14,000) and aluminium target ($3,500).</td></tr>
<tr><td>FOREX</td><td></td><td></td><td>EURUSD
USDJPY</td><td></td><td>■ 12-month target at 1.20
■ 12-month target at 155</td></tr>
<tr><td>ALTER-NATIVE</td><td>+</td><td>+</td><td></td><td>Hedge funds
(global macro, long-short equities, event driven)</td><td>■ Neutral on relative value</td></tr>
</table>

Note: + Overweight / = Neutral / - Underweight

GDP & CPI Forecasts

		GDP (YoY%)			CPI (YoY%)		
		2025	2026f	2027f	2025	2026f	2027f
Developed	US	2.2	2.9	2.0	2.7	2.6	2.7
	Japan	1.1	0.6	0.9	3.1	1.9	2.5
	Eurozone	1.5	1.6	1.6	2.1	1.9	2.3
	UK	1.3	1.1	1.3	3.4	2.4	2.2
North Asia	China	5.0	4.7	4.5	0.1	0.9	1.0
	Hong Kong*	2.4	2.1	2.3	2.3	2.1	2.3
	South Korea	1.0	2.0	1.8	2.1	2.1	2.0
	Taiwan	6.6	2.8	2.6	1.7	1.4	1.5
South Asia	India	7.6	7.0	6.8	2.1	4.1	4.3
	Indonesia*	5.0	5.1	5.1	1.9	3.0	2.5
	Malaysia*	4.6	4.3	4.3	1.4	1.9	2.0
	Philippines*	5.1	5.6	5.8	1.7	2.8	3.0
	Singapore*	1.7	1.8	2.3	1.1	1.3	1.9
	Thailand*	2.1	1.6	2.2	-0.1	0.4	1.0

Source: BNP Paribas Group Economic Research, BNP Paribas Global Markets forecasts as of 28 February 2026
Note: India's forecasts are for the fiscal year (April–March).
** IMF data and forecasts as of 28 February 2026*

GROWTH

- There are three core Iran scenarios:
  - (1) De-escalation (oil price returns to $60-65);
  - (2) Uncertainty lingers (oil price remains around $80-90); and
  - (3) Escalation with significant constraints to flows through the Strait of Hormuz (oil price moves to $130).
- The first and second scenarios would likely have a smaller impact on growth in the US than in the Eurozone, as the Eurozone is more dependent on gas, which is more vulnerable to supply disruption than the oil markets.
- The probability of a 'worst-case' scenario has risen. An escalation of the conflict could trigger a materially weaker global growth outlook.

INFLATION

- The first and second scenarios could see central banks "look through" short-term oil and gas price increases.
- The "escalation" scenario could be a classic negative supply shock that is set to deliver a stagflationary dynamic of higher inflation and lower economic activity. Central banks may have no choice but to turn hawkish and prioritise inflation.

Equities

OVERWEIGHT | NEUTRAL | UNDERWEIGHT

OVERALL GLOBAL: ▼NEUTRAL

	OVERWEIGHT	NEUTRAL	UNDERWEIGHT
COUNTRY		US ▼ Japan ▼ Emerging Market	▼ Europe
SECTOR	Healthcare Industrials	Comms. Real Estate Materials Consum. Discre. Technology Energy Utilities	Consumer Staples ▼ Financials

OVERALL ASIA: ▼ UNDERWEIGHT

	OVERWEIGHT	NEUTRAL	UNDERWEIGHT
COUNTRY		China	▼ Asia ex-China
SECTOR	Comms. Consum. Discre. Technology Healthcare	Materials Real Estate Financials Utilities Consumer Staples	Industrials Energy

- The risks of a prolonged conflict causing a more sustainable rise in energy prices have increased. The risk-reward picture for equities has deteriorated. The situation might well become materially worse before it gets better. To reflect these risks, **we downgrade our global equity view to Neutral.**
- **We downgrade Japan and Emerging Market (EM) to Neutral. Within EM, we turn Underweight on Asia (except for China, which we rate as Neutral) but remain Overweight on Latin America,** as the region benefits from higher energy prices.
- **We downgrade Europe to Underweight,** as LNG imports account for up to 40% of Europe's total energy imports, leaving Europe directly exposed to a longer-lasting rise in LNG prices. The business and consumption climate would take a hit.
- Increased redemptions from private credit funds, coupled with the worsening geopolitical climate, reduce confidence and liquidity; as a result, we **downgrade US Financials to Underweight**. Europe is less exposed to private markets, so we **downgrade Europe Financials to Neutral**, noting that cheap valuations and strong balance sheets may not protect against further market declines or weaker earnings.

		1-month (%)	YTD (%)	Dividend Yield (%)	12M Fwd PE (x)	Trailing PB (x)	12M Forward ROE (%)	EPS Growth Past 12M (%)	EPS Growth 12M Fwd (%)
Developed	US	-0.3	1.1	1.1	23.1	4.8	37.1	30.2	18.3
Developed	Japan	6.8	13.2	1.9	20.2	1.9	12.0	19.4	13.1
Developed	Eurozone	0.7	7.7	2.6	16.7	2.2	17.6	18.6	15.6
Developed	UK	2.7	8.5	2.8	14.8	2.2	19.6	27.6	12.6
North Asia	China	3.8	9.9	1.1	24.7	3.2	14.7	18.5	38.7
North Asia	Hong Kong	-3.4	1.6	3.0	11.5	1.4	14.3	24.2	19.9
North Asia	South Korea	19.1	50.3	0.9	10.8	2.2	25.8	48.7	157.6
North Asia	Taiwan	9.6	21.5	1.9	21.7	3.9	29.1	35.4	33.7
South Asia	India	-0.1	-5.4	1.1	22.2	3.3	19.6	16.7	11.7
South Asia	Indonesia	-5.3	-11.8	2.1	17.7	3.2	12.3	13.2	1.8
South Asia	Malaysia	-1.4	5.8	3.5	16.2	1.7	12.6	10.5	15.6
South Asia	Philippines	1.0	4.1	3.2	11.1	1.4	19.3	11.2	8.8
South Asia	Singapore	-0.2	6.4	4.0	16.1	1.5	12.4	55.9	9.1
South Asia	Thailand	12.6	20.3	3.2	17.9	1.7	18.4	41.9	10.1

Source: Macrobond Indices in USD terms, BNP Paribas (WM), as of 28 February 2026

Fixed Income

OVERWEIGHT | NEUTRAL | UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL		
Overweight	Neutral	Underweight
UK Gilts EUR and GBP IG	US Treasuries German Bunds US IG EMD (HC) ▼ EMD (LC)	▼ High Yield -

OVERALL ASIA (USD): NEUTRAL		
Overweight	Neutral	Underweight
Japan Singapore	South Korea Philippines Indonesia Hong Kong India, China Australia	

		Total Return (%) 1-month	YTD	2024	Yield-to-Worst (%)
Asia	Asia USD Bond	-0.7	0.7	8.1	4.7
	Asia Local Currency Bond	-2.0	-0.8	9.7	3.8
	China	-0.6	0.9	7.3	4.6
	Hong Kong	-0.8	0.9	8.4	4.5
	India	-0.8	1.1	9.6	5.3
	Indonesia	-1.0	-0.4	8.9	5.1
	Singapore	-0.6	0.7	6.6	4.2
	South Korea	-0.6	0.8	7.1	4.1
	Philippines	-0.9	0.5	9.1	4.9
Other Regions	US 10-year Treasuries	-1.3	0.6	7.8	4.1
	US Investment Grades (IG)	-0.9	0.9	7.3	4.3
	US High Yield (HY)	-0.1	0.6	8.6	6.8
	Emerging Market USD Bond	-0.8	0.8	8.3	4.9

Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 28 February 2026

US Treasury 12-month Yield Targets (%)	2Y	5Y	10Y	30Y
	3.60	3.75	4.25	4.90

- Rate Forecasts: We change our forecast for Fed rate cuts from two cuts this year to only one cut in September and a terminal rate of 3.5% amid resilient job data and sticky core CPI inflation. We expect the ECB to remain on hold this year and hike rates in late 2027.
- Govies: Our 10-year yield targets stand at 4.25% for the US, 2.75% for Germany, and 4.30% for the UK. We favour maturities of less than 5 years. We maintain an Overweight view on UK gilts.
- Corporate IG: We prefer EUR and GBP investment-grade (IG) corporate bonds (Overweight view) over USD IG bonds (Neutral view), given supply dynamics and current spread levels. We focus on quality.
- Emerging Market (EM) Bonds: We downgrade EM local currency debt to Neutral, as the US Dollar could strengthen in the short term and EM central banks may have less room to cut rates further if inflation is picking up due to sustained high oil prices. We are Neutral on EM hard-currency bonds, as valuations are highly compressed.
- High Yield: We downgrade corporate high yield bonds to Underweight as the risk-return trade-off has deteriorated further, with weaker issuers more at risk while spreads have only risen moderately.

Forex & Commodities

OVERWEIGHT NEUTRAL UNDERWEIGHT

12-MONTH FOREX VIEW

Overweight	Neutral	Underweight
EUR, GBP, KRW	JPY, CNY, INR, PHP, NZD, THB, SGD, CAD, TWD, MYR	USD, AUD, IDR

- **EUR:** The USD has benefitted from safe-haven flows in the context of this current oil price shock. In the short term, USD may continue to strengthen, while in the medium term we expect less downside for dollar weakness. **We have changed our 3-month target for EURUSD to 1.14 and have also revised our 12-month target to USD 1.20.**
- **CNY:** The PBoC is progressively lowering the USD/CNY fixing, which some are interpreting as allowing a stronger CNY. Going forward, we expect the PBoC to continue striking a balance between maintaining a modest CNY appreciation against the USD and supporting the RMB effective exchange rate. **We change our 3-month and 12-month USD/CNY targets to 6.80.**

COMMODITIES

Overweight	Neutral	Underweight
Gold, Base Metals	Silver, ▲ Oil	

- **PRECIOUS METALS: Overweight** - We increase our target price to **USD 5,500/oz for Gold** and **USD 90/oz for Silver (Neutral)**.
- **OIL: Turn Neutral – We increase our Brent oil target to USD 100 in the short term, and 12-month target to USD 70-80.** Further spikes to USD 120 are possible if the attacks on oil installations escalate or if the Strait of Hormuz remains closed for longer. Once there is some perspective on de-escalation, oil prices could quickly pull back.
- **BASE METALS: Overweight** – We expect that growing demand for infrastructure and energy transition will outpace expected supply growth. **For Copper, we have a 12-month LME target price of USD 14,000. For Aluminium, we have a 12-month target price of USD 3,500.**

Forex Forecasts

		Spot	3-month		12-month	
		As of 28 Feb 2026	View	Target	View	Target
Developed	USD Index	97.608	=	98.0	-	93.8
	Japan	156.05	=	158	=	155
	Eurozone	1.1812	-	1.14	+	1.20
	UK	1.3482	=	1.36	+	1.43
	Australia	0.7118	-	0.66	-	0.68
	New Zealand	0.5998	=	0.60	=	0.60
	Canada	1.364	=	1.38	=	1.35
Asia Ex-Japan	China	6.8625	=	6.8	=	6.8
	South Korea*	1440.2	=	1,420	+	1,400
	Taiwan*	31.2	=	31.6	=	31.8
	India	90.9775	=	90.0	=	90.0
	Indonesia*	16771	=	16,800	-	16,900
	Malaysia*	3.8925	=	3.85	=	3.80
	Philippines*	57.626	=	58.0	=	58.0
	Singapore*	1.2651	=	1.26	=	1.26
	Thailand*	31.08	=	31.5	=	32.0

Source: BNP Paribas (WM) as of 9 March 2026
**BNP Paribas Global Markets forecast as of 28 February 2026*

Note: + Overweight / = Neutral / - Underweight

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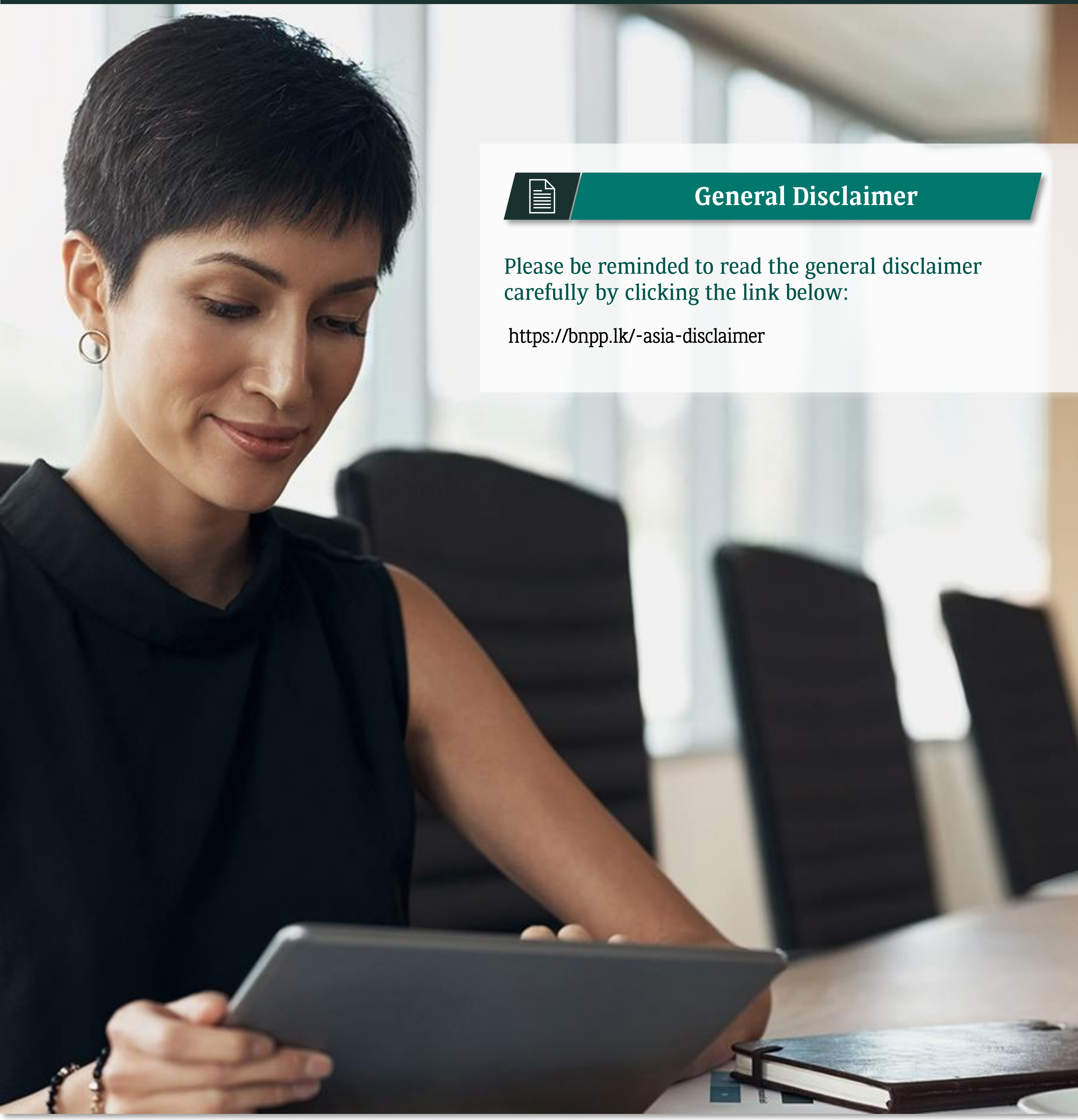

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